

RURAL REVITALIZATION

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Rural America is vast and undefined—a land of corn and soybeans, John Deere, Andy Griffith, and romantic notions of the past. In the last century, a great migration of Americans left the family farm for better-paying jobs in urban communities where industrialization offered a higher standard of living. Continued mechanization of farming reduced job opportunities for rural workers. Fields once farmed by 100 workers are now farmed by one. Foreign competition ensures low commodities pricing while the cost of diesel fuel and fertilizer skyrocket. Somewhere in all of this change, people gave up and the family farm disappeared, taking with it the underlying reason for rural America to exist. Businesses closed, banks sold, churches boarded up, and buildings were abandoned. Rural America changed from a land of family farms and related businesses to a “fly-over zone.”

Rural America stands at a crossroads. One road allows years of relentless deterioration to overcome us because the solutions are too hard, take too long, or just aren’t possible. The other road refuses to give up on a vast and proud area of our country where people of quiet dignity live and where America was born.

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Rural Revitalization | Overview

Southern Bancorp's part of rural America is the Arkansas/Mississippi Delta.¹ This racially diverse and challenged area is the home of cotton and soybean farmers, the Mississippi River, and a deep history of blues music. It is also one of the poorest regions of the United States, where poverty rates exceed 30 percent, unemployment exceeds 15 percent, and a third of the population has not graduated from high school.² Over the last 50 years, the many redevelopment efforts and economic programs—both governmental and private—have focused on the region, pouring large amounts of money into the Delta. The single commonality among all those efforts is failure. With each additional failure, the self-worth and hope of Delta residents decreases. Well-intentioned organizations conduct focus group meetings, reports are prepared, promises are made, and nothing changes. The downward cycle continues.

Participants in rural revitalization must be willing to make a 25-year commitment. If we collectively make that type of commitment, rural America will transform itself.

The strength of people who live in small-town America, their love for their communities, and a willingness to do almost anything to preserve the place that generations of their families have called home can break that cycle and overcome the challenges.

However, the successful revitalization of rural America requires an innovative approach and a long-term perspective. The decline of the last half century will not be reversed in a standard three- to five-year government or foundation funding cycle. Participants in rural revitalization must be willing to make a 25-year commitment. If we collectively make that type of commitment, rural America will transform itself.

CHALLENGES and Trends in Rural Communities

The dynamics of rural America and the perspective of its people are vastly different from those who live in urban areas. In many rural communities, the last new house built is now 40-years old. Until recently, appreciation of homes (the single largest asset for most Americans) was almost a law of nature in the nation's cities and their suburbs, but it is rare in rural America. In fact, in many rural communities, the cost of building a house exceeds the value for which it can be sold.

The same is true for most business and office structures. In a very real sense, the fair-market value for those assets is zero because there are no buyers for the properties. In the small town where I live, the building of a new Walgreen's was a matter of significant community pride, with families strolling through the construction site each evening after dinner enjoying the sight of a new building. Economic development in such an environment is challenging and, in fact, so difficult that few even attempt it.

KIPP Delta College
Preparatory School
Helena, Arkansas



ABOUT PHILLIP N. BALDWIN

Phillip N. Baldwin is Chairman, President, and CEO of Southern Bancorp, a \$550 million development bank holding company that operates three development banks and three nonprofit organizations in Arkansas and Mississippi. Mr. Baldwin currently serves on the board of directors of the Federal Reserve Bank of St. Louis, the United Way of America Board of Trustees (where he is chair of the finance committee and treasurer), Arkansas Capital Corporation, the Arkansas State Chamber of Commerce, Accelerate Arkansas, the Board of Trustees of Ouachita Baptist University, the Arkansas Center for Health Improvement, and Smiley Technologies Inc. With more than 27 years experience in banking, Mr. Baldwin began his career in the banking services group of Ernst and Young. He is a certified public accountant and a member of the American Institute of Certified Public Accountants and the Arkansas Society of Certified Public Accountants.



