Center for American Progress

Expanding Opportunities in America's Urban Areas

By the Poverty to Prosperity Program and the CAP Economic Policy Team
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The nation's cities are the engines of the U.S. economy, creating opportunities for the entire country, including suburban, rural, and tribal areas alike. America's top 100 metro areas alone account for at least three-quarters of the nation's gross domestic product.[1] Cities bring people and firms together in relatively close proximity, which in turn drives innovation and leads to positive economic benefits and growth.[2] In addition, many American cities are leaders in global sustainability due to their population density. New York City, for example, has a larger population than most states but uses less energy than any of them.[3] Cities are also on the cutting edge of culture and, as such, tend to attract residents who are accepting of people of all backgrounds and lifestyles.[4] For these reasons, among others, urban areas create rich economic, educational, and social opportunities that foster and encourage diversity.

It is not surprising, then, that more Americans are moving to urban areas in recent years. Between just 2010 and 2013, Los Angeles alone gained 65,000 people compared with 97,000 over the entire previous decade.[5] In fact, according to a study by the Urban Land Institute, some of the largest segments of the U.S. population, including Millennials and Latinos, express a higher than average preference for living in cities.[6] In addition, roughly 62 percent of Americans who are planning to move in the next five years would prefer to settle in mixed-use neighborhoods, which are prevalent in urban areas.[7]

Despite the resurgent popularity of city living, many urban neighborhoods face a number of ongoing challenges from the shortage of affordable housing and inadequate infrastructure to income inequality and poverty. According to the 2009 to 2013 American Community Survey, more than 13.9 million Americans live in neighborhoods of concentrated poverty—defined as an area where the poverty rate is 30 percent or higher.[8] The concentrated poverty rate remains highest in big cities, where almost one in four poor residents lives in a distressed neighborhood.[9] Furthermore, while poverty is increasing in the suburbs, a larger share of the poor population still lives in cities.[10] This concentration of poverty hurts not just urban areas, but also the entire nation. Research shows that high-poverty communities have lower social mobility, which places a drag on the overall economy.[11]

A growing body of research shows that being raised in such high-poverty communities undermines children's long-term life chances. This is particularly troubling for African Americans, who are disproportionately more likely to live in distressed urban areas. The effects of living in high-poverty communities—such as poor health and educational outcomes, as well as limited employment opportunities—are far reaching and generational. According to research by Patrick Sharkey of New York University, more than 70 percent of the African American residents in the nation's poorest urban neighborhoods are the children and grandchildren of those who lived in similar neighborhoods and conditions 40 years ago.[12] As a result, he states, "any interventions designed to address neighborhood disadvantage must reach multiple generations of family members."[13] However, reductions in federal and state funding, along with restrictions on municipalities' authority to raise local revenues, mean that local governments are expected to do more with less.[14]

Fortunately, leaders at all levels of government are dedicated to addressing these disparities and ensuring that more Americans benefit from the opportunities cities create. As the U.S. Department of Housing and Urban Development, or HUD, approaches its 50th anniversary next year, department officials have outlined a vision to position the agency to become a "Department of Opportunity."[15] HUD plans to build on existing place-based efforts such as the Promise Zones initiative and to partner with cities to help them prepare for anticipated growth, address the impacts of climate change, and help families succeed.[16]

In order to effectively implement this vision, federal leaders must continue refining the government's role as a partner on these matters and provide support to local leaders who are on the forefront of addressing these complex issues, often with limited resources and capacity.

To help more clearly frame this conversation, below are five key policy strategies, which include recommendations from recent American Progress reports, that outline specific ways to address some of the challenges facing urban areas.

1. Establish comprehensive place-based strategies

There is no single policy or program that can address the many challenges that distressed urban areas face. Instead, these communities need a comprehensive plan that ensures residents live and work in communities conducive to their success. Such a plan would acknowledge the interdependent nature of challenges, including access to quality housing and transportation, barriers to securing employment, and limited economic development activity, to name a few. In order to address the many challenges distressed urban areas face, it is necessary for leaders across sectors and agencies to come together to identify key challenges affecting their community, establish shared outcomes to address those challenges, and create a joint plan of action that builds on the strengths of each stakeholder group.

