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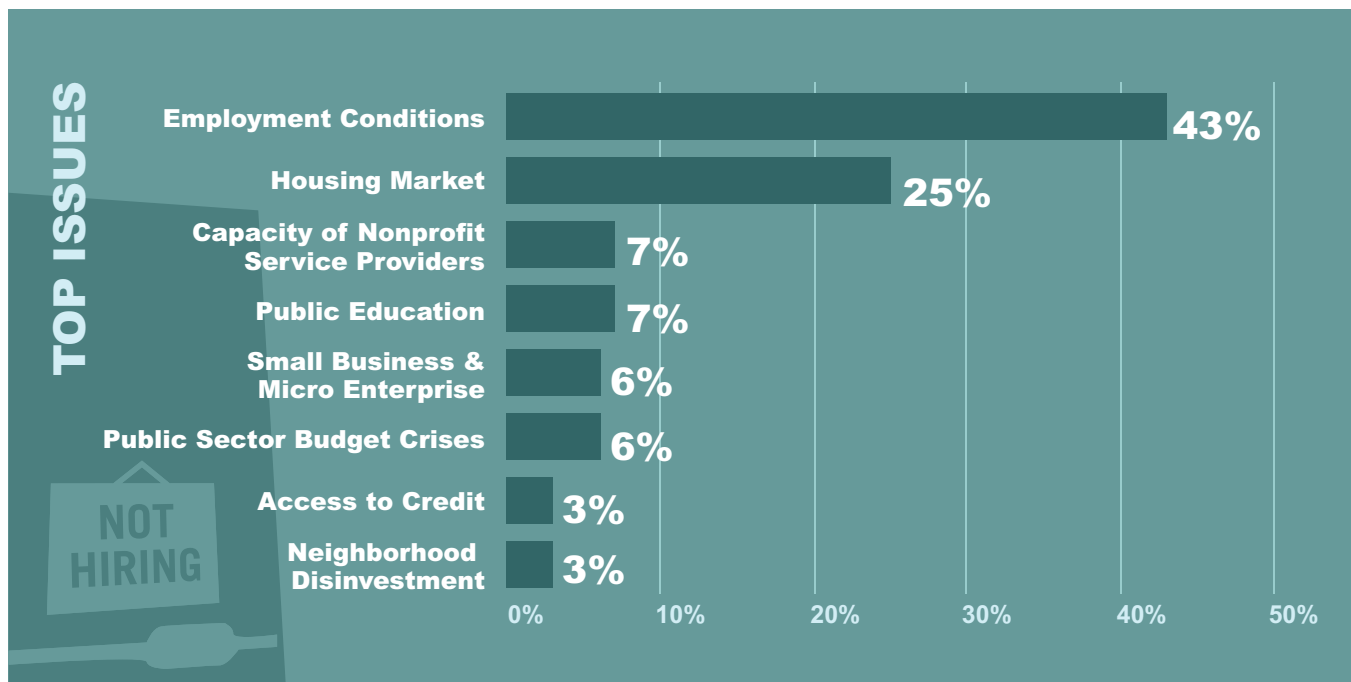
VANTAGE POINT

The 12th District Community Indicators Project

In 2010, the Community Development Department at the Federal Reserve Bank of San Francisco launched the Community Indicators Project, a new initiative that seeks to collect input from community stakeholders about the issues and trends facing low- and moderate-income communities in the 12th District. We hope that by systematically collecting local viewpoints, we will be able to inform community development policy and practice in a richer way than by relying on quantitative statistics alone. In this first wave of the survey, 175 community stakeholders from across the 12th District participated. Questions were open-ended, allowing respondents to raise the issues of most concern to them. This brief is the first in what will become a quarterly series of reports, and synthesizes the key themes that emerged in the September 2010 survey.

Introduction

According to the National Bureau of Economic Research, the nation's economy began to grow again in June of 2009, ending an 18-month recession that was the longest on record since the Great Depression. Economic indicators related to recovery—including those on housing, employment, and trends in consumer spending—have been mixed, with positive data published one day followed by more tepid statistics the next. But in the first wave of our Community Indicators Project, the data and viewpoints we



Source: FRBSF Community Development Indicators Survey.

