Record of Meeting
Community Advisory Council and the Board of Governors
October 10, 2024

Introduction

Observations expressed in this memo are those of Community Advisory 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 current 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 issues not captured elsewhere in the memo and a final "special question" explores how rising insurance costs are affecting households and businesses in low- and moderate-income (LMI) communities.

The following key themes emerged from Council member input:

- Current consumer loan demand was mixed, while borrower credit quality and the performance of loans in active status remained strong overall.
- A growing demand for affordable small-dollar loans signals a potential weakening of consumer balance sheets.
- Elevated rental rates are creating a significant cost burden, contributing to an increasingly unaffordable housing market.
- Maintaining employment has been a major challenge as the demand for workers with the required skills exceeds the supply of jobs, highlighting the critical need for job training resources to bridge the gap and address the shortage of skilled talent.
- Increased costs for property, commercial, auto, and health insurance were reported across communities.

Current Market Conditions

This section includes key themes regarding the current condition of and the outlook for loan markets, financial markets, and economic development activities. According to Council members, current loan demand has been mixed, while borrower credit quality and the performance of active loans remained strong overall. The broader outlook for economic development activities was mixed as Council members reported that some stakeholders are delaying action on projects or initiatives pending the direction of future interest rate and potential policy changes by a new administration.

Small business lending

Several Council members noted recent increases in the number of loans and loan amounts in their respective regions. For example, in New England, the increase in lending activity suggests new investments are underway in key industry sectors like manufacturing, professional services, and tourism and hospitality. In Oklahoma, credit demand at banks was average to below average compared to the same period in prior years. Banks reported that credit quality remained strong, especially on commercial real estate (CRE), as business borrowers successfully "penciled out" their projects in a higher interest rate environment. Existing loans are performing as expected, but one lender indicated that net profit decreases are putting pressure on business cash flows. Another Oklahoma lender noted some weakening in the CRE loan portfolio for multifamily properties and commercial office spaces, and some segments, such as residential real estate, are also experiencing compression due to budget tightening by consumers facing both higher costs of rents and other basic living expenses. By contrast, several Oklahoma bankers noted that agricultural credit demand strongly increased due to the increased cost of inputs such as fuel, fertilizers, and insurance, along with the cost of fixed assets such as equipment.

In other regions, lending from community development financial institutions (CDFIs) ticked up even as credit demand at traditional lenders remained unchanged. According to one Council member, several Memphis CDFIs recently reported an approximately 15 to 20 percent increase in applications this year from small businesses seeking additional capital. Two reasons were cited for the increase in demand. First, CDFIs credited referrals from their traditional banking partners that likely pulled back from small-business lending, especially to service-related businesses such as restaurants. Second, higher interest rates have likely driven some borrowers to look for other nontraditional sources of capital like CDFIs that offer a lower interest rate due to the inexpensive capital raised during the coronavirus (COVID-19) pandemic. The CDFI leaders also noted that in conversations with their traditional banking partners, banks reported a decrease in small-business loan demand as overall loan activity has slowed, in large part because of higher interest rates. Other CDFIs reported that they have adjusted their interest rates to be comparable to banks and have not experienced any changes in loan demand, citing that access to capital is a more critical factor.

In some communities, CDFIs report that they still struggle when working with new or short-tenured small-business clients. One CDFI reported that the main barriers most of these small businesses face in successfully obtaining capital are their short operating tenure (typically less than three years); not having the proper documentation of financials, incorporation documents, business plans, and other relevant formation documents; and lacking an informed understanding of the loan application process and financial statements. Other CDFIs reported that they are providing coaching to small businesses to bridge this gap and help applicants become credit ready.

Home mortgage lending

One Council member's outreach to lenders in different parts of the country provided a snapshot of home mortgage lending in several regional markets. Overall, the information gathered points to a mixed home lending market in most regions with price headwinds still affecting some key loan fundamentals. Most of the lenders contacted reported that home mortgage demand has been steady to slightly increasing over the past four to six months. One lender in New England mentioned an increase in the proportion of residential construction loans due to current inventory shortages. By contrast, lenders in other regions reported year-over-year declines in low volume. In the Southeast region, for example, one lender reported a 50 percent decline in volume that was attributed to higher interest rates and high construction costs in their region.

Most lenders indicated that credit quality remained largely unchanged. Some lenders, including one from the mid-Atlantic region, reported an uptick in borrowers with more lending challenges (i.e., lower credit scores, higher debt loads, lack of savings for down payment, etc.). Elevated housing prices across many regions of the country affected some of the key affordability determinants of successful mortgage applications. For example, a lender from a Southeastern state reported that while credit quality has been excellent, debt-to-income ratios were up significantly on new loan applications, increasing from 45 to 50 percent of gross monthly income, and some Federal Housing Administration loans were as high as 55 percent of total debt-to-income. Some lenders also reported positive and largely unchanged performance of existing loans.

Consumer lending

In a potential sign of weakening in consumer balance sheets, Council members representing the states of Oklahoma, Hawaii, Arkansas, Louisiana, and Mississippi reported a growing demand for affordable small-dollar loans. An alternative to high-cost loans from payday lenders, affordable small-dollar loans offered through nonprofit lenders and CDFIs aim to broaden access to affordable financial products and services in underserved communities. In Hawaii, several organizations reported a strong and growing demand for consumer loans to address debt consolidation or emergency needs due to strained household budgets. Yet, CDFIs servicing markets in Hawaii do not have enough capital to meet the current demand. One CDFI reported needing approximately $6 million to cover the current loan demand in their pipeline. Some lenders are also sending preapproval notices to customers offering debt consolidation because of the increased demand.

