

Record of Meeting  
Community Advisory Council and the Board of Governors  
October 21, 2021

This meeting of the Community Advisory Council is the fifth since the declaration of the COVID-19 pandemic in March 2020. Throughout the pandemic, the Federal Reserve has provided robust, real-time data and, along with other agencies, innovative lending facilities that were quickly deployed. The Council recognizes that innovative lending facilities like Paycheck Protection Program (PPP) were hitting their mark, especially during the second round as community development financial institutions (CDFIs) began to deploy funds and many nonprofits were able to stay afloat in the face of increased demand on services and decreased private funding. Black-owned businesses lacking bank credit relationships benefited from access to capital through fintech firms.<sup>1</sup> The Child Tax Credit and increased Supplemental Nutrition Assistance Program food benefits have lifted many households out of poverty.

However, households making less than \$50,000 are still disproportionately suffering from the economic fallout of the pandemic, according to a recent study published by NPR, the Robert Wood Johnson Foundation, and the Harvard T.H. Chan School of Public Health.<sup>2</sup> Despite billions of dollars appropriated to protect vulnerable Americans, a substantial share of households face financial hardship. Most notably, there is sharp disparity between households above and below this income threshold: 59 percent of those below the threshold face serious financial problems, compared with 18 percent of households above it, despite 67 percent of all households reporting they recently received financial assistance from the government.

The foundation of a healthy community—and a barometer for the future—is living-wage jobs. In the next decade, Bureau of Labor Statistics data indicate that, of the top 30 occupations in highest demand, 20 will fall below median wage. Home health and personal care aides will be the occupation with largest projected growth and lowest-paid trades. Three of the top five categories are in food service, and only one—software developers and analysts—is a high-wage tech job.<sup>3</sup>

While workers generally and low-wage earners in particular balance the strains of work and home, they are also facing sharply reduced access to childcare and eldercare. Younger seniors, citing health concerns and family need, are leaving the workforce. Younger women have also left the workforce altogether to care for children and elderly family members, and if they return, will likely experience lower future earnings.

The Council members remain deeply concerned that the pandemic continues to impact less-resourced populations disproportionately. The last two years have created daily chaos, and policy choices during the next two years will influence trends that will either strengthen or further undermine individuals, families, and communities going forth. The more federal funding that can get to vulnerable individuals

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<sup>1</sup> See Cecile Duraut and Alexandre Tanzi, “U.S. Black Business Owners Turned to Fintech to Get PPP Loans for Covid Aid,” *Bloomberg Equality*, May 27, 2021, <https://www.bloomberg.com/news/articles/2021-05-27/black-business-owners-turned-to-fintech-to-get-u-s-pandemic-aid>.

<sup>2</sup> See NPR, the Robert Wood Johnson Foundation, and the Harvard T.H. Chan School of Public Health, *Household Experiences in America During the Delta Variant Outbreak* (October 2021), <https://media.npr.org/assets/img/2021/10/08/national-report-101221-final.pdf>.

<sup>3</sup> See Philippa Dunne and Doug Henwood, “Fact Checking with Demographics,” *TLR on the Economy*, September 15, 2021, [https://www.tlranalytics.com/wp-content/uploads/2021/10/TLR-21\\_09\\_15.pdf](https://www.tlranalytics.com/wp-content/uploads/2021/10/TLR-21_09_15.pdf).

and communities directly, and the more we can minimize administrative noise and complication, the better. As the macro economy gradually returns to some semblance of normal, the council urges the Federal Reserve and its leaders to remain focused on the interests of the nation's most vulnerable populations—in its policy deliberations and in all spheres of influence—to help bring about a more inclusive recovery.

- 1. *Current market conditions:*** *What is the Council's view of the current condition of, and the outlook for, loan markets and financial markets, particularly during this period of recovery? 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?*

Most regions of the country continue to be impacted by the pandemic, but areas with low vaccination rates are facing the most serious disruption to both their overall economies and health-care infrastructure.

