

CENTER *for* RURAL POLICY and DEVELOPMENT

Seeking Solutions for Greater Minnesota's Future

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The RED Group: Realigning rural development

Is there anything new under the sun when it comes to rural economic development?

A group of enterprising Minnesotans believe there is, and they have set out to demonstrate it.

The RED Group (RED stands for Regional Economic Development) is comprised of an assortment of people representing foundations, business, education, non-profits and government, engaged in a great experiment: realigning the entire concept of rural development.

The RED Group's approach to economic development relies on methods that many economic development practitioners may not be familiar with, says Jack Geller, president of the Center for Rural Policy and Development. Traditional practices involve recruiting businesses into the community, creating and relocating jobs, and building the tax base directly.

The RED Group's plan is to try a different path: create an environment that will foster businesses, and base that environment on what is already working for the region.

"One of the things we're hoping to do is help people develop a more flexible mindset when it comes to thinking about economic development," says Geller.

The RED Group's strategy centers on two ideas: regions and assets. Each region of the state has a set of assets, whether natural or manmade, that can be capitalized upon. At the core is the idea of creating a business environment based on the strengths of the area, making it conducive to businesses that will benefit from and complement the area's assets. Building on a region's existing assets yields a competitive advantage, says Geller.

The RED Group started when three of the state's largest foundations came together to tackle the perennially difficult issue of rural economic development. The Blandin Foundation in Grand Rapids initially brought together a group to think about the idea of asset-based economic development. The McKnight Foundation of Minneapolis, and later the Bremer Foundation of St. Paul, became interested, says McKnight's Louis Hohlfeld. All three foundations have a long tradition of interest in Greater Minnesota. The group eventually expanded to include people from the government, non-profits and business.

From the group came the plan to engage in pilot projects around the state that could test these economic development ideas. The goal of each project is not to create businesses or jobs directly, but to create an economic infrastructure that will encourage those businesses that fit that region's assets. McKnight's Initiative Fund regions, which divide Greater Minnesota into six regions, were chosen as the geographic parameters, and the projects are coordinated through the Initiative Funds. Each regional group inventoried its area's assets, then decided what would be

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Rural Perspectives

**Ytmar Santiago, Executive Director
Mario A. Hernandez, Management Analyst
Chicano Latino Affairs Council, St. Paul**

Q Please tell us about the Chicano Latino Affairs Council. Why was your organization established, and what do you do?

A The Chicano Latino Affairs Council is a state agency whose primary mission is to advise the governor and legislature on the social and economic issues facing Chicano/Latino people in Minnesota and to recommend legislation to improve their social and economic condition. Other council roles include serving as a liaison between state, federal and local government bodies and Chicano/Latino people, serving as the state's only English/Spanish bilingual information and referral service and publicizing information about the accomplishments and contributions made to this state by Chicano/Latino people.

Originally, the Minnesota Legislature created the council in 1978 to advise state government on social and economic issues affecting migrant farmworkers, most of whom were Latino. The council's mission has changed over time as the Latino population has changed.

Q The last Census showed that rural Minnesota is changing, not just in the number of residents, but in its racial and ethnic makeup. What effect has Latino immigration, and the immigration of other groups, had on rural Minnesota's communities?

A The migration and immigration of Latino and other groups to rural Minnesota has had a huge economic and social impact on rural communities. The influx of Latinos into rural communities has minimized or reversed expected declines in population for some communities. In these communities Latinos are a source of labor and a market for local goods and services.

The social impact of Latinos on rural communities is harder to gauge, yet it is very visible. Differences in culture, history and language between Latinos and non-Latinos have strained community relations in many rural communities. Rural communities with rich and long histories now have to merge Latino people into their community's present. The process of taking two or more diverse groups of people and creating one community identity has been a difficult and trying process for many communities.

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JOBZ forum gives community planners opportunity to talk, compare notes

The state's newest rural economic development plan, Job Opportunity Building Zones, received its first close look Aug. 18 when the Center for Rural Policy and Development hosted a forum on the topic in Hibbing. The forum gave community leaders, planners and elected officials an opportunity to find out early figures on JOBZ activity, how other communities were handling such issues as marketing and business selection, and what business owners were considering when they decided to apply for acceptance into the JOBZ program.