Other potential signs of weakness in consumer balance sheets were also reported. According to one Council member, a lender observed an increase in overdraft activity with an upward trend in slower overall repayments across consumer loans. While most cured before a significant default, it is an indication of potential consumer weakness. In addition, one-third of community development stakeholders surveyed in Oklahoma reported that high consumer debt levels were having a disproportionately negative impact on their lower-income clients, potentially increasing payday lending activity.

Economic development activities

Several Council members noted that new economic development activity had slowed in their regions. In Indiana, for example, higher project costs largely due to shortages in labor and higher material costs (which had increased by one-third year-over-year) appear to be contributing to the slowing of new activity.

New housing developments are often a component of an economic development plan for a region. One Council member indicated that there are concerns about a tightened credit lending environment being an impediment to bank financing for new affordable and workforce development housing. This impact includes potential mortgage borrowers who are credit-constrained and midsized regional banks who may traditionally fund local builders and developers without nationwide operations. More broadly, there appears to be some tightness developing in terms of acquisition, development, and construction financing among lenders to real estate developers. Since banks are limited to 100 percent of their total capital in this financing space, this cap may impose limitations on the ability of banks seeking to finance affordable housing.[1] According to one nationwide industry survey, only a small percentage of survey respondents indicated that credit for land acquisition and development and for residential single-family new construction had improved. An increased number of survey respondents indicated credit had tightened overall.

Several Council members reported that economic growth in their regions was slowing even as the demand for certain segments of workers remained stable. In Memphis's largest entertainment district (Beale Street), visitor traffic was significantly down. Civic leaders and public officials are concerned that

[1] See National Association of Home Builders, "AD&C Financing Survey," (2024), https://www.nahb.org/news-and-economics/housing-economics/indices/adc-financing-survey.

this slowdown, when coupled with the fact that downtown office workers continue to work hybrid work schedules and high supply costs continue to eat into the profit margins of small businesses, could continue to negatively affect the city's economy.

By contrast, a key development bolstering Louisville's regional economy is the ongoing construction of Norton Healthcare's new hospital in West Louisville, which is on track for completion by the end of 2024. This project is set to significantly boost employment in the health services sector, with the addition of 2,500 new positions in 2024. In addition to near-term employment growth, Louisville has embarked on an economic development initiative through a strategic planning process to unite the community, revitalize the city, and grow its population. The approach is multifaceted and seeks to create and preserve affordable housing, add to and augment public spaces and green spaces, and make strategic place-based investments to encourage future employment growth.

Housing Markets

The following key themes were reported by Council members:

- Elevated rental rates make housing affordability a challenge.
- Investments are being made in the affordable housing market, particularly in middle-income and workforce housing opportunities.

The rising cost of renting continues to put significant pressure on household budgets, especially for LMI renters. Many Council members expressed deep concern about the unaffordable rental markets in their regions as rents continue to rise. As more households that rent become cost burdened (spending more than 30 percent of their total income to pay for housing) and have difficulty balancing their household budgets, state and local initiatives are crafting solutions that seek to address these financial and housing policy challenges.

Based on the minimum wage of $13.75 and the fair market rate of housing in Delaware, a person would need to work 76 hours per week to afford a one-bedroom rental home.[2] Elevated rental prices have negatively affected renter stability and contributed to the state's eviction crisis. Delaware's estimated statewide eviction filing rate has remained elevated since the second half of 2020 and, to date, is currently 11 percent for 2024.[3] Prompted by the growth in evictions, Delaware's General Assembly passed the Right to Legal Representation in Evictions and Other Landlord-Tenant Action statute in June 2023. This legislation ensures that eligible low-income tenants have access to free legal representation in eviction cases and housing subsidy termination disputes. Since the start date of the three-year phased implementation of this legislation in November 2023, 300 households were helped with negotiated settlements.

To further support rental households in the state, the Delaware State Housing Authority launched the Housing Stability Program (HSP) in August of 2024. This direct cash assistance program was designed to improve housing stability and prevent evictions in Delaware. The program will run through September 2025 or until the funds are depleted. In addition, there is a new rent-stabilization ordinance under consideration in Wilmington, the state's largest city. The proposed ordinance would prohibit landlords of private apartment complexes from raising rents by more than 3 percent a year, or even less during years that the consumer price index falls below that level.

[2] See National Low Income Housing Coalition, https://nlihc.org/oor/state/de.
[3] See "Eviction Lab," https://evictionlab.org/.

In the city of San Antonio and the state of Texas, the share of the population considered housing cost burdened remains elevated. According to the office of the Texas Comptroller, the median home price in Texas increased by 40 percent from 2019 to 2023, and specifically in San Antonio home prices have risen 35 percent in the same time period.

Compared to 2023, a sizeable majority of participants of Goodwill Industries in San Antonio report continuing to need financial assistance for transportation, food, housing, utilities, and many other areas. This issue made headlines recently as the board of directors of CPS Energy, a local San Antonio utility agency, approved an increase in their financial assistance program to aid customers struggling to pay their utility bill. According to a local news report, "About 178,300 households across San Antonio and Bexar County are past due on their energy bills at amounts approaching an average of $800."[4] In response to the need from their customers, the company increased the amount of financial aid by $400 annually and broadened eligibility for the program to households at 150 percent of federal poverty level, up from 125 percent of federal poverty level.

After several years of decline, rents in San Francisco have risen by 4 percent so far in 2024. Even after years of decline in rent prices, the region's housing costs remain high. In response to these elevated costs, local housing groups are pushing for relief by blocking algorithmic rental increases. In September 2024, the Board of Supervisors in San Francisco approved an ordinance banning the use of property management software from a vendor that provides landlords with recommendations for rental rates. The technology uses an algorithm to generate real-time dynamic pricing based on landlords providing copies of leases to the vendor to receive suggestions on rent prices. In approving the new ordinance, the San Francisco Board of Supervisors stated that they were countering industry collusion and price fixing that was distorting the market in favor of landlords, allowing them to set higher rents. San Francisco is the first city in America to pass such an ordinance.[5]

Several other regions, including the Mississippi Delta states, Ohio, Indiana, and Oklahoma, also report high rental rates. The Delta region has seen rising rental rates and no significant growth in new housing, particularly beyond the larger cities in the South that have engaged in limited new housing development. Interest in homebuyer education and counseling has also increased along with a more concerning uptick in the number of individuals seeking foreclosure counseling.

