

Record of Meeting  
Community Advisory Council and the Board of Governors  
October 19, 2023

## Introduction

Even as overall economic conditions remain robust and monetary policy tightening has paused (as of this writing), Community Advisory Council members raise some cautionary points regarding recent economic trends. Observations expressed in this memo are those of Council members based on their experiences, their conversations with colleagues and community members, as well as local data and narratives. This memo begins with an overview of general market conditions—with an emphasis on access to capital—followed by a review of housing and labor market conditions. A section devoted to “[Additional Matters](#)” covers matters not captured elsewhere in the memo and a final “[special question](#)” explores the impacts of recent unprecedented levels of federal funding on local communities.

Across all the responses, the following key themes emerged from Council member input:

- Credit to small businesses has tightened, which is adversely affecting small business sustainability and potential growth as well as commercial real estate (CRE) development.
- There is a housing inventory shortage, making affordable housing for low- and moderate-income (LMI) individuals and families very scarce.
- Labor shortages, in urban and rural markets alike, are affecting opportunities for economic growth as well as the ability to provide essential services. Shortages are particularly acute in health care, farming, and public education, across all skill levels.
- Data limitations prevent the ability to fully assess fair lending practices and accurately capture discrimination, especially in small business lending.
- Disparities in the use of federal funding at the state and local levels have led to inconsistent outcomes.
- Centering policy interventions around core areas of need can bring relief and opportunity to marginalized people, including people with disabilities.

## Current Market Conditions

In the many communities and neighborhoods served by Council members, market conditions are shifting downward.

### ***Access to capital has tightened***

Economic uncertainty and other changes in the banking industry has led to banks tightening credit, including avoiding deals they would have normally done. As a result, borrowers are turning to lenders with unfavorable terms.

Some community development financial institutions (CDFIs) continue to see increased demand as more individuals are being turned away from traditional banks. For example, CDFI leaders in Memphis estimate a 10 to 20 percent increase in submitted applications. The CDFIs attribute this to interest rate increases at traditional banks, given that banks are the primary referral source.

Other CDFIs report that loan demand has not returned to pre-pandemic levels. They attribute this to the prolonged impact of coronavirus (COVID-19) relief programs and/or local supports and grants, in addition to the deterrent effect of higher interest rates.

Warehouse lines to finance consumer mortgage loans are becoming much more difficult to secure and more expensive, according to organizations active in the fintech ecosystem. Many finance companies who are not well capitalized are having their credit lines pulled or downsized, even for zero credit risk assets like Fannie Mae and Freddie Mac mortgages.

However, despite this credit tightening, borrowers are still interested in completing their projects and seeking credit to finance their ventures.

### ***Conditions specific to nonprofits and small businesses***

Nonprofit organizations that used lines of credit (LOC) from banks during COVID to manage cash flow (e.g., smooth late payments) are finding that LOC renewals are challenging. The end of high levels of COVID funding has shifted how banks underwrite nonprofit cash flows. “The cash flows are different. The contracts are different. There is still back pay owed from government contracts. Those credit lines helped a lot, especially because of the large value on the contracts,” reports a Council member.

Conditions for small businesses are also challenging. CDFIs are reporting that they have seen an increase in delinquent payments and clients filing for bankruptcy. In one case, charge-offs at a small business CDFI, which have doubled in the past year, are approaching levels not seen since the Great Recession. However, they are much lower than was feared at the onset of the pandemic.

As is typical for very small businesses, the line between consumer and small business lending is often blurred. Thus, the personal financial condition of the owner directly impacts the access to capital outlook for a small business. Overall, following more than three years of economic turbulence, CDFI leaders observe that borrowers have less savings and more debt. Although credit scores have yet to be affected, the high levels of liquidity/personal savings observed over the past few years has declined, to the point that borrowers are struggling to meet the equity requirements of small business loans. With student loan deferment ending in October and with ongoing inflation, this trend is expected to worsen. A vicious cycle is emerging where increased financial pressures are deterring borrowers from investing in professional services like accounting firms that would ultimately strengthen their business; this is especially true for Spanish-speaking borrowers who struggle to find services in their own language.

Small businesses in the service sector are showing strained financials, driven by the rising cost of goods and labor as well as changing consumer habits. There is a belief that corporations increased their prices during the supply chain and labor shortage challenges of a year ago and have not reduced their prices even though supply chains have improved. Labor costs remain a significant pain point for owners, who feel they can no longer pass increased costs onto customers and instead adjust hours of operation to accommodate smaller staffs. These challenges have businesses innovating and changing their business models to overcome rising costs. For example:

- A Black, woman-owned beauty salon has not completely rebounded from the pandemic as clients visit less frequently due to having less disposable income; the owner is still restricting the number of clients in the salon to one at a time due to health fears, and her cost of goods remain higher.
- A local brewing company has chosen to serve the food of local restaurants in their brewery, instead of investing in a new location and kitchen.

## Housing Markets

### ***Despite small signs of softening, challenges persist across diverse housing markets***

- The high costs of materials and labor continue to affect the development of affordable multifamily housing, challenging the complex financial structures of these projects.
- However, evidence of cooling in the housing market is beginning to emerge in some markets, although price pressure remains on rental units and affordable single-family homes due to an imbalance of supply and demand.
- In small towns and rural areas, housing scarcity is constraining economic growth.

