

WINTER 2007 » AFFORDABLE HOUSING » DECEMBER 12, 2007

Beyond the Farm

New trends in rural community development make the work of rural CDCs appear more in line with that of their big-city counterparts. By [DAVID DANGLER](#)

On the surface, the practice of community development looks roughly the same in any community or neighborhood, but practitioners of community development in rural areas can attest to profound differences between their work and that of their urban counterparts. It's not that the core functions of organizing, planning, and implementation are dissimilar, but seen through the rural lens they become markedly different experiences.

For example, distance is a huge factor in rural communities—the distance across a rural service area, the distance between projects, the distance between communities. Organizing presents distinct challenges when the focus is not six city blocks, but three rural counties.

Another aspect of rural community development is the role that CDCs often have to play to augment and support thinly staffed, small-town governments. It's not unusual for a rural CDC to conduct local or regional community needs assessments, prepare Community Development Block Grant applications on behalf of rural municipalities (often as a consortium of communities), and then contract with the consortium should the region be fortunate enough to get the grant.

Affordable housing development is likely to involve similar construction and management techniques everywhere, but rural CDCs cannot count on infrastructure basics such as water and sewer hook-ups, electricity, or even roads to access the sites.

Take the [St. Lawrence County Housing Council](#) (SLCHC), a [NeighborWorks America](#) organization serving the largest of New York's counties along the Canadian border. SLCHC has earned high marks for providing quality affordable housing in rural communities with older housing stock and a growing gap between housing costs and prevailing wages. Like most CDCs in rural areas, SLCHC doesn't concentrate on development alone. In order to get to the affordable-housing and other community-development projects that the region needs, SLCHC has found that it must invest more in the front end of its development efforts and provide community-planning and grant-writing services to the thinly staffed rural municipalities that may not be able to produce them. There is very little capacity in St. Lawrence, so by partnering with the regional planning commission, SLCHC provides services on a loss-leader basis to generate work for their core housing business.

Developing a sustainable business model for sparsely populated rural communities can be especially challenging. Smaller projects scaled to meet local market demand (fewer people = smaller projects) must carry fixed development costs over fewer units. This requires either deeper layers of subsidy, decreased affordability, or smaller fees for the nonprofit developer. All too often in rural projects, it's the nonprofit developer fees that shrink first and most. The pressure on rural-serving CDCs to adopt a more business-like model has led them to work in mixed urban/rural service areas. The assumption is that high-density urban and mixed-urban markets provide a healthier business environment when the CDC's services are priced right.

Rural community-development practitioners invariably point out that no two rural markets are alike. From land-title and sovereignty issues in Indian Country to the lack of core infrastructure in the colonias (unincorporated communities along the U.S.-Mexico border), to rural landscapes transformed by natural forces (wind, water, fire), to areas of perennial rural poverty with



Grasslands and subdivisions on the Colorado Front Range, Larimer County, Colorado.

subsistence economies too thin to drive the slenderest of mortgages, the diversity is staggering and contributes mightily to the complexity of rural community development.

Despite the aspects of rural development that add degrees of difficulty to an already challenging field, rural CDCs continue to adapt and change. While the pressures have never been greater on local community-based organizations, the opportunities have never been more plentiful. As the field has matured, funders' expectations have become much higher. Instead of offering traditional grants in support of altruistic mission statements, both public and private funders today want to see detailed business plans and measurable outcomes. Lacking corporate headquarters and other options for private-sector partnerships that urban and suburban CDCs can tap, rural CDCs have always relied on the public sector for grants and other subsidies. Today there is far more competition for limited public resources.

As individual rural CDCs diversify their funding sources to mitigate the risk of losing a core funder, they feel pressure to grow both their programs and their service areas. On the other hand, for the rural organizations that outperform their peers, there are opportunities to merge with or take over other organizations, to expand successful lines of business, and in general, to be broadly viewed as an indispensable asset-building institution within their service area.

The NeighborWorks organizations, with 234 charters that serve more than 4,000 communities in widely varied markets across America, is a good example of how rural-serving organizations have evolved. NeighborWorks' relationship with each of its chartered organizations involves multiple interactions over time, including periodic organizational assessments. This insight gives NeighborWorks a unique perspective on a slice of the field as a whole. The trends among the 90 organizations within the NeighborWorks network that serve rural communities not only show how far this segment of the field has come over the past 30 years but also help us anticipate future directions for rural community-development work.

The Trend Toward Larger Organizations

Rural community development corporations have long grappled with the issues of organizational and programmatic growth. Twenty years ago, less than a dozen NeighborWorks organizations (NWOs) served rural markets. The average rural NWO had three to five staffers and concentrated its revitalization efforts on no more than three communities. Rare was the NWO that served more than one county and had more than five people on staff. Today, the smallest NWOs have around 10 staffers and serve anywhere from three to five counties. The largest, such as [Rural Opportunities Inc.](#) (ROI) based in Rochester, N.Y., serve multiple states and keep hundreds of employees engaged in a full range of community- and economic-development services.

