# Bond Case Briefs

*Municipal Finance Law Since 1971*

---

## A Make-or-Break Moment for Cities.

**The future of America's urban areas will depend on the help they receive—or don't—from the federal government.**

Urban America faces a moment of reckoning unlike any since the late 1970s. Although the COVID-19 pandemic will cause extraordinary, long-lasting damage everywhere, cities may feel the economic pain more acutely than other parts of the country. That economic crisis could have a crushing effect on city budgets, already fragile in most places. As city budgets go, so go municipal services—from streets and sewers to schools and public safety. Philadelphia Mayor Jim Kenney is already predicting a budget gap of $650 million.

That's the high-altitude view. On the sidewalk, if you are currently holed up in a major city, or if you have friends or family in one, you've probably heard the whispers: *We've had it. Enough. When this is all over, we're leaving.*

The possible result is nothing less than the reversal of the "urban renaissance" that began roughly a generation ago. Renaissance is a freighted term, to be sure, and it elides as much as it describes, but some aspects of it are unarguable. After nearly four decades of capital flight, investment returned to neighborhoods that had been dismissed as unsalvageable. And so did people. In the 2000 census, Chicago posted its first population growth in 50 years; in 2010, Philadelphia did the same. Most spectacularly, New York City, which lost more than 800,000 residents during the 1970s, has welcomed an astonishing 1.4 million people since.

Shaping the transformation of the past few decades has been a collection of planning ideas loosely called "new urbanism." It's hard to remember that terms such as mixed-use development and adaptive reuse and transit-oriented development and infill construction were once heterodox ideas promoted by a handful of maverick planners. Now they have suffered the fate of all successful ideas and become buzzwords.

Underneath the variety of new-urbanist planning techniques lies one core principle: density. By increasing density, the thinking goes, you foster all the things that make cities work. Proximity translates into creativity; busy sidewalks are safer sidewalks; more people living close to the office or the market means fewer people driving cars, reducing the damage they do to the physical environment. And these promises have been fulfilled to a remarkable extent in cities from Washington, D.C., to Seattle. One measure of their success is that many suburban municipalities have now begun to adopt density as a central planning goal.

In this moment, however, density looks like the enemy. Cities have been hit hard by the pandemic: New York first and foremost, but Detroit, San Francisco, Seattle, and New Orleans as well. So too have nursing homes and prisons and meatpacking plants. What these places have in common is a lot of people in close proximity.

In the early months of 2020, density became a public-health risk. That inescapable fact is what cities will have to reckon with once the pandemic has subsided. How cities recover will depend a great deal on the help they receive—or don't—from the federal government.

Throughout much of the 20th century, political leaders yearned to decentralize urban areas, and they shaped four sets of overlapping policies that encouraged jobs and people to leave cities.

First, the government made the postwar suburban boom possible through an enormous expansion of federally subsidized mortgage money. Thanks to redlining practices, pioneered during the New Deal, comparatively few of those mortgages were available to residents of cities. Second, with the Federal-Aid Highway Act of 1956, it created the transportation infrastructure necessary to live in the new auto-centric suburbs. And those roads didn't just provide the means for people to leave the city for the crabgrass frontier. Highway construction bulldozed through countless neighborhoods, tearing apart the city's communities and paving them over. (By 1971, one estimate concluded, highway construction had displaced 50,000 people each year, almost all of them urban residents.)

Third, and probably less well known, the federal government facilitated the shift of jobs and people out of the Northeast and Midwest and into the South and Southwest. The funding for this didn't come in the form of mortgages so much as defense contracts. In 1952, nearly 60 percent of Pentagon contracts went to the industrial cities of the Midwest. In 1984, that figure had dropped to just more than 20 percent, by which time the terms Rust Belt and Sun Belt were firmly fixed in the national imagination. Finally, there was "urban renewal" itself, which at its worst—and it was often at its worst—fostered "we have to destroy the city in order to save it" projects. In 1958, even before some of the worst damage had been done, the journalist Walter Whyte wrote angrily, "Most of the rebuilding under way … is being designed by people who don't like cities."