Housing affordability continues to be one of the most critical concerns in LMI communities due to persistently high rental costs. According to a June 2023 report from the National Low Income Housing Coalition, “high rents resulting from rapid rent growth during the pandemic and the end of many pandemic-era benefit programs are combining to exacerbate the financial insecurity of low-income renters, leading to higher eviction filing rates and increased homelessness in some communities.”<sup>1</sup>

Multifamily affordable housing continues to need investment beyond debt, as questions on available equity investment, addressing bond market issues continue to lead the conversation as low-income housing tax credits (LIHTC) and other typical investment sources become more competitive.

### ***Regional similarities and differences shift impacts and responses***

The Louisville, Kentucky housing market remains very competitive in both the rental and homeownership realm. During the past five years, incomes have risen about 13 percent; however, rents have increased nearly 62 percent! The median price of a home remains somewhat affordable at \$252,000 (up 6 percent over the last year), and the average per square foot price is \$155, up 8.4 percent since last year. Area rents are following this trend. Fair market rent increases range from \$86 over the last year for an efficiency unit to \$140 for a four-bedroom unit, or from \$690 to \$766 for an efficiency and from \$1,468 to \$1,602 for a four bedroom. This trend, along with rising utility costs, both those paid by the tenant or the landlord, have created severe cost burdens on many renters in the Louisville area. Local government, funders, and developers continue to work toward reducing the immense shortage of housing in the area.

In Pennsylvania, Community First Fund in Philadelphia is supporting early-stage financing for a 49-unit low-income housing project in Harrisburg, PA. Due to delays over the past two years, costs have increased from \$14 million to \$18 million, increasing the average cost per unit by 28 percent from \$286,000 to \$367,000. If the trend continues, more per-project subsidies will be required, affecting the number of available units for the lowest-income families living in Pennsylvania. In the near term, contractors are unwilling to provide fixed-price contracts with terms of more than 30 days. As timelines extend, the risk of financing structures collapsing entirely increases.

Community development corporation (CDCs) in Memphis report that while construction material costs have stabilized as the supply chain issues have resolved, construction labor costs remain high due to a shortage of skilled labor.

---

<sup>1</sup> See <https://nlihc.org/resource/nlihc-releases-out-reach-2023-high-cost-housing>.

***Some indications of market shifts***

In northwest Ohio, house listings are down 18.4 percent year to date as homes are taking longer to sell and are more expensive. Northwest Ohio Realtors reports that listings decreased 29 percent for single-family homes and 27 percent for condos since last year.<sup>2</sup> This doesn't bode well for first-time homeowners and those seeking affordable (under 30 percent of total income) options. Although a relatively affordable market, lack of supply is driving prices up—the average sales price is just over \$204,000.

In South Carolina, the housing market has shifted toward slower price increases, signifying a departure from the rapid price appreciation seen in recent years.<sup>3</sup> In the greater Charleston area, prices have plateaued, perhaps signaling the end of double-digit price increases.<sup>4</sup> However, statewide rental rates continue to climb due to a steady influx of out-of-state residents.<sup>5</sup>

In previous reports, Memphis CDCs noted fewer participants in their homebuyer education classes (an indicator of the level of interest in homeownership). However, more recently CDC leaders report participation in homeownership classes for those seeking to purchase has dramatically increased. CDC leaders believe that higher interest rates initially deterred potential homeowners which, in turn, increased demand for rental units, driving up rents significantly. Now, with rents being high and, in some cases, higher than a monthly mortgage payment, those individuals are reengaging in the homeownership market. However, the CDCs noted that the credit position of some potential moderate-income borrowers has deteriorated as indicated by depleted savings and lower credit scores. They attribute this decline to the increase in the cost of goods—gas and housing.

***Constrained rental dynamics persist***

In Pennsylvania, according to the Philadelphia Association of Community Development Corporations, home rental costs are out of reach for most of the state's low-wage workers and families.<sup>6</sup> For example, the minimum wage in Pennsylvania is \$7.25 an hour. To afford a two-bedroom apartment, equivalent to the Department of Housing and Urban Development's Fair Market Rents, a worker must make \$23.61 an hour—or \$49,109 annually—to keep their monthly rent at 30 percent or less of their income. The Economic Development Company of Lancaster County reports that 24 to 40 percent of Lancaster County residents devote more than half of their income to housing costs.<sup>7</sup> Additionally, the availability of affordable rental properties is extremely limited. According to a June 2023 report by Lancaster County's Hourglass Foundation, the rental vacancy rate in the county is 2.5 percent versus a healthy vacancy rate of 5 to 10 percent.<sup>8</sup> In Philadelphia, the rental vacancy rate of 4.5 percent is lower than the average of 6.8 percent in many other parts of the country.

---

<sup>2</sup> See <https://nworealtors.com/nw-ohio-housing-statistics>.

<sup>3</sup> Patrick McCreless, "SC Housing Market in Rare 'Summer Slump.' Here's Why and What That Means," *The State*, July 18, 2023, <https://www.thestate.com/news/state/south-carolina/article277392978.html>.