### **Home Mortgage**

The Council notes that home mortgage lending markets have been spurred by both low rates and demand for suburban and ex-urban housing. Overall, mortgage demand and volume appear robust as price increases, desire for home offices, and a notable shortage of homes in many markets converge into a “buy-it-now” trend among home seekers. In South Dakota, for example, the state's population as a whole is aging, but on tribal lands the median age is trending down and there is high demand for single-family homes and mortgage products. Due to sovereignty rules specific to reservations, mortgage lending is more complex and largely stalled at the moment; as in many markets, the supply of affordable units is very low. Tribal lands in South Dakota could absorb an estimated 33,000 (affordable) single family homes.

In June the Consumer Financial Protection Bureau released Home Mortgage Disclosure Act (HMDA) data, detailing mortgage lending information from nearly all lenders in the United States. A National Community Reinvestment Corporation (NCRC) analysis<sup>4</sup> of the data produced several key findings:

- Independent mortgage companies expanded their dominance over banks for mortgage originations and also dramatically increased their share of refinance lending since 2019.
- Homebuying volume remained steady during the pandemic, and refinance lending boomed in 2020.
- White and Asian homeowners increased their share of refinance lending, while the share declined for Black and Hispanic homeowners. The impact of this is likely an increase in the share of the racial wealth gap driven by home equity.
- Black and Hispanic homebuyers saw modest increases in their share of home purchase loans but were still far short of their population share or the increased lending needed to approach parity with the White homeownership rate.<sup>5</sup>
- A growing number of larger lenders did not report demographic data. This is a threat to the usefulness of this critical national dataset.

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<sup>4</sup> See <https://ncrc.org/2020-hmda-preliminary-analysis/>.

<sup>5</sup> See <https://www.census.gov/data-tools/demo/hhp/#/?measures=HINSEC>.

Black and Hispanic borrowers lost market share as a percent of all loans, falling from 5.9 percent to 5.2 percent and 9.9 percent to 9.2 percent, respectively, from 2019 to 2020. Refinance lending, driven by low interest rates, increased substantially, from just 2.3 million loans in 2018 to 8.8 million in 2020. The average interest rate on all originations fell from 4.96 percent in 2018 to 3.31 percent in 2020.

As refinancings surged, Black and Hispanic borrowers lost some ground, with Black homeowners falling from 5.6 percent of all refinances in 2018 to just 4.3 percent in 2020, while Hispanic homeowners fell from 8.4 percent to 7.8 percent. Asian homeowners dramatically increased their share of all refinance loans, jumping from 4 percent of all refinances in 2018 to 7 percent in 2020.

Further research should be considered to determine the impact (of lower interest expense) on the racial wealth divide between White and Asian borrowers and Black and Hispanic borrowers. In 2020, both Black and Hispanic borrowers did increase their market share of home purchase lending, but these gains were modest. Black borrowers saw their share of all home purchase loans increase from 7.1 percent of mortgages in 2019 to 7.4 percent in 2020. Hispanic borrowers grew from 11.9 percent to 12.4 percent over the same period.

The Council remains concerned that despite banks' participation in the Office of the Comptroller of the Currency's Project REACH (Roundtable for Economic Access and Change) initiative, and the launch of numerous racial equity initiatives, the data show little movement on Black homeownership, in particular, and for people of color in general. In some cases, the trend is moving in the opposite direction, with some banks showing a decline in lending to people of color. The Council emphasizes that while philanthropy aimed towards racial equity—including support for CDFIs and MDIs—is critical and necessary, it does not replace the need for banks to address their own business practices. Bank regulators, including the Federal Reserve, should take this into account in both a supervisory and policymaking perspective, as they modernize the Community Reinvestment Act.

Loans lacking demographic information continued to increase. Including purchased loans, 22 percent of all loans reported in HMDA lacked demographic data. In 2020 there were 8.8 million, a massive increase from the 2.3 million refinances in 2018. This increase is largely due to the option for HMDA reporters to delete this data from loans that they buy from other lenders. It is also due to the increase in borrowers that begin the loan process online, where HMDA does not require the lender to enter a race/ethnicity that they observe.

### **Multifamily Lending**

In many markets, smaller landlords—where the family business is rental property—are having difficulty obtaining loans under \$25,000 for routine repairs and maintenance. This is an acute issue in New Orleans as it recovers from Hurricane Ida, which damaged many properties. Insurers there are able to invoke “named storm” clauses in contracts that translate to much higher deductibles for insured. Many smaller landlords in Louisiana and other states at risk for tropical storms and other natural disasters would benefit from a smaller-dollar (\$5,000 to \$50,000) loan program tied to the Community Reinvestment Act, ostensibly deployed through CDFIs.

