

Federal Reserve Bank of St. Louis

# Community Development Outlook Survey

OCTOBER 2012 RESULTS



CENTRAL TO AMERICA'S ECONOMY™

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# Introduction

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## About the Survey

The Federal Reserve Bank of St. Louis Community Development Outlook Survey is an opinion poll sent to 2,930 community stakeholders in the seven states that comprise the Eighth District. Responses were received from 399 of those stakeholders between October 19 and November 16, 2012. The overall survey response rate was 13.6 percent.

## Other Data

To see a complete set of data from the current Federal Reserve Bank of St. Louis Community Development Outlook Survey, please visit [www.stls.frb.org/community\\_development/community-outlook-survey/](http://www.stls.frb.org/community_development/community-outlook-survey/).

Survey respondents in the final two quarters of 2012 indicated that economic conditions for low- and moderate-income (LMI) households and communities may have bottomed out and are beginning to stabilize, continuing the trend from the past two surveys. Specifically, the percentage of respondents indicating that economic conditions are getting worse for LMI individuals has decreased by 30 percent as a whole since the survey's inception—from 66 percent of all respondents in late 2011 to 43 percent in early 2012 to just 36 percent in the latest survey—while the percentage of those who believe that conditions have stayed the same has increased during those same periods—from 31 percent in 2011 to 43 percent earlier this year to 55 percent today. Those who think conditions are actually improving have grown in share as well, from a mere 3 percent in 2011 to 10 percent in early 2012 and now 11 percent. The forecast is even more optimistic for the distant future—a full 37 percent believe the outlook will be better in three to five years.

While the economic conditions for LMI communities indicate a nudge toward improvement, the same cannot be said for the overall outlook regarding LMI individuals' abilities to meet their needs. Only 5 percent of respondents stated that LMI individuals are adequately prepared to meet their basic needs, while 40 percent reported inadequate abilities, and 55 percent stated their abilities were unchanged over the last six months.

Nonprofit organizations continue to feel the pressure of an increased demand for services for LMI individuals. Only 4 percent of organizations reported that demand for services has gone down, while most (68 percent) report continued increase in demand, and another 21 percent state that demand has stayed the same over the past six months. At the same time demand has shot up, funding has decreased (according to 51 percent of respondents) or remained the same (38 percent). Decreased federal funding sources, reported by 47 percent, was cited as having the most negative impact on the ability of nonprofits to contribute to improving the economic well-being of LMI areas. The general outlook is especially interesting given this conundrum, indicating perhaps that nonprofit organizations are either adjusting to increased demand for services or that those unable to adapt are no longer in business.

If funding were not a concern, most respondents (68 percent) report that the single action they would implement to improve the LMI community would be tied to jobs and workforce development: 40 percent stated they would redevelop areas of the community to bring in more businesses and jobs, and 28 percent would increase access to education and workforce development programs.

# Primary Issues Continue To Be Jobs and Workforce Development

Job availability, education and job skills were ranked as having the greatest negative impact on LMI households and communities by all respondents in the latest survey. These issues have consistently ranked high on this question since the St. Louis Fed’s Community Development Outlook Survey began in late 2011. Affordable housing—named as one of the top three issues in the spring survey—dropped to No. 6 as a primary issue affecting LMI households, a rank also held a year ago. The spike in ranking of the affordable housing issue identified by respondents last spring correlated with secondary data from the National Association of Realtors showing that the number of homes on the market in March 2012 was the lowest since 2005, and that home prices were starting to increase in the Midwest and South. Preliminary housing data for late 2012, available in early 2013, may help validate the decreased concern about affordable housing from respondents. Other issues named on the Q3/Q4 2012 survey at a less-prominent rank include generational poverty, wages, government budget cuts and health care costs. (See Table 1.)

“Jobs and job readiness/education must work hand-in-hand to elevate LMI individuals. Addressing these issues will help address some of the other basic issues of affordable housing, food, clothing, health care, etc. We must find a way to provide basic needs while preparing people for jobs and creating jobs. Parallel paths must be employed.”