<sup>4</sup> Warren L. Wise, "Charleston-Area Home Sales Tumble 22% during Year's First Half; Price Rises 2%," *The Post and Courier*, July 10, 2023, [https://www.postandcourier.com/business/real\\_estate/charleston-area-home-sales-tumble-22-during-years-first-half-price-rises-2/article\\_816f4ffa-11f0-11ee-8e25-977c50187d28.html](https://www.postandcourier.com/business/real_estate/charleston-area-home-sales-tumble-22-during-years-first-half-price-rises-2/article_816f4ffa-11f0-11ee-8e25-977c50187d28.html).

<sup>5</sup> David Slade, "South Carolina Has Seen Some of Nation's Largest Rent Increases. And They're Still Rising," *The Post and Courier*, August 11, 2023, [https://www.postandcourier.com/priced-out/south-carolina-has-seen-some-of-nations-largest-rent-increases-and-theyre-still-rising/article\\_b3df3d46-3569-11ee-883d-33aebd75757f.html](https://www.postandcourier.com/priced-out/south-carolina-has-seen-some-of-nations-largest-rent-increases-and-theyre-still-rising/article_b3df3d46-3569-11ee-883d-33aebd75757f.html).

<sup>6</sup> See <https://pacdc.org/policy/affordablephilly>.

<sup>7</sup> See <https://edclancaster.com>.

<sup>8</sup> See <https://hourglasslancaster.org/resources/library>.

In Ohio, there is a shortage of affordable rental homes available to extremely low-income households (ELI), whose incomes are at or below the poverty guideline or 30 percent of their area median income (AMI). Many of these households are severely cost-burdened, spending more than half of their income on housing. Severely cost-burdened poor households are more likely than other renters to sacrifice other necessities like healthy food and health care to pay the rent, and to experience unstable housing situations. According to the National Low Income Housing Coalition's 2023 profile of Ohio:<sup>9</sup>

- 447,717 or 28 percent of renter households are extremely low income.
- 270,399 additional units are needed to meet the needs of ELI renters.
- An ELI household has an income of \$26,500. To afford a two-bedroom rental home requires an annual income of \$39,702. As a result, more than two-thirds of ELI renter-households are extremely rental-cost-burdened.

### ***Housing conditions in rural markets***

Many rural communities in South Carolina want to grow but lack available rental units and single-family homes. The housing stock that is available is in poor condition and affects the communities' ability to attract and retain workers. For example, Fairfield County School District, which has struggled to retain teachers due to a lack of housing, recently broke ground on a 16-home development for educators. Most of their teachers were driving from neighboring, more developed counties. The district is hoping it will improve their ability to retain the teachers they have recruited.<sup>10</sup>

Other communities have vibrant downtowns and other assets that draw tourists but struggle to attract housing developers. For example, in 2022 a 60-unit affordable housing development was built in the city of Abbeville, located in the northwestern corner of the state with a population of around 5,500 residents. This was the first major housing development in 40 years and filled up quickly, and now there is always a waiting list.<sup>11</sup>

Average North Dakota home sales prices have increased from \$198,000 in 2012 to \$283,000 by the end of 2021, according to the North Dakota Housing Finance Agency.<sup>12</sup> With high price variability across the state, median sales prices in the main cities are higher. Across the state of North Dakota, especially in rural areas, most of the existing housing stock was built in the 1990s and requires additional maintenance costs. However, individuals and communities have struggled to attract new development due to the costs associated with shipping materials to rural places, finding local construction workers or tradespeople, and accessing available financing, because of a lack of adequate comparable properties against which to budget. As a result, the lack of affordable, modern, quality homes add to the challenge of attracting workers and families to North Dakota.

<sup>9</sup> See <https://nlihc.org/housing-needs-by-state/ohio>.

<sup>10</sup> T. Michael Boddie, "Encouraging Fairfield Teachers to Stick Around Is Aim of Affordable Housing Village," *The Post and Courier*, August 3, 2023, [https://www.postandcourier.com/priced-out/encouraging-fairfield-teachers-to-stick-around-is-aim-of-affordable-housing-village/article\\_300f3ad2-322d-11ee-8d8d-83c462dc9fcf.html](https://www.postandcourier.com/priced-out/encouraging-fairfield-teachers-to-stick-around-is-aim-of-affordable-housing-village/article_300f3ad2-322d-11ee-8d8d-83c462dc9fcf.html).

<sup>11</sup> Robert Jordan, "The Refinery to Bring Homes to Abbeville," *Index-Journal*, March 31, 2021, [https://www.indexjournal.com/news/the-refinery-to-bring-homes-to-abbeville/article\\_890e77f1-7fb1-529e-9d5a-c312f7ef2690.html](https://www.indexjournal.com/news/the-refinery-to-bring-homes-to-abbeville/article_890e77f1-7fb1-529e-9d5a-c312f7ef2690.html).

<sup>12</sup> North Dakota News Cooperative, "First-Time Home Buyers Feel the Squeeze," *NDNC*, April 25, 2023, <https://www.newscoopnd.org/news/first-time-home-buyers-feel-the-squeeze>.

## Labor Markets

Key themes:

- There continues to be a worker shortage, especially in nursing and education.
- When faced with the burden of childcare or other family care, people are forced to drop out of the labor force. Private-sector employers are starting to step into this space.
- Despite healthy top-line employment numbers, demographic-level data reveal broad disparities both in the workforce and in wage outcomes.

### ***The labor shortage, barriers to employment, and innovative solutions***

States and cities across the nation are struggling to find workers. Council members reflected on the specific problems and possible solutions in their areas. However, truly understanding the narrative surrounding the labor shortage involves understanding the needs of workers.

