

COMMUNITY *Connections*

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WINTER 2012

FEDERAL RESERVE BANK of KANSAS CITY



CAO'S NOTE

*by Tammy Edwards,
Assistant Vice President and
Community Development Officer*

PLANNING FOR TODAY AND TOMORROW

The beginning of a new year is met with great excitement as many institutions develop plans to reach new goals.

The Kansas City Fed is no different. In 2012, our Bank's Community Development professionals will again focus programs and research on pressing community and economic development issues impacting the Tenth District.

This issue of *Community Connections* highlights recent examples of such programs and research. Read about Kansas City's new

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Kansas City Fed Joins with Partners to Address Workforce Needs

By Steve Shepelwich, Senior Community Development Advisor

Unemployment trends continue to confound the economy two years after the Great Recession and related financial crisis of 2007 to 2009.

As a result, the Federal Reserve Bank of Kansas City is joining with other Reserve Banks to find ways to facilitate more workforce training programs.

The long-term unemployment rate, which counts people out of work for more than six months, is at an unparalleled high. The number of people out of work for more than a year – the long-long-term unemployed – represents nearly a third of the nation's unemployed.

Minorities have suffered even more. Unemployment rates for African-Americans and Hispanics have almost doubled since the start of the recession, compared to whites. Almost one third of young, African-American males were unemployed in 2010.

COMPLEMENTING THE MANY WORKFORCE DEVELOPMENT ACTIVITIES BEING PLANNED THIS YEAR BY FEDERAL RESERVE BANKS ACROSS THE NATION IS THE NATIONAL CONFERENCE ON WORKFORCE DEVELOPMENT TO BE HOSTED BY THE KANSAS CITY FED, IN PARTNERSHIP WITH THE ATLANTA FED, ON SEPT. 19 AND 20, 2012. SAVE THE DATE – WE LOOK FORWARD TO SEEING YOU THERE!

Age matters as well. As long-term unemployment contributes to a greater portion of total unemployment at each age group, older workers are less likely than younger workers to quickly find another job.

Recession-related unemployment has long-term consequences.

Steve Davis, of the Chicago Booth School of Business, and Til von Wachter, of Columbia

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CAO's NOTE (Continued)

microloan program, and about financing options, technical assistance resources and business support organizations.

Read about our research on Low Income Housing Tax Credits and enjoy an interview with Community Development Advisory Council member Lesli Wright, senior vice president at Hilltop National Bank in Casper, Wyo., who shares how Wyoming is addressing community and economic development in the nation's least populated state.

Please review the calendar for upcoming events and visit our website often for new resources and research. Please contact me at tammy.edwards@kc.frb.org with your comments and suggestions.

KANSAS CITY FED JOINS WITH PARTNERS TO ADDRESS WORKFORCE NEEDS (Continued)

University, estimate in the latest edition of the Brookings Papers on Economic Activity, published by the Brookings Institution, that not only do workers lose significant income in the year they lose their jobs, but their expected future income is significantly lowered as well. Such realities increase anxieties and affect the productivity of workers left behind on the job, adding to the negative impact on the economy.

The Federal Reserve Bank of Kansas City is working with its sister banks across the country to better understand these dynamics in order to inform program and policy responses.

In recent months, the Kansas City Fed has held focus group discussions in Oklahoma City and Albuquerque with local banking partners and workforce development professionals to identify opportunities for financial institutions to support employment programs. Connections were forged around shared interests of workforce programs and community reinvestment goals of banks.

In coming months, the Kansas City Fed will bring together workforce, education, business and philanthropic leaders in Denver, Kansas City and Omaha to further explore local responses to the need for workforce training. Other Federal Reserve Banks are conducting related events in their regions with a wide range of stakeholders and industry sectors.

More information is available online at the *Federal Reserve Human Capital Compendium*.

Map Your Community

By Maurice Roper, Community Development Intern

The Kansas City Fed has updated its web-based mapping tool, Map Your Community, which allows website visitors to create, customize and print economic and demographic maps for their communities.

These maps provide valuable information to meet the needs and general curiosity of a wide range of individuals and groups, including consumers, future and current small-business owners, city officials, nonprofits and community developers.

The Kansas City Fed offers Map Your Community free to enable users to better understand their area's economic and demographic landscape.

Users can access data – including information on income, population, employment, education and crime – for their own immediate area and for any community throughout the

Tenth Federal Reserve District.

While Map Your Community allows one to create maps of historical and current economic and demographic information, it also can be used to complement other economic tools and resources.

