

Record of Meeting  
Community Advisory Council and the Board of Governors  
May 30, 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 the impacts of recent natural disasters on communities and their prospects for recovery.

The following key themes emerged from Council member input:

- The small business and consumer sector showed signs of improvement, however, some small businesses report that there are still challenges in gaining access to capital from banks.
- Despite a slowdown in housing price growth in several markets, affordable housing challenges persist, spurring more efforts to alleviate supply issues.
- Accessible and affordable childcare has become a key barrier to employment.
- Higher prices, stagnant wages, and persistent labor shortages are prompting communities to seek out innovative ways to broaden their workforce.
- Investment and interest in new economic development activities has strengthened, often leveraging the support of government funding which is increasingly becoming more important to create scalable community impacts.
- Natural disasters disproportionately affect vulnerable communities as they exacerbate an already dire economic situation, highlighting the urgent need for comprehensive support and intervention during the recovery process.

## Current Market Conditions

Across the many communities served by Council members, there have been notable increases in small business and consumer lending.

### *Small business*

According to Council members, the small business sector showed signs of improvement in the last six months. For example, Council members shared reports that disclosed significant increases in requests for small-dollar loans, improved loan performance, positive small business sentiment, and increased investment in key industry sectors including manufacturing, professional services, tourism, and hospitality. A Council member reported that one economic development entity that serves the Tulsa, Oklahoma region described the sector as solid and strengthening based on the demand for technical assistance they provided to more than 700 small businesses in the past year. Other positive indicators noted by the organization include increased demand for commercial space for start-ups and expansion due to the rising number of business permits for commercial real estate leases.

Other persistent challenges for small businesses remain, including the need for working capital. This challenge reflects the fact that many small businesses are tight on operating cash without much cushion for business fluctuations, making them more vulnerable to business volatility. From a recent pulse survey of its mostly *underserved* small business loan clients, a Council member shared that roughly 40 percent of their Colorado respondents reported that they will be looking for new capital in the next three to six months.<sup>1</sup> Close to 80 percent of respondents reported that they have three months or less of operating capital and one-third have less than one month of reserves.

Small businesses continue to have challenges gaining access to capital from banks. One Council member observed that the softening of the commercial real estate sector has implications for the banking sector's small business lending risk appetite. The tightening of credit comes at a time when some small businesses are looking to consolidate their debt. For example, during the coronavirus (COVID-19) pandemic, after loan support for small businesses through the Paycheck Protection Program ended, many businesses took on high-rate debt from expensing costs with credit card spending and utilizing high-rate fintech loans. Now, these same small businesses want to consolidate their debt at a lower interest rate. In addition, smaller community banks appear to be contributing to the tight credit environment by only lending to their existing customer base or by requiring businesses to also include depository accounts if they are to be considered for a loan. In some regions, community development financial institutions (CDFIs) are continuing to fill some of the capital access gap. In Hawaii, for example, the pent-up need for capital that traditional banks are unable to provide contributed to a recent 70 percent increase in CDFI small business loan assets.

### ***Consumer credit***

Council members shared two concerning trends regarding the consumer credit market. The debt-to-income ratio of the owner/guarantor of a loan is trending higher due to increased borrowing from personal credit and loan sources. As mentioned in the section above, many individuals have taken out high-rate credit card and fintech debt to finance their small businesses. Since rates can be as high as 25 percent, owners want to consolidate their debt in a new loan at more reasonable terms to improve their business's cash flow and reduce their cost of borrowing. These high-rate loans have reduced profits and constrained the ability of owners to pay themselves, affecting their personal credit score and their credit worthiness to get traditional loans. As a result, credit scores are lower than in past years due to this increased debt and some slow payment history on any personal debt that was used in the business or to make ends meet in lieu of profit distributions.

There is an increase in both the number of hardship withdrawals by employees from their 401(k) plans as well as the number of 401(k) loan requests. Council members fear this is indicative of weakening consumer capacity as wage growth has not kept pace with the cost of living. It is perhaps also indicative of households who have used both installment and revolving credit to supplement their income and are now finding themselves overleveraged.

### ***Rural capacity***

Council members report that the greatest challenge in rural areas is an aging population with very few young people choosing to remain in their communities after high school or to return after college. The population would not be growing, as indicated by one Oklahoma banker, if it were not for the

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<sup>1</sup> Roughly 70 percent of survey respondents self-identified as Black, Hispanic or Latino, Asian American or Pacific Islander, Native American, woman, or veteran.

Hispanic/Latino immigrant families who have settled in the area over the past 25 years. For the banking industry, this growth creates opportunities to add customers and bring an underbanked population into the banking system. To do this, additional resources will be needed, including resources for English language learners that are currently limited.

Two rural Oklahoma public-school superintendents separately mentioned there is increased concern about the drop in school district funding in rural areas due to a decline in gross production tax revenue from oil and gas.<sup>2</sup> With a drop in this portion of their funding, school district leaders are concerned that job cuts may be necessary to offset the loss of revenue.

At a meeting of rural-serving organizations based in North Dakota, attendees were asked: “What is one barrier that is holding back progress in rural North Dakota communities?” The resounding number one answer is lack of capacity at the municipal, county, and economic agency levels. This deficiency includes the ability to provide technical assistance on available financing opportunities, including low-interest loans or federal, state, and philanthropic grants. According to Headwaters Economics’ Rural Capacity Index, North Dakota is ranked in the bottom 10 states with the lowest capacity.<sup>3</sup> This lack of capacity underscores previous reports to the Council that discussed the inability of rural and underserved communities to maximize their use of federal funding opportunities.<sup>4</sup>

## Housing Markets

Key themes reported by Council members include:

- Housing prices have moderated in some markets even as the demand for affordable housing remains strong.
- Affordable housing supply constraints and housing instability continue to limit economic development efforts in some regions, notably in rural areas.
- Efforts to increase the supply of affordable units or housing assistance continue to gain traction but need to be strengthened to meet the needs of most regions.