Louisville has experienced growth in its key industries, exacerbating shortages in other sectors. An extreme shortage of school bus drivers culminated this year in some children not arriving home from school until nearly 10 p.m. on the first day of school. Driver salaries have increased to \$21.45 an hour, but there is still an insufficient number of drivers available to transport the more than 70,000 students who ride the buses daily.

There is also a growing teacher and nursing shortage, thought to be caused in part by burnout and lack of respect. Special projects are being tested to attempt to stem the loss, like the University of Louisville's Multicultural Teacher Recruitment Program, which partners with local, retired educators to provide a "passive" mentorship to those entering the field.<sup>13</sup> Mentors provide guidance and advice on classroom tactics to encourage new educators and prevent early burn out. Additionally, the school board and administrators are looking for creative ways to incentivize potential educators to enter or stay in the field. Possibilities include creating clear, accessible career pathways to help teaching assistants and aides access higher-paying positions.

Despite Louisville's strong economic growth, the city has seen a slight decrease in population. There is concern about how shrinking populations will affect the already stretched police, health care, social work, and nonprofit sectors.

Employers in San Antonio continue to experience challenges to fill middle-skill jobs that require more than a high school diploma but less than a college education. Ready to Work, a private-public nonprofit dedicated to leading economic and workforce development for the San Antonio region, is leading a talent pipeline management initiative to gather and share current and projected hiring data and inform relevant training to fill the gaps. The highest demand jobs, such as manufacturing and construction trades, have the lowest enrollment, and on-site work has the tightest labor market with the hardest to fill jobs.<sup>14</sup>

North Dakota established the Office of Legal Immigration in 2023 to help businesses recruit and retain foreign labor and address the state's workforce challenges. This Office has been receiving calls daily from employers seeking access to this opportunity. There is an appetite for this type of program, yet the local impact of changes to labor policy may bring unintended consequences.

---

<sup>13</sup> See <https://louisville.edu/education/mtrp>.

<sup>14</sup> See <https://www.sanantonio.gov/Portals/48/files/SARTW/SARTW-Overview.pdf>.

For example, recently increased pay rates for temporary seasonal foreign workers instituted by the Department of Labor have placed additional strain on North Dakota and Midwest farmers and ranchers who use foreign workers.<sup>15</sup> Workers engaged in any truck driving could now be reclassified as drivers instead of general laborers, increasing their wages from around \$17 an hour to \$27 an hour. The wage increases come as the number of applications from farmers and the total number of H-2A visa workers have steadily risen over the past three years.

North Dakota is trying to recruit new workers internationally. Through the North Dakota Petroleum Council's Bakken GROW program, about 160 Ukrainians have arrived in North Dakota, the majority in Bismarck. According to a state refugee coordinator, applications from prospective sponsors from around the state have "gone up considerably" in recent months, likely due to more awareness but also Ukrainians who are "working and beginning to thrive."<sup>16</sup>

Noting the recent increase in the number and scope of labor actions, one Council member framed the debate around a series of "existential" questions: How do we balance the value of human work with technology? What is the value of individual creativity? And how are we going to address persistent conditions of exacerbated inequality?

However, for many individuals, the decision to work or not is driven by daily choices. For example, more than 100,000 Ohio adults said the main reason they weren't working was because they didn't have transportation to get to work. Many others reported not working because they were sick or disabled.<sup>17</sup>

Because of the unprecedented workforce shortage of skilled direct care workers caused by extremely low wages, Ohioans with disabilities cannot get the care and support they need. The turnover rate for Direct Care Workers in Ohio is between 50 to 55 percent and the average hourly wage is between \$13 and \$15, even after a recent increase in rates.

In the nonprofit sector, agencies are experiencing significantly higher turnover and time to fill open positions. Having to open the pipeline to individuals with no prior experience in the field is increasing the need for more robust training programs.

According to a Council member, the key to successful workforce development is a system that emphasizes careers over jobs. Workforce development programs need to foster relationships with employers to ensure training or a certificate connects to an actual placement. Shifting accountability from "placements" to "pathways" will help break the cycle of poverty for individuals who are reliant on discrete training opportunities. For example, rather than training for a "solar installer technician" position, an opportunity to train as an "electrician" opens a lifetime of viable employment. Shifting this perspective will also create additional opportunities, including union opportunities, for a broader diversity of workers.

For leaders who want to grow a diverse workforce, project labor agreements can "bake in" equity. Use of apprenticeship and pre-apprenticeship programs; targets for Black, Indigenous, or People of Color

---

<sup>15</sup> See <https://flag.dol.gov/wage-data/adverse-effect-wage-rates>.

<sup>16</sup> Jack Dura, "Ukrainians Are Moving to North Dakota to Fill Shale Oil Field Workforce Shortage and Help Families Facing War Back Home," *Fortune*, August 7, 2023, <https://fortune.com/2023/08/07/ukrainians-moving-north-dakota-fill-shale-oil-field-workforce-shortage-help-families-war-home>.

<sup>17</sup> See <https://www.communitysolutions.com/record-low-unemployment-statistics-leave-out-millions-of-ohioans>.

(BIPOC)/White; childcare benefits; and transportation subsidies are all examples of how employers can remove barriers to employment.