A controversial program when it was proposed by Gov. Tim Pawlenty nearly two years ago, JOBZ was passed by the state legislature in 2003 and went into effect Jan. 1, 2004. The program divides the state into 10 JOBZ zones; within each of those zones are chunks of land selected by communities and approved by the state's Department of Employment and Economic Development to serve as JOBZ subzones, places where businesses meeting the proper criteria can expand or relocate to and receive significant tax exemptions and credits.

The approximately 140 attendees at the forum were largely people serving at the local level: economic development staff, mayors, city managers and clerks, many of whom are also working as the administrators of their local JOBZ subzone. Also represented were state economic development staffers and state legislators.

The forum generated lively discussion, covering topics ranging from the more technical aspects of evaluating a business' application for JOBZ acceptance to accounts from business owners on why they decided to move to a JOBZ zone and how they viewed the benefits, drawbacks and the process itself.

Presenters at the forum included a welcome from Hibbing Mayor Rick Wolff;

Center President Jack Geller; DEED Commissioner Matt Kramer; DEED staffers Bob Isaacson, Louis Jambois, Mark Lofthus, Ed Hodder and Anthony Schaffhauser; Kelly Wadding, president of Quality Pork Processors, Albert Lea; Pam Bishop, subzone administrator for Albert Lea; Chris Maddy of the Arrowhead Business Connection; Todd Olson, president of Quick Attach, Alexandria; Mark Steele, owner of Exceed Packaging, St. Peter; and Greg Johnson, co-owner of TotalCard, Sioux Falls/Luverne.



Louis Jambois of the Dept. of Employment and Economic Development took feedback from the audience at the JOBZ forum Aug. 18.

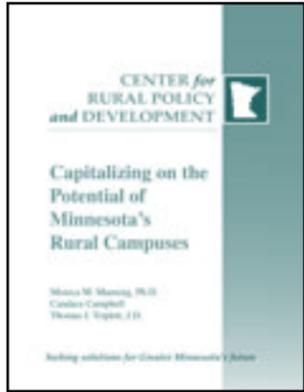
At the core of the forum were findings from a study by the Center, the first in a series of studies that will monitor and examine the activity generated by the JOBZ program. This particular study, "Job Opportunity Building Zones: Constructing the Framework for Program Evaluation," looked at the first six months of the program. A survey of the administrators of all 325 subzones found that, in that time, the JOBZ program seemed to be generating a significant amount of interest from businesses. Statewide, 73 percent of the subzones reported receiving at least some calls from businesses about the JOBZ program, and 25 percent reported having at least one JOBZ application in process in those first six months. The survey also found that more than 60 percent of the businesses approved for the JOBZ program were manufacturing or machining businesses, with another 33 percent in the services or transportation sectors.

The study also tracked where the businesses were coming from: 42 percent were local expansions, while 17 percent were local relocations. The report raised some concerns about the willingness of some businesses to move from one end of town to the other to take advantage of a JOBZ subzone. On the other hand, 19 percent of the JOBZ deals

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MnSCU leaders meet to discuss rural campus report

On October 4, about 55 MnSCU leaders took the opportunity to meet at The Northland Inn in Brooklyn Park to provide feedback on and explore the ideas presented in "Capitalizing on the Potential of Minnesota's Rural Campuses," a CRPD report released last spring. The evening session was jointly sponsored by the Center for Rural Policy and Development



and Minnesota State Colleges and Universities. Most of the MnSCU college and university presidents, both rural and metro, and other senior leaders from rural campuses were joined in the discussion by Chancellor James McCormick, Senior Vice Chancellor Linda Baer, Vice Chancellor Laura King and eight

staff from the Chancellor's office.

"Capitalizing on the Potential of Minnesota's Rural Campuses" discusses the potential that college and university campuses located around the state hold for economic development in their smaller communities. Authors Monica Manning, Candace Campbell and Tom Triplett examined the 32 two-year, four-year and technical schools located outside the Twin Cities metro area and outside of cities with more than 30,000 residents. Since all but two of the campuses are

MnSCU campuses, the report created an opportunity to bring together MnSCU leaders from both urban and rural to discuss the issues surrounding rural campuses.

