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

“Small businesses are the economic engines of our communities. They have a small 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 the lack of employment opportunities.”

“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.”
Average: $779

Critical to any local economic recovery. The challenge is that job growth is often in industries that require skills or that train the lower-income households do not have.

Vacant and abandoned properties ranked as a top concern for a third of respondents. Nearly 20 percent indicated vacancies have increased in their communities since the start of 2012. A majority of respondents commented focused on access to credit and capital.

Access to credit and capital is critical to any local economic recovery. The challenge is that job growth is often in industries that require skills or that train the lower-income households do not have.

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Vacant properties.
IT'S ALL ABOUT JOBS

Availability of local employment opportunities remains the top concern in Four 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 improved 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 trend between the skill sets of job seekers and the needs of employers. “Our workforce is not trained for high-paying 21st century jobs,” wrote an Ohio foundation director. “Therefore, companies have the states in don’t locate here.” The executive director of a housing development network stated, “For job availability and job skills, pointing to the mismatch of both for the economic recovery. “Jobs lost, job opportunities in other ways, too. A mediation program director observed that “unemployment and underemployment are still the biggest concern facing to newcomers.” One county development director mentioned the “increasing demands for social services and job assistance (numbers).” Another wrote about the importance of job opportunities for community and family stability.

Vacant and abandoned properties ranked as a top concern for a third of respondents. Nearly 20 percent indicated vacancies have increased in their communities since the start of 2012. A majority of respondents’ comments focused on job losses and job opportunities, as well as the loss of businesses that require skills or training that the lower-income household does not have.

Vacant properties

Third among respondents’ top concerns was 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 was unchanged, followed by 28 percent who reported access had decreased, 19 percent with results of our 2011 community survey. “Employment opportunities are still the biggest concern facing to newcomers.” One county development director mentioned the “increasing demands for social services and job assistance (numbers).” Another wrote about the importance of job opportunities for community and family stability.

Access to credit and capital for small businesses

Worries about the lack of access to capital is very pronounced both at our small businesses and providing new businesses from being established or growing,” wrote a nonprofit director. “Small businesses have another one, “Are all those problems with the capital and the ability to borrow to maintain and expand operating in your area. 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 all still working to boost 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.”

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, new extraction techniques—including horizontal drilling and slick-water fracturing, called “fracking”—along with the discovery that some shale yields both oil and natural gas, have promised a bonanza of new jobs, tax revenue, and new opportunities. But there is excitement and concern in communities experiencing a surge in shale drilling—many of which are rural areas with low population density and limited access to equipment is driving up rents and taking a toll on local roads. The policy implications of a boom like this are both shortsighted and longer-range. Will existing housing meet the increasing need? Can local workforce development programs and community colleges develop the necessary curriculum soon enough to allow local residents to enter this burgeoning job market? Can a proper balance be struck that maximizes the gain and of economic growth, minimizes the environmental impact, and allows communities to prosper.

The shale oil and gas industry has the potential to dramatically improve the local economy. We need a region-wide strategy for how to reinvest with education and small business before the oil and gas largesse is gone.
“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.”

Vacant and abandoned properties ranked as a top concern for a third of respondents. Nearly 20 percent indicated vacancies have increased in their communities since the start of 2012. A majority of respondents’ comments focused on the economic impact of vacant properties on communities, including increasing crime, decrease in property values. Many noted communities’ radon levels, mold, and asbestos tied to deal with them. “To Penn State social services agency director, “abandoned and vacant properties equal increased crime, squatting, neighborhood decline, and decreased vitality.”

The respondents then added, “Businesses do not want to be located in a blighted neighborhood.” Discouraging deals with increased in social services, another wrote about the importance of job opportunities for community and family stability.

On the horizon…

Looking ahead, respondents feel they’re most concerned a percentage of labor, businesses, budget cuts, and vacant properties. In this order, clearly, the employment and housing challenges that community face—both of which rank at the top of current and emerging concerns in the survey period—will not be asked in the near future. Concerns over possible federal level budget cuts may be linked to uncertainty over the economy and the state of the presidential election. Respondents had some hopeful things in mind about these emerging issues; see a selection of comments at www.clevelandfed.org/insight/

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

Another concern shale drilling raises, for land banks and nonprofits, is mineral rights laws. Two types of mineral rights exist: surface and subsurface layer. Many property owners in Ohio and Pennsylvania have received millions for mineral rights to their land. These rights, however, sometimes come with convoluted and rapidly changing ownership, can be difficult to identify and expensive to identify as excess, or even to withstand. Hence the challenge facing land banks. With vacant properties a growing problem for many communities, the policy implications of a boom like this are both short-term and long-term. Will existing housing meet the increased needs? Can local workforce development programs and community colleges develop the necessary curriculum soon enough to allow local residents to enter the burgeoning job market? Can a proper balance be struck that maximizes the gain and addresses the environmental impact, and allow communities to prosper?