The Obama administration's Promise Zones initiative strives to do just that and is designed to revitalize high-poverty communities through comprehensive, evidence-based strategies while helping local leaders navigate federal funding.[17] Initial observations of the initiative reveal that the federal government plays a critical role by accelerating local efforts, and the initiative is helping streamline the working relationships between local leaders and federal officials. However, through research and interviews on the initial rollout of the program, it is evident that the initiative can be strengthened in a number of ways moving forward.

Place greater emphasis on connections to regional opportunities

While the challenges facing urban communities often plague specific neighborhoods, solutions to the challenges can come from outside the borders of a neighborhood or city. Communities operate within a broader political and economic context that is regional in nature, making it critical for communities to engage leaders throughout the region in order to connect residents with more opportunities. Regional partnerships, for instance, have been particularly helpful when it comes to employment opportunities. For example, Partners for a Competitive Workforce—a cross-sector partnership in the Ohio, Kentucky, and Indiana tri-state region—aligns public and nonprofit employment resources with employer needs. Since 2008, Partners for a Competitive Workforce has served more than 6,100 workers, 75 percent of whom retained employment after one year.[18] The Promise Zones initiative should place a greater emphasis on the strength of regional partnerships during the application and implementation phases.

Place greater emphasis on leveraging private investment

Despite interest from the private sector in each of the current zones, communities find it challenging to engage the private sector in meaningful ways beyond traditional projects, such as housing. Federal officials should connect Promise Zones that are facing challenges in engaging private-sector actors with organizations that can provide technical assistance in assessing their local markets, the strengths and weaknesses of different private-sector partners, and build capacity to guide investment toward new investment opportunities. The U.S. Department of Treasury's Community Development Financial Institutions, or CDFI, Fund can identify intermediary organizations that serve this technical assistance role.

Establish a community of practice for local partners

In order to facilitate the exchange of ideas between local leaders, HUD should establish a community of practice for Promise Zones designees and provide communities with training and peer-to-peer learning through conference calls, webinars, and annual convenings. This sort of exchange would ensure that leaders are being supported by peers going through similar experiences and would help spread innovations between communities.

Provide guidance on how to leverage safety net programs

Place-based initiatives and federal poverty programs often operate on separate tracks, despite the fact that these programs have the shared goal of lifting individuals and families out of poverty. However, communities can leverage these resources to ensure a greater impact for low-income populations. As a result, agencies overseeing safety net programs, such as the U.S. Department of Health and Human Services and U.S. Department of Agriculture, should issue guidance on how specific safety net programs can be leveraged in place-based work.

Related resources

For more information on how Promise Zones can help reshape the federal place-based agenda, read the CAP report "A Renewed Promise: How Promise Zones Can Help Reshape the Federal Place-Based Agenda" by Tracey Ross and Erik Stegman.

2. Ensure access to quality housing and transportation

At present, the nation's housing recovery is neither strong nor equitably distributed. Not only has the national mortgage market shrunk, but also many communities, especially urban areas and communities of color, lag far behind other parts of the nation. While home prices have increased in some parts of the country, many communities, particularly those in distressed urban areas, are still experiencing a heavy concentration of foreclosures.[19] In these communities, vacant homes continue to depress property values; foster crime, blight, and unsafe conditions; and hollow out the tax base. Moreover, these communities often contain high concentrations of borrowers who owe more on their mortgages than their homes are worth.[20]

The challenge of finding housing that meets the basic needs of low-income families is exacerbated by the fact that much of the nation's affordable housing is not linked to the transportation options necessary for families to access employment opportunities, good schools, fresh food, and other amenities. Building a 21st century transportation system that provides all residents with high-quality, affordable mobility options will require several major reforms. These reforms include providing more direct federal funding to empower local leaders, removing barriers to spending federal funds on the most beneficial projects regardless of mode, and holding state and local governments accountable for their investment decisions.