In Ohio, the Cleveland-Elyria municipal statistical area (MSA) has approximately 38 rental units available for every 100 households at or below extremely low income levels, and 84 percent of extremely low-income households are cost-burdened.[6] While there are state plans to leverage federal low-income housing tax credit (LIHTC) dollars to respond to the rental crisis in Ohio, there are no stipulations that any

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[4] Sarah DiNatale, "CPS Energy Customers Can Get Up to $1,200 in Bill Pay Aid Under Expansion of Assistance Program", *San Antonio Express News*, August 27, 2024, Business Section, https://www.expressnews.com/business/article/cps-energy-reap-program-bill-pay-aid-19724402.php.

[5] See Ruth Dusseault, "New San Francisco Ordinance Bans Algorithmic Rent Pricing Tools," *Bay City News*, September 24, 2024, https://www.nbcbayarea.com/news/local/san-francisco/ordinance-bans-algorithmic-rent-pricing-tools/3643161/?os=io..&ref=app.

[6] See National Low Income Housing Coalition, "NLIHC Releases The Gap 2023: A Shortage of Affordable Homes," press release, March 16, 2023, https://nlihc.org/news/nlihc-releases-gap-2023-shortage-affordable-homes.

of these future developments would target other development types in short supply, including disability accessible housing projects.[7]

In contrast to reports from other regions, Memphis-based community development corporations (CDCs) and a local housing developer reported that house prices and rental rates remain largely unchanged. Since May, the available supply of homes for sale on the market has increased from 3,000 to 3,900. New construction and rehab-construction activities are also underway or planned over the next quarter for LMI communities. Even at this pace, the number of new homes in the region will likely still fall short of previous annual increases. In many LMI neighborhoods across the city, public subsidies have been needed as properties are over leveraged and home values are not keeping pace with increased construction costs. One CDC representative in Memphis stated that because of the increase in house prices over the last two years and the shortage of supply, they now require approximately $40,000 per unit in subsidy from government or philanthropy.

Middle income and workforce housing gaps

Several Council members noted the need for more "workforce" housing for middle-income households (those making 80 to 120 percent of the area median income) with attainable price points in their regions. In Oklahoma, there is an abundance of older homes in smaller towns with deferred maintenance or no current residences that could be renovated into safe and sustainable housing. In one example shared by a Council member, workers at a factory that produces canine treats are unable to find adequate housing in a small town and must drive from 25 to 30 miles away to work every day. Renovation funding could add to the local supply of available housing for the company's workforce.

In Hawaii, the demand for mortgage loans remains steady. According to a recent report from the University of Hawaiʻi Economic Research Organization (UHERO), higher interest rates are making it difficult for borrowers to qualify for home mortgages and making it difficult for developers to finance new construction.[8] Hawaii's housing crisis continues to price local families out of the market and contributes to a steady out-migration from the state.

While local CDFIs in Hawaii report finding success when working to fill the mortgage finance gap left by traditional lenders, they cannot by themselves address the scale of the problem. For example, a Native CDFI was selected to participate in a relending demonstration program as a U.S. Department of Agriculture (USDA) direct lender for home mortgages. However, federal funding for the USDA direct loan program had been reduced, and after the first month of packaging USDA direct loans, the state's allocation was spent. The CDFI currently has nine mortgage loans in the pipeline that are unable to be funded in 2024 and will have to wait until the 2025 USDA direct loan allocation is awarded. CDFIs are also reporting an increase in activity within Hawaiian Homelands, a Native trust that sets aside lands for Native Hawaiians like reservations in Indian Country. CDFI's are critical to Native Hawaiian borrowers for trust land transactions because local financial institutions in Hawaii do not offer construction loans on Hawaiian Homelands and only two offer the government-backed loans that provide homestead

[7] See "The Ohio Affordable Housing Tax Credit Program: Creating Jobs While Solving Ohio's Affordable Housing Crisis," Ohio Housing Council, February 17, 2022, https://ohiohousingcouncil.com/the-ohio-affordable-housing-tax-credit-program-creating-jobs-while-solving-ohios-affordable-housing-crisis/.

[8] See Justin Tyndall, Daniel Bond-Smith, and Rachel Inafuku, *The Hawaii Housing Factbook 2024* (Honolulu: University of Hawaii Economic Research Organization, 2024), https://uhero.hawaii.edu/the-hawaii-housing-factbook-2024/.

financing. Between the two local CDFIs, they are managing over 20 construction loans on Hawaiian Homelands. However, the CDFI has lacked full funding for this loan product and continues to search for innovative ways to partner with local banks that have not traditionally been strong supporters of the loan funds or CDFIs as partners.

In Louisville, a recent housing needs assessment showed that there are not enough affordable and available housing units for lower-income households, specifically for households up to 30 and 50 percent of area median income. Based on this analysis, the city is considering several options to address the housing needs gap. One potential solution focuses on addressing the "missing middle" housing, which includes new higher-density housing types where the units are smaller and less costly. Middle housing provides another housing option that may better fulfill the needs of many residents, particularly those with lower incomes. For example, housing-cost burdened seniors, families, or others facing the prospect of being priced out of their communities may be able to continue living in or near their current neighborhood by downsizing from a single-family home to a cheaper townhouse rather than moving out of the area entirely.

