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Municipal Strategies to Narrow the Racial Wealth Divide

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About the National League of Cities

The National League of Cities (NLC) is the voice of America's cities, towns and villages, representing more than 200 million people. NLC works to strengthen local leadership, influence federal policy and drive innovative solutions.

About the Institute for Youth, Education and Families

NLC's Institute for Youth, Education and Families (YEF Institute) helps municipal leaders take action on behalf of the children, youth, and families in their communities. NLC launched the YEF Institute in January 2000 in recognition of the unique and influential roles that mayors, city councilmembers and other local leaders play in strengthening families and improving outcomes for children and youth.

About NLC's Race, Equity and Leadership Department

NLC launched Race, Equity And Leadership (REAL) in 2014 in response to a growing need expressed to NLC from its members. REAL's goal is to create equitable cities where everyone thrives, including people of color, by helping cities, towns and villages build their internal skill and capacity to apply racial equity to their policies, practices, and procedures.

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Contents

Introduction

FOR CENTURIES, white households have possessed significantly more wealth than households of color, the result of the nation's long history of institutionalized racism in education, health, housing, and employment, among many other systems. Consequently, the racial wealth divide - or the gap between overall assets held by different racial groups - is vast and growing in the United States. The average Black and Hispanic household in the United States earns about half as much as the average white household and owns only about 15 to 20 percent as much net wealth, according to research released in October 2021 by the Federal Reserve Board.[1] The report further found that the wealth divide has widened more significantly over the past few decades than wealth inequality overall.

These racial disparities threaten the health, safety and welfare of American cities, which can only thrive when all residents have equal opportunities to participate in and benefit from a strong economy. As such, initiatives that reduce racial wealth disparities should be high priorities for city leaders seeking to promote economic stability and mobility in their cities. With racial tensions growing in American cities and more data emerging that spotlight economic inequities, cities are increasingly utilizing the power of city hall to take action to reduce the devastating impacts of many generations of racism and inequitable policies.

The National League of Cities (NLC) developed this resource to increase city leaders' understanding of how to approach and design impactful strategies to reduce the racial wealth divide. The guide is intended to complement existing resources and tools within the field while focusing on the unique role of municipalities, and to seed new ideas for city staff and leaders. This report is developed from a series of interviews with city leaders and national experts to gather the information and strategies discussed in this brief, including:

- **Guidance from a national advisory group.** NLC formed a national advisory group on the racial wealth divide to obtain feedback on promising approaches and evidence-based strategies that create long-term and impactful outcomes to reduce the racial wealth divide in cities. Members of the advisory group included: Dedrick Asante-Muhammad, National Community Reinvestment Coalition; Julie Bosland, Living Cities; Dr. Darrick Hamilton, The New School; Lillian Singh, Prosperity Now; and Ashleigh Gardere, Policy Link. The advisory group provided feedback on focus areas within the report and NLC's approach to developing the framework's principles.

- **Interviews with city leaders and staff.** NLC interviewed local leaders and staff from eleven cities to learn how they are working to prioritize and reduce the racial wealth gap. These cities were selected for interviews based on their demographic and regional diversity and their demonstrated efforts and commitment to racial equity. The eleven cities interviewed were Albuquerque, NM; Des Moines, IA; Evanston, IL; Houston, TX; Madison, WI; Memphis, TN; Miami, FL; Richmond, VA; Rochester, NY; Stockton, CA; and Tulsa, OK. Additional cities were consulted on specific strategies.

- **Virtual roundtable.** NLC held a virtual roundtable discussion with the eleven cities in 2021 to solicit feedback on the development of the components of the municipal racial wealth divide framework. The convening also provided an opportunity for NLC to delve deeper into promising city actions.

- **Additional research.** NLC conducted a review of existing research on racial wealth inequities, as well as materials and reports about best practices for reducing the racial wealth gap. Additional information about strategies and approaches from cities taking part in other NLC initiatives was also gathered.

This report seeks to share strategies and ideas obtained from the cities and national experts consulted. It does not, however, claim to be a comprehensive guide outlining all the programs and policies that seek to reduce racial wealth inequities. NLC acknowledges that there are many more important strategies that cities can undertake which are not included in this report.

BIPOC is a term that stands for Black, Indigenous and People of Color and recognizes that not all people of color have the same histories or levels of oppression in the United States.

Why Focus on Wealth?