Taken together, these initiatives contributed mightily to the urban crisis that so many cities found themselves in by the 1970s. They created decentralized, hollowed-out urban centers, surrounded by prosperous suburbs. Although President Gerald Ford didn't actually tell New York to "drop dead" in 1975, when the city teetered on the brink of bankruptcy, his refusal to help signaled that, as cities attempted to recover from the federally inflicted wounds of suburbanization and all the rest, they would have to go it alone.

As cities contemplate another crisis, the big question is whether the federal government will again encourage decentralization. Transportation policy is one area to watch. While roads still get the lion's share of federal dollars, since the 1990s, cities and metropolitan regions have been given greater flexibility to fund not only transit but also multimodal projects such as bike paths. Congress could easily eliminate that flexibility if it decides that cars are safer in a pandemic age. Congress could also increase a number of economic-development incentives designed to entice companies to move out of cities and into rural areas. Rural legislators, who have disproportionate power in Congress, would be only too happy to support those efforts.

The federal government could, alternatively, use this crisis to reorient its attitude toward cities and pursue policies that nurture the urban ecology by building on the things that made the renaissance possible to begin with.

The first, if not most obvious, item on such a list would be to expand immigration and refugee resettlement. American cities have rarely expanded as a result of "natural" population growth. The number of people who leave cities has usually eclipsed the number born in them. In other words, cities have always relied on newcomers to maintain their vitality. That was true a century ago, and it remains true today. As scholars have now documented, before the hipsters and kale chips and artisanal beer arrived in American cities, immigrants played a central role in the urban renaissance of the past generation. President Trump's various immigration restrictions, though driven by white-nationalist xenophobia, may well have the effect of robbing still-struggling cities—think Detroit, St. Louis, Cleveland—of the very people likely to catalyze revitalization.

Climate legislation would also help urban centers. Consider this: If New York City were a separate state, it would be the 12th largest, but 51st in per capita energy use. Should the federal government finally decide to address global warming, policies geared toward rewarding energy efficiency, for instance, would benefit urban areas directly and indirectly. Likewise, an aggressive carbon tax would almost surely encourage more urban, less carbon-intensive patterns of working and living. Good environmental policy at the national level would prove to be good urban policy at the local level. Abandoning cities now will have disastrous consequences for the planet.

Banking and housing are two other areas where federal policy may be necessary not simply to help cities recover economically, but to shape the right kind of recovery. One can imagine that the COVID-19 pandemic will leave a cityscape of closed businesses and empty storefronts and people who can no longer afford housing. Federal intervention could help ensure that large corporations and real-estate conglomerates don't swoop in to fill every available void. In fact, the pandemic presents an opportunity to rewrite banking policies so that they reward small rather than big, and to initiate housing programs that expand opportunities for working- and middle-class people, reversing some of the trends that have made it harder for people to afford the neighborhoods they live in.

If that all seems utopian in this political moment, then remember that we've been here before. There were whispers after 9/11 too. I heard them in Philadelphia and Boston as well as in New York: Cities are too crowded—it makes them easy targets for terrorists. Terrorism did not, in the end, cause an urban exodus, though it did change the way we live in cities.

In the end, I don't think the pandemic will take us back to the urban conditions of the 1970s. A consistent trend across 200 years of American history has been the increasing urbanization of the population, and cities have proved resilient in the past—whether Philadelphia after the influenza pandemic of 1918 or Cincinnati after the cholera epidemic of 1849. But I do expect that COVID-19 will change our cities once it burns itself out. The former Senator William Cohen liked to quip that the federal government is always the enemy until you need a friend. As we all recover from the pandemic, cities will need that friend so that we can continue to live with the "variety and concentration" that William Whyte loved so well.

**The Atlantic**

By Steven Conn

MAY 15, 2020