



FEDERAL RESERVE BANK *of* KANSAS CITY

# Economic Conditions in Low- and Moderate-Income Communities

*2017 Housing Innovation Marketplace  
Nebraska Investment Finance Authority*

March 21, 2017

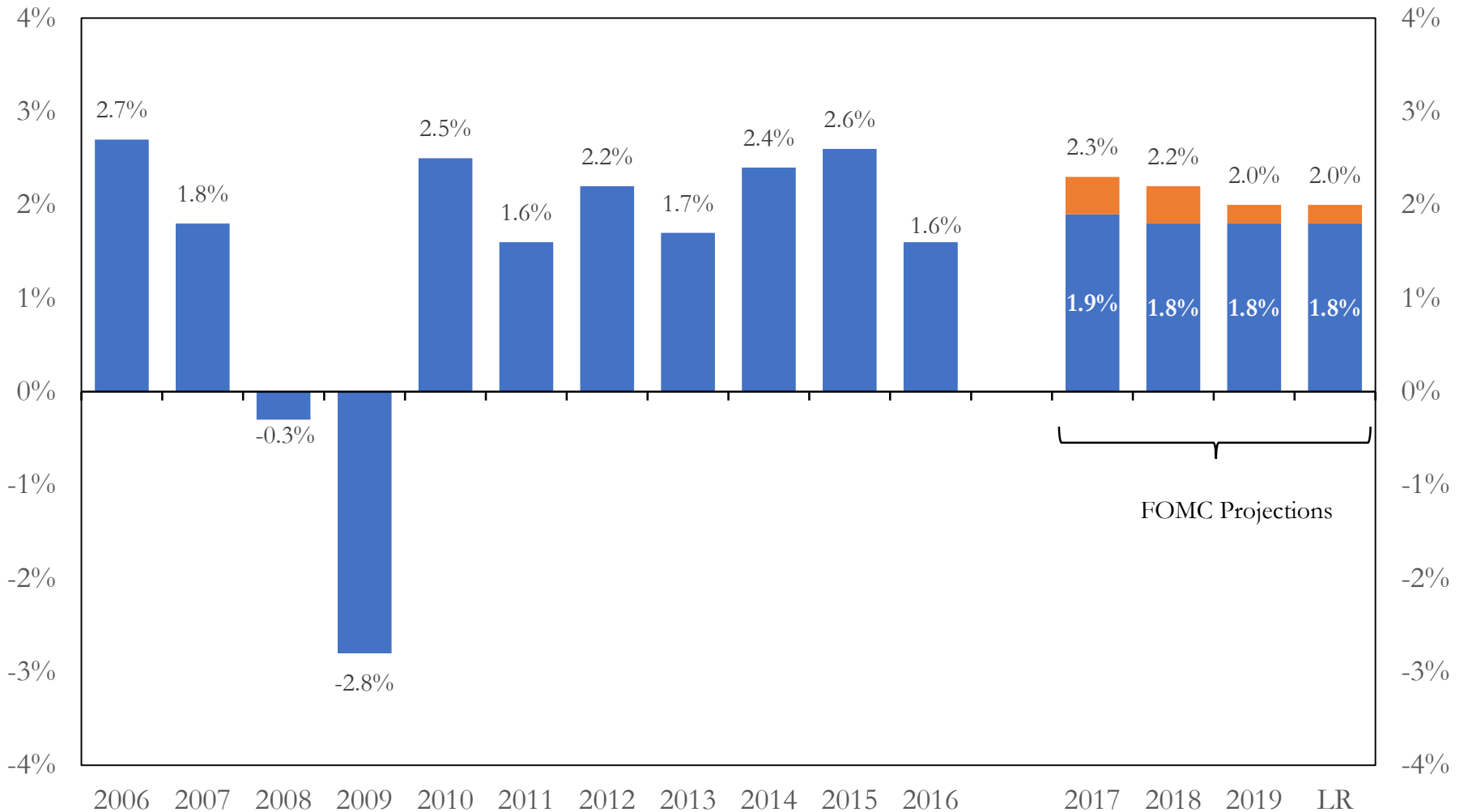
La Vista, NE

Kelly D. Edmiston, Senior Economist  
Federal Reserve Bank of Kansas City

## DISCLAIMER

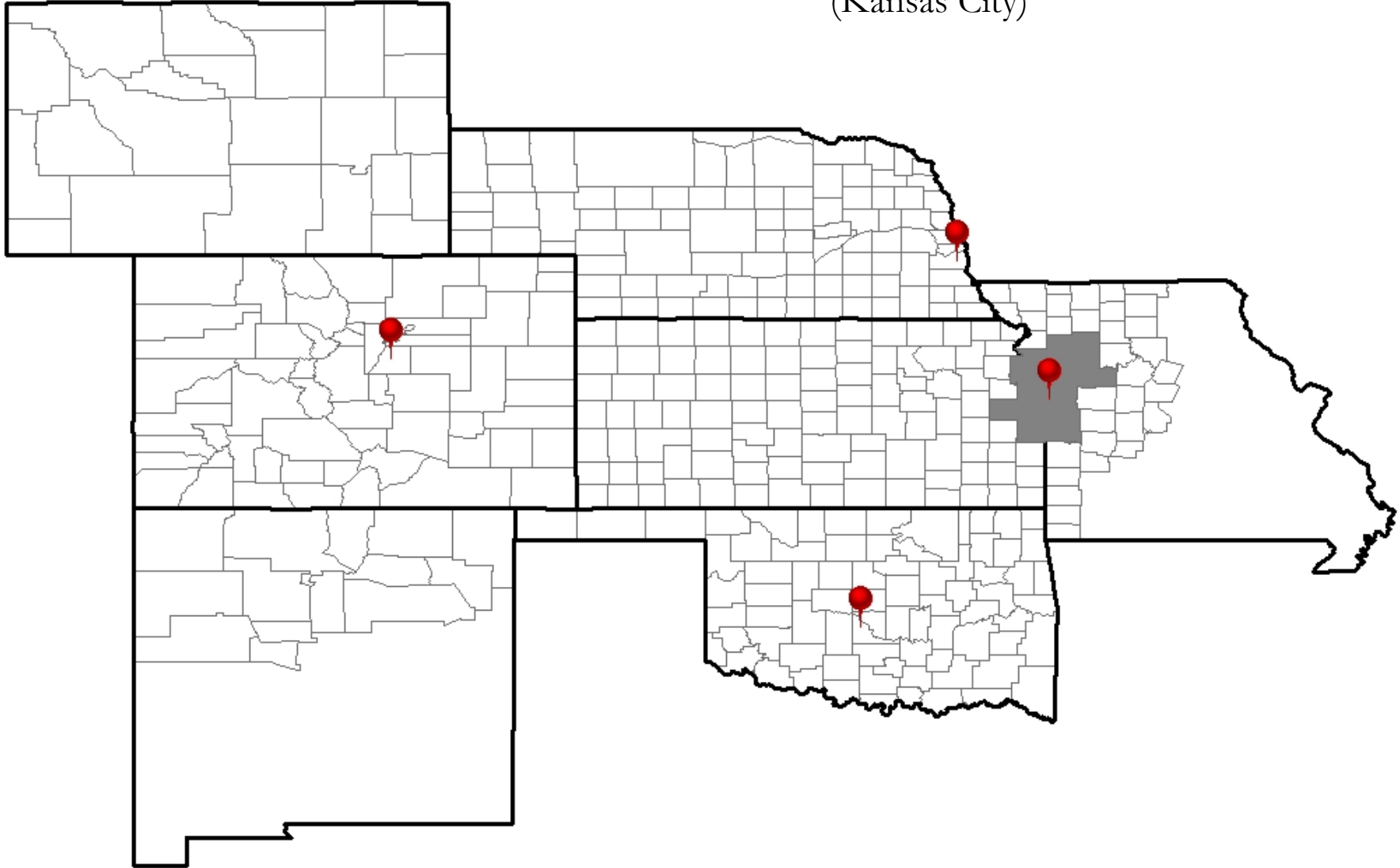
The views in this presentation are those of the speaker and do not necessarily represent the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

The Federal Reserve projects that the economy is expected to continue its moderate expansion over the near term. Long-run economic growth will be slower than in previous decades.