The Kansas City Fed is in the process of further updating the site with more information, which will be featured in an upcoming issue of *Community Connections*.

Map Your Community can be accessed with any web browser by going to <http://www.kc.frb.org/community> or directly at <http://kcfed.org/community/regional-profiles.cfm>.

Using the tool is simple and straightforward. After accessing the site, click on your respective state, and then click "Create Map".

When that page opens, enter a location into the search box, select data layers for



analysis, and immediately begin creating your own custom maps.

For more information on Map Your Community and how the mapping widget works, visit <http://www.policymap.com/>.

Kansas City Partnership Launches New Microloan Program

By Paul Wenske, Senior Community Development Advisor

The first microloan program in the Kansas City area in more than three years was launched in November through a partnership between the Women's Employment Network, the Women's Business Center and Justine Petersen Housing and Reinvestment Corporation (JPHRC), a St. Louis-based micro-lender.

The new program, which has already approved three microloans, fills a pressing need in metro Kansas City to provide technical and financial support to small businesses. The area has been without a microlender since 2008, when Go Connections and the First Step Fund closed.

The Kansas City-area program resulted from a joint effort among non-profit business support organizations and other organizations, such as the Federal Reserve Bank of Kansas City, the Federal Deposit Insurance Corporation and the U.S. Small Business Administration (SBA).

Initial funding for the microloan initiative comes from a one year Program for Investment in Micro-Entrepreneurs (PRIME) grant from the SBA. The grant can be renewed for an additional four years, based on available funds and performance in the first year.

The first-year goal is to assist creditworthy entrepreneurs, and those still needing credit assistance, to enhance their ability to apply for and obtain loans to grow their businesses.

"We are getting calls every day," said Dorothy Browning, program director for the Women's Business Center. She said the number one call from both new and existing businesses is for financial assistance.

PROGRAM DETAILS and ADDITIONAL FUNDING NEEDS

The Women's Employment Network and the Women's Business Center plan to develop a sustainable program with a minimum loan pool of \$105,000, with an additional \$30,000 in technical training and support dollars.

This would allow for an average of 15 loans of \$7,000 each annually; microloan amounts can range from \$500 to \$50,000.



Robert Boyle
President and CEO
Justine Petersen



Dorothy Browning
Program Director
Women's Business Center

The microloans will be managed through JPHRC, which has extensive experience managing microloan programs. Since 2001, JPHRC has originated more than \$4.7 million through 775 microloans, with a loan-loss rate of 4 percent.

Technical support will be provided through the Women's Business Center, which has a 10-year history providing support and network development.

To help ensure long-term sustainability, the program is also seeking donations from financial institutions.

So far, Browning said, two banks have contributed \$10,000, and other banks are considering contributions, in the wake of a Community Reinvestment Act (CRA) roundtable the Kansas City Fed hosted on Sept. 27, which focused on the microloan program.

"As we get more CRA contributions, we will be able to draw down more money from the SBA to make loans," Browning said.

"Sustainability is crucial to the success of microloan programs," said Tammy Halevy, senior vice president of membership and new initiatives at the Association for Enterprise Opportunity, www.micro-enterpriseworks.org. "We know they work."

She said the need to raise capital, screen clients, underwrite loans and manage portfolios is labor intensive and requires strong financial support. Developing strong relationships with banks is important, she said.

"I'm very optimistic about survival rates when microlenders are involved with banks," she said.

For more information, contact Women's Business Center Program Director Dorothy Browning, dbrowning@kansaswbc.com.

New Research Sheds Light on Housing Tax Credits

By Paul Wenske, Senior Community Development Advisor, and Kelly Edmiston, Senior Economist



Acquisition and rehab projects provide a boost to neighborhoods.

A new research paper from the Kansas City Fed examines the effect that assisted housing developments have on nearby homes and businesses.

The paper, “Low-Income Housing Tax Credit Developments and Neighborhood Housing Conditions,” suggests that acquisition and rehab projects provide a more positive boost to neighborhoods than large, new construction projects, perhaps because they cause less change to the character of the neighborhood.

The paper, written by Senior Economist Kelly Edmiston, looks specifically at developments financed by low-income housing tax credits (LIHTCs). One purpose of the research was to examine the relationship that exists between the physical condition of neighborhood properties and their proximity to LIHTC developments.

In choosing how to maintain their

property, owners often respond to the location and attributes of their neighborhood. For example, is the neighborhood clean and well maintained? What amenities are available? Who lives there, and how comfortable do I feel living there?

