The Community Outlook Survey (COS), a biannual online survey by the Federal Reserve Bank of Dallas, helps assess community and economic development in the Eleventh District of the Federal Reserve System—Texas, northern Louisiana and southern New Mexico. The community organizations participating in the survey provide housing, health and nutrition, financial aid, workforce development and education services to cities and counties in the Eleventh District.

In the first six months of 2014, growth of the Texas economy picked up as unemployment fell. The energy sector continued to be strong, and exports rose in April. However, the housing market is still constrained, as the inventory of homes on the market remains quite low. Thanks to strong energy and business service sectors, analysts predict employment growth in 2014 will be stronger than the previous year. In the region’s low- and moderate-income (LMI) communities, expectations of job availability have rebounded from the last six months of 2013. However, service providers indicate difficulties in the abilities of LMI workers to access these jobs, due in part to unaffordable transportation or to qualification difficulties. Service providers also worry about availability of affordable housing, as a booming energy sector continues to put pressure on the housing supply, and disabled or elderly families have few options for safe and affordable homes.

If you are interested in participating in our 10-minute survey and are a nonprofit service provider to LMI households in Texas, northern Louisiana or southern New Mexico, please submit the request form. View a copy of our survey.

In July 2014, we asked service providers to evaluate changes in the needs of low- and moderate-income (LMI) households—ranging from the availability of jobs and affordable housing to financial well-being and access to credit—for the first six months of 2014. To better understand how well the needs of LMI households are being met, we also asked service providers about the changes in demand for their services, their organizations’ capacity to serve clients and funding for their organizations.

In addition, we asked what changes they expected for the second half of 2014. Table 1 summarizes their feedback.

After a period of decline during the last half of 2013, measures of LMI well-being appear to be rebounding. For example, the number of service providers seeing increases in affordable housing grew 9 percentage points, up to 19 percent from 10 percent. Observations of job availability also climbed 9 percentage points (56 versus 47), as a majority of respondents saw increases during the first six months of 2014. Financial well-being also showed moderate improvement: 21 percent of respondents saw this indicator deteriorating during the last half of 2013, but the number dropped to only 6 percent this period. However, regarding their own organizations, many more service providers indicated increasing demand for their services—a jump of 23 percentage points (66 versus 43).

We can also see the improvements reflected in the diffusion indexes. Chart 1 shows that all of the condition measures of LMI well-being have risen since last period, a reversal of last survey’s pattern. The index for access to credit is at an all-time high of 49, inching ever closer to the neutral baseline of 50. Turning to the indexes for providers’ own organizations, we see demand for services continuing to increase (from 68 to 81), although unfortunately their capacity to serve has fallen out of positive territory (50 versus 53).

In addition to asking service providers about the change in the situation of LMI households, we asked them to identify factors affecting their answers to many of the indicators. The following charts show the responses to factors affecting LMI households’ access to credit and affordable housing and the factors impacting service providers’ financial sustainability.
**Access to Credit**

Chart 2 shows the breakdown of responses that highlight the top factors that affect LMI households’ access to credit. Although the diffusion index for access to credit is at its highest level ever, providers still identified problems. Lack of cash flow continues to be of primary concern, followed closely by underwriting standards or credit ratings. Lack of financial knowledge is unsurprisingly another strong factor; many of the comments in this period’s report involve improving financial capability. Among the “other factors,” one commenter wrote that “chaos, bad credit and previous bad decisions” are significant factors for LMI households in accessing credit.

**Availability of Affordable Housing**

Unlike in the previous survey period, lack of capital comes in as the top factor affecting availability of affordable housing, with over half of respondents selecting this issue (Chart 3). Development costs rank No. 2. Although community opposition garnered only 22 votes, those who selected “other” pointed to general apathy and disinterest in affordable housing development. One commenter wrote of the “lack of understanding and support by elected officials,” while another explained that “lack of political will” is responsible for a dearth of affordable housing. A flourishing oil and gas industry also complicates the affordability picture by continuing to squeeze the housing supply.