Sources: Bureau of Economic Analysis; Haver Analytics; FOMC, *Summary of Economic Projections* (March 15, 2017)

# Tenth Federal Reserve District (Kansas City)



# Accessing the LMI Economic Conditions Report

The screenshot shows the Kansas City Fed website with a navigation menu at the top: Banking | Research & Data | Community Development | Newsroom | Publications | Education | About Us. A dropdown menu is open under 'Research & Data', listing: About, Contacts, Research and Data, and Events. An orange arrow points from the 'Research and Data' link in the dropdown to the article title 'Tenth District LMI Economic Conditions'. Another orange arrow points from the 'LMI Economic Conditions' link in the 'Recent Data' sidebar to the same article title. Below the article title, there are two article previews, each with a thumbnail image and a short summary.

Click here from KC Fed home page to get to Community Development Research Page

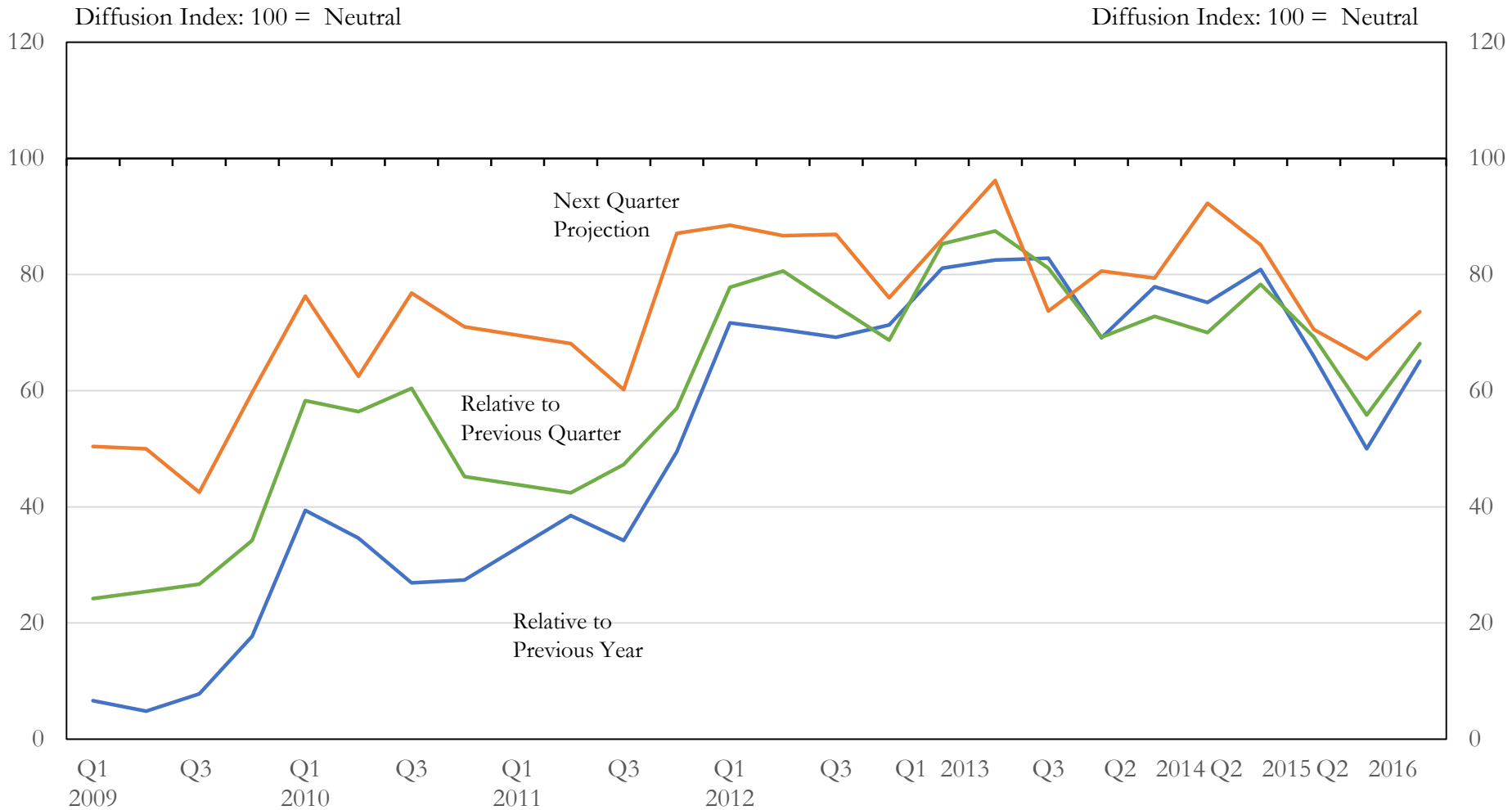
Click here from Community Development Research Page

Captured from <https://www.kansascityfed.org/research/indicatorsdata/lmieconomicconditio> with SnagIt 11

