



A MUNICIPAL POLICY BLUEPRINT

FOR A MORE INCLUSIVE PATH TO PROSPERITY

PROSPERITY
NOW

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About Prosperity Now

Prosperity Now (formerly CFED) believes that everyone deserves a chance to prosper. Since 1979, we have helped make it possible for millions of people, especially people of color and those of limited incomes, to achieve financial security, stability and, ultimately, prosperity. We offer a unique combination of scalable practical solutions, in-depth research and proven policy solutions, all aimed at building wealth for those who need it most. For more information visit prosperitynow.org.

Acknowledgements

Thank you to Prosperity Now staff Holden Weisman, Solana Rice, Kamolika Das, Dedrick Asante-Muhammad, Jeremie Greer, Doug Ryan, Roberto Arjona, Kate Davidoff and Katie Windham. Special thanks to partners Cy Richardson from the National Urban League, Marisabel Torres from UnidosUS and Joyce Pisanont from National CAPACD.

Special appreciation to the Kresge Foundation whose generous support made this report possible.

THE KRESGE FOUNDATION

About Kresge Foundation

The Kresge Foundation was founded in 1924 to promote human progress. Today, Kresge fulfills that mission by building and strengthening pathways to opportunity for low-income people in America's cities, seeking to dismantle structural and systemic barriers to equality and justice. Using a full array of grant, loan, and other investment tools, Kresge invests more than \$160 million annually to foster economic and social change. For more information visit kresge.org.

America's cities represent both the idealistic promises of opportunity and the crushing struggle created when those promises are only delivered to a few. Rising financial inequality and a major racial wealth divide have split too many cities into haves and have-nots. Yet, cities are also uniquely well-equipped to deal with these challenges. Their obviously local nature allows them to focus on the specific challenges of their low-income communities and communities of color to work directly with residents most in need of a new opportunity and all too long neglected.

This Municipal Blueprint is designed to guide municipal leaders and advocates toward meaningful, manageable and moveable policy solutions for building financial security within communities of color. We include approaches and strategies that complement both city-level advocacy and the tools and concepts described for racial wealth equity advocacy in our [Racial Equity Primer](#). The policies presented here will not solve every problem, but they can lay the first steps along a pathway to prosperity for all city-dwellers.



INCOME BOOSTS

While income inequality is a nationwide problem, it is especially acute in cities. This inequality is particularly stark along racial lines, due to historical and ongoing policies. These policies will help ensure that all city residents are able to not just get by but get ahead.

Raise the minimum wage for workers to be consistent with the local cost of living

Increase the minimum wage of city employees and use the contracting process to influence the wages and employment practices of city contractors

Promote and provide access to safe and affordable banking products

Promote free and low-cost tax preparation services and tax credits



CONSUMER PROTECTIONS AND DEBT MANAGEMENT

Access to good credit is essential for families to make major asset purchases, especially if they lack basic savings to weather a financial storm. These policies help historically marginalized communities build credit and access safe debt in order to stay out of poverty and save for their futures.

Inventory and reform municipal fines and fees

Enact responsible banking ordinances

Regulate predatory small-dollar lending and products



SUPPORT AFFORDABLE HOUSING AND HOMEOWNERSHIP

Affordable housing and homeownership is a cornerstone of economic prosperity. However, households of color have historically faced major institutional barriers to finding and preserving safe and affordable housing. These policies create the opportunity for all families to rent, purchase or maintain a home.

Support Residents In Staying In Their Current Homes

Protect tenants facing eviction by providing legal counsel and a fund to cover legal fees

Prohibit source of income discrimination against renters using Section 8 vouchers

Provide mortgage foreclosure diversion and property tax diversion programs

Help Afford Homeownership

Fund and promote housing counseling and downpayment assistance

Support Individual Development Account programs

Pursue shared equity programs



MUNICIPAL EFFORTS TO BUILD ASSETS

Asset ownership launches families' abilities to build wealth and prosperity over generations. These policies promote education, entrepreneurship and citizenship as key assets.

Encourage saving for college through a Children's Savings Account Program

Prioritize entrepreneurs of color for procurement and contracting

Ease financial barriers to obtaining citizenship



APPROACHES AND STRATEGIES

These policies are not silver bullets, nor will they be equally successful in every city. When adapting these policies, cities should use the following strategies and approaches to fit these solutions within specific local contexts to address and evaluate potential policies' impacts on racial wealth equity.

Lead by acknowledging racial disparities

Determine the appropriate role for city government to play on specific policies

Pilot integration of services

Policies should be data-driven, reflective of local challenges and strengths of communities of color, and evaluated through data collection

Centralize financial security with dedicated city staff

Collaborate, collaborate, collaborate

Determine the best means to fund programs through budgets or partnerships

Great cities are not solely built from brick and mortar. The true building blocks of a thriving city are strong communities that provide the foundations for all families to enjoy financial stability, growth and prosperity for generations to come.

America's cities are facing an identity crisis. They simultaneously represent the idealistic promises of opportunity and reveal the crushing struggle created when those promises are only delivered to some. More and more cities are becoming distinctly places with haves and have nots, with a racial wealth divide that adds fuel to a tinderbox waiting for a spark.

We have reached the point where serious choices must be made to ensure pathways to financial security, wealth and prosperity are open and clear to all. Far more often than not, our cities are first to rise to the challenge and innovate when these struggles are laid bare through direct and frequent interactions between policymakers and constituents, neighbors to neighbors. The obviously local nature of municipal policymaking grants city leaders and service agencies, more than states, the flexibility of roles, responsibilities and means to serve as the laboratories necessary for change in the very communities—namely, communities of color—that were once overtly neglected by broad and generic federal or state laws.

Great cities are not solely built from brick and mortar. The true building blocks of a thriving city are strong communities that provide the foundations for all families to enjoy financial stability, growth and prosperity for generations to come. The challenge presented to municipal leaders is that in many communities of color, the cornerstones have yet to be laid.

Deep challenges require bold solutions, and these bold solutions need plans to come to fruition. Blueprints represent such plans and present a vision for the way the world or, in this case, our cities could harness the possibilities of more equitable financial security.

The factors that have led to this point are numerous with deep historical and institutional roots. This document is mindful of the causes of the racial wealth divide that starkly persist in many of our cities. But rather than focus on what has led us to this point,¹ we hope to take the present challenges as our starting point to guide municipal policymakers toward the components—families, wealth, services, access and protections—that can build more prosperous cities.

This Blueprint is designed to guide municipal leaders and advocates towards effective solutions for building financial security within communities of color. The policies outlined are meant to provoke action, build upon successes and inspire combinations of newer, bolder strategies that address the specific needs of city- and county-level challenges. But it also acknowledges that the abilities of municipalities to enact effective policy varies greatly from city to city. Readers should not consider these policies as one-size-fits-all models for closing the racial wealth divide. Instead, we encourage both policymakers and advocates to see this document and the policies we propose first as real options that can be put to action today and second as a launching point for dialogue, innovation and collaboration between communities of color, government agencies, community-based organizations, philanthropies and local leaders.

These policies complement the commitments made by leaders who demonstrate a willingness to address challenges head on, like those on the National League of Cities' Task Force on Economic Mobility and Opportunity and the solutions they present in [*Keeping the American Dream Alive*](#).

For business leaders and programmatic funders, this Blueprint also provides insight into opportunities, partnerships and a chance to be at the forefront of corporate responsibility and community development in cities across the country. To a lesser extent, state-level policymakers may also benefit from this document by recognizing the leadership that is emerging from their cities. Though the policies presented here are intended to inspire action at the municipal level, most, if not all, are solutions to problems that extend well-beyond city limits and should raise awareness and a call for change in statehouses as well.²

The local nature of this document demands understanding of the context through which each individual city can enact policies—a far greater challenge than faced at the state-level. Readers will find in this Blueprint policies to address racial inequalities in economic mobility and opportunity framed within the unique roles and responsibilities of city governance, policymaking and influence. The policies and strategies presented throughout this document will be connected to these various roles, which include:



Regulator/Policy Maker – The most direct role a city has to use its governmental and regulatory authorities to enact new codes, laws or regulations that address challenges, prohibit predatory practices or create new programs.



Service Provider – Municipalities (cities and counties) are often responsible for providing social services to families in need. This direct contact with families allows municipalities a unique vantage point in meeting families where they are and integrating financial capability and other financial security tools into social services.



Employer – In many municipalities, city governments and city agencies are large-scale local employers. As such, cities can demonstrate the effectiveness of workforce-related policies by enacting them first among their own city employees. These demonstrations can encourage private employers to follow suit or reduce resistance to citywide workforce-related policies once evidence of effectiveness is shown within the city's own workforce.



Advocate for State Policy – Enacting policy at the local level can encourage state policymakers to advance broader state-level policies to address challenges identified by municipal leaders that extend beyond city limits. Local policies can also spur innovation at the state level when municipalities reveal shortcomings or gaps in state laws.



