



## “This is the year of the side hustle”

by: Jennifer Wilding

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Amid rising prices at the grocery store and gas station, Americans are being resourceful to try to make ends meet. Some, though, are preyed upon by those who would profit from their desperation. We heard this and much more when the Community Development Advisory Council (CDAC) met April 5-6 with Kansas City Fed President Esther George and the Bank's community development team. Council members arrived from across the seven states of the Kansas City Fed's Tenth District, ready to share what they saw happening in their communities.

The Kansas City Fed started the CDAC 20 years ago. Since then, the CDAC has been an ongoing source of partnerships and ideas for new focus areas and projects. To learn more about how the CDAC has influenced the Kansas City Fed, check out [this retrospective in TEN magazine](#).

[CDAC members](#) offer deep knowledge on subjects such as health, housing, technology and social services. Members at the April meeting included:

- Niki Lee Donawa, chief community relations officer, University Health (formerly Truman Medical Center), Kansas City, Missouri.
- Don Greenwell, president and executive director, The Builders' Association, Kansas City, Missouri.
- Scott Hoversland, executive director, Wyoming Community Development Authority, Casper, Wyoming.
- Dewey Jackson, president, Denver Area Labor Federation, AFL-CIO, Denver, Colorado.
- Geoff Jolley, executive director, Local Initiatives Support Corp. (LISC), Kansas City, Missouri.
- Cindy Logsdon, executive director/CEO, Citizen Potawatomi Community Development Corporation, Shawnee, Oklahoma.
- Angela McGraw, director, Do Space, Omaha, Nebraska.
- Neelima Parasker, president and CEO, SnapIT Solutions, Overland Park, Kansas.
- Amanda Peters, senior vice president, Vectra Bank Colorado, Denver, Colorado.
- Alan Ramirez, director of strategic lending, Colorado Enterprise Fund, Denver, Colorado.
- Jim Reiff, executive director, Nebraska Enterprise Fund, Omaha, Nebraska.
- Adrienne R. Smith, president and CEO, New Mexico Caregivers Coalition, Bernalillo, New Mexico.
- Awais Sufi, president and CEO, SchoolSmartKC, Kansas City, Missouri.

- Pete Upton, executive director, Native360 Loan Fund, Grand Island, Nebraska.

This meeting focused on the impact of rising prices on low- and moderate-income (LMI) people. What follows are highlights and key themes from what CDAC members shared. Comments reflect their members' own experiences. They do not reflect independent research by the Kansas City Fed.

**People are being creative and resourceful in the ways they respond to financial strain.**

- Cindy Logsdon: "This is the year of the side hustle. We are seeing more 'hobby' type businesses that people start in their spare time. This is likely what's going to get us through to the next phase and through the challenges they're facing right now."
- Jim Reiff: "One business owner I know is seeing more barter, more friends and family purchases, DIY fixes, more gig jobs and side hustles, and more overtime."
- Dewey Jackson: "With the national average of 2.5% of LMI households having more than one job, metropolitan Denver outpaces that by almost a full point. Mostly in the delivery sector, like GrubHub or Instacart, there are 3.4% of LMI households in Denver, Aurora and Lakewood trying to keep pace with rising costs. People need multiple jobs because of low wages. A single person needs to make \$28 an hour to live in the five-county Denver Metropolitan area."

**As LMI individuals struggle with higher prices, reduced savings and increased reliance on credit makes them vulnerable to predators.**

- Cindy Logsdon: "Citizen Potawatomi had a CARES Act-funded food distribution center that closed in December. Families are looking for alternatives and having a difficult time. Savings are getting depleted and credit scores are going down."
- Niki Donawa: "Car dealerships and outside investors are preying on low- and moderate-income households because they know these households are struggling financially and desperate for funds due to inflation, so these predators are offering cash for vehicles and houses, but at a below market value rate."
- Alan Ramirez: "Predatory loans have been increasing and continue to be a challenge. Early on it was fast money/easy money – payday lenders especially. We've done a lot of marketing and coaching about it, including with business owners. But at the end of the day, when a business needs money to meet payroll, they're probably still going to go through with (the predatory loan)."
- Pete Upton: "I see more and more credit cards maxed out by our Native population and predatory lenders are taking advantage. LMI households face the greatest danger of accumulating consumer debt/credit card debt due to not being able to make ends meet currently, and now with the added burden of predatory debt it will be difficult for LMI households to recover."