# LMI Survey

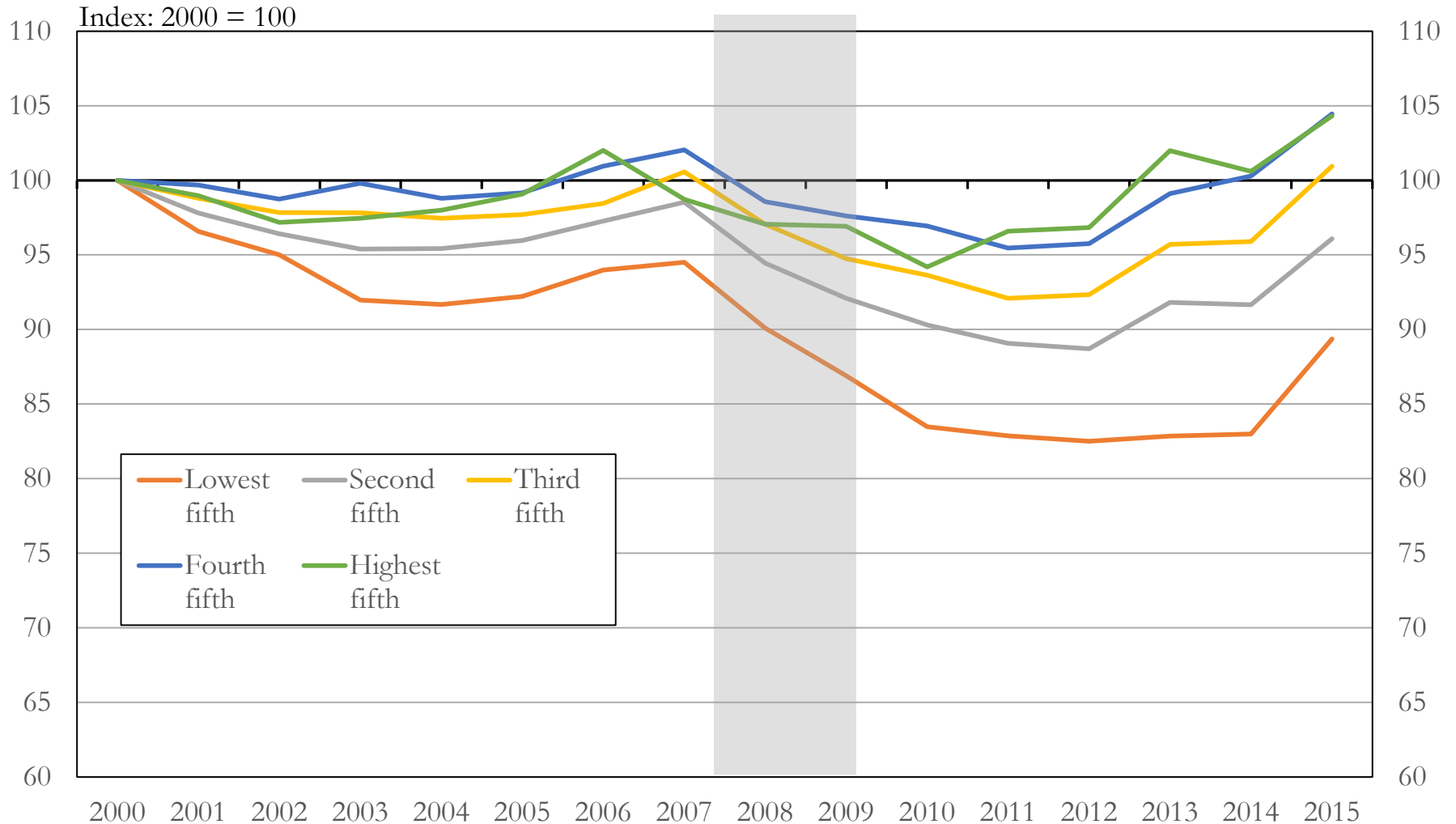
- Five three-part questions on economic conditions
  - Overall assessment (LMI Financial Condition Index)
  - Demand for Services (LMI Services Needs Index)
  - Job availability (LMI Job Availability Index)
  - Availability of affordable housing (LMI Affordable Housing Index)
  - Access to credit (LMI Credit Access Index)
- Based on perceptions, but questions are objective (are things better, worse, or about the same?)
- Responses used to construct a diffusion index (a rolling benchmark)
  - Indexes range between 0 and 200, where 100 is neutral
  - An index below 100 indicates deterioration, even if the index is moving higher; and index above 100 indicates improving conditions even if it is declining

The overall consensus of LMI Survey respondents is that economic conditions in LMI areas continue to deteriorate. The LMI Financial Condition index is significantly lower than 2013 highs.



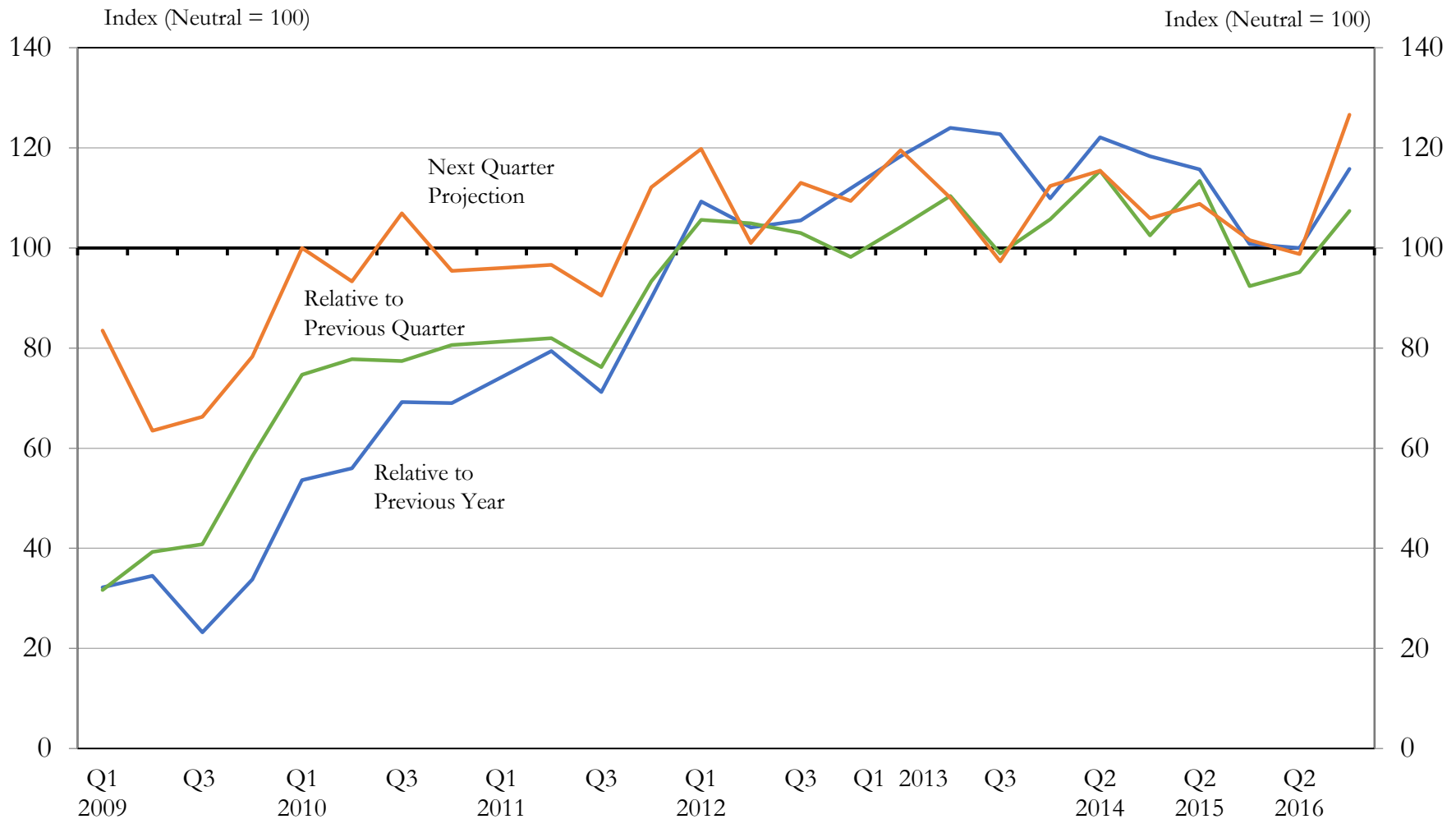
Source: Federal Reserve Bank of Kansas City, LMI Survey

Inflation-adjusted family income fell for all quintiles over the course of the recession and early recovery, but especially for families with the lowest incomes. Incomes have not recovered for those with the lowest incomes.



Data Source: Source: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplements.

The consensus view of survey respondents is that jobs are more widely available for LMI workers. But large swings in the LMI Job Availability Index have been common in recent months.