Developer – As builders of large-scale projects like affordable housing, commercial real estate, recreational facilities and infrastructure projects, municipal leaders can determine how such projects are built, where they are built, who builds them and how they are financed. Each of these decisions are opportunities to consider

impacts on racial equity, including, directing opportunities toward minority-owned businesses and communities. Within this role, city agencies can also set standards for the employment practices of contractors, subcontractors and future occupants of development projects.



Funder – Cities can recognize the importance of addressing the needs of communities of color by partnering through and with community-based organizations (CBOs) in the neighborhoods where these families live, learn and work. They can also directly support this work by providing funding, contracts and other resources to these CBOs.



Convener – Policies should not be developed in a vacuum. Municipal leaders must hear from diverse voices when addressing a problem, none of which are more important than the voices of residents living in communities that cities are seeking to serve. As a central authority, municipal leaders can bring neighbors, organizations, business leaders, philanthropists and other stakeholders together to gain broad and meaningful insight in policy development and implementation.



Influencer with Purchasing Power – With often substantial treasuries and the need to place these revenues in financial institutions, cities can use their depository heft to influence the practices of the financial institutions with which they choose to do business. This particular influence can be leveraged to strongly encourage financial institutions to work with city agencies or CBOs to direct or increase financial services and lending opportunities to underserved communities of color.

What's in the Blueprint, and What's Not?

This Blueprint aims to support local government leaders and advocates interested in advancing a more inclusive path to prosperity. Of course, we recognize that forms of local government vary wildly from region to region and as such, the logistics of implementing these recommendations must be tailored to each local political subdivision. In certain areas, mayors and city managers may play a larger role in developing and proposing policies. In others, their role is strictly to carry out directives from city, town, and county councilmembers, commissioners or managers. We also recognize that there is currently an outpouring of progressive policy innovation at the local level and one could easily write several dissertations about the numerous city ordinances passed in the last two years spanning minimum wage, health coverage, expanded preschool and much more.

Instead of trying to cover all possible local policies, this Blueprint focuses on a few policies that are *meaningful, manageable and moveable*.

- “Meaningful” policies have a significant positive impact on the financial security, wealth and prosperity of communities of color. Not all the recom-

mended policies have clear evidence that they disproportionately impact communities of color, but in these cases, we provide ample reasoning as to why these policies are more likely to target communities of color based on other publicly available information.

- “Manageable” refers to the ease and practicality of implementing the policies. For example, we have not included policies that would be prohibitively expensive for most cities to adopt or overly complex.
- “Moveable” means that the recommended policies are likely to garner political will and would not require serious legislative changes at the state level. This is best evidenced by the fact that the policies have working examples in other cities and are backed up by existing research on the impact of the policies on communities of color.

This document is not intended to be a comprehensive list of all policies a city could undertake to build wealth and financial security among its communities of color, but it does lay the groundwork for understanding policies with high-impact. These options are organized into four complementary policy areas that contribute to a broader focus on racial wealth equity—boosting income, protecting consumers, increasing ownership of assets and enabling homeownership.

Despite being meaningful, manageable, and moveable, the policies recommended here can be challenging to implement especially with the goal of advancing racial wealth equity. As leaders and advocates begin this journey, we encourage them to be cognizant of the calculus required to develop effective policies and advocacy strategies to truly move the needle on racial wealth equity. To assist in this process, we strongly recommend readers explore how to design and implement these policies with mindfulness and awareness of racial equity policymaking by reading [Racial Equity Policy Design and Advocacy: A Primer](#).³

Preemption and Jurisdictional Roles

While this Blueprint focuses on policy recommendations and proposed actions for cities, we are also aware that the subdivided nature of our laws and policies can sometimes come into conflict. As such, there will be instances where federal or state laws will override specific cities’ abilities to enact laws or regulations—a principle known as preemption. This document attempts to identify many of the points where these conflicts arise, but the sheer breadth of variability from city-to-city and state-to-state makes it impossible to capture all potentially preempted policies here.

Certain policies may involve overlapping jurisdictional authority when put into practice. In some places, county or consolidated metropolitan service agencies may be responsible for the actual enactment, implementation or oversight of a policy. While we recognize that this can be a substantial complication for the success of policies in these areas, we must focus the Blueprint on policies that can be applied in the broadest number of cities. Nonetheless, for most if not all of

those mentioned here, we strongly encourage engaging key stakeholders who are critical to successful implementation of these policies, both within city limits and beyond.

Note on Data and Charts

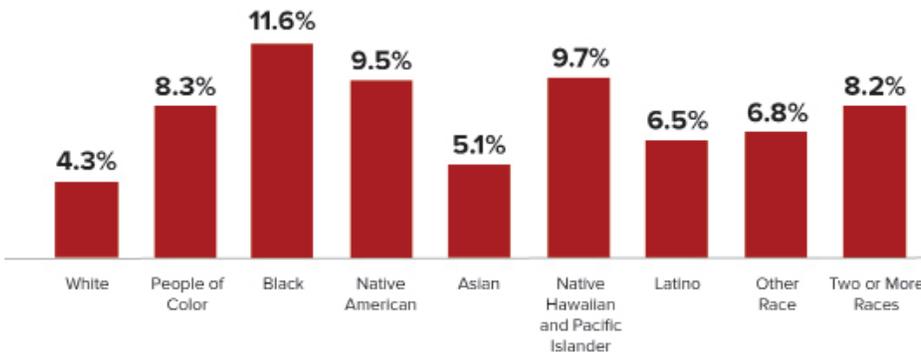
Charts presented throughout this document display data on mid-sized cities defined here as those with populations between 300,000 and one million residents. Cities with populations within this range provide the most reliable estimates of wealth for the included measures without skewing the data toward the largest cities—those with populations greater than one million residents. However, data used elsewhere in the text of this document may reflect cities that extend beyond this range.

INCOME BOOSTS

While the path to prosperity is not linear, employment and a livable wage are foundational aspects. The national unemployment rate has steadily declined for years, and unemployment and underemployment are still below pre-recessional levels in many parts of the country. Those who are employed are working for far fewer returns, often working multiple jobs and still not making ends meet. Almost one in four jobs across the nation is in an occupation that pays below the federal poverty level, meaning less than \$24,300 annually for a family of four.⁴

Average Unemployment by Race

(Cities with Population between 300,000 and 1 Million)



All workers of color are more likely to be unemployed than White workers in mid-sized cities. However, Black workers are nearly 2.7 times more likely to be unemployed than White workers to be unemployed in these cities.

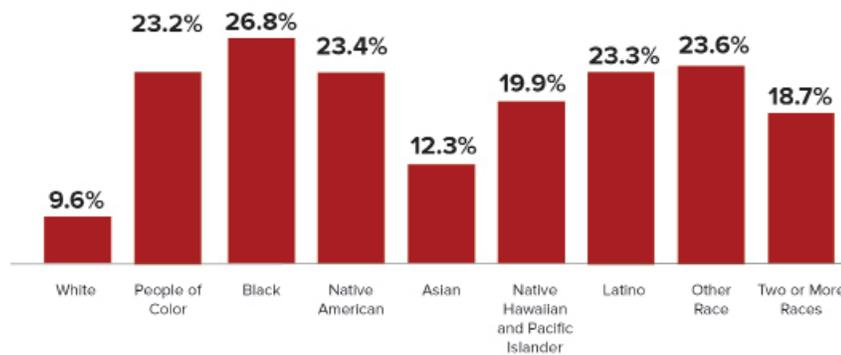
Source: 2016 American Community Survey.

Even more disconcerting are the huge racial disparities in both employment and income. As shown in the chart above, Black workers are over twice as likely to be unemployed compared to White workers even when accounting for education

level. Latino workers fare slightly better, but are also more likely to be unemployed than their White counterparts. Further, Black, Asian, and Hispanic workers constitute a larger share of minimum-wage earners than their share of the overall workforce.⁵

As low- and middle-income households have struggled to get ahead, those at the top of the income distributions have benefitted the most from the recent economic recovery. Cities, especially, struggle with higher levels of income inequality compared to their states. Even in Utah, where income inequality is the least in the nation, the top 20% of earners in Salt Lake City earn over five times as much as the bottom 20%. Not only do cities bear the brunt of our national inequality crisis, this inequality is particularly stark along racial lines.⁶ For example, across Georgia, almost twice as many households of color are income poor compared to White households; however, in Atlanta, almost twelve times as many households of color are income poor than White households.⁷ The chart below illustrates that in cities with 300,000 to 1 million residents, 27 percent of Black families and 23 percent of Latino families face income poverty, compared to 10 percent of White families.

Average Income Poverty by Race in Mid-Sized Cities



All workers of color are more likely to be unemployed than White workers in mid-sized cities. However, Black workers are nearly 2.7 times more likely than White workers to be unemployed in these cities.