Expand access to affordable housing

Even as housing in some urban areas is now more affordable than ever, new homeowners have not been able to benefit because it has been difficult for most families to get a mortgage since the crisis. Access to credit is not just tight compared to the housing-bubble years, but also according to broader historic standards.[21] Households of color, which will account for three-quarters of household growth over the next decade,[22] have extremely low access to the conventional mortgage market, relying instead on the Federal Housing Administration, or FHA.

At the same time, with homeownership difficult to access and wages stagnant, America also faces a rental affordability crisis. Half of all renters spend more than 30 percent of their income on housing, the upper end of the commonly accepted definition of "affordable," while 27 percent spend more than 50 percent of their income—both sharp increases over the past decade.[23] The nation is losing its lowest-cost rental units at more than double the rate of other units, and barely one-third of new rental units are affordable to the median renter.[24] Moreover, the rising cost of rent has made it harder for households in urban areas to secure quality housing or to cover the costs of other household necessities, let alone set aside money for a down payment or other needs.

To expand affordable housing access, CAP recommends the following policies:

Prevent foreclosures and vacancies

- The Federal Housing Finance Agency, or FHFA, which is the regulator and conservator of mortgage giants Fannie Mae and Freddie Mac, has extensive authority and opportunity to support struggling families and communities. CAP recommends that the FHFA engage in principal-reduction modifications and enable borrowers who lose their homes through a short sale or foreclosure to buy back their homes at fair-market value.[25]

- Fannie Mae, Freddie Mac, and the FHA are all trying to move past the foreclosure crisis by selling the distressed loans still on their books. The FHA has auctioned off more than 100,000 loans so far, and Fannie Mae and Freddie Mac hold about 1 million distressed mortgages that they will sell in the coming years.[26] CAP urges both the FHA and FHFA to ensure that these sales are structured to optimize their benefit to homeowners and neighborhoods in addition to improving agency finances.[27]

Increase access to sustainable mortgage credit

- CAP recommends continued support for FHA and that the agency implement policies to ensure that lenders participating in its program extend credit to all qualified households and that lenders continue to offer FHA loans.[28] The FHA has played a crucial role in supporting the nation's economic recovery not only by preventing even greater catastrophic home price declines, but also by avoiding a double-dip recession while at the same time supporting first-time homebuyers and buyers of color, who are all poorly served by the current conventional market.

- It is critical for the FHFA to establish strong housing goals and an effective duty-to-serve rule for Fannie Mae and Freddie Mac to ensure that the mortgage giants are serving underserved communities, especially communities of color.[29]

Create more affordable rental housing and enable renters to save

- CAP recommends that FHFA help address the shortage of affordable rental units by setting strong goals for Fannie Mae and Freddie Mac on affordable rental housing and by supporting the preservation of existing affordable rental housing units.[30]

- As more households rent, either by choice or necessity, policymakers must consider new ways to help renters build savings—or else the nation is likely to see an increasing wealth disparity. CAP has recommended a set of best practices for savings programs that are targeted toward renters.[31] For example, HUD's Family Self-Sufficiency, or FSS, program allows low-income households to enter into savings agreements with their public housing authority, or PHA. Normally, when the income of a household receiving a Housing Choice Voucher or living in public housing increases, so does its rent payment. However, under FSS, program participants' actual rent payments remain the same while the newly added portion is set aside in an escrow account for the renters to access for any purpose after completing the program. Overall, FSS data show this is a promising saving mechanism for low-income households that could be expanded.[32]

Empower local leaders

The federal transportation program is a partnership between the federal government and state departments of transportation. However, the current federal program fails to provide local communities with the resources they need to improve transportation performance and provide affordable transportation options for residents because the vast majority of funding is directed to states. In fact, only 6 percent of federal highway funds flow directly to urban areas, even though more than 67 percent of all vehicle miles traveled each year—or more than 1.9 trillion miles—occur within urban areas.[33] The vast majority of this driving is the result of short local trips: 73 percent of all vehicle trips are less than 9 miles in length.[34] As a consequence, the most severe and economically damaging congestion occurs within metropolitan regions. To better address this challenge, federal leaders must empower local communities by providing them with more direct federal funding, which would allow them to implement projects that succeed in providing essential, efficient, and affordable mobility.