Source: Federal Reserve Bank of Kansas City, LMI Survey



## Other Labor Issues Highlighted by LMI Survey Reports

- In most larger places in the District, jobs are available for LMI workers (especially retail) if they are willing to accept the conditions and wages offered and are not especially difficult to employ (work, credit, and criminal histories)
- But many of the job gains have been part-time jobs
- Most survey respondents suggested that wages have been stagnant with job growth excepting regional changes in minimum wage

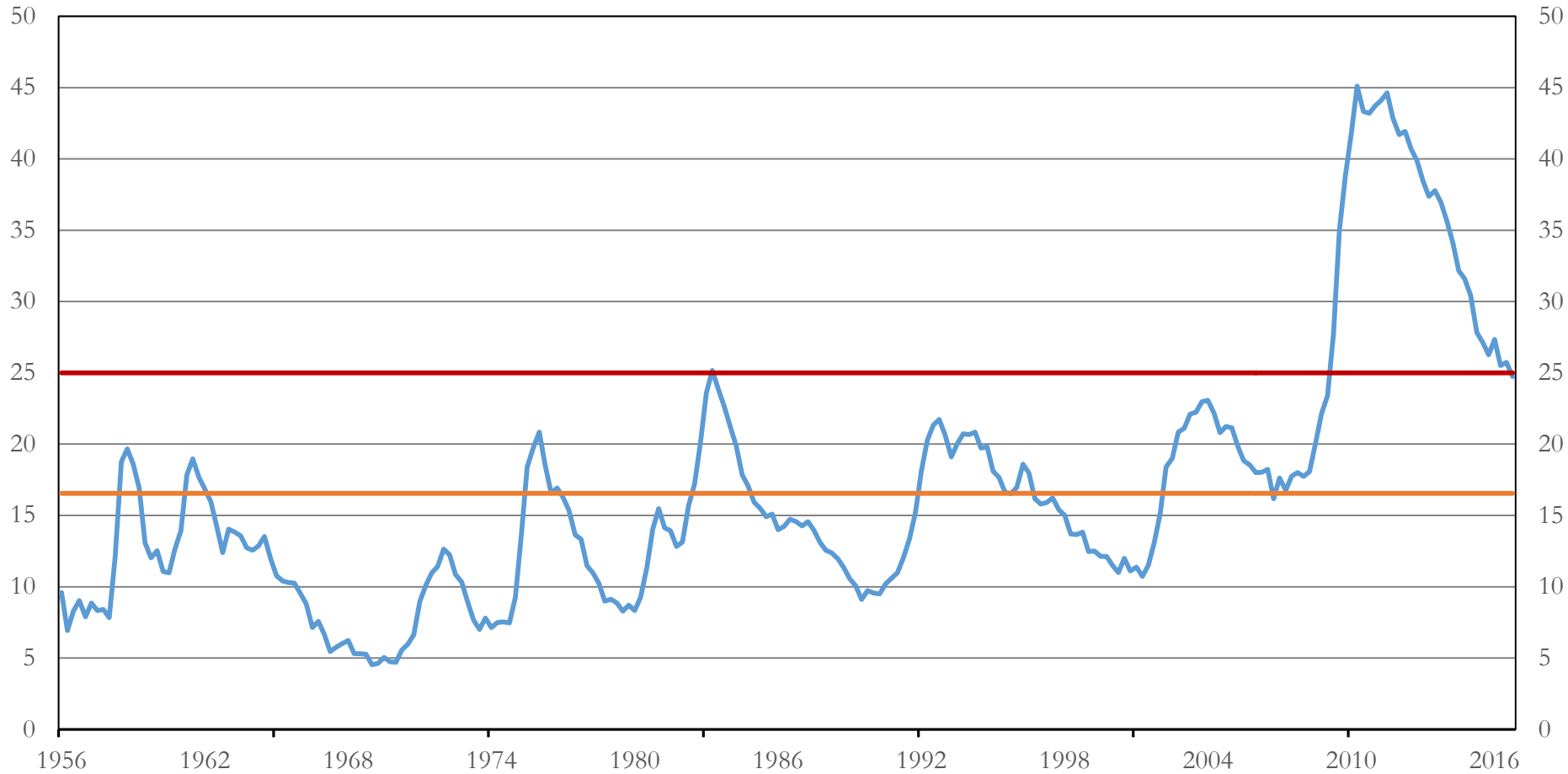
*Source: Federal Reserve Bank of Kansas City, LMI Survey*

The LMI Survey highlights a number of structural labor force issues leading to unemployment.

- Lower-skilled jobs filled by higher-skilled workers out of work
- Credit histories
- Criminal histories (especially drug charges)
- Transportation and childcare needs
- Change in residency
- Job readiness
- Significant turnover noted

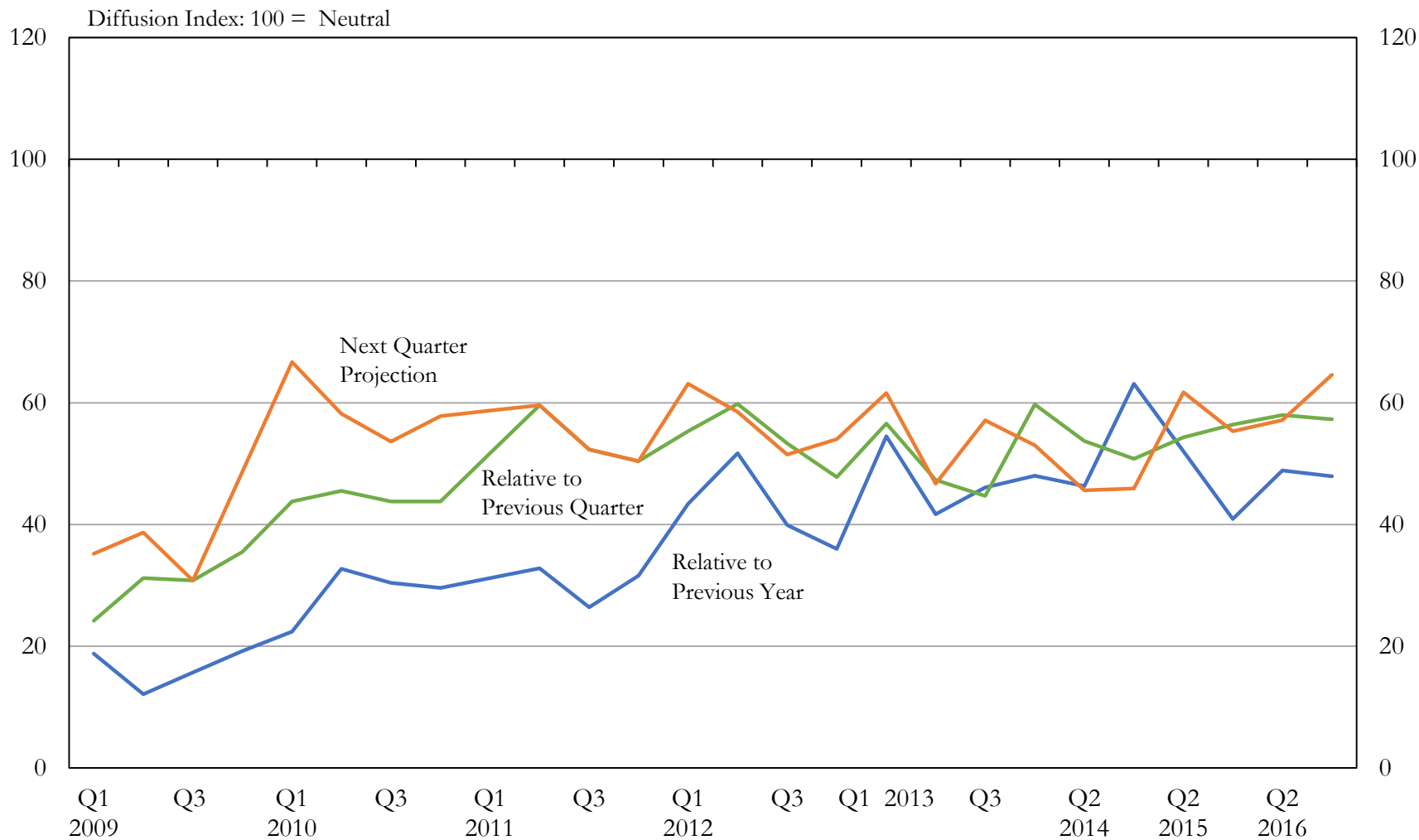
*Source: Federal Reserve Bank of Kansas City LMI Survey*

Long-term unemployment (> 26 weeks) has declined sharply, but remains well above typical highs in previous recessions. Long-term unemployment is marginally higher for LMI workers.