WEALTH, WHICH REFERS to the total sum of income and assets a household has, is particularly critical to the goals of economic security and mobility. Unlike income, wealth can be passed on from one generation to another. Savings, a family home, investment accounts, or a business can be inherited and has the unique ability to help a household start off on the "right foot." Wealth provides at least some degree of financial buffer against the unexpected and unavoidable costs of life – the unplanned car repair or hospital bill, the lost job – and can lead to investment in education, homeownership, or other critical financial opportunities. It makes sense, then, that there is a proven correlation between wealth and economic stability and mobility.[2]

It is also not surprising that without access to intergenerational wealth, economic inequities between whites and people of color have continued to widen. Historical discriminatory policies such as the Jim Crow laws made it impossible for Black Americans in the South to accumulate wealth. Later, discrimination in employment, housing, and education continued to place barriers in the paths of families of color to advancing their economic mobility and having wealth to pass along to their children. The COVID-19 pandemic has both spotlighted the racial wealth divide and further widened inequities because of negative economic impacts disproportionately devastating communities of color with higher rates of job and income losses, greater difficulty securing basic needs, and a larger number of COVID-related hospitalizations and deaths.[3]

As the country continues to grapple with the long-term economic impacts of the pandemic and other economic changes, city leaders remain on the front lines, taking action to stabilize their residents' health, safety, and economic security. Local elected officials and city administrators are closer to the ground than other levels of government. They are well-positioned to learn about and respond to residents' needs quickly and effectively. New federal funding coming directly to municipalities for the first time through sources such as the American Rescue Plan (ARP) Act or the Bipartisan Infrastructure Investment and Jobs Act, create opportunities to prioritize and invest in reducing the racial wealth divide.

Though cities across the U.S. are at different stages of commitment and advancement in implementing strategies to expand economic mobility for residents, there are many opportunities to act. And while local leaders cannot do it alone – meaningful change requires sincere engagement and commitment from the private sector, state and federal government and community members – they also cannot afford to wait on others to act.

While no one strategy or policy change can, by itself, close the racial wealth divide, efforts to narrow it could nevertheless go a long way towards increasing the health, welfare, and financial opportunities in BIPOC (Black, Indigenous and people of color) communities. Doing so has the potential not only to create a more inclusive city, but also a more prosperous one. According to a study by McKinsey & Company, closing the racial wealth divide could increase real Gross Domestic Product by four to six percent by 2028.[4] Additionally, given that people of color are likely to represent the majority of the U.S. population by 2045,[5] cities that can successfully support BIPOC residents to increase household wealth will likely fare better in the future, both socially and economically.

Principles of an Effective Municipal Racial Wealth Divide Strategy

IN DEVELOPING THIS report, NLC staff spoke in depth with national experts and city elected leaders and administrators to better understand what they consider to be the most critical principles of an effective racial wealth divide action plan. This section presents their top five.

PRINCIPLE ONE

Center racial equity in municipal policies and practices

The work of centering racial equity begins with the intentional inclusion of voices and ideas of communities of color. Centering racial equity requires the centering of people of color in the development of strategies to improve outcomes. Those most impacted by the racial wealth divide must be part of developing the solution. As Bryan Stevenson, Executive Director of Equal Justice Initiative and Darren Walker, President of the Ford Foundation have indicated "The people closest to a problem are also closest to its solution." While engagement of the community at large is an important function of any healthy government system, addressing systemic issues such as the racial wealth divide requires more. It requires a specific approach of centering people of color, who have been most impacted by inequities in wealth based on policies practices and procedures that intentionally and unintentionally caused racially inequitable outcomes.

Centering racial equity requires a city to assess key municipal policies, practices, and procedures with a racial equity focus across all city departments and agencies. Maintaining a racial equity lens and addressing racial inequities that lie deep within city systems requires a commitment to changing the way a city makes decisions and leaves it well-positioned for continued equitable approaches in all domains that can survive administrative and political changes.

Centering racial equity is a long-term, iterative process that requires an investment of time and resources. City leadership must be committed to the vision of a racially equitable future as well as have the courage and endurance to guide staff through the organizational change process leading to a new way of carrying out city functions. The specific ways in which any given municipality chooses to center racial equity may vary depending on the municipalities' unique opportunities and challenges. Absent a comprehensive strategy, municipalities may unwittingly adopt a piecemeal approach that may improve a single metric but not produce the type of systemic and transformational change needed to meaningfully reduce the racial wealth divide.

PRINCIPLE TWO

Engage BIPOC community members whose voices and ideas often go unheard

Again, and again, history has shown that decisions made without representation from communities of color have led to inequitable policies and practices that have fueled the racial wealth divide. City leaders and administrators can change that – and must change that – by actively and intentionally engaging BIPOC community members and leaders. Specifically, BIPOC residents must be engaged in each step along the way in creating a municipal policy or practice. This means before identifying a problem, drafting a potential policy to address it, and then seeking input from the residents impacted by the problem, city staff must understand that people of color living in the impacted community have the best understanding about the community's strengths and challenges. And those same residents have the most relevant ideas about how best to address the community's priorities.

