Cities are the center of economic growth, social progress and innovation. COVID-19 will have long-lasting impacts on our communities, with the immediacy of the crisis still being felt right now. Cities throughout time have faced challenges, vast changes and civil strife, but our future—much like our past—will be urban. In 2020, and now in 2021, the presence of the novel coronavirus disrupted and threatened the lives of individuals, families, and vulnerable populations by exacerbating economic, health and social crises across America’s communities.

Introduction

The COVID-19 pandemic has disproportionately impacted Black, Indigenous, and People of Color (BIPOC) communities. Among states that report data by race and ethnicity, over 60 percent show higher-than-expected rates of infection among Black residents compared to white residents, and 76 percent show higher-than-expected rates of infection among Hispanic/Latinx residents.1 While the data is sobering, the pandemic’s disparate impact on BIPOC communities is unsurprising given the history and legacy of racial inequity in our country. There continues to be an urgency to address equity and inclusive growth among those communities. As cities continue to grapple with the negative ramifications of the virus, the pandemic has created a new, unfamiliar landscape that is reshaping how local governments look and function in the future.

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The political landscape across the world has been changing drastically, with a global contraction in democracy—and a pronounced rise in populism—in the last two decades. In fact, the relative calm that ensued at the close of the Cold War has been met with crisis after crisis. Politically, multiple issues have been particularly impactful: an increase in terrorism by non-state actors, the Great Recession, the rise of populism, the contraction of democracy, the ever-growing problem of climate change, and most recently, a pandemic. At the local level, while we have seen increasing levels of partisanship, we have experienced decreasing levels of compromise and coalition decision-making. This is most clearly elucidated at the federal level but can certainly be seen in state houses with the growth in preemptive measures taken against local governments. Local authority has been challenged and political party affiliation has grown more important for intergovernmental relations between cities and states. Cities and towns, while continuing to have mostly non-partisan election races, have felt the effects of this hyper-partisanship, most recently exemplified with the need for mask ordinances in response to COVID-19. This is just one area where cities and towns have faced challenges enacting their own ordinances, as some states have prevented local elected officials from enacting local mask mandates and refused to enact a statewide mandate.

Barring a great change in how our nation’s major political parties approach national and state governance, we can expect these trends to continue. As President Biden often reminds us, “There are no red states, no blue states, just the United States.” Cities must be viewed equally by the political parties, who must heed cities’ viewpoints on protests and uprisings, recognize geographic sorting of politically like-minded individuals, and address rampant inequality. While the overall political landscape can appear bleak at times, we can take solace in local leaders—of both political parties—who continue to focus on getting the work done and helping people in our communities.

This paper covers the following core shifts we observed in 2020 that portend great change in the coming years:

**Financial shifts:** Cities’ carefully built reserves are depleted from unexpected COVID-19-related expenses and will be slow to recover as sales and income tax revenues continue to decline. While historically slower to respond to economic downturns, property taxes are already beginning to decline. As many cities rely primarily on property tax revenues, cities should consider whether property taxes as the primary source of revenue are sufficient anymore.

**Economic shifts:** The financial crisis spurred by the pandemic presents a unique opportunity for city leaders to reimagine and create a fairer, more equitable economy. Cross-sector and regional partnerships will continue to be of critical importance, particularly as city budgets are constrained and federal relief appears unlikely.

**Demographic shifts:** COVID-19 has accelerated the demographic shifts that were already in progress, mainly those of families and young people moving out of big cities to the suburbs. These shifts are increasing the racial, ethnic and cultural diversity of suburbs.
which sometimes come with socioeconomic and political challenges. Yet, these shifts may create new opportunities for affordable housing in cities that serve the myriad needs of singles, families, and seniors across generations and income levels and are accessible to employment, healthcare facilities, and recreational opportunities.

**Racial Disparities:** Race continues to be the largest and most persistent factor in health outcomes, and the strongest predictor of one’s success in this country – COVID-19 is no exception. The fiscal impacts of COVID-19 on city budgets and tax implications are likely to have cascading and compounding effects on low- and middle-income families as issues such as affordable housing, education, and employment opportunities continue to come under treat. As cities and residents continue to recover and move forward from the impacts of COVID-19, cities must work to comprehensively to address policy and systems failure to improve health and advance equity.