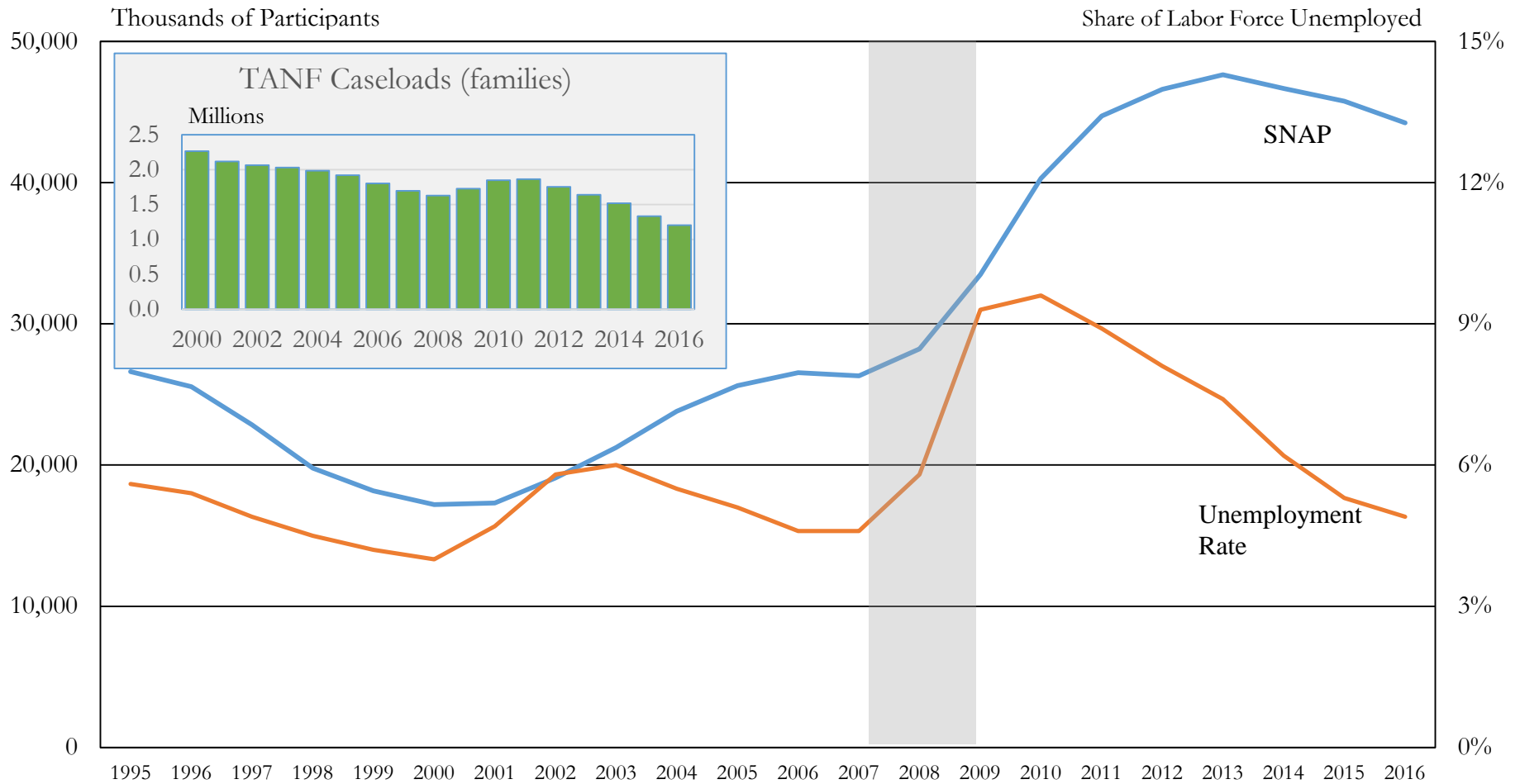
*Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research; Haver Analytics; Federal Reserve Bank of Kansas City (internal data)*

# Long-term unemployment is likely a key driver for continuing increases in the demand for social services.



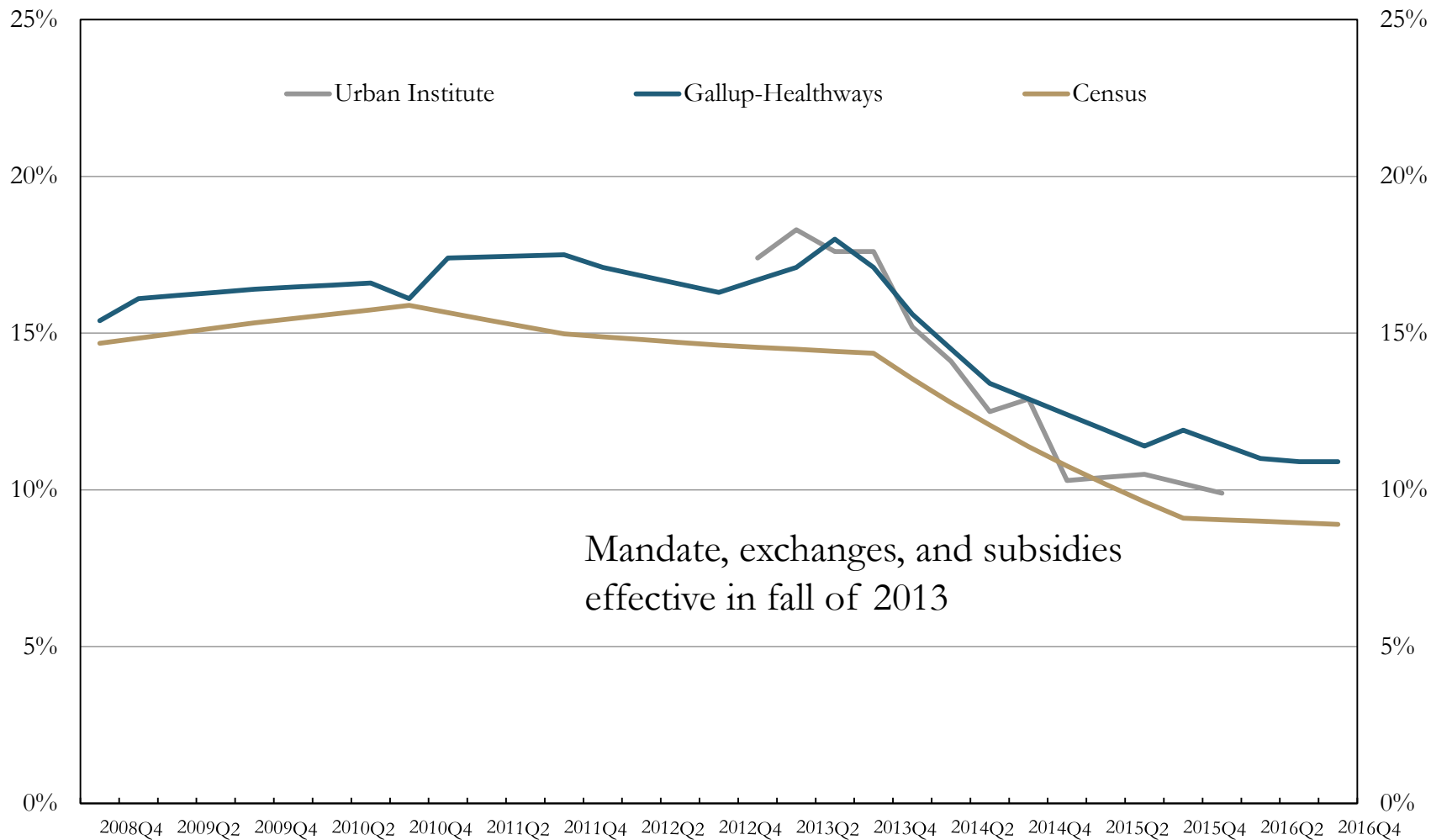
Source: Federal Reserve Bank of Kansas City, LMI Survey

# Data on recipients of public assistance echo findings of the LMI Survey.



Sources: U.S. Department of Agriculture; U.S. Bureau of Labor Statistics; Office of Family Assistance

Data suggest that the ACA has significantly reduced the share of the population that is uninsured, but LMI Survey contacts have expressed concerns around some issues, especially cost.