Genuine engagement requires involvement from a wide range of residents, including not only those who support and advocate for change, but also those who may be more skeptical of, or even opposed to change. It is important to cast a wide net to residents to ensure that proposed strategies align with residents' priorities. Listening to and genuinely seeking to understand residents' lived experiences are critical to creating a future that looks different than the past. This helps to build community ownership of policies and ensures that programs move forward.

An extensive resident engagement process in **Tulsa, Oklahoma** informed the city that long-standing racial disparities and inequities within BIPOC communities were stalling resiliency efforts despite city investments in several well-intentioned programs. In **Evanston, Illinois**, public meetings and community roundtables led to community healing after confronting anti-Black rhetoric and centering data to guide new solutions. **Albuquerque, New Mexico** Mayor Tim Keller led a six-month community engagement process, collecting feedback from thousands of residents which led to the creation of a new community safety department of unarmed first responders trained in behavioral health to assist with crises.

PRINCIPLE THREE

Create a citywide vision for eliminating the racial wealth divide

Underlying a citywide vision for change is a shared understanding among key stakeholders of the city's history, and how it led to the racial wealth inequities in communities today. As a precursor to creating real systemic change, city leaders and staff, in partnership with residents of color and other key stakeholders, must invest time to understand the city's history, including acknowledging the city's historic role in present-day racial inequities. Doing the hard work of understanding a municipality's own role in creating and/or fueling the racial wealth divide and engaging in dialogue with residents who have experienced racism, can assist city elected leaders and staff to gain a more complete understanding of the root causes of the community's current racial wealth divide and its systemic nature. As a city gains more clarity on the drivers of the racial wealth divide, staff and elected leaders can work with residents and key stakeholders to create a citywide vision for change.

In alignment with mayoral priorities, cities can develop a city-wide action plan with strategies that advance the common vision and include specific targets that hold the city accountable for progress toward eliminating the wealth divide. In addition, hiring individuals with close ties to the community allows continuity and sustainability of existing community efforts. Moreover, city staff who lead anti-racism trainings should incorporate data about historical inequities, such as city land transfers, to inform city employees about economic injustices that may have occurred and to ensure new policies produce favorable outcomes that align with the city's proposed racial wealth gap agenda. The process of creating a citywide vision should ensure that awareness is achieved using multiple communication vehicles and training formats.

In 2018, **City of Albuquerque, New Mexico** Mayor Tim Keller launched a new Office of Equity and Inclusion with a mission to be a city that is a national model for racial equity and social justice. The new office brought the city's history of wealth and land transfer into an anti-racism framework to help city employees understand economic injustice in Albuquerque's history and to include these concepts into program and policy design to build towards the city's desired outcomes. In 2020, the city implemented its Equity Training Initiative for city employees to "enhance the role of local government in dismantling institutional inequity and building more inclusive and equitable practices." In addition to internal buy-in and visioning with city staff, Mayor Keller made a joint commitment with more than thirty local community organizations to cross-sector racial equity practices by joining RacialEquityHere.org sponsored by Race Forward, Living Cities and the Haas Institute.[6]

PRINCIPLE FOUR

Establish a mechanism for benchmarking and measuring success over time

To fully understand the unique circumstances of a city's racial wealth divide, data collection on key wealth measures by race is critical. Who has wealth in a community? What are the demographics of homeownership? What are the education levels of various populations? What do BIPOC residents in that city identify as urgent needs? What progress has been made to address those needs and how is that progress measured? Through collecting and analyzing relevant data, cities that may be grappling with the sense of the racial wealth divide as an urgent, yet abstract or overwhelming challenge can recast it as a set of specific and measurable metrics that can be improved upon over time.

Through data collection and analysis, cities can establish a series of baseline metrics that can serve as markers against which to define and measure progress in quantifiable terms. Cities can consistently revisit these baseline metrics to determine where there is and is not progress, and can reform policies and practices accordingly. Doing so also better positions municipalities to adopt strategies based on concrete outcomes and to target both community-level and multi-generational impacts. The **City of Memphis, Tennessee** regularly sets goals for contracting and analyzing key racial wealth divide measures. In partnership with the Memphis Office of Business Diversity and Compliance, the city has helped 234 firms earn $19 million in new revenue and created 171 new jobs.

PRINCIPLE FIVE

Assess key municipal policies and practices through a race equity lens

Once city leaders and staff understand the historic drivers of the racial wealth divide, the next step is to consider how existing policies and practices may be contributing to the racial wealth divide. Some existing policies and practices may actively – if unintentionally – exacerbate racial disparities. Others may actively reduce disparities, and still others may not directly influence the divide one way or another. Understanding the implications of key policies and practices positions municipalities to then begin conversations – both internally and with BIPOC community members – about changes needed to create more equitable policies and practices that intentionally seek to reduce the racial wealth divide and how best to prioritize the necessary changes.

