

Record of Meeting
Community Advisory Council and the Board of Governors
May 19, 2022

This is the sixth meeting of the Council since the onset of the COVID-19 pandemic. While there is encouraging news on the public health front, the effects of the pandemic on the nation's economy will endure for years to come. No groups have endured more hardship on both fronts than the nation's least resourced citizens, nor is there much hope that the economic recovery will be experienced much differently than past ones for these populations.

The Council membership includes (but is not limited to) leaders of various types of nonprofit organizations, whose work centers on, in summary, moving those on the social and economic margins into the economic mainstream by addressing and removing complex barriers to opportunity.

This work depends on public and private funding as well as other forms of subsidy and is an integral part of the service delivery system for the nation's least resourced people and communities. The pandemic and its enduring impacts have underscored the importance of this role which hinges on maintaining the viability of the nation's nonprofit organizations, including their leadership and staff. The current economic environment presents unusual challenges for nonprofits. Constrained labor market conditions and the current inflation are placing inordinate strain on these organizations that responded to spiking demand through the pandemic. Wage and other cost pressures are threatening the viability of nonprofit financial, social, and human service organizations as they most often cannot pass cost increases onto those they serve.

For 501(c)(3)-designated nonprofits, inflation might prove to be the canary in the coal mine because there is little to no room to adjust capital expenses, cost of labor, and cost of goods for the short- or long-term. Most nonprofits with the greatest outcomes are small, community-based, with proximate leadership serving local needs. Ninety-two percent of these organizations spend less than \$1 million annually; 88 percent spend less than \$500,000. Nonprofits employ more than 10 percent of America's private workforce—more jobs than in manufacturing, construction, or finance. Nonprofits that serve vulnerable populations braid funding sources, primarily government grants; fees-for-service; and foundation, corporate, and individual giving. Each source of income has certain restrictions that don't account for any inflationary pressures.¹ This in turn puts additional pressure on nonprofits to fundraise from a wider range of donors or alter their business model to qualify for new or different sources of funding.

Community development financial institutions (CDFIs) are concerned that higher interest rates will affect the cost of that capital in the face of interest rate uncertainty. Given their borrower profiles, CDFIs need access to debt capital at favorable rates for 5-10-year terms to meet the needs of their clients and facilitate sound financial management of their organizations. Emerging from the Great Recession, access to favorable capital was limited, but rates were steady. Today's environment differs in that capital is abundant, but rates are increasing and uncertain. Many other types of organizations struggle with unique challenges to their business models as well.

¹ See <https://www.pnc.com/insights/corporate-institutional/manage-nonprofit-enterprises/nonprofit-flash-update-inflation.html>.

The Council believes that nonprofit viability is a topic ripe for research, and that the Federal Reserve System is well positioned to conduct studies to better inform policymaking in relation to nonprofits and their vital roles. We appreciate the efforts of the Federal Reserve Bank of New York, which is addressing ways to create capital markets for better social outcomes.² The pandemic brought into stark contrast the matrix of economic, fiscal, administrative, regulatory, compliance, and outcome-based metrics that create undue burdens at the front lines in our communities. We would like to see all stakeholders—funders, government, policymakers, service providers, and program participants—find ways to align resources that are place-based with proximate leadership where the most vulnerable are met in their homes and communities.

- 1. Current market conditions:** *What is the Council's view of the current condition of, and the outlook for, loan markets and financial markets generally? Has the Council observed any notable developments since its last meeting for loans in such categories as (a) small business, (b) home mortgage, (c) multifamily and affordable housing, and (d) consumers? Do Council members see economic developments in their regions that may not be apparent from the reported data or that may be early indications of trends that may not yet have become apparent in aggregated data?*

Mortgage

In Louisville, higher interest rates, coupled with scarcity and higher building material prices resulting from the slow supply chain is increasing costs for affordable multifamily housing with the overall result being larger gaps for developers to fill. The current single-family real estate market is characterized by rising house prices and buyer competition for a low supply of available houses. Rising loan rates have negatively impacted low- and moderate-income (LMI) consumers by diminishing buying power.

In the Philadelphia area, residential mortgage lending to lower-income families is at a standstill, particularly for immigrants who hold an Individual Taxpayer Identification Number (ITIN), a U.S. government-issued identifier for immigrants not eligible for a Social Security number. Today, few banks offer the ITIN product, as they are perceived to be higher-risk loans. Additionally, Fannie Mae and Freddie Mac (and Pennsylvania's Housing Finance Agency) do not purchase these loans on the secondary market, which means lenders wanting to finance ITIN borrowers must keep these loans in portfolio. Most ITIN mortgages are presently offered by subprime lenders, whose rates can be up to 10 percent higher than market rates, and do not include flexible down payment options.

Some CDFIs—such as Community First Fund—offer ITIN mortgages with flexible and affordable terms, and while it is not possible for CDFIs to extend these mortgages at scale sufficient to meet demand, default rates among these borrowers have been low. Discussions among peer CDFIs around the country indicate the problem exists in most LMI immigrant communities.

Homeownership provides a sound method for household wealth accumulation and can help close the racial wealth gap. The Federal Reserve System has undertaken many programs to promote fair access to mortgages and homeownership and published much related content. The Council recommends a rethinking of rules and guidance to banking institutions that will allow banks to serve these relatively low-risk borrowers and improve the prospects for both household stability and intergenerational wealth transfer enjoyed by nonimmigrant populations.

² See https://www.bightought.org/wp-content/uploads/2021/01/Blueprint_For_Enterprise_Capital_2019.pdf.

Western states have some of the least affordable housing and lowest inventory of affordable homes. In some areas, some large real estate and fintech firms are purchasing homes (sometimes many at once) on behalf of clients to ensure the properties are not lost to outbidding by cash buyers—and then working out financing on their behalf subsequently. This emerging practice, with the potential to give LMI borrowers the possibility of competing in a red-hot market by removing the advantage of cash buyers, is becoming more common. However, these firms are not subject to consumer regulations, and thus may not serve first-time or LMI buyers optimally. Further, there is the potential that the practice might usurp or sideline intentional affordable housing development in some markets, by taking up too much of the local housing stock.