**Built environment:** The fallout of the pandemic and subsequent economic crisis has caused cities to allocate an increasingly outsized amount of locally derived revenue on infrastructure needs, despite a tight budget. But the need for enhanced outdoor spaces for healthy, safe dining and accessible commerce has led to positive outcomes in the built environment such as recapturing street space from cars and allowing it to be used for people. Going forward, city leaders will need to devise innovative approaches to construction, maintenance, workforce, and financing to create new transit, housing and commercial space outcomes.

**Technology infrastructure:** Digital redlining in cities has left many marginalized communities without the connectivity or technology tools and skills they need to access jobs and educational resources. Cities can begin to address this longstanding issue—which has only been exacerbated by the pandemic—with the introduction of small cell and 5G technology. As small cell providers create master agreements with cities, city leaders can utilize them to require service to all areas, thus beginning to close some of the digital divide at the local level.

Local leaders must be at the forefront of addressing pandemic-induced crises as they balance leadership, politics, and management to restore the vitality and resiliency of communities. However, equitable recovery efforts do not come without major challenges as localities reckon with insufficient intergovernmental aid amid a pandemic-induced recession. Now that we are in 2021, the continued surge of coronavirus cases nationwide and the beginning of President Biden’s term will undoubtedly affect the recovery of cities. President Biden’s first 100 days are significant in that there are opportunities for the administration to support local elected officials through direct aid to cities, accelerating their recovery and restoring their health and well-being. The path for communities to achieve inclusive, equitable and sustainable recovery will not only require bipartisan assistance and collaboration from state and federal partners, but also involve public-private partnerships that will help address limitations and re-shift priorities through innovations and collaborations. While the future of cities is still being written, city leadership will continue to drive systemic change at the local level.
Financial Shifts

From rising unemployment to plummeting consumer spending in the wake of the COVID-19 pandemic, families and businesses are burdened with mounting financial insecurity. In response, cities are going to great lengths to spare their residents additional financial burden by instituting property tax deferments, business license fee suspensions and library charge cancellations. Unfortunately, many cities are also forced to severely cut services at a time when the community needs them most; layoff and furlough employees, who comprise a large share of America’s middle class; and pull back on capital projects, further impacting local employment, business contracts and overall investment in the economy.

As city leaders grapple with helping their communities face these new economic realities, they are also working to soften the blow to their own budgets, which, for many, had not even recovered fully from the Great Recession of 2007-2009. In fact, the Great Recession is still significantly impacting municipal policymakers more than 10 years later, as revenues have slowed in growth over the past few years. Now, the negative economic impacts of COVID-19 have plunged us into another recession—even if the Stock Market and financial indicators have bounced back sooner, the human impact has been immense, and a great swath of the workforce has been broadly impacted. While cities that generate most of their revenue from sales and/or income taxes will be hit hardest and quickest by the pandemic, cities that rely on property taxes will experience a less immediate collapse in their revenues. But all cities will have to manage revenues more conservatively.

WACO, TEXAS

Following the Great Recession, the city of Waco, Texas maintained a good financial standing by practicing conservative budgeting, meeting reserve requirements annually and investing in long-term capital projects. But the pandemic poses many uncertainties for the city. In addition to stalled capital projects, permanent job losses and an inactive tourism industry, the city’s main revenue sources are at stake. For the first time in a decade, Waco is beginning to see a significant decline in property tax collections, and sales tax collections are especially volatile due to a lack of consumerism. Despite these fiscal challenges, Waco is ensuring its local banks are SBA-certified in order to offer loans to small businesses through the Payment Protection Program (PPP), which has resulted in the creation of permanent jobs across Waco’s small businesses. Waco is prioritizing racial equity through an equity-focused microlending program to small businesses and entrepreneurs, in partnership with the NLC and the Kauffman Foundation.
As the lost economic productivity resulting from the pandemic takes root, particularly in the tourism and restaurant industries, city finances in 2021 and beyond will continue to take a hit. Furthermore, work behaviors and commuting patterns have changed and will affect how local governments finance transportation. Decreases in public transit and gas tax revenues can impact the future financing of roads and highways. This continues to threaten cities’ ability to provide basic services to residents today, but also capital investments in infrastructure, schools, parks and more in the long term. With uncertainty over future federal aid, and limited ability to raise revenues due to state tax and expenditure limits, cities may need to make significant budget cuts for years to come.

