



# FINANCING YOUR CITY'S FUTURE

**WINTER 2023 POLICY MEETING  
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To best leverage historic federal investments in infrastructure and redevelopment, city leaders are tasked with identifying and tackling projects in a way that includes co-benefits for equity, sustainability, and economic development. This panel will highlight innovative local financing tools applied by cities to maximize co-benefits while leveraging current funding streams and setting the community up for long term economic gain.



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# More Than Fines and Fees

## Incorporating Equity into City Revenue Strategies

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*December 2021*

In the summer of 2021, cities appeared poised for a vibrant economic recovery from the COVID-19 pandemic and recession. Workers and tourists were returning to downtowns, students to college campuses, and riders to public transit. Businesses reopened their doors and posted more job listings, especially compared with prior months.<sup>1</sup>

But since then, the emergence of new variants and plateauing of vaccination rates have contributed to ongoing uncertainty and prospects of an uneven recovery.<sup>2</sup> Many city leaders remain concerned about declines across revenue categories, including the property tax—the single largest revenue source for most cities—as the pandemic shifts where people choose to live and work.<sup>3</sup>

Mayors and other city leaders are also contending with how to tackle structural inequities in access to wealth and opportunity. These disparities existed before COVID-19 but have only widened as the pandemic and economic downturn have disproportionately affected individuals and communities of color.<sup>4</sup>

To help city leaders build an inclusive and lasting economic recovery from COVID-19, Bloomberg Philanthropies, through its What Works Cities initiative, launched the City Budgeting for Equity and Recovery program (CBER).<sup>5</sup> The program provided a cohort of 28 cities with a virtual learning curriculum, peer network, and customized technical assistance to create and implement a tangible

action plan that addressed the unique fiscal challenges resulting from COVID-19 with an equity-informed lens.

Examining the range of strategies CBER city participants pursued, together with other examples from around the country, provides a useful snapshot of how city officials are addressing fiscal and economic challenges in these unprecedented times. An evidence base of best practices will be important as governments at all levels grapple with how best to adopt process changes and use data to advance equity.<sup>6</sup>

In this brief, we describe the challenge and opportunity of integrating equity principles into city revenue strategies. Our analysis begins by examining city revenue structures, including the types of revenues cities rely on and how much cities collect from residents by race or ethnicity. This analysis highlights how city leaders can use data to evaluate whether inequities are manifesting across various revenue sources and identify areas that merit reform.

We then discuss and analyze a range of emerging policies, practice changes, and strategies that leaders can consider adopting to integrate equity principles into both tax and nontax revenue strategies. Our analysis suggests that, with a few important exceptions, many city governments that espouse a commitment to equity in fiscal decisionmaking are further along in analyzing and incorporating changes related to expenditures, rather than those related to revenues.

The flexibility afforded by increased federal funds under the American Rescue Plan Act (ARPA) and the recently enacted Infrastructure Investment and Jobs Act (IIJA) provides a unique opportunity for city leaders to integrate equity principles into revenue strategies more comprehensively. Long-standing tax policy principles and promising emerging examples in several cities also provide a way forward. Our review of these approaches suggests that cities should consider equity with respect to both processes and outcomes, use data-driven strategies to track progress and routinize evaluations, and include in-kind as well as monetary revenue sources in their reviews.

We also note the important role federal, state, and county governments can play in the design of intergovernmental grant and shared-revenue programs that prioritize equity criteria to drive forward these goals. We further observe that city approaches reflect differences in institutional and political characteristics, such as fiscal autonomy, home rule powers, political will, and a range of city contexts.

## Background

The United States is home to more than 35,000 city and township governments.<sup>7</sup> In fiscal year 2017, the average city or town had about 7,400 residents, but populations ranged from just one resident in Monowi, Nebraska, to 8.55 million in New York City.<sup>8</sup>

The services these local governments provide can also vary greatly depending on relationships with their respective counties and other local governments. For example, Los Angeles and Los Angeles

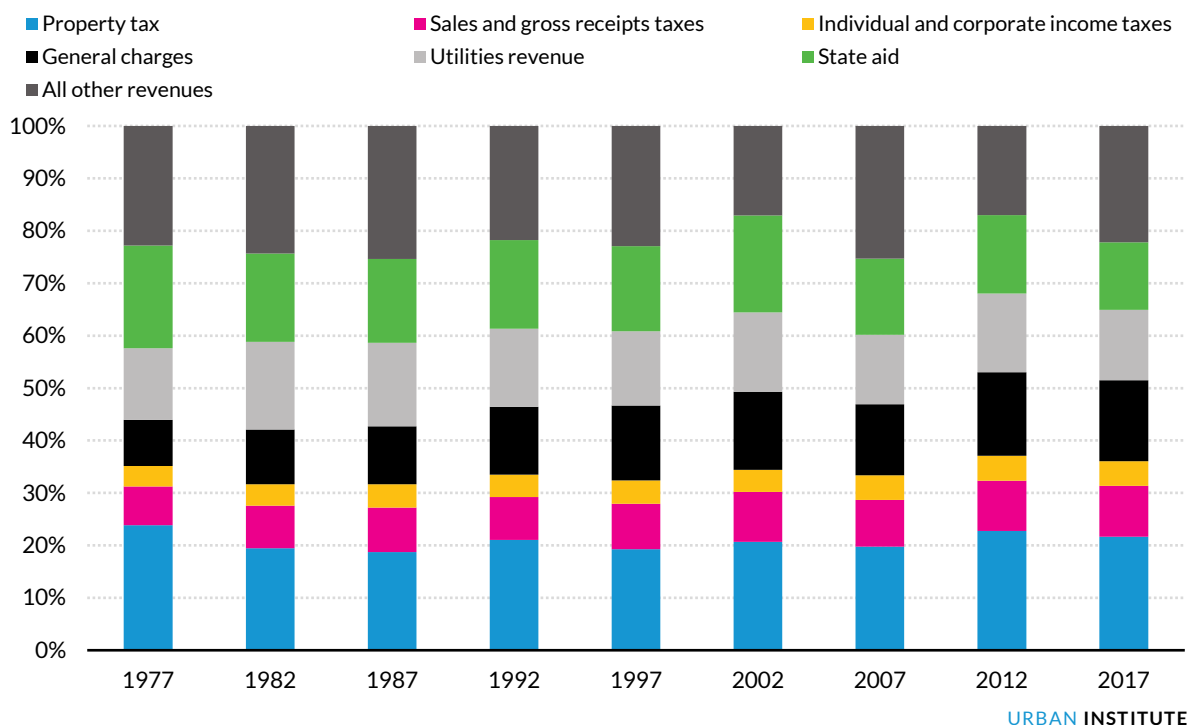
County both spend significant shares of their budgets on law enforcement, whereas Las Vegas spends relatively little because Clark County provides most of these services.<sup>9</sup>

Much attention has been paid recently to criminal justice fines and fees. However, these revenue sources represent only about 1 percent of total revenues across all cities and townships. Property taxes and general charges were the biggest revenue sources for cities and townships in 2017 (figure 1).

**FIGURE 1**

### Composition of Municipal Revenues

*Share of total revenue, all cities and townships, fiscal years 1977–2017*



**Source:** US Census Bureau, Census of Governments, 1977–2017 (April 2020).

**Notes:** “All other revenues” primarily include federal aid, license taxes, local aid, public utility taxes, fines and forfeitures, interest revenue, documentary and stock transfer taxes, and special assessments.

CBER cities span 18 states, have a cumulative population of about 10 million residents, and raise over \$40 billion in revenues each year.<sup>10</sup> For the 279 city governments serving more than 100,000 residents in 2019 (a category that includes all 28 CBER cities), property taxes and charges are still the largest share of revenues.<sup>11</sup>

While larger cities are more diverse than the country, their composition varies widely: for example, the share of the population that is Black ranges from 0.3 percent in Laredo, Texas, to 82 percent in Jackson, Mississippi (table 1). Similarly, median household income ranges from about \$31,000 in Detroit to over \$140,000 in Sunnyvale, California.

TABLE 1

## Summary Characteristics of 279 Cities with Populations over 100,000 in 2019

| Category                                                                                      | Average                           | Minimum | Maximum |
|-----------------------------------------------------------------------------------------------|-----------------------------------|---------|---------|
|                                                                                               | Revenues (% of total within city) |         |         |
| Property tax                                                                                  | 19.3                              | 0.0     | 75.3    |
| Individual and corporate income taxes                                                         | 1.9                               | 0.0     | 45.4    |
| General charges                                                                               | 19.4                              | 0.0     | 75.5    |
| Sales and gross receipts taxes                                                                | 15.7                              | 0.0     | 65.5    |
| State aid                                                                                     | 10.4                              | 0.0     | 73.1    |
| Utilities revenue                                                                             | 15.8                              | 0.0     | 72.0    |
| All other revenues                                                                            | 17.6                              | 0.5     | 49.7    |
| Population (% of total within city)                                                           |                                   |         |         |
| American Indian or Alaska Native                                                              | 0.5                               | 0.0     | 7.4     |
| Asian                                                                                         | 7.4                               | 0.3     | 59.2    |
| Black                                                                                         | 17.1                              | 0.3     | 82.0    |
| Latinx <sup>a</sup>                                                                           | 24.2                              | 1.4     | 95.9    |
| Native Hawaiian or other Pacific Islander                                                     | 0.3                               | 0.0     | 8.9     |
| White                                                                                         | 47.4                              | 2.7     | 85.3    |
| All other races                                                                               | 3.2                               | 0.1     | 18.7    |
| Racial income inequality (%)                                                                  |                                   |         |         |
| [Share of aggregate income for Asian households] – [share of Asian population]                | 0.0                               | –9.8    | 6.5     |
| [Share of aggregate income for Black households] – [share of Black population]                | –5.0                              | –28.4   | 3.0     |
| [Share of aggregate income for Latinx households] – [share of Latinx population] <sup>a</sup> | –7.9                              | –23.4   | 1.0     |
| [Share of aggregate income for white households] – [share of white population] <sup>a</sup>   | 9.2                               | –3.0    | 29.9    |

**Source:** Authors' analysis of US Census Bureau, 2019 Annual Survey of State and Local Government Finances and 2015–19 American Community Survey five-year estimates (August 2021).

**Notes:** Among the 279 cities, only Scottsdale, Arizona, did not have any property tax revenue; Centennial, Colorado, and League City, Texas, did not have any general charges revenue; Centennial, League City, and Scottsdale did not have any state aid revenue. See Michael Pagano and Christopher W. Hoene, *City Budgets in an Era of Increased Uncertainty* (Washington, DC: Brookings Institution, 2018) for a discussion of cities' differential access to revenue sources.

<sup>a</sup> We are committed to employing inclusive language whenever possible, though we acknowledge that not every member of this group may identify with the term "Latinx."

Notably, nearly every large city has high racial income inequalities. As a rough approximation of these disparities, we compare the share of aggregate household income held by a racial group with the share of the total population of that racial group. On average, Black and Latinx population shares exceed their aggregate household income shares, although this is not the case for all large cities.<sup>12</sup>

Cities with the highest racial income inequalities may particularly benefit from detailed evaluations of their revenue systems. This may include evaluating their mix of revenue sources, distribution of local tax benefits and liabilities, and potential administrative or enforcement issues to understand whether revenue policies are mitigating or expanding inequalities.

