

Community Issues & INSIGHTS



Community Issues and Insights 2024: A Record-High Share of Respondents Observed a Decline in Affordable Housing

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The Federal Reserve Bank of Cleveland's Community Issues Survey (CIS) collects information semiannually from direct service providers to monitor economic conditions and identify issues impacting low- and moderate-income (LMI) households in the Fourth District, a region that includes Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia. In March 2024, we surveyed nearly 600 organizations that directly serve LMI individuals and communities across our District and received 100 responses (17 percent response rate). The results of this survey are summarized here and provide insights into how organizations and the households they serve are faring as they continue to navigate the impacts of inflation.

Key Findings

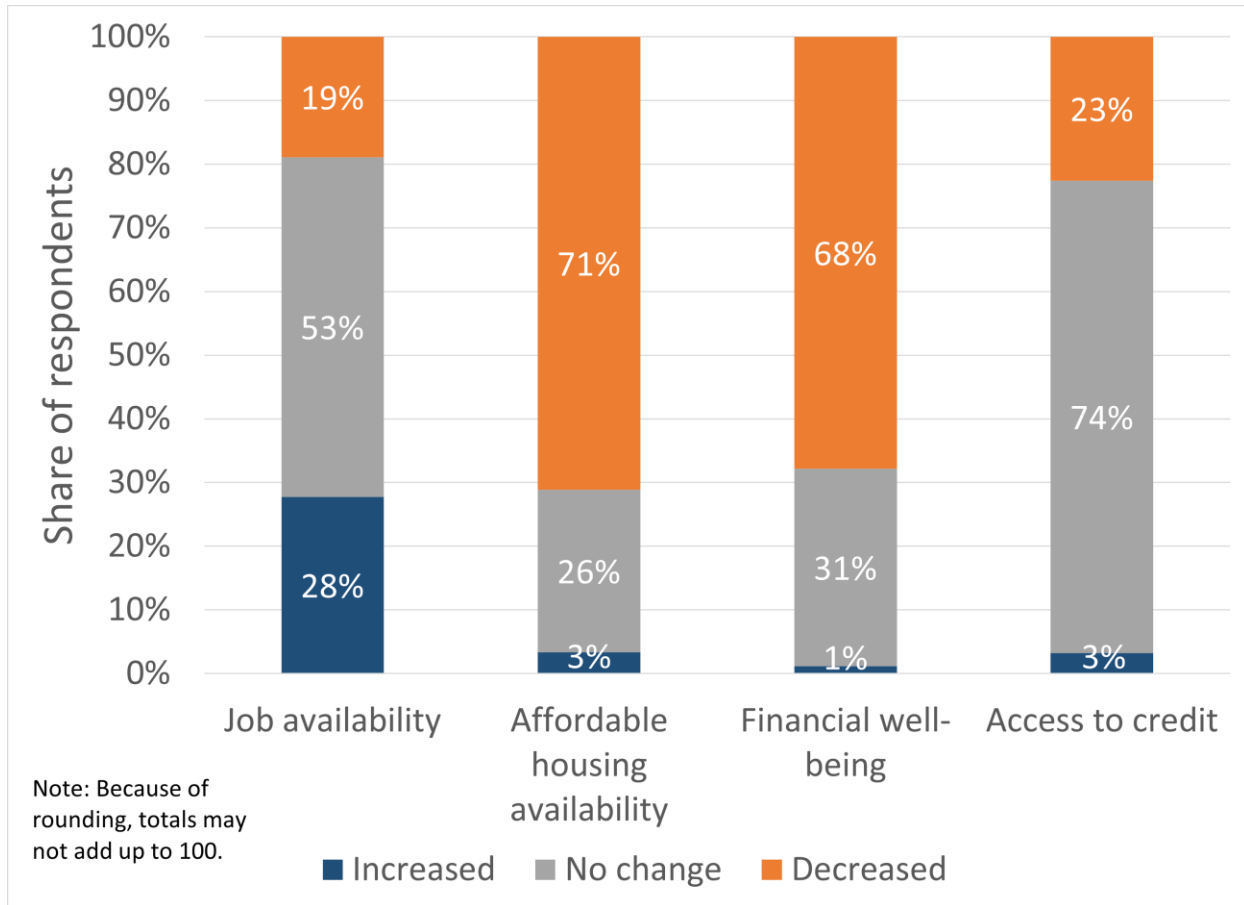
- **Job availability:** Twenty-eight percent of respondents said job availability for LMI workers had increased in the past six months, down from a high of 78 percent in the March 2022 survey. The majority of respondents (53 percent) said there had been no change (Figure 1).
- **Affordable housing availability:** Seventy-one percent of respondents said the availability of affordable housing continues to decrease (Figure 1), the highest share since the first CIS in March 2018.
- **Financial well-being and access to credit:** Sixty-eight percent of respondents reported that financial well-being for LMI people had decreased over the past six months primarily because of inflation impacts. The majority of respondents said access to credit had been unchanged over the past six months (Figure 1).
- **Top concerns for LMI households:** Respondents' top concerns were rising rents, the shortage of affordable housing, and the continued impact of inflation on households' budgets.
- **Top issues impacting nonprofit organizations:** Nonprofit organizations reported that demand for their services remains high, although below the pandemic peak, while funding and capacity remain steady.

