

ISSUES & INSIGHTS

VOLUME ONE | ISSUE TWO

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Jobs and Vacant Properties Remain Top Concerns; Shale Heating Up

In 2011 the Federal Reserve Bank of Cleveland began conducting a semi-annual community issues survey. We reported results from the inaugural survey last fall, in the first edition of *Issues & Insights*. For the June 2012 survey—which assesses stakeholders' concerns for the first half of the year, as well as issues they expect to emerge in the year to come—we received 167 responses. (See page 6 for a breakdown of respondents.) Results from the survey, detailed herein, are shared with constituents across the district as well as with colleagues at the Board of Governors in Washington, D.C., who use the findings to help inform the governors, Federal Reserve Bank presidents, and Federal Reserve Chairman Ben Bernanke of on-the-ground conditions in each district. Survey questions and prior editions of *Issues & Insights* can be viewed at www.clevelandfed.org/issuesandinsights.

Make your voice heard!

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The more input we have, the better able we are to assess the most pressing concerns facing constituents in our district. To participate in future surveys, contact Senior Policy Analyst Lisa Nelson at lisa.a.nelson@clev.frb.org or by phone at 216.579.2903.

CURRENT ISSUES

“Producing jobs, particularly good-paying jobs available to lower-income households, will be critical to any local economic recovery. The challenge is that job growth is often in industries that require skills or training the lower-income households do not have.”

– Executive director of a housing research institute

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IT'S ALL ABOUT JOBS

Availability of local employment opportunities remains the top concern in Fourth District communities, according to stakeholders who responded to our June 2012 survey. Nearly 42 percent of respondents ranked employment as one of their top three concerns, with 15 percent ranking it their number one concern. Regarding availability of jobs since the start of 2012, most respondents (52%) felt it was unchanged, while 17 percent reported a decrease. Thirty-one percent of respondents reported employment opportunities had increased in this time period.

Comments about employment focused mainly on three themes: **the type of jobs available; skill sets of job seekers;** and **impacts of job loss on communities**, consistent with results of our 2011 community survey. A state housing director in Ohio wrote, “There are not enough good-paying jobs to provide financial security for families or to stimulate the economy.” Another opined that “many good-paying, quality jobs with benefits have left or downsized.” Also noted was the mismatch

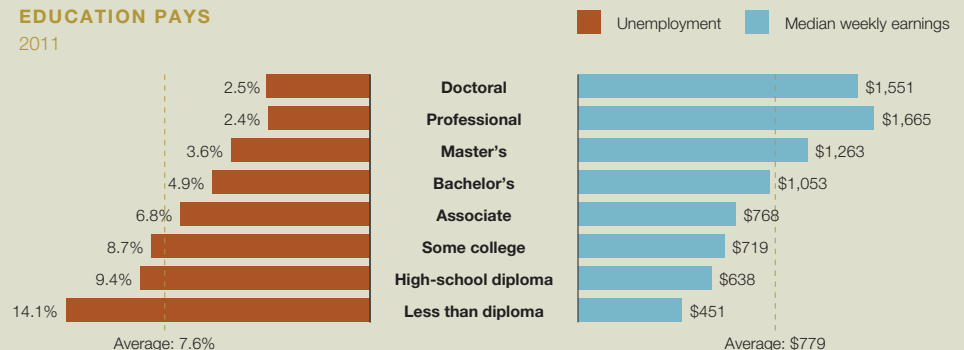
between the skills of job seekers and the needs of employers. “Our present workforce is not trained for high-paying 21st century jobs,” wrote an Ohio foundation director. “Therefore, companies leave the state or don’t locate here.” The executive director of a university’s housing research center touched on both job availability and job skills, pointing to the importance of both for the economic recovery: “Producing jobs, particularly good-paying jobs available to lower-income households, will be critical to any local economic recovery. The challenge is that job growth is often in industries

that require skills or training the lower-income households do not have.”

Job loss impacts communities in other ways, too. A mediation program director observed that “unemployment and underemployment are still the biggest contributing factors to foreclosure.” One county development director mentioned the “increasing demands for social services due to high jobless numbers”; another wrote about the importance of job opportunities for community and family stability.