**Higher gas prices are a particular challenge for rural residents and home care workers. Large institutions, such as schools, are not immune.**

- Jim Reiff: “With unemployment still very low in rural Nebraska, rural employees easily found another job much closer to home. Flex work and work-from-home options are becoming more desirable, too, especially in rural areas.”
- Adrienne Smith: “While homecare employers are now paying \$13-\$14 an hour, up from \$10, it still lags behind the McDonald’s down the street. I worry about caregivers who work for agencies and who MUST travel between clients. These particular caregivers, as a group, may be struggling with higher gas prices because their employer is not reimbursing them for travel between clients once that worker is on the clock.”
- Geoff Jolley: “Area school districts with high mobility rates – often those serving communities with lower incomes – have disproportionately higher transportation costs. For example, Kansas City Public Schools spend nearly \$30 million annually on transportation.” Missouri school districts requested \$218 million across the state for additional transportation costs, which the legislature has so far not approved.

**Housing costs continue to rise due to increased construction costs, greater demand and the impact of the pandemic. Home loans of all types are less available to Native Americans than non-Natives.**

- Don Greenwell: “The costs of construction are significantly increasing – more than 20% for materials and more than 5% for labor – and this limits the number of additional affordable housing units. For existing affordable housing units, the costs of repairs are also significantly increasing as well as increases in real estate property tax assessments. This is putting upward pressure on rental rates.”
- Scott Hoversland: “Rent is continually increasing and those on a fixed income are unable to pay rent. Landlords are unwilling to rent to LMI tenants as they can get cash in hand in most cases instead of waiting for a rent check from ERAP (Emergency Rental Assistance Program) or an agency.”
- Amanda Peters: “Colorado is among the fastest growing states in the country. Between 2010 and 2020, the state’s population increased by 14.8%, an increase of almost 800,000 new residents. This increased demand creates strain on an already over-taxed housing inventory. In 2021, the average cost of a single-family home increased by 29%.”
- Pete Upton: “A Native360 study of housing loan activity in 2020 found that Native Americans were denied credit at the highest rates (of any race) in all forms of home lending.” Credit history and employment history were the top two reasons. “Native Americans’ denial rate in all categories was on an average 38.18%; non-Native was 10.99%. For denial of a home purchase, Native Americans were denied 50% compared with 11.49% for non-Native.”

**Tech is both a victim and beneficiary of the pandemic and increasing prices.**

- Angela McGraw: “As the cost of staple items increase, access to computers and internet services are seen more as a luxury. One mother told me, ‘I can’t feed the internet service to my kids, and I can’t use the internet to put gas in my car.’ Do Space has seen a 31% percent increase in computer lab usage over the past month. The surge can’t be attributed to inflation only, but it certainly plays a part.”
- Neelima Parasker: “Most of the tech industry has moved forward with ‘work from home’ or hybrid models that has reduced the dependency on transit to work. I see great opportunity for nonprofits, philanthropies or other sectors such as state governments to strengthen access to broadband and provide access to laptops and desktops to give LMI households the ability to train in technology fields.”

### **Some businesses are trying to help their staff members.**

- Niki Donawa: “More businesses are raising the minimum wage, and some are giving a cost-of-living increase to their employees to help overcome these cost pressures. Businesses are also trying to help by allowing employees to work from home so they can save money on gas and childcare.”
- Scott Hoversland: “I work part time at Home Depot. Company-wide, there have been increases in starting wages and an expedited hiring process. Also, each store is providing a food pantry so employees can spend less on food when working.”

### **Nonprofits are struggling to help LMI clients, and their own organizations, deal with inflation.**

- Scott Hoversland: “We have served more clients this last year than ever before and look for this to continue for the foreseeable future. The other side of the coin is the tremendous burnout rate for both staff and leadership in nonprofits nationwide. The last figure I heard was a 13% increase in the number of vacant nonprofit leadership roles.”
- Geoff Jolley: “Foundations have been stepping up with more operational support for nonprofits, given the pandemic. Funder attitudes around supporting operation costs are shifting.”
- Don Greenwell: “The cost of staff is often two-thirds or more of a nonprofit service-based business’s total expenses. Rising wage and salary levels are affecting the number of staff members providing services to LMI households.”
- Jim Reiff: “For nonprofits, inflation is leading to tightening impacts of programming. As the nonprofit world is often called on to work on issues that other programs don’t, there are risks of programs have even more limited impact.”