The cost of building affordable housing continues to increase at a rate that is not sustainable for the affordable housing industry. In Memphis, construction labor costs remain high, and builders don't foresee them lessening. Similarly, in California, supply chain issues, labor shortages, and the high-interest rate environment has exacerbated the time frame for completing projects. On a brighter note, the development of privately financed affordable workforce housing appears to have had some success in driving down rents in certain markets, such as Oakland. However, many believe that this rise in rental cost pause will be short lived as the economy begins to pick up, interest rates decline, and inflation slows down.

Investments are being made in affordable housing projects

New Hampshire continues to invest in affordable housing projects through its Invest NH program that is supporting thousands of new housing units being built throughout the state, but recent estimates show that the effort will fall short of the 60,000 new housing units the state needs by 2030 to meet demand.

Affordable housing investments in Oklahoma are diverse and growing, focusing on both nonprofit and public activities. Nearly all activity in terms of production of new affordable housing supply for ownership in the two major Oklahoma metropolitan markets of Tulsa and Oklahoma City is being conducted by nonprofit organizations as opposed to traditional private sector entities. For example, Catholic Charities of the Archdiocese of Oklahoma City broke ground in August on their new 12-unit rental housing "pocket neighborhood," known as Caritas Casitas in the Old Stockyards section of South Oklahoma City.[9] A pocket neighborhood is a small, intentionally designed community with homes and shared common space.

In addition, in Oklahoma City, Neighborhood Housing Services Oklahoma rolled out the Oklahoma Community Land Consortium (OKCLC), the first ever nonprofit community land trust in the state's history. The OKCLC uses a shared equity model of homeownership to help create housing that remains affordable over time.[10] In the Tulsa area, a larger nonprofit has plans for an affordable mixed-use housing

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[9] See Evan Onstot, "Catholic Charities Brings Prefabricated Homes to Oklahoma City, Increasing Affordable Housing," KOCO, August 13, 2024, https://www.koco.com/article/oklahoma-catholic-charities-prefabricated-homes-affordable-housing/61869230.
[10] See https://www.nhsokla.org/oklahomas-first-community-land-trust/.

development that will incorporate retail small-business frontage with upstairs residential lofts to help bring economic activity to a lower-income area of the city. Lastly, a “develop the developer” program of a Tulsa-area CDFI graduated its first class of 10 new developers from primarily underrepresented groups whose training in real estate development will in turn help to rebuild the north Tulsa community.[11]

The Oklahoma Housing Finance Agency (OHFA) has continued to rollout funding from two major programs. The Housing Stability Program (HSP) provides 0 percent interest construction loans for new construction of single-family homes for ownership and single- and multifamily rental housing.[12] OHFA began approving the first round of loans in July. Green Country Habitat for Humanity was an awardee and is building 10 new homes in Wagoner, Oklahoma, a rural community that is part of the Tulsa-OK MSA.[13] As this is a revolving loan fund, the funds are “recycled” for the state to fund future loans as well.

Labor Markets

The following key themes were reported by Council members:

- Workforce development in the health-care industry remains essential as the population ages and long-term care (LTC) facilities face increasing challenges.
- Childcare and transportation remain key barriers to sustained employment.
- As the demand for workers exceeds the supply of available jobs, the need for job training resources to bridge the gap and address the shortage of skilled talent becomes critical.

The health-care sector has seen a large demand for workers, particularly in rural communities

Oklahoma’s universities and hospitals are working to respond to workforce development needs in the health-care industry. According to the Oklahoma Hospital Association, “Critical shortages can be found in nearly all of Oklahoma’s health-care professions and those shortages are intensified in rural areas.” [14] To speed up the training of students, universities are partnering with local hospitals to create hands-on working environments for students in nursing and other related health programs. Some have even forgiven student loans for nurses who go on to educate the next generation of nurses. The demand for health-care workers is also strong in Louisville with Norton Healthcare’s West Louisville facility opening next month. Currently, the facility is recruiting for jobs ranging from housekeeping to professional medical staff and will be the first hospital built and serving West Louisville in more than 150 years.

In North Dakota, the health-care labor market is under significant strain. The state is grappling with a dual crisis: the escalating costs of hiring contract nurses to fill a worker shortage and the increasing regulatory pressures that threaten the viability of long-term care (LTC) facilities. These issues are compounded by an aging population that is driving up the demand for LTC services, even as the number of available workers fails to meet this demand. As the labor market tightens, LTC facilities have increasingly turned to contract nurses to fill staffing gaps. However, this reliance on contract labor has come at a steep cost with some reports indicating that facilities are paying as much as $200 per hour for

[11] See https://tedcnet.com/rebuild-tulsa-seeks-to-fill-gaps-with-capstone-projects/#rebuild.
[12] See https://www.ohfa.org/housingstability/.
[13] See https://www.newson6.com/story/66a8160e4457726dbfc645f4/20-new-homes-in-ne-oklahoma-to-be-built-with-zero-percent-interest-loans.
[14] The Oklahoma Hospital Association was quoted in https://www.the74million.org/article/oklahoma-universities-and-hospitals-partner-to-address-workforce-needs/.

temporary nursing staff. Other factors, including regulations requiring specific nursing staffing patterns, are compounding the staffing gap. Consequently, state officials are exploring potential solutions to help the industry and balance the needs for quality care and adequate staffing.

Childcare and transportation barriers

Many Council members reported the lack of childcare options continues to be a critical problem for workers, particularly for those in rural areas and in the hospitality and food service sectors. (This issue was also discussed at the May Council meeting.)[15] The implications for workers have been to reduce working hours or leave the labor force entirely. Employment participation is weakened further if a person does not have access to transportation, cannot afford fuel or proper insurance (see "special question" section below) for transportation, or if they have no access to affordable childcare.