# The Need for More and Better Data

Many cities have embarked on equity reviews of major spending programs in their budgets. However, less systematic thought has gone into how to apply an equity lens to revenues. Significant attention is being paid to the impacts of criminal justice fines and fees in perpetuating racial injustices, as many experts call on city and state leaders to reduce local dependence on these revenue sources.<sup>13</sup>

However, few cities have applied a similar equity lens to other revenue sources. This is surprising, given the body of research showing how revenue structures beyond fines and fees, such as property taxes when coupled with inequitable assessments and appeals practices (Avenancio-Leon and Howard 2019; Berry 2021), can perpetuate structural racism (Boddupalli and Rueben 2021). Various historical and current revenue policies at the state and local levels also have their roots in the post-Reconstruction era (Leachman et al. 2018; Williamson 2020).

Taking action to shift city revenue mixes can be daunting. Across all city governments combined, the composition of revenues has not changed much over time. Some exceptions include a decline in reliance on state and federal aid and an increase in reliance on general charges (or payments for specific government services such as hospital fees, airport fees, sewerage and solid waste management fees, and parking fees). Reliance on property taxes, the largest revenue source for cities, has remained stable since the 1980s, having declined after the 1970s property tax revolt that began with Proposition 13 in California.

Cities may also have limited alternatives because state rules restrict which local revenue-raising mechanisms are permissible (Blair et al. 2020). For example, Massachusetts does not have any local income taxes. Overall, limits on local tax authority (or the types of taxes or charges a city has at its discretion), strict property tax limitations, a need to maintain the economic base (such as real estate values, retail sales, and household income), and a need to meet service demands can constrain cities' "fiscal space," including space to reform their revenue structures (Pagano and Hoene 2018).

Another issue is limited data. Because state and local revenue agencies, as with the Internal Revenue Service, do not collect tax data by race or ethnicity, investigating tax incidence by race (for example, whether Black households face higher tax burdens than white households in a given city) is largely not possible. One alternative is examining how local revenue amounts or shares relate to population composition (Boddupalli and Rueben 2021; Rueben 2019).

For example, state and local leaders can explore how revenue amounts per capita weighted by the size of each racial group's population within a city compare across a set of cities and racial groups. Performing this exercise on large cities cumulatively across the country, we find that the average Asian and Black residents of large cities may be paying more in local taxes and nontax revenue sources (such as general charges) compared with residents of other races and ethnicities. Further, sales tax burdens are higher on average for American Indian or Alaska Native residents in large cities compared with some others. The latter finding, in part, reflects the higher share of American Indian or Alaska Native residents in states that rely less on income taxes, namely Alaska, Arizona, and Oklahoma (table 2).

More broadly, it is not clear whether these differences stem from tax rates, bases, exemptions, deductions, or credits. The lack of a centralized database on these tax features inhibits more granular understanding of the tax systems people of different races and ethnicities face.

**TABLE 2**

**Weighted Averages of City Revenues by Revenue Type and by Race and Ethnicity of Residents, for 279 Cities with Populations over 100,000 in 2019**

| Racial/ethnic category                    | Total   | Property tax | Sales and gross receipts taxes | General charges | All federal, state, and local aid |
|-------------------------------------------|---------|--------------|--------------------------------|-----------------|-----------------------------------|
| Revenue per capita (\$)                   |         |              |                                |                 |                                   |
| Total                                     | \$4,448 | \$869        | \$516                          | \$737           | \$956                             |
| American Indian or Alaska Native          | \$3,518 | \$627        | \$514                          | \$667           | \$741                             |
| Asian                                     | \$5,396 | \$1,138      | \$588                          | \$890           | \$1,188                           |
| Black                                     | \$5,045 | \$981        | \$534                          | \$748           | \$1,228                           |
| Latinx <sup>a</sup>                       | \$4,172 | \$820        | \$503                          | \$706           | \$861                             |
| Native Hawaiian or other Pacific Islander | \$3,377 | \$844        | \$459                          | \$716           | \$465                             |
| White                                     | \$4,178 | \$795        | \$501                          | \$719           | \$854                             |
| Revenue share (% total revenue)           |         |              |                                |                 |                                   |
| Total                                     |         | 18.5         | 14.4                           | 19.8            | 16.9                              |
| American Indian or Alaska Native          |         | 16.0         | 18.3                           | 21.0            | 18.2                              |
| Asian                                     |         | 20.3         | 14.2                           | 19.8            | 16.1                              |
| Black                                     |         | 18.7         | 12.4                           | 18.7            | 19.8                              |
| Latinx <sup>a</sup>                       |         | 18.6         | 15.2                           | 20.4            | 15.6                              |
| Native Hawaiian or other Pacific Islander |         | 24.3         | 15.4                           | 21.8            | 12.6                              |
| White                                     |         | 18.0         | 14.7                           | 20.0            | 16.5                              |

**Source:** Authors' analysis of US Census Bureau, 2019 Annual Survey of State and Local Government Finances and 2015–19 American Community Survey five-year estimates (August 2021).

<sup>a</sup> We are committed to employing inclusive language whenever possible, though we acknowledge that not every member of this group may identify with the term “Latinx.”

The lack of data can be especially problematic in smaller cities compared with larger ones. In addition, larger cities may have existing budgetary structures or practices, such as robust community engagement plans or even dedicated agencies, that help government operations focus on racial equity.

All forward-looking city leaders would do well to start collecting and disseminating granular tax data, in addition to more information on which spending programs different types of revenues support.<sup>14</sup> But until those data collection and modeling capacities are established, city officials can rely on widely available aggregate public finance and demographic data from the US Census Bureau to set a foundation for more tailored revenue analyses in the future. A better understanding of tax incidence by race and ethnicity could help set the stage for equitable revenue reforms.

# Lessons from a Qualitative Scan

We performed a scan of the literature and analyzed city equity frameworks<sup>15</sup> and other materials (consisting of equity statements, equity toolkits, equity definitions, equity ordinances, project planning tools that prioritize equity, and reports on equity indicators and outcomes) for all 28 cities in the CBER program and more than 50 US cities outside the CBER program.<sup>16</sup>

Our research revealed that, despite the nascent nature of the field of public finance and equity, cities show a range of activity in integrating equity into revenue strategies. The Government Alliance on Race and Equity's *Racial Equity Toolkit*, for example, is among the more widely used equity frameworks for local governments (GARE 2015). Broadly, the framework includes investigating the distributional impacts of proposals by neighborhoods, the racial demographics of those most impacted in the jurisdiction, potential unintended consequences and how those will be addressed, and whether a proposal would increase or decrease racial equity based on the above research and stakeholder involvement.

In the sections that follow, we identify four promising approaches policymakers and other leaders can consider when integrating an equity lens into cities' revenue reform frameworks.

## 1. Integrating Equity into Tax Revenue Strategies

Principles of public finance often don't easily lend themselves to equity in many domains. However, city leaders can use some well-known tenets of public finance to assess whether their tax framework reflects appropriate attention to values of racial equity, in concert with traditional public finance goals of adequacy, horizontal and vertical equity, and administrative simplicity (NCSL 2010) (table 3).

**TABLE 3**  
**Traditional and Equitable Tenets of Revenue Evaluations**

| Tenet                     | Key questions                                                                                                                                 | New equitable recovery considerations                                                                                                                                                  |
|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Neutrality and efficiency | Does the tax policy distort the market or heavily influence economic decisions?                                                               | How does the tax policy align with and drive equitable priorities (e.g., equitable job growth)?                                                                                        |
| Horizontal equity         | Does the tax provide fair treatment of similarly situated individuals and businesses?                                                         | Where does equity diverge from equality, given, for example, place-based historical disparities? How are different communities impacted?                                               |
| Vertical equity           | Does the tax provide fair distribution of burden across individuals and businesses at different income levels, geographies, and demographics? | What degree of progressivity (or mitigation) most effectively balances short- and long-term fiscal and equity goals?                                                                   |
| "Use of proceeds"         | Is there an appropriate relationship between the source of the tax and the use of the proceeds?                                               | How can proceeds be equitably allocated across communities? If vulnerable populations are disproportionately paying the tax, are they (at a minimum) receiving a proportional benefit? |

|                             |                                                                                                                 |                                                                                                                                                                                                         |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Adequacy                    | In the short term, will the tax generate enough revenue to meet budget needs?                                   | How will the tax stabilize provision and delivery of equitable services?                                                                                                                                |
| Sustainability              | Over the long term, will the tax generate enough revenue to support projected needs?                            | How will the tax maintain and/or grow resources for equitable services over the long term? Is it well aligned with changes in the economy?                                                              |
| Stability                   | Is a high concentration of this tax base subject to volatility from economic conditions?                        | Will resources be there in times of most need?                                                                                                                                                          |
| Transparency and simplicity | How easy is the tax to administer and collect, and can the tax be easily explained and understood by taxpayers? | How will the tax (and any credits and mitigation features) be communicated to and understood by all communities—considering barriers like historic disengagement, digital divide, and language/culture? |

**Source:** Matt Stitt, “Budgeting for Equity: PFM Client Training,” Presentation (Philadelphia, PA: PFM Group Consulting LLC, May 2021), [https://www.pfm.com/docs/librariesprovider2/fundamentals-of-public-finance/budgeting-for-equity\\_may-2021.pdf](https://www.pfm.com/docs/librariesprovider2/fundamentals-of-public-finance/budgeting-for-equity_may-2021.pdf).

Emerging examples across the US show how cities are integrating equity values in different ways. Seattle’s analysis of a proposed excise tax on sugar-sweetened beverages, implemented in January 2018, reflects how jurisdictions can devote explicit attention to equity criteria from the beginning when creating a new tax. In evaluating the beverage tax before it was passed, the city’s Race and Social Justice Initiative produced a racial equity toolkit highlighting how the city engaged community stakeholders, detailing quantitative data on sugar intake and potential health benefits by race and offering strategies to address regressive taxation.

This framework sparked conversations around the equity impacts of not just Seattle’s specific tax, but soda taxes across the US (Race and Social Justice Initiative 2017a, b). Seattle’s Office of the City Auditor also published a comprehensive evaluation of the tax on sugar-sweetened beverages, and a Sweetened Beverage Tax Community Advisory Board (CAB) continues to publish annual reports and related research. These reports combine store audits, surveys on norms and health behaviors, key informant interviews with stakeholders (health advocates, manufacturers, tax administrators), and focus groups with consumers (Chan et al. 2018; Moss and Thompson 2020).

Overall, the CAB has involved residents, community coalitions, subject matter experts, and community-based organizations. This community engagement provided residents and stakeholders with the agency and authority to inform the CAB’s annual recommendations. In doing so, the CAB reflected commitment to an inclusive process and incorporated several ingredients of a strong community engagement strategy: a transparent process, access to information to enable residents and stakeholders to form educated opinions, and a genuine role for residents in decisionmaking (Ackley 2021).