The views expressed in this report are those of the author and are not necessarily those of the Federal Reserve Bank of Cleveland or the Board of Governors of the Federal Reserve System. The responses expressed in this report reflect the perspectives of those responding to the survey; they do not necessarily represent the perspectives of all organizations within the Fourth District.

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Figure 1. Change in the Economic Conditions of LMI Households in the Six Months Prior to March 2024



What is a Diffusion Index?

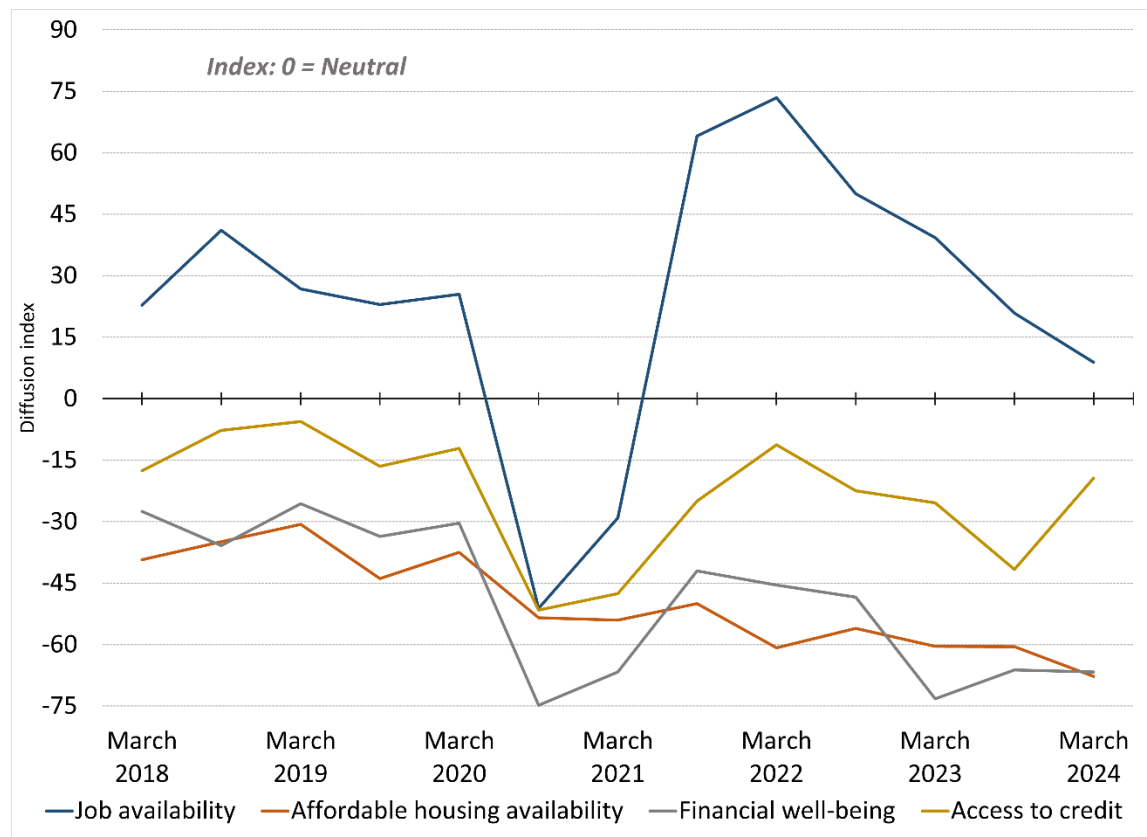
A diffusion index is a useful way of summarizing data to understand if something is improving or worsening over time. In the diffusion indices shown in this report, each response to a survey question is tallied as increased, decreased, or no change. That survey question’s diffusion index is then calculated by subtracting the percentage of decreased responses from the percentage of increased responses. An index value of greater than zero means the average response indicates improving conditions, while a value of less than zero means the average response suggests worsening conditions.