In July, South Carolina's Coordinating Council for Workforce Development (CCWD) released its Unified State Plan for Education and Workforce Development. Within the report, the state recognized housing, childcare, and transportation as the biggest barriers preventing individuals from entering the workforce.[16] The state has outlined three strategies to address this issue, including "increasing the number of affordable and available childcare options, increasing the number of eligible workers living within a close proximity of the largest employment center in the county, and increasing the number of transit options for individuals without vehicles to get to work."[17]

Childcare challenges continue to worsen as sources of federal coronavirus relief end, wages for childcare workers remain at poverty-levels, and childcare facilities continue to operate on very thin margins. Council members reported that some communities that contain either no childcare providers or so few options that there are more than three times as many children as licensed childcare slots, also known as childcare deserts, are present in several regions.[18] For example, in California's central valley, there are efforts to increase the availability of care by focusing on providers as small-business owners and entrepreneurs that need support and training to open or expand childcare centers. In Texas, more than half the counties have become childcare deserts.[19] According to one report, the San Antonio region has 23 zip codes that are childcare deserts.[20]

One local effort was recently started in San Antonio to address the affordable childcare problem, which had evolved into a full-blown crisis during the pandemic. The program aims to match working parents with stay-at-home parents as an alternative to traditional, more expensive childcare.[21] Other solution-focused efforts include a shared service model fostered by Pre-K SA (a government-funded early

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[15] See https://www.federalreserve.gov/aboutthefed/files/cac-20240530.pdf.
[16] See South Carolina's Coordinating Council for Workforce Development, "South Carolina's Unified State Plan for Education and Workforce Development, 2024-2025," https://www.dew.sc.gov/sites/dew/files/Documents/ccwd-usp-report-v2-compressed.pdf.
[17] See South Carolina's Coordinating Council for Workforce Development, "South Carolina's Unified State Plan for Education and Workforce Development, 2024-2025," https://www.dew.sc.gov/sites/dew/files/Documents/ccwd-usp-report-v2-compressed.pdf.
[18] See "U.S. Child Care Deserts," https://childcaredeserts.org/.
[19] Victoria Yu, "Texas Continues To Face Child Care Accessibility Crisis," UT News, March 20, 2024, https://news.utexas.edu/2024/03/20/texas-continues-to-face-child-care-accessibility-crisis/.
[20] See Raquel Torres, "Bexar County Has Lost a Fifth of Its Child Care Centers since Pandemic Began," *San Antonio Report,* July 27, 2022, https://sanantonioreport.org/bexar-county-lost-one-fifth-child-care-centers-start-pandemic.
[21] See "Affordable Child Care Crisis Forces Families to Find Alternative Solutions," Spectrum News 1, June 8, 2024, https://spectrumlocalnews.com/tx/south-texas-el-paso/news/2024/06/04/texas-childcare-alternatives-.

childhood education initiative), economic incentives, streamlining the Texas Rising Star Accreditation (a quality rating and improvement system for childcare programs in Texas), and employer childcare assistance programs. The future of childcare costs is expected to continue to increase if the fundamental issues of supply and demand of childcare are not addressed. According to researchers at the University of Texas, childcare cost increases put stress on working families and cost the state of Texas $11.4 billion annually from productivity and revenue losses for parents, businesses, and taxpayers.[22]

In addition to childcare, transportation costs are also an important barrier to employment, especially since the city of San Antonio's transportation system does not currently reach the entire city. Data collected from participants enrolled in San Antonio Goodwill's tuition-free vocational training, career assistance, and job placement operations illustrate the need. In addition to training and job placement, one Council member reported that Goodwill helps individuals remove barriers to employment by offering special ancillary wrap-around services, including financial assistance and referrals for community services. Between January and June of 2024, Goodwill saw a 13-percentage-point increase (from 12 to 25 percent) for the number of participants needing a monthly bus pass. As of June 2024, 25 percent of individuals seeking job-placement services have reported that transportation is their number one barrier to employment.

In Louisville, Kentucky's largest school system, the driver labor shortage remains. (The issue was also discussed at the October 2023 Council meeting.)[23] The Transit Authority of River City, Louisville's public transportation system, is collaborating with the school system to provide 60 drivers who would have likely been laid off because of the expiration of coronavirus pandemic funds. Most are trained and have transferred to the school system. However, to fully avert this problem, the Jefferson County Public School (JCPS) transportation routes were greatly changed by eliminating bus access to nearly all magnet and public schools. In response, community residents expressed concern that the change may have created a greater unintended impact on economically disadvantaged students and students of color. For a few schools where parents are now responsible for their students' transportation to school, JCPS is offering parents a daily stipend for delivering their students to school. News articles reported that the stipends will be either $5 or $10 per child, depending on whether the student receives free or reduced lunch.[24] Students without alternative transportation will have to leave their preferred schools and return to their home schools.

Wage growth and unemployment rates vary by region

While labor markets remain relatively stable, Council members reported concerning conditions in some regions because individuals and households have been increasingly affected by challenging and sustained economic struggles. Low wages, inflation, and the increasing cost of living in some states collectively contribute to the cycle of household economic and social instability. These challenges not only hinder an individuals' ability to meet their basic needs but also have broader implications for the community's overall well-being and prosperity.

The number of unemployed workers is rising across the state of South Carolina. The top 15 counties with the highest unemployment rates are the most rural and distressed areas. Comparing July 2024 to July

[22] See Steven Pedigo, Lance Gilliam, and Clara Belk, "How Policymaking Can Address Urgent Child Care Challenges and Opportunities in Texas," (March 2024), https://hdl.handle.net/2152/124258.

[23] See https://www.federalreserve.gov/aboutthefed/files/cac-20231019.pdf.