ABOUT THE INDICATORS PROJECT

The Community Indicators Project is a quarterly survey conducted by the Community Development Department of the Federal Reserve Bank of San Francisco. The goal is to collect insights from community leaders about the conditions and trends affecting low-income households and communities within the Federal Reserve’s 12th District. Respondents include representatives from banks, nonprofits and community based organizations, foundations, local governments, and the private sector. The survey is administered online, and combines both multiple choice and short answer questions. All responses are kept confidential. If you would like to participate in future waves of the Community Indicators Project survey, please email matthew.j.soursourian@sf.frb.org.

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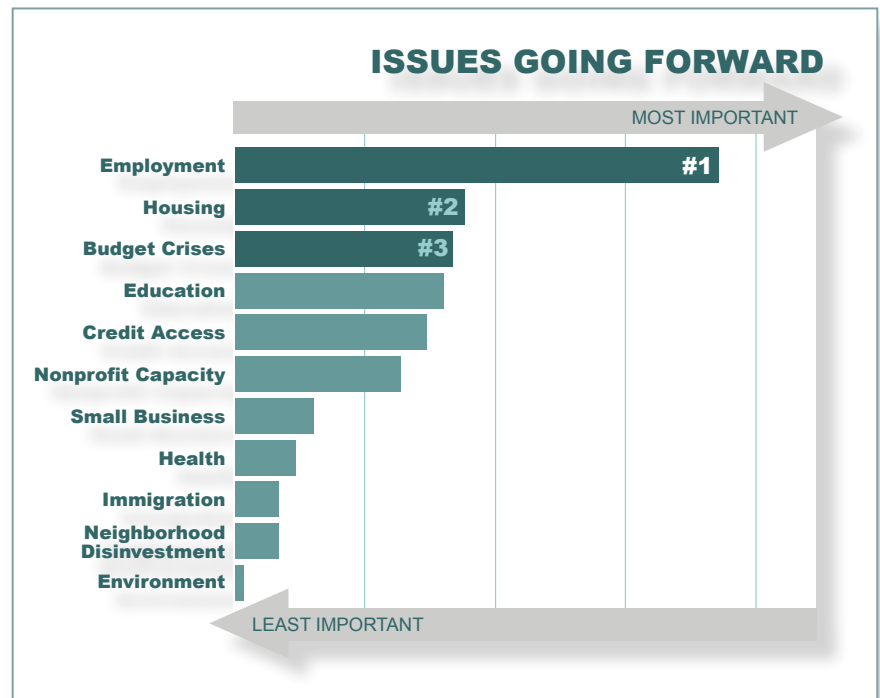
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gathered about how the recession has affected low- and moderate income (LMI) communities all pointed in the same direction: low-income communities across the 12th District are in crisis, and are feeling the brunt of the compounding effects of job losses, foreclosures, neighborhood disinvestment, and crime. Unemployment and housing conditions topped the list of concerns, garnering 68 percent of respondents’ votes for the largest challenges facing LMI communities.

When asked to rank the top issues going forward, respondents similarly chose employment and housing, noting that neither is likely to be resolved without improvements in the other. In addition, survey respondents highlighted that the expanded need for social services at a time of diminishing public sector resources is proving to be particularly difficult, especially for nonprofits. State budget crises—resulting in cutbacks in education and social services—emerged as the third largest challenge going forward, especially in California, Arizona, and Nevada.

Overall, the survey responses painted a grim picture of conditions in LMI communities in the 12th District, and the multiple dimensions along which these communities are struggling suggests a need for cross-sectoral policies and interventions that could aid in reversing these trends.



