



ISSUES AND IDEAS

A Symposium Report



Myths and Realities in the New Rural America

BY KRIS PEARSON

PHOTOS BY SÉAN BENNETT

Long regarded as the bastion of traditional values in a modern world, rural America today finds itself facing a set of challenges that threaten its very existence. Like the boom towns of old, many rural communities are in danger of disappearing into memory as residents leave in search of economic, educational, and healthcare opportunities.

If rural America is not only to survive but also to thrive, a new vision and new models for success are needed. Developing that new vision is the focus of current discussions around the country. The discussions are a beginning in the development of a consensus on saving rural America.

As part of this on-going conversation, Neighborhood Reinvestment in December hosted a one-day symposium, “The New Rural America: Local Opportunities, Regional Strategies, National Impact,” at a NeighborWorks® Training Institute in San Francisco. The symposium attracted practitioners from rural nonprofit organizations, rural political representatives, and other rural advocates from around the country. It was sponsored by Freddie Mac.

In addition to plenary sessions, the symposium also included breakout workshops and a special luncheon speaker, Roger Welsch, humorist, folklorist, essayist and storyteller. Welsch’s topic: “It’s Not the End of the World, but You Can See It from Here – Greetings from Dannebrog, Nebraska.”

The key trick, symposium participants agreed, is to move away from the myth of rural self-sufficiency and toward a new reality of rural self-determination.

In fact, rural America can thrive, said keynote speaker Mark R. Drabenstott, if rural communities work together rather than compete with one another or with their urban counterparts. Drabenstott is vice president and director, Center for the Study of Rural America, Federal Reserve Bank of Kansas City.

“The basic selling point of rural America,” said Drabenstott, “has historically

Caroline M. Carpenter of the W. K. Kellogg Foundation; Luis Luna of the U. S. Department of Agriculture; Peter Carey of Self-Help Enterprises; U.S. Rep. Bennie G. Thompson of Mississippi

been cheap land and cheap labor, but, with globalization, that strategy won't work anymore. It's not about Great Bend, Kansas, versus Chicago, but about Great Bend versus the Great Wall of China ... Cheap labor, cheap land, and cheap taxes is no longer the formula for success."

Formula for Success

Drabenstott said globalization has dramatically changed the ways of doing business. This new economic geography, he said, means the "chickens come home to roost regionally." Only by working regionally, Drabenstott argued, can rural areas develop the critical mass needed to fuel production of new commodities. More than just agricultural products, commodities cover the range of things that are produced and used by consumers.

So what will be the next economic engine for rural communities?

Technology – namely advanced manufacturing technologies and precision products – is what Drabenstott believes is needed to move rural America into the 21st century. Advanced telecommunications, like the Internet, promote entrepreneurship and open a world market for new rural products and services. Identifying and producing such world-class products require a different business model than the rugged independence that historically has characterized rural residents.

"Developing a world-class competitive niche demands partnering," Drabenstott explained, "there needs to be a critical mass. We can celebrate 'Lake Wobegon', but we need to create the 'Research Triangle.'" That "triangle" needs support from businesses, schools, and local governments.

Regionalism, Drabenstott believes, is the key to developing a "new world economy" in rural America and creating the critical mass needed for new technological investment in rural areas.

"Twenty-first century economic regions are no respecters of 19th century surveyors," Drabenstott said. In other words, regionalism needs to be defined by economic opportunity rather than arbitrary borders. By defining those opportunities and the partners available to support those efforts,



Mark R. Drabenstott, vice president and director, Center for the Study of Rural America, Federal Reserve Bank of Kansas City

he said, critical mass can be established to develop a world class competitive niche.

To identify potential niches, Drabenstott said, regions must look to local entrepreneurs with high growth potential – counting on local roots and local wealth to create local jobs. And in order to create and support these local entrepreneurs, Drabenstott says rural areas need to reinvent their public institutions – institutions like school systems, local governance, and the private and nonprofit sectors.

Role of Rural Nonprofits

Nonprofit organizations that exemplify regional

innovation and creativity can have a key role in developing the future of rural America. Rural communities generally have more civic organizations than their suburban or urban counterparts and the nonprofit sector in rural areas often rivals the private business sector in community investment.

Symposium panelists not only generally agreed with Drabenstott's prescription for rural communities, but also argued that the nonprofit sector might do more than the for-profit or government sectors to structure those changes. The panelists included Randolph A. Adams of the Rural Community Assistance Program, Gordon Goodwin of the Heartland Center for Leadership Development, Moises Loza of the Housing Assistance Council, Luis Luna of the U.S. Department of Agriculture, and Caroline M. Carpenter of the W.K. Kellogg Foundation.