While recent research suggests that Seattle’s excise tax on sugar-sweetened beverages has exhibited early signs of success in its ability to generate revenues and address social determinants of health outcomes, revenue frameworks are dynamic.<sup>17</sup> Jurisdictions committed to equity should engage in ongoing data-driven routinized evaluations to measure financial impacts, together with, if possible, an assessment of social outcomes at the neighborhood level. Such evaluations can produce actionable and

timely insights, informing whether administration of the tax should be reformed. Doing so can help ensure that the integration of equity at a process level persists and that the taxes are poised to enable stronger social determinants of equity outcomes.

Further, adopting new evaluations and frameworks to inform revenue strategies is only the first step. Much of city leaders' work ahead may lie in resolving unknowns and inevitable conflicts among key principles of equity and sound tax policy. Consider the historical and ongoing conflicts over the property tax. The property tax performs well on measures of stability or resistance to economic volatility (e.g., Lutz, Molloy, and Shan 2011) but continues to be widely viewed as unfair or regressive. Although theory and evidence suggest these concerns may be misplaced (Youngman 2016), recent research has unearthed widespread instances across the nation of inequitable administration (Berry 2021), which could offset the property tax's efficiency and stability advantages.<sup>18</sup>

City leaders might also be attentive to instances when equity may require different interventions than equality.<sup>19</sup> Examples are visible in some jurisdictions adopting new local-option taxes on cannabis. Following the legalization of cannabis in Massachusetts, communities are authorized to collect up to a 3 percent local tax on recreational marijuana sales. Where a local cannabis tax is collected, the Massachusetts municipality has full discretion with respect to how such funding is spent, and some municipalities such as Brookline and Boston are making strategic choices to earmark and dedicate some or all of the cannabis revenues raised to equitable purposes via dedicated funds to benefit underinvested communities.<sup>20</sup> Such strategies point to the importance of reversing the harms inflicted by the "war on drugs" and disproportionate law enforcement of Black households.<sup>21</sup> However, early evidence on equitable practices with these revenues points to mixed results.<sup>22</sup>

## **2. Integrating Equity into Nontax Revenue Strategies**

Reform of fines, fees, and charges is consistently the most prominent focus for equity-informed revenue strategies.<sup>23</sup> Cities reflecting attention to this practice include San Francisco, Dallas, Nashville, and Durham, among others. Strategies include measuring annual percentage changes in overall dependency on fines and fees, examining what activities are funded by fines and fees (for example, courts, law enforcement, highways, and roads), and investigating the population demographics of residents who bear the payment burdens. These analyses often inform an assessment of the degree to which the criminal justice system's revenue sources are having a measurable negative impact on historically marginalized and disenfranchised populations, and therefore merit attention to reform and reductions over time.

City leaders would be well served to think more expansively and integrate equity considerations into a wider range of nontax revenue types. These include land-based revenues, in-kind resource generation, and transfers from the federal, state, and county governments.

Many land value-capture revenue approaches leverage nonmonetary resources that, by their nature, are designed to place the fiscal burden on institutional private-sector actors rather than city residents. This practice is visible in cities that use nonmonetary exactions in the context of land

development. Exactions require real estate developers to pay a sum to the municipality (in cash, land, or other in-kind avenues) to obtain special approvals or permissions required to develop or build on a parcel. This mechanism can thus defray the cost of additional public services required by new development and be an important tool when approached with an equity lens (Germán and Bernstein 2020).

Some cities are using in-kind nonmonetary exactions with developers to fund equitable investment in public infrastructure, and using developer exactions as part of a broader linkage program to support affordable housing, as visible in the City of Boston (Karl F. Seidman 2016). In cities such as Lincoln, Nebraska, that rely on impact fees, the structure of the fee and its exemptions reflects a graduated approach tied explicitly to income equity criteria.<sup>24</sup>

Cities are also leveraging land transfers as a vehicle to address complex historical inequities in novel ways. The city of Eureka, California, for example, transferred city-owned parcels of land to the Wiyot Native American tribe in what the National Congress of American Indians called the US's first-known voluntary municipal land return achieved without sale, lawsuit, or trade.<sup>25</sup> Some experts have classified this transfer as paying reparations to address past historical inequities created when the Wiyot tribe's land was seized by the federal government in the formation of the US via force and treaties.<sup>26</sup>

### **3. Integrating Equity into Intergovernmental Revenue Strategies**

The integration of equity in intergovernmental revenue strategies is most prominent in instances when the higher level of government administering the funds includes equity as an explicit criterion related to the eligibility and use of revenues. Recent examples of this practice are visible with the ARPA. This recent legislation centers equity as a core value in the use of funds across various eligible purposes, most notably with the Coronavirus State and Local Fiscal Recovery Fund program.<sup>27</sup>

Many cities, including Buffalo, New York, and St. Louis, Missouri, have already filed recovery plan reports that offer planned uses of ARPA funds strongly guided by equity. In doing so, cities are also using data insights to convey how and why their spending will promote equitable outcomes. For example, Buffalo's ARPA spending proposal includes disaggregated data on service industry employment by race and various neighborhood maps of the city to contextualize its spending allocations (City of Buffalo 2021; Stimulus Advisory Board 2021).

Like the ARPA, the IIJA centers equity as a core value in the use of funds for various categories of infrastructure investment, including economic redevelopment, roads, highways, bridges, climate change mitigation, water, sewer, and other functional areas. In addition, the IIJA reauthorizes and expands eligibility for the Surface Transportation System Funding Alternatives Program to local governments. The new Strategic Innovation for Revenue Collection program will "test the design, acceptance, equity, and implementation of user-based alternative revenue mechanisms" such as road usage fees.<sup>28</sup>

Federal grant programs such as the Community Development Block Grant Program (CDBG) of the US Department of Housing and Urban Development also contain explicit criteria to channel

investments to underserved areas with income inequities, known as qualified census tracts.<sup>29</sup> Savannah, for example, uses long-standing, intentional strategies to raise and use CDBG funds for purposes that reflect equity criteria aligned with the federal program’s guidelines.<sup>30</sup>

#### 4. Integrating Equity through Multiple Entry Points and Approaches

Encouraging city leaders to design equity-informed revenue strategies that focus on equity as both a process (for example, frameworks that factor community engagement and principles of equity in planning) and an outcome (for example, routinized evaluations showing distribution of tax benefits and liabilities by race and studying their impacts on the income and wealth of residents) is important. Leaders can adopt tactical strategies to maximize the degree to which the integration of equity into a revenue framework will yield stronger, measurable social determinants of equity in the city over time.

But cities across the US are at different stages of incorporating equity into their revenues. We present one way to categorize their progress along the continuum below (table 4).

**TABLE 4**  
**Continuum of Equity-Informed Revenue Approaches**

| None                                                                                                                                                                                                                               | Nascent                                                                                                                                                                                                                          | Emerging                                                                                                                                                                                                                                                                                                                                               | Mature                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| No equity plan, framework, or process exists to guide revenue strategies.<br><br>Or<br><br>A citywide equity strategy exists that governs budgeting and finance matters, but such a strategy does not explicitly address revenues. | The city has articulated the desire to integrate an equity plan or framework to guide revenue strategies, but the integration of equity into revenue strategies is not yet operationalized or is in early stages of development. | The city has adopted principles and a process to integrate equity into revenue strategies for one or more types of revenues (taxes, fines, fees, intergovernmental aid, etc.) in a dedicated fund, and has started to develop a process to integrate equity considerations into all or part of the revenues that flow into the municipal general fund. | The city has adopted principles and a process to integrate equity into revenue strategies for one or more types of revenues (taxes, fines, fees, intergovernmental aid, etc.) in a dedicated fund and to govern the majority of municipal general fund revenues.<br><br>And<br><br>The city measures and tracks how the equity-informed revenue processes enhance determinants of equity <sup>a</sup> in the city over time and produce stronger equity outcomes. |

**Source:** Authors’ analysis.

<sup>a</sup> See, for example, Abigail Beatty, Dionne Foster, and King County Office of Performance, Strategy and Budget, “The Determinants of Equity: Identifying Indicators to Establish a Baseline of Equity in King County” (Seattle: King County, 2015), [https://kingcounty.gov/~media/elected/executive/equity-social-justice/2015/The\\_Determinants\\_of\\_Equity\\_Report.ashx](https://kingcounty.gov/~media/elected/executive/equity-social-justice/2015/The_Determinants_of_Equity_Report.ashx).

We found only a handful of cities routinizing the use of equity plans or frameworks for all citywide revenue proposals, which we would classify in the “emerging” or “mature” stage of the spectrum. Among them is the District of Columbia, with its newly instituted Council Office of Racial Equity (CORE) and its racial equity impact assessments (REIAs). CORE defines the assessments as “careful and organized examinations of how different racial and ethnic groups will likely be affected by a proposed bill or

resolution” and now requires REIAs when a committee of the city council is reviewing a bill and preparing to vote.<sup>31</sup>

On the revenue side, for example, CORE conducted a REIA on a tax rebate for real property taxes paid for DC Central Kitchen, a nonprofit charitable organization. CORE briefly explored the value of economic development subsidies at large, analyzed demographic data on food insecurity and unemployment by race in the city, and assessed who could benefit from the organization receiving the tax rebate. In doing so, CORE concluded that the tax rebate would hold the potential to advance racial equity in the District of Columbia, but suggested adding local hiring provisions and claw-back provisions in the bill for accountability.<sup>32</sup>

Since its inception in early 2021, CORE has published 10 REIAs that span a wide range of topics. REIAs do not replace the District’s well-regarded fiscal impact statements, which estimate current-year and four-year financial plan costs of measures and whether sufficient funds exist to implement the legislation; these are required for all bills and public resolutions and are conducted by the city’s Office of the Chief Financial Officer.<sup>33</sup> Each evaluation type follows some form of cost-benefit analysis with its own set of parameters: because REIAs are fairly new, it may be too early to tell how each evaluation will complement the other or how the city will resolve conflicts between their conclusions.

Cities at varying stages in the development of their equity-informed revenue strategies may proceed holistically, focusing on all revenues that flow into the city’s general fund. Alternatively, cities can choose to start with a narrower or more targeted equity strategy that governs only revenues that flow into dedicated funds with a specific and explicit equity purpose (for example, a stabilization fund or an equity fund).

The strategic choice of which path to pursue as the starting point for action may turn on several factors, including political will, the state of the city’s fiscal health, the different scales of impact the city desires to achieve, and how the city envisions making incremental progress in the future. Cities that have the room to choose between the strategic alternatives may consider how significant it may be to the city to boost revenues in their general fund or to divert what would otherwise be general fund revenues to dedicated funds, where revenues are restricted for equitable purposes.