Small Business

Health systems are working to bridge a gap in markets with limited or low CDFI presence. Various Ohio and Kentucky cities served by the Mercy Health System have seen a rise in inquiries for small business development loans and loan funds designated especially for women, minority, veteran, and other priority population owned businesses. Many of these owners were unable to access Paycheck Protection Program (PPP) or other financing during the pandemic. The need for low-interest, long-term capital for high-risk business borrowers is being evaluated by Mercy due to growing demand. Hospitals also continue to invest and provide loans to support affordable housing development, especially in hard to develop markets for LMI households.

In Denver, small business lending is also picking up, but businesses without a prior banking relationship are not being well served by depository institutions. These include newly formed businesses that are on the rise as formerly salaried workers reassess what they want to do, as well as businesses with lasting damage from the pandemic conditions. CDFI lenders are helping to fill this gap, especially as interest rates are rising.

The business lending market in Memphis is similar, with banks tightening credit to a degree for less seasoned (or new) businesses, and CDFIs being the main credit resource for newer businesses. In rural Kentucky, banks are similarly eager to lend, but as in other regions, the lasting impacts of the pandemic on top of labor shortages and inflation in the costs of materials have left some businesses struggling.

In San Francisco, the need for affordable housing financing is so great that developers are exploring nontraditional sources including venture capital firms, especially to finance projects that may not readily conform to other credit or subsidy programs such as qualifying for Community Reinvestment Act credit.

- 2. *Housing markets:*** *How have house prices and rental rates changed since the October 2020 meeting? Have there been any new developments in housing activity for LMI communities in Council members' regions?*

Overview

The overall housing trends observed in the fall of 2021 have continued into the spring of 2022. The housing market continues to gain momentum as home prices move ownership further out of reach for first-time and LMI homebuyers. Concerns regarding increases in interest rates have encouraged more people to try to purchase homes now for fear that they will be priced out of the market as rates rise further, causing additional price pressures. Building material price increases have pushed up the cost of new homes, slowing down building. This has created an even greater demand for housing and the inventory of homes for sale has dropped to the lowest levels in a decade or more. Affordable rental

housing, which was already in short supply before the pandemic, has been impacted further by supply chain issues, shortages of construction workers as well as various building materials, and institutional buyers with much liquidity buying properties in bulk, and even by influxes of refugees in some markets. Further, with demand strong in other segments of the housing market, affordable housing developers are in some markets moving to more profitable housing products that do not require subsidy.

The National Low Income Housing Coalition (NLIHC) in its 2022 report highlights the systemic shortage of affordable rental homes for the lowest-income households.³ Only 36 affordable homes actually exist for every 100 extremely low-income renter households. Extremely low-income renters in the U.S. face a shortage of approximately 7 million affordable and available rental homes. People of color are much more likely than White people to be renters and have extremely low incomes. Forty-six percent of renter householders are seniors or have a disability, and another 44 percent are in the labor force, in school, or are single-adult caregivers.

Often, “innovative” solutions are proposed to address housing issues, especially when it comes to housing homeless individuals who are in shelters or those at risk of homelessness who would qualify for permanent supportive housing or rapid rehousing to prevent homelessness. But the layers of bureaucracy, funding, and market conditions ultimately dictate how responsive communities can be. Pallet—a Washington-state based social enterprise—has patented emergency shelters that can be built in a day with the original goal to provide immediate housing for those who have been displaced by natural disasters. The company has gone from \$250,000 in revenue in 2019 to \$10 million in 2022, building 70 shelter communities comprised of small accessory dwelling units (ADUs) for homeless populations. However, there are many cautionary tales about “innovations” for transitional housing. Tiny homes, or ADUs, cost too much and help too few, and they don’t end homelessness, they sustain it.⁴ Rapid rehousing and permanent supportive housing is, unlike tiny houses, evidence-based and proven to be 90 percent to 94 percent effective at preventing a return to homelessness.⁵

Regional Conditions

West

According to the NLIHC, the West disproportionately has the most states and largest landmass with the lowest number of affordable units for extremely low-income renters. Urban and rural areas have completely different needs for housing. Five states—California, Oregon, Nevada, Arizona, and Colorado—have fewer than 30 affordable and available rental homes per 100 extremely low-income renter households. Utah, Washington, Alaska, and Hawaii have between 31 and 40 units per 100 households.⁶ There is no state in the country that can build its way out of the affordable housing crisis fast enough to ensure the most vulnerable remain housed and safe.

The latest housing forecasts for Colorado—including Denver, Denver County, and the Denver metropolitan statistical area—show that a shortage of supply and an increase in the demand for housing from new homebuyers will push prices higher in the next 12 months, and the marketplace will continue to favor sellers for the foreseeable future. Denver-Aurora-Lakewood Metro home values have gone up 23 percent over the past year (and 19 percent in the city of Denver) and Zillow predicts they will rise an

³ See <https://www.nlihc.org/>.

⁴ See <https://shelterforce.org/2020/01/10/tiny-houses-not-a-big-enough-solution/>.

⁵ See <https://endhomelessness.org/ending-homelessness/solutions/permanent-supportive-housing/>.

⁶ See “The Gap: A Shortage of Affordable Homes,” https://nlihc.org/sites/default/files/gap/Gap-Report_2022.pdf.

additional 21.5 percent in the next 12 months.⁷ With a current median value of \$599,742 and continued anticipated rises over the coming year, Denver has a sales inventory of less than two weeks, the lowest level on record. There were 42 percent fewer residences on the market in January 2022 than a year earlier.⁸

Utah and Idaho have some of the fastest rising home prices and lowest inventory. The urban areas of Northern Utah and Boise, Idaho, are now considered among the most expensive places to live in terms of housing costs. The Salt Lake Realtors recently published data that between March 2020 and March 2022 house prices in Utah's urban areas have risen from \$410,000 to \$629,000. The median household income in Utah is \$76,000. There is virtually no inventory available for middle-income families, and there are few incentives for developers to invest in affordable housing. Rental costs are rising anywhere from 25 percent to 100 percent, with market rates for a two-bedroom rental in Salt Lake County at about \$1,900 a month up from \$1,200 just two years ago. The state has very landlord-friendly laws, and families can be evicted with as little as three-day warning, and the chances of finding another rental are slim given the 2.7 percent vacancy rate. Utah currently has a deficit of 40,000 affordable rentals for residents earning less than 30 percent of the area median income (AMI). Leveraging pandemic funds, Utah state officials, Salt Lake County, and Salt Lake City offered up grants and incentives of approximately \$75 million to meet a goal of building 3,700 units in the coming years, addressing approximately 10 percent of the unmet need. This funding will be leveraged by philanthropic funds, matching grants, and tax credits. However, this \$75 million is far below the \$228 million requested by the Utah governor and housing advocates.⁹

Portland, Oregon, learned the hard way that a policy requiring landlords to pay for the relocation of tenants who say they cannot afford their rent increases led to a significant decrease in affordable rental units. A number of "mom-and-pop" property owners chose to sell their rentals because it was getting difficult to continue operating. The 3,900 properties lost in Portland have been naturally occurring, affordable, workforce housing for families with children or multiple generations, resulting in a 14 percent reduction in affordable housing inventory. Only 1,100 three-to-five-bedroom apartments have been built to fill the void.