**Economic Shifts**

The stay-at-home orders and ensuing recession are likely to accelerate several pre-pandemic economic trends, each with the potential to accentuate economic disparities or alleviate them. These trends include the pivot to e-commerce by many brick-and-mortar businesses, the mass adoption of remote work, and the growing necessity of effective economic partnerships between municipalities and the non-profit, private and philanthropic sectors. Many cities have been on the cutting edge of these trends for decades; they have cultivated thriving entrepreneurial ecosystems and are able to both grow and attract talented young businesses. Other cities have substantial catching up to do. To make matters more challenging, the federal government has largely been put on hold as a result of the federal government’s failure to provide relief to state and local governments. As unemployment grows and otherwise viable businesses falter, city leadership expects the rate of entrepreneurship to increase and is exploring ways to support new business owners. They are also rethinking what the ideal blend of residential and office space is in their downtown area, as workers increasingly work from home.

**EAST POINT, GEORGIA**

Prior to the pandemic, the city of East Point, Georgia was actively pursuing an equitable economic development strategy focused on downtown revitalization, ensuring ample access to affordable housing, and negotiating community benefit agreements with developers and companies that receive public sector investment. Whereas these types of agreements often generate economic benefits for a region, East Point’s leadership has worked with the Partnership for Southern Equity to draft agreements that require developers to provide opportunities for advancement to city residents. Like many cities, however, East Point’s economic and community development plans have largely been put on hold as a result of the federal government’s failure to provide relief to state and local governments. As unemployment grows and otherwise viable businesses falter, city leadership expects the rate of entrepreneurship to increase and is exploring ways to support new business owners. They are also rethinking what the ideal blend of residential and office space is in their downtown area, as workers increasingly work from home.
The nature of work has been changing for decades, but cities now have much less time—and far fewer resources—to address the shifting landscape. The pandemic has accelerated a trend towards remote work that will give people more freedom in which cities they choose to live in. While remote work is unlikely to become ubiquitous any time soon, even a 10-20 percent increase would have far-reaching consequences for city residents and their local economies. To attract and retain talent, cities would be wise to consider the assets and amenities they can offer to draw in newcomers. To succeed in this effort, it is paramount for cities to set racial and gender equity as priorities. This means removing structural barriers that limit opportunities for women and people of color.

**Demographic Shifts**

The U.S. has been growing more diverse and getting older, but these trends manifest differently in rural, urban and suburban communities, and affect some more than others. In the past decade, small and large towns in Western and Southern states saw rapid growth, while small and large towns in northeastern and midwestern states either experienced minimal growth or population decline. Overall, the U.S. is experiencing slower population growth due to reduced immigration from abroad, lower fertility rate, and rising numbers of deaths associated with an aging population. Current data indicate that the crisis is only accelerating existing domestic migration patterns. While residents are generally staying close to home, millions of others have urgently moved—perhaps temporarily—but in numbers that could impact both urban and rural communities of all sizes. Younger residents, as well as urban residents, appear to be more likely to consider a move to cities in the Sun Belt in particular, with many seeking affordable housing or job opportunities.

Cities are constrained in their ability to implement creative solutions to address challenges and impacts from accelerated demographic shifts. Local leaders will need to think outside the box as public-private partnerships and private capital are vastly underleveraged right now. Most cities have anchor-based institutions in their communities, such as universities and healthcare institutions, who are major employers and real estate developers. Those relationships, for many cities, have yet to be tapped into. That has been a model in distressed urban communities, and local leaders should start looking at how to export those models to other places.