When assessing existing municipal policies and practices, it is important to consider both those that already specifically target residents of color as well as those that do not. Assessments should utilize data to assist with development of a deeper understanding of how different racial and ethnic groups within a city are impacted by local policies and programs across city agencies. This lens can help cities in partnership with communities of color change policies, practices and procedures to achieve different outcomes and address systemic racism. There may already be equity efforts underway that are succeeding, and this could be replicated or expanded upon. Others that are not could be reworked to increase efficacy to ensure that services and programs reach and support targeted communities.

One approach some cities have taken to ensure they are applying an equity lens to programs and policy is “targeted universalism”, a framework developed by U.C. Berkley professor john a. powell. Within a targeted universalism framework, universal goals are established for all groups, but the strategies developed to achieve those goals are targeted, based upon how different groups are situated within structures, culture, and across geographies to obtain the universal goal.

The **City of Richmond, Virginia’s** Equity Agenda encompasses 10 guiding principles to advance equity by ensuring each department within the city applies its work, both internally and externally, through an equity lens.[7] As one example, the Richmond City Council voted to revamp the city’s affordable housing partial tax exemption program to promote homeownership more specifically among low- and moderate-income residents.

PRINCIPLE SIX

Institute a feedback loop to ensure continuous improvement

As with so much else in municipal government, success in reducing the racial wealth divide takes time, reflection, and a willingness to look critically at what is and is not working. This can be achieved by establishing a feedback loop between residents, stakeholders, and city government to ensure continuous improvement of programs and policies designed to reduce racial wealth inequities. To that end, it is important to create formal mechanisms for collecting and analyzing impact data and to commit to doing this on a regular basis. Similar to a city budget, the act of collecting and analyzing data in and of itself reflects a city's priorities, as it requires investments of time, money and other municipal resources. Data can be collected across the spectrum of city government agencies, including race, gender, household makeup, housing, age, income and much more. Many municipalities are creating open data portals to provide accessible and transparent data.

Cities can design city-wide processes that ensure new municipal policies and programs across city departments are assessed regularly using a racial equity lens and do not negatively impact BIPOC communities. For the cities interviewed by NLC on their racial wealth divide work, diverse stakeholders were essential to strengthen cross collaboration. Stakeholders can be within the city but also county or regional. Change will not happen overnight. But sincere reflection on the impact data, and genuine commitments to adjusting policies and practices at regular intervals in response to that data, can go a long way towards creating meaningful progress.

City Strategies to Narrow the Racial Wealth Divide

THERE IS NO single panacea for eliminating or reducing the racial wealth divide. However, there are multiple levers that can be pulled at the municipal level to begin to meaningfully address it. Through consultation with NLC's national advisory board and interviews with city elected leaders and staff, NLC has identified a number of promising initiatives underway in various cities across the country to reduce the racial wealth divide. While this report only spotlights a handful of city strategies, there are many more cities across the country undertaking efforts to meet similar goals. Rather than a comprehensive compendium of city examples, this report provides a small glimpse into city programs and policies aimed at reducing racial wealth inequities. While these examples are grouped by policy area, NLC recognizes that many of these domains overlap, and that creating progress in one domain is likely to help catalyze progress in another.

STRATEGY ONE

Entrepreneurship and Small Business Development

The notion that municipalities can actively support small business owners is nothing new. However, there is a difference between an initiative that broadly seeks to support small business owners, and one that more narrowly aims to promote entrepreneurship as a means to shrinking the racial wealth divide. For the latter approach, cities must consider not only the business owners' short-term needs, but also the longer-term challenges, such as succession planning to ensure that wealth remains within a family or community. Assisting entrepreneurs to succeed over the longer-term is critical to creating the sorts of businesses that can generate and sustain generational wealth for entrepreneurs of color and their families.