Adams, executive director of the Rural Community Assistance Program, said the nonprofit sector can be the "cement" that holds together regional economic partnerships. Goodwin agreed.

"The strength of nonprofit organizations," said Goodwin, a Heartland Center board member, "is that they are risk-takers. Running a nonprofit is about calculated investments, not just managing programs."

Loza, executive director of the Housing Assistance Council, said regionalization and partnerships are something rural organizations look at instinctively, as evidenced by the growing number of nonprofit mergers now taking place. Loza also said that affordable housing developers, in particular, can have a dynamic role in regional economic development.

"Organizations involved in affordable housing don't ignore other community economic factors," said Loza. "Smart nonprofit housing developers take into account issues like infrastructure development and the needs of children."

Luna of USDA's Rural Business Cooperative Service said rural America's future will not be something developed in Washington, D.C. He said the federal government has a strong desire to move away from the perception of federal funding as "handouts," and, instead, toward the idea that such funding can be a tool to unlock local and regional capital.

Toward this end, Luna encouraged outside-the-box thinking. "I give you permission to be inno-

vative," he said. "Lead the parade. Think beyond the way we now do business. Prepare for the next generation."

Carpenter, a Kellogg program director, said rural America is an untapped source of economic strength. But, she cautioned, given the results of a recent Kellogg study on perceptions of rural America, she thinks it unlikely that new ideas on the future of rural communities will come from outside rural communities themselves.

"Americans care about rural America," Carpenter said. "But in general, they don't really understand the challenges rural communities face."

Facing the Challenges

The panelists agreed that facing those challenges with outside-the-box thinking may mean embracing new ideas that come from unusual directions.

Looking to often marginalized rural populations – low-income residents, minorities and immigrants – can provide what Drabenstott terms "yeast" for new entrepreneurial efforts. Adams, Loza, and Luna each highlighted the need for multicultural, multigenerational approaches to economic development. Goodwin argued that innovative ideas on regional economic strategy probably are not going to come from those who have been leading rural communities over the past 20 years.

"The people with the most innovative ideas are the ones who make you feel uncomfortable," said Goodwin. "And that's good."

Symposium participants could further explore innovative ideas and successful rural community development models in the breakout workshops. They included such topics as "Private Sector Secrets for Rural CDCs," "Community Economic Development for Entrepreneurs," and "Regional Collaboratives and Other Out-of-the-Box Strategies."

Case studies focused on the experiences of a variety of nonprofit organizations and highlighted themes developed in the opening session – regionalism, finding natural allies, making connections, thinking outside the box, and entrepreneurial behavior.

Seeing the Humor

Nebraska humorist Roger Welsch said rural humor often is subtle, self-deprecating, and generally hits at the heart of the matter. His



luncheon monologue used gentle humor to help highlight some of the symposium's core messages and examine rural stereotypes. One story was about a farmer who's having trouble making ends meet:

A farmer finds himself short on funds when the time comes to buy his seed corn. So he goes to the bank for a loan. The banker looks at the farmer's finances and shakes his head. "We're just not confident you'll be able to make enough money growing corn this year to pay your bills," the banker says, "much less repay your loan. But, I'll tell you what, I hear there's lots of money in garbanzo beans. So, if you agree to grow garbanzo beans, we'll loan you the money to get started." With no other options, the farmer agrees.

Eight months pass. One day, the banker runs into the farmer and says, "I see you repaid your loan. How did you make out with the garbanzo beans?"

"Well," says the farmer, "Not only did I repay my loan, but I also was able to buy that new pick-up truck out front there, and fix up my house, and buy a new tractor and plow. Then, I still had enough to put my kids into private school and send my wife on a vacation to Europe."

"Wow!" says the banker, suitably impressed.

"Yep," says the farmer. "And not only that, but I even had money left over to buy seed corn for next year."

Like the farmer, Welsch said, rural America is often resistant to change – even when it proves effective. While some rural advocates persist in believing that rural America's woes are caused by, and at the mercy of, globalization and urbanization, it is clear that the traditional images of rural America no longer hold the key to future success.

Changing to Succeed

"Keep a sense of humor along with a sense of mission" was the advice of U.S. Rep. Bennie G. Thompson of Mississippi, the symposium's closing speaker. Quoting President Wilson, Thompson said, "If you ever want to make enemies, try to change things." He urged symposium participants to step outside their comfort zones, identify and pull together natural allies, and push forward with a new game plan as fast as possible.