The Bay Area is experiencing an acute shortage of affordable housing and a homelessness crisis that has been exacerbated by the influx of refugees from Afghanistan and, more recently, Ukraine. This crisis could be mitigated by a change to rules around low-income housing tax credits (LIHTC), which would reduce current restrictions enabling more projects to move forward.¹⁰

⁷ See <https://www.zillow.com/denver-co-80299/home-values/>.

⁸ See <https://coloradorealtors.com/2022/01/12/record-shattering-housing-market-showed-no-seasonal-differentiation-in-2021-astounding-highs-and-lows-likely-to-continue-well-into-2022/>.

⁹ Ellisa Dockstader, "Letter: Utah Housing Crisis Is Also an Alarming Public Health Concern," *Salt Lake Tribune*, March 20, 2022, <https://www.sltrib.com/opinion/letters/2022/03/20/letter-utah-housing/>.

¹⁰ There are two types of LIHTCs: the 9 percent credit supply is limited at the federal level and highly competitive among developers (as the more generous credits mean more equity for the project); each state is allocated a limited amount of these credits. Four percent tax credits are not limited at the federal level, but by the bonding capacity of the state where the housing is proposed. The contemplated project must be financed at least 50 percent by tax-exempt bonds issued by the state of the proposed project. The 50 percent rule is generally considered a "cliff test," where if the threshold cannot be met by the state, the project does not go forward. This restriction on 4 percent credits severely limits—considering current need and demand in California—the ability of the state to address the ongoing housing crisis. Reducing the state-level bond threshold to 25 percent of projects

Midwest

Over the past six months the price of single-family homes in Iowa, according to the Iowa Association of Realtors, have increased between 4.3 percent to 5 percent, and for condominiums and townhomes, the increase is even higher at 10.2 percent. Estimates suggest that approximately one-third of homes sold in the last two quarters have sold above asking price, which is unprecedented in the state. The lower end of the housing market is particularly tight with the supply of affordable housing units being extremely low.¹¹ Apartment construction has slowed in Central Iowa over the past year—down 47 percent over the five-year average, due to rising construction costs and material shortages. The market has shifted toward the development of new single-family housing. Central Iowa experienced a record number of new single-family housing units constructed in 2021.

According to the NLIHC, Polk County, Iowa, where Des Moines is located, needs an additional 10,500 units to meet the housing needed for residents earning 30 percent of the AMI. To partly address this deficit, the county is investing \$15.15 million in federal COVID relief funding to create approximately 600 affordable housing units.¹² These units will provide housing for those earning 30 percent or less of the AMI, the most vulnerable people in the community. This money will be divided amongst three initiatives:

- \$12 million for a grant program to support construction of 400 affordable housing units or conversion of existing units;
- \$3 million to establish a revolving loan program to help developers purchase apartment buildings in need of repair or for conversion into affordable units, resulting in an estimated 200 initially; and
- \$150,000 toward the hiring of two community advocates who will provide case management to homeless residents in Polk County. Des Moines has told the county it plans to match the American Rescue Plan Act (ARPA) funding for a two-year pilot program.

Iowa Legal Aid's Eviction Diversion Project has received private funding to provide legal services and rental assistance to Iowans who face eviction. This project started two years ago in response to the rise in evictions during the COVID-19 pandemic and is active in six counties throughout the state of Iowa. It has a 90 percent success rate in preventing evictions. Other programs have a goal of loaning \$1 billion by 2030 to people of color in Iowa and neighboring states (Illinois, Wisconsin, Nebraska, and South Dakota) to help close the wide homeownership gap.¹³ In 2021, \$76 million in loans were made to 523 Black homebuyers. This program is targeted toward residents in LMI census tracts.

would still force states to have a significant stake in new development but would allow many more affordable housing projects to move forward.

¹¹ Richard Lane, "Des Moines' Real Estate Market Remains Hot. What's Ahead for Sellers and Buyers in 2022?," *Des Moines Register*, April 6, 2022, <https://www.desmoinesregister.com/story/news/2022/04/06/des-moines-real-estate-market-forecast-hot-sellers-buyers-2022/7197849001/>.

¹² Kim Norvell, "Polk County Commits Covid-19 Relief Money to Adding 600 Affordable Housing Units," *Des Moines Register*, April 5, 2022, <https://www.desmoinesregister.com/story/money/business/development/2022/04/05/polk-county-initiative-aims-provide-600-more-affordable-housing-units-arpa/7269888001/>.

¹³ Kim Norvell, "\$1 Billion Loan Program by Iowa Credit Union Aims to Help Close Racial, Ethnic Homeownership Gap," *Des Moines Register*, March 11, 2022, <https://www.desmoinesregister.com/story/money/business/2022/03/11/greenstate-credit-union-help-close-nonwhite-homeownership-gap-home-loan-program/9366529002/>.

In Cincinnati, Mercy Health System continues to see rising house prices and rental rates amplify housing cost burden for residents. The Cincinnati Housing Response Program (CHRP), designed to address and measure the health impacts of housing instability and to fund eviction and foreclosure prevention, concluded in late 2021. A recently published evaluation stresses the need for programs without restrictive income limits to accompany federal, state, and local resources; for flexible resources that also cover expenses such as utilities and tax delinquencies and not just rent and mortgages; and to identify sustainable funding sources to support future housing costs. The program was able to keep 174 renters and homeowners in their homes during the pandemic. Support requested by participants ranged from \$79 to \$15,201, reflecting the wide range of needs. Participants noted that the assistance allowed them to quarantine safely during the pandemic.