Targeted resources

Multiple studies have shown that entrepreneurs of color face different business challenges than their white counterparts. Whereas most entrepreneurs use personal or family wealth to start a business, Black entrepreneurs are more likely to rely on personal credit cards, a result of both higher loan denial rates and also the fact that they had less wealth to begin with due to longstanding inequities.[8] The **City of Fresno, California** is making a concerted push to support the unique needs of the city's entrepreneurs in different racial and ethnic groups, based on feedback from the small business owners, many of whom are speakers of Spanish, Hmong and Punjabi. After learning that many small businesses lack access to a computer and that nearly all have access to a cell phone and at least one social media platform, the City partnered with Bitwise Industries, a Fresno-based technology firm, to create a digital "one-stop-shop," a need identified by the entrepreneurs through listening sessions. The hub is being designed to be easy to navigate via cell phone and will provide guidance on a variety of needs identified in the listening sessions, including how to access government grants and services.[9]

Employee ownership

Across the country, municipalities are promoting employee ownership models to stabilize businesses and provide employees with opportunities to create wealth. In December 2020, **New York City** launched Employee Ownership NYC to teach business owners about employee ownership as a possible succession strategy and provide technical assistance and, in some instances, financial support. This builds on the foundation laid by City Council through the Worker Cooperative Business Development Initiative (WCBDI), a program administered by Small Business Services (SBS). The New York City Council had already invested more than $15 million since 2015 to catalyze a tenfold increase in cooperative small businesses and to create employee ownership strategies in its industrial business sector. Following this investment, more than 90 percent of worker-owners in New York City are people of color. Similarly, Berkeley, Boston, Miami, Minneapolis, Madison and Philadelphia have all funded technical assistance related to employee ownership.[10]

Succession planning

In the United States, 83 percent of retirement-aged small business owners lack a formal exit plan,[11] placing at risk not only their hard work, but also the opportunity to preserve and pass on wealth created through the business. The **City of Denver, Colorado** launched the Family Business Preservation Program to increase multigenerational business ownership as a way to build community wealth.[12] The program prioritizes businesses located in rapidly changing neighborhoods where "residents are faced with a rising cost of living, while locally-owned businesses struggle with increased rent costs and the need to diversify their businesses to attract new customers from the evolving community," as identified by NEST, the city's Neighborhood Equity and Stabilization initiative.[13] The NEST initiative was created in 2018 with the intention of helping provide longtime businesses and residents opportunities to remain in place.

STRATEGY TWO

Workforce Development

Like entrepreneurship, the notion that local government can and should promote workforce development is nothing new. However, there is a difference between workforce initiatives that support a range of goals more broadly, and ones that are more narrowly targeted at shrinking the racial wealth divide. To promote more equitable wealth creation, workforce initiatives must seek to ensure that people of color have access to employment that offers the higher wages and career advancement opportunities needed for workers to build up savings, invest in themselves and their families, and accumulate assets.

Apprenticeships

Apprenticeships offer an opportunity to build pathways to more resilient jobs and high-paying careers. Apprenticeship programs also present an opportunity to increase the number of women or BIPOC individuals working in targeted high-paying sectors. Municipal leaders can work with the public and nonprofit agencies under their direction that deliver services to residents to expand the apprenticeships operating within their communities. New America's Center on Education and Labor has noted that cities can increase the supply of apprenticeships by working with the agencies they direct in key employment sectors such as construction, renewable energy, information technology, healthcare, and social services. The **City of Tacoma, Washington's** Public Utilities Department offers apprenticeship programs to prepare individuals for various types of technician careers. The program actively recruits women and people from BIPOC communities for these positions to broaden the impact of these high-paying positions.[14]

Training for emerging, in-demand sectors

Municipalities that are attuned to emerging growth opportunities in promising sectors can target those employment prospects to residents who have been excluded historically from jobs or growing fields. Active outreach to BIPOC participants for training programs and ensuring programs are accessible and are paid will open new mobility pathways that can increase wages and long-term wealth prospects. The **City of New Orleans, Louisiana** has a goal to grow jobs in the "green" industry and to make sure that opportunities and wages from that growth land in the hands of BIPOC residents. Through its *Thrive Works Green* program, the city works with individuals who have historically reaped the worst impacts of environmental degradation and faced barriers to employment, such as previous incarceration or other systemic hardships. The program aims to train these targeted groups in green infrastructure and water management fields that are high-opportunity, sustainable and have higher wages than many other fields. Participants earn wages as part of an eight-week apprenticeship training program and come away with a nationally recognized Green Certification allowing them to earn up to 60 percent more than a typical untrained construction worker.[15]

Holistic supports for retention and advancement

Helping residents find jobs, even in high-paying fields, may not be enough by itself to move the needle in reducing racial inequities. Cities can play a role in helping residents maintain jobs and advance to higher paying employment as a way to maintain economic well-being and support wealth building for future generations. Holistic supports and wrap-around services such as child care, access to training and education, and connections to housing supports can allow workers to remain employed and move into higher paying employment. For almost 30 years, the **City of San Antonio, Texas** has invested in Project QUEST, a long-standing, nationally recognized workforce development model that provides individualized supports at a variety of points in the training and employment cycle. Project QUEST offers college-based studies, the bulk of which are directed towards associate degrees from an area community college or professional training institute, and, in some cases, certificate programs. Through their studies, participants acquire the necessary credentials to secure a job in specific employment sectors that Project QUEST has identified as offering living-wage careers, including healthcare, manufacturing and trades, and IT and cybersecurity. To help participants to succeed, the program offers a range of wraparound services, including rental assistance, scholarships, job interview preparation, and funds for tuition and books. While the program is available to all residents, Project QUEST reports that over 70 percent of their graduates represent BIPOC communities. A nine-year study found that graduates of Project QUEST earned an average of $46,580 in the final year of the study and were able to move up the economic ladder.[16]