Source: 2016 American Community Survey.

Such racial income disparities are the result of historical and ongoing policies and institutional racism that benefit White households, sometimes at the expense of others. This section will focus on avenues to ensure that low-wage households and especially those of color are able to make ends meet and weather financial hits. These avenues include raising the minimum wage, increasing benefits, making mainstream financial services more accessible and supporting community tax preparation. There are, of course, other policies that have the potential to boost employment and income for low-wage workers, but we will not delve into them because there is either conflicting research about their effectiveness or the resources required to administer the policies are prohibitive for most municipalities.

Other Policies to Ease Financial Instability

- **Direct Deposit and Frequent Paychecks for City Employees:** As employers, cities can mandate direct deposit for their employees and pursue options for more frequent pay. Cities can partner with financial institutions to set up prepaid card options for those without bank accounts. Admittedly, this policy requires plenty of administrative capacity, but having more frequent paychecks allows households without access to credit to pay for day-to-day expenses without relying on costly loans.
- **Ban the Box:** This policy aims to fight discrimination against the formerly incarcerated by removing questions regarding conviction history from employment applications. Although the policy is instituted in over 45 cities and counties, questions remain about whether the policy spurs more racial discrimination in hiring. Visit bantheboxcampaign.org for more details.
- **Prohibit Credit Reports in Hiring:** Similar to Ban the Box, this policy is more commonly adopted in states but cities can also prohibit employers from using credit history in their hiring decisions. Since Black and Latino applicants likely have lower credit scores or more uneven credit history than their White counterparts, this prohibition should theoretically benefit people of color. However, some studies suggest that the ban can increase Black unemployment because employers may add new work requirements, rely on referrals or fall back on racial stereotypes.

Raise Minimum Wage for Workers:



City and county governments can pass an ordinance or ballot measure to require businesses of a certain size to provide a minimum wage consistent with the local cost of living, but may have to contend with state laws requiring cities to abide by statewide minimums.

The federal minimum wage of \$7.25 per hour, unchanged since 2009, is not enough to make ends meet in many parts of the country. In 2003, a San Francisco ballot initiative made it the first major U.S. city to enact its own minimum wage law, set at \$8.50 per hour and tied to the Bay Area Consumer Price Index. Since then, dozens of city and county governments have voted to raise their local minimum wage ordinances. The national Fight for \$15 campaign has become one of the strongest and most effective worker movements in decades. According to an inventory by the [UC Berkeley Labor Center](http://ucberkeleylaborcenter.org), there have been 35 localities with minimum wage ordinances since 2012. For example, in August 2015, Seattle was

the first US city to pass a \$15 per hour minimum wage, although the higher wage does not reach all workers until 2021.

Evidence shows that raising the minimum wage would be particularly impactful on workers of color who are significantly overrepresented in the pool of the labor force making less than \$15 per hour.⁸ While White workers would also benefit, raising the minimum wage would strengthen earnings for workers of color who are disproportionately low-wage workers.⁹

However, as a response to these local efforts, 28 states have passed preemption laws that require cities to abide by and not exceed statewide minimums. Last summer, many minimum wage workers in St. Louis and Kansas City, Missouri were forced to take pay cuts back to the state rate of \$7.70 per hour after employers chose not to maintain their higher hourly wages after the state overturned the \$10 minimum wage rates set by these two cities. An ongoing lawsuit in Birmingham, Alabama challenges the state law that blocked Birmingham's minimum wage increase to \$10.10 by claiming the law is racially discriminatory and violates the equal protection clause. The fact that Birmingham's minimum wage increase was advanced by mostly African American city councilmembers and that it was essentially overridden by a White-majority state legislature underscores the importance of the wage increases for communities of color. Cities must not only fight to raise minimum wages in the first place, but also fight to defend them.

Design Notes: Cities can fight for minimum wage increases by gathering a diverse coalition of partners and lobbying the state legislature to raise the minimum wage or overturn preemption laws. Cities can also turn to the courts to litigate the question of preemption, although this is difficult given the enormous power that states yield. Cities should consider how to phase in implementation of wage increases to ensure small businesses have time to prepare and adjust their business model.

Raise Minimum Wage for City Workers



If a city is preempted by a minimum wage increase ban by the state, it can at least act by raising the minimum wage for city employees as well as influence the employment practices of and wages paid by city contractors.

While state preemption laws may fix and lower wages at the local level, cities can raise the minimum wage for only city employees and contractors. For example, the Atlanta City Council passed a budget increasing the minimum wage for city employees to \$15 per hour starting in mid-2019. Pittsburgh and Chicago have made similar policies. Cleveland, Charlottesville and Memphis are all currently debating proposals to increase minimum wages for city employees closer to \$15

per hour. In each city, even though the changes only impact the several hundred people currently making less than \$15 per hour, it would be a meaningful start for city workers of color. A 2013 study found that White employees have historically made up the bulk of high-salary city jobs in large cities, while Black employees disproportionately are given the lowest-wage city jobs.¹⁰ Raising the minimum wage for city workers would help bring municipal employees of color closer to parity with White city workers.

To increase the number of workers impacted by this policy, municipal procurement practices can also require city contractors to pay livable wages to their employees. More specifically, prevailing wage laws require contractors to bid and pay at least the average local wage when working on public construction contracts. This deters contractors from reducing wages just to win government contract bids. Local governments can also use project labor agreements (PLAs) to set the conditions of employment for major infrastructure projects. The PLAs can include provisions for livable wages and ensuring a racially diverse workforce. San Diego's City Council passed an ordinance in July 2017 requiring city contractors and consultants to pay employees equally, regardless of gender or ethnicity.¹¹

Promote and Provide Access to Safe and Affordable Banking Products



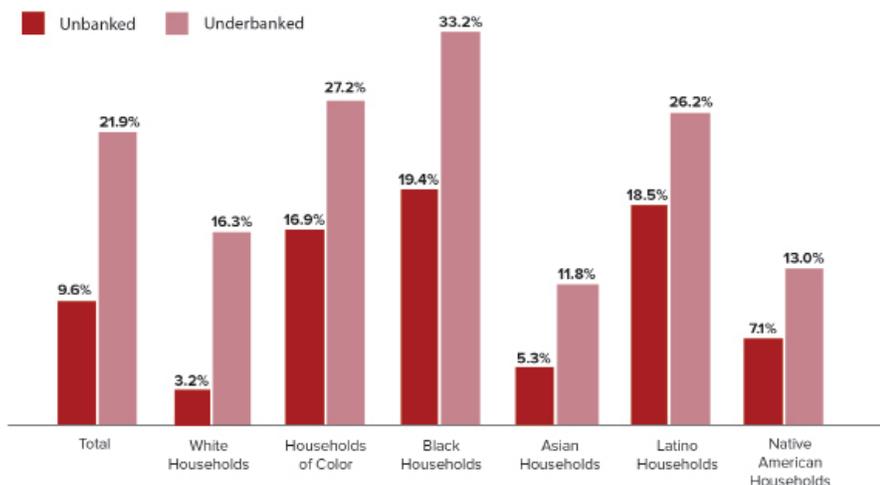
Promote and increase reliable access to mainstream financial products to make saving and borrowing safe and easy.

Middle- and upper-class households leverage financial products and services to their advantage. For example, they can use credit to make worthwhile long-term investments in real estate, education or entrepreneurship. At the same time, many lower-income communities and communities of color are locked out of the same mainstream financial services, forcing them to spend more on basic financial transactions, rely on internal resources for investments and ultimately forgo wealth-building opportunities. Without access to traditional banks, people have more difficulty holding onto savings, building credit, buying a home and accessing financing for small-businesses.

Since banks do not find it profitable to service lower-income communities, many of these communities are “banking deserts.” Nationally, over 18% of African American households are unbanked compared to only 3% of White households.¹² This is not surprising, given the evidence that the whiter the county, the greater the number of banks. For every 100,000 people, there are only 27.1 financial institutions in counties that are over 50% of color compared to 40.6 banks in counties that are over 50% White.¹³

Percent of Unbanked and Underbanked Households

(Cities with Population between 300,000 and 1 Million)



Disparate access to banking and credit opportunities in cities have led to substantially higher rates of unbanked and underbanked households of color.

Source: Prosperity Now estimates using 2015 FDIC National Survey of Unbanked and Underbanked Households and 2011-2015 American Community Survey.

Local government can help turn the tide on this issue by working with community partners to bring both unbanked and underbanked households into the financial mainstream. Municipal officials can leverage their credibility to promote and provide resources for Bank On, SaverLife, lending circles, and financial capability integration.