### ***Despite signs of market cooling, demand for affordable housing continues to exceed supply***

Moderation in housing prices was reported by Council members in several regions. In California’s Bay Area, along with regions in the Midwest and New England states, average, year-over-year home prices and monthly rental rates improved, by either leveling-off or declining. Recent housing price declines in Oakland may also have been aided by a roughly 5 percent decline in the city’s population since 2020 that likely helped to soften housing demand. Even with these developments, significant impediments to increasing the supply of affordable housing remain.

In Oklahoma, for example, key hurdles to increasing housing affordability include high interest rates, the high cost of building materials, and restrictive or exclusionary local zoning policies. At the household

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<sup>2</sup> See Jerry Bohnen, “Oklahoma Reports Drop in Gross Production Tax Revenue from Oil and Gas,” *OK Energy Today*, April 16, 2024, <https://www.okenergytoday.com/2024/04/oklahoma-reports-drop-in-gross-production-tax-revenue-from-oil-and-gas>; and Oklahoma State Treasurer Todd Russ, *March 2024 Treasury Gross Receipts Report*, <https://oklahoma.gov/content/dam/ok/en/treasurer/documents/inside-the-office/economic-reports/monthly-gross-receipts-reports/2024/GR-March2024.pdf>.

<sup>3</sup> See <https://headwaterseconomics.org/equity/rural-capacity-map>.

<sup>4</sup> See <https://www.federalreserve.gov/aboutthefed/files/cac-20230518.pdf> and <https://www.federalreserve.gov/aboutthefed/files/cac-20231019.pdf>.

level, barriers to entry, in addition to the required qualifying income, to single family affordable homeownership in Oklahoma also include the strong need for financial education and downpayment assistance.

For other lower-income households, especially those with accessibility needs, the availability of housing that is currently both accessible and affordable is notably lacking. Nationally, there is a significant need for accessible housing, and a concerning lack of accessible units available. Even though 8.2 percent of Americans—and 28.6 percent of seniors—have a physical disability, less than 5 percent of the national housing supply is accessible. Overall, the United States is approximately 3 to 6 million houses short of what is needed in terms of accessible housing.<sup>5</sup>

One Ohioan with a spinal cord injury employed by a local nonprofit organization remarked that there are too many barriers currently in place that make it cost prohibitive to live in their community, including

- employment income limitations (for those on Medicaid);
- disproportionately high patient liability payment requirements;
- shortage of accessible housing options; and
- housing cost burden, which requires some to sacrifice other basic necessities to pay rent (e.g., the need to cut back on basic nutrition or forgo needed medical care).

In the Memphis region, the decrease in housing market activity was mostly attributed to high interest rates. For example, high interest rates prompted some home sellers to not list their current home on the market, but to stay in place. As a result, according to local real estate professionals, the number of homes in inventory was roughly half of what it would have been in a normal market year. These real estate professionals also reported that the average number of days for homes to be on the market before being sold had also increased from 20-30 days to 60-100 days. In addition, the high interest rate environment also contributed to the decision to pause or “slow-walk” two Memphis region housing developments with the hope of better aligning their future start dates with lower interest rates. Lastly, the consequences from the National Association of Realtors settlement are just beginning to surface. According to one Council member, this settlement could have national implications as more real estate agents will likely leave the industry and potentially more of the housing transaction financial burden will fall on the buyer who is already facing high interest rates.

### ***Adding units to catch up with housing demand***

Adding new or stabilizing existing affordable housing units is a focus for most of the regions and communities represented by Council members. In New Hampshire, for example, developers will add hundreds of new housing units to the existing stock in the coming year using federal and state resources and incentive programs. The new resources and incentives are designed to add “catch up” units to the existing affordable housing stock to meet demand and provide housing to support key regional economic growth initiatives. Similar efforts are underway in Oklahoma. For example, Tulsa is projected to need almost 13,000 housing units over the next ten years with an immediate need for 4,000 housing units to meet pent-up demand.<sup>6</sup>

Delaware is also experiencing shortages of affordable housing, especially for lower-income households. According to the 2023 Delaware State Housing Authority’s Housing Needs Assessment, rising housing

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<sup>5</sup> See <https://www.thehousingcenter.org/accessible-housing-isnt-just-a-need-its-a-mandate>.

<sup>6</sup> See [https://www.cityoftulsa.org/media/24491/tulsa-housing-strategy\\_pages.pdf](https://www.cityoftulsa.org/media/24491/tulsa-housing-strategy_pages.pdf).

costs have led to an increase in the number of Delaware households that are housing unstable.<sup>7</sup> The Assessment found that half of Delaware renters and one-fifth of homeowners paid more than 30 percent of their gross income in housing costs in 2021, higher than the industry standard for affordability. Almost one-in-ten of all Delawareans were living out of their cars, “couch surfing”, or temporarily living with friends or family. For many lower-income households, recent gains in wages have not kept pace with housing price increases.

Overall, Delaware is short an estimated 19,400 affordable rental units that are needed to meet the housing needs of renters with incomes of 50 percent of area median income (\$33,200 per year) or less.<sup>8</sup> A combination of new affordable rental units, rental assistance, and market rate production is needed to address this gap. According to the Delaware State Housing Authority, the state will need to add an average of 2,400 units per year to keep up with household growth through 2030.<sup>9</sup>

Communities in other regions continue to report heightened concerns about the lack of affordable housing, especially in rural areas.<sup>10</sup> For example, North Dakota reflects the challenges that are pervading the rural housing market, including housing bankability, the high cost of building materials, and a lack of construction-based workforce. In Park River, North Dakota, the local electric cooperative, which has been working to solve existing workforce housing shortages in the region, championed the construction of a multifamily, affordable housing unit. After exhausting every source of available private capital and public subsidy, this multimillion-dollar project is still \$300,000 short of the cash needed for it to be bankable. In this instance, the “bankability gap” is mostly attributable to the increased cost of labor and materials.