STRATEGY THREE

Homeownership

The relationship between homeownership and wealth creation is well-documented and manifold. Homeownership offers a consistent, predictable housing payment that can serve as a buffer against rising housing costs, the chance to build equity, and a potentially valuable asset that can be passed down to future generations. For most families in America, homeownership represents the greatest generational wealth transfer, and a meaningful step towards economic stability and mobility.

Yet in the U.S., the prosperity that homeownership offers is not shared equally. The homeownership rate for white households is about 72 percent, as compared to about 42 percent for Black households and 48 percent for Hispanic households.[17] Even among homeowners, there are gaping racial disparities in the value the asset provides. The value of a home owned by a typical white family is $230,000, as compared to $150,000 for the typical Black family and $200,000 for the typical Hispanic family.[18] By promoting homeownership among residents of color, local governments can not only help to shrink the racial wealth divide, but also address the nation's history of discriminatory lending practices, such as redlining, in the housing market.[19]

Down payment assistance

The down payment required to purchase a home is one of the major barriers to increasing homeownership rates among people of color. There are roughly 1.7 million mortgage-ready Black renters in America who could afford a median-price home if they could come up with a 10 percent down payment.[20] Down payment assistance programs are common in cities across the country. However, there is significant variation in cities and therefore in programs available. Many cities offer down payment assistance to first-time homebuyers but do not focus their strategies to reach BIPOC residents. Some cities are taking action to ensure communities of color are aware of, and have access to, homeownership assistance programs. The most effective programs provide adequate funding to ensure the homeowner can meet the down payment requirements, as opposed to partial funding that may leave them still unable to purchase the home. For this reason, the Center for Responsible Lending recommends a minimum of $20,000 per applicant and potentially increased in high-cost markets.[21] Other important criteria include whether the financing is forgivable, and if not, the repayment terms.

The **City of Milwaukee, Wisconsin** has intentionally focused its *Collective Affordable Housing Strategic Plan* through a racial equity lens. Through research, data analysis and input from the community and several action committees, the plan includes a root cause analysis, and recommended approaches from a diverse set of stakeholders from neighborhoods and sectors across the city. The plan included four priority strategy areas, two of which focused on increasing Black and Latino(a) homeownership. Among the strategies planned is a goal to expand down payment assistance. The city intends to "achieve 8,250 new opportunities for Black and Hispanic homeowners" over the next 10 years. Other strategies included creating an acquisition fund for homeownership and coordinating lenders to provide more affordable loan opportunities.[22]

Rehabilitation

Home repairs and updates can be both critical to maintaining a home and are more difficult to afford for homeowners with lower incomes. According to the Joint Center for Housing Studies of Harvard University, 4.8 million households representing 30 percent of the lowest-income homeowners (defined as those with annual incomes under $32,000) spent nothing on maintenance or improvements in 2019. Additionally, their research shows that when households with lower incomes do invest in home remodeling, a larger portion goes towards maintenance, replacements and disaster repairs, meaning the repairs are likely less optional and more imperative to preserving the property.[23] To help homeowners to afford these sorts of critical repairs, some cities offer targeted assistance.

The **City of Orlando**, **Florida** offers a variety of supports to existing homeowners with low incomes depending on eligibility and the availability of funding from the Florida Housing Finance Corporation earmarked for the initiative. The first $15,000 of assistance is provided as a grant, the next $25,000 comes with a 10-year lien, and funds above $40,000 include a 15-year lien. The owner must meet income guidelines and must remain current on the mortgage, property taxes, home insurance and utilities. The program loan will be forgiven if the property remains the owner's principal residence for the duration of the lien.[24]