Results matter, Thompson said, so projects should be both manageable and measurable, with the knowledge that often small steps can become giant steps. Learn from what others are doing,



Humorist and folklorist Roger Welsch

Thompson urged, but use those lessons to innovate. Communicate with legislators.

"Government has a place in making communities safer and making communities more profitable," Thompson insisted. The key is to continue the conversation about the future of rural America and develop strategies that could help form a national rural policy.

"Be agitators," urged Thompson. "If you hook one pig, every pig will holler."

Thompson's remarks echoed the views of keynoter Mark Drabenstott.

"Rural America has an exciting future," Drabenstott said, "which we can seize only if we change the way we do business. That change begins with you. Washington and the state capitals won't solve this problem. The future is in your hands." ■

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Perceptions of Rural America

Fifty-five million people live in the 80 percent of America's landmass considered "rural" – a designation that has historically invoked images of peaceful serenity on the family farm. In fact, although the image of rural America continues to be linked with agriculture, less than 12 percent of rural employment now is on the farm or in agriculture-related jobs.

This new reality of rural America is beginning to make itself known, and a series of studies by the W.K. Kellogg Foundation of Battle Creek, Michigan, on perceptions of rural America is contributing to a clearer understanding of that reality.

According to the *Perceptions of Rural America* study: "Perceptions of rural America are centered on a series of dichotomies – rural life represents traditional American values, but is behind the times; rural life is more relaxed and slower than city life, but harder and more grueling; rural life is friendly, but intolerant of outsiders and difference; and rural life is richer in community life, but epitomized by individuals struggling independently to make ends meet."

The study, by Greenberg Quinlin Rosser Research, includes Media Coverage, Rural Voters in 2002, and Congressional Perspectives. Included are in-depth interviews with individuals, interviews with congressional representatives, and analysis of media coverage of "rural issues" and rural voting trends.

The series shows that generally "perceptions of rural America are strongly positive," with acknowledged problems that are symbolic of broader societal challenges.

Raising rural issues on a national level, the series finds, is often difficult because of a lack of a "rural voice," either from congressional representation or a nationally recognized rural advocate. In addition, effective rural legislation is sometimes hampered by competing regional differences. Still, the Kellogg series shows agreement that "improving the economy of rural areas [is] the single most important thing to do to assure the viability of the communities and the people who live there."

Part of the challenge of developing a "rural voice" may be substantially changing the media's perception of rural America. According to the Kellogg series, most "rural" stories in nationally recognized print media focus on land issues – primarily the "exurban battleground where planned or recently built new homes or business have begun to collide with existing farms and rural institutions that are unprepared for such development." On television, most "rural" stories focus on crime. In neither case was there an attempt to contextualize the stories within a broader "rural issues" framework.

The study concludes on an upbeat note: "Non-rural residents have considerable empathy for the plight of their rural neighbors. ... It is clear that these shared interests and the considerable admiration of and sympathy with rural Americans create the potential to advance the issues facing rural America on policymakers' agenda, if these policy concerns can be successfully connected with the preservation of the values that make rural America such an important part of American society." ■

For more information on the *Perceptions of Rural America* series, contact the W.K. Kellogg Foundation at www.wkcf.org.





Relationship-Building: Linking Projects and Policy

A workshop on “Affordable Housing: Adding Value to Rural Communities Through Award-Winning Approaches” explored how relationship-building among key actors, so often needed in a successful project, can also help advance progress toward a national rural policy.

Co-moderator Peter Carey, executive director of **Self-Help Enterprises**, a NeighborWorks® organization in Visalia, California, provided a case study illustrating that perseverance based on core values can not only solve an immediate problem, but also result in advantageous long-term relationships.

Participants considered a proposal for a self-help housing subdivision that would require the customer-constructed homes to be comparable in design or materials in the existing housing in the subdivision. Unfortunately, two different builders had constructed different phases of the subdivision, and there was a disparity between a neighborhood of upscale homes and a neighborhood of “starter” homes. That disparity led to concern among the Phase One homeowners that the self-help homes would further affect their property values.

Opposition to building permits and a potential lawsuit threatened funding for the project, and the delays caused by the neighbors were in danger of drawing out the situation to a point where the subdivision zoning could be changed and the self-help housing supporters would be politically vulnerable.

On the other hand, the need for the new homes was great. Small groups within the workshop discussed whether Self-Help Enterprises (SHE) could have foreseen the problems and how they could be resolved in productive ways.