### ***Affordable housing investments grow but fall short in creating scalable community impacts***

In Oklahoma, efforts to add affordable units through nonprofit housing development organizations are centered in Tulsa and Oklahoma City. Development efforts yielded roughly 75 units last year and they are targeting 100 new units this year, but these targeted efforts will not be able to keep up with demand. The ability of nonprofit developers to add more units is limited by other factors, such as higher interest rates, increased building costs, and the recent rapid increases in residential property hazard insurance. The combination of factors has created an environment where a nonprofit developer must extend larger amounts of down-payment assistance (DPA) program funds to a transaction to keep the new homebuyer from spending more than 30 percent of their gross income on housing. As a result, their DPA funds are being depleted faster than originally anticipated and fewer prospective homebuyers can be assisted.

Allowing homeowners to remain in their affordable housing, often through direct subsidies to complete necessary home repairs, is another best practice strategy being pursued in some communities. For example, the city of Wilmington, Delaware, is funding the Homeowner Repair Program, which provides up to \$10,000 to each income eligible applicant selected for a variety of home repairs. Program funding will benefit approximately 170 homeowners. A lottery process was used to give those who registered an

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<sup>7</sup> Delaware State Housing Authority, “Housing Needs Assessment,” *2023 Annual Report* (Dover: Delaware State Housing Authority, 2023), <https://www.destatehousing.com/wp-content/uploads/2024/04/2023-DSHA-Annual-Report-2.pdf>.

<sup>8</sup> Delaware State Housing Authority, *Statewide Housing Needs Assessment* (Dover: Delaware State Housing Authority, November 2023), <https://www.destatehousing.com/wp-content/uploads/2024/02/2023-housing-needs-executive.pdf>.

<sup>9</sup> Delaware State Housing Authority, *Statewide Housing Needs Assessment*.

<sup>10</sup> See <https://www.clevelandfed.org/publications/community-issues-and-insights> and <https://www.incap.org/community-needs-assessments>.

equal opportunity to be selected. The first 82 eligible homeowners were selected in December 2023, with 88 homeowners selected in March 2024 in the second round (out of 1,300 entrants).<sup>11</sup>

Efforts to keep families in affordable rental housing face additional headwinds in some rural areas as well. Prompted by a recent court action, county-level data in South Carolina reveals high rates of rental evictions in several regions of the state. In particular, the recent release of data showed that the top five counties with the highest eviction rates are predominantly rural, with Dillon County having the highest rate—31 evictions per 100 renter households. Dillon County also has the highest poverty rate in the state at 31 percent of households in poverty.<sup>12</sup>

In North Dakota, there are a number of grassroots or “homegrown” efforts to add housing supply in low-population, persistent poverty areas. For example, in the agriculturally landlocked community of Sheyenne, an all-volunteer community group has come together to purchase and flip homes for newcomers seeking to live in their community. So far, the group has sold its first flipped home in January, for a net profit of \$18,000, creating more proceeds to use in the purchase of their second home in the spring of 2024.<sup>13</sup> This approach is akin to another effort in the community of Maddock, where North Dakota’s Lightning Construction, the state’s first-ever all-volunteer licensed construction company, was created to make sure funds granted by the U.S. Department of Agriculture for community facilities could go further and not be hindered by a lack of contractors. In addition, state and tribal leaders are exploring pilot opportunities with a Texas-based company that specializes in 3D printed homes.

## Labor Markets

Key themes reported by Council members include:

- While labor markets were viewed as being broadly stable, important regional concerns exist.
- Accessible and affordable childcare was singled out as a key barrier to employment for lower-income workers.
- Tight labor markets, especially for lower-wage jobs, are prompting regions to explore novel ways to expand the pool of workers.

### ***Despite stable labor market conditions, wages are not keeping up with prices***

In San Antonio, low wages, higher prices, and increases in the cost of living all contribute to the cycle of socioeconomic instability for lower-income workers. In Bexar County, where the city of San Antonio is located, 35 percent of the working age population has an income below 200 percent of the federal poverty level. One-fifth of the county’s population are considered the working poor (incomes between 100 and 200 percent of poverty). Common barriers faced by low- and moderate-income (LMI) households in the city include housing instability, criminal backgrounds, mental health issues stemming from past trauma affecting employment stability, and transportation limitations. The city of San Antonio is expansive and does not offer an effective transportation system, which limits the job opportunities participants can pursue. Where a job is located is a critical decision factor given the many other barriers they are already facing.

<sup>11</sup> See <https://www.wilmingtonde.gov/government/city-departments/real-estate-and-housing/homeowner-repair-program>.

<sup>12</sup> See <https://civilcourtdata.lsc.gov/data/eviction/south-carolina/dillon>.

<sup>13</sup> Megan Langley, “Sheyenne Group Offers Lesson in Rural Funding, Innovation,” *North Dakota Monitor*, January, 17, 2024, <https://northdakotamonitor.com/2024/01/17/sheyenne-group-offers-lesson-in-rural-funding-innovation>.



Several Council members also raised concerns about the ability of middle-income families to make ends meet. In San Antonio, the recent surge in assistance referrals for financial aid, food, and housing has been attributed to the increase in prices. Furthermore, individuals in the lower middle-class earning bracket often find themselves ineligible for public assistance programs, despite facing financial hardships. Moreover, households need to carefully navigate the connection of public assistance programs and employment earnings to steer clear of benefit cliffs.