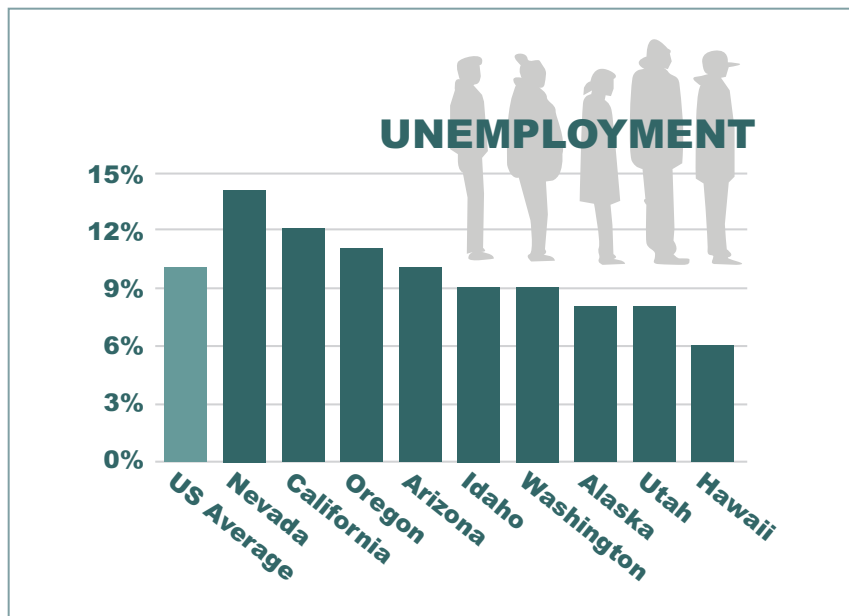
Source: FRBSF Community Development Indicators Survey. Respondents were asked to rank the top three challenges going forward. Responses were weighted and overall score calculated based on both the frequency of selection and rank order.

Unemployment Key Concern among Respondents

Unemployment emerged as the dominant theme across survey respondents, reflecting the persistent high rates of unemployment, especially in Arizona, California, Oregon and Nevada. Respondents emphasized two primary challenges facing LMI communities when it came to unemployment: the lack of jobs (which contributes to the duration of unemployment) and a mismatch between available jobs and the skill sets of the unemployed. Respondents conveyed their concern in particular for lower-skilled workers who once worked in construction or housing related occupations, and emphasized the need to retrain lower-skilled workers for jobs in emerging sectors.

Respondents also noted that unemployment is driving new distress in the housing sector. New foreclosures are being driven by unemployment, and affordable housing developers are finding that more of the residents in their developments are struggling to make their rent payments, which threatens their financial viability. Several respondents suggested the need for a bridge loan or grant that could assist unemployed mortgage holders in meeting their monthly payments.

Respondents emphasized the need to support the establishment and viability of small businesses, calling for policies that promote small business development and incentives to encourage small business to invest in human capital and new jobs. In certain regions, such as Arizona and California's Central Valley, respondents called attention to the need to diversify local economies (away from construction and housing related industries) and emphasized the potential for investment in emerging sectors, such as health care and green jobs.



Source: Bureau of Labor Statistics, October 2010.

COMMUNITY VIEWPOINTS

Prolonged unemployment and under-employment are causing a huge growth in the number of LMI individuals and communities. Unemployment is now the driving force behind most of the other crises we are facing.

—Arizona

Business expansion and start ups are nearly nonexistent. Arizona's reliance on construction jobs during this time when supply outweighs demand has caused a tremendous increase in workers who have no chance of employment.

—Arizona

Shifting Arizona's economy from one based on housing construction and growth mandates new types of employment opportunities and the need for retraining.

—Arizona

We work with foreclosure intervention and financial crisis counseling. Almost all cases are related to employment.

—Oregon

The impact of unemployment on LMI communities is exacerbated. The working poor can't afford a job loss, and youth in LMI communities are not gaining the necessary skills to enter the workforce productively.

—California

The people in our LMI community want to work—but have very low levels of employment skills or have high barriers to employment (criminal record, unstable housing, unreliable childcare). They require specialized training to be able to obtain and retain living wage jobs—especially in this very competitive labor market.

—Oregon

In our city, small businesses are struggling and leaving the heart of the city—we expect to see a growing increase in vacant retail and small office space and a higher need for small business technical assistance and loans

—Arizona

COMMUNITY VIEWPOINTS

Foreclosures are very high in many neighborhoods, but particularly in LMI [communities]. The impact of foreclosures and declining home values has far reaching consequences for things like credit scores (and ability to find work or suitable rental housing), tax base (so that neighborhood services decline even further), and the safety of neighborhoods.

—California

The loan modification programs are not working. Lenders need to recognize their losses and create mortgage programs on the current lower home values. Banks are still not recognizing the reality of losses in specific communities and are not adjusting their asset management policies to reflect the changes.