Carey explained that SHE believes in being up-front with a community from the beginning, even when SHE knows that such an approach may bring out opposition initially. SHE worked cooperatively with municipal staff and representatives to minimize negative impacts from the project and assure their support.

Concerns by the lender and even litigation from the neighbors were resolved in what Carey described as an “established organizational style” – pleasant and positive in all interactions, but unyielding in support of what they knew to be the legal “high ground.”

Despite an unforeseen delay from an unrelated cause that pushed construction out another 18 months, the subdivision was completed as designed, and former adversaries now applaud the quality of the project. As a result, SHE has found strong community support for subsequent developments in the city.

Studying the steps SHE took to resolve the issues and concerns and move forward with the subdivision, participants noted that it is not unusual for nonprofits to face opposition in the course of fulfilling their missions. When faced with it, relationships between governing bodies and even former adversaries grow in importance.

“You can put one over on a community once,” Carey said “but you’ll pay the price for that over and over in the future. We are part of these communities for the long term, so cultivating relationships makes sense.”

Co-moderator Joe Waters, a rural development specialist with the Rural Community Assistance Corporation, believes partnerships and joint actions can provide a foundation for a national rural policy.

Waters said there often seems to be a disconnect between the day-to-day issues nonprofits face and the ideals behind what is, at best, an outdated and fragmented national rural policy outlook. Despite the difficulty of looking beyond our own challenges, Waters believes that development of a national rural policy framework is “a matter that we should pay some attention to.” If some consistent framework could be developed, Waters says, then the sum of all progressive local actions will be greater than the parts.

In other words, in projects as well as relationships, results matter – and attention to those results can have lasting positive impacts. ■

Making Communities More Affordable

Regulatory Barriers: Secret (and Not so Secret) Weapons Against Affordable Housing

BY DAVID ENGEL

In the always difficult and complex world of building affordable housing, nonprofit housing developers and housing advocates generally concentrate on two overriding issues – obtaining favorable financing and identifying any and all available subsidies.

However, with interest rates already near all-time lows and subsidy funds always constrained, there is only one other way to further expand affordability – reduce the costs of development and construction.

A key tool available to nonprofit developers is to address the many excessive, unnecessary, or exclusionary regulations – regulatory barriers – that unduly raise costs, sometimes significantly. In 1991, for instance, the “Advisory Commission on Regulatory Barriers to Affordable Housing” found that these barriers directly raise development costs in some communities by as much as 35 percent. They also can limit a wide range of affordable housing options, such as higher-density housing, multi-family rental housing, accessory units, and manufactured homes.

Regulatory barriers’ removal should be viewed as an essential component of – but not a substitute for – an affordable housing strategy. Unfortunately, there is no clear “bright line” definition that can clearly determine whether a state or local policy or rule is a regulatory barrier. The best guidance is that a policy or rule becomes a barrier when it is either a deliberate or de facto action that prohibits or discourages the construction of affordable housing with little or no demonstrated compensating public benefit.

Barriers in Suburbia

Cities and suburbs each have their own distinct sets of regulatory barriers. In suburban communities across the nation, local governments employ zoning and subdivision ordinances, building codes, and permitting procedures to prevent development of affordable housing. “Not in My Back Yard” – the NIMBY syndrome – has become the rallying cry for many current residents of these communities. They fear that affordable housing will result in lower land values, more congested streets, and mounting pressure for new infrastructure such as schools.

It is clear that the problem has worsened in the past decade. Too few communities, because of NIMBYism, allow for diverse development options, such as multifamily

housing, duplexes, or manufactured housing. Developmental approvals continue to become ever more complex, with lengthening, multiple and duplicative reviews.

In fact, many communities see little public benefit in streamlining the process, even though each day of unnecessary delay eventually increases development costs with resulting increases in housing prices and rents.

Surprisingly, an emerging issue that potentially impacts regulatory barriers is “Smart Growth.” While a number of smart growth principles, such as expanding housing choice and increasing density, if fully implemented, would be important tools for expanding affordable housing in the suburbs, it is far less likely that these components will be enacted than those that limit growth. Open space and growth limits, for example, without other key components that increase housing choice, may actually hurt housing affordability rather than enhance it.

In Central Cities

In the central cities, the issue is not generally “NIMBYism” but, rather, bureaucratic inertia and special interests. Cities often rely on an assortment of building regulations that impede infill and delay rehabilitation.