The highest value of 100 would occur if every respondent believed a given condition was improving, while the lowest value of -100 would occur if every respondent believed it was worsening. When we compare the values over time, we get a sense of how conditions are changing. For more information on the calculation, see the Survey Methodology section.

Economic Conditions of LMI Households

We build a diffusion index from each survey question so we can observe trends in the responses over time. According to the March 2024 survey, job availability remains positive, but compared to the previous survey, fewer respondents observed increases. Affordable housing availability is at its lowest point on record (going back to March 2018), and financial well-being is near its lowest point (Figure 2). Regarding housing, survey respondents expressed concerns over rising rents, tightened supply, and the impact of investors' purchasing affordable units and charging rents that put these units out of reach for LMI households. For financial well-being, many respondents expressed concern over inflation's continued strain on LMI households' budgets.

Figure 2. State of LMI Households



Top Issues Impacting LMI Households in the Fourth District

Job availability: Currently strong but continuing to ebb

Job availability for LMI households remains strong, but fewer respondents noted an increase compared to the September 2023 survey. Respondents observed a “slight slowdown in hiring,” with labor demand “leveling out.” One respondent observed that the urgency and demand that drove the high hiring rates in 2023 had slowed and that “employers have become much more selective with the hiring processes.” Another respondent noted that “there seems to still be more available jobs than available labor, but the disparity appears to have moderated, and this modest change has brought the labor market closer into balance.” Twenty-eight percent of respondents are still observing increasing job availability primarily because of a combination of entrepreneurship, small business growth, and positive economic activity.

One respondent shared that “due to high employer demand, employers are starting to utilize lower skilled applicants and utilize services such as internships and registered apprenticeships to grow their labor force, instead of looking for applicants with all the skills needed. This shift has allowed for more job opportunities for populations that were not qualified previously.” While 28 percent of respondents said job availability for LMI individuals had increased over the past six months, that percentage is down from the peak of 78 percent in the March 2022 survey. Nineteen percent of respondents said job availability was decreasing, up from just 5 percent in the March 2023 survey. Job quality remains positive, but fewer respondents indicated that employers are paying higher wages or offering other incentives because of less competition among businesses to attract and retain workers.

Affordable housing: Record-high share of respondents observed a decline in affordable housing

Seventy-one percent of respondents said the supply of affordable housing had decreased over the past six months, the highest share since the survey began in March 2018. Most respondents pointed to rising rents as the culprit, along with simply not enough supply. One respondent noted that “it costs more to do business, so landlords have had to increase rents to keep pace while incomes of low-income residents have not seen comparable increases.” This continued increase in rents and decrease in supply can have other impacts: one organization had to end its temporary shelter programs because it was unable to affordably rehouse families in the city in which it operates. Respondents expressed concern about the impact of this on senior households. One shared that reassessed property values would lead to increased property taxes, straining seniors’ budgets, while another mentioned a waiting list of 1,500 people for a senior housing community. Some areas are coping with a growing population and its impact on housing. One respondent observed that “housing construction simply is not responding to rapid population growth, and we are losing ‘naturally occurring’ (unsubsidized) affordable housing to blight and upward price pressure.” Another has seen many housing units converted to short-term vacation rentals, contributing to very low vacancy rates and resulting in fewer affordable units available for LMI households.