—Idaho

There is no good reason why this particular category of debt should be the only one excluded from power of bankruptcy court to modify terms and conditions.

—California

The poor performance of lenders and servicers is a shame that homeowners should not have to suffer. A direct “yes or no” by the lender would be much better than 6 to 12 months of waiting only to learn that you are going to be foreclosed on anyway and no loan modification will be approved.

—Nevada

Foreclosures are having an impact on community engagement —with so many empty homes and people having to move around, the stability and interaction in the neighborhoods is limited and this is not contributing to renewing a healthy community.

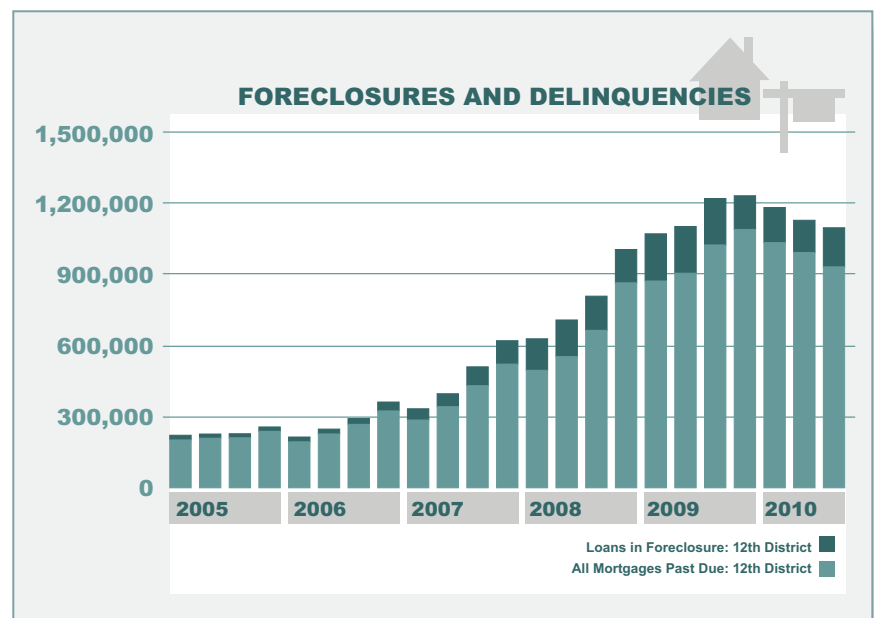
—California

Foreclosures Continue to Drive Distress in Housing Market

Although levels of mortgage delinquencies are dropping, foreclosures remain a critical concern in many 12th District states. Respondents reported that the main driver of foreclosures in the past year has shifted from unsuitable mortgage products to unemployment. Respondents also focused on the spillover effects of foreclosure on other issues such as health, public safety, and education. Concerns were also raised around investors buying REO properties and the effect this has on neighborhood disinvestment and destabilization. Even with existing First Look programs in place, nonprofits are struggling to compete with private investors, and many real estate professionals are hesitant to work with nonprofits and governments who are purchasing REOs using government financing.

Many of the written responses on foreclosures expressed disappointment and frustration with the loan modification process and the limited number of loan modifications being completed. Respondents called for aggressive anti-foreclosure reforms, including widespread adoption of principal reductions for underwater mortgages, more aggressive accountability by state and federal agencies for servicers to advance loan modifications, and moving the foreclosure process to bankruptcy court.

Looking forward, respondents expressed concern about the ability of households to access credit. Long term affordability also emerged as a priority, and respondents expressed frustration that government policies don't always support community development interventions, for example, the inability to use FHA loans for homes within a Community Land Trust.