In Ohio, people with disabilities worry about losing benefits if they earn too much. Benefit cliffs occur when a minor increase in earnings means a family no longer can receive a public benefit that was helping them to feed their families, afford medical care, access quality childcare, or otherwise balance their budget. Asset and income limits for publicly funded programs constrain the ability of many with disabilities to build credit or assets, protect assets, or work and maintain adequate health care.<sup>14</sup> In addition, recent increases in some public assistance programs during the pandemic are expiring. For example, roughly \$53 million in food stamp benefits under the Supplemental Nutrition Assistance Program (SNAP) is distributed each month in Cuyahoga County, Ohio. The end of a pandemic-era program to expand SNAP benefits in March 2023 meant the loss of an estimated \$23 million for the county. County officials say 212,000 people, or about 1-in-6 county residents, will see a monthly reduction, ranging from \$95 to \$300.<sup>15</sup>

### **Worker shortages**

In San Antonio, employers in several industries report facing difficulty finding qualified workers to fill open positions.<sup>16</sup> With regard to “gaps” in worker skills, employers in the construction and manufacturing industries report high turnover and challenges with punctuality and attendance, affecting people’s ability to retain employment. In addition, Goodwill Industries of San Antonio reports that over 40 percent of their participants seeking employment assistance in the city are not computer literate. Their lack of digital skills represents a major challenge to overcome in the job search process and significantly limits their career prospects.<sup>17</sup>

Worker shortages also continue to affect the vitality of communities in North Dakota. Recently, the focus has been on three critical professions that deeply affect communities across the state: teachers, public defenders, and emergency responders.

- The teacher shortage is forcing some school districts to move to a four-day school week to compensate and prompted the creation of a state task force to better understand teacher

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<sup>14</sup> Azza Altiraifi, “A Deadly Poverty Trap: Asset Limits in the Time of the Coronavirus,” Center for American Progress, April 7, 2020, <https://www.americanprogress.org/article/deadly-poverty-trap-asset-limits-time-coronavirus>.

<sup>15</sup> Sean McDonnell, “Cuyahoga County Will Lose \$23 Million in Monthly SNAP Benefits in March When Federal Program Ends,” *Cleveland.com*, January, 13, 2023, <https://www.cleveland.com/news/2023/01/cuyahoga-county-will-lose-23-million-in-monthly-snap-benefits-in-march-when-federal-program-ends.html>.

<sup>16</sup> The industries include health care, hotel and food services, construction and manufacturing, education, and finance and insurance. See <https://www.workforcesolutionsalamo.org>.

<sup>17</sup> According to the National Skills Coalition, 92 percent of all jobs require some level of digital skills. Job seekers that qualify for jobs that require even one digital skill can earn an average of 23 percent more than those working in jobs requiring no digital skills. See [https://nationalskillscoalition.org/wp-content/uploads/2023/02/Digital\\_Skill\\_Divide\\_Webinar\\_Slides.pdf](https://nationalskillscoalition.org/wp-content/uploads/2023/02/Digital_Skill_Divide_Webinar_Slides.pdf).

attrition, to find ways to increase the number of applicants, and to look at what barriers teachers face in other states.<sup>18</sup>

- Plagued by vacancies (the vacancy rate is currently 30 percent), rising caseloads, and lower comparable wages, the state’s public defender’s office is finding it difficult to keep up with a protected right to represent those with household incomes at 125 percent of the federal poverty level.
- Faced by difficult recruitment and retention issues, the North Dakota Emergency Management Service Association could lose as many as 30 EMS providers over the next decade, creating ambulance and emergency response “dead zones” that significantly decrease response times and overall quality services and survivability of potential patients.<sup>19</sup>

### ***Accessible and affordable childcare is a key barrier to employment***

Council members from many regions identified access to affordable childcare as a significant workforce development challenge. In San Antonio, community leaders and employers report that accessible and affordable childcare is one of the key barriers to parents participating in the labor market. Due to the lack of affordable, quality childcare, a coalition of local leaders called *Early Matters San Antonio* developed a plan to address this issue. The *Early Matters* coalition concluded that “families are forced to choose between a parent working full-time or staying home to save child care costs, impacting their household income, career trajectory, and economic mobility.”<sup>20</sup> At present, the cost of affordable childcare is out of reach for 80 percent of families. Workforce Solutions Alamo Child Care Services currently has a waiting list for the childcare scholarships they provide, which have served 10,251 children and 8,000 parents.<sup>21</sup> Individuals with childcare needs face substantial hurdles, as access to subsidized childcare is limited due to lengthy waitlists and income eligibility thresholds. Even those earning above poverty guidelines struggle to afford childcare without assistance, often resorting to unreliable arrangements with friends or family, which could negatively impact their punctuality and attendance at work. The coalition’s plan identifies strategies and actions to address the shortage of and demand for affordable childcare.<sup>22</sup> The goal is to identify affordable, high-quality childcare for every child seeking services in the San Antonio region, and ensure those children are kindergarten ready.<sup>23</sup>

In New England, the shortage of affordable childcare is a major challenge throughout the region. The lack of affordable and accessible childcare worsened during the pandemic, as many childcare facilities struggled to operate and reopen. Recently, an essential childcare facility in rural New Hampshire needed an emergency infusion of grant dollars and business donations to stay open. In Indiana, a recent analysis of the state’s childcare industry stressed that a key challenge for facilities to stay open and affordable was “competition with other industries that offer higher wages, better benefits and more regular hours,

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<sup>18</sup> Michael Achterling, “North Dakota Teachers Leaving Profession Earlier,” *North Dakota Monitor*, April 3, 2024, <https://northdakotamonitor.com/2024/04/03/north-dakota-teachers-leaving-profession-earlier>.

<sup>19</sup> Mary Steurer, “Proposal Aims to Prevent Ambulance Service Gaps,” *North Dakota Monitor*, April 15, 2024, <https://northdakotamonitor.com/2024/04/15/proposal-aims-to-prevent-ambulance-service-gaps>.