RESPONDENT FROM A  
NONPROFIT ORGANIZATION

TABLE 1  
Top 10 Issues Impacting LMI Households Over Time

Issue	Rank Q3/Q4 2012	Rank Q1/Q2 2012	Rank Q3/Q4 2011
JOB AVAILABILITY	1	1	1
EDUCATION	2	3	2
JOB SKILLS	3	4	3
GENERATIONAL POVERTY	4	5	4
CREDIT RATINGS/ CREDIT AVAILABILITY	5	6	5
AVAILABILITY OF AFFORDABLE HOUSING	6	2	6
ABILITY TO SAVE MONEY	7	N/A	9
DEBT	8	7	7
HEALTH CARE COSTS	9	N/A	10 (tied)
COST OF CONSUMER GOODS	10	9	8
FORECLOSURES/ DELINQUENT MORTGAGES	N/A*	8	N/A*
WAGES	N/A*	10	10 (tied)

\*N/A = issues that were not ranked in the top 10 for the corresponding survey

Note: Responses represent all survey participants.

Despite the high ranking of job availability, education and job skills as primary concerns among LMI households and communities, 83 percent of survey respondents also report that they do not feel that LMI individuals are adequately prepared to compete for higher-wage jobs that require increased knowledge and job skills. Another 13 percent do not know if LMI individuals are being adequately prepared to compete, leaving just 5 percent of respondents stating that LMI individuals are adequately prepared to compete for these types of jobs.

Perhaps foreshadowing what has been demonstrated on the survey as a prevalent issue, Federal Reserve Board Governor Elizabeth Duke, in a 2010 speech, offered the following insight concerning what it would take to address the job availability issue: “Retraining workers to acquire the skills demanded in today’s job market is an ongoing challenge as employment shifts away from low-skill manufacturing toward the service sector, technology and health care. The recent economic crisis and the rise in unemployment have only made the need to retrain workers more urgent. Effective workforce development is necessary to ensure that workers have the skills they need to find new employment and that communities have a consistent supply of well-qualified workers to remain competitive.” (Source: [www.federalreserve.gov/newsevents/speech/duke20100419a.pdf](http://www.federalreserve.gov/newsevents/speech/duke20100419a.pdf)) Gov. Duke’s comments are still relevant today.

Survey respondents also had insight concerning workforce issues. A respondent from a community and economic development organization shared that, “When speaking to major employers in the area, the main complaint about local workers is the lack of soft-skills training.”

“Even when LMI households make progress, they seem to be derailed by emergency events that they do not have the savings to handle, and that results in other bills falling behind. Poor credit scores and fear force them into looking for high-cost financial services like payday loans and money orders.”

RESPONDENT FROM A FINANCIAL INSTITUTION

## Rural and Metropolitan Areas Rank Jobs and Education Highly; Other Top Issues Vary

Job availability, education and job skills have consistently been ranked as top issues across both rural and metropolitan LMI populations, although their rankings differ slightly. (See Table 2.) For rural populations, job availability has ranked No. 1 on all three surveys. In metropolitan areas, however, education has shared the top spot with availability of affordable housing. Generational poverty has also been one of the top issues for rural respondents in recent surveys.

TABLE 2  
Top 3 Issues

	Rural	Metropolitan
Q3/Q4 2012	Job Availability Education Generational Poverty	Education Job Availability Job Skills
Q1/Q2 2012	Job Availability Education Generational Poverty	Availability of Affordable Housing Job Availability Education
Q3/Q4 2011	Job Availability Education Job Skills	Education Job Skills Job Availability

Note: Responses represent all survey participants who were asked to self-identify as serving either rural or metropolitan communities.

# From Rural to Metropolitan Areas, Jobs, Job Skills and Wages Are on Everyone's Minds

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## Concerns from Rural Respondents

- “Jobs in rural areas are disappearing and wages in rural areas cannot begin to help people with rising costs.”
- “Educated people are leaving to find jobs and good schools. The unemployed are staying in our community.”
- “Low-skills jobs have left. People with skills and opportunity have moved. We are left with unemployed people with low skills and not good work ethics.”
- “Lack of employment is causing young people to leave our community. Consequently, the population, tax base and school enrollment have decreased, which has resulted in a downward spiral.”
- “We are constantly in a state of economic depravity, so the economic downturn doesn't affect us as much. We need jobs and job skills training to give people more chances to make money for themselves.”
- “Those that are middle class are now struggling the same as LMI, not due to the loss of jobs, but due to what the cost of gasoline has done to every consumer product we use. Everything is more expensive and wages are stagnant at best.”
- “A lot of LMI individuals in our community have lost full-time employment, which not only has cost them significant income, but also less health benefits.”
- “Loss of jobs because of factory closings; post-secondary education is 30-40 miles away.”