[24] See https://www.wdrb.com/news/education/jcps-parents-can-begin-signing-up-this-week-for-transportation-stipends/article_c4a246d2-63c1-11ef-9513-5768470f02af.html?utm_medium=social&utm_source=email&utm_campaign=user-share.

2023, some of these counties have seen year-over-year average unemployment rate increases of up to 3 percent.[25] Additionally, there have been increased layoffs and facility shutdowns in these rural areas, including four plant closures since May 2024 for a loss of 430 jobs.[26]

Wages in North Dakota have seen modest increases over the past six months, particularly in high-demand sectors like health care and energy. According to the Bureau of Labor Statistics, average hourly earnings in the state have risen by approximately 3 percent over the past year. This wage growth is partly driven by the need to attract workers in a tight labor market and by inflationary pressures.

However, wage growth has not been consistent across all sectors. While health-care and energy workers have seen significant wage increases, other sectors such as retail and hospitality have experienced slower wage growth, reflecting the broader national trend of wage disparities across industries in North Dakota. Additionally, changes in federal policies such as immigration and labor regulations have had an impact on the availability of workers in the state. While the state has traditionally attracted workers to its robust energy sector, there has been a slight out-migration in recent months as workers move to other regions offering competitive wages and lower living costs. As of mid-2024, North Dakota's unemployment rate has remained relatively stable, hovering around 2.1 percent to 2.5 percent, one of the lowest rates in the nation.[27]

In California, one of the most significant changes to the labor markets is a new $16 minimum wage law, which went into effect on July 1, 2024, providing higher wages for fast food and health-care workers.[28] The immediate impact of the increase for these workers and the broader economy is still unclear.

Job training resources are needed to bridge the gap and address the shortage of skilled talent

Council members reported that workforce challenges continue to be a headwind for business growth across a variety of industry sectors. Because of a lack of available skilled talent, some businesses are employing technology, including artificial intelligence (AI), to grow their e-commerce lines and increase productivity. Some are also seeking out additional training resources for their current workforce or pool of potential workers even as they continue to pivot to technology and automation solutions. For example, a community development stakeholders survey in Oklahoma found that 50 percent of respondents said there is a "high need" for job training resources for lower-skilled workers and roughly one-third of respondents indicated there is a "moderate need." Employers are becoming increasingly interested in work experience and focusing less on credentials, often preferring employees with five years of experience. However, the largest barrier we currently face is the private sector's openness to providing work-based learning opportunities.

Workforce development partnerships between nonprofits and employers, including those led by Goodwill in Louisville and San Antonio, continue to grow in number and offer innovative solutions that show promise. Public policy changes that target workforce development, including those recently made in Oklahoma, also show promise for lower-income individuals reentering the labor market. For example, recent legislation was passed in Oklahoma to authorize incarcerated individuals to apply for tuition aid

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[25] See "South Carolina's Employment Situation July 2024," August 16, 2024, https://dew.sc.gov/news/2024-08/south-carolinas-employment-situation-july-2024.
[26] See https://scworks.org/sites/scworks/files/2024%20South%20Carolina%20WARN%20Report%2006132024.pdf.
[27] See "North Dakota's July Unemployment Rates Drops to 2.5%, Employment Grows in Key Sectors," NewsDakota.com, August 16, 2024, https://www.newsdakota.com/2024/08/16/north-dakotas-july-unemployment-rate-drops-to-2-5-employment-grows-in-key-sectors/.
[28] See https://calmatters.org/california-voter-guide-2024/propositions/prop-32-minimum-wage/.

assistance if they enroll in a degree program, thus allowing them to have a new skill or trade learned upon their release back into society. Research used to support this bill shows that those with education and training in a new skill or trade are 40 percent less likely to recidivate.[29]

Issues for LMI individuals can also center around how to maintain employment (as opposed to finding employment) or being underemployed with earnings that are insufficient to support a family. This condition is especially true of people with disabilities who have inadequate income and are unlikely to afford basic expenses such as rent or mortgage, utility bills, medical and dental care, and food.[30] Employer participants in recent focus groups conducted by the National Disability Institute cited safety, productivity, and attendance as top reasons why companies do not hire people with disabilities.[31] Individuals with disabilities highlighted several employment and financially debilitating repercussions of being or becoming disabled. For example, participants reported being forced to resign due to incurring an unrelated disability, being passed up for promotions or not being hired in the first place, or being relegated to low-income jobs or roles because of disability.[32]

Additional Matters

Denver hospital financial strain

One Council member reported that the recent rise in homelessness, the influx of migrants, and housing price increases likely contributed to the financial strain of the health-care system that provides care to Denver's lower-income communities. Many residents who are uninsured through private insurance or Medicare/Medicaid turn to "safety-net" hospitals and clinics that cover care for uninsured or indigent patients for medical care. The pandemic put severe strains on the safety-net system, but at that time, federal programs provided significant funding to cover the costs to the hospitals. With the expiration of those funds, hospitals now are under significant financial strain, and many have closed due to the gap between rising costs and insufficient sources of revenue. Denver Health is Colorado's primary Level 1 trauma care hospital and the main safety-net provider for indigent care. In recent months, the hospital has mounted a very public campaign to find a sustainable solution to its increasingly dire financial situation so that it can continue to be a viable resource for health care to low-income residents of the Denver region and the state of Colorado.[33]

The hospital's uncompensated care costs have skyrocketed from $45 million in 2020 to a total of $260 million for 2022–23. A significant part of this increase is tied to the surge in uninsured patients, including

[29] See Hicham Raache, "Gov. Stitt Signs Oklahoma Restorative Workforce Bill to Give Prison Inmates College Tuition Aid," *Oklahoma Business Voice*, June 6, 2024, https://okbusinessvoice.com/2024/06/06/gov-stitt-signs-oklahoma-restorative-workforce-bill-to-give-prison-inmates-college-tuition-aid/.