Sharply increased competition for LIHTC and section 202 funding have made it difficult to sustain existing or develop new housing units for very low-income individuals and seniors. Groups such as the Health Anchor Network, a coalition of more than 65 health systems committed to addressing housing instability, continue to focus on partnerships and opportunities to bring these resources to our most vulnerable communities.

East

Pennsylvania has experienced a severe decline in availability of affordable housing, particularly in urban markets with high poverty rates. As with other regions of the country, the shortage of affordable homes stems in part from the inability of homebuilders to keep up with new demand over more than a decade. A recent National Public Radio report notes that “lack of supply has pushed home prices to record levels—up nearly 20 percent last year alone.”¹⁴

The pandemic and ensuing economic turmoil have further exacerbated the problem. Contractors are unable to meet the demands for new construction as they struggle to maintain sufficient staffing and obtain construction materials because of supply chain disruptions and the resulting rise in the cost of materials.

In weak-market urban centers, such as Reading and York (PA), the existing affordable housing stock is aging (with average age of homes 70+ years old). These properties are in dire need of maintenance to preserve quality housing for residents. However, due to the local market economy, the costs to rehabilitate exceed property values. As a result, banks are not providing landlords/developers with needed capital, and therefore properties continue to deteriorate. Other markets, such as the northern neighborhoods of Philadelphia, are facing the opposite challenge. With gentrification pushing north, developers are paying cash for properties (often sight unseen) to build market rate and luxury condominiums for higher-income households. This is causing a wave of displacement with residents unable to purchase homes or pay the sharply increasing rents.

South

In Louisville, the for-sale housing market is also moving out of reach for LMI buyers. Prior to 2022, many potential homeowners were able to absorb price increases because interest rates were low. However, now that interest rates are increasing, LMI buyers are having a difficult time finding affordable purchase opportunities. More local and state down payment assistance programs (DAP) will be necessary if homeownership—key to alleviating the racial wealth divide—is to be an option for LMI buyers. Louisville

¹⁴ Chris Arnold, “There’s Never Been Such a Severe Shortage of Homes in the U.S. Here’s Why,” NPR, March 29, 2022, <https://www.npr.org/2022/03/29/1089174630/housing-shortage-new-home-construction-supply-chain>.

Metro and other regional communities are making increased DAP available from their ARPA funds, but those funds are limited.

One new development was the release of the Department of Housing and Urban Development income limits, which were increased by almost \$8,000 for 2022, a larger than expected increase. Unfortunately, this change in median income reflects increases in the incomes of middle- and upper-income households, whereas LMI families in the bottom income quartile are not experiencing this type of increase.

In Jackson, MS, affordable housing prices are increasing both for buyers and renters. Many households seek rental assistance resources to prevent evictions. Some financial institutions note that affordability of loans will continue to be a challenge moving forward, as higher interest rates worsen conditions for those in persistent poverty, who were struggling before rates started to rise.

In Houston, the demand for affordable housing far exceeds supply. Given limited city and county budgets, affordable housing advocates are looking to the private sector for creative solutions to increase the stock of affordable rental property. Rental rates have increased throughout the Greater Houston region and there is no sign of any abatement in rent increases. The inner city of Houston has a particularly low inventory of rental properties. This shortage has triggered a migration of LMI households to various suburbs to find housing, but public transportation within the suburbs is largely inadequate, creating additional barriers for workers.

In Memphis, as with other markets, both home prices and rents continue to increase at record pace. Even low-income neighborhoods have seen price increases driven by institutional and other cash investors buying up property, often converting single-family homes to rentals. Affordable housing advocates are concerned about the “quality and quantity” of investors, who are causing a degree of displacement. Evictions are also increasing.

3. *Labor markets:* *How have the labor markets in which Council members operate changed since the October 2020 meeting? How have labor markets in the Council member communities responded to the economic recovery thus far? Are there impediments to returning to or finding work, such as lack of childcare or eldercare, that impact LMI households disproportionately?*

Labor market dynamics remain complex, as concerns about not getting sick, challenges with childcare, etc., continue to be barriers to working. Challenges persist on both the employer and employee sides, with some sectoral as well as regional differences.

However, some consistent themes emerge:

- While labor markets have rebounded as reflected by unemployment rates at or near pre-pandemic levels, labor force participation has not.
- Low-wage workers, in jobs often without remote or hybrid options, are in high demand, although this does not create wealth-building pathways for most workers.
- Small businesses, nonprofits, and entities with subsidized wage structures (including childcare) struggle to compete in a competitive wage environment and are finding other ways to incentivize attraction and retention.
- Access to affordable, quality childcare is the primary barrier to employment.
- Rural, Native, and high-growth urban areas face particular, but different, challenges.

- Those 55+ and older are not returning to the labor force as they are facing age-related health care challenges that motivate early retirement.
- A significant increase in substance abuse could account for between 9 percent to 26 percent of the decline in prime-age labor force participation between February 2020 and June 2021.¹⁵
- COVID survivors have added 1.2 million people with long COVID to the disability population, decreasing their ability to maintain full employment, according to official data. The true number may be larger, with some estimates at 7 to 14 million people.¹⁶

Regional Observations

Iowa's labor markets continue to add jobs. The state unemployment rate has fallen to 3.5 percent, although higher than pre-pandemic levels (at 2.6 percent).¹⁷ However, labor force participation has not rebounded. As of February 2022, there were about 30,900 fewer people in the state's labor force than there were two years ago. While some sectors have added jobs over the past two years (food production and transportation sectors) other sectors have struggled (such as health services, durable goods manufacturers, and local government).¹⁸ One of the reasons workers have not re-entered the labor force is due to a childcare capacity crisis (see also [Additional matters](#)). In an effort to bring people back to work, the Iowa legislature recently passed new legislation that reduced the number of weeks claimants can receive unemployment benefits from 26 to 16. The bill also requires claimants to accept lower paying job offers.

Similarly, in Pennsylvania the unemployment rate, while rebounding, is still above pre-pandemic levels. According to the Pennsylvania State Department of Labor and Industry, the state's unemployment rate in February was at a post-pandemic low of 5.1 percent. The state's labor department notes that Pennsylvania has regained about 80 percent of the 1.1 million jobs lost in the early months of the pandemic. In March 2022, the Economic Development Corporation of Lancaster County (PA) reported uncertainty about whether labor force participation will recover to pre-pandemic levels.