### **Small Business Credit**

Council members note that loosening of credit terms has not happened across the board. But some banks have reentered small business lending markets, though smaller and newer businesses have had less access to credit.

The Pennsylvania Bankers Association reported a 4 percent increase overall in business lending year-over-year, but a small decrease if PPP loans are excluded. Member banks also reported a 15 percent average rise in liquidity across the state, underlying renewed interest in business lending to improve profits. Businesses that survived the pandemic now face myriad new challenges including worker shortages and supply chain disruptions, and high-demand sectors such as those connected to the construction industry are looking to expand operations while managing costs, supply shortages, and labor issues.

In El Paso, micro businesses that are too small (or lack the collateral) to qualify for most Small Business Administration loans are being left behind due to the underwriting needed for a loan between \$5,000 and \$50,000. These businesses require assistance with the loan application as well as training on overall financial management. They have been highly impacted by COVID-19, and most do not have medical insurance for themselves or employees.

- 2. *Housing markets:*** *How have house prices and rental rates changed since the May 2021 meeting? Have there been any new developments in housing activity for low- and moderate-income (LMI) communities in Council members' regions? How is the recovery from the pandemic shaping the housing landscape? What is your view on local implementation of federal rental assistance for renters adversely affected by the pandemic?*

### **Overview**

Affordable housing shortages, which were acute in many regions before the pandemic, have been worsened by upward cost pressures on building materials, labor shortages, and the dearth of incentives—both market forces (pushing developers toward high-margin homes) and limited subsidy—for developers of affordable housing. Many nonprofits and housing authorities have had to reduce their activities due to the rising costs associated with building materials, supplies, and increased labor costs. While the CDC eviction moratorium prevented more than 1.5 million eviction filings while it was in place, the failure in many states and municipalities to distribute federal rental assistance funds efficiently (and resulting forfeit) will cause many, many more instances of housing instability across the country, very soon.<sup>6</sup> Nearly 10 million renters nationwide are behind at least one month on their rent, according the most recent American Community Survey data.<sup>7</sup>

In both strong and weak housing markets, housing cost and housing supply have been perennial challenges to LMI households. Current market conditions are putting stable housing further out of reach. One bright spot for aspiring homeowners is Fannie Mae's recent decision to acknowledge consistent rent payments in its underwriting. This change could create a different reference point than credit scores for evaluating potential borrowers. In its announcement Fannie Mae acknowledged that a regular payment history serves as a good data point for assessing risk. Given the widening racial wealth gap, this change in underwriting has the potential to benefit LMI borrowers who lack or have very limited credit histories.

The next two to three years will be critical for social services agencies to address housing instability for the most vulnerable: households making 30 percent of area median income (AMI) and below. Tax credit projects take time, and developers are more inclined toward developing units affordable to people at 80

<sup>6</sup> See <https://evictionlab.org/eleven-months-cdc/>.

<sup>7</sup> See Center on Budget and Policy Priorities (CBPP), *Tracking the COVID-19 Economy's Effects on Food, Housing, and Employment Hardships* (Washington: CBPP, October 21, 2021), <https://www.cbpp.org/research/poverty-and-inequality/tracking-the-covid-19-economys-effects-on-food-housing-and>.

percent of AMI, which are somewhat less difficult (as the supply of lower-value federal housing tax credits is less constrained) but require more equity from sources other than the sale of the tax credits. There is a massive, overlooked demographic facing (or experiencing) homelessness, but that does not need help beyond an affordable, safe place to live and some level of case management. These include seniors, veterans, and people with disabilities who have fixed incomes and are only homeless because they were priced out of their housing. However, they are able and willing to pay \$300 to \$400 a month in rent and can qualify for housing vouchers when available.