Provide mode-neutral transportation funding

The federal-aid highway program is heavily prescriptive, dictating the types of projects that states must build. As a result, states often pursue certain types of highway projects not because they are the most appropriate solution, but because of the strictures placed on federal money. Rather than predetermining what projects a state or metro region should build, a more effective approach would be to allocate mode-neutral funds and allow states and regions to plan for success regardless of whether or not the most effective mix of projects is exclusively focused on highways. This more flexible approach would also reflect the extent to which the needs of different states and metro regions can vary across the nation. By increased modal flexibility, the federal program would avoid one-size-fits-all solutions to complex transportation challenges.

Hold state and local leaders accountable for improving transportation

In addition to expanding local control and providing more flexible funding, the federal program must also improve overall accountability. Under the current program, states and metro regions are required to follow a number of procedural steps before they are allowed to expend federal funds. Yet, these procedural requirements fail to capture the ultimate effect of state and, to a lesser extent, local investment decisions. Along with greater funding flexibility, the federal government should hold grant recipients to a higher standard regarding the ultimate performance outcomes from their investment decisions. In short, more flexibility with funds must be paired with greater accountability for success. The most effective way to ensure improved performance is to clearly outline a series of performance metrics against which all grant recipients will be measured. The set of measures should include not only basic elements such as the condition of infrastructure assets, but also the grant's economic, social, and environmental impacts.

Related resources

- "Advancing a Multimodal Transportation System by Eliminating Funding Restrictions" by Kevin DeGood and Andrew Schwartz
- "Building a 21st Century Infrastructure: How Setting Clear Goals, Establishing Accountability, and Improving Performance Will Produce Lasting and Sustainable Prosperity" by Kevin DeGood
- "Is the FHA Distressed Asset Stabilization Program Meeting Its Goals?" by Sarah Edelman, Julia Gordon, and Aashna Desai

3. Support workers by eliminating barriers to employment

Expand investment in apprenticeships

In 2014, the U.S. Department of Labor announced the $100 million American Apprenticeship Grant competition, the largest federal investment in apprenticeships ever in the United States.[35] This grant competition will help create career pathways that are aligned with postsecondary education and expand apprenticeships into new high-tech, high-demand industries such as health care, information technology, advanced manufacturing, and more.[36]

As the U.S. economy continues to improve, many cities are still facing high levels of youth unemployment, particularly among young people of color. Furthermore, 40 percent of the young people who are most disconnected from the labor market live in the nation's 25 largest metro areas.[37]

Apprenticeships can make a difference. Apprentices gain a paycheck today, debt-free education, and higher wages over their lifetimes. Workers who complete an apprenticeship earn an average starting salary of $50,000 and earn about $300,000 more than comparable workers over their lifetimes.[38] Employers also benefit from having the ability to build a pipeline of skilled workers at a time when 40 percent of U.S. employers say they are having a hard time filling jobs because candidates lack technical competencies.[39]

CAP has proposed expanding the use of apprenticeships in the United States, especially in high-growth occupations such as information technology, health care, and advanced manufacturing. Among other policies, CAP has proposed $3 billion in federal grants to support the development of new apprenticeship programs.[40] Cities can partner with employers to apply for these grants and create new apprenticeships.

Remove barriers to opportunity for Americans with criminal records

The legacy of America's failed experiment with mass incarceration and hyper-criminalization is that between 70 million and 100 million Americans today—as many as one in three—have some type of criminal record.[41] High-poverty, disadvantaged communities generate a disproportionate share of the Americans behind bars. As a result, many people with criminal records are returning to these very same communities upon release. Urban communities have a high number of residents with criminal records, which creates significant economic costs due to barriers to employment faced by returning citizens and those with criminal records. Furthermore, their families also lose economic and social support.[42]

Many individuals only have minor offenses such as misdemeanors, but even a minor criminal history carries lifelong barriers to employment, housing, education and training, family reunification, and even meager public assistance. It has been estimated that the nation's poverty rate would have dropped by one-fifth between 1980 and 2004 if not for mass incarceration and the associated criminal records that haunt individuals for years, if not for life.[43] Policymakers must therefore craft policies to ensure that Americans with criminal records have a fair shot at making a decent living, providing for their families, and joining the middle class. This will benefit not only the tens of millions of people who face closed doors due to a criminal record, but also their families, their communities, and the economy as a whole.