Sources: U.S. Census Bureau, American Community Survey; Gallup Healthways Well-Being Index; Urban Institute Health Reform Monitoring Survey

# Summary of LMI Economic Conditions

- The LMI economy is recovering, but lags the recovery of the national economy.
- Labor market conditions have improved for LMI workers (with a lag), but available jobs generally are not high quality.
- Long-term unemployed LMI workers are more likely to require services, and the demand for service remains very high by historical standards.

# Rental Housing Affordability

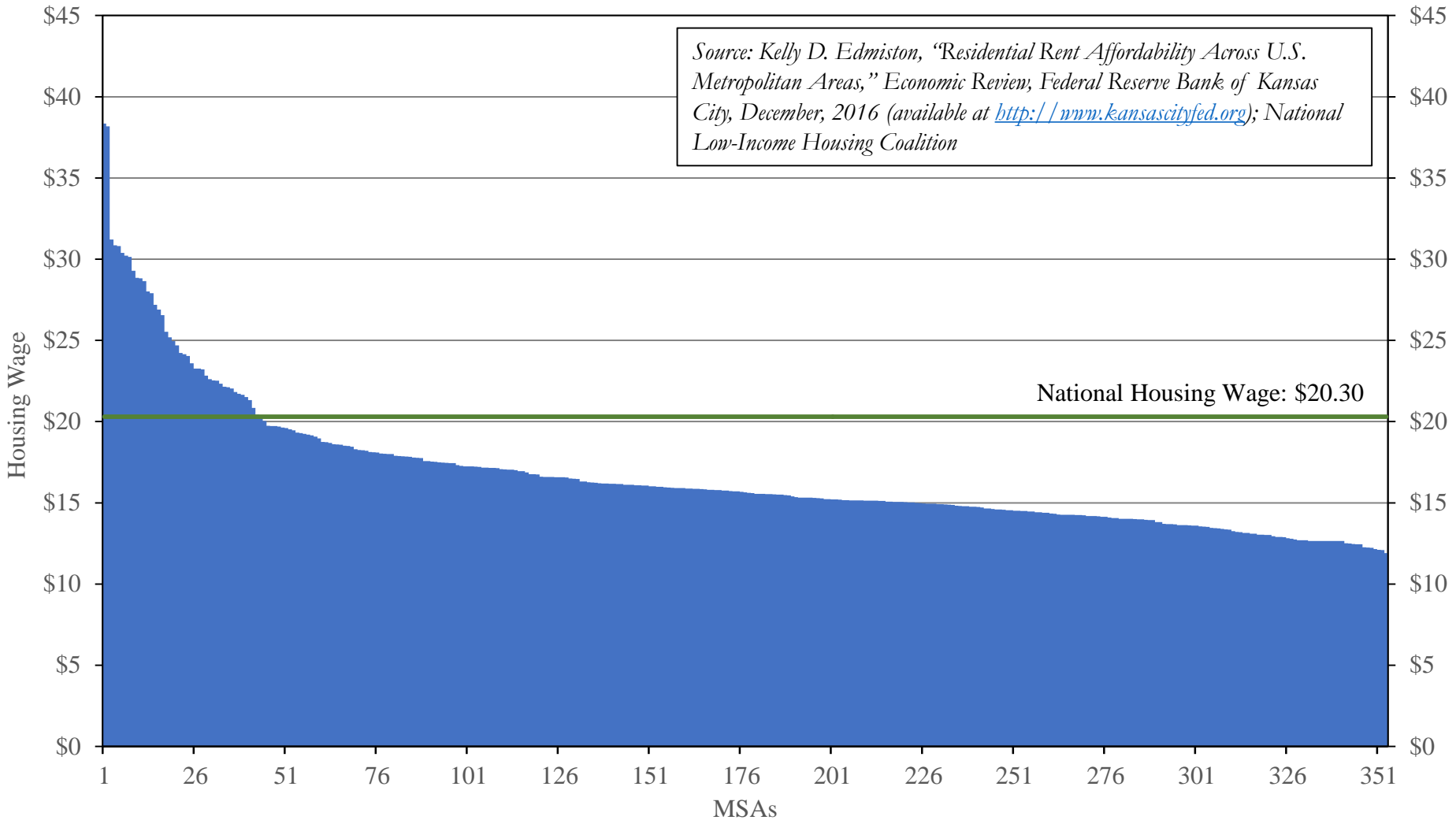
Economic Conditions in Low- and Moderate-Income Communities



# Housing Wages

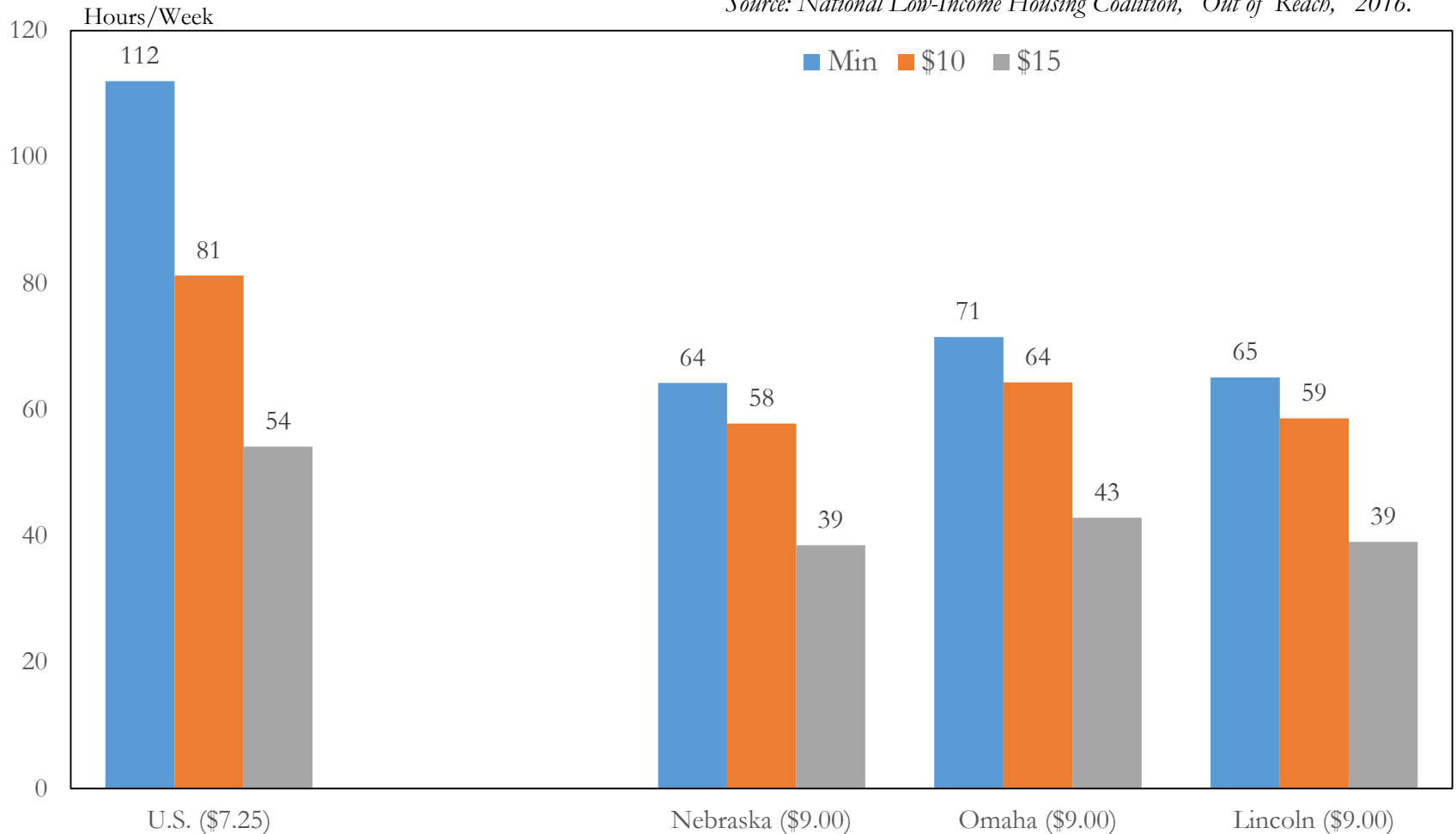
- Housing wage is the full-time (40 hours/week) wage necessary to rent a home at Fair Market Rent without spending more than 30 percent of gross income on housing.
- “Fair Market Rent” (FMR) is an alternative measure of residential rents calculated by the HUD. FMR is computed primarily to determine payment standard amounts for the Housing Choice Voucher program and several other assisted housing programs.
- FMR typically is set at the 40th percentile point within the rent distribution of standard-quality rental housing units to ensure that a sufficient supply of rental housing is available to program participants (to qualify for subsidies, rent cannot exceed the FMR).
- The housing wage can be used to suggest the number of hours (with caveats) of work required to rent a unit at FMR
  - $\text{Hours} = (\text{HW}/\text{Wage}) \times 40$