Financial well-being: Inflation continues to strain LMI households’ budgets

Concern about inflation and its impact on prices and the cost of living was cited by 77 percent of respondents that said financial well-being decreased, up from 41 percent in the March 2023 survey. According to one respondent, “inflation has seriously eroded the financial well-being of many low- and moderate-income families in Erie. These price pressures appear to be easing but the hardships remain.” Some expressed concern over the expiration of pandemic-related funding and of other benefits such as the eviction moratorium. According to one respondent, “some of the safety net programs have changed, either by decreased funding or no funding, and those who might have been struggling before and during COVID-19 are continuing to struggle.”

Access to credit: High interest rates raising the cost of borrowing

A majority of respondents (74 percent) said access to credit had been unchanged over the past six months, while 23 percent said it had declined. Many respondents said high interest rates had increased the cost to borrow money, while others noted its impact on small businesses. One respondent shared that “many small business owners are struggling to acquire affordable working capital to run their business and manage the rising cost of inventory.” Another respondent detailed that this working capital

is needed “to help cover escalating operating costs due to the initial and continuing shocks of inflation.” However, this respondent said, “many cannot afford the rates and terms offered by depository institutions.”

How Organizations that Serve LMI Households Are Faring

In the March 2024 survey, 65 percent of respondents indicated that demand for their services increased (Figure 3), down from the peak of 86 percent in the September 2022 survey. While many respondents noted that funding had not changed over the past six months, a growing share of respondents (27 percent) said their funding was decreasing, up from 12 percent in the March 2022 survey. Most respondents said their organizations’ capacity had not changed (52 percent), but several noted that the current job market continues to make retaining and hiring staff difficult for nonprofit organizations. These trends can also be seen in Figure 4 through diffusion indices: demand remains high, while funding and capacity remain nearly neutral.

Figure 3. Change in Nonprofit Organizations’ Operations in the Six Months Prior to March 2024