### **Climate Change Impacts: Named-Storm Insurance Policies**

In addition to the ongoing effect of the pandemic and associated recovery effort, the Council is concerned about the impact of recent natural disasters and their effects on LMI populations in particular. Specifically, in response to Hurricane Ida, which made landfall in Louisiana on August 29, Council members reported that insurance companies are invoking “named-storm deductible” policies. The terms of these policies change when there is a named storm, increasing deductibles and potentially rendering repairs (e.g., a \$10,000 roof replacement) prohibitive for low-income or retired policyholders.<sup>8</sup> Council members expressed concern that these policies make people vulnerable to (other) predatory practices, such as reverse mortgages, when no other options are available. Given that LMI populations often live in locations that are vulnerable to storms, flooding and other climate events, these practices have a disproportionate impact on their household balance sheets. The increasing effects of climate change will only accelerate the incidence of these conditions.

### **Markets by Region**

#### *West*

The Council notes that Utah needs to add approximately 60,000 affordable housing units statewide. With one of the healthiest economies in the country and a 2.6 percent unemployment rate, homes across all areas of the state have been in high demand, pushing both purchase and rental prices out of reach for LMI households. Utah median income is approximately \$75,000. Wages have not kept pace with escalating housing costs, especially for women. Utah has the widest wage gender gap in the country: women working full-time, year-round in Utah earn 70 cents per dollar earned by White men. Women of color face an even larger gender wage gap in Utah compared with White men: Hispanic women earn 47 cents, Black women 52 cents, Native American women 54 cents, and Asian women 67 cents. Meanwhile, June 2021 marked another staggering month for home price increases in Utah. The median price of homes sold across the state showed a 30 percent year-over-year increase, from \$345,000 in June 2020 to \$450,000 in June 2021—a new record. Vacancy rates for single-family homes are under 1 percent.

Homeownership is completely out of reach for low-income families, especially for single women with children. The decline in rental unit availability and the increase in rental prices are also of great concern in an otherwise economically robust state. The statewide rental vacancy rate is 4.6 percent. Approximately 30 percent of the Utah population are renters. From January 2019 to July 2021, the average rental price in five major Utah counties has risen a stunning 45 percent. The advocacy groups Utah Housing Coalition and the National Low Income Housing Coalition released the national, yearly *Out of Reach* report, which found that in order to afford a two-bedroom apartment at fair market rent in Utah without being cost burdened, full-time workers need to earn at least \$20.21 per hour. That equals

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<sup>8</sup> See “What You Should Know About Named Storm Deductibles,” National Association of Insurance Commissioners, web page, July 12, 2021, [https://content.naic.org/article/consumer\\_insight\\_what\\_you\\_should\\_know\\_about\\_named\\_storm\\_deductibles.htm](https://content.naic.org/article/consumer_insight_what_you_should_know_about_named_storm_deductibles.htm).

\$3,503 monthly or \$42,036 annually. However, the average renter in Utah earns only \$15.66 an hour, according to the report.

With the hospitality industry impacted by COVID-19, many hotels and motels have been up for sale, which can present opportunities to house those in need. Switchpoint Community Resource Center, a Utah nonprofit that serves homeless individuals, acquired and renovated a 100-room, extended-stay hotel for \$9.5 million.<sup>9</sup> This type of transaction is very complex and requires navigation of zoning and differing requirements of numerous funders, but it ultimately came to fruition thanks to a wealthy (and rare) donor with extensive real estate expertise. There is a short window to acquire this kind of commercial real estate, which does not typically attract most developers or even impact investors but can attract well-resourced institutional investors. A lending facility designed specifically for nonprofits with some flexibility on terms and incentives for bringing in partners could go a long way toward making them more able buyers when similar opportunities arise, and thereby help those at risk of falling off the housing cliff.

### *Midwest*

In Iowa, housing markets have become more complex and uncertain. Demand for housing has increased as supply has tightened, resulting in home price and rent increases. The demand for affordable housing has outpaced the supply for many years, but the pandemic has made the situation worse. Compounding the shortage of affordable housing into the future is the fact that Iowa has passed a law allowing landlords to refuse to accept Section 8 vouchers.<sup>10</sup> According to the U.S. Department of Housing and Urban Development, Iowans use federal vouchers to help pay for nearly 20,000 housing units statewide, and the average household income of participants is \$12,577 per year. Further, and despite an overall shortage of housing, many builders and developers citing supply-chain issues have reduced volume altogether, especially rental housing. The moratorium on rental payments and evictions has pushed smaller investors out of the market; many are cashing out while property values are high. A recent study by researchers at Iowa State University on understanding landlord decision-making during the COVID-19 pandemic showed that more institutional and foreign investors have entered the housing rental housing market, including firms purchasing trailer parks.<sup>11</sup>