**TEMPE, ARIZONA**

The city of Tempe, Arizona has a significant aging population with specific needs, as well as a large college population that includes many international students. The last 10 months have highlighted where the city is falling short and areas for improvement across all demographics. Conducting wastewater tests for COVID-19 has given the city unique insight into where resources are lacking. In the immediate future, the city is focused on effective communication, both inside local government and with residents. In the long term, economic and workforce development will be key, particularly in ensuring that the city has a skilled workforce for its needs.
Racial Disparities

In 31 states that report COVID-19 data by race and ethnicity, the rate of infection for Black residents is higher than expected compared to their representation in the state population; in 39 states, the rate of COVID-19 infection is higher than to be expected for Hispanic/Latinx residents. These statistics are even more sobering in examination of death rates – Black Americans are twice as likely to die from COVID-19 compared to white Americans. This trend parallels the economic impacts of COVID-19, as Black and Latinx workers have been hit harder by job loss, and overrepresented in most essential industries. While the data is sobering, the pandemic’s vastly disparate impact on BIPOC communities are unsurprising given the history and legacy of racial inequity in our country.

Without targeted policy interventions, and intentional city governance, the historic and persistent disparate outcomes across housing, occupation, education, and health outcomes will inevitably persist, racial inequity will worsen, and inequality will deepen. As residents and cities continue to reel from the impacts of COVID-19, there will be long-term deleterious impacts if proper policies are not put in place to protect cities most at-risk community members. While newly emerging roles such as Chief Equity Officers are indeed important, it is not the responsibility nor is it possible, for one person in city government to be the impetus for all change. The role of government needs to comprehensively change to operationalize racial equity and share power with community members to improve health and advance equity.

GRAND RAPIDS, MICHIGAN

Before the pandemic, Grand Rapids, Michigan was very explicit about embedding racial equity into city operations. For example, all metrics collected by the city are disaggregated by race. As the city reels from an increase in gun violence, housing instability and small business decline, Grand Rapids is targeting support to Black and Latinx households understanding the disparate impact the pandemic and economic fallout has had on communities of color.

Grand Rapids built up reserves following the 2008 recession, which allowed the city to avoid furloughing any employees so far. This financial stability has afforded the city the ability to continue to respond to the crisis while simultaneously thinking ahead towards an equitable recovery. For cities that are not so fortunate, departments of equity and inclusion should be, now more than ever, considered an essential service. Cities need to think differently as they work through budget cuts and be clear that the city is committed to racial justice, thinking about addressing not only the immediacy of the crises but addressing the root causes of their disparate impact.
Built Environment

When creating cities of the future, city leaders will need to build adaptive and resilient cities that foster interconnectedness of systems and promote equitable outcomes for all. Existing federal funding trends point towards cities being largely on their own, however there is a hope that we can stem that tide and build long-term partnerships that support our communities. The current downward trend in federal aid for local infrastructure and housing represents an overall shift in cost from the federal to the local level, and cities have had to allocate an increasingly outsized amount of locally derived revenue on infrastructure needs as a result.

Cities have three key challenges to contend with over the next decade: identifying resources to build and maintain roads, sewers, water mains, and other infrastructure with diminished federal funding; confronting a generational crisis in the affordability of housing, particularly combined cost of housing and transportation; and addressing the current and growing impacts of climate change. It is imperative that city leaders focus on land use planning and development choices to combat these issues. As the fallout of the pandemic and economic crises squeezes city budgets and deepens longstanding racial disparities, city leaders will need to devise innovative approaches to construction, maintenance, workforce and financing to create new outcomes. This will include developing new affordable and missing housing for middle-income residents overlooked by the private market, adding transit that advances economic mobility and opportunity, considering shared equity approaches, and connecting communities in regional networks to leverage their assets. Rethinking current land use practices for transit, walking, housing and commercial space will be critical for improving outcomes in both economic opportunity and public health.

SEATTLE, WASHINGTON

The city of Seattle, Washington launched a first-of-its-kind program called the Transportation Equity Program in 2017 to improve and support access to affordable transit services specifically for communities of color, low-income communities, immigrant and refugee communities and others. Seattle launched the program to help institutionalize racial equity into the city’s transportation services, particularly as the income inequality gap has widened in response to rapid population growth.