### **Workforce shortages continue, even as the pandemic recedes.**

- Geoff Jolley: “Workforce shortages are still being felt in critical areas, such as childcare, healthcare, teaching, and more. This creates burdens on those remaining in the respective fields, as well as increased costs to the families needing those services. While much of the cause for these shortages can be linked to the pandemic, we must take steps to address these shortages and create a pipeline of interested young people, lest future generations bear the impact long after the pandemic has ended.”

The community development team also asked CDAC members to tell us of any new developments having an impact on their fields or communities.

### **The war in Ukraine is driving up the cost to hire tech talent, opening new opportunities in the U.S.**

- Neelima Parasker: “Russia’s war in Ukraine has affected the tech industry more drastically and quickly than even COVID did. U.S. companies that traditionally used Ukraine tech resources were out of commission with very short notice. We have found ripple effects on our U.S. tech workforce already. In the next few months, the cost to hire tech talent will keep shooting upwards. Entry-level talent is already seeing six-figure salaries and more experienced employees in tech are starting to see salaries jump 100% over pre-war prices.” Tech companies are looking at new pools of employees, lowering bars to entry and focusing on skills rather than degrees.

### **Schools are considering new ways to approach learning post-pandemic.**

- Awais Sufi: “Schools (serving lower-income students) are seeing that gains made pre-COVID in terms of narrowing the achievement gap with higher-income students have essentially been lost. There has been a reassessment of learning approaches based on the more extensive use of virtual and self-guided instruction, the necessity of moving forward with fewer educators, and a greater emphasis on assessing ‘real world learning’ outcomes for students that point to job opportunities. This could suggest greater innovation and more effective learning models moving forward, assuming policy frameworks are structured to effectively advance these trends.”

### **Small business owners are clamoring for more technical assistance.**

- Jim Reiff: “I’m seeing more small businesses coming in for technical assistance. The pandemic has made it more acceptable to ask for help.”
- Alan Ramirez: “There’s a huge opportunity to provide technical assistance to small businesses. SBA/SCORE has a long waiting period. Our services are booked three to four weeks out. And immigrant folks need more help. We are doing more front-end work on the technical support when we see a business plan that seems viable.”

## Author



### Jennifer Wilding

#### Community Development Specialist

Jennifer Wilding, a community development specialist for the Kansas City Fed, provides communications, engagement, and research for the community development department. Wilding edits the Kansas City Fed's community development newsletter, "[Community Connections](#)" and takes on special projects. For example, she serves as project director for a community-engaged research partnership. The Kansas City Fed, a nonprofit and a neighborhood organization joined together to hear from neighborhood residents about broadband internet. The report will be shared nationwide. Before joining the Kansas City Fed in 2018, she was executive director of Consensus KC, a nonprofit consulting firm specializing in public policy and civic engagement. She worked on philanthropically funded projects in metro Kansas City, and for clients here and around the U.S. Wilding holds a B.A. in urban affairs from the University of Missouri-Kansas City. Her hobby is letterpress printing, using a 1,500-pound cast-iron press from the late 1800s. Highlights of her work include: [Getting to 'We Have a Deal.'](#) The three-part article shares how Investment Connection bridges bankers and community-based organizations. The article is on [Fed Communities](#), the national website about the Fed's work in communities. [Disconnected: Seven lessons on fixing the digital divide.](#) A layperson's guide to putting broadband, devices and training within reach of a community. [Focus groups with unemployed individuals](#) and with people from nonprofits that serve them, held in Chicago, Detroit, Denver and Kansas City. **About the Federal Reserve Bank of Kansas City** The Federal Reserve Bank of Kansas City is one of 12 regional Reserve Banks that, along with the Board of Governors in Washington, D.C., make up our nation's central bank. We work in the public's interest by supporting economic and financial stability. The Kansas City Fed's territory includes Colorado, Kansas, western Missouri, Nebraska, northern New Mexico, Oklahoma and Wyoming. Our headquarters is in Kansas City, with branch offices in Denver, Omaha and Oklahoma City. The Kansas City Fed Community Development Department promotes economic development and public understanding that leads to progress for lower-income individuals and communities. Our focus areas include community development investments, digital inclusion, small business / entrepreneurship, and workforce development.



## Media



Kansas City Fed President Esther George talks with CDAC members at their April meeting.



Geoff Jolley shares insights with his fellow CDAC and Kansas City Fed staff members.