<sup>20</sup> Early Matters San Antonio, *Early Childhood Impact Plan* (San Antonio: Early Matters San Antonio, April 2024), <https://earlymatterssa.org/wp-content/uploads/2024/04/Early-Matters-SA-Impact-Plan-Pages.pdf>.

<sup>21</sup> See <https://workforcesolutionsalamo.org/wp-content/uploads/wsa-genwor-33000-01-2022-Annual-Report-web-F-2.pdf>.

<sup>22</sup> Early Matters San Antonio, *Early Childhood Impact Plan*.

<sup>23</sup> See <https://earlymatterssa.org/the-work>.



and with other responsibilities that force workers out of the labor force.”<sup>24</sup> North Dakota has been funding community-based solutions through its Regional Workforce Impact Program, which recently awarded 18 grants for a total of \$4.1 million in February 2024.<sup>25</sup> Eight of the 18 grant recipients plan to use their funding to renovate, expand, or construct new childcare facilities to ease the burden placed on workers in finding care during working hours.

In California, the childcare market is currently facing considerable challenges. Although the state is now subsidizing care across the state, making it more affordable for families, there is a shortage of childcare providers. Currently, childcare is available for only one out of every four children. The gap between supply and demand is causing the price of care to go up, making care unaffordable for many families even with state subsidies. Several efforts are underway to increase the supply of childcare centers by focusing on improving job quality for caregivers, paying them higher wages, and seeking to professionalize the childcare profession. One institutional barrier that may be slowing down the effort to enhance availability is the state’s licensing permission process that may take a caregiver 6 to 12 months to obtain, or longer if the caregiver is low income or has limited English language skills.

### ***Tight labor markets are encouraging novel ways to expand the pool of workers***

Several Council members identified novel ways that organizations are exploring to expand the pool of workers in a tight labor market. Delaware, like many states, is faced with worker shortages. With nearly two jobs open for every Delawarean seeking employment, which does not account for those who are underemployed, there is a need to remove barriers to employment opportunities to facilitate access to a labor pool that is currently untapped. People with criminal records face one of the key impediments to finding work that disproportionately impacts Delawareans from LMI communities who struggle to navigate the lengthy and expensive processes for clearing or expunging those records.

In 2021, Delaware became the fifth state to pass laws that meet Clean Slate criteria, such as a streamlined automated process that applies to all records eligible for mandatory expungement, providing greater equity, consistency, and cost effectiveness.<sup>26</sup> The state is now in the final stages of implementing its Clean Slate Act, which will take effect in August 2024 and bring relief to the 29 percent of Delawareans who have a criminal record that qualifies for automatic expungement.<sup>27</sup> This change offers the promise to workers with criminal records to fill positions in industries where there are shortages. For example, Wilmington, Delaware’s local health system reported over 1,100 open positions, which include doctors, nurses, allied health, and entry level. In the future, qualified candidates, such as a woman who reported two misdemeanors and was prohibited from being hired as a certified nursing assistant, will be considered.

While not one of the Clean Slate states, one county in Ohio is looking to bring formerly incarcerated individuals into the workforce. Specifically, a Delaware County program seeks to train and reintroduce formerly incarcerated individuals back in the workforce. The program is a partnership effort between local manufacturing firms, government agencies, and training providers, like Ivy Tech, to increase the

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<sup>24</sup> Riley Zipper, “A Slow, Uneven Recovery for Indiana’s Child Care Workforce,” *In Context*, vol. 24, no. 3 (May–June 2023), <https://www.incontext.indiana.edu/2023/may-jun/article1.asp>.

<sup>25</sup> Michael Achterling, “Child Care a Theme of North Dakota Workforce Grants,” *North Dakota Monitor*, March 15, 2024, <https://northdakotamonitor.com/2024/03/15/child-care-a-theme-of-north-dakota-workforce-grants>.

<sup>26</sup> See <https://www.aclu-de.org/en/csde>.

<sup>27</sup> According to the Second Chance Business Coalition, roughly a quarter of the U.S. population has a criminal record. See <https://secondchancebusinesscoalition.org>.

region's workforce and help formerly incarcerated individuals gain quality jobs to help them become self-sufficient.

### **Additional Matters**

Key themes reported by Council members include:

- Regional economic development opportunities and challenges are prompting community responses.
- Food insecurity in rural areas and schools persists.
- Post-pandemic downtowns with high vacancy rates struggle to stabilize and chart a path forward.

### ***Scalable impacts for communities***

Several Council members noted that economic development activities are increasing in their regions and come with several notable opportunities and challenges.

In South Carolina, a recent, positive impact led by the state's Department of Commerce, is a newly designated Tech Hub, named the Nexus for Advanced Resilient Energy (SC Nexus). This newly formed tech hub encompasses 60 percent of South Carolina's distressed counties. The SC Nexus consortium is a diverse coalition consisting of private industry, higher education institutions, a national laboratory, state agencies, economic development partners, and nonprofit organizations. The SC Nexus proposal has garnered broad bipartisan support from the South Carolina legislature, with a commitment of \$50 million for matching funds for the tech hub projects and the establishment of the new SC Nexus division within the South Carolina Department of Commerce.<sup>28</sup>

Another recent economic development initiative was launched in January 2024 by the Oklahoma Broadband Office (OBO), which authorized \$374 million in funding for broadband expansion projects in Oklahoma.<sup>29</sup> The 142 projects cover 57 of the state's 77 counties. The goal is to make high-speed internet service available in 95 percent of the state by 2028. Over \$5.1 billion in applications were submitted, indicating incredible demand for funding. In addition, there is another \$159 million of funding that will be disbursed by the OBO in the future. Economic development investments and inquiries are also increasing in Memphis. In the last six months, local economic development professionals report that they are responding to the highest number of industrial development location "inquiries" in the region's history.