Through this program, the city prioritized building community trust through engagement, using community members as a resource to drive transportation goals. The transportation equity working group was created, made up of community members with personal and professional affiliations with BIPOC communities, to develop recommendations for the city’s transportation goals. For cities across the nation, recognizing the critical role that transportation plays in fostering equitable, prosperous cities are important, but even more important is operationalizing that plan and including marginalized community voices at the table.
Technology Infrastructure

With the onset of the COVID-19 pandemic, technology, specifically technology and telecommunications infrastructure, has become a critical topic of discussion. From remote work and virtual schooling to voting and contact tracing, technology is deeply embedded at every level. Digital monitoring devices have been used in many countries to help track virus spread, and while this has been helpful for stemming further spread, it has also raised questions and concerns about privacy. Many parts of the U.S. still lack access to broadband, which has been highlighted by the pandemic. Cybersecurity, a large concern for local governments, has been brought into a new light given the digital nature of remote work and governance. Unfortunately local governments are left to try and solve these larger issues in their communities with limited resources and time.

Due to the increase in digital demand from the pandemic, there is a renewed urgency for local governments to address cybersecurity-related issues, including breaches in data privacy, the growing rural digital divide and outdated broadband infrastructure. The lack of investment in technology and telecommunications infrastructure in many communities across the country has highlighted the disparity that needs to be remedied. Nevertheless, there are opportunities to address digital inequities and promote digital inclusion through a bottom-up approach, including access to connectivity and hardware and digital literacy. How cities and communities address this divide and start to attempt to close it is a crucial conversation with long-lasting implications if left unaddressed or done without equity at the forefront.

SAN LEANDRO, CALIFORNIA

In the city of San Leandro, California, public-private partnerships have allowed it to advance its technology infrastructure. Cybersecurity and broadband have examples where these partnerships have worked well in addressing the city’s need. The city is also trying to think about how to strategically use data to close gaps. Lack of connectivity has broad implications that affect residents’ ability to access services like telehealth, impedes children’s access to education due to remote learning, further isolates aging populations, and affects residents’ ability to find employment. Closing these gaps is a top priority in San Leandro.
Conclusion

Transformative shifts in our external landscape have exposed and exacerbated economic, social, and health inequities within our current governmental ecosystem affecting the behaviors, practices, and trends of local leadership, governance, and politics. While the nature of work has been constantly changing for decades, cities must grapple with pandemic-induced shifts and their implications with insufficient resources, particularly from the federal government, and state preemptions of local authority. In particular, the fiscal impacts of COVID-19 on city budgets and tax implications are likely to have cascading and compounding effects on low-and middle-income families as issues such as affordable housing, education and employment opportunities continue to come under threat.

Demographic shifts will continue to influence politics, with geographic sorting that has been happening for a generation, more deeply cementing party identification throughout the country. In addition, the growing urban-rural divide will continue to inform our political climate with divergent political beliefs and priorities found in cities and metro areas compared to rural America. How city leaders navigate the increasingly polarized landscape will have great impacts economically and socially.

Without targeted policy interventions, and intentional city governance, the historic and persistent disparate outcomes across housing, occupation, education and health will inevitably persist, and racial inequities will deepen. To combat this, cities must develop a clear understanding of history, and the intentionally discriminatory and exclusionary policies that have led us to today, so they can be clear-eyed about the fulsome response that is needed to reverse the impacts of those policies. The role of government, and how it addresses policy, needs to change comprehensively to operationalize racial equity and share power with, and improve the health and well-being of community members. As cities and their residents continue to reel from the impacts of COVID-19, there will be long-term deleterious impacts if proper policies are not put in place to protect cities’ most at-risk community members. Particularly as cities are approving budgets, cities need to think about targeted investments to ensure that all residents benefit.

While the pandemic has created tremendous economic strife in America’s communities, a positive outcome is the emergence of collaboration among city, county and state leaders to better leverage resources and develop common goals to further recovery efforts. Local leaders must continue to take advantage of those partnerships, as well as balance leadership and management, to make cities thriving places centered on people. Through collective action and good resilience planning, cities can be prepared, and with regional or intra-state collaboration, they do not have to do it alone.
Endnotes