Property owners also respond to socio-psychological attachments to their neighbors and neighborhood. For example, asking themselves: Am I proud of this neighborhood?

The paper found that proximity to LIHTC developments can have either a positive or negative effect on the physical condition of nearby properties. What happens depends in large part on whether LIHTC developments improve or diminish the perceptions of residents toward their neighborhoods.

The paper relies on an analysis of the condition of more than 90,000 properties in Kansas City, Mo., as well as information on the location of LIHTC developments,

to judge whether the total effects of LIHTC developments on neighboring property conditions is positive or negative and what the magnitude of the effects might be.

The findings reveal that the answers depend largely on the type of development.

LIHTC developments consisting of acquisition and rehabilitation projects likely result in a moderate boost to surrounding property conditions, all else being equal.

But bigger, new construction projects have a larger negative effect on the physical condition of surrounding properties, perhaps because they change the character or status of the neighborhood.

To access the paper go to: <http://www.kansascityfed.org/research/community/>.

Q&A: Lesli Wright

Lesli Wright has worked at Hilltop National Bank in Casper, Wyo., for 16 years. For the past two years, she has served as senior vice president, risk management, and as the bank's Community Reinvestment Act (CRA) and compliance officer. Before entering banking, Ms. Wright was a certified public accountant with Porter, Muirhead, Cornia & Howard in Casper, and with Deloitte & Touche in Denver. She is a graduate of Pacific Coast Banking School and has taught accounting, analyzing financial statements and consumer lending. She is a Wyoming native and lives in Casper with her husband and three children.

Ms. Wright serves on the Tenth Federal Reserve District's Community Development Advisory Council (CDAC), which meets with the Bank president and senior management to offer insight on economic and community development issues in the District's seven states. *Community Connections* periodically features CDAC members and other leaders committed to community and economic development. An edited interview with Ms. Wright follows:

1. WYOMING SEEMS FORTUNATE TO HAVE RELATIVELY LOW UNEMPLOYMENT. DO YOU SEE THAT CONTINUING?

The Wyoming economy continues to be closely tied to commodities such as oil, gas, coal and agricultural products. Since prices of many commodities have been strong the past couple of years, the state's economy has enjoyed a period of relative strength. The current outlook is for continued economic growth and favorable local business conditions, especially for those in the energy sector.

2. WHAT CHALLENGES, IF ANY, ARE EMPLOYERS FACING IN REGARD TO NEW JOB APPLICANTS?

As typically happens when unemployment numbers fall, some employers are reporting difficulty finding quality, experienced job applicants. Additionally, as our state continues to see an in-migration of workers, affordable housing for many new employees is becoming a challenge. Although Wyoming has fared better than other states, economic woes facing the rest of the nation can't help but impact many of our citizens.

3. HOW IS THE STATE RESPONDING TO JOB-RELATED EDUCATIONAL AND FINANCIAL CHALLENGES?

Wyoming has one state university in Laramie, and seven community colleges, all of which are highly receptive to adding job training. One



*Lesli Wright,
Senior Vice President
Risk Management
Hilltop National Bank
Casper, Wyoming*

particular program, Employee Training for Self Sufficiency (ETSS), assists low-income parents. Qualified students receive 100 percent scholarship assistance for the six- to eight-week program, and can choose from a diverse list of career options, including dental and medical assistance, landscaping, general construction and welding. Students also take life-skill courses, such as budgeting, successful parenting, conflict resolution and effective communication.

4. HOW IS THE STATE ADDRESSING NEW BUSINESS GROWTH?

The state of Wyoming has several financing opportunities available to small businesses through the Wyoming Business Council (WBC), including bridge loans, loan participations, Main Street loans, disaster loans and guaranteed loans. As the least populated state, Wyoming has long focused on attracting new businesses. And various economic development groups have enjoyed recent successes in this area. Factors such as no state income tax, low property taxes, cutting edge technology resources, university partnerships and a pro-business attitude have all helped in the recruitment of new business.

5. WHAT MAJOR ECONOMIC DEVELOPMENT CHALLENGE DO YOU SEE ON THE HORIZON?

Recent legislation levied on the banking industry has drained resources from small banks as they attempt to comply with a multitude of new laws and regulations. Some of this legislation appears misplaced as Wyoming banks, by and large, have operated as safe and sound financial institutions, and did not participate in the risky mortgage behavior that others did. The outlook for any relief from the current situation is not promising and is a real threat to the viability of many community banks.