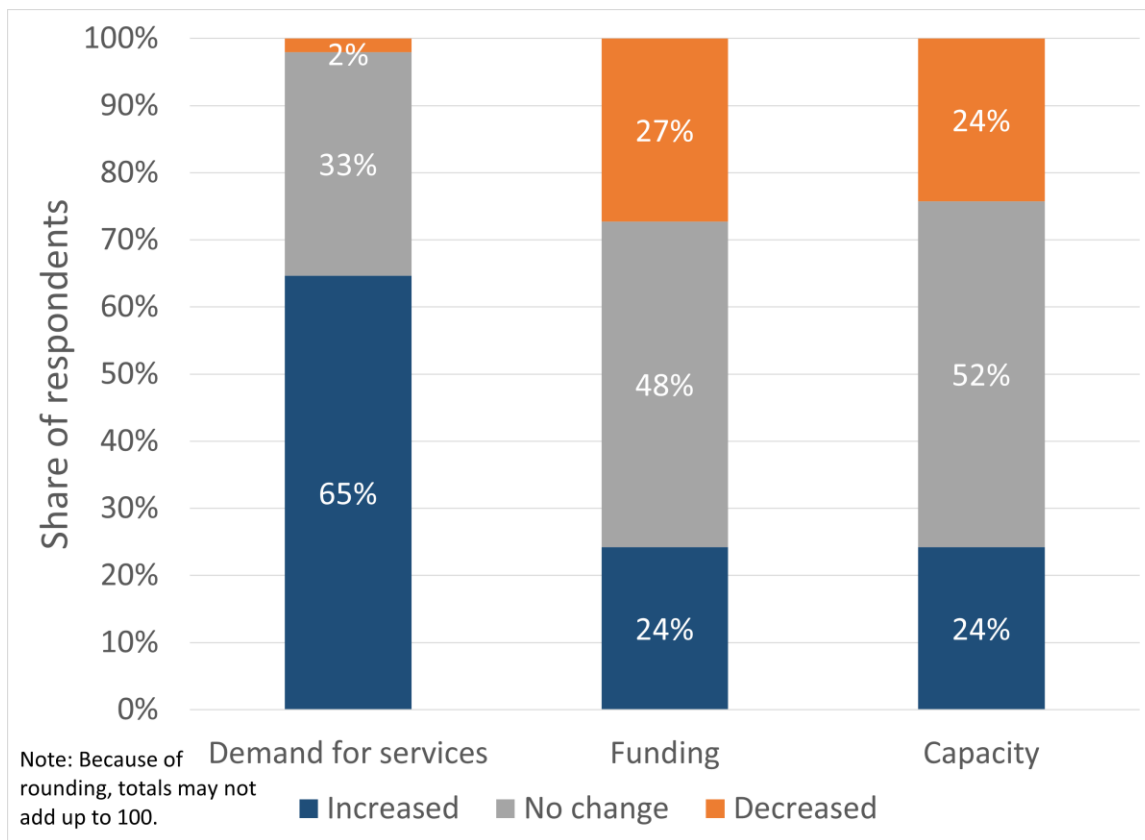
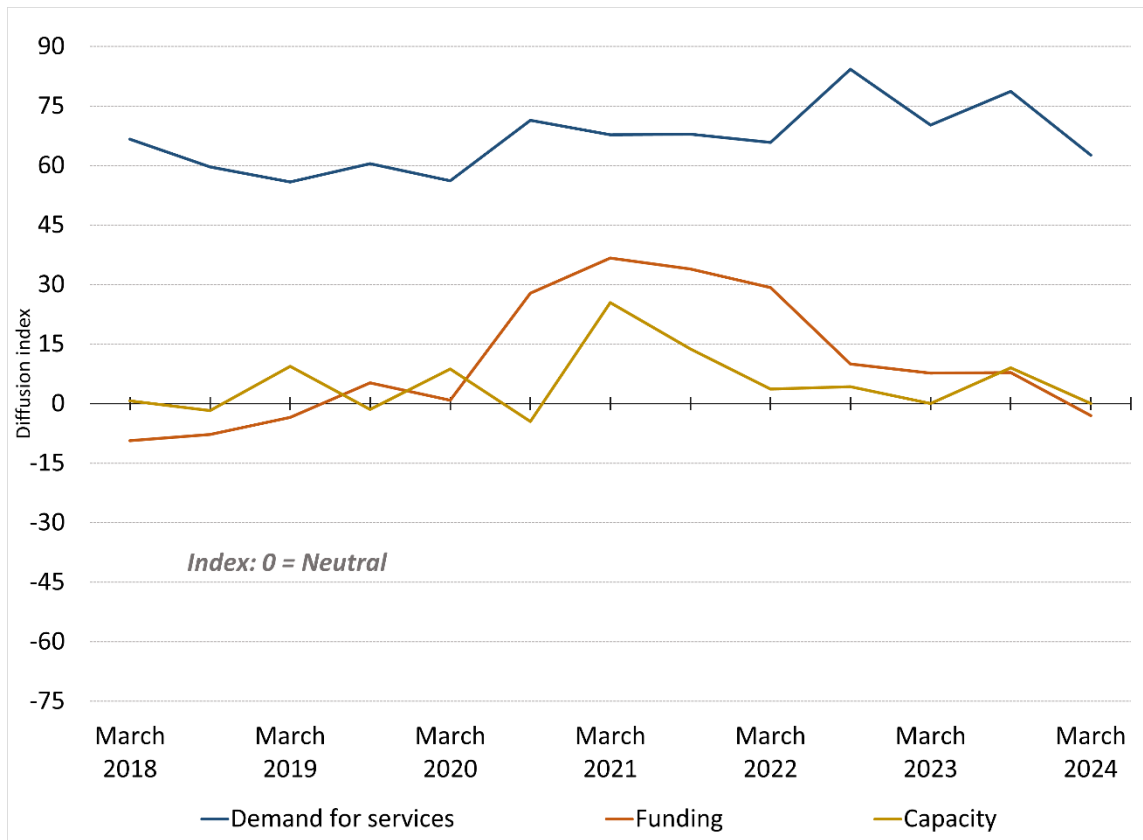