# 2016 Housing Wage by MSA



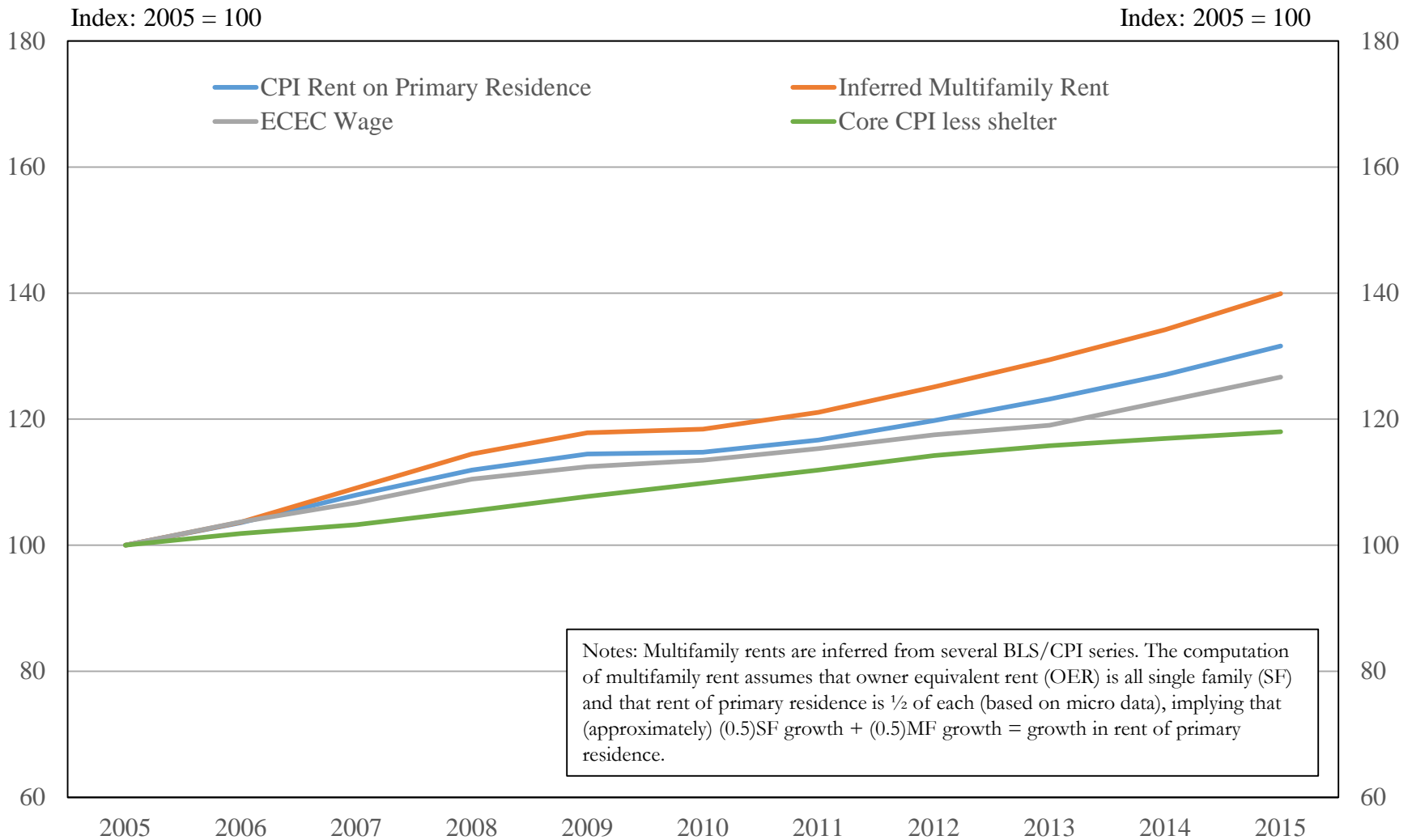
Housing wages are lower in Nebraska but high enough to make fair market rent unaffordable (> 30 percent of gross income) for many low-income workers.

Source: National Low-Income Housing Coalition, "Out of Reach," 2016.



Notes: Excludes any statutory overtime pay; assumes one wage-earner per household Minimum wage in (); Housing wages are \$20.30 for U.S., \$14.45 for the State of Nebraska, \$16.08 for the Omaha MSA, and \$14.65 for the Lincoln MSA.