Reparations

Providing reparations payments to families and their descendants who have suffered from racist systems and policies in employment, housing, and the many years of suffering and unpaid labor during slavery in the U.S. is not a new idea. However, discussions about reparations have gained momentum in the aftermath of the murder of George Floyd in 2020 and the Black Lives Matter movement. Some cities have begun discussions about reparations initiatives, including **Detroit, Michigan** whose City Council approved a measure to convene a reparations task force in July 2022.[25] In 2019, the **Evanston, Illinois** City Council voted to create the Reparations Fund to address historical wealth and opportunity gaps experienced by Black residents. Funded with revenue from legal marijuana sales, the City's first reparations program focuses on housing because of evidence showing the City's part in housing discrimination as a result of early City zoning ordinances in place between 1919 and 1969. In 2021, the City Council approved the first allocation of $400,000 – four percent of the $10 million in designated funding to support reparations – to provide eligible participants with up to $25,000 in mortgage assistance, down payment assistance and funding for home improvements. To be eligible, individuals must have lived in Evanston between 1919 and 1969 or be a direct descendant of an individual harmed by discriminatory housing policies or practices during this time. Individuals who lived in Evanston after 1969 and can demonstrate discriminatory housing practices by the City may also be eligible.[26]

STRATEGY FOUR

Income, Savings and Debt Reduction

When contemplating strategies to reduce the racial wealth divide, it is helpful to consider both sides of the household balance sheet. Creating wealth through the accumulation of assets is clearly critical, but so too is debt reduction. Debt can make it impossible to build savings or invest in an education, a home, or other pathways to wealth creation because of long-term impacts on credit scores and background checks. And it can increase the likelihood that future financial burdens will be met with unsecured debt, such as payday loans or high interest credit cards. Because of inequities in income and white households' greater access to wealth, the ability of households of color to repay debt is often drastically reduced. Cities can take steps to support programs that invest in the financial health of families and children and also reform inequitable systems that often strip wealth from communities of color and trap low-income people in a cycle of debt.

Children's savings accounts

Children's savings accounts (CSAs) are long-term savings or investment accounts that provide incentives to help children, especially low-income children, build dedicated savings for postsecondary education. Research shows that when a low- to moderate-income child has a savings account intended for postsecondary education, they are three times more likely to enroll in college and four times more likely to graduate.[27] Thanks to their documented successes, CSAs are growing in popularity among local and state governments, with roughly 125 programs serving more than one million children nationwide as of 2021.[28] While CSA initiatives are often universal for all students, they can have an impact on racial wealth inequities by making postsecondary education more accessible. The **City of Lansing, Michigan**'s *Lansing SAVE* program supports students' postsecondary education access across the full timeline of the education experience. It begins with an automatic opening of a CSA account with a $5 deposit for all Kindergarteners in the school district. The program also provides a range of other supports, including grade-appropriate financial education lessons during elementary school, and postsecondary supports that become available in middle and high school, such as assistance with postsecondary scholarships and FAFSA funds and access to free, individualized ongoing financial counseling for students once they reach age 18.[29]

Guaranteed income

To accumulate wealth, households must first be able to cover basic needs. Guaranteed income initiatives provide program participants with routine, unrestricted cash payments. Across the country, nearly fifty cities have launched guaranteed income programs since 2020.[30] One of those cities was **St. Paul, Minnesota**, which launched a pilot that that provided 150 St. Paul households with $500 per month for 18 months. The pilot was offered exclusively to families participating in the City's CSA program, called CollegeBound Saint Paul. In 2022, with $4 million in American Rescue Plan funds and $1 million in philanthropic funding, the City announced CollegeBound Boost, a new demonstration project that provides 333 families with low-incomes that are enrolled in the CSA program with a combination of $500 a month in cash payments and deposits of $1,000 a month into each child's CSA for 24 months.[31] CollegeBound Boost embeds an equity lens by providing an equity bonus into the accounts of children from historically under-resourced communities and ensuring all of the content on the program website and program materials are translated into the five major languages spoken in the city.[32]

Debt reduction

Various studies have found that the type of household debts held by people of color are more likely to be harmful than that held by white households because they are costlier and riskier.[33 34] Such debts include payday loans, credit cards, car loans and student loans. Student loan debt, in particular, has been a large contributor to the growing racial wealth divide. BIPOC students must take out larger, and sometimes riskier student loans to pay for postsecondary education due to existing wealth disparities. They are also more likely to experience negative financial events after graduating, such as loan default and their ability to repay the loan is impacted by lower earnings resulting from employment discrimination. According to the Brookings Institution, four years after graduation, the average Black college student owes nearly $53,000 in student loan debt, as compared to about $28,000 for their white counterparts.[35] While local governments may be limited in what they can do to assist residents to reduce student loan debt, the new federal Public Service Loan Forgiveness (PSLF) program provides relief for public service employees carrying debt from student loans. City leaders can pass along information about the program to city employees to ensure that they are aware of the opportunity and how to take advantage of it.[36]

City leaders also can assess the effectiveness and impacts of municipal revenue systems. Local governments rely on fines and fees to fund city budgets, yet too often BIPOC residents are disproportionately impacted by biased policies to levy and collect revenue owed to cities and also blatant racism in the criminal justice system. A 2017 U.S. Commission on Civil Rights report reviewed census data from 20,000 cities and found a positive correlation between cities' Black and Latino(a) populations and their reliance on fines and fees.[37]