In adopting new equitable revenue strategies, cities are pursuing a range of mechanisms:

- **Policy or program statements** articulating equity principles to govern separately managed discrete funds, the general fund, or the governmental fund, including fund balance policy statements. Examples across the range of equity policies and program statements are compiled by the National League of Cities.<sup>34</sup>
- **Charter amendments** articulating equity principles to govern separately managed discrete funds, the general fund, or the governmental fund. An example is the City of Baltimore’s adoption of a charter amendment to authorize the establishment of a continuing, nonlapsing equity assistance fund.<sup>35</sup>

- **Ordinances, resolutions, or city council votes** articulating a commitment to equity principles to govern separately managed discrete funds, the general fund, or the governmental fund, and establish citywide equity approaches. An example is Arlington County's equity resolution to develop an equity scorecard with tangible targets and measures.<sup>36</sup>

Regardless of which mechanism is used, community engagement is essential, especially in communities that require voters to approve tax increases. An illustrative example is the efforts of the Transit Drives Indy coalition in Indiana, comprising stakeholders from a vast network of nonprofits, researchers, realtors, mayors, advocacy groups, and labor groups. Transit Drives Indy organized education and a speakers' series, developed messaging and community-based feedback strategies, and responded to media inquiries (Patras, Goebel, and Elam 2021). Its extensive engagement and outreach, starting in 2011, culminated in residents of Marion County, Indiana, passing a voter-approved tax increase to fund Indianapolis' public transit system in 2016, which was officially implemented in 2017.<sup>37</sup>

## Conclusion

Cities that have already demonstrated a commitment to equity in budgeting are well positioned to expand their focus to integrate an equity lens into revenue strategies. Our research uncovered a range of approaches in how cities were conducting equity discussions or performing assessments and a range of entry points to reform or enhance a city's equity-informed revenue strategy. When we consider the challenges and opportunities of incorporating revenue strategies into equity plans, our review suggests the following best practices for city leaders and relevant stakeholders:

- Consider the resource base in addition to expenditure decisions in working toward a holistic equity strategy. Implementing and routinizing equity frameworks and evaluations for specific revenue streams, as well as revenue systems overall, is a step toward that opportunity.
- Adopt ways to track and measure by race, income, and other criteria periodic changes to revenue diversity, revenue dispersion, and the payment burden revenues place on residents. This, and other components of a data-driven strategy, will allow periodic review, enhancement, and calibration of equity-informed strategies to achieve desired equity outcomes.
- Note value capture strategies, particularly those premised on nonmonetary and in-kind resource generation, as an emerging area of importance that is often underutilized. Leaders are well served to review whether and how they are fully using such resources as they enhance the resource base and adopt equity-informed strategies to guide revenue decisions.
- Consider integrating inclusive community engagement strategies when engaging in revenue reform efforts, to ensure that the residents who will be impacted have a meaningful voice in the process.

Federal, state, and county government officials charged with the design of intergovernmental revenue programs are often the primary drivers of how and whether cities are enabled and encouraged to integrate equity in strategies they adopt with respect to such funds. As with the ARPA and the IIJA,

federal policymakers and administrators can provide regulatory guidelines and technical assistance that equip state and local leaders to incorporate equity into not just intergovernmental revenue strategies, but also their own-source revenue strategies.



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# Building and Moving a Pipeline

## AN INTRODUCTION

### WHAT IS A PIPELINE?

A pipeline is a set of deals and projects\* that help achieve a community's [shared priority](#). For instance, if your shared priority focuses on housing stability, your pipeline will include projects related to preserving and building affordable housing. If your shared priority focuses on food access, your pipeline might include deals for community farms or supermarkets.

### WHY DOES A PIPELINE MATTER?

The pipeline is both a tool for working on a shared priority and a diagnostic tool for assessing the [enabling environment](#). Working on a pipeline of deals—instead of one deal at a time—can help you achieve your shared priority more quickly and efficiently. Looking at how the deals in a pipeline are progressing and then identifying what would help them move forward is a first step in improving the enabling environment.

This country's long history of structural racism and disinvestment\* has left many communities of color without things they need to thrive—like good jobs, affordable homes, healthy food options, and safe, clean parks. Community investment\* is designed to help disinvested communities get the things they need. But disinvestment is a vicious cycle: in communities where fewer deals happen, there are often fewer investors, fewer developers, fewer intermediaries like community development financial institutions (CDFIs), etc. This means that community investment includes figuring out what deals are needed and who is going to make them happen as well as where the money is going to come from—which can add up to a challenging set of tasks.

It may seem strange to suggest that a pipeline of deals can succeed in places where individual deals are so difficult. However, this is one of the core insights of the capital absorption framework. If a group of community partners identifies a clear and meaningful shared priority, puts together a pipeline of deals to accomplish that shared priority, and selects batches of projects from that pipeline to fund and develop together, it can move more effectively and efficiently toward its shared priority while also improving its community investment system so that future deals are easier.

#### A robust pipeline is:

- 1. Sufficient:** Together, the deals and projects in the pipeline meaningfully move the community toward the shared priority.
- 2. Efficient:** The deals in the pipeline are doable, that is, they can realistically be completed in a reasonable time frame with a reasonable amount of effort.
- 3. Impactful:** Completing the deals and projects in the pipeline will make a significant difference for the community.

\*Definitions of these core terms can be found on the final page of this brief.

## WHAT CAN WE DO WITH A PIPELINE?

By working on a pipeline, you can:

### 1. See all the potential opportunities

When you make a list of all the deals and projects related to your shared priority that are currently planned and in process, you can see what you have and what you need, for instance:

- whether there are enough deals to achieve your shared priority,
- what kinds of projects are missing and should be added to the pipeline, and
- how much and what kinds of money (loans, grants, and other investments) you will need to raise on what timeline to accomplish all the projects.

The process of making this list requires communication and cooperation between people who may not be used to working together (for instance, community organizations and developers, or a group of developers who may be more used to competing than collaborating). This can be a challenge but it can also be an important step in changing how community investment works.

### 2. Ensure deals address shared priorities

When you are identifying projects and deals for a pipeline, it's tempting to include any projects and deals that seem relevant to the community in any way. However, it's important to stay focused on deals that are directly related to your shared priority—and in particular your focus on racial equity—as that is the goal of your pipeline. A focused pipeline enables you to assess the task ahead, make sure you have the skills you need, and work on attracting investment for multiple related deals at once (the batch), which can make it easier and more efficient to complete deals.

### 3. Reduce costs and increase efficiencies

Seeking funding for batches of deals can reduce costs, take less time, and attract larger investments than organizing one deal at a time.

### 4. Identify where the system is stuck

Looking at all the deals in a pipeline together can reveal the enabling environment challenges that are keeping deals from being completed. These might include specific funding sources or financial tools that your community lacks; regulations or policies that slow down construction; or the need for better communication among community members, developers, investors, public agencies, and local philanthropy.

### 5. Strengthen the community investment system

Knowing the challenges in your enabling environment makes it possible for you to identify changes that will help current deals move forward and create a stronger community investment system so that projects are easier to complete and community investment can better support your community in the long term.

*In California's Coachella Valley, the [Housing Stability Collaborative Action Network](#), organized by local community organization [Lift to Rise](#), identified its shared priority: to reduce by one third the number of rent-burdened families in the Valley by developing 10,000 affordable homes in ten years. The first draft of their pipeline included 31 projects, totaled 2,000 homes, and required \$250 million to complete. A consultant scrubbed the pipeline (see page 5) to determine the types of financing the projects needed, how close to ready for investment and building they were, and when, exactly, they would need funds. The resulting pipeline included approximately 1,000 units that would require \$100 million over the next five years to complete. The scrubbed data also showed that:*

- *The average loan size needed was \$2-3 million.*
- *15% of the loans were for acquisition and predevelopment loans (to prepare for construction) and 70% was for mini-permanent loans (shorter-term loans that pay off construction loans).*
- *\$35 million was needed over the next 24 months.*

*The clarity of the pipeline made it easier for Lift to Rise to approach investors, donors, and local governments for support. The team was also able to use the pipeline to identify challenges in the enabling environment. They discovered that a slow approval process and housing density requirements made it difficult to build multi-unit affordable housing developments, so they developed a policy agenda to work with local governments to remove such barriers. Finally, the pipeline became a rallying call that attracted small cities to contribute resources to support affordable housing development in the Valley.*

## **PIPELINE TOOL**

The Pipeline Tool is a template you can use to collect and organize key information about local deals that address your shared priority. The tool helps communities look at the big picture, identify what's working, and see what's missing (such as certain types of deals or resources to help existing deals move forward). Note: The Pipeline Tool and the definitions below include some financial terms used in the investment field. When you and your community partners are working on your pipeline, the developers and other people with community investment experience in the group can help explain these terms to group members who are not familiar with them. Those group members should also be encouraged and supported to ask questions.

| Project Name | Project Type                                      | Total Project Units | Total Development Cost (\$ millions) | Capital Needed (\$ Millions) | Capital Type   | Capital Use            | Estimated Capital Start Date | Estimated Capital End Date |
|--------------|---------------------------------------------------|---------------------|--------------------------------------|------------------------------|----------------|------------------------|------------------------------|----------------------------|
| The Oak      | Rental: supportive housing for formerly unhoused  | 80                  | 31.5                                 | 2                            | Loan           | Predevelopment         | 2021                         | 2023                       |
| Ivy Villages | Rental: apartments for 50-120% area median income | 291                 | 61.1                                 | 23.3                         | Subsidy Grants | Infrastructure funding | 2024                         | 2025                       |

### DEFINITIONS FOR THE PIPELINE TOOL

A shared priority may include more than one **project type**. For instance, projects that support an affordable housing shared priority could produce new units for homeowners, produce new rental units for families in different income brackets, and preserve naturally occurring affordable housing. An economic development priority might include a business incubator, a loan fund, and support for specific types of businesses.

The shared priority will also determine the type of **project units**, which measure the project's contribution to the shared priority. For housing, number of housing units is a standard measure. Other possible measures include number of jobs created, families served, etc.

The sum of the funds involved in a real estate project from idea to completion (known as acquisition, predevelopment, construction, and rent-up costs) is the **total development cost**. This column can be adapted for the total costs of other kinds of projects.

Some projects in the pipeline will already have raised some of the money they need. Others will just be starting. The **capital needed** is the money that still needs to be raised to complete the project (projects that have raised all the money they need should be included in the pipeline with "0" under capital needed).

Community investment uses many kinds of funding, including loans, grants, subsidy, and equity. The **capital type** is the kind of funding needed—often more than one—to make the project possible.

There are many stages to financing a real estate project, including predevelopment, acquisition, construction, and permanent finance. Similarly, there are different stages of business development (startup, growth, mezzanine, succession, etc.) and types of funding that support them (working capital, facility and equipment finance, etc.). **Capital use** identifies which stages the capital needed will fund.

Different kinds of funding are required at different points in a project. The **estimated capital start date** is when the project is likely to begin using the specific capital needed.

The **estimated capital end date** is when the project will likely be able to repay the money.

## HOW TO USE THE PIPELINE TOOL

- 1. Collect:** Reach out to local developers, community groups, investors, philanthropy, and relevant local and state agencies to identify projects and deals currently planned or in process that can contribute to your shared priority. Record the information in the tool.
- 2. Scrub:** Your initial pipeline will likely have projects that are not a good fit for a variety of reasons. You must scrub the pipeline to ensure that all its projects contribute to your shared priority, are feasible, have up-to-date information, and will be ready to be built on a reasonable timeline for financing—scrubbing means taking out any projects that don't fit these criteria. A scrubbed pipeline is typically much smaller than the initial pipeline.
- 3. Analyze:** Use the scrubbed pipeline to identify enabling environment challenges, see where you might be able to increase efficiencies and reduce costs, identify funding strategies, and expand your community investment system.
- 4. Batch:** Once the pipeline has been scrubbed and analyzed, think about how to move 3-5 projects together as a batch. Working on a batch can move you more quickly toward your shared priority and meaningful gains for your community. It can also help with organizing funding and making changes in the enabling environment.
- 5. Refresh:** Community investment is a constantly shifting endeavor. Until they are completed, deals and projects frequently change or even collapse, while new projects emerge. You will need to revisit and update the pipeline regularly.