[30] See https://www.healthyneo.org/indicators/index/view?indicatorId=6553&localeTypeId=89&periodId=9907.

[31] See Joseph Gasper, Martha Palan, and Benjamin Muz, *Survey of Employer Policies on the Employment of People with Disabilities* (Rockville, MD: Westat, 2020), https://www.dol.gov/sites/dolgov/files/OASP/evaluation/pdf/EmployerSurveyFinalReport.pdf.

[32] See https://www.nationaldisabilityinstitute.org/reports/crafting-a-responsive-community-investment-strategy-for-people-with-disabilities-in-northeast-ohio/.

[33] See Meg Wingerter, "How Denver Health Fell into Dire Financial Straits—and What It Would Take to Resuscitate the City's Safety-Net Hospital," *The Denver Post*, April 9, 2024, https://www.denverpost.com/2024/04/28/denver-health-colorado-financial-trouble-safety-net/. See Amanda Kesting, "State Health Care Leaders Warn Denver Health is Nearing Financial 'Death Spiral,'" 9News.com, March 8, 2024, https://www.9news.com/article/news/local/next/next-with-kyle-clark/denver-health-financial-death-spiral-funding/73-0cf1ce7d-7e63-4e46-8bb3-9a8d1082da4e.

homeless individuals and migrants, who rely on Denver Health for essential medical services. The city's homeless population has risen by 32 percent, and nearly 19,000 new migrants have arrived since 2023, further straining the hospital's resources. This population surge has left Denver Health struggling to provide care without adequate funding from city, state, or federal sources. The cost of labor has also exacerbated the funding resource gap as the hospital has resorted to more expensive contract workers.

One of Denver Health's critical challenges, in addition to the significant number of increased patients, is that many homeless patients require extended hospital stays, not due to medical necessity but because there are no other facilities available to them for recovery. While the hospital works with the Colorado Coalition for the Homeless to provide transitional housing for recuperation, this effort has fallen short, further exacerbating the financial strain as patients extend their stay during their recuperation. Denver Health has even resorted to paying for temporary housing for some patients, but the scale of the issue continues to outpace available resources.

To address these challenges, Denver Health has received contributions from the city of Denver, the state of Colorado, and the federal government. However, these efforts have been grossly insufficient for a hospital with a $260 million shortfall on a $1 billion budget and 8,000 employees. Various solutions to address the funding gap, including additional public resources, are being pursued.

Community Advisory Council October 2024 Special Question

Insurance costs: *How are rising insurance costs affecting households and businesses in low- and moderate-income communities in your region? Are Council members aware of differences in price changes and access across product types or by geography (or other factors) in their region?*

Council members reported that increased costs for insurance products purchased by both consumers and small businesses for property, commercial, auto, and health insurance were prevalent in their regions and have prompted public and private actions in response.

Property insurance

Several factors—including natural disasters, inflation attributed to increased housing prices, and costs for construction materials and labor—heightened claim losses for insurance companies, and other considerations are contributing to recent property insurance price trends. (The issue was also discussed at the May Council meeting.)[34]

One Council member reported that while North Dakota homeowners have not seen as steep price increases when compared to homeowners in other states, insurance rates in the state have been rising steadily, and some regions have seen annual increases as high as 20 percent over the past few years.[35] This rise is attributed to the increased frequency of severe weather events like hailstorms, severe wind, and floods. North Dakota's rural homeowners, many of whom live in older homes that are more susceptible to weather-related damage, are facing higher premiums as insurers adjust their risk models to account for these factors. In addition to climate-related risks, rising construction and repair costs are contributing to higher insurance premiums. As the cost of materials and labor increases, insurers are raising rates to cover the potential expenses of rebuilding or repairing homes after a disaster. These

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[34] See https://www.federalreserve.gov/aboutthefed/files/cac-20240530.pdf.

[35] See Mark Rosanes, "Rising Home Insurance Rates Predicted in 2024," *Insurance Business Magazine*, April 2, 2024, https://www.insurancebusinessmag.com/us/guides/rising-home-insurance-rates-predicted-in-2024-483555.aspx.

premium adjustments have created a financial burden for homeowners, particularly in rural areas where incomes may be lower and access to affordable housing alternatives is limited.

Council members from other regions reported similar trends. In California, the Department of Insurance recently approved a 35 percent increase in home insurance premiums. Analysts predict homeowners will start seeing their insurance bills increase as soon as November 2024.[36] In Indiana, a Council member observed increased risk restrictions from the insurance companies and a pullback on coverage by those who are insured. According to bankers in rural northwest and northern Oklahoma, premium prices for their customers have increased anywhere from 30 to 100 percent over the past year with property and casualty premiums rising to record levels. A survey of community development stakeholders in Oklahoma found that increased insurance costs for autos, home, and renters policies are each of large concern to many (56 percent) survey respondents, who indicated that increased premiums are having a "high negative impact" on the predominately LMI populations. Roughly one-third of respondents reported that increased premiums were having a "moderate negative impact."

Price increases have also affected groups of homeowners in associations. In South Carolina, for example, homeowners' association (HOA) insurance has also been affected, particularly in coastal areas and among retirees living on fixed incomes. These communities are especially vulnerable to the rising costs as they often face higher premiums due to increased risks associated with coastal living. While there have been some modest improvements, with markets opening and providing more affordable options, the situation remains challenging. Retirees on fixed incomes are especially affected because even small increases in premiums can strain their budgets, making it difficult to maintain adequate coverage.