WHAT ELSE IS BUBBLING TO THE SURFACE?

Over the past year, 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 yielded for millennia, newer extraction technologies—including hydraulic drilling and oil-water fracturing, called “shale”—along with the discovery that some shale yields both oil and natural gas, have propelled a boom. In Pennsylvania, followed by 28 percent who reported jobs access had decreased. The conditions faced tied literally into two buckets, blame for the regulatory environment and frustration over businesses’ inability to access capital and credit: critical to their expansion and job growth. A banking sector source, “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 economist at a financial institution in Ohio, “Recent regulatory initiatives are making it more difficult to money to small businesses. Over the regulation will impact lending. “Oil and gas areas have many more dramatic responses as “not lending.” A state-level department of development commented, “Small businesses are telling us they still can’t get loans and the ability to borrow to maintain and expand operations are lax.” This stymies the job market.” A number of respondents expressed the importance of small businesses to our economy. “Small business is the backbone of our economy, and banks are all trying to get money for expansion or equipment purchase,” noted a mortgage director in Ohio. A CEO of a CBV in Kentucky stated it more simply: “Small business is the driver of the US economy.”

The shale and gas development has the potential to dramatically improve the future. We need a region-wide strategy for how to reinvigorate in higher education and small business before the oil and gas largesse is gone.”
There have been insufficient resources to address the effects 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 small but time- and capital-intensive activity, requiring all available resources. The problem is that this crisis is not over. We have not seen the last of the foreclosures. And while the government has done a good job of helping with the foreclosures, there are going to be more foreclosures than there are government programs to handle them.”

“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.”
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 affordable housing demand becomes a crisis due to limited resources.”

“Vacancy is a by-product of population loss. Population loss is a by-product of population loss. Population loss is...”

Survey Methodology

The Federal Reserve Bank of Cleveland developed the survey tool in 2011 to test perceptions from stakeholders across the district on key issues facing the communities and individuals they serve. The initial survey was issued in late 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 responded, together with the questions of which those who responded to the survey and not all the organizations within our district.

Immunization of respondents by organization type

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community development organizations</td>
<td>27</td>
<td>16.2%</td>
</tr>
<tr>
<td>Financial institution</td>
<td>27</td>
<td>16.2%</td>
</tr>
<tr>
<td>Local government</td>
<td>22</td>
<td>13.8%</td>
</tr>
<tr>
<td>Academic or policy center</td>
<td>20</td>
<td>12.6%</td>
</tr>
<tr>
<td>Economic development organization</td>
<td>13</td>
<td>8.0%</td>
</tr>
<tr>
<td>Social service/health/education organizations</td>
<td>18</td>
<td>11.4%</td>
</tr>
<tr>
<td>Community development financial institution (CDFI)</td>
<td>8</td>
<td>4.8%</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>4.8%</td>
</tr>
<tr>
<td>Education</td>
<td>7</td>
<td>4.3%</td>
</tr>
<tr>
<td>Housing counseling agency</td>
<td>5</td>
<td>3.0%</td>
</tr>
<tr>
<td>Federal government</td>
<td>5</td>
<td>3.0%</td>
</tr>
<tr>
<td>State government</td>
<td>3</td>
<td>1.8%</td>
</tr>
<tr>
<td>Legal pro bono counsel</td>
<td>2</td>
<td>1.2%</td>
</tr>
<tr>
<td>Total</td>
<td>167</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Immunization of respondents by state

<table>
<thead>
<tr>
<th>Population in District (2011)</th>
<th>Survey Response (Quarter 2012)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ohio</td>
<td>60.9%</td>
<td>78.2%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>10.4%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>11.4%</td>
<td>14.7%</td>
</tr>
<tr>
<td>West Virginia</td>
<td>9.9%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

ISSUES & INSIGHTS

Joseph C. Ott is an economist with the Federal Reserve Bank of Cleveland’s Community Development Department. He works on housing policy issues and specializes in research. Matt Klesta is a research analyst for the Community Development Department. He specializes in economic policy issues.

The views expressed in Issues & Insights are those of the author and do not necessarily reflect those of the Cleveland Fed. Individual authors are identified with the survey responses.

Make your voice heard!

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.nelson@clev.frb.org or by phone at 216.579.2003.