“Our present workforce is not trained for high-paying 21st century jobs.” – Ohio foundation director

EDUCATION PAYS 2011



Source: Bureau of Labor Statistics, Current Population Survey

Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers

“Abandoned and vacant properties equal increased crime, squatting, neighborhood decline, and decreased vitality. **Businesses do not want to be located in a blighted neighborhood.**”

— Pennsylvania social services agency director

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VACANT PROPERTIES

Vacant and abandoned properties ranked as a top concern for a third of survey respondents. Nearly 70 percent indicated vacancies have increased in their communities since the start of 2012. A majority of respondents' comments focused on negative impacts these properties have on communities, including increases in crime and decreases in property values. Many noted communities' inadequate resources to deal with them. To one Pennsylvania social services agency director, “abandoned and vacant properties equal increased crime, squatting, neighborhood decline, and decreased vitality.” This respondent then added, “Businesses do not want to be located in a blighted neighborhood.” Dwindling budgets to deal with increasing vacancies also drove pointed comments. “Vacant and blighted properties have destroyed neighborhoods, and the resources available to deal with them are inadequate,” wrote a city's community development director. The president of a CDFI wrote, “Vacant, abandoned, and REO properties continue to plague Cleveland neighborhoods. Without new federal resources—CDBG, HOME, NSP—there are few options for filling the market gaps to convert these liabilities to assets.”

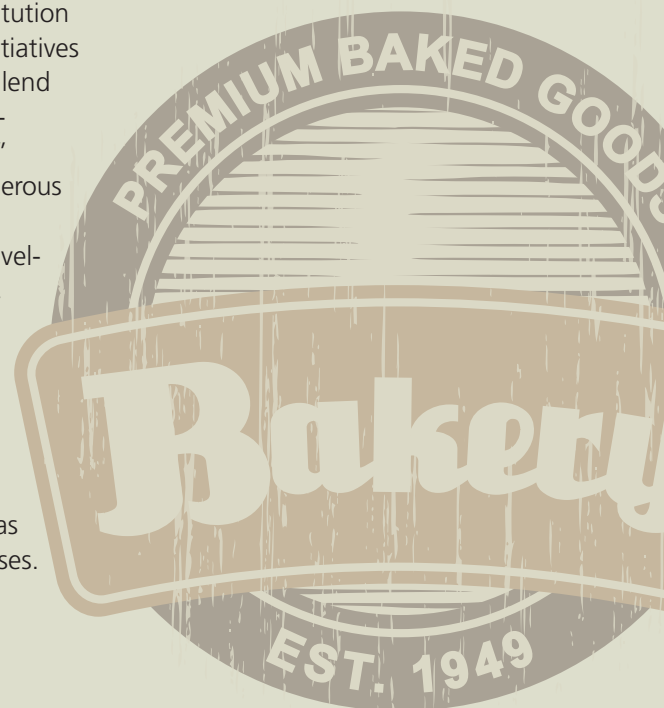
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ACCESS TO CREDIT AND CAPITAL FOR SMALL BUSINESSES

Third among respondents' top concerns is the ability of small businesses to access credit and capital. When asked about change in access since the beginning of 2012, almost half (46%) said it stayed the same, followed by 28 percent who reported access had decreased. Respondents' comments fell largely into two buckets: blame for the **regulatory environment** and frustration over businesses' **inability to secure credit and capital** that's **critical to their expansion and job growth**. A Kentucky banker wrote, “Credit underwriting requirements imposed by the regulators have tightened at the same time that small businesses and consumers are unwilling to borrow.” According to an executive at a financial institution in Ohio, “Recent regulatory initiatives are making it more difficult to lend money to small business. Over-regulation will impair lending.” Banks were mentioned by numerous respondents as “not lending.” A state-level department of development specialist commented, “Small businesses are telling us they still can't get loans from banks to start or continue operations.”

The impact of the tightened credit and capital standards was evident in a number of responses.

“The lack of access to capital is very problematic as it is hurting existing small businesses and preventing new businesses from being established or growing,” wrote a nonprofit director. Small businesses, wrote another, “are still having problems with lines of credit and the ability to borrow to maintain and expand operational capacity. This stymies the job market.” A number of respondents expressed the importance of small businesses to our economy. “Small business is the linchpin to our regional economy, and banks are still being slow to loan money for expansion or equipment,” noted a nonprofit director in Ohio. A CEO of a CDFI in Kentucky stated it more simply: “Small business is **THE** driver of the US economy.”





On the horizon...