In December 2014, CAP published a report, "One Strike and You're Out," that explored how mass incarceration and criminal records serve as key drivers of poverty and inequality in the United States. The report offered a roadmap for the administration, Congress, states and localities, employers, and colleges and universities to remove barriers to economic security and mobility for Americans with criminal records and their families.[44] The report included a new CAP idea—a "clean slate"—to enable people with criminal records to redeem themselves and move on with their lives after they pay their debt to society. CAP's clean slate proposal would provide for automatic sealing of low-level, nonviolent criminal records after individuals demonstrate their rehabilitation by remaining crime free for 10 years. Other key federal recommendations from the report include:

Remove barriers to employment by enacting a federal fair-chance hiring law and leveraging subsidized jobs as a tool for helping people with criminal records and other disadvantaged workers get a foot in the labor-market door. CAP has proposed a national subsidized jobs program based on the highly successful Temporary Assistance for Needy Families Emergency Fund, which put 250,000 Americans back to work at the height of the recession.[45]

- Remove barriers to housing by reforming the harsh and outdated one-strike policy in public housing.

- Remove barriers to education and training by expanding prison education and training programs, testing the restoration of Pell Grants for incarcerated students, and removing barriers to federal financial aid and tax credits. Spending $1 on prison education programs saves $4 to $5 in reduced incarceration costs in just the three years after release.[46]

- Remove barriers to public assistance by reforming the overly punitive lifetime ban on income and nutrition assistance for people with felony drug convictions.

- Enact smart-on-crime reforms to reduce incarceration, such as reforming mandatory minimums, expanding the use of alternatives to incarceration, and expanding early-release measures such as the good-time credit.

- Reauthorize the Second Chance Act and fully fund the Obama administration's Smart on Crime initiative to support re-entry and reduce recidivism.

Related resources

- For more information on removing barriers for Americans with criminal records, see "One Strike and You're Out: How We Can Eliminate Barriers to Economic Security and Mobility for People with Criminal Records" by Rebecca Vallas and Sharon Dietrich.
- For more information on apprenticeships, see "Training for Success: A Policy to Expand Apprenticeships in the United States" by Ben Olinsky and Sarah Ayres Steinberg.

4. Spur economic development in distressed neighborhoods

Foster the role of anchor institutions in community and economic development

One partner that is often absent from the table of key stakeholders is anchor institutions—colleges, universities, and hospitals—many of which are located in inner cities. Anchor institutions spend billions of dollars every year on goods and services, employ millions of people, and own land across the country. Given the amount of federal funding that goes toward colleges and universities, the federal government should dedicate resources to facilitate and incentivize strategic partnerships between colleges, universities, hospitals, and their greater communities.

For example, anchor institutions already play an important role in workforce development, but linkages between businesses and community and technical colleges are often weak. The U.S. Department of Education and the U.S. Department of Labor should work with policymakers, accrediting bodies, and colleges and universities to expand the number of articulation agreements in place to address this divide.

In addition, anchor institutions have large contracting capabilities, spending billions of dollars on goods and services each year that could help small businesses in the surrounding area grow. However, these businesses often lack the capacity to handle contracts of this size. The federal government can encourage institutions receiving research funding to implement programs that mentor local disadvantaged businesses through additional funding opportunities.

Another challenges is that staff in procurement offices are often comfortable relying on existing vendors, so small businesses are often not vetted. Currently, the Small Business Administration, or SBA, supports small-business intermediaries to provide loans to local businesses.[47] The SBA should also provide grants to small-business intermediaries that are positioned to help connect small businesses that have the potential to work with anchor-institution clients.