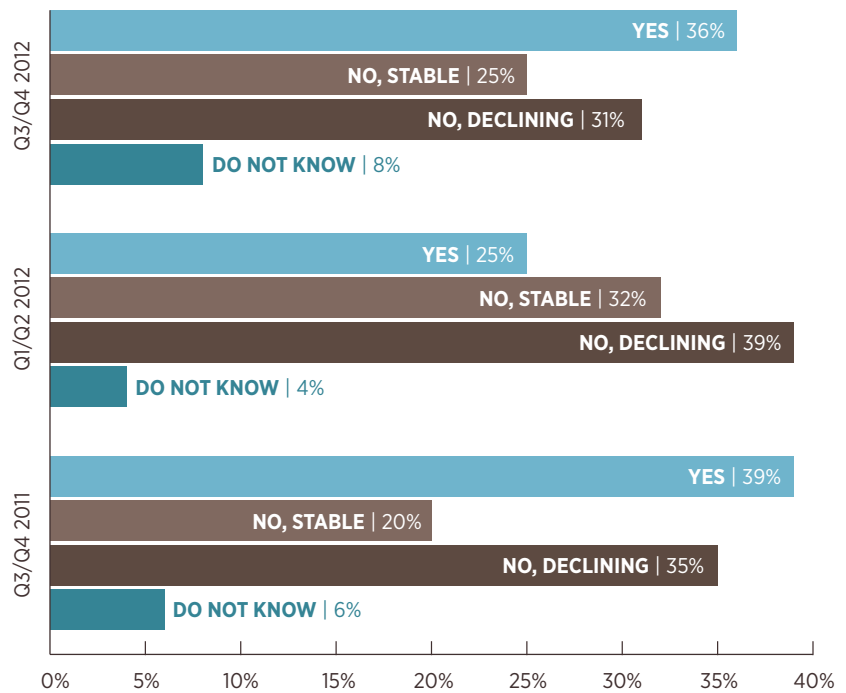
## Concerns from Metropolitan Respondents

- “Major corporations and labor institutions are leaving the area to move where there are greater sources of college-educated talent.”
- “[There is a] lack of adequate jobs that pay a living wage; inadequate training within the public school system. We should bring back apprenticeships as part of the school environment from 8th to 12th grade. People have strengths and skill sets that must be developed in order to provide an adequate workforce for the future.”
- “[We should be] connecting job-training programs to internships and job placement.”
- “Skills do not match community needs.”
- “The widening class gap creates an imbalance in the social fabric of society; [we need] gainful employment that provides a job with a living wage.”
- “A lack of jobs paying a family wage creates more social unrest and a great class divide.”

# Job Additions and Business Expansions Seeing Slight Uptick in LMI Areas

In the fall survey, 36 percent of respondents reported recent business expansions and job additions in the LMI areas in their communities, an 11-percentage-point jump in this category over the survey conducted in spring 2012 and a shift from the 39 percent who also found that job additions and business expansions were declining in LMI areas. (See Figure 1.)

**FIGURE 1**  
**Have there been any recent job additions or business expansions in LMI areas of your community?**



Note: Responses represent survey participants who identified themselves in the following categories: chambers of commerce, community and economic developers, energy companies, government/public officials, microlenders and venture capitalists.