In contrast to the regional opportunities described above, the city of Denver has been challenged by the recent surge of migrants coming to the city starting in early 2023. In total, 42,000 newcomers have arrived in the city in the last year, which has caused significant stress to the local economy and the network of public and nonprofit social service providers. For a city with a population of 713,000, a sudden influx of 42,000 people (nearly 6 percent of the existing population) exacerbated already existing challenges, including a severe housing shortage and homelessness problem. The cost so far of providing

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<sup>28</sup> See <https://www.sccommerce.com/news/sc-nexus-receives-federal-designation-regional-technology-and-innovation-hub-advanced-energy>.

<sup>29</sup> See <https://oklahoma.gov/broadband/office/newsroom/in-a-historic-first-for-oklahoma--broadband-expansion-grants-app.html>.

services to these Denver newcomers has been \$69 million in the last year, with ongoing costs estimated at \$90 million in the year ahead, a significant increase over a normal budget year.

Working to prioritize resources, the city announced a change in policy for sheltering migrants with the creation of the Denver Asylum Seekers Program.<sup>30</sup> Denver's new program will focus exclusively on those seeking asylum and will work to place them in apartments for up to six months, provide them intensive job and skills training, give them opportunities to get certifications and unpaid work experience, offer food assistance, and help with asylum applications. Those not seeking or ineligible for asylum will receive housing support for only two weeks until the city provides transportation to other locations with services or places them with nonprofits or families in the area.

### ***Food insecurity***

The cost of food and food services continues to increase. Establishing and maintaining grocery stores has been a persistent challenge for rural communities. Small, often declining populations make it tough to turn a profit in an industry known for its razor-thin margins. Increased competition from online retailers, nationwide retail chain stores, and an aging lineup of independent grocers have only made things tougher.

In northern North Dakota, the bankruptcy of one grocer meant that six communities saw their grocery stores close in November 2023. One Council member has been working with several of the affected communities to reestablish or otherwise reopen the grocery stores; however, challenges with gap financing and high distribution costs have been barriers. Even with these challenges, there are glimmers of hope for rural community grocery stores across the prairie, especially with the successful launch of North Dakota's first self-service grocery store in the community of Munich.<sup>31</sup> With a population of 190 people, Munich officially launched its self-service grocery store model in December 2023, offering key job access 24-hours per day; thus, increasing access and purchase abilities while decreasing labor costs. Half of the town's population are members of the Munich grocery store, and the store has already created \$6,000 worth of cash flow to purchase more diverse inventory at a lower cost.

Public school food insecurity has also increased. For example, the percentage of children qualifying for free or reduced lunch in Oklahoma's public schools increased by over 8 percent from 2023 to 2024.<sup>32</sup> The data indicate that a higher percentage of students, even in relatively upper-income areas, are now qualifying for support. This increase likely reflects a broader downward trend in economic mobility and increased pressure on household finances.

### ***Downtown office recovery is at a standstill***

In the wake of the COVID-19 pandemic, several Council members noted that downtown areas have experienced a decline in business activity, resulting in a surge of vacant office space. Communities are

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<sup>30</sup> See <https://denvergov.org/Community/Assistance-Programs/Newcomer-and-Migrant-Support/Community-Partners>.

<sup>31</sup> Megan Langley, "Investments in Rural Food Sustainability Are Investments in State's Future," *North Dakota Monitor*, December 12, 2023, <https://northdakotamonitor.com/2023/12/12/investments-in-rural-food-sustainability-are-investments-in-states-future>.

<sup>32</sup> See Oklahoma State Department of Education, Child Nutrition Documents, *2023 and 2024 Low-Income Reports*, <https://sde.ok.gov/child-nutrition-documents#Low-Income>.

seeking solutions like converting empty office buildings to apartments; however, higher interest rates have paused or slowed down investments in cities such as Memphis, Tennessee.

San Francisco has received a lot of attention recently over its historically high downtown office vacancy rates and the negative impact it has had on local business, including restaurants that depend on high workweek traffic to stay afloat. Over one-third of all office space is empty downtown as technology workers continue to work remotely. While there is a glimmer of hope with artificial intelligence companies looking to lock in lower rents in currently vacant spaces, the trend is not broad enough to declare a turnaround or even stability.

Across the bay, the city of Oakland faces a similar situation, but high crime rates are forcing even profitable businesses to close. Downtown Oakland also has high vacancy rates and is having a much more difficult time retaining downtown businesses, as entire blocks do not have any open establishments. While some residential neighborhoods appear to be stable or improving, others, like the Hegenberger corridor which is a key “gateway” to the city, need additional support to keep businesses open and crime at bay. Other areas continue to decline, including a shopping center close to the Oakland airport that has a small fraction of shops open after a string of robberies and auto break-ins forced most of the businesses to close.

Wilmington, Delaware, has the highest downtown office vacancy rate (34 percent) after San Francisco.<sup>33</sup> Wilmington is the largest city in the state and its central business district (CBD) includes mostly office buildings with a commuting workforce. Before the pandemic, a local commercial and residential real estate development company started to add apartment units to the CBD. That apartment building process accelerated during the pandemic, as construction was one of very few industries that remained strong in the state. Recently, the conversion of office buildings to market rate rental units has accelerated. In addition to local developers, out-of-state developers are now entering the market. Last year, a Pennsylvania-based developer completed a conversion of an office building into 82 apartment units. On the same block, a New York City-based developer is rehabbing an empty office building into 57 apartments. One of the challenges reported by “new” residents and the customers who frequent CBD restaurants, theaters, and music venues, is the lack of parking. Since the downtown area is developing into a city neighborhood, residents are now demanding other amenities that commuting office employees previously did not need.