### ***Childcare and caregiving***

The childcare shortage is becoming so dire that companies and schools are stepping in and using childcare access as a recruitment tool. In March, Volkswagen-backed Scout Motors Inc. announced it would be opening its first manufacturing plant in Blythewood, SC. As part of its incentive package, the company requested that the county build them an on-site childcare facility. The firm will also be giving workers stipends to cover childcare costs. Local community colleges have also become more engaged in childcare as a way to recruit students.<sup>18</sup>

Council members noted that caregiving responsibility is a major contributor to the tight labor market. Caregiving compounds the responsibilities of families, especially LMI families. Over 234,000 Ohio adults were not able to work because they were caring for an elderly person or children not in school or day care. Some families are able to use vouchers, but many do not have access.<sup>19</sup>

In Ohio alone, the estimated value of family caregivers is \$21 billion a year. “Sandwich caregivers,” those caring for an older adult while also caring for a child or grandchild, are younger than other caregivers and the majority are working. This group of caregivers has fewer financial resources or supportive work benefits.

### ***Disparities and shortfalls***

University of Louisville data show that Black unemployment rates remain as much as three times as high as the general population. The most recent data from December 2021 showed that Black Kentuckians made up 16 percent of unemployment insurance claims despite being just 9 percent of the workforce. In Louisville, 18 percent of Black people with a high school diploma are unemployed, compared with 6 percent of White people. Among those with at least a bachelor’s degree, Black workers earn a median salary of \$44,283 while White workers in the same category earn \$57,307—a 29 percent difference.<sup>20</sup> Additionally, many Kentuckians have stopped participating in the general market due to a change in the state’s unemployment insurance policy, which reduced the number of weeks of benefits from 26 to 12 weeks.<sup>21</sup>

Residents of San Antonio are also struggling. Thirty-two percent of all households in Bexar County earn more than the federal poverty line (FPL) but less than a basic cost-of-living wage.<sup>22</sup> When combined with the 17.6 percent of residents who earn less than the FPL, 49.6 percent of all people in Bexar County experience financial hardship. Goodwill San Antonio offers a life skills coaching program to their employees and financial struggles remain the number one coaching session topic (22 percent), followed by medical issues (16 percent), housing (13 percent), and mental health (12 percent).

---

<sup>18</sup> See <https://www.sctechsystem.edu/edge/automotive/scout-motors-and-south-carolina-gear-up-for-historic-investment.html>.

<sup>19</sup> See <https://www.communitysolutions.com/record-low-unemployment-statistics-leave-out-millions-of-ohioans>.

<sup>20</sup> Hayes Gardner, “Dead Ends and Despair: Why Black People Are Locked Out of Job Opportunities in Louisville,” *Louisville Courier Journal*, December 14, 2020, <https://www.courier-journal.com/in-depth/news/local/2020/12/14/black-people-seeking-good-louisville-jobs-often-find-dead-ends/6222571002>.

<sup>21</sup> See <https://kypolicy.org/ky-cutting-unemployment-benefits-by-more-than-half>.

<sup>22</sup> See <https://www.uwsatx.org/alice>.



Council members commented that wages are not keeping up with the increases in cost of living. In the past year, San Antonio's wages have increased 1.5 percent while rent prices in San Antonio climbed 6.4 percent. An individual earning 200 percent of the FPL (\$14.02 an hour), respecting the 30 percent earning allotment, could afford a maximum rent per month of \$729. In July 2023, the average rent for a one-bedroom apartment in San Antonio was \$1,080.

In Ohio, a family of four with two working parents needs to make \$24.53 an hour, meaning that Ohioans aren't paid enough to cover the basics for a small family until they reach the 60th percentile of all earners in the state.<sup>23</sup>

These increased costs come as federal benefits are being reduced. Public benefits keep nearly half a million Ohioans from falling below the poverty line. Despite working full time, many people still need benefit assistance to access food and medical care and to stay in the workforce. With the recent changes in SNAP (Supplemental Nutrition Assistance Program), families have lost significant amounts of their food budgets.

### **Additional Matters**

Key themes:

- Ensure data collection methods can adequately capture intended policy outcomes.
- Anticipate increased capacity needs as the result of new policy interventions.
- Center policies at the point of greatest need.
- Policy actions exist within local contexts. Understanding local sentiment and narratives will increase the likelihood that policies are effective.
- The impacts of international/global policy decisions are felt in local communities.

#### ***Align data and policy outcomes***

Several Council members raised concerns that current data collection methods do not capture the "full picture" and thus confound efforts to assess policy effectiveness. For example, the collection of unemployment data does not always fully reflect levels of individual engagement with the labor market across diverse demographics, nor the number and quality of jobs that may be held by a worker. This is especially true in sparsely populated areas, including on Native lands. Further, the lack of disaggregation of data by race and ethnicity—and other factors—obscures the effectiveness of small business lending, as well as other policy interventions. The anticipated modernized Community Reinvestment Act holds promise to address some of these long-standing issues.

#### ***Anticipate the impact of new policy on existing systems***

The new Centers for Medicare and Medicaid Services' social drivers of health screening, which screens for housing, food, transportation, and financial stability, will further strain the safety net and social service networks. Current discussions on how to prepare solutions for patients who screen positive include: (1) leveraging housing investment by using diverse capital stack models for all housing types including transitional, workforce, LMI homeownership, etc.; (2) cultivating small business or labor market impact to drive financial security; and (3) investing in food systems.