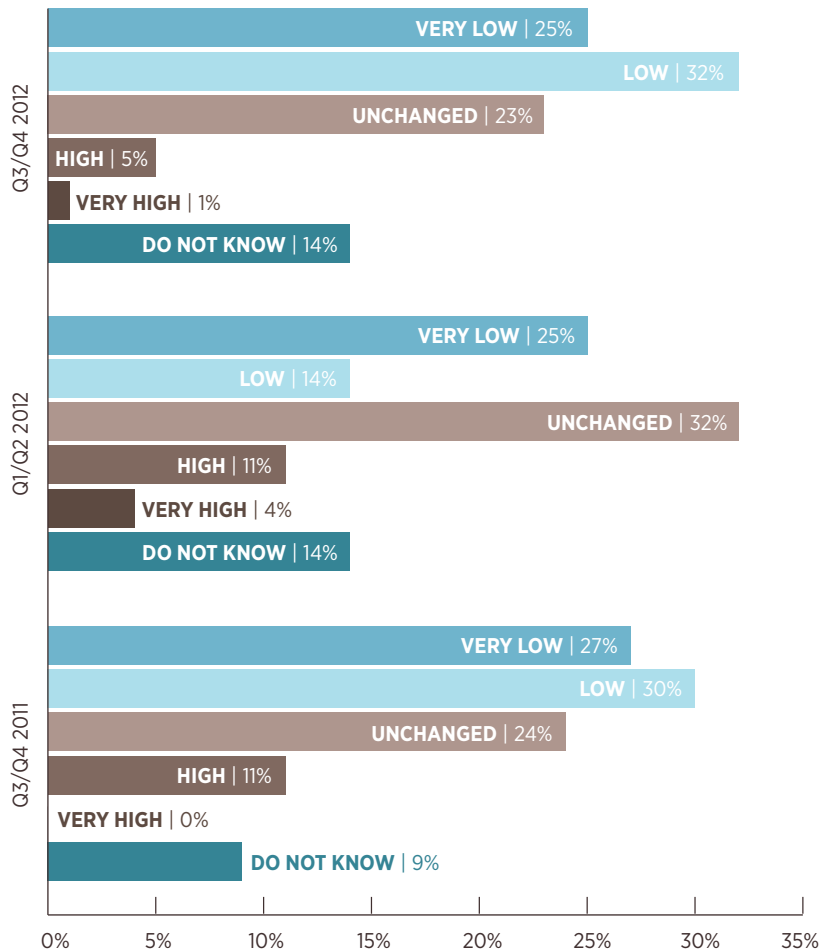
# Interest in Commercial Real Estate in LMI Areas Remains Low

Although survey respondents from the community and economic development sector indicated that more job additions and business expansions had occurred recently in their communities, interest in commercial real estate in LMI areas remains low (32 percent of respondents) to very low (25 percent). (See Figure 2 on following page.)

A further breakdown between rural and metropolitan areas shows a definite geographic difference regarding interest in commercial real estate. Low interest was reported by 30 percent of rural respondents versus 36 percent in metropolitan areas; very low interest was indicated by 29 percent of rural respondents versus 23 percent of metropolitan participants.

On all three surveys so far, respondents from the community and economic development sector have indicated that small businesses show the most interest in commercial real estate in LMI areas, followed by mid-sized and then large businesses.

FIGURE 2  
Interest in Commercial Real Estate in LMI Areas



Note: Responses represent survey participants who identified themselves in the following categories: chambers of commerce, community and economic developers, energy companies, government/public officials, microlenders and venture capitalists

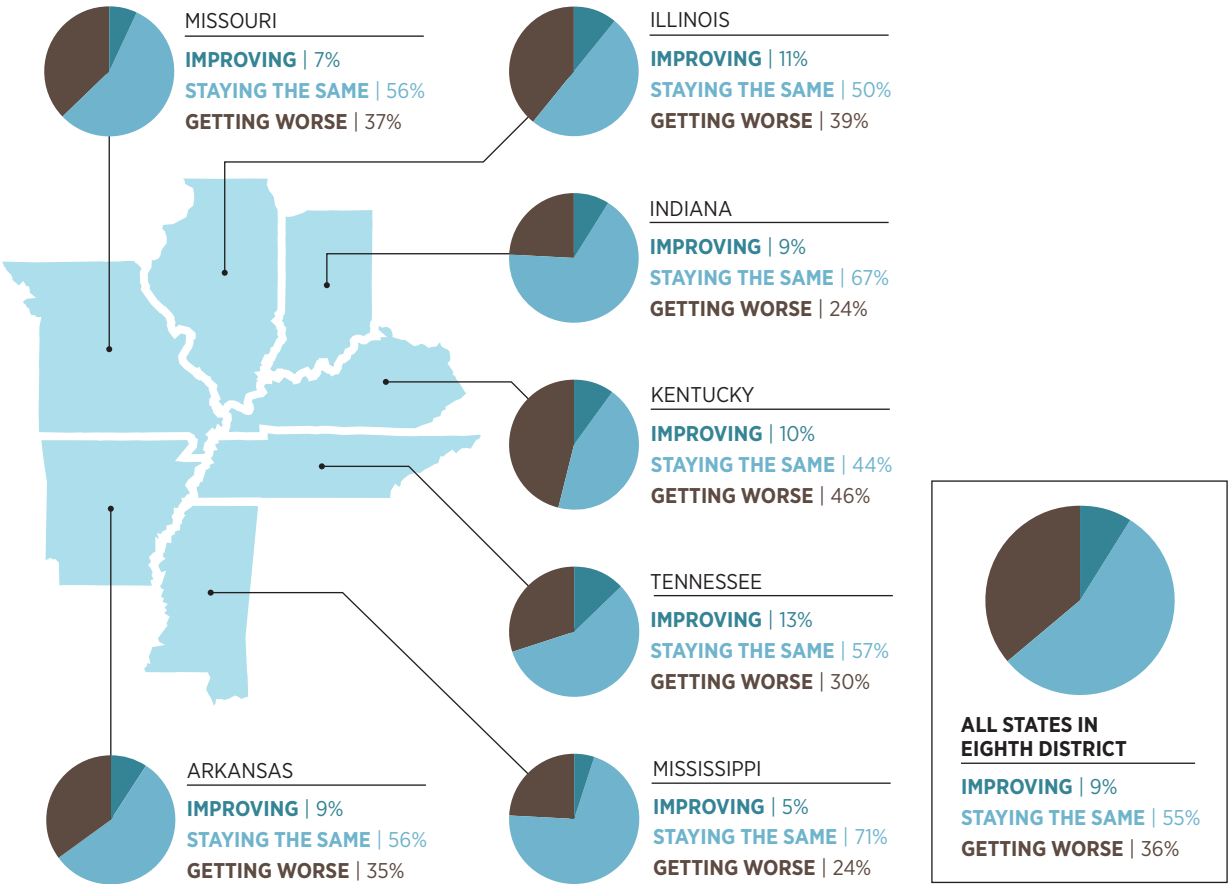
## Demand for Community Development Loans, CRA Opportunities Remains Largely Unchanged