Bank On coalitions are locally-led partnerships between local public officials, government agencies and financial institutions to expand access to financial education and connect families to safe and affordable banking products.¹⁴ The first iteration of Bank On launched in 2005 and helped grow 100 programs after just one year. As Bank On 2.0 rolls out nationwide, city officials can convene community partners including financial institutions and serve as a repository for data collection about Bank On’s impact on savings for low-wealth communities.

SaverLife is an online platform created by the national nonprofit EARN (Earned Assets Resource Network), aimed at motivating families to build savings habits.¹⁵ The program provides financial rewards for consistent saving as well as digital financial coaching. As the [Urban Institute](#) found, “families with as little as \$250 to \$749 in savings are less likely to be evicted, miss a housing or utility payment, or receive public benefits after a job loss, health issue, or large income drop”.

Cities can also drum up support for lending circles that allow participants to contribute monthly payments to a pooled loan fund that they can draw down and pay back. The loan helps recipients cover needs and build credit through repayment. With good credit, residents can access better insurance rates, pass employer credit tests and make long-term investments. In San Francisco, the Mayor’s Office of Housing and the Office of Economic and Workforce Development funds the loans while the Mission Asset Fund enrolls participants, services the loans and reports activity to the credit bureaus.¹⁶ In Fremont, California the city’s Human Services

Department operates the lending circle as well as financial coaching and counseling.

Lastly, city workforce development agencies can integrate financial capability services into their training and especially in their summer youth employment programs. Summer youth employment provides an early opportunity for youth to engage with the financial system, open bank accounts, learn about account management and begin lifelong savings habits. City leaders can provide direct funding to youth employment providers, encourage financial institutions to provide youth bank accounts or contract with payroll systems that have low access fees and a savings component.

Design Notes: Municipal governments must acknowledge the fact that many residents are denied checking (and occasionally savings) accounts because they have a negative record in a database called ChexSystems, a credit reporting agency that banks use to determine eligibility for a new account. Government officials should work with financial institutions to increase the presence of banks that do not use ChexSystems or have reformed their reliance on ChexSystems to ensure they are not excluding potential clients for minor delinquencies or bounced checks. When making decisions about outreach and promotion of programs, make sure to identify neighborhood “banking deserts” and create trusted partnerships in these places, especially with Black and Latino leaders. As a city takes on promotion or partnership for this type of initiative, tracking take-up rates and subsequent savings levels is important to measuring the impact of these efforts.

Promote Free and Low-Cost Tax Preparation and Tax Credits



Many organizations such as AARP, Volunteer Income Tax Assistance (VITA) programs and the United Way among others offer free tax preparation services for low-income households. These programs allow service recipients to maximize their tax credits, avoid unnecessary fees and increase their financial stability.

Tax preparation can cost upwards of \$400 for low-income taxpayers eligible for the federal Earned Income Tax Credit (EITC) and \$275 for higher-wage taxpayers.¹⁷ Not only can the costs be prohibitively expensive, taxpayers are often unaware of the costs until after the transaction because tax preparers are not required to disclose the fees. The growing complexity of the tax code means that all taxpayers—especially those eligible for tax credits—are increasingly reliant on paid tax preparers. Free and low-cost community tax preparation helps low-wage taxpayers maximize their full tax refunds and stay on top of bills and other debt repayments. Just as importantly, community tax preparation sites typically connect taxpayers to installment payment plans if they need support paying their tax liabilities and offer long-term financial planning services.

Free tax preparation is even more important for communities of color that are often targeted by unseemly and exploitative paid tax preparers. Studies show that large tax preparation companies often cluster in low-income neighborhoods. Zip codes with the highest level of taxpayers eligible for the EITC have about 75% more paid tax preparers per filer than other neighborhoods.¹⁸ Black and Latino workers account for 40% of all taxpayers eligible for the EITC. Paying to file taxes drains a significant portion of their tax credit that would otherwise be used to pay bills or build savings.^{19, 20, 21} Therefore, at least part of any city's direct funding for these programs should be allocated towards campaigns that inform communities of color specifically about the existence of the EITC, its value and options for trusted, free tax preparation.

Mayors and local civic leaders can help expand these services and ensure that tax preparation is also building financial security for residents. For example, San Antonio successfully established VITA sites as a hub for financial services with in-house counselors. The 21 sites are located throughout the city at college campuses, delegate agency sites and libraries. At the 16 library sites, San Antonio's Department of Human Services worked with library leadership to establish an adult education center that provides job search assistance, financial empowerment education and one-on-one financial counseling. San Antonio funds sites and promotes the programs at an annual EITC Awareness Day event. Louisville's local leadership has also helped convene over 60 organizations throughout the city to administer the program, resulting in \$82 million in tax refunds returned to the community in one year.²²

Design Notes: The best way to ensure that community tax preparation sites are having an impact is by reaching out to program administrators who understand clients firsthand, holding outreach campaigns in neighborhoods with large populations of people of color, visiting the tax preparation sites, hosting community roundtables and connecting a broad range of social service organizations to build on each other's offerings. Municipal leadership can also include funding for these programs on their state legislative agendas and advocate for financial support at the state-level. Additional examples of local partnerships that expand the reach and impact of VITA and EITC can be read in [Maximizing Partnerships: Collaborations that Strengthen the Impact of the EITC and VITA](#).²³

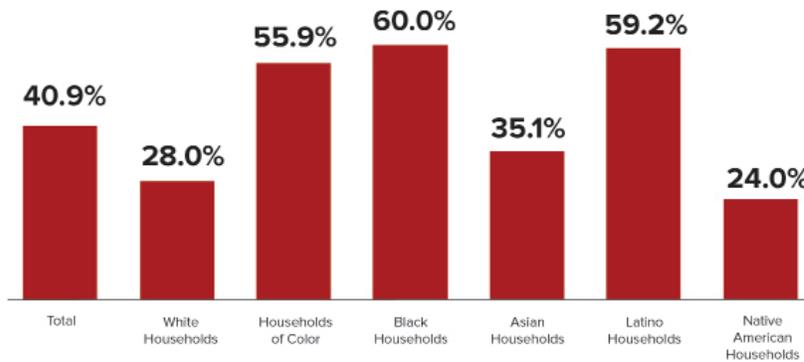
CONSUMER PROTECTIONS AND DEBT MANAGEMENT

The most common route through which families access major asset purchases is through credit, but access to good credit and safe forms of debt are greatly uneven depending on who is seeking it. A "credit-score analysis" conducted by the Urban Institute of 60 major U.S. cities found predominately non-White areas in more than 50 of the cities assessed had below-prime median credit scores

with the overall median credit score in predominantly non-White areas nearly 80 points lower than in predominantly White areas.²⁴ These disparities create a racial penalty on credit and raise the costs of borrowing for households of color, exacerbating already significant gaps in net worth and homeownership rates.

Liquid Asset Poverty By Race

(Cities with Population between 300,000 and 1 Million)



In mid-sized cities, Black and Latino Households are more than twice as likely as White households to be liquid asset poor.

Source: Prosperity Now estimates using Survey of Income and Program Participation, 2014 Panel, Wave 1 and 2011-2015 American Community Survey.

Black and Hispanic households are also more than twice as likely as White households to be liquid asset poor—without sufficient liquid assets to subsist at the poverty level for three months in the event of a financial shock. Further, two times as many households of color in the US are income poor compared to White households (20.6% for households of color, 10.2% for White households).²⁵ With inadequate savings and unreliable incomes, the ability to access credit and debt plays an increasingly important role in covering basic expenses, leading to nearly 30% of households of color being considered underbanked—relying on costly and often predatory forms of alternative financial products just to make ends meet despite owning a checking or savings account.²⁶

Given that the cost of credit is already higher among many urban communities of color, municipal governments can improve financial security by regulating or encouraging access to safe credit and debt products while ensuring that—as issuers of debt through municipal fines and fees—financially vulnerable consumers do not fall into persistent poverty.

Reform Municipal Fines and Fees to Ensure They Serve Legitimate Justice Ends and Are Not Unduly Punitive



Municipalities can examine fines and fees to ensure they serve legitimate justice ends and decide to abolish them, change how they are assessed, or develop alternative payment structures.

The systematic targeting of communities of color through municipal fines and fees and the criminal justice system is not a new phenomenon. But their use has grown significantly since the Great Recession and has increasingly become a growing source of revenue for cash-strapped cities.²⁷ Using fines and fees to generate revenue has drained already limited sources of wealth in communities of color and forces families to choose between a rock and a hard place—between meeting debt obligations by relying on expensive predatory lending or risking the criminal consequences of allowing these debts to go unpaid.