---

<sup>23</sup> See <https://livingwage.mit.edu/states/39>.

***Begin policy development from the point of need***

Over 3 million Ohioans have a disability, and these individuals often experience worse outcomes than Ohioans without disabilities across measures of health and health-care access and the social, economic, and physical environment. Ableism, insufficient provider training, and lack of accommodations are primary drivers of poor outcomes experienced by those with disabilities. Systems and environments that are not designed with the needs of people with disabilities in mind limit access and opportunity. Improving provider education, employment accommodations, and transportation accessibility can close gaps in outcomes for those with disabilities and improve health.

Recent research shows that 56 percent of people with disabilities are not in the labor force, a rate three times greater than people without disabilities. There has also been research that shows that if disparities were eliminated, over 7,000 children with disabilities would no longer experience food insecurity and 632,011 fewer people with a disability would be out of the labor force.<sup>24</sup>

Persons with disabilities have long been under housed and have historically been forced to choose between rent, medical bills, and other needed expenses. The combined impact of low employment rates; challenges of benefits cliffs; and lack of adequate, affordable, and accessible housing keeps people with disabilities in poverty and jeopardizes their health and well-being. Centering policy interventions around these examples of need could bring needed relief and opportunity to people with disabilities.

***Policy effectiveness is dependent on local conditions***

Mental health and substance abuse crises continue to impact our working age populations, reducing life expectancy in some areas. North Dakota, like many rural states, has experienced steady and substantial increases in mental illness and substance use disorders over the past decade. Highly localized efforts—for example, Strengthen ND and the Human Flourishing Lab, are working to understand the role of hope in rural, indigenous, and immigrant communities—can often have significant impact. However, they are fighting against a tide of structural forces, including rural outmigration, dissolution of social bonds, and an overall reduction in access to needed services. This is compounded by multigenerational economic traumas, beginning with the farm crisis in the 1980s, through the Great Recession, and the financial disruptions associated with the pandemic. Persistent sentiments of uncertainty and distrust can undermine the most well-intentioned of policy goals.

***Geopolitical policy actions have local impact***

Council members represent a diversity of regions and voices, and none is isolated from national and global policy decisions and events. Incidents occurring far from home can have a direct impact on business decisions and revenues, especially those that are export dependent. In short, macro decisions can have micro local impacts, as communities are intrinsically connected to the global economy.

**Community Advisory Council October 2023 Special Question**

***Capital deployment in LMI communities:*** *Low-income communities and the organizations that serve them have seen an unprecedented influx of federal funding over the past few years, mostly stemming from pandemic relief among other initiatives. These levels of funding have the potential to greatly impact the target populations of minority depository institutions, CDFIs, as well as nonprofit organizations more broadly. Significant infusions of capital can be transformational, yet can introduce absorption, deployment, and management challenges to otherwise often capacity-constrained*

---

<sup>24</sup> See [https://www.healthpolicyohio.org/wp-content/uploads/2023/04/2023HealthValueDashboard\\_Final.pdf](https://www.healthpolicyohio.org/wp-content/uploads/2023/04/2023HealthValueDashboard_Final.pdf).

*organizations. In your experience, how have these resources been received by your communities? What is their full potential? What are the constraints? What are the risks?*

Key takeaways:

- Smaller, capacity-constrained organizations are challenged to access and deploy federal funds.
- Federal funds represent a real opportunity for rural areas and small towns.
- There are transparency concerns about the deployment and use of federal funding.
- There is concern that this one-time infusion of resources will not be enough to sustain new programs in the long term.
- Federal funding was essential to keeping low-income families afloat during the pandemic, and it allowed for the creation of new and innovative social programs.

### **Capacity constraints**

Many small organizations are not prepared to take federal grants. As a result, they have to partner with groups who might have federal compliance capacity but lack the necessary subject expertise and community relationships, creating additional barriers to effectiveness.

Federal reporting and oversight requirements can be burdensome for nonprofits and government agencies, especially smaller ones, and communities with the biggest needs often have the biggest capacity gaps. The infrastructure used by the public sector to manage and disburse these funds is often decades old, and many public-sector employees are leaving their jobs, taking institutional knowledge with them.

Allocation decisions had to be made quickly, were sometimes questioned, and did not always maximize impact as agencies struggled to meet their commitments while balancing increased output and the associated stress on resources.

Council members saw an increase in overlapping enrollments where participants in workforce training programs were co-enrolled with two or three workforce agencies, confounding capacities to complete complex and lengthy enrollment processes, meet the various qualification requirements, and navigate and engage with various points of contacts.

### **Rural challenges**

In South Carolina, rural communities were encouraged by the state to take pandemic funding and put it toward updating their infrastructure, particularly outdated water and wastewater systems.<sup>25</sup> Many rural communities with vision and capacity saw the opportunity and are taking advantage of it. However, increases in construction costs and lack of available contractors have made it challenging to meet federal compliance requirements. Local regional planning commissions that serve largely rural counties have struggled in their capacity to help manage this huge influx of grants. They face the same challenges as other area employers in terms of workforce recruitment and retention. There is concern about some of these rural communities' ability to manage these kinds of once-in-a-lifetime funds, especially in communities that were in poor financial shape prior to the pandemic. This new influx of funds is a temporary fix, and overall, most of those communities have not moved forward.