Financial institutions report that demand for loans to fund community and/or economic development projects in the District's LMI communities is also low (37 percent of respondents) or unchanged (47 percent) over the past six months, with only 7 percent of all financial institutions reporting that loan demand for such projects is high, and another 9 percent indicating that they did not know of the demand. CRA opportunities in LMI areas also were reportedly unchanged in the last six months, according to 56 percent of respondents from financial institutions, although 19 percent reported increasing opportunities, and 21 percent reported decreasing opportunities.

# State-by-State Comparison of LMI Households and Communities

Within the state analysis for the current survey, one anomaly exists regarding LMI conditions among the seven states comprising the Eighth Federal Reserve District. Whereas six states report conditions staying the same overall, almost half of Kentucky respondents (46 percent) report that conditions are getting worse for LMI households and communities. (See Figure 3.) Contrast this with conditions reported in early 2012, when three states indicated worsening conditions—Arkansas, Kentucky and Mississippi.

FIGURE 3  
Current LMI Economic Conditions



Note: Responses represent all survey participants and were broken down by state. Some percentages in data tables do not total 100 percent due to rounding.



# Respondent Profiles

A variety of community stakeholders were invited to participate in the Community Development Outlook Survey, including advocacy/interest groups, chambers of commerce, community and economic development organizations, energy companies, educational institutions (K-12 and colleges), faith-based organizations, financial institutions, government agencies, microlenders and venture capitalists, philanthropic foundations, public officials, workforce development organizations, and other nonprofits. The number and type of questions that a respondent received depended on their self-identified type of organization. Select responses were grouped into organizational categories (e.g., nonprofits, community and economic development organizations, financial institutions), as well as metropolitan and rural categories.

A breakdown of the 399 survey respondents follows.

FIGURE 4

## Place of Employment

<b>20%</b>	Financial institution
<b>17%</b>	Government/public official
<b>16%</b>	Community and economic development
<b>14%</b>	Education
<b>11%</b>	Other
<b>10%</b>	Nonprofit
<b>3%</b>	Faith-based organization
<b>3%</b>	Advocacy/interest group
<b>3%</b>	Chamber of Commerce
<b>2%</b>	Workforce development
<b>1%</b>	Philanthropic foundation
<b>100% of respondents</b>	

## Serving Metropolitan or Rural LMI Population?

<b>54%</b>	Metropolitan
<b>46%</b>	Rural
<b>100% of respondents</b>	

## In Which State?

<b>39%</b>	Missouri
<b>17%</b>	Arkansas
<b>13%</b>	Kentucky
<b>11%</b>	Tennessee
<b>8%</b>	Illinois
<b>6%</b>	Indiana
<b>6%</b>	Mississippi
<b>100% of respondents</b>	