Lastly, under the Affordable Care Act, nonprofit hospitals are required to provide benefits to the communities they serve in order to keep their tax-exempt status.[48] Federal leaders should expand the definition of community benefit to cover more of the social determinants of health and direct hospitals to work with local leaders to ensure that resources are spent on shared priorities.

Ensure capital flows to distressed urban communities

For decades during the mid-20th century, urban neighborhoods suffered from federal policies and financial-market actions that led to capital flight and community destabilization. Two tools, among others, have been instrumental in reversing this trend: the Community Reinvestment Act and Community Development Financial Institutions.

For nearly 40 years, the Community Reinvestment Act, or CRA, has encouraged financial institutions to serve all communities in an effort to reverse patterns of redlining and abandonment of low-income and minority neighborhoods. The CRA requires that regulators review whether financial institutions are serving the broader community through their loans, investments, and other activities, and in the case of poor ratings, regulators are empowered to block mergers, thereby holding banks accountable.

Federal support of the U.S. Treasury Department's Community Development Financial Institutions, or CDFIs, over the past 20 years has also enabled greater investment in underserved communities. These mission-driven institutions have spearheaded the construction of affordable housing and the capitalization or expansion of small businesses in high-poverty urban areas.

To continue meeting the needs of high-poverty, underserved urban communities, both programs need updating. The CRA should be modernized to take into account broader changes in the financial sector.[49] For example, technology has made it easier to deploy capital and make loans in places where bank branches do not exist, but the CRA still largely measures banks based on where their deposits and branches are located, even if they could be serving other high-need areas where they do not have a physical footprint. The CRA should also take into account job quality and local hiring when crediting banks for community development activities. These steps would create stronger incentives for CRA activities to efficiently and effectively reach high-need communities as the law intended.

As for CDFIs, federal support should be increased. Doubling funding for the Treasury Department's CDFI Fund, continuing the Small Business Lending Fund, supporting states' small-business lending programs, and making the New Markets Tax Credit permanent would all leverage public investment with private capital to continue urban revitalization efforts.[50]

Related resources

For more information on how federal leaders can foster the role of anchor institutions, see "Eds, Meds, and the Feds: How the Federal Government Can Foster the Role of Anchor Institutions in Community Revitalization" by Tracey Ross.

5. Empower state and local leaders

Establish comprehensive place-based efforts in states to revitalize distressed areas

States have a strong self-interest in targeting resources to high-poverty communities as the effects of concentrated poverty place a drag on state economies. Federal place-based models that support localities as they revitalize high-poverty communities are proving effective, but there is no need for the model to be restricted to the federal level. Fortunately, states have the tools at their disposal to invest in high-poverty communities. For instance, states undertake most direct spending on public goods and services and a significant amount of federal discretionary funding, such as the Social Services Block Grant and the Community Development Block Grant, is administered by states. This gives state leaders broad authority over many pertinent federal funding streams.

In order to better assist high-poverty urban communities, states can create their own place-based initiatives to incentivize local leaders to undertake a comprehensive planning process in order to identify key challenges on which to focus; develop concrete outcomes to address those challenges; and create a shared plan to meet those goals. In turn, selected communities can be awarded with priority access to existing federal funding streams administered by states. In addition, two-thirds of AmeriCorps funding goes to governor-appointed commissions.[51] These commissions can provide funding and volunteers to zones selected throughout the state. In 2014, AmeriCorps leveraged more than $500 million in public and private resources to support volunteers working to improve communities across the country.[52]

Require higher workforce standards for government spending and subsidies

Urban governments finance jobs across the economy with the billions of dollars they spend each year to purchase goods and services and to subsidize private investment and job creation. For example, the average American city contracts out more than one-third of its basic municipal services, according to one report.[53] Unfortunately, this spending too often resembles a race to the bottom that supports bad jobs and poor value for taxpayers. The jobs created through government contracting and subsidies are often substandard, paying very low wages and involving poor working conditions where employment law violations are common. Such jobs not only hurt America's workers, but they also undermine the quality of goods and services delivered to government agencies and the public, often resulting in significant hidden costs for taxpayers.