Many cities in the Midwest are slowly recognizing that they have a housing problem. But even as need in Iowa escalates, only \$14.8 million in COVID-related rental assistance and \$1.56 million in utility assistance, or 8.3 percent of the state's \$195 million allotment has been distributed, as many who applied for the program did not meet its requirements.<sup>12</sup>

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<sup>9</sup> See [www.switchpointcrc.org](http://www.switchpointcrc.org).

<sup>10</sup> See Ian Richardson, "Gov. Kim Reynolds Signs Law to Let Iowa Landlords Refuse Section 8 Vouchers," *Des Moines Register*, April 30, 2021, <https://www.desmoinesregister.com/story/news/politics/2021/04/30/gov-kim-reynolds-signs-bill-letting-landlords-reject-section-8-housing-hud-tenants/4748580001/>.

<sup>11</sup> See Sheelah Kolhatkar, "What Happens When Investment Firms Acquire Trailer Parks?" *New Yorker*, March 8, 2021, <https://www.newyorker.com/magazine/2021/03/15/what-happens-when-investment-firms-acquire-trailer-parks>.

<sup>12</sup> See "Iowa, Reversing Earlier Decision, Applies for \$120M More in COVID Rental Aid as Evictions Soar," *Des Moines Register*, September 22, 2021, <https://www.desmoinesregister.com/story/news/2021/09/22/iowa-seeks-second-round-covid-19-rental-assistance-as-evictions-soar/5784083001/>; and "Iowa Clears Backlog of Renters Waiting on Aid to Avoid Eviction," *Des Moines Register*, August 5, 2021, <https://www.desmoinesregister.com/story/news/2021/08/05/iowa-finance-authority-backlog-renters-waiting-rent-moratorium-aid-eviction-covid-debi-durham/5470122001/>.

In Cincinnati, communities continue to see increased rents and mortgages, a fast-moving single-family resale market, and demand that continues to outpace supply. Builder supply chain and material costs continue to impact the ability to execute direct community investments to impact health and housing. To compensate, lenders allow developers terms adjusting timelines and number of units, slowing down deployment of dollars and the pace of creating new supply. Affordable housing developers and builders have shifted priorities to rehab programs and to helping nonprofit housing rehab organizations work through long waiting lists. Affordable housing developers still focused on new construction are using low-income housing tax credits (LIHTC). Nine percent credits provide more equity but are scarce and require a competitive application process. Four percent credits provide less equity but do not involve a competitive process. As long as developers can raise the (remaining) needed equity to complete their projects through local government, philanthropy, or other private sources, 4 percent credits are available, and local developers are devising more strategies to take advantage and meet demand for affordable housing.

In Evansville, Indiana, to reduce costs and bring more affordable housing units online, nonprofits are partnering with builders to secure sites, purchase building materials (as nonprofits, free of sales tax), and even line up buyers. Local CDFIs provide low-cost lines of credit, and local foundations have helped fill equity gaps in developments.

#### *East*

To support low-income residents, Pennsylvania (where roughly 73,000 renters face eviction by year end) launched the Emergency Rental Assistance Program (ERAP), which is available in every county in Pennsylvania to assist households unable to pay rent and utilities due to conditions stemming from the pandemic. Pennsylvania received \$847 million from the program created by the Consolidated Appropriations Act and will receive an additional \$671 million from section 3201 of the American Rescue Plan Act (ARPA) of 2021. The new program provides essential levels of flexibility to grantees that were not offered in prior programs, including written attestation for employment status versus submission of paystubs, participation of renters without leases, and the removal of the assistance cap. In addition, the eligible uses of funds cover more situations faced by renters and increases the assistance time frame to 18 months. Finally, payments are made directly to the tenant in the cases where landlords refuse to work with the assistance program. Adjustments such as these help to facilitate deployment of ERAP funds to places where they are needed most, helping to stabilize communities and families.