Some city leaders understand the negative consequences of their fines and fees structures and are engaging their residents and partnering with community organizations to reduce harmful practices. By closely examining how they assess and collect fines and fees, cities can identify racial disparities and enact policy and procedural reforms that can reduce debt for BIPOC families. Local leaders in **Durham, North Carolina** learned from county-wide data that 80 percent of the active license suspensions in the county were applied to people of color, mostly Black and Latino(a) drivers. Realizing that license suspensions can severely limit the economic stability and mobility of families, the city created the Durham Expunction & Restoration Program (DEAR) program. DEAR resolves residents' old traffic charges that are causing long-term driver's license suspensions. Since its inception in 2018, the program has waived approximately $2.7 million in fines and fees for over 11,000 low-income residents and has assisted 35,600 residents in successfully dismissing 51,116 traffic charges causing long-term driver license suspensions.[38]

STRATEGY FIVE

Municipal Administration and Operations

Municipal governments are in a unique position to address the racial wealth divide by applying an equity lens to both *internal* and *external* processes – legislation, city infrastructure, city government structure, etc. City leaders can effect real change when internal structures and budget priorities reflect a commitment to engaging BIPOC residents and reducing racial wealth inequities.

Budget equity tools

How funds are allocated in budgets are the best way for cities to demonstrate their commitment to a particular issue or program. To ensure a city budget is equitable, some cities utilize a budget equity tool which is designed as a set of questions to determine if and how budget allocations are advancing equity goals. In 2019, **City of Rochester, New York** staff sought to demonstrate the city's commitment to racial equity through the budget process by piloting a budget equity tool. The effort was part of a grant-funded, multiyear citywide initiative to train staff across a range of departments on understanding racial inequities and how they could be addressed through municipal policies and practices. According to staff at the city's Office of Management and Budget, incorporating new ideas into the city budget process is the most effective way to make long-term impactful changes. The tool not only applies to decisions about how best to allocate funding, but also guides decisions about new policy ideas or how departments can collaborate toward common equity goals.[39]

Since piloting the tool, the City of Rochester has reimagined the budget process by leading with equity to guide annual investments in staffing and programs. In 2021, the City Council approved a charter amendment requiring all city departments to consider the implications of racial and gender equity when drafting annual budgets.[40] Both the city and county governments have each set aside $1 million annually that departments can apply for to address racial disparities identified through the budget process. "This tool really does reflect a cultural shift at the City," reflects Sarah Boyce, an analyst in the city's Office of Management and Budget.

Procurement practices

Municipalities spend upwards of $1.6 trillion a year, a not insignificant percentage of which is procurement contracts. These contracts, under city control, offer meaningful opportunities to create equitable access to wealth building for local BIPOC businesses. Conducting a disparity study to better understand whether municipal contracts are or are not reaching businesses of color is an important first step. Outreach and support programs to assist local small businesses owned by BIPOC residents to apply for city contracts and to obtain credit can go a long way in reversing disparities in contracting. Critical partnerships with community colleges and chambers of commerce, coupled with investments in business incubators can create new opportunities to provide technical assistance and mentoring to help small business owners or to support them through the procurement process.

The **City of Memphis, Tennessee** conducted a disparity study in 2016 which reviewed local contractors and found few BIPOC-owned businesses located in the city to meet the city's contracting needs. As a result, the city created an Office of Business Diversity and Compliance that supports new local BIPOC business owners and streamlines their procurement accountability.[41] The **City of Houston, Texas** offers local businesses several capacity-building programs that prepare them for securing contracts with the city. While only one of these programs targets minority businesses, approximately 70 percent of participants are Black business owners.[42]

Conclusion

RACIAL WEALTH INEQUITIES in the U.S. have existed for hundreds of years and continue to grow at alarming rates. Left unchecked, the growing racial wealth divide could greatly harm the economic well-being of everyone - whole communities and cities. Municipal leaders are beginning to understand the critical need to reverse this tide and are well-positioned to take bold actions to close racial wealth gaps.

A 2021 national survey of 126 mayors of cities with more than 75,000 residents found that two out of three are concerned “a great deal” or “a lot” about the racial wealth gap in their communities.[43] With new federal resources, available data to better understand inequities and promising strategies to look toward and replicate, local leaders, in partnership with their BIPOC residents and community partners, can implement city-wide approaches that prioritize equity using the key principles discussed in this report. While cities alone cannot reverse the impact of many years of racist systems and structures at all levels of government, they also cannot afford to wait for federal and state policy to close the racial wealth divide.

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