Throughout the 1980s, the more seasoned urban NeighborWorks organizations such as the Neighborhood Housing Services of New York, Chicago, and Los Angeles had the largest staffs and produced the greatest number of units of affordable housing and homeowners in the network. The rural groups in small towns in states such as Vermont, Wisconsin, and Texas ranked near the bottom in size and production. Today, the larger rural-serving NWOs dwarf the largest of their urban counterparts in organizational and staff size, service area, and production.

The Trend Toward Mixed-Market Service Areas

The search for sustainable scale and regional planning has contributed to the emergence of NWOs serving a mix of markets. The trend goes in both directions—NWOs that traditionally only served rural communities moving into urban and mixed-urban communities, as well as small, urban-based NWOs expanding into surrounding rural and mixed-rural areas. In many cases, formerly isolated rural communities join with larger, newly defined economic regions—and explore economic strategies most likely to yield a competitive edge in the global economy.

For example, Rural Opportunities Inc. has served rural communities in a multi-state region for decades. In 2006, ROI merged with [Housing Opportunities Program Inc.](#) (HOP), an organization with strong urban roots. CEO Stuart Mitchell says the merger “allowed us to strengthen our rural and urban real-estate development. For over 30 years we’ve thought of ourselves as rural and only rural. Our growing experience in mixed markets has made us think about the interplay of urban and surrounding rural communities. In a way, we’re now thinking that we can’t really be successful in a long-term community strengthening endeavor without working in non-rural communities as well.”

[Community Ventures Corporation](#) (CVC) in Kentucky, which provides technical assistance to entrepreneurs for small business development, is another example. CVC's success and explosive growth, which CEO Kevin Smith refers to as a “10-year sprint,” included the organization adding a housing division to their economic development base and expanding to surrounding rural counties in a series of phased expansions. Started in urban Lexington, Ky., CVC now has five satellite offices, four of which are rural, operating Kentucky Enterprise Communities (KEC). KEC encourages satellites to be responsive to their own market conditions in both the range of programs and services offered as well as the resources secured in support of local operations. At

the same time, the KEC model offers a range of efficiencies for the satellites based upon being able to tap into centralized operational support in Lexington.

Smith's detailed cost analyses over time led him to conclude that a sustainable business model for exclusively rural areas would be heavily dependent upon deep subsidies which were increasingly hard to obtain. CVC's success in Lexington, combined with the need for the economic stimulus of housing and economic development in Kentucky's rural communities, forced Smith to find a way to blend the higher cost efficiency of urbanized areas with the lower cost efficiency of rural areas.

The Trend Toward Diverse Programs

Although a hallmark of the broader community-development movement is a commitment to strengthen communities, the dominant focus has been affordable housing. In rural America, where homeownership rates are traditionally as much as 20 percent higher than in non-rural areas, affordable-housing programs alone are often not enough to strengthen communities where seasonal labor is high and wages are low. Whereas the urban focus on increasing the rate of homeownership and improving the quality and affordability of rental housing, rural-serving NWOs focus on programs to sustain homeownership (which puts a premium on rehab, energy efficiency, green technologies, and financial counseling) as well as support entrepreneurial development to stimulate economic growth.

Economic stimulation is the primary community-building focus in the vast majority of the United States we still refer to as rural. Within the NeighborWorks Rural Initiative, affordable-housing programs are valued as much for their affect on the economy as for their impact on local inventories of affordable units.

Rural NWOs that begin as local and regional housing-service providers are often pulled into complementary lines of business such as community facilities and economic development because they may be the only organization in the region. It's not just the houses that are far apart in rural areas; the build-out of nonprofit infrastructure is commensurately thinner in rural America, particularly in the areas that are perennially underserved, such as the Delta, the colonias, Appalachia, and Indian Country.

In Carizzo Springs, a small South Texas community tucked in among hundreds of square miles of mesquite and sage, the local leaders of Neighborhood Housing Services of Dimmit County, one of the first rural NWOs in the nation, realized that housing services alone could not lift the economy of this middle Rio Grande region. "We got into economic development over 10 years ago because if you have a home, any home, without a job, it's not affordable. We needed jobs," says Manuel Estrada, who has served as executive director for more than 25 years.

Neighborhood Housing Services of Dimmit County continues to offer housing services, but it also maintains a commercial loan portfolio of more than \$1.6 million. Between 1995 and 2005 the organization generated \$17.6 million in capital investments through economic development within a nine-county service area. In addition, it partners with a far larger NeighborWorks organization, [Business and Community Leaders \(BCL\) of Texas](#), which serves the cities of Austin and Dallas, in a regional collaborative called TREE, or [Texans for Rural Entrepreneurship and Education](#). TREE is designed to "foster rural entrepreneurship throughout rural Texas through education, policy, access to capital, and service delivery."

Dimmit's partnership with BCL allows the Carizzo Springs program to remain small but to extend both its programmatic reach and access to capital. By collaborating within TREE, NHS of Dimmit County can access a broad range of added-value services without increasing its overhead.

