

El Paso Branch NAACP Economic Development Committee Annual Report on Economic Impacts 2007

Introduction

The goals of the NAACP Economic Development Committee have been established at the national level. They are the following:

- Ensuring economic reciprocity
- Ensuring access to a living wage and discrimination-free employment
- Ensuring fair and equitable homeownership policies and procedures
- Promoting community wealth-building through savings and investment
- Promoting Entrepreneurship

The El Paso Branch Economic Development Committee identified tasks in its annual statement of work that are consistent with these well established goals yet peculiar to the needs of the community it serves. This issue of the Economic Development Committee Report focuses on three (3) areas of universal importance due to their major impact on the economic status of individuals and groups at the local, national, or global level. A fourth section addresses the economic outlook for El Paso, Texas and the surrounding region. The fifth and last section summarizes the issues already covered and makes recommendations that address these issues.

The following topics are addressed individually and summarized at the end, recognizing that interaction exist between them that may not quantifiable or easily represented.

1. Global economic factors
2. Economic impact of housing.
3. Economic impact of discrimination in the workplace.
 - A. Impact on Wealth building
 - B. Learning new skills
4. Local impacts and economic projections
5. Summary

It is hoped that this report is both interesting, informative and provokes discussion.

Jesse E. Fields, Jr., Chairman
Economic Development Committee

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Global Economic Impacts

More than any time in the past, the global factors impact domestic economic conditions at all levels. Decision-makers, policy advocates, and individuals whether public or private must be aware of these impacts and continuously monitor them. Energy, the flow of capital, interest rates, currency valuations, and the balance of trade are but a few of factors among nations that rapidly filter down from the international to local level.

Energy is the most obvious example of global impact at the local level, with fuel for heating and cooling and gasoline for automobiles soaring to average prices well above \$3.00 per gallon. This average price varies directly, with all other factors being equal, as the price of crude oil on the world market. The impact on individuals and groups in different economic strata vary according their wealth, with minority groups historically suffering the most due to lack of equity and lower income. In essence, these higher prices inflate away much of the resources that could be used for savings and investment.

The flow of capital between nations, though rarely followed by the average person on the street, impacts the banking system and equity markets based on perceived risk per return on deposited and invested funds. Banks, other intermediaries, and corporations realize increased or decreased profits and returns through corresponding lending and investment activity resulting in economic expansion or contraction.

Interest rates vary for many different reasons. The Federal Reserve System varies interest rate levels in their attempts to control domestic inflation and influence a low unemployment rate, but in doing so, often finds itself in a dilemma. Higher interest rates tend to attract international capital, while at the same time slowing down domestic economic activity, such as reductions in business expansion and individual consumption.

Currency valuations have become increasingly a problem with trading partners such as China keeping their exchange rate low compared to the dollar. This has resulted in balance of trade much in favor of China and the U.S. with mounting foreign debt. By far, the most troubling development is several countries in the Middle East and elsewhere rethinking tying the value of their currencies to the dollar. Many are contemplating replacing the dollar with the Euro.

In summary, policy makers, advocates and individuals must include the global dimension and its impact on the community in their decisions.

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El Paso Branch NAACP Economic Impact of Housing Report

As the El Paso economy is expected to perform well for the next several years, the housing market is expected to progress positively in the right direction. The El Paso housing market affects other markets that you generally wouldn't think of. Of course it creates jobs and income in the construction industry, real estate industry, and with financial institutions but it also helps retailers of furniture and appliances.

The median price of a home was under \$100,000 in the year 2000. In 2007, the median home price is \$125,000, a 6% increase from 2006, and projected to increase to \$134,000 by 2009. Median single-family home prices are projected to increase annually at approximately 3 percent in the next couple of years. When home values are increasing, it translates into better economic conditions for El Paso.

As the national mortgage market continues its decline, millions of homeowners could face foreclosure in the coming year(s). Unfortunately, a disproportionate number of those homeowners are minorities who were targeted for subprime, predatory loans. The El Paso real estate market should continue to stabilize, with limited continuation in property values declining. The refinance and home equity loan market are anticipated to show a very high reduction as compared to the loan volume experienced in the past several years. This will be a result of the declines in property values during the later part of 2006 and through-out 2007, with borrowers having exhausted equity gains realized from 2004 to 2006. It is anticipated to be room for the refinance market, especially for those borrowers needing to refinance from an Adjustable Rate Mortgage (ARM) to a Fixed Rate term.

There are only two basic types of mortgage loans, fixed rate with a fixed term, or adjustable rate mortgages (ARM's). Fixed Rate/Term mortgages have an interest rate that is fixed for the duration of the loan and the pay out is over a fixed period of time. The most common terms are 30years and 15years. Today, those rates are 6.25% and 5.75% respectively. Adjustable Rate Mortgages (ARM's) will have some type of adjustment prior to the maturity or the payout of the loan. Adjustments may occur with the principle and interest payment and/or the interest rate, at specified time period(s) throughout the lift of the loan. A Balloon note is a type of adjustable rate mortgage, as the loan does not fully payout prior to an adjustment occurring—lump sum payment due.