In Oklahoma, a specialized mortgage servicer that services a portfolio of mortgage loans extended by affordable housing entities reported that during the month of July, when their customers received their annual escrow analysis, the overwhelming majority of calls they fielded were related to escrow shortages occurring from property insurance premium increases. As a result of this increase, a number of borrowers requested that the servicer simply cancel their homeowner's insurance. Increased homeowner's premiums are putting further pressure on housing affordability for those wanting to own, especially LMI prospective borrowers who are already constricted by higher home prices and interest rates. Overall, Oklahoma is considered to have some of the highest insurance rates in the nation in terms of the ratio of premiums paid to value insured.[37]

Commercial and agriculture insurance

As for commercial property insurance, one Council member reported that their New England clients experienced a 20 percent annual increase in property and liability insurance for commercial properties, including historic preservation projects and other older downtown-type buildings. Insurance costs have also increased for some multifamily property owners. In Oklahoma, one property owner reported that they are seeing increases of 20 percent or more in multifamily property insurance, which they are passing on to renters, placing more price pressures on rental market rates.

In Delaware, even well-established businesses are facing challenges as insurance companies scrutinize the risk posed by their operations. As a result, it is becoming more common for insurance companies to refuse to offer coverage. One insurance company representative reported working with a truck repair

[36] See Megan Fan Munce, "Allstate to Raise California Home Insurance Rates by 34% on Average. Map Details Hikes up to 650%," *San Francisco Chronicle,* August 28, 2024, https://www.sfchronicle.com/california/article/allstate-home-insurance-rate-hike-19728352.php.
[37] See https://www.nytimes.com/interactive/2024/07/08/climate/home-insurance-climate-change.html.

shop with zero claims whose current insurance company is non-renewing them after 10 years because they no longer plan to underwrite that type of business. Legally required to hold insurance, the business owners indicated that they are considering closing because the increased costs would require them to lay off six of their employees. Similarly, a manufacturing client of a Delaware-based insurance company with a 100,000 square foot facility and 25 employees in Wilmington saw their property insurance rates increase from $12,000 a year to $80,000 a year between 2022 and 2024. The insurance company representative speculated that if these types of rate increases continue, they will inevitably lead to businesses contemplating closing their doors.

Crop insurance is another critical area where rising costs are affecting North Dakota farmers. Compared to previous years, crop insurance prices have been somewhat lower in 2024 due to favorable crop yield forecasts and lower commodity prices, but the volatility of weather patterns still poses a significant risk.[38] Droughts, floods, and other weather-related events have increasingly threatened crop yields, pushing many farmers to seek higher levels of coverage. Premiums for crop insurance, particularly for revenue protection plans, remain high for farmers who grow crops like wheat, corn, and soybeans that are sensitive to weather fluctuations. Farmers in North Dakota rely heavily on crop insurance to mitigate losses from adverse weather conditions. However, the cost of maintaining this insurance can be prohibitive, especially for small-scale farmers. As weather patterns become more unpredictable, farmers are faced with difficult decisions about how much coverage they can afford, which could affect their long-term financial stability and the state's agricultural economy.

Auto insurance

As of June 2024, the average annual cost for full auto coverage in California was $2,417, up 45 percent from June of 2023. Average costs are expected to continue to rise with another 54 percent increase by the end of the 2024.[39] While reports noted various causal factors to explain the premium increases, the financial impact on low- and fixed-income families has been devastating. For every $1,000 in higher premiums, a minimum wage worker pays two weeks' worth of wages to cover the higher costs. This increase reflects a broader trend that suggests that insurance policies are becoming out of reach for low-income families. As premiums increase across the board, Council members from several regions report more low- and fixed-income households are making the tough decision to lower coverage or go without coverage altogether. One Council member noted that they see their clients having to make this difficult decision often, risking the loss of their most valuable assets during a minor traffic infraction or accident just because they cannot afford insurance. Roughly 62 percent of the organization's clients report having auto insurance, well below the average for all California drivers of 84 percent.

In South Carolina's auto insurance market, there has been an uptick in uninsured motorist claims, suggesting that more individuals might be letting their policies lapse because of rising costs. This trend increases the risk for all drivers as accidents involving uninsured motorists become more common.

In Delaware, one insurance company representative reported that increasing rates are not the only factor affecting families when it comes to personal insurance. In 2024, several national insurance companies stopped accepting new applications in Delaware, which has significantly limited the options

[38] See "Analysis: Crop Insurance Prices Lower This Year," NewsDakota.com, February 15, 2024, https://www.newsdakota.com/2024/02/15/analysis-crop-insurance-prices-lower-this-year/.

[39] See Sharon Song, "California Could See Car Insurance Rates Soar by More than 50% This Year: Here's Why," KTVU.com, August 21, 2024, https://www.ktvu.com/news/california-could-see-car-insurance-rates-soar-more-than-50-year-heres-why.

available to individuals. As a result of having fewer options, households are forced to absorb the rate increases because they cannot find a more affordable option anywhere else. Another factor affecting market conditions is that many carriers are tightening their underwriting guidelines and turning away applicants for various factors (e.g., age of home).

Health insurance

One Council member reported that several Memphis small-business owners indicated that they are not offering health-care insurance to their employees as it is unaffordable. Instead, they are reaching out to their employees to make sure that they are aware of the Affordable Care Act portal/Heath Insurance Marketplace. In some cases, they are providing a modest health-care stipend for employees that they can apply toward their marketplace policy. In Oklahoma, a respondent to a community development stakeholders survey remarked that many low-income households may go without health and dental insurance because they have to pay for other basic costs of living (i.e., food, rent, fuel, etc.). In Indiana, new state legislation appears to be yielding positive outcomes by encouraging smaller group health plans to explore different funding mechanisms, when compared to the fully insured market. In the meantime, health-care renewals for Indiana employers for 2025 are expected to be 15 percent higher than in 2024.