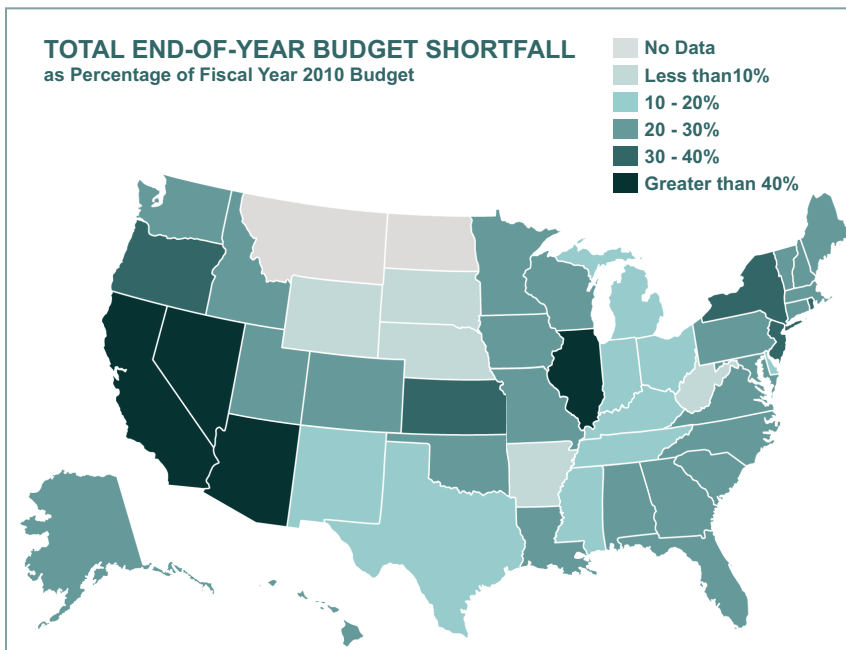


Source: Mortgage Bankers Association, December 2010.

The Impact of Public Budget Shortfalls on LMI Communities

Three of the states within the 12th District face end-of-year budget shortfalls exceeding 40 percent. The steep decline in home values and the subsequent drop in property tax revenue have contributed to the massive shortfalls in these states. The instability of public funding raised concern for many respondents, particularly in regards to its impact on agencies and programs that serve LMI communities.

Interestingly, a strong theme that emerged in the responses was the concern that public dollars are not being directed appropriately for long-term impact. Respondents worried that the focus on the deficit and the interest in immediate spending reductions could be costly to society in the long run. Others pointed to the lack of good research that demonstrates the return on investment of spending on areas such as affordable housing, small business incentives, and education.



Source: Center on Budget and Policy Priorities, December 16, 2010, available online <http://www.cbpp.org/files/9-8-08sfp.pdf>.

COMMUNITY VIEWPOINTS

The budget problems faced by all levels of government are reducing or eliminating essential services to the LMI communities at the time when they are most needed.

—Utah

Most human services rely on public sector support for sustainability. As we continue to struggle with state and local budgets, social safety net programs are realizing significant cuts or elimination.

—California

The budget shortfall in Oregon is so profound that it will cripple systems and set us back many years if we can't work our way through pro-actively.

—Oregon

Many decisions cost society more in the long run but satisfy short-term budget constraints, thereby creating a thought process driven by "what will cost the least" rather than what will serve the community best in terms of meeting the needs AND paying off the best in the long run from a financial standpoint.

—Idaho

Policies to secure funding for K-12 and higher education are needed immediately. Our ability to attract new business will be negatively impacted as our already strained education system begins to unravel and fail.

—Nevada

In rural areas, the dramatic decline in funding for nonprofits combined with increased needs is threatening to collapse significant sectors of the nonprofit service delivery system. In addition to reducing the services LMI communities can access, the loss of nonprofits will also bring a loss of advocacy and public education efforts for LMI needs.

—Washington

COMMUNITY VIEWPOINTS

Will the resources utilized to assist LMI communities last until the economy improves?

—California

[Demand for] food assistance is a 'canary in the coal mine.' Food assistance is often the first sign of families falling off the edge. The demand for food assistance has increased by at least 30% during this economic downturn, and nonprofits are struggling to meet this demand.

—Alaska

Families that were once moderate-income are now the new low/moderate-income.