Council members mentioned other recent reports that highlighted the uneven distribution of federal funds (in this case the Federal Emergency Management Agency's Building Resilient Infrastructure and Communities—BRIC—program). The referenced report cites the dearth of funds going to low-capacity

---

<sup>25</sup> See <https://ria.sc.gov/sciip>.

rural communities in the central states. Reflecting Council members' experiences, the report attributes these disparities to capacity constraints in smaller communities and the organizations that work there.<sup>26</sup>

### ***Challenges with equitable allocation and deployment***

While much of the COVID relief funds were designated for low-income communities and communities of color, the funds often did not make it into the hands of those most in need. In many cases, instead of funds going to community organizations and CDFIs most poised to support low-income communities, they were funneled through intermediaries or larger nonprofits without connections to the intended communities. For example, Pennsylvania spent \$4.6 billion of the allocated \$7.3 billion in American Rescue Plan Act (ARPA) dollars to replace lost revenue in the state budget instead of in low-income communities.<sup>27</sup> Only 18 percent of the ARPA funds went to boots on the ground service providers.

When money did reach organizations, it disproportionately went to White-led nonprofits. In a national survey of charitable organizations conducted by the Nonprofit Finance Fund, White-led nonprofits were more likely than people of color-led nonprofits to receive corporate donations (71 percent versus 58 percent, respectively). These disparities were present, to varying degrees, across all types of revenue streams. Further, 41 percent of White-led nonprofits received more than half of their income as unrestricted funds, compared to 26 percent of BIPOC-led organizations. The survey also showed an increase in demand for services over the last two years with 64 percent of people of color-led organizations experiencing a significant increase in demand versus 47 percent of White-led organizations.<sup>28</sup>

There are also concerns about whether the money will be spent on meaningful projects if it is spent at all. Federal dollars from Temporary Assistance to Needy Families (TANF) and block grant programs that went to the Tennessee state government have largely not been deployed. As of August 2023, the state had approximately \$700 million in undeployed dollars designated to assist LMI families.<sup>29</sup>

Also in Tennessee, with the exception of significant water infrastructure investments, many of the federally funded major infrastructure projects have not started. The state received approximately \$2.5 billion for roads, bridges, and roadway safety. There has been news reporting that a significant portion of the funds may be used to renovate sports stadiums across the state.

Around the green economy there is a real opportunity to create sustainable career pathways for people of color and women in environmental justice communities. Unfortunately, it is the same system of inequities that prevent that promise from being realized due to the complex, multi-agency nature of application and disbursement of funds.

### ***Sustaining programs and sustaining impact***

Council members are concerned with the sustainability of new programs and provided several examples of well-intentioned efforts that ended due to a lack of funds. Many of the smaller and people of color-led organizations pushed these dollars into communities but were unable to use funds for capacity building. As such, as the funding sources ran dry, the programs disappeared.

---

<sup>26</sup> See <https://headwaterseconomics.org/headwaters/femas-bric-program-continues-to-fund-innovative-risk-reduction-but-community-capacity-limits-access>.

<sup>27</sup> See <https://www.budget.pa.gov/Publications%20and%20Reports/Pages/Fiscal%20Recovery%20Reports.aspx>.

<sup>28</sup> See <https://nff.org/learn/survey#results>.

<sup>29</sup> See <https://sgp.fas.org/crs/misc/RL32760.pdf>.

Because of the additional funds injected into small businesses, particularly those in retail and food industries, many were able to hold on throughout the pandemic. However, many businesses that received pandemic relief funding have since closed because of a lack of workforce and the shifting trends of consumer behavior.

Federal funds that had one of the biggest impacts in Memphis, Shelby County, were the dollars to prevent evictions, which were dispersed by local government through the Emergency Rental Assistance program. Now that those dollars are dwindling, there's been an uptick in evictions.

The Expanded Child Tax Credit program was another lifeline that helped families and, in some cases, lifted them above the poverty line. Now, without those dollars going to families, social service agencies are reporting those families slipping back into poverty.

The city of San Antonio's ARPA funding is expected to end in 2025 and San Antonio's Ready to Work program in 2027. The fate of these programs is yet to be determined, but some programs may not survive the test of time.

On the Hawaiian island of Maui, while there is significant federal relief funds for the "area of impact"—the city of Lahaina—the economic impact of the recent fire is felt across the island. As tourism begins to return, there is tension between the housing needs of families who remain displaced and the urge to reopen hotels. The state of Hawaii is trying to reallocate COVID funds to Maui. However, there are still people who need COVID relief. It would be helpful to have clear step downs so that people can adjust, rather than a "spigot on/spigot off" approach.

What is needed now, to support relief efforts on Maui, is a combination of grants and loans (including patient capital and forgivable loans). The Small Business Administration (SBA) can make loans to help businesses recover from the fire, but many owners are still paying off SBA-backed pandemic relief loans and may not be able to take on more debt. Many owners—whose businesses burnt down and have no revenue—took Paycheck Protection Program (PPP) loans, which are eligible for forgiveness, and COVID-19 Economic Injury Disaster Loan program (EIDL) loans, which are not, to recover from the economic impact of the pandemic. So, while there is a tool available to address the current crisis—the SBA—it might not be the right tool in the circumstances.