Out-migration of people and the decline in the agricultural economy has reduced the ability of local, regional, and state governments to provide the infrastructure needed to maintain the quality of life. With a large-scale reduction in population (in some areas as much as 50 percent³), businesses have a hard time staying open, and city and county governments operate on the verge of insolvency. Basic services go lacking, education is poorly funded, small communities strain to exist, more people leave, and the cycle continues.

In many rural areas, the population base between the ages of 25 and 55 is not sufficient to provide for the effective functioning of business, civic, and philanthropic activities; a lack of employment opportunities requires the “working age” demographic to live elsewhere. The resulting decline in tax rolls reduces the ability of communities to provide basic governmental services, and the institution most impacted is the public education system. The diminished quality of public education in rural communities is nationwide and presents possibly the most significant challenge in reversing the decline of rural America.

Many organizations serving rural communities work across areas that cross state lines, thinking about regions rather than political boundaries. Rural regions often have more in common with other rural regions than with the urban areas with which they share political jurisdiction. For example, rural Pennsylvania will find more lessons in the solutions that work for rural Mississippi than in the solutions for Philadelphia.

Although they face unique challenges, rural American regions can also be home to unique solutions, ranging from numerous ecological business initiatives and cultural tourism to retirement community development and, most significantly, the research, development, and implementation of an alternative fuels industry. The importance of alternative fuel development may very well be the most significant endeavor of humankind today. Agricultural resources available in rural America coupled with the establishment of appropriate research institutions could transform rural America into the 21st century’s Silicon Valley where resources and innovation transform the whole world.

This chapter explores comprehensive, community-focused rural development. It offers recommendations to improve job creation and solve investment problems in small cities and micropolitan communities. The unique problems that Native communities face are also discussed, and finally, the chapter takes an in-depth look at distressed communities and what one community development financial institution (CDFI) is doing to help. To set the stage for those discussions, I would like to address rural development in the Delta and provide an example of what Southern Bancorp has done to revitalize one small community in the region. The ideas found in this chapter are not exclusive to the areas and regions discussed but can be used as replicable models for all of America’s rural communities.



COMMUNITY Development Financial Institutions

The challenges of rural revitalization require CDFIs to move beyond traditional products and services to engage in community organizing and political action. The dynamics of broad-based community interaction move beyond the capabilities and resources of most nonprofit organizations. CDFIs, however, are able to take full advantage of their unique public-private partnership as federally supported private financial intermediaries to forge relationships between the business community, governmental organizations, and philanthropy.

Rural revitalization is complex and demanding. It requires coordination and collaboration across a broad diversity of public, private, nonprofit, and civic entities. It demands the skill to build consensus between competing perspectives, the expertise to manage complex long-term processes, and the financial capacity to endure a long and sometimes difficult course.

Traditional CDFI products of capital access, financial literacy training, small business assistance, and individual development accounts play a vital role in rural community transformation. They are essential components in economic development. However, it has been the 20-year experience of Southern Bancorp that, though necessary, those products are not sufficient on their own to revitalize rural America.

Successful rural revitalization must be locally initiated, planned, and implemented. Development

processes inserted into a community by outside organizations generally fail because of a lack of community support. As such, the revitalization process is fundamentally a building process, requiring the emergence of community organizations, processes, and structures that provide for:

- A broad inclusive vision;
- The creation of sufficient planning systems and structures that ensure sustainability of community vision and development of reasonable action steps;
- Financial capacity; and
- Staff talent to manage long-term and multifaceted development processes.

It is critical that a CDFI seeking to implement a comprehensive strategy be a local organization with employees who live in the community served. A rural community will engage in a more meaningful manner with organizations and people residing in that area. There is a silent distrust of outside influences and a lack of sustained support for efforts managed outside the community.

RURAL REDEVELOPMENT INNOVATION:

Geographic-Focused
Comprehensive Development

The unique challenges of rural development involve an economic and social conundrum in which a lack of population density, financial resources (governmental, private capital, and philanthropic capital), and ineffective local leadership combine to make successful development efforts very difficult. Because rural communities vary significantly in the level of critical mass in business and economic potential, population base, political dynamics, leadership, and community infrastructure, development efforts should be tailored to each community. A cookie-cutter, one-size-fits-all approach to rural development will not succeed.