**Financial Sustainability**

Chart 4 shows that, in keeping with previous surveys, lack of grant and governmental funding are the top two factors service providers indicate as affecting their organization’s sustainability. This time governmental funding tops the list. Market conditions continue to rank third, although multiple comments on this question actually highlight how the economy is positively affecting their organizations. The economic development sales tax generated in some communities helps finance development projects, and some service providers noticed an increase of these funds during the first six months of 2014.

**Additional Insights from Survey Respondents**

We also asked nonprofit service providers for any additional insights they would like to report about the conditions of LMI households. Despite an increasingly positive outlook of employment opportunities, respondents described the difficulties associated with LMI individuals
obtaining these positions. Some comments focused on lack of transportation options that exacerbate financial constraints and keep people from participating in the economy. One respondent wrote:

- Pilot transportation programs must be funded to alleviate a growing dependence on social services that lead to nowhere. In our own community, public housing residents on Temporary Assistance for Needy Families (TANF) have no local jobs and no transportation to get to jobs and are left eventually with no skills and no support. Families must move to a larger city, into substandard, unsafe and extremely unaffordable housing just to try to get ahead.

More respondents discussed the problems of criminal history and drug use in employment attainment. One explained that “there are people that need to work but cannot qualify for jobs because they cannot pass the drug tests. … We have some job openings, but in some situations, nearly 80 percent of those that apply cannot pass drug tests. It is sad.”

Challenges and Solutions for Nonprofit Organizations

For this survey, we posed an additional set of questions to service providers: What is the most prominent issue affecting LMI communities that your organization has focused on for the first half of 2014? Additionally, what information, resources or actions do you believe are needed to move this issue forward?

Topping the list of topics is affordable housing, followed closely by financial capability. Many service providers from a variety of agencies brought up struggles of the elderly—be those housing, health care, budget constraints or a confluence of all three. Service providers also discussed the challenges within their own organizations, namely the lack of funding. Solutions to these problems range from exploring ways to increase capital to boosting volunteer programs. Below are selected comments that have been edited for publication:

- People are struggling with finances. The elderly do not have enough money to put up a deposit for an apartment. They have to choose which bill not to pay to be able to afford their medications.

- Lack of access to affordable housing is our biggest concern. We are working to coordinate between the city’s goals and priorities, the city planning department’s goals and priorities and our organization’s goals and priorities. Nonprofit affordable housing providers need to be in sync with their city planning department.
We are enrolling the uninsured in health insurance and offering minor home repair to keep seniors and LMI families in their homes.

As the oil industry continues to boom, all affordable housing is gone before it is even built.

We are trying to find ways to create jobs by attracting companies that can justify locating in our area.

We primarily focus on housing issues and financial stability issues. These issues are intertwined and to truly make a difference in our neighborhoods we need to improve the financial security of all groups (i.e., elderly, disabled, low/moderate income, homeless).

Competition in the housing market is making it hard for LMI buyers using down payment subsidies; sellers can and are choosing other buyers over those with assistance because it’s easier to close and no property standards to adhere to. We are focusing on developing affordable housing to sell specifically for LMI buyers using down payment assistance.

Challenges within the LMI community and the organizations serving them persist, despite accelerating growth in the economy. However, service providers see some areas of positive change. They continue to use their limited resources to work to help LMI families and other special needs populations take advantage of job opportunities and broaden housing options as they move forward into the latter half of 2014.

Notes

1 Data collected represent the opinions of organizations that complete the survey and should not be interpreted to represent the opinions of all service providers to low- and moderate-income households in the Eleventh District of the Federal Reserve System. In addition, the organizations that respond to the survey will not necessarily be the same from one survey to the next.


3 Beginning in 2013, COS switched from a quarterly survey to a biannual survey.

4 The number of respondents to the first six months of 2014 survey is 80.

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