# Rent Affordability in the U.S.

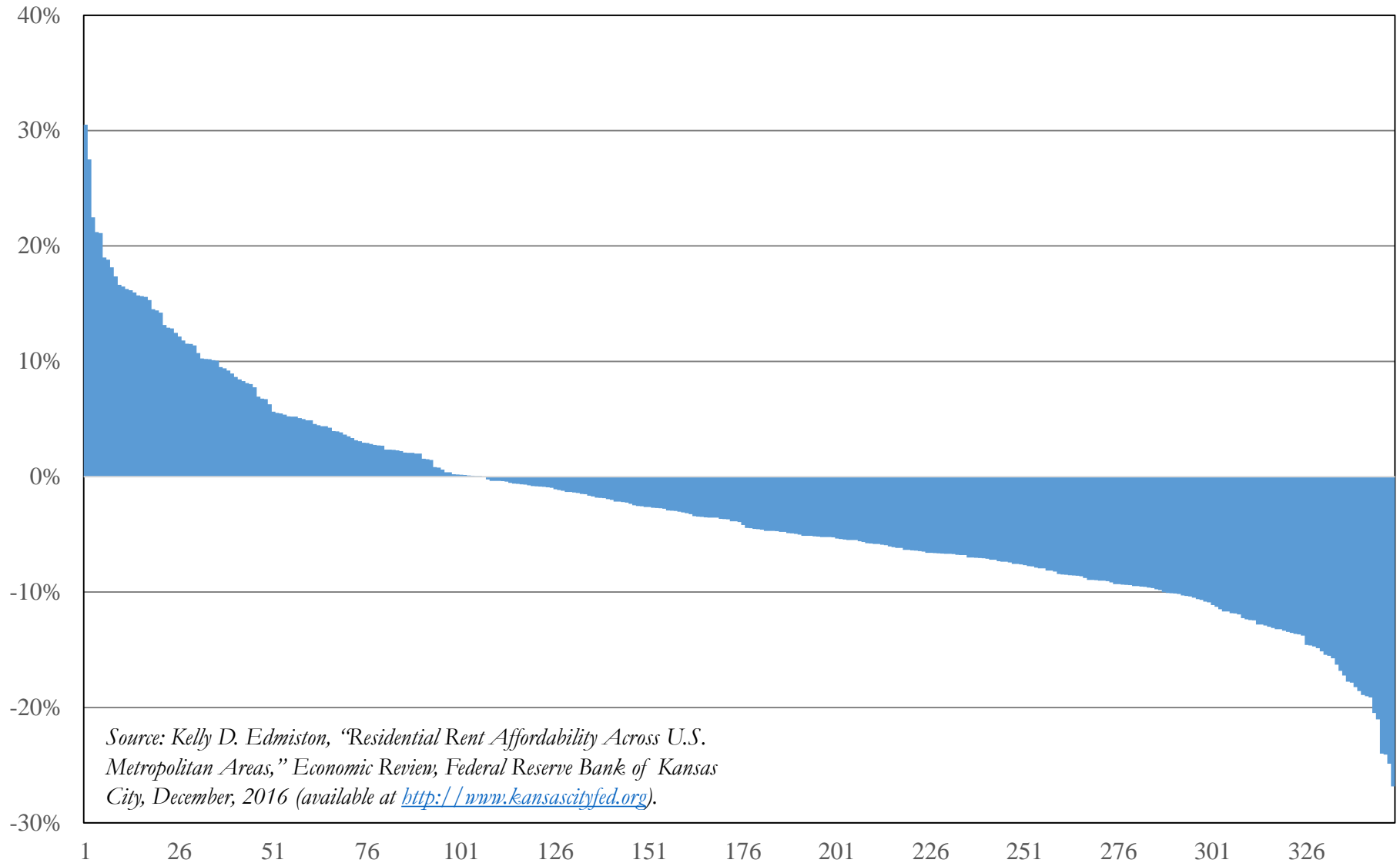


Source: Kelly D. Edmiston, "Residential Rent Affordability Across U.S. Metropolitan Areas," *Economic Review*, Federal Reserve Bank of Kansas City, December, 2016 (available at <http://www.kansascityfed.org>).

# Rent, Income, and Affordability by MSA (2015)

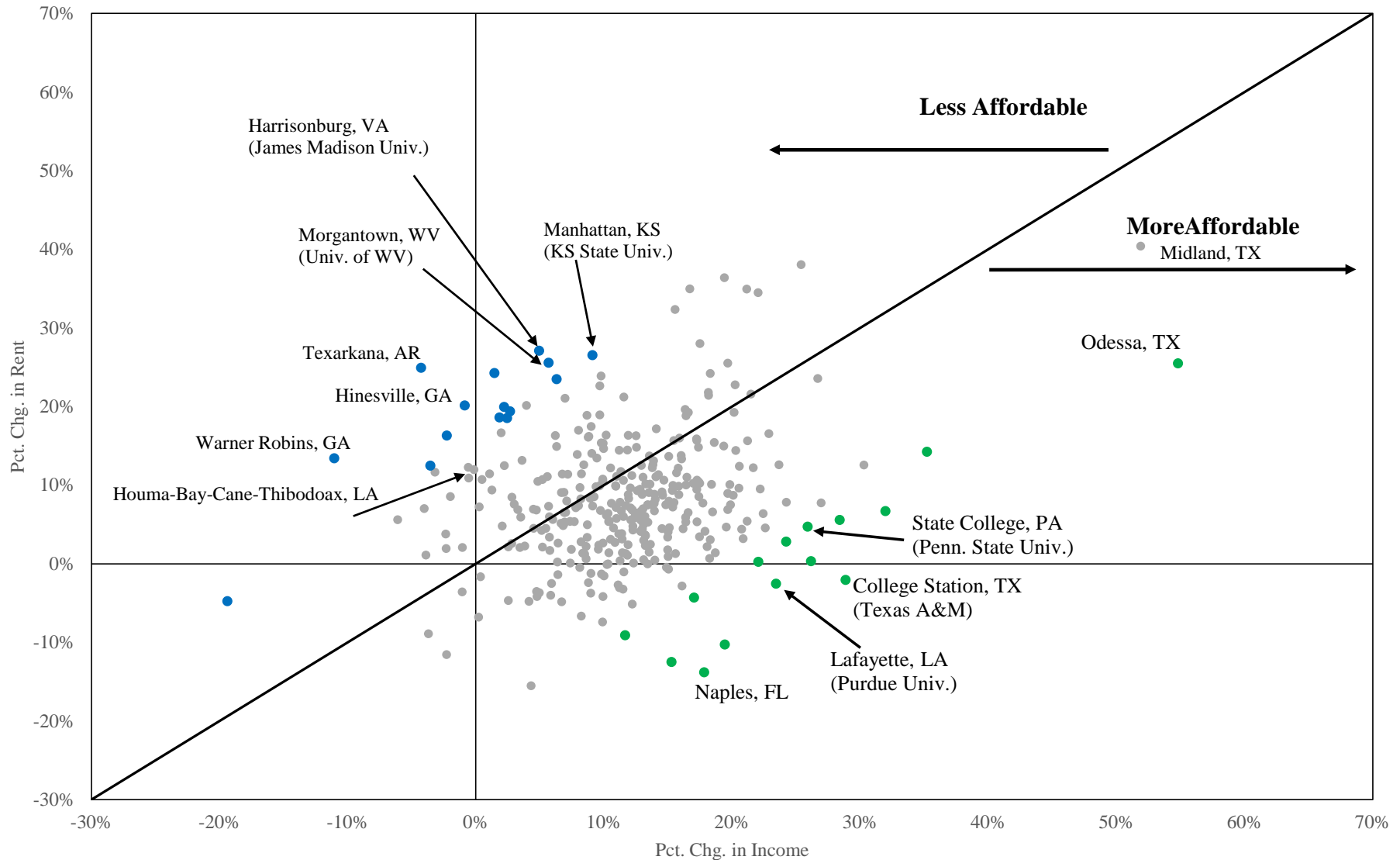


# Percent Change in Affordability Ratio, 2010-2015



*Source: Kelly D. Edmiston, "Residential Rent Affordability Across U.S. Metropolitan Areas," Economic Review, Federal Reserve Bank of Kansas City, December, 2016 (available at <http://www.kansascityfed.org>).*

# Change in Housing Affordability Across MSAs, 2010-2015



Source: Kelly D. Edmiston, "Residential Rent Affordability Across U.S. Metropolitan Areas," *Economic Review*, Federal Reserve Bank of Kansas City, December, 2016 (available at <http://www.kansascityfed.org>).



FEDERAL RESERVE BANK *of* KANSAS CITY

## Contact Information:

**Kelly D. Edmiston** | Senior Economist

Community Development Department

Federal Reserve Bank Of Kansas City

1 Memorial Drive | Kansas City, MO 64198

[kelly.edmiston@kc.frb.org](mailto:kelly.edmiston@kc.frb.org)