Separately, according to a Pew Charitable Trusts Philadelphia Research and Policy Initiative report issued in April 2022, Philadelphia's economy is "showing positive signs."¹⁹ The city's unemployment rate as of December 2021 was 5.8 percent, which is comparable to the rate in early 2020. According to the report, "although job growth is still variable by sector, the professional and technical sectors are rebounding to pre-pandemic employment levels." However, the report goes on to say that many of the opportunities for city residents will be "low-wage positions in low-paying sectors of the economy." These low-wage positions, often in the retail and hospitality sectors, are disproportionately held by people of color and

¹⁵ Jeremy Greenwood, Nezh Guner, and Karen Kopecky, "Substance Abuse during the Pandemic: Implications for Labor-Force Participation," Working Paper 29932 (Cambridge, MA: National Bureau of Economic Research, April 2022), <https://www.nber.org/papers/w29932>.

¹⁶ See https://solvecfs.org/wp-content/uploads/2022/04/Long_Covid_Impact_Paper.pdf; Katie Bach, "Is 'Long Covid' Worsening the Labor Shortage?" (Washington: Brookings Institution, January 11, 2022), <https://www.brookings.edu/research/is-long-covid-worsening-the-labor-shortage/>; and Jenny Gross, "'Another Unequal Burden': Working with Long Covid," *New York Times*, May 14, 2022, <https://www.nytimes.com/2022/05/14/business/dealbook/working-with-long-covid.html>.

¹⁷ Tyler Jett, "Iowa Economy Continues Positive Momentum, Adds Jobs for Fourth Straight Month in February," *Des Moines Register*, March 25, 2022, <https://www.desmoinesregister.com/story/money/business/2022/03/25/iowa-adds-jobs-february-fourth-straight-month-growth-unemployment-report/9453879002/>.

¹⁸ Jett, "Iowa Economy Continues Positive Momentum."

¹⁹ "Philadelphia 2022: The State of the City," Pew Charitable Trusts, April 2022, <https://www.pewtrusts.org/-/media/assets/2022/04/philadelphia-2022-the-state-of-the-city.pdf>.

women. These positions do not pay livable wages; households that rely on such jobs often are required to hold two or three positions to support their basic needs. These are often also in sectors that do not offer options for remote work (e.g., health workers or janitorial services), forcing parents to choose between caregiving and working.

In Houston, schools and colleges are trying to encourage students to train for occupations in areas of need, including training for disaster response jobs for which there is federal funding. The diversity of Houston's workforce—over 100 languages are spoken in the Houston metro area—presents both a challenge and an opportunity. However, inflated costs of housing, childcare and eldercare, and in the cost of gasoline, food, and daily necessities, puts pressure on low-wage workers in this high-growth market. Many must work two jobs to “stay afloat.”

Colorado provides another example of the complex dynamics in high-growth markets. According to the March 2022 Colorado Jobs and Labor Force Update from the Common Sense Institute, Colorado's labor markets have rebounded strongly since October 2020.²⁰ Colorado's robust economy has added 391,300 jobs since April 2020, eclipsing the 374,500 jobs the state lost in March and April 2020. Colorado added an additional 5,800 jobs in March 2022, for a total of 15,000 more jobs than before the pandemic. However, some sectors in Colorado added jobs (leisure and hospitality) in March and others lost (construction), reflecting the susceptibility of various sectors to macroeconomic as well as public health trends. Though Colorado's leisure and hospitality industry has led the recovery, it is still down 11,600 jobs relative to January 2020.

Like elsewhere, the labor force participation rate for women in Colorado remains low, almost 1 percent (or 21,760 women) below pre-pandemic levels, driven by the lack of accessible, affordable, and good quality childcare options. An article in *Denverite*, succinctly illustrates some of these challenges: The U.S. Department of Health and Human Services considers families cost-burdened if they spend more than 7 percent of the monthly income on childcare.²¹ Most Colorado families spend between 16 percent and 27 percent of their income on childcare, according to the Bell Policy Center.²² Colorado is in the top ten least affordable states for childcare. Elsa Holguín, head of the Denver Preschool Program, reports that the average cost of preschool in Denver is \$14,000/year. Yet only 28 percent of parents in Colorado receive some sort of public support to offset these costs. BIPOC families have less access to childcare centers than White families, according to the Bell Policy Center. As a result, around 40 percent of Colorado families rely on relatives, friends, and neighbors to watch their children. Parents' struggles are being compounded by the state of the childcare industry, which has long operated on thin profit margins and relied on charging high tuition and paying staff low wages to stay afloat. Colorado is not alone in these concerns. A recent report from Zippia.com outlines many of the issues affecting working parents, particularly women and low-income parents.²³

Of note, however, is that for the first time, the Bureau of Labor Statistics (BLS) released monthly data on American Indian and Alaska Native unemployment in January 2022.²⁴ While the nation's top-line

²⁰ See <https://commonsenseinstituteco.org/colorado-jobs-and-labor-force-update-march-2022/>.

²¹ Kyle Harris, “Multi-Year Waitlists, Tuition as Expensive as a Second Mortgage: Denver Is in a Childcare Crisis,” *Denverite*, March 25, 2022, <https://denverite.com/2022/03/25/multi-year-waitlists-tuition-as-expensive-as-a-second-mortgage-denver-is-in-a-childcare-crisis/>.

²² See <https://www.bellpolicy.org/>.

²³ See <https://www.zippia.com/advice/us-child-care-availability-statistics/>.

²⁴ See <https://data.bls.gov/timeseries/LNU04035243>.

unadjusted unemployment rate was 4.4 percent in January, the unemployment rate among Native American workers was 11.1 percent. Prior to the pandemic, Native Americans had a higher unemployment rate than other racial groups, with a 7.5 percent unemployment rate in February 2020. At the onset of the pandemic, the Native American unemployment rate jumped to 28.6 percent. Capturing and communicating these disparate outcomes is essential to ensuring resources are allocated to address them. However, Native Americans are still excluded from the monthly jobs report. Further, this dataset only reports data on people who identify as American Indian or Alaska Native alone. Over 61 percent of Native Americans (and 56 percent of Native Hawaiians) identify as two or more races. By reporting Native American labor market data using workers who identify as American Indian or Alaska Native only, the BLS is excluding more than three out of every five Native American workers.²⁵ Native Americans define themselves with a range of metrics, including language, cultural affiliation, recognition by the community itself, and genealogy, that do not necessarily fit into typical American definitions of race nor are accurately reflected in data collection. Including Native Americans in BLS data is a welcome advance, but at this time it is a mandate that has not received adequate funding from Congress to accurately gather data that reflects the population. Congress can provide the funding to get around sample size and address data sovereignty, for which there has been growing demand among tribal governments around the country.²⁶

Employer Challenges

Employers of various sizes and in various sectors are challenged to find and retain employees. Employers are finding it hard to fill lower-wage positions and are using a variety of tactics. For example, some health care employers are hiring an entire class (average 20-25 participants) of certified nursing assistants to address their immediate needs, recognizing that turnover will take place and want to have extra staffing to address shortages. Some are offering flexibility in hours as well as financial incentives to retain employees.