In March 2015, the U.S. Department of Justice released its findings in its investigation of law enforcement in Ferguson, Missouri, in the wake of the police-involved shooting of Michael Brown and the civil unrest that followed his death. This forced Americans to confront the reality that not all of our municipal leaders and authority figures do right by all of the citizens they purport to serve, especially if those citizens are persons of color. The Ferguson Report laid out in stark language the consequence of municipal leaders using fines and fees as sources of revenue rather than serving the public good of its citizens:

“Ferguson’s law enforcement practices are shaped by the City’s focus on revenue rather than by public safety needs. This emphasis on revenue has compromised the institutional character of Ferguson’s police department, ... Ferguson’s police and municipal court practices both reflect and exacerbate existing racial bias, including racial stereotypes...Over time, Ferguson’s police and municipal court practices have sown deep mistrust between parts of the community and the police department, undermining law enforcement legitimacy among African Americans in particular.”²⁸

In recognition of these trends and the realities that the Ferguson Report and similar incidents across the country brought to light, municipalities are beginning to undertake the task of reforming their fines and fees of all forms—from criminal justice-related assessments to parking violations and utility fees—to ensure that they both serve a legitimate justice or public service purpose while not further subjugating communities of color to endless cycles of debt. One such municipality, the City and County of San Francisco convened a Fines and Fees Taskforce. The Taskforce has developed several broad approaches, including: basing fines and fees on ability to pay; offering nonmonetary alternatives to payment like community service, receiving prescribed social services or pursuing educational opportunities; or eliminating fines and fees entirely where they cause significant financial hardship with little revenue gain or benefit to the city or county.²⁹ In a unanimous vote of the Board of Supervisors in June 2018, San Francisco abolished probation, restitution and eight other court-related fees.³⁰

Design Notes: Municipalities will have to undertake a significant amount of research to learn the depth of the social and economic pain points caused by existing municipal fines and fees. Municipal leaders interested in ensuring financial justice and equity should conduct a careful audit of existing fines and fees and their impact on communities of color and low-income residents. In assessing these impacts, local community-based organizations and legal aid providers should be engaged to develop a clearer, firsthand perspective on these communities. Among the key questions this process should answer for all fines and fees assessed are: What is the goal of the fine or fee—is it intended to generate revenue or deter a specific behavior? And who receives these fines and fees—are they broadly assessed, or are they primarily assessed on one demographic group? Also for consideration, if fines and fees are reformed to make it easier for residents to pay their debts, policymakers should consider how to dedicate that new revenue to anti-poverty, financial capability or asset building services.

Enact Responsible Banking Ordinances to Promote Accountability in Lending in Underserved Areas



Cities can require banks to report citywide and neighborhood-specific data on loans, branches, deposits and reinvestment plans. Cities then consider this data when choosing where to deposit municipal funds.

The Community Reinvestment Act of 1977 (CRA) was enacted as a direct response to the systemic restriction of lending in neighborhoods of color through redlining. The CRA requires banks to serve all communities and submit to exam-

inations that are designed to prove they are meeting their legal obligations to do so. Unfortunately, the extent to which examinations can adequately assess lending within a specific municipality is limited.

Given persistent disparities in savings and homeownership rates between households of color and White households, cities must find some way of holding banks accountable for their lending obligations, particularly in predominately non-White neighborhoods. One method that several cities have used to encourage greater lending in these neighborhoods is through responsible banking ordinances (RBO). In their most stringent forms, these ordinances require banks to demonstrate that they are serving low-income neighborhoods and neighborhoods with large non-White populations to be eligible to receive cities' often substantial municipal deposits. Two of the earliest cities to adopt such ordinances—Philadelphia and Cleveland—have demonstrated that banks meeting RBO eligibility standards (and were thus eligible to receive municipal deposits) increased the diversity of borrowers to whom they issued home loans and increased the number of branches opened in low- and moderate-income areas, respectively.³¹

Design Notes: As collectors of a significant amount of revenue, municipalities need financial institutions to receive these deposits. Municipal leaders and city treasurers can use the weight represented by this power of the purse to influence the activities of the institutions that they choose to bank with. It should be noted that there can potentially be a limit on how prescriptive cities can be when it comes to regulating financial institutions. An RBO in New York City was overturned in 2015 after a federal judge ruled that only the federal government has the authority to regulate banks, thus preventing the city from compelling banks to submit data to on lending practices as a condition for receiving municipal deposits. The National Community Reinvestment Coalition has since revised its model ordinance to focus on community studies that invite comment on bank performance in underserved areas and develop a community-based understanding of banks seeking to receive municipal deposits.³²

Regulate Predatory Small-Dollar Lending and Products



Municipalities can prohibit certain types of predatory lending, cap the number of lenders in a given area, and/or push the state legislature to adopt more stringent regulations.

When cash is tight and bills are due, the only alternative for many families is to turn to small-dollar loans. Yet, in some states where interest rates on predatory forms of small-dollar lending—like payday loans or car-title loans—are not capped or outright prohibited, annual interest rates can soar into the hundreds of percent on loans for as little as \$250.³³ Borrowers of color are more likely to receive a payday loan than White borrowers, a fact that is not surprising given that, according to one study, payday lenders are more than twice as concentrated in neighborhoods of color.³⁴

Municipal laws and ordinances can regulate predatory small-dollar lending despite only states having the authority to cap specific interest rates. While preemption by state laws could be a factor in some states where a city might prefer to regulate interest rates or prohibit a specific type of predatory lending, land-use and zoning ordinances generally avoid such concerns and are increasingly a means for cities to enact these regulations, though cities are not limited to such ordinances. A recent review of local laws designed to protect against predatory payday lending found a variety of options available with varying degree of impact on curbing these loans, including permanent bans or moratoria on new lenders, caps on the number of lenders within the municipality, use of zoning powers to limit how closely lenders can locate to one another, and requiring distribution of information about non-predatory alternatives.³⁵

In those areas where state laws might explicitly preempt or conflict with local ordinances, municipal leaders can use their influence to encourage state policymakers to adopt strong predatory lending protections. Cities can pass resolutions to encourage such state laws and convey the demands of their residents who wish to see action at the state level.

Design Notes: Municipalities should use as much authority as they can to control the spread or location of predatory lenders within their jurisdictions. San Jose, California used its zoning authority to explicitly bar payday lending in census tracts defined as “very low income” by the U.S. Department of Housing and Urban Development.³⁶ San Jose has also restricted the total number of lenders that may exist in the city.³⁷ Municipal leaders can and should use multiple strategies to ensure significant protections against predatory small-dollar loans are enacted.

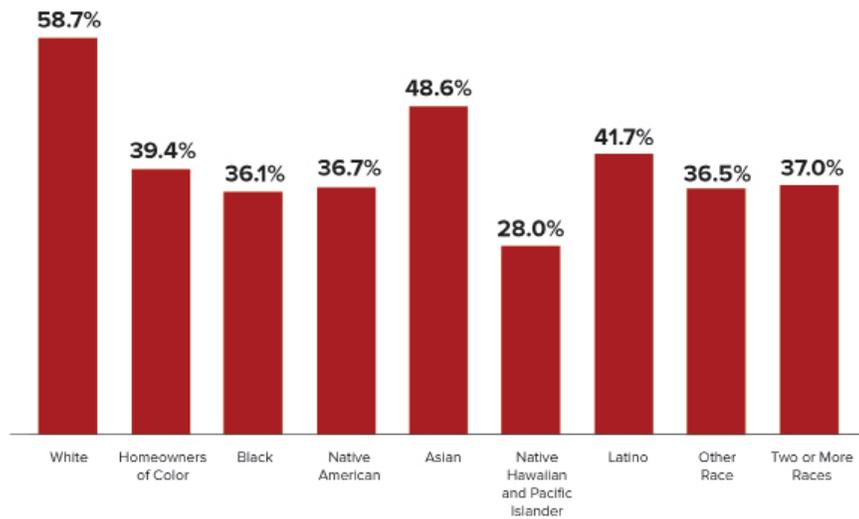
SUPPORT AFFORDABLE HOUSING AND HOMEOWNERSHIP

The mortgage crisis was especially devastating for homeowners of color. Those who lost their homes obviously faced tremendous setbacks, but even those fortunate enough to keep their homes faced rapidly declining values due to surrounding foreclosures. The subsequent recovery in terms of increasing homeownership rates and value has been uneven across race and geography.³⁸ Addressing racial wealth inequality must, in part, include efforts to restore and boost homeownership among Black and Latino households who lost nearly half of their wealth nationwide during the recession.³⁹ Beyond loss of wealth, residents in nearly all cities are also feeling the pressures of low rental supply and rental prices outpacing incomes. This is particularly true for Black and Latino residents who are twice as likely to be renters as White residents.⁴⁰

Cities should consider three approaches in combination: 1) increase the supply of affordable units for homeownership and rental; 2) support residents in staying in their current homes; and 3) help people afford homeownership that paves a path toward financial stability. This section will mostly explore the second two through tenant protection efforts, mortgage foreclosure assistance and downpayment assistance.

Average Homeownership Rates

(Cities with Population between 300,000 and 1 Million)



White households are disproportionately more likely to be homeowners in cities than households of color.

Source: 2012-2016 American Community Survey.