### **3. *Labor markets:*** *How have the labor markets in which Council members operate changed since the May 2021 meeting? How have labor markets in Council member communities responded to the economic recovery thus far? Are there any specific factors or influences keeping working age members of their communities from joining/rejoining the workforce?*

Across regions served by Council members, workers are facing a perfect storm of frustration and empowerment. Despite the uptick in hiring, job sites, shops, and facilities are still facing worker shortages. These shortages are stretching workers thin at a time when companies and CEO profits are climbing sharply once again. Workers that were considered “essential” at the beginning of the pandemic are now rightfully asking why their pay and benefits do not reflect the essential nature of their work. Despite wage increase offers from some employers of 5 percent to 6 percent, many types workers point to lost gains over a long period of low wage growth. Stagnant wages over the last decade, forced overtime, increased health-care costs, increased retirement costs, rising inflation, and rapidly climbing housing costs have coincided with record corporate profits, and many workers see recent wage increases as insufficient and are taking the drastic step of not returning to work.

Another issue facing workers and a matter of concern for the Council is the dearth of childcare and eldercare options and the loss of critical human resources in that industry. While demand for workers is high, sharply reduced childcare and eldercare capacity has made returning to work impossible for many, as informal arrangements with family, friends, and even cash-paid workers, are not sustainable. Low-wage workers have nonetheless been broadly characterized as disinterested in work as long as unemployment benefits remained in place. As an example, Iowa turned back federal unemployment insurance beginning in the spring with the intent of motivating people to return to work by summer. The result was that only about two-thirds of the workers sidelined by the pandemic, as of early October, have returned to work.

Additionally, misinformation spread by social and other media about the pandemic and vaccines has exposed countless people to the virus unnecessarily and has led to younger seniors and, in particular, women, leaving the workforce altogether. People of color and lower-income households bear the loss of life at much higher rates, as once independent households consolidate and many forms of essential though low-wage work like stocking shelves, cleaning hospitals, and delivering goods involve more human contact than other types of work.

In Pennsylvania, as with much of the country, most business sectors are experiencing challenges with availability of labor, which obviously affects businesses' ability to offer a full complement of services. Many restaurants continue to offer only take-out or delivery options or are open fewer days each week. Many other retailers are also limiting hours of service. Since businesses are not able to return to full capacity, their reduced cash flow impairs their ability to cover fixed expenses such as rent and utilities.

### **Workforce Implications of "Long COVID"**

A matter that gets less attention than the pandemic's overall public health and economic impacts is the ongoing effects of COVID for a significant percentage of victims, often referred to as "long COVID." Long COVID surfaced after the first wave of infections in spring 2020 and is estimated to affect nearly a quarter of all patients, with symptoms such as chronic fatigue, muscle aches, and compromised brain function persisting for weeks or months.<sup>13</sup> While it's not clear how many individuals will have to adjust their employment status because of long COVID, if 10 percent of the 45 million who have contracted COVID have a medical diagnosis of a resulting disability, this could have a further negative impact on labor market conditions and potentially overwhelm private and public disability insurance systems.<sup>14</sup> The Departments of Health and Human Services and Justice and the Equal Employment Opportunity Commission quickly issued guidance on long COVID disability protections.<sup>15</sup>

The Delta variant appears to be affecting younger demographics, although comprehensive data is still emerging.<sup>16</sup> Nevertheless, those infected (of working age) who subsequently experience long COVID symptoms are faced with taking extended sick leave, leading to decreased productivity, a potential exit from the labor force, and/or drawing on disability insurance payments. As we know, COVID

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<sup>13</sup> See <https://www.cdc.gov/coronavirus/2019-ncov/long-term-effects/index.html> and <https://www.health.harvard.edu/blog/the-tragedy-of-the-post-covid-long-haulers-202010152479>.

<sup>14</sup> See Abigail Abrams, "COVID-19 Long Haulers Could Change Disability Benefits," *Time*, July 20, 2021, <https://time.com/6081876/covid-19-long-haulers-disability-benefits/>.