In the context of these challenges, Southern Bancorp has launched an innovative approach in six rural communities that focuses on strategic community development at a countywide level. The planning

process in each community has been initiated by a CDFI and involves comprehensive community efforts to tackle the challenges of education, economic development, housing, healthcare, and leadership development in an organized manner.

Concentrated geographic efforts should be focused on “anchor communities,” or communities that possess a critical mass of business, industry, and population; that have a hospital, community college, and other important local institutions that will allow for sustained initiatives over a 20- to 25-year period; and have a population greater than 15,000. A successful community strategic plan in an anchor community will act to restart the economic and social engine of that community. The effect will spread throughout the region and positively impact smaller communities within a 50-mile radius. As several anchor communities successfully engage in the process, and their radiuses begin to overlap, regional change will occur and rural revitalization will become reality.

PLANNING IN ACTION:

Phillips County, Arkansas

Phillips County, Arkansas, is located in the heart of the Delta, one hour south of Memphis, Tennessee, right on the Mississippi River. Its 2007 population of 24,000 represented a 49 percent decrease since 1960. The poorest of Arkansas’ 75 counties, Phillips County is also one of the poorest in the United States. It ranks last in almost every economic and social indicator in the state, with a poverty rate exceeding 30 percent and a stated unemployment rate of 13 percent. The actual unemployment rate, counting people who have given up trying, is twice the stated rate. Income per capita for county residents averages only \$19,845, which is 58 percent of the average in the United States. Of its 4,800 public school students, only 60 percent will graduate from high school. Approximately half of high school graduates will go to college. Of those high school graduates who attempt college, 90 percent

CDFI SUCCESS STORY

Southern Bancorp

KIPP Delta College Preparatory School
Helena, Arkansas

In 2005, the largest school district in Phillips County, Arkansas, went through five superintendents and had a projected budget deficit of \$2.26 million. Not surprisingly, the district had a graduation rate of only 54 percent and was undermining the county’s revitalization prospects by failing to provide a workforce that could compete in today’s economy.

One organization working to reverse the decline in education in Phillips County is the KIPP Delta College Preparatory School. And it has found a highly effective ally in Southern Bancorp of Arkadelphia.

KIPP Delta was founded in 2002 on the premise that education and high expectations can help children to overcome the obstacles created by race, economics, and environment. It is affiliated with the KIPP (Knowledge Is Power Program) Foundation of San Francisco, California. Currently, 57 KIPP schools operate in 17 states and the District of Columbia, serving more than 14,000 students.

When KIPP Delta opened, it had just three classrooms and served only 65 fifth-graders. The school continued to add one grade level each year and by its third year was ready for a larger facility. It was a project that Southern Bancorp was eager to take on.

Founded in 1986 to help end decades of economic decline in the rural South by investing in people, jobs, business, and property, Southern Bancorp has evolved into the largest and most profitable rural development banking organization in the United States. With \$550 million in assets, 40 locations in rural Arkansas and Mississippi, and more than 250 employees, the organization has the physical presence, infrastructure, and capacity to drive regional change.

With a \$1.15 million loan from Southern Bancorp, combined with a \$1.15 million U.S. Department of Agriculture direct loan, KIPP Delta built a new school with 11 classrooms, office space, and a multipurpose area. It was the first new construction in Helena in 10 years.

Today the school serves 315 students in grades 5 through 10 and has achieved astonishing results in the classroom. The first class increased its median score on standardized testing from the 18th to the 82nd percentile in four years, and successive classes have shown similarly dramatic improvements. A recent column in the *Wall Street Journal* called KIPP Delta “one of the best schools in Arkansas, maybe the South.”

“We view our relationship to Southern Bancorp as a key factor to our growth, development, and success,” says Scott Shirey, Director and founder of KIPP Delta.

will require remediation. In the end, only 350 public school students from Phillips County will graduate from college (7.3 percent of the student population).⁴ And far too many high school and college graduates leave the county for better opportunities elsewhere. The mayor of the largest city in Phillips County said the day of high school graduation was the saddest day of the year in his community because it was the day the children moved away for good.