Increasing the Supply of Affordable Housing

The municipal tools for developing affordable housing units deserves its own publication and differs so much from place to place that we have not included them in detail here.

Inclusionary Zoning to Share the Benefits of Growth: Cities that are requiring either new developments to include affordable units or developers to pay into an affordable housing fund are increasing the number of affordable units without reducing overall market prices or production. Readers should consult the Center for Housing Policy on Inclusionary Zoning’s brief, *Separating Fact from Fiction to Design Effective Inclusionary Housing Programs*, for policy design recommendations that are critical for success.⁴¹ For sample policies from across the country, visit Grounded Solutions’ map: <https://inclusionaryhousing.org/>.

Manufactured Housing Development and Preservation Can Help Cities Meet Affordable Housing Needs: Cities facing affordable housing shortages, should consider the preservation and development of manufactured housing as one strategy, especially useful in their consolidated plans. Seven million manufactured homes, commonly known as mobile homes, make up nearly six percent of America’s housing stock.⁴² Manufactured housing residents are disproportionately low-income and increasingly Hispanic families.⁴³ Municipalities can set policies that protect current residents from eviction by facilitating resident ownership and encourages development of new parks through zoning laws.^{44, 45}

Tenant Protections



Legislate that all low-income tenants have the right and access to legal counsel when faced with eviction and create a fund to cover legal fees.

Matthew Desmond's book, *Evicted*, has brought much needed attention to the crises that evictions can create for renters, the majority of whom are already teetering on the edge of financial insecurity. "An eviction isn't one problem, it's like 12 problems," said Amy Woolard, a lawyer and the policy coordinator at the Legal Aid Justice Center.⁴⁶ Evictions are not always only about an inability to pay—there are racial disparities in eviction rates. A 2017 study found that 11.9% of Black households faced an eviction threat, compared to 5.4% of White households.⁴⁷

Cities are acting by passing legislation that guarantees all low-income housing residents legal counsel in housing court and by designating funding streams to cover those legal costs. In pilots where cities have partnered with legal aid groups, there have been savings to city budgets by spending less in homelessness services.^{48, 49}

Discrimination Protections



Just like states, cities and counties can enact source of income (SOI) protections that make it illegal for landlords to discriminate based on using a housing voucher as a source of income for rental payment.

Nearly seventy cities and counties across the country are attempting to protect Section 8 voucher holders from landlords who deny them rental housing because they hold vouchers. The Housing Choice Voucher program is intended to promote affordable rental options in a variety of neighborhoods as opposed to concentrating subsidized units in a few neighborhoods. Success of the program is highly dependent on landlords being willing to accept the voucher. In a study of SOI programs, the Department of Housing and Urban Development (HUD) found that in jurisdictions with SOI protections, more voucher holders could use their voucher, concentrated poverty rates were lower, and Black, Asian and Native American voucher holders were more likely to have White neighbors.⁵⁰

Design Notes: In their work with Richmond, California, the Hass Institute for a Fair and Inclusive Society notes that cities should consider which properties if any should be excluded and how to avoid this ordinance from increasing the number of fees that voucher holders pay to multiple landlords that may eventually deny them after applying. Jurisdictions should also brace themselves for legal challenges to SOI ordinances.⁵¹

Fund and Promote Housing Counseling and Downpayment Assistance



Combine traditional downpayment assistance with housing counseling or homeownership education to help renters enter stable homeownership.

According to a recent Urban Institute study, 53% of renters cited not having enough for a downpayment as the primary reason they were not pursuing homeownership.⁵² With 54% of households of color paying over 30% of their income on rent, lack of savings is a factor in delaying homeownership, but the same study showed that many renters were not aware of existing downpayment programs and overestimated the amount of downpayment needed.⁵³

National research shows that traditional downpayment assistance programs can improve the likelihood of homeownership.⁵⁴ During the recession, in studies of downpayment assistance programs, those that integrated homeownership education and housing counseling experienced lower rates of default and foreclosure.^{55, 56, 57} Since counseling and education services like classes and workshops are typically implemented through HUD-certified non-profit community agencies, cities can play a key role in promoting and referring clients to those services through ads and campaigns. Prioritizing and promoting organizations that specialize in serving and representing communities of color can be particularly important in reaching and supporting potential homebuyers of color. Generating a sustainable pool of downpayment assistance funds is another valuable way for cities to complement education and counseling efforts to jumpstart the financing of homeownership.

Cities structure their downpayment programs as forgivable loans, deferred loans and grants. Grants are straightforward and require a city to continuously find funding for more grants. Forgivable loans may be structured as a zero percent loan that is a “soft second” on the mortgage. The amount is usually a percentage of the selling price and forgiven after meeting requirements like a certain length of tenure. The deferred loans are low-interest loans that the homeowner pays back to the city upon refinance, transfer title or sale of the property. Both deferred and forgivable loans provide an opportunity for cities to replenish the pools of funds available to new buyers.

Support Individual Development Account Programs



Matches for small dollar savings toward the purchase of an asset are combined with financial coaching or counseling. Cities can fund these programs directly or support community-based organizations hosting these programs.

Matched savings programs can be a great companion to downpayment assistance. Nationwide, individual development account programs have helped thousands of low-income savers purchase a home. IDAs provide an opportunity to save for targeted goals—most commonly postsecondary education, homeownership or business ownership—by matching their savings at rates ranging from 2:1 to 8:1. A significant number of households of color have taken advantage of these accounts over the last 15 years, with Black and Hispanic savers comprising 40% and 17%, respectively, of those accountholders.⁵⁸ Homeownership IDAs have been particularly critical in helping vulnerable families get ahead. Thousands of families have purchased homes and, in some cases, weathered foreclosure with the help of IDAs, as these programs also provide access to housing counseling and safe mortgage products.⁵⁹

Design Notes: These matched savings programs can be helpful additions to summer youth employment initiatives, community college programs and other efforts that promote savings and asset purchases. When designing a program consider opportunities to encourage participants to save not just for a traditional asset, but for shorter-term goals or emergencies that regularly challenge families of color and low-wealth families.

Mortgage Foreclosure Diversion and Property Tax Diversion Programs



Cities can provide counseling and postponement services to support residents in avoiding foreclosure due to unpaid mortgage or property tax payment.

Since the recession, many cities have instituted programs to help residents resolve mortgage debt. In 2008, Philadelphia established the Mortgage Foreclosure Diversion Program that requires mortgage lenders to notify the city of possible foreclosure. The notification triggers a conciliation process between the lender and homeowner and a city-provided housing counselor. Since its inception, the program has saved over 10,000 homes through successful negotiations of payment plans, refinancing or loan modification. With an increase in property tax delinquency, the city council recently passed an ordinance to apply the same supports to homeowners facing foreclosure due to overdue property tax payments.⁶⁰

Pursue Shared Equity Programs



Shared equity programs give low-income families an opportunity to purchase homes at below market rate in exchange for restricted resale values.

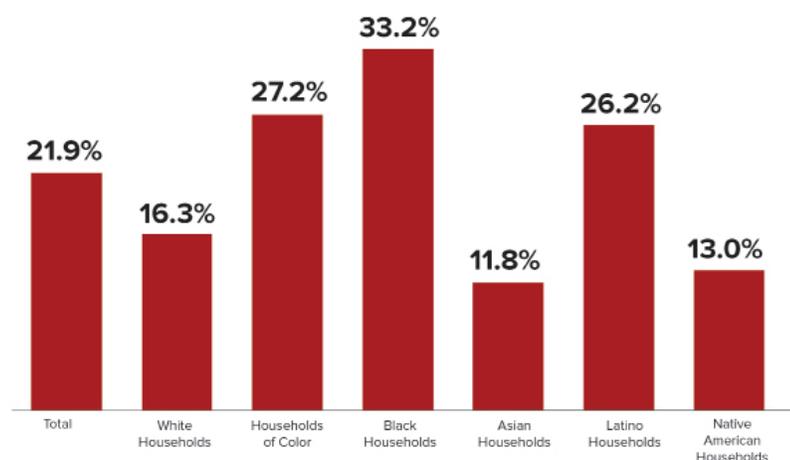
Shared equity programs are community land trusts, deed restricted programs, limited equity cooperatives and shared appreciation loans.⁶¹ In a study of seven long-running shared equity programs, these programs create a long-term stock of affordable housing for low-income residents and do not stifle homeowner mobility. In all but one site, families were able to sell at higher values than what they bought and realized returns on their downpayment.⁶²

MUNICIPAL EFFORTS TO BUILD ASSETS

While ample income and savings are stepping stones for financial security, asset ownership launches families' abilities to build wealth and prosperity over generations. This section explores entrepreneurship, education and support for a non-traditional asset: citizenship. Considering the large gaps in net worth illustrated below, these efforts are important complements to wealth development through homeownership.