—Arizona

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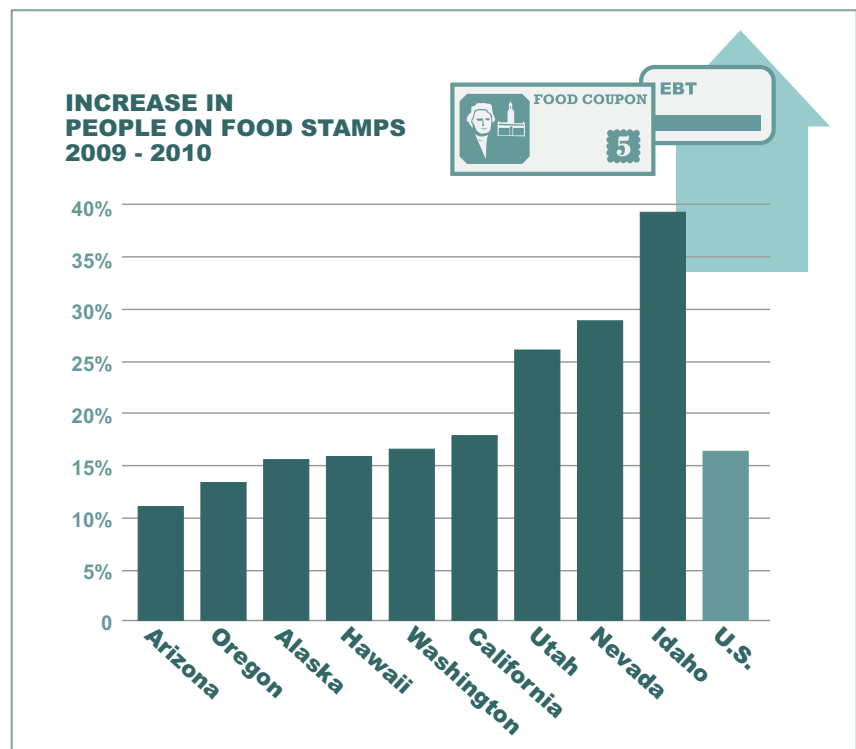
—Utah

We work with homeless LMI families who are unable to find affordable housing. Stock is low and rents are high. These families may also have housing barriers including poor credit history or a criminal history. In addition the waitlist for housing vouchers is so long that most families will never get a voucher.

—Alaska

Heightened Vulnerability of Low-Income Families

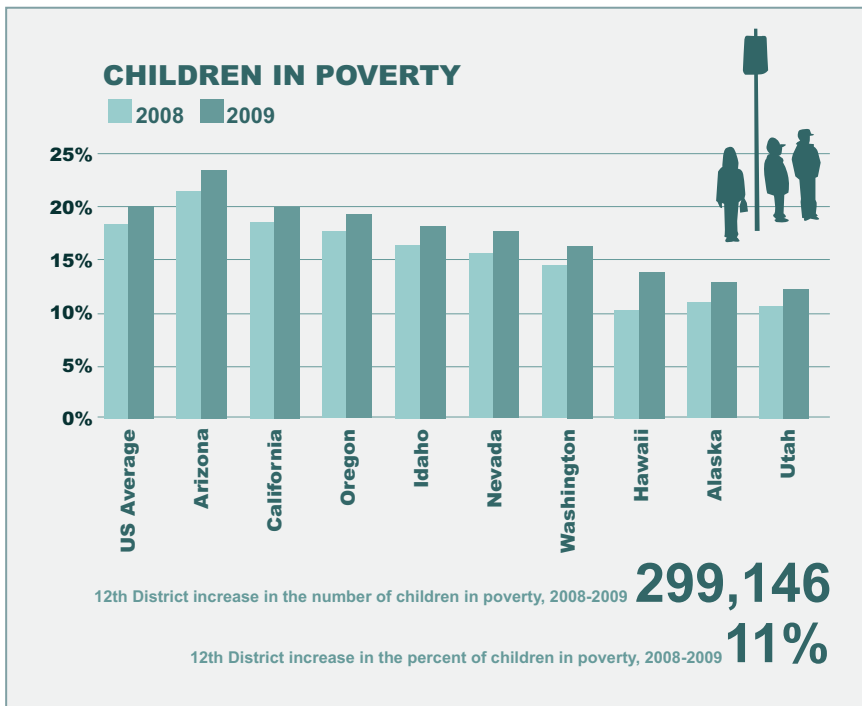
Across the District, respondents voiced concern for the severe levels of hardship that families are currently facing, and the sharp uptick in demand for basic services such as food and housing assistance. In addition, respondents noted that the crisis is moving up the income ladder, and that they are seeing increased demand for services among moderate- and middle-income families. Increasing levels of homelessness were also cited as evidence of worsening financial conditions in LMI communities.