Trend Toward Statewide Networks and Collaborations

Whether CDCs grow their own shops to statewide scale or choose to participate in some form of network structure, there is a marked trend toward statewide organizational structures. For state and federal funders, there's an enormous difference between having to contract with a patchwork quilt of nonprofits who in aggregate only serve a portion of a state, and having a single organizational point of contact that can deliver services across an entire state. For individual CDCs there are tremendous advantages as well. Statewide contracts and partnerships typically open up larger resources for individual CDCs than they could ever access on their own. In addition, statewide networks offer ongoing opportunities for peer-to-peer learning and exchange of information. Perhaps most important, these new networks can become strong platforms with political clout and the ability to shape community development policy.

NeighborWorks Montana uses a highly innovative and productive partnership model that brings together major housing players from public and private sectors to promote sustainable homeownership. Partners range from the Rural Development arm of the United States Department of Agriculture to local public-housing authorities, from Fannie Mae to local community banks, from the Montana Housing Finance Agency to local Realtors. The organization provides outreach to some of the most remote areas in rural

America, including the seven Native American reservations within the state.

During successive national campaigns to boost homeownership rates starting in the 1990s, NeighborWorks Montana has regularly been among the top five producers of first-time homebuyers in any market. For those who have puzzled over Montana's ability to deliver exceptionally high production with exceptionally low overhead costs, what surfaces again and again is the statewide partnership model, a highly efficient and effective use of individual partners' skills and resources to reach rugged and remote areas of a state that, by anyone's definition, is the epitome of "rural."

In Vermont, five NWOs formed a highly interactive statewide network to offer a full range of standardized homeownership services. The organizations meet regularly to set common goals, explore new partnership opportunities, and evaluate their progress. And as in Montana, the [NeighborWorks Alliance of Vermont](#) has parlayed its statewide coverage into a successful and ongoing resource-development strategy that has yielded progressive agreements with the Vermont Housing Finance Agency and USDA Rural Development, along with operating funds from private fundraising campaigns in support of the five customer service hubs known collectively as the NeighborWorks HomeOwnership Center of Vermont.

The Winds of Change

As much as the rural-serving CDCs have evolved, these newly focused organizations are still exposed to literal and symbolic winds of change. Only time will tell if the Gulf hurricanes and super-tornados are part of a long-term weather pattern, but the political winds shaping rural policy can be as devastating. An issue that may seem pure semantics to many—the definition of "rural"—is absolutely critical in determining how public resources flow into ex-urban America.

Rural CDCs have also seen profound changes in the way in which these local organizations receive funding. The initial transition from 100-percent grants to subsidized loans has further morphed into increasingly complex subsidy-recapture formulas and required matches. There are more restrictions placed on who receives public funds, and subsidies for rural community-development have decreased. The USDA Rural Development's (RD) historically dominant presence in rural America continues to fade, after a decade-long pattern of closing and consolidating county offices and reducing field staff. Rural CDCs depend on RD not just for housing but for community facilities and economic development as well. The reduction in RD's field staff has created a shift in a host of customer-related services, including the elimination of or drastic cutbacks in pre- and post-purchase homebuyer education and financial counseling, loan packaging, and construction management.

These changes have served to pressure rural CDCs to refine their business models, balancing missions of service to economically disadvantaged clients with cost-based fee schedules for service rendered. They've also had to develop political clout through state, regional, and national coalitions and to exercise that clout by becoming far more engaged in the process of designing community-development policy at federal, state, and local levels.

Organizations such as [Stand Up for Rural America](#), the [National Rural Funders Collaborative](#), and the [W.K. Kellogg Foundation's Rural People Rural Policy program](#) have gained traction as the rural side of the community-development field becomes engaged in rural policy discussions.

Over the 30 years that NeighborWorks America has been in existence, rural communities have experienced tremendous growth. But they are no longer simply proving grounds for a largely urban-based community-development field. Innovative, entrepreneurial CDCs serving diverse markets within newly defined economic regions are rapidly gaining strength.

Formidable challenges remain. Much of rural America has substandard housing and lacks educational and employment opportunities. It will take a concerted effort of public will, policy, and community-based infrastructure to fundamentally change underserved rural regions.

Before rural CDCs can take on bigger challenges, organizational sustainability must be addressed. Increasingly, nonprofits are turning to the private sector for best business practices that don't rely on public subsidies. In the orchestration of healthy, sustainable business models, cost-analysis and cost-recovery are crucial areas to emphasize. However, as rural CDCs cover larger service areas, it will be increasingly difficult to maintain a clear sense of community. (See [Balancing Act](#).)

Two frontiers may have to be explored simultaneously and with equal vigor. First, rural-serving CDCs are well-advised to continue developing and refining sustainable business models. Second, practitioners must be linked to the process of generating public policy at all levels of government. It may be time for a newly articulated vision of a healthy rural America, a vision with clear goals that the nation can work toward, together.

David Dangler is the director of NeighborWorks America's Rural Initiative program.

RELATED RESOURCES

- [NeighborWorks America](#)
- [The W.K. Kellogg Foundation's Rural People Rural Policy program](#)

Published by the **National Housing Institute**