Small businesses, nonprofits, and those with subsidized wage structures (e.g., caregivers) face continuing challenges in recruiting staff, especially for low-paying positions. Where they can't compete on salaries/wages, these entities are turning to offering increased flexibility in terms of work hours/remote work. Council members agree that concessions are needed to keep and attract employees.

Even large employers, including health systems are struggling with both employee attraction and retention, offering increased flexibility to work from home. Training and educational incentives, such as GUILD offer additional ways to build employee loyalty.²⁷ However, the nursing shortage persists, particularly in rural areas where the costs of hiring are higher. Members also report a "great resignation" among hospital CEOs.

For the first time ever, employers are tackling an underlying issue of disability as it impacts labor force participation and their access to fill jobs. There is an unprecedented conflation of medical, mental health, and caregiver issues that will have long-term negative impacts on the labor force: profound

²⁵ Robert Maxim, Randall Akee, and Gabriel R. Sanchez, "For the First Time, the Government Published Monthly Unemployment Data on Native Americans, and the Picture Is Stark" (Washington: Brookings Institution, February 9, 2022), <https://www.brookings.edu/blog/the-avenue/2022/02/09/despite-an-optimistic-jobs-report-new-data-shows-native-american-unemployment-remains-staggeringly-high/>.

²⁶ See <https://www.tlranalytics.com/>.

²⁷ See <https://blog.guildeeducation.com/unlocking-opportunity-with-the-nations-leading-hbcus/>.

increases in mental health issues; substance abuse; and disabling long COVID (DLC). Individuals are somewhat protected by the American with Disabilities Act (ADA), Family Medical Leave Act (FMLA), and disability payments, but none are intended to incentivize employers to align employee benefits, accommodations, or retraining to keep employees in the workforce. Government and business leaders should prioritize policies, guidelines, and programs that keep workers on the job through workplace accommodations and vocational support programs, which include part-time, flexible, and/or reduced hours, reasonable accommodations (including telework), assistive technologies, and medical leave. Special consideration should be given to communities of color, disproportionately impacted by the pandemic, substance abuse, and medical risk factors.

For the first time ever, American employers themselves will need to make sincere efforts to accommodate their workers who have disabilities no matter what the cause. If employers are going to attract and maintain employees, they will have to consider profound changes to employment and retention practices related to disability. There are two resources that could provide employers and policymakers with guidance as they find ways to adapt hiring practices to those with disabilities. First, in seminal research going back to 2014 by Richard V. Burkhauser and Mary C. Daly et al., there are lessons to be learned from European countries where programs that sought to keep those with impairment in the labor force led to better outcomes for the system and the individual.²⁸ Prior to the pandemic, the Federal Reserve Bank of Atlanta collaborated with the Markle Foundation and employers to establish the “Rework America Alliance,” a unique partnership of civil rights organizations, nonprofits, private-sector employers, labor unions, educators, and others working to help millions of unemployed workers and people from unemployment and/or low-wage roles to move into better jobs across 800 occupations.²⁹

4. *Additional matters:* *Have any other matters affecting consumers and communities emerged from the work of the Council members that they want to present at this time?*

Aligning Data Sets and Practices to Support Individuals with Disabilities, Employers, Families, and Caretakers

The disability population is the largest minority population in the country; approximately 25 percent of the U.S. population has some form of disability. Disability statistics are often difficult to find or scattered across multiple sources, and the definition of disability varies upon the federal statute and regulations.

²⁸ Richard V. Burkhauser, Mary C. Daly, Duncan McVicar, and Roger Wilkins, “Disability Benefit Growth and Disability Reform in the U.S.: Lessons from Other OECD Nations,” Working Paper 2013-40 (San Francisco: Federal Reserve Bank of San Francisco, December 13, 2013), <https://www.frbsf.org/economic-research/wp-content/uploads/sites/4/wp2013-40.pdf>; Richard V. Burkhauser and Mary C. Daly, “The Declining Work and Welfare of People with Disabilities: What Went Wrong and a Strategy for Change” (Washington: AEI Press, 2011), https://www.rand.org/content/dam/rand/www/external/labor/aging/rsi/rsi_papers/2011/Burkhauser1.pdf; and Mary C. Daly, “The Concept of Care: Insights, Challenges, and Research Avenues in Covid-19 Times,” *Journal of European Social Policy*, vol. 31, no. 1 (2021), <https://journals.sagepub.com/doi/full/10.1177/0958928720973923>.

²⁹ See <https://www.markle.org/sites/default/files/Unlocking-Job-Progressions-Full-Report.pdf>. Two recently developed tools could be easily replicable in various industries to address the labor shortage, especially among lower-wage earners: (1) a Job Progressions Tool developed by McKinsey & Company helps career coaches use historical job progression data to connect job seekers to good jobs, aligned with their experience (<https://www.jobprogressions.com/>); and (2) a new Rework Community Insights Monitor from the Center for Workforce and Economic Opportunity at the Federal Reserve Bank of Atlanta provides a metro-level view for policymakers and workforce development leaders (<https://www.atlantafed.org/cweo/data-tools/rework-community-insights-monitor.aspx>).

Official disability data is available only for individuals engaged with federal or state programs, and census data do not count “institutionalized” persons with disabilities. Even though data collection activities for the American Community Survey (ACS) were interrupted during the pandemic, we are likely to see ever-increasing numbers of people reporting a condition that impact a major life activity due to disabilities, especially related to the pandemic, mental health, and substance abuse. However, the Centers for Disease Control and Prevention, the BLS, the Current Population Survey (CPS), and disability research and advocacy groups have continued to gather and report data in real time as it relates to the pandemic, which in turn can quickly inform policymakers as they focus on tapping those with disabilities to enter or re-enter the labor force.