Cities can adopt high-road reforms[54] to raise wages and job quality for contractors and subsidy recipients;[55] ensure that responsible employers can compete on a fair playing field for government contracts and subsidies;[56] improve the services provided by the city; and prevent waste of taxpayer dollars. Key strategies to raise workplace standards include carefully reviewing decisions to contract work out; prescreening contractors for responsibility; requiring high standards for wages and benefits; providing incentives to raise wages and benefits above the legal floor; undertaking strong post-award enforcement; increasing data collection and transparency; and instituting community benefits agreements.

Take financial access into account to save consumers money

Urban governments have the potential to foster better financial products, which would in turn put more money in the pockets of vulnerable residents. In New York City alone, there are an estimated 825,000 residents without bank accounts who each pay hundreds or thousands of dollars per year just to manage their money—dollars that they could instead be spending locally to support their families and the city's economy.[57] Cities can negotiate with local financial institutions and businesses to support safe and affordable financial products for the 6.7 million households in metropolitan areas that currently lack bank accounts and the nearly 17 million metro-area households that are currently disconnected from the financial system in some way.[58] Cities can also use local zoning and licensing authority to limit the growth of wealth-stripping financial actors such as payday lenders that contribute to community instability, and cities can offer financial counseling services to help residents manage debt and maximize their resources.[59]

Three initiatives in San Francisco over the past decade demonstrate these approaches that support of financially vulnerable consumers. In 2006, the San Francisco treasurer's office launched the Bank On program, an initiative to make low-cost bank accounts available to thousands of city residents through a partnership with banks and credit unions that encouraged high-quality products and tackled barriers to banking such as identification and prior closed accounts.[60] The city also encourages employers, including small businesses, to switch from paper checks to direct deposit bank accounts or high-quality prepaid cards to pay workers, both of which are faster, more secure, and more affordable pay systems for companies and employees alike.[61] San Francisco also offers residents facing financial trouble the opportunity to connect with local credit unions that may be able to offer loans on much more favorable terms than the alternatives offered by high-cost payday lenders in the state.[62]

Moreover, urban governments process millions of transactions each year that have consequences for local consumers' financial services access and affordability.[63] In many states, prepaid cards are used to distribute unemployment insurance and other cash benefits, yet the contracts to deliver these products do not always put consumers first. In 2013, low-income Californians lost $19 million in public benefits to ATM fees, partly because access to fee-free ATMs was limited.[64] Furthermore, the ways that municipalities accept payments for fees, fines, and tolls—such as limitations on cash-only payments or surcharges for using a certain payment method—may lead to higher costs or new barriers for consumers. When local and state governments issue contracts for these financial services, they should take into account the consumer's bottom line, as well as their own.[65]

Related resources

- For more information on creating state-level Promise Zones initiatives, see "A Framework for State-Level Promise Zones" by Tracey Ross and Melissa Boteach.
- For more information on higher workforce standards, see "Contracting that Works: A Toolkit for State and Local Governments" by David Madland.
- For more information about financial access, see "Financial Access in a Brave New Banking World" by Joe Valenti and Deirdre Heiss.
- For more information on financially vulnerable populations, see "Encouraging Responsible Credit for Financially Vulnerable Consumers" by Joe Valenti.

Conclusion

We are in what HUD calls the "Century of Cities," in which urban areas around the world are facilitating innovation while contributing to their nations' prosperity.[66] While many people stand to benefit from living in urban areas across the United States, a number of people are stuck in neighborhoods that are largely isolated from the economic and social benefits that cities create. Leaders must work together to reverse this trend of neglect and strengthen distressed urban areas.

The policies outlined above represent American Progress' most recent thinking on a number of challenges facing urban areas. In addition to these specific issues, distressed urban areas face a number of challenges in areas that match American Progress' expertise, including health, education, and energy and environment policy. This brief is meant to lay the foundation for an ongoing conversation about how to equip residents of distressed urban areas with the skills they need to prosper, as well as to create an environment conducive to their success. In the words of President Barack Obama, "A child's course in life should be determined not by the zip code she's born in, but by the strength of her work ethic and the scope of her dreams."[67]

Acknowledgments

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