<sup>15</sup> See "Guidance on 'Long COVID' as a Disability under the ADA, Section 504, and Section 1557," Department of Health and Human Services, <https://www.hhs.gov/civil-rights/for-providers/civil-rights-covid19/guidance-long-covid-disability/index.html>; and "Coronavirus and COVID-19," web page, U.S. Equal Employment Opportunity Commission, <https://www.eeoc.gov/coronavirus>.

<sup>16</sup> See "Is the Delta Variant Making Younger Adults 'Sicker, Quicker'?" *New York Times*, August 3, 2021.



disproportionately affected those experiencing adverse socioeconomic conditions and those with the least ability to withstand long periods of unemployment or underemployment, including those in early stages of their working careers.<sup>17</sup> Decades of disability data, most notably from the Bureau of Labor Statistics and the U.S. Census Bureau, could help inform decisions around monetary, fiscal, and administrative policies related to the potential disabling conditions of long COVID.<sup>18</sup>

**4. *Rising costs of goods:*** *How has the Council observed the rising cost of some goods—such as lumber, fuel, and used cars—impacting the recovery in their communities? If so, have these rising costs and/or supply chain issues driven less demand for other areas of recovery, such as construction? Has the Council observed any effective strategies in their communities for mitigating the adverse effect of these issues?*

Builder supply chain and material costs continue to impair the ability to execute direct community investments to impact health and housing. In some markets, lenders include terms that allow for the adjustment of timelines and number of new construction units, as costs or availability of building materials can interrupt production and slow the pace of creating new housing supply. In numerous markets served by Council members, nonprofit developers have shifted their focus to rehabbing existing housing as opposed building new.

At the El Paso border, supply chain impacts will be felt as this region utilizes the automobile and consumer products manufacturing capacity across the border in Juarez. Many Maquiladoras—U.S. owned manufacturing facilities in Mexico that take advantage of cheaper labor—face production slowdowns stemming from the hundreds of thousands of shipping containers waiting to be unloaded at shipping ports, potentially leading to layoffs at the roughly 300 manufacturing facilities (and 330,000 jobs) in Juarez. On the El Paso side, price increases for groceries, gasoline, and other goods are reducing consumer spending.

The increase in the cost of goods and supply chain issues appear to impact a wide variety of industries and businesses nationally, including the agricultural sector where equipment is sitting idle due to a lack of computer chips. Industries ranging from restaurants (facing increased food prices) to construction (facing rising prices for lumber, drywall, appliances, etc.) are all feeling price pressures that they are passing onto consumers to the extent possible. While demand has driven an increase in housing starts, the market is focused on high-end, single-family housing rather than on low- and moderate-income housing where the demand and need is the greatest. This trend is yet another contributing factor to an uneven recovery where low-income communities of color lag White, higher-income communities.

**5. *Recovery and infrastructure:*** *What is the impact of various recovery policies and infrastructure investments in Council member communities? How will lessons learned from the pandemic and recovery affect local strategies to address areas such as food security, technology, health care, and education?*

Support from the American Rescue Plan Act is highly anticipated across many communities. However, its impact is not uniform.

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<sup>17</sup> See Tara L. Upshaw et al., “Social Determinants of COVID-19 Incidence and Outcomes: A Rapid Review,” PLoS ONE 16, no. 3 (March 31, 2021), <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0248336>.

<sup>18</sup> See “Statistics,” web page, U.S. Department of Labor, <https://www.dol.gov/general/topic/disability/statistics#:~:text=According%20to%20BLS%2C%2019.3%25%20of%20persons%20with%20a,66.3%25.%20U.S.%20Department%20of%20Labor%20Disability%20Statistics%20Resources.>

ARPA set aside billions of dollars for tribal governments. Over \$20 billion is set to flow through the U.S. Treasury alone to tribes, including money from state, local, and tribal fiscal recovery funds; emergency rental assistance; and the Homeownership Assistance Fund. Across Indian Country, tribes are working on prioritizing use of the funds, considering competing interests like health care, infrastructure, and economic development. The rollout and impact of this investment in tribes will take some years.

In Pennsylvania, there is continued need for flexible recovery funds, including low-cost loans and grants for business owners. CDFIs are eager to access funding from ARPA; however, those programs are rolling out more slowly than 2020 Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding. These delays will affect the sustainability of many small businesses.