## TIPS

Working on a pipeline should be a team effort:

- The pipeline process can be a good way to advance the collective understanding of what it will take to translate a shared priority into reality.
- Figuring out a process that helps developers feel comfortable sharing information about their deals will help with collecting information for your pipeline. Consider some form of confidentiality or anonymity as needed.
- It is unlikely that your team will be able to work on or support every project in your pipeline. You can use batches to prioritize projects that have the most significant impact on your shared priority and/or can help improve the enabling environment.

Think creatively and strategically about funding the pipeline:

- Most community investment projects use multiple sources and kinds of money. Successful community investment ecosystems involve many actors and complex relationships.
- Timing issues can create gaps. Sometimes money is available, but not at the exact time you need it. Revolving loans (that can be used for one project, repaid, and then used for another project) are a useful and efficient way to think about how to finance multiple projects in a pipeline.

To learn more about pipeline, read our brief, [Analyzing, Building, and Executing a Pipeline](#).



## Core Community Investment Terms Defined

**Community investment** finances projects whose primary goal is to improve social, economic, and environmental conditions by meeting community needs—like good jobs, affordable homes, healthy food options, and climate resilience—rather than making a lot of money. It is designed to support projects and places that mainstream investments usually avoid (because they tend to be more complicated, expensive, and perceived as financially risky).

**Disinvested** describes communities that have lost (or never had) sufficient investment to meet the economic, educational, health, and social needs of their residents. In the United States, **disinvestment** is largely caused by two factors: 1) systemic racism, its practices (such as historical redlining and contemporary discriminatory loan practices), and its effects (such as segregation and white flight); 2) national and local business trends and policy changes (such as US industries moving abroad and the decline of family farms). As a result, most disinvested communities are communities of color and/or low-income communities.

A **deal** is a financial transaction that brings together investors, who supply money, with people who have a need for that money. Deals may be done directly by the people or organizations who supply and use the money, or they may involve intermediaries, like banks or community development financial institutions, whose role is to connect the suppliers and users of money. Deals result in **projects**, which are the actual things being funded, like a block of townhouses, a supermarket that will train and employ local residents, or the expansion of a local business. The words deal and projects are sometimes used interchangeably.

### About the Center for Community Investment

The **Center for Community Investment** at the Lincoln Institute of Land Policy works to ensure that all communities, especially those that have suffered from structural racism and policies that have left them economically and socially isolated, can unlock the capital they need to thrive. Our work is supported by the Robert Wood Johnson Foundation, the Kresge Foundation, and JPMorgan Chase & Co.

The United States Conference of Mayors

# The American Rescue Plan Act

Promoting Equity Through  
ARPA Implementation

June 2022



THE UNITED STATES  
CONFERENCE OF MAYORS

THE KRESGE FOUNDATION



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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](http://kresge.org).

# Introduction

The American Rescue Plan Act (ARPA) and its State and Local Fiscal Recovery Fund (SLFRF) represent an unprecedented response to the COVID-19 pandemic and its negative economic impacts. While this critical landmark legislation has been integral to the country's COVID-19 response, it has also served as a tremendous opportunity for cities to foster long-term economic growth, while promoting equity within underserved and underrepresented communities.

In 2020, the nation faced unemployment rates as high as 14%, with hundreds of thousands of businesses in peril, families in dire need, and local governments straining to respond to the health and economic impacts of the disease. Under the leadership of President Biden and Congress, the nation received the federal assistance needed to address the COVID-19 pandemic and its negative economic impacts through ARPA.

The SLFRF, a flagship provision of ARPA, has provided \$65.1 billion of much-needed direct fiscal assistance to cities to respond to this health and economic crisis. Eligible uses of these funds include: addressing a variety of pressing public health needs; responding to the short and long-term negative economic impacts of COVID; providing premium pay for first responders; filling budget gaps to ensure the delivery of local government services; and making investments in water and broadband infrastructure. In addition, the SLFRF enabled localities to dedicate ARPA funding to replace lost revenues, where localities faced significant revenue dislocations due to the pandemic.

The funds are being distributed by the United States Treasury in two equal tranches and must be obligated by December 30, 2024. This multi-year approach is designed to address a possible and likely scenario where COVID-19 continues to impact local governments and citizens over a prolonged period.

In a similar vein, the Biden Administration and Congress have anticipated that the negative economic impacts of COVID will extend over the course of several years. While incredible economic and job growth are a testament to ARPA's success, COVID-19 has also created several challenges that are manifesting across the nation, including rising inequities, strained supply chains, and significant inflation. These are challenges that are often beyond U.S. control, as other nations like China, for example, also face enormous challenges in maintaining global supply chains amid COVID shutdowns.

It is also clear that COVID will continue to have disproportionate health and economic impacts on low and moderate-income families and their neighborhoods. Additionally, both African American and Latino populations have seen higher infection and death rates from COVID. African American-owned businesses have been particularly hard-hit, with significant closures in communities across the country. Learning loss among students, who have already lagged in school performance, is particularly pronounced. Emotional and social development among youth has been stunted. Suicide rates among our nation's young people have risen dramatically. In addition, increases in violent crime have made neighborhoods dangerous and traumatized. Thus, our cities are witnessing the long-term consequences of the COVID-19 pandemic, first-hand, and in real-time.

The overall impacts of COVID have also had a profound effect on the American psyche. This spring we witnessed the sobering milestone of 1 million American deaths from COVID-19. Families, friends, and colleagues have seen loved ones suffer and die, often alone and needlessly, because of disinformation about the disease. This subtle and traumatizing reality has impacted the nation's collective consciousness on a scale that we have not witnessed in generations, with unknowable future consequences. COVID-19 has torn at the fabric of our communities, and has infiltrated our national body politic.

And yet, the American people are resilient. Scientists have saved millions of lives with state-of-the-art vaccines. ARPA provided critical assistance to individuals, families, and businesses to help them in their greatest time of need. Our most important local institutions - our cities - received aid through the SLFRF to help restore vital public services and rebuild the economy, contributing to one of the strongest job markets in recent history.

## About this publication

This publication, “Promoting Equity through ARPA Implementation,” illustrates how select cities are using their SLFRF to address the disproportionate impacts of the pandemic on low- and moderate-income people and communities of color with explicit attention to several core values:

- Leveraging federal aid to achieve equitable investment in underserved areas and to address systemic inequities;
- Integrating non-profits and the private sector meaningfully in the deployment of funds; and
- Pursuing the use of ARPA in tandem with a wider set of public finance, community investment, and social investment strategies, that further address economic disparities among underserved and underrepresented residents and enable transformative investments in equity to have sustained continuity.

In the section that follows, this report presents national best practices to drive equitable investment in communities using ARPA funds that emerged from a working group of cities we convened in 2022 to share strategies and best practices. Following that, the report presents case studies from cities across America that are deploying ARPA funds in alignment with those principles and the core values identified above.

## National Principles of Equity to Guide ARPA Strategy

The case studies in this report highlight how cities are implementing strategies to respond to the negative economic impacts of COVID, while at the same time, investing in projects that will make lasting impacts far beyond the life of the ARPA SLFRF program.

Cities are promoting equity by launching several initiatives, such as: skills training programs and facilities; building children’s libraries in low-income communities; developing housing programs to stabilize neighborhoods and promote homeownership; removing abandoned and vacant properties that occasion blight in neighborhoods; providing behavioral health response services; expanding year-round and summer youth programs; piloting guaranteed income programs; shortening emergency response times; addressing violence; improving access to broadband; and many more initiatives. All the projects featured in this report use ARPA SLFRF funds in ways that will have lasting impacts and remove barriers to economic mobility, promote opportunity, and build assets for those who have historically been left behind.

To support leaders who want to realize the promise of equity via ARPA SLFRF investments, we present the following principles, derived from a range of city strategies:

***Principle: A clear definition of equity, which is operationalized as both an outcome and a process, is a vital component of an ARPA strategy that seeks to address historic and systemic inequities for underserved populations.***

- In the City of Boston an equitable recovery was defined as targeting services and resources to populations and neighborhoods that are disproportionately impacted and historically excluded communities. Additionally, the city actively monitored the demographic and geographic distribution of the funds to ensure that the city meets its stated equity goals. This definition and operationalization of equity was central to the equity framework that Boston leveraged in order to guide community engagement processes and allocations decisions to maximize the overall impact of its SLFRF allocation, as further described in the case study presented later in this report on page 6.
- The City of Chicago defines equity as both an outcome and a process by: (1) prioritizing access and opportunities for groups who have the greatest need; (2) methodically evaluating benefits and burdens produced by seemingly neutral systems and practices; and (3) engaging those most impacted by the problems that the city seeks to address as experts regarding their own experiences, utilizing them as strategists in co-creating solutions, and evaluators of success. As an outcome, Chicago’s definition of equity elevates the importance of results in achieving fair and just access to opportunity and resources that provide everyone the ability to thrive. This approach to equity by the City of Chicago acknowledges the present and historical inequalities that persist in society and elevates equity as a future state that the city strives to create where identity and social status no longer predetermine life outcomes. This multi-faceted approach was leveraged by Chicago in making

strategic decisions with respect to its SLFRF allocation, as further described in the case study presented later in this report on page 16.

***Principle: Using a data-driven strategy to identify the underserved or historically marginalized populations, that can help to evaluate the benefits and burdens of ARPA funding allocations, is crucial for cities that seek to advance equity.***

- The City of Fort Worth utilized historical municipal disparity data visualized in geo-spatial map layers as a core component of its ARPA allocations strategy. The city initially focused on geo-spatial clusters of racialized community groups, which were defined as Super Majority Minority Areas (SMMAs) and Majority Minority Areas (MMAs) and then proceeded to identify a more precise, targeted prioritization method that included race and other factors to create “Geographic Disparity Zones” (GDZs). GDZs, in Fort Worth, include multiple disparity indicators, most notably residual impacts of Fort Worth’s 1940 Redline Map, in conjunction with other equity indicators like English as a Second Language (ESL), proximity to healthcare facilities, access to affordable housing, rent burden, and access to capital and other financial networks. This data-driven strategy was leveraged by Fort Worth to make targeted ARPA allocations that are further described in the case study presented later in this report on page 28.
- The City of Kenosha used a data-driven strategy to assess and plan targeted investment needs in Qualified Census Tracts (QCTs).<sup>1</sup> Leaders in Kenosha were able to identify neighborhoods of greatest need located in the central part of the city, and direct planning and redevelopment efforts to focus around such areas. Using this strategy, the city prioritized areas for investment that included six neighborhoods surrounding the former AMC/Chrysler Plant Site (a 107-acre former manufacturing site in a QCT, surrounded by five other QCT’s) where 41% of its Hispanic and 45% of its African American population reside. Leaders in Kenosha worked continuously with community residents, educational institutions and community based nonprofit organizations to plan and implement several educational and economic development projects, ultimately allocating more than 70% ARPA SLFRF funds that the city received in its first tranche to such projects, as described in the case study presented later in this report on page 37.
- The City of Denver integrated equity as an embedded component of its program to track performance of ARPA funded projects. The case study presented on page 23 of this report describes how the city established a comprehensive logic model to assess outputs and outcomes generated by each program funded by ARPA.

