Making the Case: The Link between Residents' Financial Health and Cities' Inclusive Growth

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WHAT IS INCLUSIVE GROWTH?

Inclusive growth occurs when a city's **economic prosperity is shared by all its residents**. In an inclusive city, everyone—especially historically excluded groups of people—can contribute to and benefit from economic growth.

WHAT IS RESIDENT FINANCIAL HEALTH?

Financial health reflects residents' ability to **manage their daily finances**, be **resilient to economic shocks**, and **pursue opportunities** for upward mobility.

HOW ARE INCLUSIVE GROWTH AND RESIDENT FINANCIAL HEALTH CONNECTED?

Financially healthy residents are more likely to **benefit from and contribute to a city's economic growth**. An inclusive city provides a **platform of opportunity for all residents** while also ensuring its residents are **financially secure enough to take advantage of that opportunity**.

A city's ability to grow inclusively is tied to its residents' financial health. When residents are financially insecure, they don't have the same opportunity to benefit from and contribute to a city's economic growth.

To achieve inclusive growth, a city needs

- a fiscally sound budget that can fund city services and programs without placing undue burden on residents struggling to make ends meet;
- residents of all incomes who are financially stable;
- residents who can weather shocks (e.g., job loss, natural disasters, or a housing market crash); and
- a diverse group of engaged, empowered, and civically involved residents from all parts of the city.

HOW IS RESIDENT FINANCIAL HEALTH LINKED TO INCLUSIVE GROWTH?

City Budgets

Financially insecure residents face a greater risk of outcomes such as eviction and homelessness, which harms residents and puts pressure on city budgets. When residents can't pay their utility bills or property taxes, cities receive less revenue for fiscal priorities. Among 10 US cities Urban examined, the costs of residents' unpaid public utility bills, unpaid property taxes, and evictions range from $6 million a year in Miami to $1.23 billion a year in New York City. This is a fraction of a percent of each city's annual budget, but these costs can increase volatility within city budgets.

Cities seeking to stabilize their budgets and protect residents' financial health can reform regressive budget policies and enact policies that protect residents' financial well-being. They can also integrate financial health in government programs, such as through incentivized savings interventions. Families with even a small amount of nonretirement savings ($250–$749) are less likely to be evicted, miss a housing or utility payment, or receive public benefits when income disruptions occur.

» Read more at ***The Cost of Eviction and Unpaid Bills of Financially Insecure Families for City Budgets***, http://urbn.is/2gRwsXF.
» Read more at ***Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities***, http://urbn.is/2gRdXT2.

Neighborhood and Community Stability

A lack of access to affordable high-quality, stable housing—driven by both stagnant incomes and too few units affordable to those with middle and low incomes—can have ripple effects that lead to community-wide financial insecurity. Many residents with low and moderate incomes allocate a disproportionate amount of their income (often more than 30 percent) to housing expenses, leaving less to spend on education, entrepreneurship, and health, limiting their ability to benefit from economic growth. Credit health also affects residents' access to opportunities. Having poor credit or no credit score limits the ability to affordably borrow for vehicles, home purchases, or emergency expenses; and credit report information can be used to determine job eligibility, access to rental housing, and insurance premiums.

Understanding the neighborhood-level impacts of residents' financial insecurity requires considering the context and history of racially discriminatory practices. Redlining, urban renewal, and disinvestment in neighborhoods with low income residents and communities of color have contributed to vacancy and concentrations of poverty, as well as destabilized housing, businesses, and job markets. To grow inclusively, cities must tackle resident financial insecurity and eliminate structural barriers and neighborhood-level disinvestment.

LEARN MORE ABOUT THE LINK BETWEEN RESIDENTS' FINANCIAL HEALTH AND CITIES' INCLUSIVE GROWTH

This fact sheet summarizes themes discussed at the November 7, 2019, event **"Thriving Residents, Thriving Cities: Propelling Inclusive Growth through Resident Financial Health."** Go to https://urbn.is/2nwZu20 for the event video.

To learn more about communities' efforts to connect inclusive growth and financial health, see our companion piece "**Developing Solutions: Strategies to Improve Resident Financial Health and Propel Inclusive Growth,"** https://urbn.is/2qMw0zb.

- » Read more at ***Financial Health of Residents: A City-Level Dashboard***, http://urbn.is/2mo8jtX.

Resilience

A city's ability to recover after a natural disaster or economic shock (such as the loss of a major employer, economic downturn, or housing market crash) is hampered if residents are financially insecure. People and communities more likely to be struggling financially before disasters strike are often the hardest hit by the disaster. Disasters can have substantial negative impacts on residents' financial health, affecting their credit scores, debt in collections, bankruptcy, credit card debt, mortgage delinquency and foreclosures, and ability to work consistently and earn the wages they need to afford the recovery costs. The negative effects of disasters often affect financial health long after the disaster strikes. When residents struggle to recover, cities can't fully bounce back after these types of shocks.

- » Read more at ***Insult to Injury: Natural Disasters and Residents' Financial Health***, https://urbn.is/2D6DsI8.

Civic Engagement

Civic engagement is a significant predictor of economic opportunity, and communities with higher rates of engagement and volunteering tend to have lower levels of income inequality.[1] Formal opportunities for building social cohesion and capital can also help residents with low incomes mitigate the harmful effects of living in concentrated poverty. To increase civic participation, cities should consider ways to lower barriers to participation and make community engagement opportunities more accessible to all residents. Some cities are reconsidering the time of day, location, language, and format of meetings, as well as providing food, child care, transportation, and compensation for participation.[2]

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[1] Aaron Shroyer, Joseph Schilling, and Erika Poethig, "Catalyzing Neighborhood Revitalization by Strengthening Civic Infrastructure" (Washington, DC: Urban Institute, 2019).
[2] Elsa Falkenburger and Olivia Arena, "Trauma-Informed Community Building and Engagement" (Washington, DC: Urban Institute, 2018).

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