Analysis of Census Bureau data clearly shows that race is linked to poverty and disability in America. The poverty rate for adults with disabilities is more than twice the rate of adults without disabilities (27 percent compared with 12 percent). However, for African Americans with disabilities, the poverty rate climbs to 37 percent, almost double that of African Americans without disabilities. For example, according to Cornell University’s 2019 Disability Compendium, there are 184,107 people with disabilities living in Cuyahoga County (Cleveland), 15 percent of the county population. Of the residents aged 18 to 64 years living in the community with a disability, 34.1 percent live in poverty, compared to 14.0 percent of those without a disability. A recent release from the BLS entitled “Persons with a Disability: Labor Force Characteristics—2021” supports Cornell’s 2019 data and expands on the national trends that have been documented during the pandemic.³⁰

Access to broadband and other technologies: Approximately 30 percent of households in the city of Cleveland do not have access to broadband, which is integral in today’s economy. People with access to broadband participate in the labor market at a much higher rate than those without. People with disabilities need access to available, affordable technologies to live and work in their communities.

Benefits and the benefits cliff: Lower-income households historically have had higher nonemployment rates in part because in some cases additional income results in ultimate lower family income due to reported wages impacting things such as food, housing, childcare, and Medicaid benefits. Often the high cost of rent, groceries, gas, and medicine, exceeds the net result of the raise over the benefits loss, leaving the person worse off than before the raise and cut in benefits. There is also concern for loss of health care coverage. Few employers are aware of the Medicaid Buy-in program available in Ohio for their low-income employees with disabilities. Temporary relief due to the public health emergency is just that, temporary. We need a long-term solution to the current structure of the benefits programs and eligibility requirements that encouraged employment and sustainable living with access to supportive benefits.

Childcare

Childcare continues to be difficult to find and afford in the state of Iowa. Research shows that access to quality, affordable childcare plays a critical role in retaining Iowa’s workforce.³¹ Childcare is a family issue, a workforce issue, and a community issue. Approximately 25 percent of Iowans live in areas that are underserved by licensed or registered childcare providers. Iowa has lost 33 percent of its childcare

³⁰ See <https://www.bls.gov/news.release/disabl.nr0.htm>.

³¹ Iowa Child Care Resource & Referral, Annual Report, 2021, <https://iowaccrr.org/resources/files/Data/FY21/FY21%20Annual%20Report.pdf>.

businesses over the past five years while the cost of childcare has increased 14 percent over that period.³²

5. *Impacts of American Rescue Plan Act: What have Council members observed in their communities about the impacts of ARPA with respect to financial relief, aid to essential workers, bolstering of state or local budgets, infrastructure improvements, or other areas?*

While states and municipalities are well-informed about their ARPA allocations, much less is known about how the funds will be deployed, with great variability across cities and regions. Funds are urgently needed to support economic recovery and investment in underserved communities. However, Council members are concerned about the pace of deployment, as well as transparency, accountability, and inclusiveness in decisionmaking. Because these dollars are distributed through state and local government agencies, the deployment of funds can range wildly depending on political inclinations.

In Pennsylvania, there is limited deployment of ARPA funds and limited information about how the state plans to use the funds. In Philadelphia, the City Council may use the funds to balance the city budget, however, community development leaders are meeting with council members to discuss strategies for using the funds to invest in community-based economic development activities. The Commonwealth of Pennsylvania has received a \$7 billion allocation, however, only \$1 billion has been deployed. Current understanding is that the state intends to delay deployment for future “emergency” use.

In Louisville, officials held public meetings in 2021 to determine community priorities for \$388 million in ARPA funding. Priorities are as follows:

1. Homelessness and affordable housing
2. Workforce development and small business support
3. Healthy Louisville/Healthy Neighborhoods
4. Public safety

Deployments thus far include:

- In August 2021, \$30.1 million focusing on COVID-19 related health needs: housing, food, and utility instability experienced by vulnerable residents; and economic recovery primarily focusing on the city’s downtown economic core, which sustained significant damage from social unrest during the Breonna Taylor protests.
- In November 2021, \$42 million for public safety, \$89 million for homelessness and affordable housing, and more than \$28 million for premium pay for essential employees. Specifically, \$30 million for the development of permanent supportive housing; \$40 million for the Louisville Affordable Housing Trust Fund (LAHTF) for the development of housing prioritizing units reserved for households with incomes less than or equal to 30 percent of AMI; and eviction prevention.
- The remaining funds have not yet been allocated.

In Colorado, ARPA disbursements are reported as uneven and not reflective of economic disparities across the state. An April 2022 series by the *Denver Post* reported that \$61.7 million of Colorado’s \$65.8 million share of federal pandemic aid has been disbursed or committed. The report highlighted that an average per capita allocation would be \$9,482. However, actual distribution ranged from \$19,545 in Pitkin County, the state’s wealthiest county, to \$3,497 in Crowley County, where 3 in 10 residents fall

³² See <https://iawf.org/>.

below the poverty line. Rural counties that didn't have a ski resort received significantly less money per resident (\$7,202) than those that did.

In Houston, ARPA funds have been a much-needed source of funding at all levels, where a large part of the funding has been allocated to infrastructure projects that are long overdue and will have a very significant impact. Additionally, city and county leaders have worked well to identify high priority projects where ARPA funds could serve as a solution, even as ARPA funds have bolstered state and local budgets. However, reaching consensus has brought challenges especially during local and state elections.

In Cleveland, Ohio, a newly formed coalition representing approximately 20 agencies is trying to "get their arms around" how to use ARPA dollars. Some state dollars have been spent on aging, workforce, and mental health. However, Ohio doesn't have a specific agency for people with disabilities outside of developmental disabilities (which is only 18 percent of the disabled population) so it is very hard to designate resources to that population. Conversely, it is "very easy" to spend on infrastructure, which is needed, but "there has to be a balance."