***Principle: Meaningful community engagement that brings underrepresented residents to the table and creates channels for the priorities they express to shape ARPA decision making, is critical to an inclusive equitable recovery strategy.***

- The City of Greensboro developed its ARPA funding strategy with an equity-informed robust multi-channel community engagement process. Beginning in May of 2021, the city used a Budget Simulation tool to develop and ask residents to prioritize questions directly related to equity concerns, including the disproportionate impact of the pandemic on marginalized communities, investment in QCTs, affordable housing, and community programming. Residents provided clear feedback identifying areas of high priority, prompting the city to prioritize investments in equity and QCTs, described in the case study presented on page 31 of this report.
- Kansas City developed its ARPA SLFRF strategy with a community-led analysis on the impacts of the pandemic, in conversation with experts and community leaders to identify the key areas of need. The results of that community engagement process guided allocations of ARPA funds across departments, nonprofits, beneficiaries, local businesses, and provided all residents access to public health services. Leaders in Kansas City are also enabling community members to direct implementation of neighborhood-based projects through a \$13 million solicitation, called Rebuild KC, run by the city’s Department of Neighborhoods (which included ARPA SLFRF funding) as further described in the case study presented on page 33 of this report.

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<sup>1</sup> A Qualified Census Tract is a designation by the Department of Housing and Urban Development in which 50% or more of the households are income eligible and the population of all census tracts that satisfy this criterion does not exceed 20% of the total population of the respective area.

***Principle: Utilizing partnerships with nonprofits that serve communities most impacted by the pandemic, particularly communities of color, is important to address systemic inequities holistically.***

- The City of Knoxville recognized that smaller grassroots organizations and nonprofits did not always qualify for traditional funding sources or federal aid at the scale provided by ARPA. Working with the United Way and other nonprofit partners, Knoxville created targeted funding channels and mechanisms for nonprofit organizations to build capacity and continue and expand their services. The case study presented on page 35 of this report further describes Knoxville's effort.
- The City of Fort Worth engaged small nonprofit organizations in focus groups to provide input on functional areas that include education, small business support, and first-time homeowner support. The city also hosted several one-on-one large nonprofit organization meetings between the North Texas Community Foundation, Rainwater Foundation, and CDFI Friendly America representatives. The case study presented on page 28 of this report further describes how Fort Worth engaged nonprofits and other stakeholders as meaningful partners in their ARPA strategy.

***Principle: Integrating additional funding sources, alongside ARPA investments, is critical to ensure that transformative projects seeded with ARPA funds to enhance equity are sustained. This includes other intergovernmental funds, as well as philanthropic, social, and community investments.***

- The City of Chicago's ARPA Recovery Plan leveraged SLFRF funds together with \$660 million of funds raised via the sale of general obligation bonds to invest in two key areas consistent with the SLFRF guidance: (1) significant investments in the well-being of people and communities to allow them to thrive and collectively improve community safety; and (2) strategic investments to create an equitable economic recovery for Chicago's neighborhoods and the communities hardest hit by the pandemic. The case study presented on page 16 of this report further describes this effort and explains how the City's plan also includes investments in ongoing essential City services to sustain Chicago's operations and pandemic response in the face of severe COVID-19-induced revenue declines.
- The City of Fontana pursued additional grants and discretionary spending from state and federal representatives to provide complementary funding sources for ARPA funded projects with targeted equity outcomes. The case study presented on page 26 of this report further describes this effort.
- The City of Kenosha is coupling ARPA SLFRF Funds with funding raised from Tax Increment Financing, Economic Development Administration Grants, State of Wisconsin Neighborhood Investment Grants and Workforce Innovation Grants, as further described in the case study presented on page 37 of this report.
- The City of Providence is combining ARPA with other federal and state funding sources while working with local philanthropies to continue or expand programs. For example, the city's direct cash assistance program is currently 100% philanthropically funded, as further described in the case study presented on page 51 of this report.

***Principle: Addressing equity challenges with ARPA funds requires collaborative action with a cross-jurisdictional lens, particularly to address systemic inequities that require regional solutions at scale.***

- The City of Canton is using ARPA funds to invest in learning loss with a cross-jurisdictional strategy. Recognizing that the pandemic significantly impacted how many high school students had fallen behind in their studies, the city worked with the Canton City School District and community partners to fund new summer programs for high school students who experienced difficulties with learning due to the pandemic. The case study presented on page 10 of this report further describes this effort.
- The City of Fontana is working with the State of California, San Bernardino County, the San Bernardino County Sheriff's department, and other regional cities to coordinate ARPA funding and program delivery efforts, recognizing that the challenges facing the city are neither locally caused nor locally solvable. The case study presented on page 26 of this report further describes this effort.

- The City of Charlotte and Mecklenburg County coordinated the deployment of their respective ARPA SLFRF funds on the same projects, to address investment in equity and other areas, as further described in the case study presented on page 14 of this report.
- The City of Chapel Hill partnered with Orange County to help residents facing housing insecurity and devise strategies to support residents experiencing difficulties with the payment of utilities, as further described in the case study presented on page 12 of this report.

***Principle: Cities that used ARPA funds for revenue replacement to enhance fiscal health can also take steps to strengthen the city's ability to make future sustained investments in core programs and services that are integral to advancing equity.***

- The City of San Diego devoted the majority of its ARPA SLFRF funds to revenue replacement, which allowed the City to maintain employment of city workers and keep service levels for libraries, parks, recreation and other city services at their existing levels. Without such funding, the city would have faced municipal worker layoffs and service cuts, that would have disproportionately impacted disadvantaged communities throughout the city. The city's allocation has helped bring fiscal year 2022 and 2023 budgets into balance allowing the city to ensure that service levels across city departments are not reduced. In addition to strengthening the fiscal base, the city was able to make investments in youth programming, small business support, workforce development, and a city council microgrant program- all of which were focused on equitable investments in the most historically disadvantaged communities. The case study presented on page 54 of this report further describes this effort.
- The City of Mount Vernon used a portion of its ARPA SLFRF allocation to stabilize the city's fiscal base, and in tandem, also made investments to address long-standing sewer and wastewater infrastructure needs in historically black communities, upgraded sanitation equipment and operations, and made technology upgrades to close the digital divide in underserved areas where 35% of residents had minimal access to the internet. The case study presented on page 47 of this report further describes this effort.

From the examples above, and other case studies in this report, it is clear that ARPA SLFRF funds have been transformational in enabling cities to seed vital projects that respond to the COVID-19 pandemic and its negative effects. Such transformation is desperately needed as the nation learns to live with COVID and we shape a new future where no one is left behind.

# WILLIAMSPORT SUN-GAZETTE

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DEC 4, 2021 - MARK MARONEY, Reporter, mmaroney@sungazette.com

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## Rescue plan-funded land bank to improve city's economic outlook

Williamsport City Council approved on first reading Thursday designating the Redevelopment Authority as a Land Bank Authority to improve economic conditions and eliminate residential, commercial and industrial blight.

Under the state Legislature, the land bank authority has what's called a "*trump bid*," which enables the city authority to purchase properties that are in tax default or "*underwater*" as Mayor Derek Slaughter said.

The bid empowers the city Redevelopment Authority to acquire the property without other bids so it can begin to address the ongoing problems of properties that are in a perpetual cycle of disrepair and identify "*slum lords*" who allow these properties to languish.

The land bank is another tool in the city's tool pouch and can work in concert with the Blighted Properties Review Board Committee by giving the city "*teeth*" both legislatively and monetarily to go after these properties.

An example of the land bank working was given as Pittston, where Slaughter said he met with Mayor Michael Lombardo.

A management agreement or memorandum of understanding between the city entities would be the next step following the vote.

The intention is never to displace individuals but rather keep people in their homes, Slaughter said.

Councilwoman Liz Miele noted it would be just as important to not only see that the land bank is funded through the rescue plan funds but to ensure the land bank and its acquisitions are implemented well and are advantageous to the city and its taxpayers.

The vote was unanimous by council.

The City of Bloomington faces a pivotal moment. Coming out of the pandemic we can meet that moment and lead our community forward. If we don't, we risk shortchanging programs and services on which our residents rely.

Since 2016, together we have made great progress in our City in providing excellent essential services and improving opportunities for our residents. We are the only city in Indiana with a nationally accredited police force and a top-ranked fire department (ISO 1). We have seen unprecedented private investment and public infrastructure progress. Our jobs and wage rates are increasing. We've made real progress toward more affordable housing and climate action.

For the 2023 City budget and beyond, the City needs additional revenue to appropriately fund continued progress, specifically for investments in:

- **Public safety**, including newly-negotiated Police salaries, future Fire Department salary negotiations, continued innovation of service delivery, and building replacements and upgrades
- **Climate change preparedness and mitigation** to enhance public transit and advance goals set in the Climate Action Plan (CAP)
- **Equity and quality of life for all**, including access to housing, good jobs, local food, the arts, and economic stability
- **Essential city services**, to maintain assets and assure ongoing excellence

*"These investments are crucially important to our community," said Mayor John Hamilton. "We haven't had a general increase in our LIT for 30 years, during which time our needs have grown substantially and our challenges have mounted. We have more parks and sidewalks now. We have more residents and more employers. We face a climate emergency. Our residents need more affordable housing. New revenue will fund our continued recovery from the pandemic and recession, to assure Bloomington helps people thrive, whatever their station in life."*

This page outlines a range and scope of critical investments needed to move Bloomington ahead – sustainably, inclusively, and efficiently. These investments embody the values of our community and help ensure that City government can address the challenges of our time. We offer this proposal for discussion and consideration by Council and look forward to working together to finalize it.

## Local Revenue Options

Difficult times persist for many in our community, who are managing ongoing impacts of the pandemic and who face availability and cost pressures with housing, health care, child care, transportation, education, and other basic needs. The climate emergency has not abated during the past two years and looms ever larger in our lives. City government has an essential role to play in helping address these challenges and opportunities locally, and it takes revenue to deliver services. The Administration first highlighted the need for new revenue in January 2020. Recent one-time federal pandemic recovery funding has been essential to bridging our gaps, but it is not ongoing, and we cannot rely on federal or state funding to meet key ongoing local challenges.

As discussed with Council during the 2022 budget cycle, the Administration is proposing an increase to the Monroe County Local Income Tax (LIT) rate and the issuance of two \$5 million general obligation (G.O.) bonds on a five-year cycle. This combination offers practical, complementary tools: a LIT increase supports annual

funding for ongoing programs and initiatives, including personnel; G.O. bonds efficiently fund infrastructure improvements project by project.

We would use these tools to fund proposed investments that emerged from consultations with members of the City Council and city residents, other partners and local institutions, members of the Monroe County Council and Commissioners, Ellettsville Town Council, and other interested parties. The proposed investments also reflect the priorities and goals of Bloomington embodied in many plans and documents, including the Climate Action Plan, Transportation Plan, Parks Master Plan, Sustainability Action Plan, Comprehensive Plan, Housing Study, Plan to Advance Racial Equity, Wage Growth Taskforce, City Surveys, and more. We look forward to continued refinements of this proposal through discussions with all interested parties, and robust public feedback, in the coming weeks.