Comprehensive engagement will naturally involve many local, regional, and national partners and hundreds of county residents, with the CDFI functioning as an overall community development catalyst, facilitator, and arbitrator of change.

High-risk behavior is prevalent among the children of Phillips County, with drug dependency and early sexual activity damaging many lives. Employers in Phillips County indicate that eight of 10 candidates for employment cannot be hired because they cannot read, fail the drug test, or fail the credit score test. Essentially, Phillips County has an unemployable workforce created by inadequate education and social forces of destruction.

One of the fundamental questions of rural development is where to begin. How can businesses consider locating in an area with an inadequate educational system churning out unemployable people? With no businesses located in the area, no jobs will be available for those who can be hired into the workforce, resulting in additional out-migration. Situational dynamics make traditional economic development efforts futile, because access to capital in the promotion of small business and the provision of adequate housing are only two points of a multidimensional problem. Rural development and revitalization require the CDFI to extend itself beyond the traditional roles of providing capital and financial services to become a community champion and a leading organization promoting community change.

If a CDFI is willing to take on that task, answering the problems of rural America requires addressing social, political, educational, and economic problems simultaneously. Comprehensive engagement will naturally involve many local, regional, and national partners and hundreds of county residents, with the CDFI functioning as an overall community development catalyst, facilitator, and arbitrator of change.

COMPREHENSIVE COMMUNITY DEVELOPMENT

The following diagram represents major areas of engagement needed for geographically focused and comprehensive community development. As a circle, it has no single starting or ending point. Community change activities are interrelated and dependent, with community development pulling economic development and economic development pushing community development.



STRATEGIC

Community Plan

The cornerstone of the geographic and comprehensive development initiative is the Strategic Community Plan. The local CDFI leads development of a countywide Plan using an inclusive process that involves 300 to 500 community residents over a 12- to 18-month period. The strategic planning process itself is a leadership development effort in which people learn how to work together for a common cause. The Strategic Community Plan is a long-range visioning document that depicts the collective hopes and desires of county residents. Its purpose is to identify and promote implementation of comprehensive community initiatives that improve quality of life and economic opportunities for all residents.

As an example, the Strategic Community Plan for Phillips County (Plan) contains 46 strategic goals and 190 actionable items. The document is a blueprint for change, with workable plans of action that provide organized community engagement in each of the five fundamental pillars of community life: economic development, housing, education, leadership development, and healthcare. The Plan is designed to coordinate resources from interested parties, including federal, state, and municipal organizations, philanthropic foundations, economic development agencies, key regional leaders, legislators, commercial businesses, and citizens.

The planning process must be open to all county residents with specific emphasis on diversity of race, gender, and geographic residence. Community residents prepare and vote on mission and vision statements. They conduct an analysis of strengths, weaknesses, opportunities, and threats (collectively known as SWOT) and hire a professional facilitator experienced in community planning.

The extended time involved in conducting the planning process requires the formation of an organizational structure to manage and control the effort. A steering committee, composed of community residents (both leadership individuals and grassroots representatives), is charged with promoting overall development activities and functions as a focal point of community vision. The most significant function of the steering committee is to facilitate the strategic planning process, enable other local organizations to

succeed with their individual missions, and do so as part of an overall community mission process.

Under the leadership of Southern Bancorp, the first steps in the strategic planning process in Phillips County were to establish a baseline study of the area economy; evaluate past development efforts; asset map the social, civic, and economic infrastructure of the region; and conduct focus group meetings with a diverse sample of community residents. Those efforts enabled Southern Bancorp to determine that Phillips County maintained sufficient critical mass of community assets and population to achieve real development success for both itself and the surrounding region.

The next step involved initiating the community strategic planning process. Southern Bancorp hired a facilitator from outside the state to provide an independent perspective and began the challenging work of engaging community members who had seen many well-intentioned, but ultimately unsuccessful, revitalization efforts come and go. Southern Bancorp's on-the-ground development staff played an important role in overcoming the community's initial inertia and in obtaining a broad cross section of community participation. Over an 18-month period, between 300 and 500 residents participated in more than 500 meetings to develop the Phillips County Strategic Community Plan, a document that provides a unified vision and a blueprint for community development.