Center board members Robert Bunger and Minnesota State University, Mankato, President Richard Davenport welcomed the group and described the work of the Center. Chancellor McCormick spoke briefly about the importance of the report and about his interest in exploring how it could inform MnSCU's work. Monica Manning, the report's principal investigator, joined by co-author Tom Triplett, gave a brief summary of the report's findings and recommendations.

Both urban and rural participants found the evening extremely useful, said Manning, who facilitated the discussion. "A number of people said they had never had a session like this. Rural [campus] leaders commented that this was an important way to engage the whole MnSCU system in thinking about their issues, and metro presidents found the discussion around economic development just as pertinent to them as to their rural counterparts."

The conversation at the forum was organized around three questions:

- What did you find useful in the report?
- What questions does it raise?
- How could the ideas be improved?

Discussion ranged from how colleges could play a more active role in the community's economic development to the role of college as entrepreneur, defining a campus' role in the community, and

the inter-relationship of rural and urban economic development. Questions the report raised included how to address the call to close campuses; encouraging "unofficial" roles for college faculty and staff in economic development; finding funding sources; how to take advantage of demographic shifts; and how to do all this while preserving the college's true mission of educating students.

The third question about how the report's recommendations could be improved did not seem to generate much interest among the participants. Rather, they wanted to begin exploring what should happen next. Perhaps the most valuable conclusion was that there is a need to discern how the MnSCU board and board office could support the colleges and universities as they explore new or expanding roles in economic development, emphasizing an approach that provides each campus the ability to determine its right role within its region.

MnSCU Senior Vice Chancellor Linda Baer found the session especially useful leading into the next day's meeting of campus presidents, the subject of which was the entrepreneurial campus.

"It was a real catalyst for the campus teams to discuss the role of campuses in rural communities," said Baer. "It was an informal opportunity that the campus presidents might not have had otherwise to discuss these issues in a deeper fashion."

To download "Capitalizing on the Potential of Minnesota's Rural Campuses," visit our web site at www.ruralmn.org.

RED Group

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the appropriate project for that area. The Center for Rural Policy and Development is involved in this endeavor, acting as an objective observer, monitoring the six regional projects to see how the projects work and whether there are any common threads among them that can be applied elsewhere.

A lot of the time a community's greatest asset is one a community can't take advantage of on its own, says Wade Fauth, grant making program officer at the Blandin Foundation.

For example, in southwestern Minnesota, the project is alternative energy. They have a natural asset, the Buffalo Ridge, which creates a steady wind perfect for wind energy production. There are numerous wind turbines in the area already, but communities can create an environment more conducive to the alternative energy industry by acting together instead of separately, says Fauth.

In southeastern and south central Minnesota, the Southern Minnesota Initiative Foundation started their project with a large-scale survey of the industries in that region's 20 counties.

"We began to see lots of cross-connections, all falling under biosciences," says SMIF president Trixie Goldberg. Value-added agriculture, medical devices and other medical technology, bio-informatics, pharmaceuticals, food processing, all had ties to biosciences in one way or another. "It gives the region a point of distinction."

Their project now focuses on the emerging fields in the biosciences industry. They are working on four key strategies: identify industries and enterprises that have already found commercial applications for their bioscience work; increase visibility and awareness of biosciences industries; inventory the business resources available; and coordinate business acceleration services and technical assistance, tailoring them to each project.

SMIF's first tangible opportunity is the Hormel Institute, located in Austin. This University of Minnesota facility conducts high-level research on the connections between diet and cancer prevention. SMIF's project goal is to turn that research into commercial applications, preferably right there in a region that is already tooled for bioscience, said Goldberg.

One chief principal of the RED Group's initiative is encouraging the private sector to lead. Why?

"Because buy-in is so important," says Geller. Traditionally, economic development has been a top-down practice, a creature of the public sector that is usually designed as a one-size-fits-all program for the whole state. The RED Group projects, with their regional emphasis, are instead seeking out involvement, and more importantly, leadership from the private sector. "The private sector has to be engaged and involved. They shouldn't have to be standing on the sidelines observing and reacting with either a yea or a nay to what the public sector presents to them. In our capitalist society, economic development is ultimately about the private sector, and this way they're involved at the beginning, making it work for them."