Looking ahead, respondents feel they'll be most concerned a year from now about **jobs**, **budget cuts**, and **vacant properties**, in that order. Clearly, the employment and housing challenges their communities face—both of which rank at the top of current and emerging concerns in this survey period—will not be solved in the near future. Concerns over possible federal-level budget cuts may be linked to uncertainty over the economy and the outcome of the presidential election. Respondents had some thoughtful, insightful things to say about these emerging issues; see a selection of the comments at www.clevelandfed.org/issuesandinsights.

WHAT ELSE IS BUBBLING TO THE SURFACE?

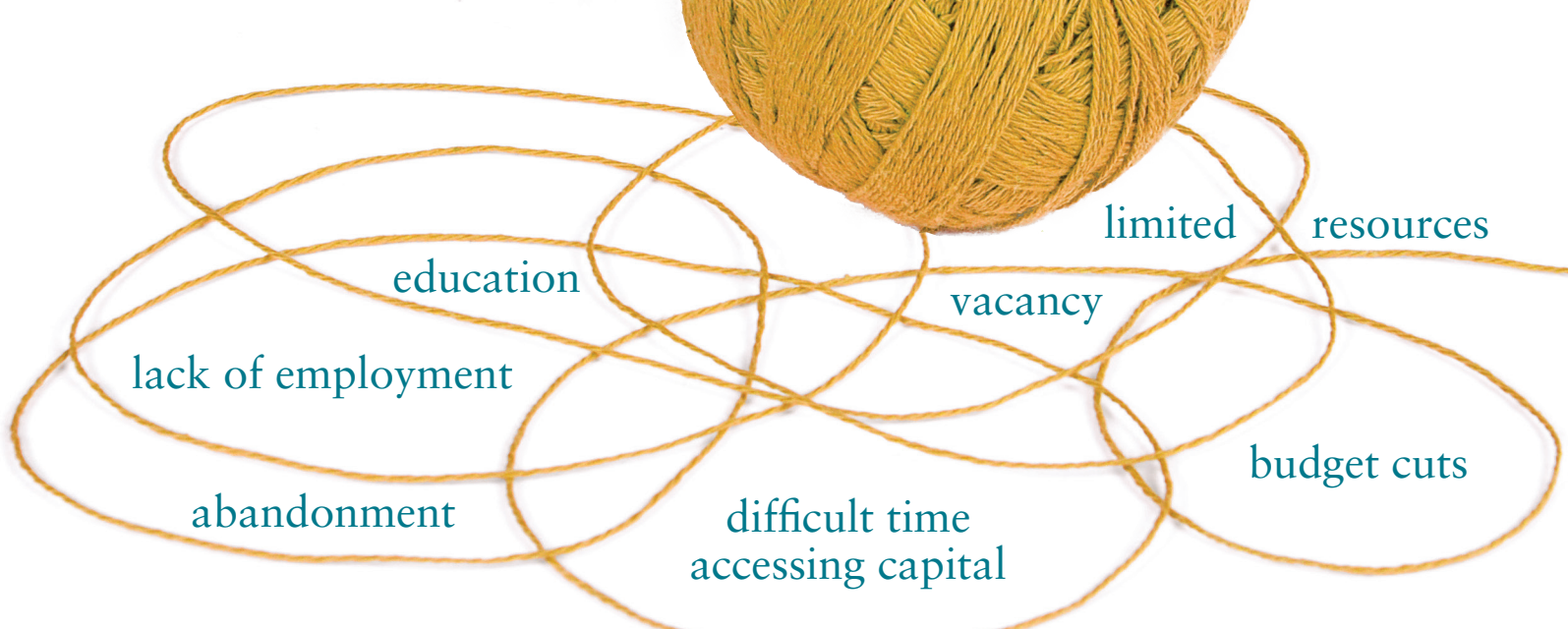
Over the past few years, shale gas drilling has heated up in several parts of the District, including counties in eastern Ohio and southwestern Pennsylvania. While shale deposits under the Earth's surface have existed for millennia, newer extraction techniques—including horizontal drilling and slick-water fracturing, called “fracking”—along with the discovery that some shale yields both natural gas and oil, have prompted a boom in the industry. As with every boom, there is excitement and concern. In communities experiencing a surge in shale drilling—many of which are rural—the influx of workers and equipment is driving up rents and taking a toll on local roads. The policy implications of a boom like this are both short-term and longer-reaching. Will existing housing meet the increased need? Can local workforce development programs and community colleges develop the necessary curricula soon enough to allow local residents to enter this burgeoning job market? Can a proper balance be struck that maximizes the gas and oil recovered, minimizes the environmental impact, and allows communities to prosper?