### **Community Advisory Council May 2024 Special Question**

***Natural Disasters:*** *What have you experienced in your communities in the aftermath of natural disasters? How are vulnerable communities addressing the impact of natural disasters? Items to consider can include insurance costs, housing availability and affordability, federal funding, and community strategies for overcoming natural disasters.*

Several Council members report that recent tornadoes, floods, and wildfires have affected their communities. Some historic natural disasters also continue to shape the current economic trajectory of regions. A few Council members reported direct experiences and impacts of natural disasters or their aftermaths, including the wildfires on the island of Maui, Hawaii.

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<sup>33</sup> Anirban Basu, “The Good, the Bad & the Ugly” (presentation at the State of the Economy: 17th Annual Economic Forecast Luncheon, Wilmington, DE, February 6, 2024), <https://chambermaster.blob.core.windows.net/userfiles/UserFiles/chambers/2890/File/EDC/2024-sage-policy-group-presentation.pdf>.

### ***Tornadoes***

South Carolina's rural communities face significant hurdles in rebuilding after natural disasters such as the recent tornado that devastated the community of Bamberg. On January 9, 2024, an EF-2 tornado that was 300 to 400 yards wide, with 125 mile-per-hour winds, tore through downtown Bamberg, destroying much of the downtown area's late nineteenth-century buildings and small businesses.<sup>34</sup> The majority of the destroyed storefronts were abandoned by absentee owners, compounding the challenges faced by the community. Moreover, many of the building owners lacked insurance coverage to help mitigate the damage.

This catastrophe dealt a significant blow to a small, rural town already grappling with decades-long economic decline and population loss. Despite efforts to seek assistance, the state was recently informed that their Federal Emergency Management Agency (FEMA) request for a major disaster declaration for Bamberg County was denied. This decision has left the county and city with limited resources to tackle the extensive damage. While Small Business Administration funding is available, it falls short of providing a comprehensive solution for this distressed community. Regrettably, there is no state mechanism in place to adequately address the damage in Bamberg. This disaster exacerbates an already dire economic situation for this rural enclave, highlighting the urgent need for comprehensive support and intervention.

### ***Flooding***

On December 18 and 19, 2023, catastrophic floods occurred in several New England states after more than three inches of rain fell in the region. The storm caused significant riverine flooding, property damage, and widespread power outages. In New Hampshire, the December storm was the last storm of the year and was the culmination of a series of significant rainfall events that made it the eighth-wettest year on record for the state capital city of Concord, which recorded almost 50 inches of rain in 2023.<sup>35</sup> Federal disaster declarations were approved to support recovery efforts in response to flooding throughout the state, including small rural communities. The level of flooding placed considerable stress on local, state, and federal resources to coordinate a timely response and deploy resources and technical assistance to affected communities and households. These natural disasters have had a major impact on businesses' ability to serve visitors and residents alike. The costs associated with the flooding include increases in property insurance rates (which have risen by 8 percent in the past year on average), road repairs, and construction of flood control measures to guard against future flooding.

While no significant flooding has occurred in North Dakota in over a decade, the effects of the 2011 Souris/Mouse River flood still resonate in the city of Minot. Damage from that flood to the city's housing stock included 4,100 flooded homes (with 3,100 lost or extensively damaged) and displacement of over 11,000 residents. Estimated damage to residential structures alone was more than \$480 million, with losses to commercial, public, and farm structures estimated at over \$210 million.<sup>36</sup> With the Souris River flood taking place nearly 13 years ago, full flood protection has still yet to be funded or built. Many homeowners, including those in the flooded valley, are still unsure of the future of their properties and

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<sup>34</sup> Jocelyn Grzeszczak and T. Michael Boddie, "Bamberg Residents, Assessing Tornado Damage, Recall Town's History, Hope for Improvement," *Post and Courier*, January 10, 2024, [https://www.postandcourier.com/news/bamberg-southcarolina-tornado-winterstorm-stormdamage/article\\_075d8b42-aff1-11ee-95e1-43037a8f2fbc.html](https://www.postandcourier.com/news/bamberg-southcarolina-tornado-winterstorm-stormdamage/article_075d8b42-aff1-11ee-95e1-43037a8f2fbc.html).

<sup>35</sup> See <https://www.wmur.com/article/new-hampshire-rain-melting-snow-record-2023/46179442#:~:text=MANCHESTER%2C%20N.H.%20%E2%80%94,eighth%2Dwettest%20year%20on%20record.>

<sup>36</sup> See <https://www.minotnd.gov/DocumentCenter/View/1848/Minot-NB-DT-Chapter-3-Flood-Chronology>.

their own financial situations due to continued buy-outs, over-leveraging of assets to rebuild after the flood, and pending flood insurance rate changes.

### **Wildfires**

Oklahoma has been in the bullseye of natural disasters—destructive tornadoes, crippling winter ice storms, severe thunderstorms with high velocity straight-line winds, massive flooding, long-term drought cycles, and massive wildfires. In the five-year period between 2019 and 2023, there have been numerous FEMA disaster declarations in Oklahoma. While no part of the state has been spared in recent years, perhaps some of the most devastating disasters have come in the form of wildfires that ravaged western Oklahoma between 2020 and 2023.

A wildfire in June 2020 burned all the barns and outbuildings on the farm of a Council member's parents in Blaine County, Oklahoma. If not for the combination of their house's metal roof and the fast action of the volunteer rural fire department, they would have lost their home as well. In July 2022, a wildfire in the Blaine Escarpment, a large plateau of rugged country dotted with canyons and steep embankments, burned 8,000 to 9,000 total acres, affecting many farmers and ranchers in the area. The Council member's family lost roughly 90 percent of their grassland in that blaze.<sup>37</sup> Rural communities depend on volunteer rural fire departments that receive state funding but also must fundraise from the public to bridge the gap if those state funds are not sufficient to cover costs for necessary training and equipment, and other necessities. There is also a need for additional resources addressing rural land management to help landowners mitigate wildfire risk by assisting with the reduction of dangerous "fuel," like western cedar trees, that accelerate a fire. Because of limited state and local resources, federal funding for repairing infrastructure and replacement housing is necessary to help impacted communities recover from a disaster.