For another example: The Initiative Foundation in Little Falls is developing their Innovation Financing Network™, not just a group but a web of individuals and organizations developing a new approach to connecting small businesses with capital. Their current focus is on innovation- or technology-based businesses, which can be hard to finance because of their lack of tangible assets. The Initiative Foundation has been developing a system that will, on one side, educate business owners and business hopefuls on the ins and outs of running a business. At the same time, they are bringing together lenders, venture capitalists and others involved in the different kinds of business financing to tailor financing packages for each business, which would prevent them from having to search for financing in a hit-or-miss fashion.

"What we're doing is improving the quality of the deals by tapping into the existing resources in a more coordinated fashion," says Kathy Gaalswyk, president of the Initiative Foundation. Through a web site, forums and other education, they'll

be preparing new business owners to approach the finance community, and at the same time making them more attractive investments. "We're trying a new form of economic development: an approach of integrating and accessing existing resources. We're seeing how we can make it more effective."

The RED Group will not be making any public policy recommendations based on the results of its work, but the findings of the projects may lead others, particularly those in the private sector, to form policy recommendations themselves. Wade Fauth hopes that through these projects they will be able to test theories about asset-based economic development and find out if they are any improvement on traditional methods.

The RED Group is "about more than just jobs," said Fauth. "It's about quality jobs, about healthy, growing, vibrant enterprises. If these will grow, then the jobs will come."

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Now that I've been the coordinator of outreach and member services for a couple months, I've had a chance to talk to a lot of people around rural Minnesota about becoming members of the Center. That's my new job, after all, to convince people that a membership in the Center is a good way to show support for rural Minnesota.

So far, people have been very enthusiastic and willing, something that to me is just evidence of the good work the Center has already done and the credibility it has built these last seven years. But based on my many years of fundraising for this cause and that around southern Minnesota, I think this enthusiasm is also evidence of rural people's willingness to chip in and help out.

I live in Frost, a rural community with a population of 254 as of yesterday. In rural communities we have to have philanthropy to provide even basic services. Many of us in small towns know that if we want to have a volunteer ambulance service, we will have to raise money to purchase an ambulance; if we want a library, we have to raise funds. We even raised money to provide a coffee shop. As a community we raised money to convert a portion of our abandoned school building into a community center.

I think we often get involved in fundraising for selfish reasons. Most of us started in fundraising by supporting activities for our children, through school or scout projects. We want to make sure there is money available to provide services or amenities that we feel are necessary.

To me it seems there's a big difference between urban and rural philanthropy and that, as in many issues, is resources. Urban areas have the capacity to fund more services through government. Or some of the services we depend upon as volunteer services in the rural areas may be provided by for-profit entities in the urban areas. One example is ambulance service.

This difference in resources doesn't make fundraising any better or more noble in rural areas than urban. We respond to needs we see and believe in. It is difficult to raise money for a new church roof until the roof starts to leak, but then

On Philanthropy in Rural Minnesota

Larry K. Anderson,
Coordinator of Outreach and
Member Services

funds come in rather quickly. But it perhaps does affect the community in a different way. Community support for these projects offers an opportunity for community "ownership." The commitment to a project or cause is greater if we have made an investment in it directly.

Fundraising in rural areas is very much a community event and can act as an adhesive that holds the community together. Frost planned a dinner theater to raise money for the town's 75th anniversary celebration. It was so successful and people had so much fun, they decided to make it an annual event. This spring the community will hold the 31st annual dinner theater. The event is truly a community event that has raised tens of thousands of dollars for community projects, and we have so much fun we sometimes forget we are doing something good.

I am currently involved in a fundraising project for a nursing home in Blue Earth. The nursing home has an excellent reputation for its care of folks suffering from Alzheimer's and other dementia-related illnesses. Our current project is to raise between \$300,000 and \$400,000 for an activity room for these residents. The new room will not raise any additional income, but it will be a quality of life enhancement for those residents and their families. The community response to this need has been overwhelming, with

about \$250,000 raised in the initial stage. It is a response to a need.

People generally invest in their values. They invest because they support the mission and goals of an organization; they understand why that mission is important and they know what the organization will do with their gift. Investing in causes they believe in makes people feel good. The friends of the Center who have chosen to become donor members do so because they care about "the cause."

For the Center, the membership effort is not a response to a crisis (the leaky church roof): it is a systematic effort to continue and increase the good work being done.