Utah has one of the lowest unemployment rates and strongest economy in the U.S. However, the challenges of water shortages brought on by drought, extreme fire conditions, and climate change took priority in the distribution of ARPA grant funds. In 2021, the Utah state legislature passed HB 1004, COVID-19 Grant Program Amendments bill which appropriated \$50 million of ARPA state fiscal recovery fund money to the Governor's Office of Planning and Budget (GOPB) to create a statewide grant program for local governments to complete local and regional ARPA-eligible projects. The priorities for funding were broadband, economic recovery, housing, public health, and water and sewer. The priority for funding were 36 projects totaling \$49,461,396 in awarded grant funds. Projects in urban counties received 54 percent of the funds, while 46 percent of the funds went to projects in rural counties. There were 445 submitted applications totaling \$1.076 billion in requested funding with total project costs more than \$4.4 billion. Most notable was that 359 applicants—81 percent of total applicants—requested over \$800,000,000 for water and sewer projects. The final award distribution was as follows: broadband—\$1,175,000 (2 percent of funds); economic recovery—\$3,645,433 (7 percent of funds); housing—\$9,013,061 (18 percent of funds); public health—\$1,677,653 (3 percent of funds); and water and sewer—\$33,950,249 (69 percent of funds). ARPA kick-started the health and economic recovery for Indian Country. The act provided \$20 billion in fiscal recovery funds directly to tribal governments. ARPA provided significant and critically needed resources to the Indian health care system, tribal housing, education, and other essential government services. Possibly the most important provisions from ARPA were the administration's work with tribal leaders to deliver vital vaccines directly to Indian Country's health care providers. However, the realities of fund deployment present unique challenges. For example, on the Pine Ridge Reservation, day laborers are being hired at \$20 per hour for ARPA projects. This is beyond what local contractors can pay and thus disrupts needed, but "non-ARPA" projects.

Council members representing rural and Native communities are concerned that federal funds will be "left on the table" because of low capacity in small nonprofits and small municipalities. In rural Kentucky communities, monies will go unspent due to organizational capacity constraints, as small nonprofits struggle to comply with the myriad of regulations and stipulations attached to ARPA funds.

At the same time, some market-driven responses are emerging to help communities "get ARPA dollars out." Recognizing the technological inefficiencies of administering federal funds, Forward is a start-up that codifies eligibility and manages applications. While much attention is being paid to building

community consensus and navigating political dynamics, Forward observes that there are often “last mile” technological challenges to deployment that can be efficiently resolved.

6. *Inflationary pressures: How and to what extent have rising costs of consumer goods impacted LMI households in Council members’ communities?*

The households and communities served by Council members are being impacted by the rising cost of consumer goods. Inflationary pressures are causing LMI households to take more than one job; make hard decisions on which bills to pay; and cut back on recreational activities and discretionary spending. Rising costs place additional pressure on decisions around childcare. People are driving less given the high gas prices and/or putting off major expenditures such as home repairs, car maintenance, and/or medical matters. They are negotiating rates and payments with creditors. Residents of minority communities are turning to pawn shops and other predatory sources of short-term cash to make ends meet. There are also generational implications with younger families experiencing higher expenses with fewer substitutes, than empty-nesters or the elderly. To manage, some may turn to gig work or a “side hustle” to bring in additional income, resulting in time away from family. The cumulative impact of these conditions may have negative mental health implications on individuals and families with few options for saving or “cutting back.” The current inflationary environment in many cases makes a difficult situation impossible, putting families that recently emerged from poverty at risk of falling back. Rising costs will weaken the credit profiles of lower-income entrepreneurs and potential borrowers as higher credit card usage compromises debt positions and erodes savings available to inject into a business venture, impacting long-term wealth-building prospects. Given the circumstances with respect to inflation and hurdles to employment faced by LMI households, the Council recognizes the urgent need for financial literacy and training.

Regional Perspective and Examples

In Pennsylvania, a Lancaster PA Economic Development Corporation Regional Survey stated, “persistently high inflation, coupled with weakening household finances, underscore uncertainty about how much economic growth can be expected this year.”³³ The analysts expect the local consumer sentiment to become weaker as inflationary pressures continue, with MLI families being most impacted. Middle-income households are cutting back on saving, including retirement saving. They are also paying down debt (such as student loans) at slower rates.

Consumer inflation in metro Denver hit 9.1 percent in March 2022, its highest level since 1982, compounding the challenges (described elsewhere in this memo) of living in a high growth market. Automobiles are in short supply, resulting in some used models costing more than a new version. Workers are hard to find and are switching jobs at a record rate to chase any increase in pay. Metro Denver ranks as the fifth least affordable housing market in the country, given incomes, and Colorado Springs as the ninth least affordable.³⁴ The Common Sense Institute March 2022 report anticipates that these inflationary conditions will drive people back into the labor force, potentially helping to address some of the labor shortages described elsewhere in the memo.³⁵

³³ Lancaster County PA Economic Development Company, Center for Regional Analysis, “Intelligence Report on the State of Lancaster County’s Economy,” March 25, 2022, https://edclancaster.com/wp-content/uploads/2022/03/Lancaster-Econ-Intel_03.25.2022.pdf.

³⁴ Judith Kohler and Megan Ulu-Lani Boyanton, “The Big Payout,” *Denver Post*, April 17, 2022, <https://www.denverpost.com/2022/04/17/colorado-rural-counties-covid-aid-money/>.

³⁵ See <https://commonsenseinstituteco.org/colorado-jobs-and-labor-force-update-march-2022/>.

As reflected elsewhere in the memo, people and families living on Native lands or in rural communities face similar, but augmented, challenges. For remote communities, high gasoline prices act as a multiplier in placing stress on family budgets.

In a recent listening session hosted by the Federal Reserve Bank of Minneapolis to understand conditions on Native lands, participants with cars described the strain that increasing gasoline prices are placing on their budgets. They noted that prices for goods, like groceries, are significantly lower in Rapid City, SD, than they are in Pine Ridge, SD, where three grocery stores service the entire region and, in the words of one participant, “can charge whatever they want.” “I only drive to get basic necessities, maybe a couple times a month,” said one participant. “If I have the money to go to Rapid City, I go. If I don’t, I stay. [The uncertainty] is scary.”

When asked about price changes, participants mentioned increases for goods as opposed to services. “The dollar store no longer sells things for a dollar,” said one participant. Food, gas, baby wipes, meats, diapers, and entertainment services were all mentioned. Where possible, people were forgoing things (like Netflix) or choosing store brands instead of name brands. In some cases, people also substituted different products. These ranged from using fake lashes instead of mascara to using wood instead of propane to heat a home. One participant said she intended to start gardening to offset the price of food.

Listening session participants did not express any strong opinions on whether prices would change significantly over the next few years. Most of them expressed long-term economic struggles. In that sense, inflation was another iteration in a series of challenges to making ends meet.