### **California**

Since 2022, California has experienced a series of natural disasters, including forest fires, significant storm systems, coastal flooding, and persistent drought.<sup>38</sup> The communities affected by these natural disasters are diverse and are located across the state. The affected communities have been resilient and are seeking out ways to quickly recover. As a result of these disasters, California consumers have seen significant increases in utility fees and insurance premiums, as well as insurance policy cancellation or nonrenewal, especially in areas with significant wildfire risk. The latter prompted a one-year moratorium on policy nonrenewal by the state.<sup>39</sup> Double-digit utility rate increases alongside higher home and auto insurance policy premiums have placed significant strain on family budgets, particularly for fixed-income or lower-income households.

The long-term impact of higher insurance premiums significantly affects people's decision-making about how and where to live, particularly for people impacted by severe natural disasters. For example, a homeowner rebuilding her home in Paradise, California, after the wildfire destroyed much of the town in 2018, had her insurance premiums increase from \$1,200 to \$9,750. Insurance providers pulling out of the state are also setting the stage for recalculating how and where to rebuild. The immediate response,

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<sup>37</sup> See <https://kfor.com/news/local/oklahoma-family-says-theyve-lost-hundreds-of-acres-as-blaine-county-wildfire-continues>.

<sup>38</sup> See <https://www.boe.ca.gov/proptaxes/disaster-list.htm>.

<sup>39</sup> See <https://www.insurance.ca.gov/01-consumers/140-catastrophes/MandatoryOneYearMoratoriumNonRenewals.cfm#:~:text=If%20your%20ZIP%20code%20is,file%20a%20Request%20for%20Assistance>.



proclaiming to rebuild after a disaster, may be different for many families after they calculate the full financial costs of rebuilding.

### ***Island of Maui, Hawaii***

On August 8, 2023, wildfires on the island of Maui killed 101 people, destroyed over 2,200 structures, including the historic district of Lahaina. In total, the fires caused an estimated \$5.5 billion in damages.<sup>40</sup>

The Maui wildfires have had a significant impact on the housing market on the island. Most of the 8,900 individuals initially displaced by the wildfire 10 months ago have yet to find permanent housing. Instead, many remain in short-term housing in hotels and rented homes and apartments leased with support from FEMA. Before the wildfires, the island's housing market was already fragile due to the influx of offshore homebuyers and the limited supply of affordable housing units. In addition, housing costs are higher in the state since developers must also pay for infrastructure (e.g., roads, water, and sewer) for the housing development.

A Council member shared that FEMA is negotiating with individual property owners and paying top dollar for units for those who are displaced. For those who were not displaced by the wildfire but need affordable housing, current disaster recovery interventions have contributed to steep increases in rental rates. The state has agreed to pay "\$5,000 a month on average for a one-bedroom apartment, \$7,000 for two bedrooms and \$11,000 for a four-bedroom unit" for those who are not eligible for FEMA assistance.<sup>41</sup> As a result, the rental market has become significantly distorted and is now completely unaffordable. Even with an eviction moratorium in place, tenants are concerned that they will be forced to leave once their leases expire and their rental rate increases. In addition, there are currently over 700 displaced households in hotels paying unsustainable rates. For example, the nightly rates at Lahaina area hotels include upwards of \$1,175 a night at the Royal Lahaina Resort.

While families have been successfully housed after the disaster, a Council member reports that the recovery process will be a long one ("not a sprint, but a marathon") to address the physical devastation and trauma caused by this disaster. For example, many of the families displaced by the wildfire lost everything—including loved ones, along with their house, car, and livelihoods. Families in short-term housing have also been forced to move multiple times, from hotel to hotel in some cases, as recovery organizations have sought to consolidate families and services delivered to them over time. In addition, due to the focus on housing, other affected groups, including business owners, have had less attention focused on their recovery needs and are waiting for solutions. For example, rebuilding the small business sector on Front Street will be complicated, especially as state law will require any rebuilding to be further away from the shoreline. Other complications associated with rebuilding this commercial center include building insurance coverage, unpaid leases, and the current lack of both workers and customers.

Efforts to ease the substantial pressures on Maui's housing market are underway, including a partnership between a nonprofit foundation and government agencies to build 450 short-term housing units.<sup>42</sup>

Other signs of recovery include the opening of a temporary school and a new 5,200 square foot health clinic. The prefabricated, on-site build for the clinic allowed for a rapid 9-week timeline from start to completion. According to one Council member, other signs of improvement include better coordination

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<sup>40</sup> See <https://www.usfa.fema.gov/blog/preliminary-after-action-report-2023-maui-wildfire>.

<sup>41</sup> See <https://humanservices.hawaii.gov/state-of-hawaii-department-of-human-services-launches-2-5m-rental-assistance-program>.

<sup>42</sup> See [https://www.hawaiicommunityfoundation.org/file/2024/MSF-Grants-Press-Release- KA-LAI-OLA\\_FINAL.PRESS-ROOM.pdf](https://www.hawaiicommunityfoundation.org/file/2024/MSF-Grants-Press-Release- KA-LAI-OLA_FINAL.PRESS-ROOM.pdf).

among public, private, and nonprofit partners, and the emergence of a group of partners that can guide the longer-term recovery of the area and address issues specific to underserved populations and households. Regarding the latter, some sizeable groups of migrants from Micronesia and the Philippines faced barriers to obtaining traditional disaster aid through FEMA and will now be better supported going forward.