Regulatory barriers to urban development include archaic building codes, with special-interest building trade protections, and inordinately complex approval processes, requiring difficult coordination among many dissimilar agencies. Maneuvering through these processes typically adds time and money to projects already hampered by the challenges of site assembly, obtaining clear title, and urban building.

For example, despite a growing need to rehabilitate housing, many cities still utilize building codes that emphasize new construction over rehabilitation. To address this problem, the U.S. Department of Housing and Urban Development, working in partnership with the state of New Jersey, developed a new model rehab code or “smart code,” which sets different levels of rehab for repair, alteration, addition, and change of use. Each level has differing regulatory requirements regarding whether existing building elements can remain or must be replaced.

The impact of this “smart code” can be remarkable where it has been adopted. According to the state of New Jersey, rehab investment quickly increased by 60 percent



after enactment, with an average cost saving of 10 percent, and on certain projects, up to 50 percent. Yet to date, only Maryland and a few cities have followed New Jersey's lead.

Another urban regulatory issue involves infill development, which often faces a complicated and time-consuming process of land acquisition. Difficulties in acquiring sufficient parcels on infill sites prevents many builders from gaining the economies of scale – and, thus, lower prices – they can achieve in affordable suburban housing. In addition, tedious, antiquated procedures in many cities regarding tax foreclosures, condemnations, and clearing titles often result in costs and delays that make many projects economically infeasible.

While the impact of regulatory barriers is serious, obtaining significant reform at the state and local levels is not easy. Change will occur only if housing advocates and nonprofit housing providers are willing to make common cause with private market-rate builders, the business community, mortgage insurers, real estate professionals, and major employers.

A National Response

Although most regulatory barriers are state and local in nature, HUD has recognized that we also have an important role in support of local reform efforts. In June 2003, the department announced "America's Affordable Community Initiative," which partners HUD with community-wide interests to demonstrate to the public the importance of regulatory reform, and to develop new tools for local governments and housing providers to use in tackling the issue. (For further information on the initiative: www.hud.gov/affordablecommunities.)

"Affordable Communities" is a department-wide effort managed by senior staff from all major elements of the department. In setting up the initiative, we recognized that before HUD could very well convince localities of the seriousness of the problem, we first had to get "our own house in order." We have published a *Federal Register* notice requesting groups and individuals who use HUD programs to identify any HUD regulation that has been a barrier to affordable housing.

We are in the process of reviewing the replies and will respond quickly. In addition, we in the initiative team are reviewing all proposed new rules and notices of funding availability (NOFAs) to assure that the department is not introducing new barriers to housing affordability.

Second, addressing regulatory reform has become an overall policy priority, as well. As an example, HUD has issued, for public comment, a *Federal Register* notice that proposes to include in most 2004 NOFAs, additional points in grant application evaluations where the local government has taken significant action to remove regulatory barriers.

Third, HUD is supporting local efforts at coalition

building by working with organizations such as Neighborhood Reinvestment to develop new and innovative solutions to the problem and encouraging local action. As an initial step, the department will soon distribute a brochure to thousands of mayors and other elected officials throughout the nation. They will describe the problem of barriers, the need for reform, suggest possible solutions, and, most importantly, encourage mayors to conduct public forums in every community to discuss regulatory barriers and their impact upon the supply of affordable housing.

Fourth, HUD also offers technical information to housing providers on barriers and ways to address them. I urge all Neighborhood Reinvestment partners, for instance, to visit our Regulatory Barriers Clearinghouse (<http://www.regbarriers.org>). It is a national Web-based forum, database and listserv that provides opportunities to share ideas on barriers and learn how other communities are addressing this unique housing challenge.

We also plan soon to announce a series of "Affordable Communities Awards" to be given to those states, counties, and localities that have made significant changes in reducing barriers to affordable housing.

Finally, we have undertaken an aggressive research program to better understand the impact of regulatory barriers on housing costs and develop new approaches for federal as well as state and local use. More than \$1.5 million is budgeted this year alone.

In April, HUD will convene a major research conference bringing together academics, practitioners, and local government representatives to develop a long-term agenda for regulatory barrier research.

Conclusion

Reducing the "first cost" of housing to make it more affordable is a challenge that requires the combined talents of nonprofit and market-based housing providers, housing advocates, the business sector, and federal, state and local governments. There is no "easy fix."

Knocking down regulatory barriers requires not only recognition of the problem, but also persistence and long-term commitment to reform by all groups concerned with housing affordability. Regulatory barriers will fall only when enough Americans hearing the term "affordable housing" think "Why Not in Our Community?" instead of "Not in My Backyard." ■

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