Figure 4. State of Organizations that Serve LMI Households



Top Issues Impacting Organizations that Serve LMI Households

Demand for services: Demand remains high but below the pandemic peak

For the 65 percent of respondents that said demand for their organizations’ services had increased, many cited housing-related needs such as rental assistance, while others said the continued impact of inflation on households’ budgets had driven an increase in requests for food and utility assistance. One respondent had observed an increase in people’s seeking financial counseling, down payment assistance, and alternative mortgage products because of the extra borrowing costs associated with high interest rates. Several respondents that serve employers and job seekers had noticed increased demand for their services. According to one Kentucky respondent, employers are looking to “upskill their current labor force to be competitive in new markets and increase capacity to meet demand for their products,” while a respondent in Ohio had seen an “uptick in layoffs and a slight decrease in hiring demand, leading to more individuals seeking career services and workforce training opportunities.”

Capacity and funding: The current job market continues to make nonprofit employee retention and hiring difficult, while securing stable funding remains a perennial concern

Some organizations touted increased capacity because of a combination of new hires and new funding, but others had concerns about retaining current staff, attracting new staff, and turnover. One respondent wrote, “as a grant funded nonprofit we are offering the highest wages we can while still maintaining good benefits, but we can't compete with for-profit companies in the wage arena.” Another respondent that works with the homeless population noted that “it is very difficult to maintain full

staffing as well as hire workers at the shelter. Jobs are very stressful. When the shelter census increases, we are serving the population with existing staffing or at times, limited staffing.” While nearly half of respondents indicated that funding had been unchanged (48 percent), a shrinking share had seen increased funding (24 percent, down from a high of 54 percent in the March 2021 survey). An affordable housing developer did not see a decrease, but its funding did not go as far because of higher costs. It explained that “it takes more subsidy to develop and operate housing because of increased financing, construction, and operating costs such as insurance, property taxes, and labor.”

Conclusion

The March 2024 CIS examined the state of LMI households and the organizations that serve them. From the responses, we learned that job availability for LMI households remains strong but shows signs of slowing growth. A record-high share of respondents observed a decline in affordable housing availability, and many respondents indicated that tight supply is contributing to higher rents. The effect of inflation continues to strain LMI households’ budgets, and access to credit continues to be impacted by high interest rates. When looking at the organizations that serve LMI households and communities, respondents indicated that demand for their services remains high. The current job market continues to make retaining and hiring employees difficult for nonprofits, and securing stable funding remains a perennial concern.

Survey Methodology

The Federal Reserve Bank of Cleveland developed this survey tool to elicit perspectives from community stakeholders that directly serve LMI individuals and communities on key issues impacting the economic mobility and resiliency of those populations. In March 2024, the online survey was distributed to more than 600 individuals working in direct service organizations in the Fourth District; 100 completed the survey. The following tables show the types of organizations that provided responses to the survey and in which states the organizations were located.

Respondents by Organization Type

Organization type	Share (percent)
Community service provider*	41
Government entity	24
Neighborhood development organization	9
Foundation/funder	6
Workforce development board	6
Community development financial institution	3
Other	11
Total	100

*Community service providers include organizations such as community action agencies and social service organizations.

Respondents by State*

State	Share of respondents (percent)	Share of 2023 population (percent)
Ohio	71	69
Kentucky	11	12
Pennsylvania	13	19
West Virginia	4	1

*Shares may not sum to 100 because of rounding.

Type of Clients Predominantly Served*

Clients	Share (percent)
Urban	56
Rural	30
Suburban	14

*Shares may not sum to 100 because of rounding.

Survey Methodology: Diffusion Indices

The replies of survey respondents to questions related to the conditions of the LMI communities they serve and the organizations they represent are calculated to build the LMI Community Index and Organization Index. The calculation and example that follow are a guide to better understand the information provided in the indices:

$$\text{Diffusion Index} = (I - D) * 100$$

I = increase (% of observations)

D = decrease (% of observations)

Index > 0 indicates improving conditions

Index = 0 is neutral

Index < 0 indicates worsening conditions

Example: A decrease in the index from 40 to 20 would indicate that conditions have still improved but that more respondents are stating that conditions are worsening.