Region Roundup

LEAGUE OF KANSAS MUNICIPALITIES ANNUAL CONFERENCE

The Kansas City Fed helped develop and facilitate a program on workforce housing for the League of Kansas Municipalities Annual Conference on Oct. 10. The housing program combined research, resources and promising practices from the KC Fed, NeighborWorks, the Kansas Housing Resources Corporation (KHRC) and the Nebraska Investment Finance Authority with the intent to initiate dialogue in the state on workforce housing needs. For more information, contact: paul.wenske@kc.frb.org.

FINANCIAL EDUCATION IN THE WORKPLACE: THE IMPACT ON EMPLOYERS AND EMPLOYEES

The Denver Branch hosted a program on Financial Education in the Workplace in partnership with Operation HOPE on Nov. 2. The workshop provided business executives, human resource professionals and other interested stakeholders with information and resources on how to reduce employee turnover, enhance employee productivity and maximize existing benefits. For more information visit: <http://www.kansascityfed.org/community/denver-fed-ed-workshop-2011.cfm>.

ROUNDTABLES HELD THROUGHOUT THE 10TH DISTRICT

The Kansas City Fed hosted Community Reinvestment Act (CRA) roundtables in Omaha on Nov. 15, Oklahoma City on Nov. 16, Denver on Nov. 29 and Albuquerque on Dec. 13. The roundtables focused on a range



of lending and regulatory topics, including bank support for workforce development, regional economic forecasts and CRA strategic planning. For more information on upcoming roundtables, contact: Ariel.Cisneros@kc.frb.org.



Ona Porter, President and CEO of Prosperity Works, addresses a Community Reinvestment Act roundtable in Albuquerque, N.M.

NEW MEXICO TRIBAL HOMEOWNERSHIP COALITION

The Denver Branch partnered with the New Mexico Tribal Homeownership Coalition and Mortgage Finance Authority to conduct a forum on Dec. 14 for tribal housing leaders, government representatives and financial institutions. The event included a panel on current issues affecting tribal communities, including successes and challenges posed by the U.S. Department of Housing and Urban Development's Section 184 Indian Home Loan Guarantee Program, which covers mortgages designed specifically for Native American populations. For more information, contact: Ariel.Cisneros@kc.frb.org.

UPCOMING EVENTS

JANUARY 2012

- *January 27:* Low- and Moderate-Income Survey released, Kansas City
Contact: Kelly.Edmiston@kc.frb.org

FEBRUARY 2012

- *February 8:* Workforce Development Roundtable, Denver, Colo.
Contact: Ariel.Cisneros@kc.frb.org
- *February 24:* Quarterly Consumer Credit Reports released, Kansas City
Contact: Kelly.Edmiston@kc.frb.org

MARCH 2012

- *March 16:* Affordable Housing Resource Roundtable, Kansas City
Contact: Paul.Wenske@kc.frb.org
- *March 31:* Money Smart Day, Kansas City
Contact: Steven.Shepelwich@kc.frb.org

APRIL 2012

- *April 1-30:* Money Smart Month Kansas City
Contact: Gigi.Wolf@kc.frb.org
- *April 3:* Alliance for Economic Inclusion, Kansas City
Contact: Steve.Shepelwich@kc.frb.org
- *April 21:* Small Biz Day, Kansas City
Contact: Dell.Gines@kc.frb.org
- *April 23-24:* U.S. SourceLink National Conference, Kansas City
Contact: <http://ussourcelink.com/>
- *April 27:* Low- and Moderate Income Survey Released, Kansas City
Contact: Kelly.Edmiston@kc.frb.org

Kansas City Fed's First Small Biz Day in Omaha a Success

By Dell Gines, Community Development Advisor

The Kansas City Fed's Omaha Branch hosted its first Small Biz Day event on Dec. 10, attracting 240 people who attended sessions on entrepreneurship and received information on technical assistance programs.



Fourteen local non-profit and government-business support agencies participated in the public event, which was geared to the needs of start-up and existing, urban and Spanish-language entrepreneurs and small businesses.

A key goal was to assist entrepreneurs gain access to resources that can help them operate their businesses more effectively to enable them to take advantage of an improving economy and also to add value to their communities.

Small Biz Day was supported by the Omaha Metropolitan Community College, the U.S. Small Business Administration, the Small Business Association of the Midlands and the Omaha Small Business Network.

Small Biz Day events will be held in Denver, Kansas City and Oklahoma City in 2012. For more information, please visit www.smallbizday.kcfed.org.

COMMUNITY CONNECTIONS Winter 2012

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