JOBZ

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were businesses moving into the community from someplace else, and best of all, 22 percent of the businesses were startups.

The study also measured the extent to which zone and subzone administrators were marketing the program and their subzones and also how satisfied subzone administrators were with the amount and quality of support they were receiving from their zone administrators and DEED staff. All the information gathered in this first survey will now be used as a baseline for monitoring the ongoing activity in JOBZ subzones.

As Jack Geller stressed during the forum, it is, of course, far too early to make any kind of judgment or generalization about how the JOBZ program has performed; for that reason, the Center will continue to conduct surveys and collect data on JOBZ for at least the next two years and possibly longer.

One component that Center staff also plan to include in a year or so will be figures from the state's Department of Revenue on the amount of tax revenue foregone by the local communities. "This was the one big weakness in reports on tax-free zone programs in Pennsylvania and Michigan: it was just about impossible to determine

the actual cost of the program to the local community, because the amount of taxes the community didn't collect were not openly reported," said Geller. "We believe Minnesotans are going to expect a higher level of accountability, so we'll be collecting those figures when the Department of Revenue has them ready in a year or so."

The Center's report on JOBZ in its first six months can be found on our web site at www.ruralmn.org, along with all of the PowerPoint® presentations given at the forum and a list of the presenters.

Visit the Center's web site at www.ruralmn.org to view and download presentations made at "Working the Deal: JOBZ in 2003" Aug. 18 in Hibbing.

Rural Perspectives

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Q When we think of immigration and ethnic diversity, many people think of coming to the big city, but we know that's not necessarily the case today. What makes moving to and living in Greater Minnesota different for immigrants compared to the Twin Cities area?

A The sheer size of the Twin Cities provides immigrants with many more social and economic opportunities than smaller Greater Minnesota communities. With over 2.5 million people in the seven-county Twin Cities area, Latinos are more likely to find ethnic enclaves in the Twin Cities than in rural Minnesota. A large number of Latinos in the Twin Cities makes the area a good market for culturally specific community services, retail stores, food and entertainment, and community events. Rural communities are also home to culturally specific services, businesses and events, but on a smaller scale.

While Latinos may be concentrated in certain parts of rural communities, like manufactured home parks, many rural communities lack large Latino neighborhoods. The lack of large ethnic enclaves in many smaller rural communities in Greater Minnesota permits more cross-cultural contact between Latinos and non-Latinos in local schools, churches and businesses. Cross-cultural contact, while it may be tense or unnerving to some Latinos and non-Latinos, is an essential ingredient if communities want to move beyond "polite separateness" toward a fully integrated community.

Q As you travel around the state talking with Latinos, what are you hearing? How do the hopes and concerns of newly arrived Latinos differ from those whose families have lived here for decades?

A As we talk with people from all corners of the state we hear different stories. Latinos in Minnesota are as diverse as Minnesota's geography. Many long term residents have concerns similar to those of other long term Minnesotans. They are concerned about the rising cost of health care, the education of their children and the economy.

Many recent immigrant Latinos are concerned about more immediate needs, such as finding and holding a job, meeting basic food and shelter needs and bridging the language gap that often exists between them and the community at large.

In the middle of these two groups are Latinos who are transitioning from being recent immigrants to being long term residents. Often these Latinos are bicultural and bilingual and serve as a bridge not only between Latinos and non-Latinos, but also between newly arrived Latino immigrants and long term Latino residents.

Q What are the chief issues you would like legislators to be aware of and thinking about when they return to the Capitol this January?

A For many years Latino academic achievement and graduation rates have lagged other ethnic groups in Minnesota. The time is right for the State of Minnesota to elevate this persistent gap to a high priority issue and make strategic investments to close the gap.

Q What do you think the Latino population in Minnesota will look like in 20 years?

A Without question, the Latino population will continue to grow in parts of rural Minnesota and the Twin Cities area. The Latino population will be as diverse twenty years from now as it is today. There will be thousands of monolingual Spanish-speaking Latinos, thousands of monolingual English-speaking Latinos and thousands of bilingual Latinos.

Twenty years from now small rural communities will have a Latino majority. Other small communities in Minnesota, either in rural Minnesota or in the Twin Cities area, will also have large Latino populations. In many of these communities, Latinos will assume civic leadership positions and play an important role in shaping their communities' multicultural future.

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