Another concern shale drilling raises, for land banks in particular, is mineral rights leases. Two types of mineral rights exist: surface and deep-well layer. Many property owners in Ohio and Pennsylvania have leased the mineral rights to their land; these rights, however, with sometimes convoluted and rapidly changing ownership, can be difficult and expensive to identify as active or expired, as well as to extinguish. Hence the challenge facing land banks. With vacant properties a growing problem for many communities, land banks have emerged as an effective tool to help channel such properties into productive reuse, whether as refurbished homes or community green space following demolition. In communities where shale drilling is taking hold, however, it could become prohibitively expensive for land banks to take on properties with existing or unclear mineral rights leases.

Although shale drilling has not yet landed among the top three issues in our survey, respondents weighed in with comments that reflect their hopefulness and concern. See related comments online at www.clevelandfed.org/issuesandinsights.

“The shale oil and gas development has the potential to dramatically improve the future. We need a region-wide strategy for how to reinvest in higher education and small business before the oil and gas largess is gone.”

– Port authority executive director in Ohio



THE TIES THAT BIND: WHERE COMMUNITY ISSUES INTERSECT

Many respondents pointed to the interconnectedness of the challenges they face in their communities. “All of the issues are interwoven with each other— foreclosures, unemployment, lack of education and training,” one wrote. “One cannot be separated from the other.” How closely linked are the issues? And what are the implications for policymakers who must consider how best to address these multiple, interrelated challenges? While we cannot determine a relationship between two or more issues from our informal survey, we detect some illuminating patterns among both tallied answers and the comments from respondents.

“There have been **insufficient resources** to address the effect of foreclosed properties, which has created a **backlog of vacant and abandoned property**. As long as foreclosures continue, that backlog will continue to grow.”

“**Small businesses** are the economic engines of our communities. They have a **difficult time accessing capital** for their businesses and are therefore **unable to grow** (and create jobs).”

“The **foreclosure** crisis has led to high levels of **abandonment** in American communities. The end result is that families are left scrambling for decent affordable homes, which are now in high demand. Unfortunately, the affordable housing demand becomes a crisis due to **budget cuts** at all levels of government.”

“**Education** is the foundation for the skills that will allow individuals to get quality jobs in the future. Having an educated and qualified workforce will also be critical to **regional competitiveness**.”

“**Vacancy** is a by-product of **population loss**. Population loss is directly connected to job loss and **lack of employment opportunities**. Job creation and economic development are key to rebuilding the city’s physical fabric.”

SURVEY METHODOLOGY

The Federal Reserve Bank of Cleveland developed this survey tool in 2011 to elicit perspectives from stakeholders across the district on key issues facing the communities and individuals they serve. The initial survey was issued in Fall 2011. We sent a second online survey in June 2012 to 1,032 individuals working in a range of organizations; 167 completed the survey. Following is a breakdown of the types of organizations that provided responses, as well as the states in which these organizations are located. Please note that the findings and comments we include herein and on our website reflect only the perspectives of those who responded to the survey and not all the organizations within our district.

Breakdown of respondents by organization type		
Community development organizations	27	16.2%
Financial institution	27	16.2%
Local government	23	13.8%
Academic or policy center	21	12.6%
Economic development organization	18	10.8%
Social service/health/education organizations	13	7.8%
Community development financial institution (CDFI)	8	4.8%
Other	8	4.8%
Foundation	7	4.2%
Housing counseling agency	5	3.0%
Federal government	5	3.0%
State government	3	1.8%
Legal practice/court	2	1.2%
Total	167	100.0%

Breakdown of respondents by state		
	Population in District (2011)	Survey Response (June 2012)
Ohio	68.0%	78.2%
Pennsylvania	19.6%	13.9%
Kentucky	11.4%	6.7%
West Virginia	0.92%	1.2%
Total	100.00%	100.0%

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The views expressed in *Issues & Insights* are those of the author and the survey respondents, and do not necessarily reflect those of the Federal Reserve Bank of Cleveland or the Federal Reserve System.

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