Percent of Households with Zero Net Worth

(Cities with Population between 300,000 and 1 Million)



Nearly one in three Black households and more than one in four Latino households have zero net worth.

Source: Prosperity Now estimates using Survey of Income and Program Participation, 2014 Panel, Wave 1 and 2011-2015 American Community Survey.

Encourage Saving for College Through a Children’s Savings Account (CSA) Program



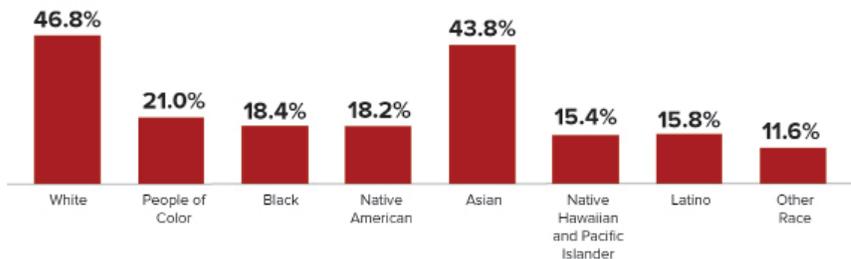
CSAs are long-term savings or investment accounts that provide incentives like matched savings to help children and their families build dedicated funds typically restricted for postsecondary education.

In the last seven years, seven cities have established children’s savings account (CSA) programs. They have earmarked a total of over \$2.6 million in matching incentives. In cities where high school graduation and college attainment rates are low, children’s savings programs can be an integral part of efforts to increase financial preparedness for postsecondary education. Mayors and their staff are partnering with municipal agencies, school districts, community-based organizations, foundations and private donors to implement CSAs that directly invest in the future of children and amplify efforts to create a college-bound culture. Studies have found that CSAs increase expectations among students and parents.⁶³ These programs can be particularly helpful when paired and integrated into broader school reform initiatives that aim to improve college attainment by addressing other disparities in the school experience, like school funding, supplemental family support services, and curriculum and teacher supports.

Complementing CSAs with efforts to make post-secondary education more affordable is particularly important because educational attainment has limited returns for students and graduates of color. In cities with a population between 300,000 and one million, 18% of Black adults and 17% of Hispanic adults hold four-year degrees. Unfortunately, even after obtaining a four-year degree, the wealth returns nationwide generated by that education is much more valuable to White graduates (\$55,869) than it is for Black (\$4,846) and Hispanic (\$4,191) graduates.⁶⁴ Even more unfortunate is that although education continues to be one of the surest ways to move up the economic ladder, research has found that higher education hasn’t provided households of color with the same kind of protection against wealth loss.⁶⁵

Average Educational Attainment by Race

(Cities with Population between 300,000 and 1 Million)



While nearly half of all White and Asian adults have at least a four-year degree, fewer than one in five adults of all other races have attained at least a four-year degree.

Source: 2012-2016 American Community Survey.

Design Notes: Consider providing higher savings matches for those children who qualify for free and reduced meals like in the Oakland Promise and San Francisco’s Kindergarten to College programs. Also, dedicate resources specifically for outreach and partnerships in communities of color to help with program design and promotion. When promoting CSAs, it’s important to acknowledge that CSAs will not necessarily offset the growing cost of college or student loan debt. This is another reason why pairing these with education and financial counseling efforts is critical.

Prioritize Entrepreneurs of Color for Procurement and Contracting



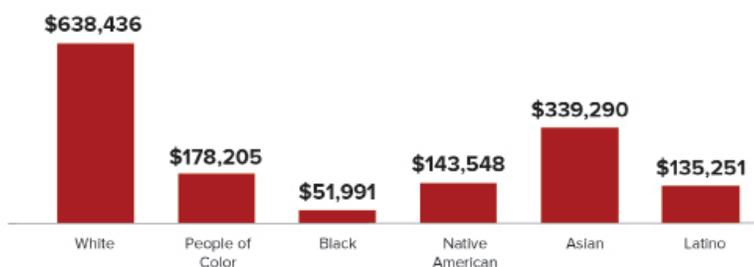
Municipalities can address inequities in access to capital by ensuring entrepreneurs of color have access to public sector procurement and contracting opportunities.

Most cities have programs that support small business development by providing affordable loans and expanding procurement and contracting opportunities, especially to disadvantaged businesses. Considering the tremendous barriers that entrepreneurs of color face in accessing the capital, technical assistance and social networks necessary to grow a thriving business, it’s particularly important that these efforts are targeted and tracked for impact on entrepreneurs and city budgets.^{66, 67, 68} The chart below clearly illustrates that these barriers impact business value for entrepreneurs of color. Increasing vendor diversity in procurement, for example, can improve competition and lower costs for city governments.⁶⁹ While more research is necessary, preferences for more equitable procurement practices may improve outcomes for entrepreneurs as well and raise tax rolls through increases in employment.^{70, 71, 72}

Design Notes: The implementation of preference policies requires dedicated resources, staff, and thorough assessment of practices to ensure that that micro and small, minority-owned businesses are indeed benefitting from these efforts.^{73, 74}

Average Business Value By Race

(Cities with Population between 300,000 and 1 Million)



Inequitable access to opportunities for entrepreneurship within communities of color have led to significant differences in values of White-owned businesses compared to businesses owned by persons of color.

Source: 2012 Survey of Business Owners.

Stabilizing Market Rents in the Face of Rising Costs

Just as residents are feeling the pinch in high rents, entrepreneurs and others renting commercial space in many cities are also feeling the pressures of high rents, especially in center-city markets. This is especially true for Black-owned businesses that have not seen the high rates of suburbanization that Hispanic- and Asian-owned businesses have seen in recent years.⁷⁵ The Institute for Local Self-Reliance (ILSR) reports that 59% of independent businesses surveyed are concerned about the increasing cost of rent. Since rent is typically a large portion of overhead costs, especially in downtown markets, cities can help stabilize commercial rents for independent business owners as well as non-profits that serve low-income, low-wealth populations.

In its report, *Affordable Space*, ILSR developed a list of six municipal strategies to ensure that small businesses can weather the pressures of rising commercial rents.⁷⁶ Zoning to protect space for small businesses, helping tenants negotiate with landlords and prioritizing local business for publicly owned buildings are just a few. Portland, Oregon is pursuing a set aside for local business in new development through its Affordable Commercial Tenanting Program.⁷⁷ Qualifying tenants receive 10% off market rent and grants to build their space. Priority is given to businesses that provide needed services and/or owners who are underrepresented in the business community. Coordinating small business support with traditional economic development tactics that prioritize small businesses and micro-enterprises can improve the bottom line for entrepreneurs striving to build wealth and prosperity.

Support Citizenship as a Path to Economic Security



Provide a revolving loan fund or voucher opportunities for those pursuing a change in citizenship statuses.

Becoming a citizen of the United States brings with it many social and economic benefits including higher earnings, job protections, increased rates of homeownership and better access to higher education. It also grows the overall economy through increased tax collections and greater spending from more financially stable families.⁷⁸ Given the that most immigrants come from non-White, non-European nations, these benefits will largely accrue initially within communities of color.⁷⁹ Yet, despite these known benefits and ongoing immigration into the US, as well as surveys that show most immigrants want to become U.S. citizens, the rate of naturalization (the process through which immigrants gain the full rights of citizenship) has declined since the 1970s. A recent study reveals that one of the biggest constraints for immigrant families seeking naturalization is the high cost

of the citizenship application process, not surprising given a six-fold increase in real dollars in the application fee alone since 1989.⁸⁰ And this does not consider the potentially hundreds or thousands of dollars more an applicant might have to pay for language classes or to retain an immigration attorney.

With most immigrants concentrated in large cities,⁸¹ municipal leaders should consider ways of increasing access to the financial mainstream for individuals to gain the broader social and economic benefits of citizenship. There are several promising opportunities to help immigrants overcome the financial barriers to citizenship. Municipal leaders can encourage local funders and community-based organizations to participate in public-private partnerships that support immigrants through the application process and, in some cases, offer vouchers to cover naturalization costs like those offered by NaturalizeNY in New York.⁸² Cities can also work with non-profit lending organizations to connect immigrant families to lending circles that help immigrants save money to pay for naturalization expenses (like Lending Circles for Citizenship, developed by the Mission Asset Fund in San Francisco). Or, they can work with financial institutions directly to encourage the creation of affordable small-dollar lending products to help defray these costs.⁸³

Design Notes: Cities often have substantial influence over local financial institutions, particularly those that accept municipal deposits, which can be leveraged to encourage partnerships with local service agencies and nonprofits as well as the offering of these products. Though city agencies often do not have the direct relationships or expertise to work with all immigrant communities, municipal leaders can also serve as conveners across non-profit service providers with these cultural competencies to coordinate broader or larger-scale partnerships and programs.