The Administration will continue rigorous efforts to reduce expenses and contain costs through innovation and reform. Recent examples include:

- Major solar installations that reduce energy costs: Parks saving \$50,000 annually
- Using smaller, quick response vehicles instead of large engines: Fire saving \$1,200,000 in vehicle replacement costs
- Sanitation system reform and automation:
  - Eliminates the need to fill one position: the total savings of leaving the position unfilled fluctuates yearly based on other variables such as landfill fees and recycling processing costs
  - From 2020 to 2021, workers compensation costs at the City decreased a total 28%
- Street crews adjusting work shifts to improve paving efficiencies
- Innovations in the leaf collection system: saving \$200,000 annually thus far

The list of needed investments demands additional revenue. Two questions pertain: what does it cost to do it? And what does it cost NOT to do it? Our needs are urgent and fundamental. Appropriate investments will continue Bloomington on a positive trajectory and offer true opportunity for all. Lack of investment would diminish our future and shortchange our residents. Indeed, not raising revenue would mean we could not meet negotiated salaries for our police officers or planned investments in climate mitigation. It would mean significant reductions in existing programs and personnel resources.

On the question of whether we have the capacity to raise additional local revenue responsibly, the answer is yes: We are at present a very low-tax city. Indiana is a relatively low-tax state, and among Indiana's 20 largest cities (excluding Indianapolis/Marion County), Bloomington is in the lowest quartile of both property and local income tax rates. Considering combined rates, we are nearly at the very bottom ([Click here for graph](#)). We have the lowest LIT rate among our seven contiguous counties, and we sit in the bottom quartile statewide ([Click here for graph](#)).

We are also low comparatively when it comes to government expenditures, revealing the capacity for responsible growth. Looking at per-capita annual spending from city general funds, Bloomington ranks 14th among Indiana's 20 largest cities (excluding Indianapolis/Marion County). Our \$624 per capita annual spending is 16% below the median of \$742 ([Click here for graph](#)).

In addition, recent trends suggest that Bloomington wages have accelerated over the past several years, surpassing several comparable Indiana cities and growing more in line with national wage growth trends. We have caught up to the state average, and are one of only 11 counties in the state with average weekly wages above \$1,000.

Reviewing our per capita overall debt levels indicates significant capacity for additional debt investment. Looking at the public debt per capita of the 20 largest Class 2 cities in Indiana, Bloomington sits right in the

middle, ranking 10th with a debt-per-capita of \$2,931. After issuing \$10,000,000 of additional G.O. bonds, the City will remain in 10th position, with an estimated per capita level of \$3,057. ([Click here for graph](#)).

Specifically, our capacity to issue general obligation bonds (G.O. bonds) is strong: G.O. bonds have a statutory limit of 2% of adjusted net assessed value. Using this calculation, the City has an overall G.O. bonding capacity of approximately \$28,000,000—which will grow over time with assessed value. Subtracting our outstanding debt of approximately \$10,000,000, we retain a G.O. bonding capacity of approximately \$18,000,000. With approval of the current G.O. bond proposal of \$5,000,000, the City would retain approximately 46% of its current capacity. ([Click here for graph](#)).

The Parks department has authority to issue separate debt, and has outstanding Parks G.O. bond debt of \$14,805,000 and total outstanding debt of \$18,130,000. There is no statutory limit on Parks G.O. debt. ([Click here for graph](#)).

## Proposal

Mayor John Hamilton will ask the Bloomington Common Council to implement an increase to the Monroe County Local Income Tax (LIT) by 0.855% for the purposes of economic development and to adopt two \$5 million general obligation (G.O.) bonds to invest in local infrastructure. Mayor Hamilton presented the proposed increase and bonds to the Council at their regular session on April 6, 2022. *The full video, transcript and slides are available at the link below.*

The proposed rate increase is part of Mayor Hamilton's New Revenue Package shared with the City Council on March 16 (see link below), designed to make critical investments in public safety, climate mitigation and resilience, equity and quality of living, and essential city services that will move Bloomington ahead – sustainably, inclusively, and efficiently.

Council members will receive materials related to the request on April 8, for their April 13 committee meeting, including the draft resolutions, a memorandum providing the reasons for enacting the LIT increase, information on the LIT process and the proposed change, and a list of investments. [Click here](#) for the packet submitted to Council. The packet to Council will also include draft ordinances and a list of investments for the two \$5 million general obligation bonds. The full packet and agenda for the City Council meetings are available online at [bloomington.in.gov/council](https://bloomington.in.gov/council).

The council will meet and discuss the proposed legislation on April 13 and further discussion and vote, including a second reading of the bond ordinances, will be held at the April 20 City Council regular session meeting. Residents are invited to provide public comment at the April 13th and April 20th meetings.

The proposed local income tax increase distribution would be based on population, with shares of the revenue being allocated to the City of Bloomington, Monroe County, the Town of Ellettsville, and the Town of Stinesville.

## Proposed LIT and G.O. Bond Investments

Mayor Hamilton shared a memo about the new revenue proposal to City Council on March 16. [Click here](#) to read the full proposal—*Revised March 18, 2022*.



≡ MENU



## THE CDFI FRIENDLY MODEL

### CDFI FRIENDLY AMERICA

CDFI Friendly America is on a mission to bring the \$190 billion CDFI industry to underserved communities in towns and small cities across the nation. One of the key ways they accomplish this mission is by organizing “CDFI Friendly” markets, where intermediary non-profits like CDFI Friendly Bloomington can identify opportunities for CDFIs, provide technical assistance for potential borrowers, and provide additional gap financing and financing incentives to lenders.

CDFI Friendly Bloomington has served as the pilot program for these types of markets, with the second being CDFI Friendly Southbend. It's expected that other CDFI Friendly communities will continue to pop up around the nation, as the concept continues to spread.

*Community Development Financial Institutions (CDFIs) are great assets in their communities. But they can't be everywhere, and they can't always offer all the types of financing each community needs—affordable housing, small business & nonprofit organizations.*

*We bring CDFIs to your community and we make sure you know how to make the most of them.*

*CDFI Friendly America*

[Learn more about CDFI Friendly Communities](#)

[CDFI Friendly America One-Pager](#)

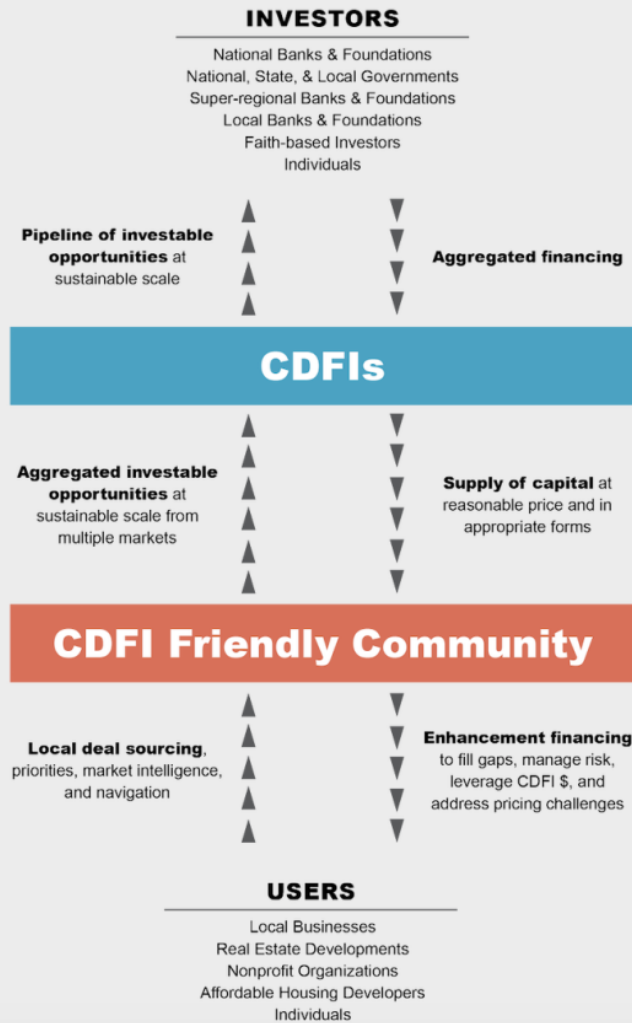
### CHARACTERISTICS OF CDFI FRIENDLY COMMUNITIES

A CDFI Friendly Community is one that:

- Is full of nonprofits, small businesses, and entrepreneurs seeking to create positive change in their community; and
- Is traditionally underserved by CDFIs and stands to benefit from dedicated staff who can provide technical assistance, partnership, and advice from an organization that can help potential borrowers connect with CDFIs.

Bloomington, Indiana is one such CDFI Friendly Community. CDFI Friendly Bloomington has partnered with the City of Bloomington, The Indiana Housing and Community Development Authority, various local organizations, and even a team of graduate students at Indiana University's O'Neill School of Public and Environmental Affairs to develop a network and pool of resources and analysis that can help borrowers execute their ideas and for lenders to deepen their involvement in the community.

# THE CDFI FRIENDLY MODEL





## PEER-TO-PEER CASE STUDY

# Resiliency Officer Helps Design an Environmental Impact Bond to Finance Community Resilience Projects

## Summary

Hampton, Virginia's Resiliency Officer, David Imburgia, led the development of Virginia's first ever Environmental Impact Bond to help finance community resilience projects. The bond enables impact investors to support innovative projects that provide resilience outcomes for a community. The Environmental Impact Bond was designed to finance projects that will reduce stormwater runoff and provide multiple layered public benefits to the community.



"Investors who purchase the bond would know that their money is going toward improving stormwater volume storage for the city."

— David Imburgia, Resiliency Officer, Community Development Department, City of Hampton

## Lessons Learned

- **Engaging a knowledgeable partner like Quantified Ventures, which provided a simple and clear explanation of Environmental Impact Bonds (EIBs), the benefits, and examples, was critical.** These bonds are new approaches for communities. It can be challenging to bring something so different to city council and city finance, and ask them to support an approach they don't quite understand. You'll need to include city financial advisors and others early and often in the process to gain trust that Environmental Impact Bonds are a good thing.
- **It's important that your project lead is respected and trusted in the community.** David has the trust of city council because he has spent years building relationships, and has encouraged and supported other innovative efforts. This trust enabled open conversations between Quantified Ventures and city financial advisors, and helped the council be confident in the approach recommended.
- **It's helpful to communicate project ideas to non-traditional partners—such as local hospitals, transportation departments, and conservation organizations—that may benefit from the project outcomes.** The proposed projects in Hampton will not only store and clean stormwater runoff, but will also provide health benefits, recreation, and improved roadways. Articulating these multiple benefits can help generate additional support and funding.
- **It's essential to clearly articulate goals and anticipated outcomes, and to monitor whether outcomes are achieved.** This helps attract investors, demonstrate accountability to taxpayers, and provide information on the effectiveness of the project for future use.

## QUICK FACTS

### TOPIC

Using an Environmental Impact Bond to finance community resilience projects.