Source: Supplemental Nutrition Assistance Program, U.S. Department of Agriculture, Food and Nutrition Service, December 2, 2010.

Social Costs of the Recession

An unexpected theme that emerged in the short answers was the perceived social costs of the recession. We were surprised by the frankness and candor with which respondents described how the recession was leading to a loss of social cohesion in their communities. Respondents voiced concern over the increased crime, violence, divorce, suicide and substance abuse in LMI communities during the downturn. Respondents also highlighted rising xenophobia, racism, and anti-immigrant hostility, further straining interpersonal and intercommunity relations. This loss of social cohesion and community engagement were seen as posing significant challenges and could interfere with the ability of communities to emerge from this crisis.



Source: U.S. Census, American Community Survey, 2008 and 2009 1-year estimates.

COMMUNITY VIEWPOINTS

I worry about increased crime and safety. With increased financial challenges, there seems to be more crime at a time when there is less law enforcement to address it due to state and local budget cuts.
—California

Increasing crime and suicides.
—Idaho

Increased violence against women.
—Oregon

High rates of divorce, substance abuse, and increased crime.
—Utah

Economic stress is causing stress in communities. Under stress, people tend to see things in black and white, to be less patient and less tolerant. Negativism is taking its toll.
—Utah

The growing dissatisfaction of people to everything they perceive to be hurting their chances for economic success whether that perception is real or not.
—Hawaii

Lack of a sense that we are all interconnected and in this together.
—Idaho

The negative civic discourse directed towards LMI individuals and families.
—California

There seems to be an attitude of detachment instead of willingness to work hard to bring the community together.
—Alaska

COMMUNITY VIEWPOINTS

There needs to be a multi-prong approach to dealing with the housing situation that takes into account family self-sufficiency, education, transportation, supportive services, and housing. There needs to be a sustainable community plan that combines all aspects and there needs to be a will to implement the plan. Policies and programs need to grow from this plan.

—Hawaii

There needs to be a combined approach of increasing workforce skills so that folks get better paying jobs, and provision of housing that is affordable to people of all income levels. Affordable rent or mortgage means more disposable income, which means an ability to contribute better to the local economy, and better ability to spend money on education.

—California

The administration's high goals of interconnecting housing, transportation, education, commerce and health together is another prime example of a solid positive new direction—being reflected in discretionary and competitive grant funding awards.

—Arizona

We need policies and programs that create and sustain a variety of rental and owned homes such as regional planning that helps connect homes to jobs, education, shopping and recreation without increasing transportation costs.

—California

Need to shift business model for non-profit service providers to become more entrepreneurial and away from just housing construction to a place-based comprehensive revitalization approach.

—Arizona

Responding to the Crisis

Survey respondents were asked not only to identify challenges, but also to offer policy solutions; responses ranged from suggestions on how to improve the loan modification process to how to stimulate economic development in rural areas, to calls for increased funding for affordable housing and workforce development. However, the responses also reflected a growing interest in working across silos and developing more comprehensive approaches to addressing the challenges facing LMI communities. Many of the responses pointed to the important role that cross-sectoral partnerships can play. The idea that affordable rental housing and homeownership are competing interests was disputed, with respondents instead focusing on the need to address a continuum of housing needs for LMI families, and connecting housing to jobs and other neighborhood amenities.

Respondents also emphasized the important role that nonprofits play in delivering services to LMI communities, and the need to build technical capacity and expertise of nonprofits, particularly in some of the more remote and rural areas of the District.

Conclusion

This first wave of the Community Indicators Project was conducted during a particularly challenging time for the U.S. economy, and the responses clearly reflected the grave concern among respondents about how the financial and economic crisis is affecting LMI communities. Our hope is that the second wave of the survey will help us to identify where there are signs of improvement, and where the challenges continue to require significant resources and policy attention. In addition, in future waves of the survey, we hope to be able to better distinguish among the issues facing the different regions within the Federal Reserve's vast 12th District. Ultimately, we hope that this type of information, especially as we begin to report these community viewpoints over time, will increase the capacity of policymakers and local stakeholders to respond to the issues facing LMI communities.