After its ratification by the community group, the Plan received more than 80 endorsements from local businesses, academic institutions, nonprofits, public organizations, faith-based organizations, and civic organizations, as well as endorsements from the Governor of Arkansas, Arkansas' two U.S. Senators, and two of the state's U.S. Representatives. Through that process, the Plan has become the official development plan for Phillips County.

Southern Bancorp continues to play an integral role in the implementation of the Plan for Phillips County. It has facilitated the creation and operation of a local infrastructure for implementation, including a steering committee, a local development council, and goal teams charged with implementing the Plan's goals. Southern Bancorp also works with community groups to obtain funding for the projects.

Ratification of the Plan brought it from the planning stage to the implementation stage, and, in a short time, Phillips County has begun to demonstrate the tremendous potential inherent in the strategic process, structure, and organization. The breadth of Plan goals, the depth of community involvement, and the array of development resources contribute to a model that is already achieving substantial and lasting results.

The Plan is an excellent fundraising document and has proved capable of leveraging substantial resources in a short period. Through 2005 and 2006, the Plan leveraged \$50 million to support economic development, education, healthcare, housing, and leadership in Phillips County, building on a \$7.8 million investment from Southern Bancorp.

Besides the impressive financial success, the Plan produced other important outcomes:

- The sister cities of Helena and West Helena voted to merge into one community in 2006, the first time in Arkansas history that cities of that size have merged.
- The citizens of Helena-West Helena voted to authorize a two-cent sales tax for economic and community development to fund the Plan goals and for other community needs.
- A 40-million-gallon-a-year biodiesel plant represented a \$26 million investment in the county and a new industry for the Delta. A partnership among Southern Bancorp, a private foundation, and private capital funded the project.
- A newly constructed sweet potato storage facility allowed minority farmers to diversify their vegetable crops to sweet potato production—an activity 10 times more profitable than traditional vegetable production. The \$2 million project was a partnership among Winrock International, the U.S. Department of Agriculture, the Central Arkansas Resource Conservation and Development Council, and Southern Bancorp.

- A new 20-unit, \$1.5 million rent-subsidized housing complex was developed for low- to moderate-income families.
- A new public charter school, part of the strategy to address educational system deficiencies, currently serves 270 students and plans to expand to a K-12 program that will eventually serve 750 students. Student test scores for this primarily African American student population increased from the 18th to the 82nd percentile in mathematics in a five-year period.
- A Boys and Girls Club was founded in Phillips County to serve more than 1,000 at-risk youth. The public reaction has been nothing less than remarkable. In only one year, the club has raised more than \$1 million to renovate a building to use for its program activities.

Comprehensive and geographic development using a countywide strategic plan to engage residents is a logical extension of CDFI activities. This innovation is meeting with early success and provides a way for public-private partnerships to organize their rural engagement efforts. The process has taught Southern Bancorp that it is better to be a mile deep and an inch wide than a mile wide and an inch deep. With the latter, individual companies, people, and families are helped, but real change is elusive because the confluence of services does not reach critical mass. With a geographic focus, a CDFI can and will change a specific community, county, or area. This change will be deep and meaningful. You will find these ideas incorporated in the policy recommendations found in the chapter.

The federal government can support CDFIs in this effort. In general, the federal government must find ways to diversify its investments in rural areas beyond traditional farm subsidies to promote various types of economic activities and integrate those policies with programs to support low-income individuals, rural homeowners, farmers, and small business owners, plus community institutions such as schools, healthcare facilities, local governments, and nonprofit organizations. ■

1 The Arkansas/Mississippi Delta begins in Memphis, Tennessee, and follows a 50-mile wide path on each side of the Mississippi River to New Orleans.

2 Based on 2000 census data for a 28-county region at the heart of Southern Bancorp's target region in the Delta, U.S. Census Bureau, <http://www.census.gov/main/www/cen2000.html>.

3 Phillips County, Arkansas, lost 50 percent of its population between 1960 and 2006, according to the U.S. Census Bureau.

4 U.S. Census Bureau, "U.S. Census 2000," <http://www.census.gov/main/www/cen2000.html> (accessed April 24, 2008).