During 2020, through CARES Act funding, Pennsylvania provided grants to small businesses that allowed many companies to stay afloat as mandated business closures were in place. While most of the state mandates have been lifted, many businesses have not returned to prior levels of operation (as described above), which has a negative impact on business cash flow. Several factors contribute to this situation. For example, many employers still allow staff to work from home, either full time or partially. Therefore, businesses that offer goods and services to local workers still have not experienced a rebound in foot-traffic to pre-COVID activity.

An important lesson learned from the pandemic is the critical need to ensure that federal and state funding for flexible loans and grants prioritize outreach and funding for business owned by Black and Latinx entrepreneurs. The Council supports the idea that public-sector programs develop clear goals and strategies to reach businesses that may not be connected mainstream financial institutions.

**6. *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?*

### **Impact of COVID on Rural Communities and Health Systems**

COVID hit urban areas hard first, but recently more-rural areas have been impacted.<sup>19</sup> Lower vaccination rates, older populations, and fewer health-care facilities make for a deadly combination that has strained rural hospitals in particular. This crisis has further impacted all aspects of the rural workforce, leading to significant staffing shortages.<sup>20</sup> With an already limited labor pool to draw from, recruiting new workers is challenging. Further, the financial model of rural providers has been severely disrupted with the cancellation of elective surgeries and other scheduled procedures: a significant source of revenue for rural institutions.<sup>21</sup> The Council is concerned that shuttering of these facilities will be permanent. Rural health facilities have limited ability to capture any economies of scale, given low population density and relatively lower median household incomes.

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<sup>19</sup> See Jesse Bradford et al., "COVID-19 and Rural Communities," March 10, 2021, McKinsey & Company website, <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/covid-19-and-rural-communities-protecting-rural-lives-and-health>.

<sup>20</sup> See Aallyah Wright, "Rural Hospitals Can't Find the Nurses They Need to Fight COVID," *Stateline*, September 1, 2021, <https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2021/09/01/rural-hospitals-cant-find-the-nurses-they-need-to-fight-covid>.

<sup>21</sup> See Adrian Diaz, Karan R. Chhabra, John W. Scott, "The COVID-19 Pandemic and Rural Hospitals—Adding Insult to Injury," *Health Affairs Blog*, May 3, 2020, <https://www.healthaffairs.org/doi/10.1377/hblog20200429.583513/full/>.

**Vaccine Mandates**

We are at a crucial moment for assessing the impact of vaccination rates on economic health and well-being. The Council notes the lack of data regarding the impact of vaccine mandates on labor supply issues as well as other indicators of recovery. Council members represent areas and institutions with vaccination rates ranging from less than 30 percent to close to 100 percent.<sup>22</sup> However, a variety of data-driven studies have noted that the rate of vaccination has a direct effect on economic recovery and the return to work. Vaccination rates vary by state, with states like Maine and Massachusetts approaching 70 percent while states primarily in the South and Mountain West are barely above 40 percent.<sup>23</sup>

The results of this disparity and current spiking COVID death rates in low-vaccination states will take some time to reflect in the economic data. Yet some states are seeing progress. In Michigan, the University of Michigan in Ann Arbor imposed a vaccine mandate and now boasts vaccination rates among faculty, students, and staff of more than 96 percent.<sup>24</sup> The impact has been the return of a healthy retail and housing sector as well as COVID hospitalizations and death rates significantly below the rest of the state and nation. A potential area for study is the impact of anchor institution mandates on a surrounding economies and labor markets. While individual hospitals, airlines, and city agencies across the country have imposed vaccine mandates, the pending impact of any mandate issued by the Occupational Safety and Health Administration for all companies with over 100 employees remains to be seen.<sup>25</sup>

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<sup>22</sup> See <https://www.chicagofed.org/publications/blogs/chicago-fed-insights/2021/industry-employment-and-covid-vaccination>.

<sup>23</sup> See <https://www.mayoclinic.org/coronavirus-covid-19/vaccine-tracker>.

<sup>24</sup> See <https://campusblueprint.umich.edu/dashboard/>.

<sup>25</sup> See <https://www.npr.org/2021/10/03/1042227032/how-a-small-government-agency-will-enforce-the-vaccine-mandate-for-80-million-wo>.