## CONTACT

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## ADDITIONAL CONTACT

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## SCALE

Municipal

## LOCATION

Hampton, Virginia

“You can create plans about changing practices, but gaining support to implement practices and projects sometimes means encouraging change within an organization or agency. This can be difficult.”

- David Imburgia, Resiliency Officer, Hampton, Virginia



In this illustration of Lake Hampton, water is slowed, stored, and cleaned in public places using green infrastructure. This is replicable in other public spaces and provides a waterwalk loop and park for recreation. (Credit: Waggonner & Ball)

## The Process

In 2015, Hampton, Virginia, initiated a flood resiliency effort and worked across the coastal region with Norfolk, Virginia Beach, and the Hampton Roads Planning District Commission to elevate coastal resiliency as a regional priority. The communities hosted a Dutch Dialogue (<https://hampton.gov/3466/Dutch-Dialogues>) conversation to help the region think about water management—and how to “live with water.” Hampton wanted to not only “live with water,” but to actually implement projects on the ground that would provide multiple benefits to the community.

David Imburgia, Hampton’s Resiliency Officer, didn’t want the plan to just sit on the shelf. He wanted to implement pilot projects that would advance the plan, provide multiple benefits, and demonstrate success. He wanted those projects to be evaluated to make sure they were performing as expected and providing meaningful community outcomes. However, David knew that they didn’t have a lot of money to implement new large-scale projects, so they needed to be creative. David connected with The Chesapeake Bay Foundation, a local independent conservation organization, which introduced the idea of pursuing an Environmental Impact Bond (EIB). These bonds push the envelope further than common green bonds by predicting, evaluating, and disclosing actual outcomes of funded projects.

David anticipated that the community members would be interested in not only managing stormwater and reducing flooding, but also in creating important community spaces. He also realized that people might be willing to invest in the community to ensure the project impacts provide a diversity of resilience benefits.

With these ideas in hand, and with help from the Chesapeake Bay Foundation, David started building partnerships and making connections with people and entities who could help. The Chesapeake Bay Foundation introduced David to Quantified Ventures, an outcomes-based capital firm dedicated to health, social, and environmental impacts. The foundation also provided David with a grant to work with Quantified Ventures to create a financing approach for supporting Hampton’s resilience projects. Quantified Ventures helped David understand an emerging market of investors who want to invest in projects that have a broader resilience impact in their community, and that this investment can be done through an Environmental Impact Bond, which allows individuals or entities to invest in specific community outcomes, and monitor the performance of the projects providing these benefits. An Environmental Impact Bond is like a standard municipal bond, with a twist. In addition to the typical financial commitments a city makes in a bond, the city also rigorously predicts, evaluates, and discloses actual project outcomes accomplished by the financed projects. (Some Environmental Impact Bonds may alter the bond’s interest rates based on evaluated outcomes, although Hampton’s bond did not have this option.)

David and the Hampton team worked with Quantified Ventures to start designing the Environmental Impact Bond. They first worked to identify the outcomes Hampton could quantify as a measure of enhanced community resilience. Ultimately, the chosen Environmental Impact Bond outcome metric was the gallons of stormwater runoff the projects could absorb. Hampton hired engineers who could help design projects, predict the amount of stormwater runoff storage they would provide, and validate the post-implementation evaluation methodology.

Creating this Environmental Impact Bond allowed Hampton to attract new types of investors, signal to the community that taxpayer dollars are being put to good use, and signal to other municipalities that this is a good thing to do—measuring your outcomes and using the data to guide your investments. It provides accountability. “To find these investors, you have to call them!” said David. “Big foundations with big names and money are a good place to start.”

**Proposed Nature-Based Projects**

The initial projects Hampton prioritized for the Environmental Impact Bond are in Newmarket Creek Basin, which runs right through the city. Projects completed in the basin will have positive impacts on low- to moderate-income neighborhoods, will be visible to the rest of the community, and will demonstrate the importance of social equity to the city council. Hampton evaluated opportunities across the entire basin, and after hosting several community workshops and meetings to get input, designed a series of nature-based projects and renderings. The projects represented multiple locations throughout the basin, so that if they worked well, they could be easily replicated in other neighborhoods. Projects included retrofitting standard ditches into linear stormwater parks and looking at how roads, greenways, and public parking lots are constructed to provide multiple benefits and improve stormwater management.

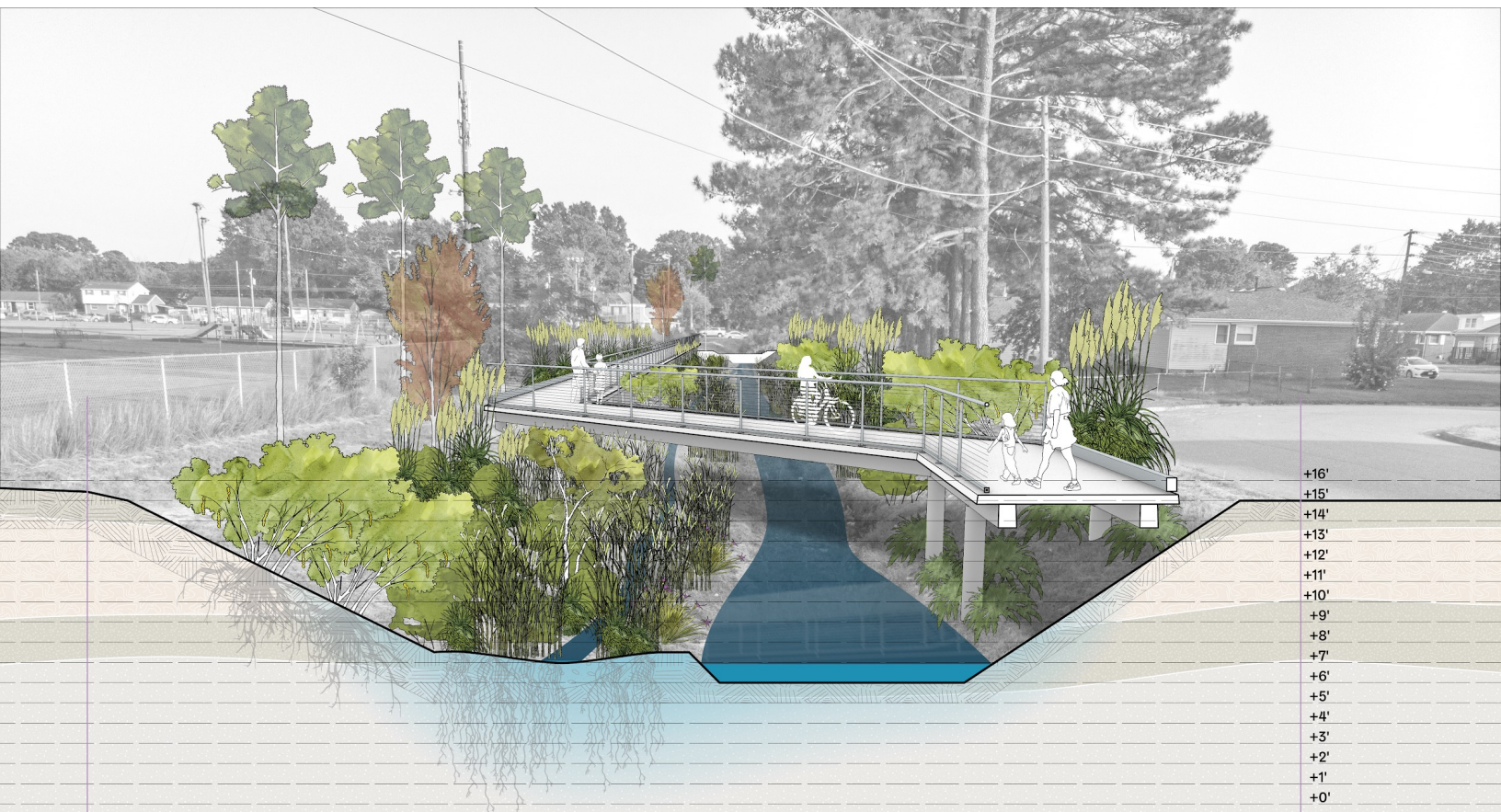
*[Side Note: Stormwater fees are typically used to help implement stormwater runoff projects, but some non-stormwater elements of these projects may not be eligible for this source of funding. Environmental Impact Bonds can cover a broader array of public benefits because they are designed around outcomes.]*

David and the Hampton team shared project renderings with other potential partners who would benefit from the anticipated outcomes, such as open space and reduced flooding. He had conversations with the local hospital about health benefits resulting from projects, focused on improved roadwater conditions with the Department of Transportation, and discussed multi-use greenway projects with the Department of Conservation and Recreation. These connections formed important partnerships that helped provide additional project funding and ways to measure additional outcomes, including how many people use the greenways, decreases in health issues, and photo metrics for habitat creation.

**TOOLS USED**

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- Hampton, Norfolk, Virginia Beach Resiliency Plan
- Environmental Impact Bond
- Community Outreach
- Partnership Building



The rendering above left is of Big Bethel Blueway, a linear stormwater park designed to slow, store, and improve water quality using green infrastructure. It is replicable within existing easements. The rendering above right shows a resilient street design to elevate a major street, North Armistead Avenue, and add green infrastructure to store and treat runoff. It can be replicated to other streets and contributes to the treatment train to Lake Hampton. (Credit: Waggonner & Ball)

## Progress

David and partners worked for about 18 months to put a package together to authorize the Environmental Impact Bond. The project renderings created for Newmarket Creek were used to show city council before and after pictures of the proposed projects.

The Environmental Impact Bond was approved by city council in 2020—the first ever bond of its kind in Virginia, with over \$12 million in innovative, outcomes-based financing!

## Next Steps

The \$12 million Environmental Impact Bond funds flood mitigation and climate resilience projects in low- and moderate-income communities. After project implementation, the city will measure and report out on the number of stormwater storage gallons the projects added to the urban watershed. By comparing the collected data to pre-implementation predictions, the city will be aided in planning future investments in nature-based solutions. This innovative financing model also allowed the city, through the transparent quantification of project impacts, to attract a new set of environmentally-oriented investors to fund their ongoing efforts to build community resilience.

## MORE INFO

### TO LEARN MORE

- Sharing Risk, Rewarding Outcomes: The Environmental Impact Bond (<https://www.quantifiedventures.com/blog/what-is-an-environmental-impact-bond>)
- Environmental Impact Bond Press Release: (<https://www.quantifiedventures.com/hampton-fights-flooding-with-virginias-first-environmental-impact-bond>)  
“City of Hampton Fights Flooding with Issuance of Virginia’s First Environmental Impact Bond”
- Resilient Hampton: (<https://hampton.gov/3459/Resilient-Hampton>) The City’s resilience profile
- Funding and Financing: Options and Considerations for Coastal Resilience Projects
- Funding and Financing Coastal Resilience Virtual Training

### FUNDING

- Environmental Impact Bond
- Grant from the Chesapeake Bay Foundation to hire Quantified Ventures, the finance firm that helped develop the Environmental Impact Bond

## Contributing Partners

- Chesapeake Bay Foundation
- Davenport & Company
- City of Hampton, Virginia
- The Kresge Foundation
- Kutak Rock
- Morgan Stanley
- Quantified Ventures
- Wells Fargo

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