APPROACHES AND STRATEGIES TO PUT POLICIES INTO PLAY

Identifying policies that improve financial security, wealth and prosperity within communities of color in a city is only one piece of the puzzle. As we describe throughout this document, the specific context in which the city exists—its demographics, its state, the legal authority of municipal leaders, etc.—must factor into whether these policies will find success. The following are strategies and approaches that should be factored into city efforts to explicitly address and evaluate potential policies' impacts on racial wealth equity.

Lead with Acknowledging Racial Disparities: Tackling the economic hardships faced by residents of color should start by acknowledging racial wealth inequality, adopting clear language about the drivers of disparities and weaving these issues throughout the policy priorities of a city administration.⁸⁴

Policies Should be Data-Driven, Reflective of Local Challenges and Strengths of Communities of Color, and Evaluated Through Data Collection: To accurately assess which policy would be more appropriate, first understand the challenges through qualitative and quantitative data that underscore disparities between communities of color and White communities, the current services available in different neighborhoods and the current levels of financial capability that exists within areas where economic growth and mobility is most in need. This upfront research should also serve as a baseline from which any policy pursued should be measured for success through data collection and evaluation. Policies should be implemented with a clear intent to learn and adapt practices based on outcomes.

Determine the Appropriate Role for City Government to Play on Specific Policies: City officials may not be the best people to lead on any one policy. In some cases, they may not be authorized to act directly. Municipal leaders must recognize that their role (among the roles identified at the beginning of this blueprint) will be dependent on many factors, including whether they have the best connections or cultural competency to address the needs of a specific community rather than working through or convening community-based organizations. The efficacy of some policies may be best tested with a city's own employees or by building from existing municipal services.

Centralize Financial Security: Over a dozen cities have formally established a center or office dedicated to improving the financial security of its residents. Having dedicated staff and sometimes neighborhood-based branches for local services can be a helpful way to coordinate with various municipal agencies that touch the financial lives of consumers, collaborate with non-profit community organizations and centralize data collection about the impact of targeted programs and initiatives. In using a centralized approach, cities could also promote a more consistent focus on understanding and addressing the intersection of race and financial stability and wealth throughout its interactions with agencies

and community partners. Cities of all sizes are establishing offices of financial empowerment, offering everything from financial coaching and counseling, to debt management services, to children's savings account initiatives. In an evaluation of five city financial empowerment initiatives between 2013 and 2015, over 22,000 clients saw a total of \$2.7 million in increased savings and a \$22.5 million reduction in debt.⁸⁵

Pilot Integration of Services: If a centralized office or center is not feasible, consider identifying two or three agencies that could start piloting a set of financial capability services or coordinated activities. For example, a Department of Human Services may pilot credit-building services with a cohort of clients who already receive housing assistance. In turn, the revenue or finance department may agree to refer residents who are past due on municipal debt to those credit building services. Another agency or community organization may agree to supplement the department's offerings by hosting financial coaching clinics or matched savings incentives that serve specific neighborhoods. Partnerships, referral networks and new services embedded into existing ones are all effective approaches to meeting the complex and various financial needs of residents. Please see the Prosperity Now step-by-step guide to integrating financial capability services.⁸⁶

Collaborate, Collaborate, Collaborate: Whether the city is taking a centralized approach or not, it will be helpful to engage community service providers and policymakers early on in getting a first-hand account of the challenges residents of color in specific neighborhoods are facing, gaining a sense of what is working in those communities and opportunities to build on and scale programs and policies. Identify those organizations that are led by and/or serving communities of color for direct accounts of the landscape and innovative approaches and outreach strategies.

Where's the Money? Several efforts mentioned here are legislative, administrative or new approaches that are not major costs to budgets. Funding programs is a perennial problem for every city. Some cities are dedicating their own budgets and supplementing their contributions with private philanthropy. Private fundraising is especially useful to fund policy priorities that may be outside of any one city agency's or department's purview and needs to be a city-wide initiative. Many have built partnerships with local financial institutions and community foundations to subsidize the cost of programs as well.

CONCLUSION

Bridging the racial wealth divide is an enormous challenge with no single solution. The policies presented in this Blueprint are stepping stones—they should not be viewed as complete solutions in and of themselves. Nor should municipal leaders and advocates view this Blueprint as a checklist of policies that together will completely address the household financial security problems facing their cities.

While the evidence we present here suggests these policies can move the needle toward racial wealth equity, we also acknowledge that even if all were enacted, significant gaps in bridging the divide may remain. It is in these gaps that each individual city will need to assess their unique realities and work with families, community leaders and state policymakers to continue the dialogues and progress that these initial steps set in motion. It is also in these gaps where cities will find the ingenuity and creativity to innovate in the face of these challenges. Cities are well poised to shape a new narrative, influence state and federal policies, to paving a more inclusive path to prosperity for all in this country.

For more information about these policies, more city and county data on financial security available in the *Prosperity Now Scorecard* (scorecard.prosperitynow.org), or a discussion of the implications of a current policy, please contact Holden Weisman, Senior Manager of State and Local Policy: hweisman@prosperitynow.org.

ENDNOTES

- 1 For additional information on the historical origins of and consequences on the racial wealth divide in the United States, see Dedrick Asante-Muhammad, Chuck Collins, Josh Hoxie and Emanuel Nieves, *The Road to Zero Wealth: How the Racial Wealth Divide is Hollowing Out America's Middle Class* (Washington, DC: Prosperity Now 2017).
- 2 For additional information on addressing these challenges and for policy solutions at the state levels, see “A State Policy Blueprint for a More Inclusive Path to Prosperity,” Prosperity Now, October 2017, <https://prosperitynow.org/resources/state-policy-blueprint-more-inclusive-path-prosperity>.
- 3 See “Racial Equity Policy Design and Advocacy: A Primer,” Prosperity Now, October 2017, <https://prosperitynow.org/resources/racial-equity-policy-design-and-advocacy-primer>.
- 4 “Low-Wage Jobs”, Prosperity Now Scorecard, February 2018, <http://scorecard.prosperitynow.org/data-by-issue#jobs/outcome/low-wage-jobs>
- 5 Vanessa Cardenas, “The Benefits of Increasing the Minimum Wage for People of Color,” Center for American Progress, April 21, 2014, <https://www.americanprogress.org/issues/race/news/2014/04/21/87248/the-benefits-of-increasing-the-minimum-wage-for-people-of-color/>
- 6 Alan Berube, “To succeed, older industrial cities must overcome their stark color lines,” The Brookings Institution, May 7, 2018, <https://www.brookings.edu/blog/the-avenue/2018/05/07/to-succeed-older-industrial-cities-must-overcome-their-stark-color-lines/>.
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ADDITIONAL RESOURCES

A State Policy Blueprint for a More Inclusive Path to Prosperity, Prosperity Now: This blueprint presents policy proposals for state legislators and advocates who wish to increase financial security in communities of color.

<https://prosperitynow.org/resources/state-policy-blueprint-more-inclusive-path-prosperity>

Racial Equity Policy Design and Advocacy: A Primer, Prosperity Now: This primer identifies the elements of advocacy, policy design and implementation practices that improve outcomes for people of color.

<https://prosperitynow.org/resources/racial-equity-policy-design-and-advocacy-primer>

Keeping the American Dream Alive, National League of Cities: This is the final report of the National League of Cities' Task Force on Economic Mobility and Opportunity presenting 33 recommendations for municipal leaders to help expand economic mobility and opportunity in their cities.

<https://www.nlc.org/resource/keeping-the-american-dream-alive>

Tools for Advocates of Limiting Payday Lending, Insight Center for Community Economic Development: This toolkit dives into the problems of payday lending and presents options for limiting it in local communities.

<https://insightccd.org/past-archives/program-work/savings-and-asset-building/tools-for-advocates-of-limiting-payday-lending/>

Affordable Space: How Rising Commercial Rents Are Threatening Independent Businesses, and What Cities Are Doing About It, Institute for Local Self-Reliance: With a focus on local businesses and entrepreneurs, this report explores the effects of rising commercial rents and city efforts to promote a thriving business environment in all communities.

<https://ilsr.org/affordable-space/>

Building Shared Prosperity in America's Cities, Shared Prosperity Partnership: Set in the context of the challenges associated with broad changes to labor markets and shifts in demographics with an acknowledgment of the clear disparities that persist in our cities, this report outlines key principles to guide cities toward policies that ensure shared prosperity where state and federal leaders have failed to meet these challenges.

<https://www.sharedprosperitypartnership.org/>

ABOUT STATE & LOCAL POLICY AT PROSPERITY NOW:

The policies in the Scorecard are gathered and analyzed by the State & Local Policy team at Prosperity Now. The team partners with advocates, policymakers and researchers across the nation to advance state policies through case making, direct advocacy, and supporting stakeholder and constituent engagement. Contact us for more information on how we can support your state financial security policy agenda.

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