### ***Positive changes and uses (and how to improve them)***

Pandemic relief funds were transformational, enabling organizations to improve the way they work and invest in projects that otherwise would not have happened.

Through major community changes and the increase in funding, nonprofit organizations had to quickly adjust how they operate. Council members are seeing an increase in technology usage to broaden program reach. There are new solutions to community needs that were exacerbated through the pandemic, for example, mental health and digital inclusion. There are also increased efforts in talent training and development efforts as well as an increase in efforts to partner across agencies to maximize resources and impact. These changes make the nonprofit sector more resilient.

The Environmental Protection Agency's (EPA) Environmental Justice Thriving Communities Technical Assistance Centers provide technical assistance for environmental justice organizations who may be new to federal funding processes. Although well-intentioned, it should be ensured that funds go to organizations with not only the capacity, but also the relationships to efficiently execute on the funding.

Infrastructure funds are driving new partnerships. However, now that the coalitions are intact and ready to move forward, there is confusion about how to aggregate funding opportunities. For example, energy retrofit projects cut across multiple agencies—Department of Energy (DOE), EPA, Department of Labor (DOL), etc. This is a heavy lift for smaller, resource-constrained communities. The Economic Development Administration’s Strong Cities, Strong Communities (SC2) initiative has attempted to remove some of this burden and align funding streams.

Colorado created the CIRCLE (Community Innovation and Resilience for Care and Learning Equity) grant program as one way to spend its allocation of ARPA and Coronavirus Response and Relief Supplemental Appropriations Act funds. One CDFI worked with the Colorado Department of Early Childhood and Early Milestones Colorado, a nonprofit organization, to distribute \$22.5 million in grants to childcare providers and other community, education, and governmental partners. The grant was created to spur creative and impactful approaches to tough issues that cause childcare providers to leave the industry due to lack of profitability, burnout, isolation, and marginalization, especially providers of color and those that support low-income families.

The program awarded 226 grants ranging in size from \$20,000 to \$300,000 for projects that could be implemented in a maximum of 12 months. There were projects from organizations at all levels of the childcare industry and from all geographic areas of the state. As of June 2023, most of the programs the grants supported were implemented, and their impacts were being felt by their communities.<sup>30</sup>

CDFIs also received an unprecedented influx of federal funding over the past few years from pandemic relief among other initiatives, including the Treasury Department’s Rapid Response Program (RRP) and the more recent Equitable Recovery Program (ERP). Many CDFIs have benefited from these funding programs, receiving grants that provided significant infusions of new cash that increased net assets, improved balance sheets, and transformed many small to medium-sized CDFIs into much larger and stronger financial institutions. As a result, many CDFIs have significant cash balances that will take a few years to deploy. For example, Colorado Enterprise Fund (CEF) was a recipient of grants from RRP and ERP, in addition to many local grants in 2020 and 2021. Since 2019, CEF’s total assets have doubled, and net assets have tripled.

Many county-based governments and nonprofit organizations were able to utilize funds to improve their infrastructure and facilities, including hospitals. In North Dakota, new hospitals are popping up across the state. While improved facilities are needed to better serve rural residents, challenges still exist with regard to staffing the facilities and providing much-needed services, like mammography.

As a response to rising costs and the availability of ARPA funds, Louisville Metro Government applied \$4 million, a more than 100 percent increase, to down payment assistance for LMI Louisville homebuyers. Previously, many recipients of the assistance purchased primarily in LMI areas. This practice only increased the economic segregation of LMI buyers. The increase in funding now not only helps more buyers receive assistance, but also expands the geographic area for where buyers can purchase. This consequence is an upside to the effects of the ARPA funding. The \$4 million was part of a total of \$100 million of ARPA funds for housing. Finally, the Louisville Land Development Code is outdated by more than 40 years. Committees are working with local government to update the code, which favors homeownership and larger lots outside of the urban core and higher density projects inside the urban core. The Planning Commission and the Office of Planning & Design Services are working to update the plan to “fix” these issues based on the needs of the community. One of the first approvals involved the

---

<sup>30</sup> See <https://earlymilestones.org/project/circle-grants>.

permitting of accessory dwelling units without zoning changes or other site permissions. Housing stakeholders will continue to watch local trends to see if this change will assist in addressing the housing shortage.

Homeowner programs for LMI families continue to struggle due to issues around the distribution of ARPA funding and other grant and governmental supports. We are seeing a 7–8-month lag time on memoranda of understanding or grant contracts. Organizations are working off balance sheet and waiting for reimbursement, which is slowing down occupancy. On the flip side, we are seeing LMI residents take advantage of new education, financial stability, and other support services, which is increasing their income and creditworthiness. This is disqualifying them from programs and homeownership grant-funded projects for those over 80 percent of area median income but leaving them to struggle to afford workforce or market-rate housing. The programs are working and lifting people out of poverty, but we are seeing that they do not have a safe place to land. They cannot manage the conventional loan/mortgage market and remain without housing options in some cases.

### ***Suggestions***

To maximize the impact of federal funding, Council members offered the following observations:

- Connect organizations to resources that optimize program administration. The focus should be on resources with a proven record in delivering programs quickly, correctly, and cost-effectively.
- Support capacity-building activities to bolster local organizations, especially in smaller communities.
- Create a sustainable funding path for key programs. If a proven program is not continued, there is a risk that any progress will be erased.