El Paso homebuilders constructed almost 4,200 homes in 2007 and are forecasted to build nearly 4,600 homes in 2009. The focus amongst the local homebuilders is to maintain more median price homes opposed to higher-end homes prices over \$250,000. Quite naturally, this is a result of demand and affordability. This raises concern for a

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Economic Impact of Housing Report Continued

potential problem for home ownership. It's merely imperative for this city to continue to promote agencies that focus on assisting families to develop assets and increase their quality of life through financial education, homeownership, credit management, and savings. A positive note is that the unemployment rate in El Paso County is continually dropping and per capita income is gradually increasing.

El Paso is expected to construct and open a minimum of 12 hotels with more than 1,300 rooms within the next two years. The real challenge will be to maintain a steady occupancy rate to eliminate revenues from dropping and causing "room price wars" within the city. Promoting the positive images of the city by the Chamber of Commerce and elected officials will be vital to enticing or alluring businesses and organizations to have more conferences and activities in El Paso.

Gregg Davis

Director of Housing
El Paso Branch NAACP

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Discrimination in the Workplace: Impact on Wealth Building

Of all of the factors which impact wealth building, none is so troubling than discrimination in the workplace. This is particularly true for minority communities. Discrimination in the workplace sometime takes on forms different in the 21st century than that in the past. Aside from erecting unnecessary barriers to entry and advancement to positions with higher pay and authority, many other problems persist. The result is lower lengths of employment in economically viable positions. Wealth building takes time. Adequate paying positions and stable employment are the foundation of wealth building in minority communities.

Observations over many years have confirmed as fact the “miracle of compounding.” This merely describes the process of returns on investments creating wealth and therefore wealth creating wealth over time. Documented evidence shows that the primary vehicle for creating wealth, in U.S. households and particularly minority communities, is the equity in ones home. Discrimination in the workplace prevents and delays the necessary amounts of income flows over time that allows investment in homes, securities, and business formation necessary to build significant amounts of wealth.

Discrimination also hinders the acquisition of key skills required in the market place. The development and training of engineering, managerial, and other skilled personnel requires eight years (high school thru college) or realistically sixteen years from elementary through college. It is imperative that the U.S. has adequate numbers of minorities in the “pipeline” to fill these positions of high (and unmet) demand and income levels. This has a direct bearing on the building of wealth over time. This also represents an opportunity loss to our nation as well as to the individual.

The NAACP’s promotion and action on diversity in the workplace and minority business development are vital components in its Economic Inclusion Initiative and must be aggressively pursued at all branches and embraced by the corporate community and government entities at all levels.

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Local Impacts And Economic Projections

The following discussion derives its insights from several sources, including the El Paso City Manager's Ft. Bliss/El Paso Liaison Office and the Greater El Paso Chamber of Commerce.

The economic outlook for El Paso and the surrounding region is very bright. Much cooperation and integrated planning has taken place by Ft. Bliss officials and organizations in the city of El Paso. The dominant factor driving the strong economic projections is the influx of military troops to Ft Bliss.

From 2008 to 2012, the number of troops projected to relocate to Ft. Bliss increases 9 fold. This projection includes spouses and children. The cumulative total population of troops, spouses, and children will be approximately 90,418 by the year 2012.

The economic impact of the projected growth at Fort Bliss will add over 43,000 jobs to the region's economy by 2012 and contribute over \$3.3 billion in Value Added (i.e. Gross Metropolitan Product). Efforts are underway to ensure that there is greater diversify in indirect impacts (other than just military-related industry areas). The Greater Chamber regularly conducts training seminars for those interested in government contracting and El Paso REDCo works continually to recruit defense industries to the region.

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Summary

Acknowledging that the areas addressed, by themselves, do not cover the entire spectrum of economic concern, global economics, housing, and discrimination in the workplace have crucial impacts on the economy at all levels, which are greatly magnified in the minority community in general and the African-American community in particular. The NAACP Economic Empowerment Program has taken action on several areas, affordable housing, and promotion of diversity in the workplace, financial empowerment, and economic reciprocity. The NAACP Development Committee will pursue following actions:

1. Collaboration. Establishment and/or participation in any existing programs related to economic empowerment in the area, regionally, and nationally. This includes partnering with other organizations
2. Financial education initiatives. Develop a formal program of financial education through the use seminars, information from newspapers, websites, and other reputable published sources regarding financial conditions and economic issues.
 - A. Housing seminars and counseling
 - B. Investing seminars and education programs
 - C. Wealth-building and entrepreneurship.
3. Advocacy. The NAACP must make its views known on decisions that have direct or indirect economic impacts on the community as a whole and minorities in particular.
4. Leadership. To ensure that minorities, are able to participate fairly in securing contracts, jobs, and any other benefits of present economic activity and the projected economic growth in this area.

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4. NAACP Economic Reciprocity Initiative.
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