

Notable Rural Development Programs

compiled by Jonathan Watts Hull

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Southern Legislative Conference of The Council of State Governments

Kentucky Highland Investment Corporation

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<http://www.khic.org>

KHIC is one of the oldest rural venture capital funds in the country, serving nine counties in southeastern Kentucky. Founded in 1968 as one of the original Title VII community development corporations, it undertook a mix of social programming, industrial recruitment, community development and economic development. KHIC began working on venture capital activities in 1972 and has since invested more than \$90 million in 175 business ventures. KHIC is notable for several reasons. Chief among these is the degree to which it supports entrepreneurs.

Kentucky Highlands offers extensive hands-on technical assistance to the entrepreneurs it serves in order to develop the business and management capacity they need to thrive. The Corporation works one-on-one with a business after they join the KHIC portfolio in a wide range of business skills, training that is also available to non-participating entrepreneurs for a fee. Secondly, KHIC may take over management of a company in its portfolio if the company defaults on its equity or loan agreement or place conditions on future equity investments or loans. Third, Kentucky Highland offers technical assistance to through its business planning center called The Launching Pad.

KHIC is also a partner with Southeast Community Capital in Southern Appalachian Fund, a New Market Venture Capital firm.

Shorebank Corporation

Anne Arvia, President and Chief Executive Officer

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ShoreBank is considered the first Community Development Bank in the country. When the South Shore Bank in Chicago was refused a petition to relocate from its South Side location by federal regulators, it was sold to a group of unlikely bankers with an uncommon idea: to revitalize the blighted community with a mix of conventional banking and community development services. In 1972, ShoreBank, the holding company for the bank, created three affiliates to complement the bank: a real estate development company, a non-profit organization and a venture capital fund. ShoreBank's model of success has been enormously influential in encouraging other community development financial institutions. It has also replicated its operations in five other communities, including Michigan's Upper Peninsula and the Pacific Northwest.

Southern Development Bank Corporation

Phil Baldwin

President and Chief Executive Officer

Southern Bancorp

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Southern Development Bank Corporation developed as a direct result of ShoreBank's success. In 1986 ShoreBank's success in reversing decline in an urban area was relatively untested in rural communities when the Winthrop Rockefeller Foundation invited



ShoreBank to come to Arkansas and develop a model there. With Foundation credit, the Southern Development Bank Corporation became operational with the purchase of a conventional bank in Arkadelphia, Arkansas. The Bank soon developed a non-profit small business lending affiliate (Southern Financial Partners) and a for profit real-estate development subsidiary (Southern Property Corporation), which worked in tandem to build rural economies. Southern has since expanded into the Delta region and created the Southern Good Faith Fund, which initially was a microlending program, but has since evolved into a program providing business development, asset creation, and workforce/ career development program.

One Georgia Authority

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The One Georgia Authority is modeled after the One Maryland/Smart Growth Economic Development Infrastructure Fund, but offers a considerably broader array of services. One-third of the Georgia's tobacco settlement monies is targeted to assist the state's more economically challenged areas. The Authority includes two programs for industrial development, the Economic Development, Growth and Expansion (EDGE) Fund for communities to use when competing for business relocation, and an Equity Fund to provide financing to communities for infrastructure related to economic development. One Georgia also Entrepreneurial Small Business Loan Guarantees. One Georgia has shifted dramatically over time. At its inception the program was very broadly focused on innovations to support rural Georgia. It has since shifted to focus more directly on industrial development.

North Carolina Rural Economic Development Center

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The North Carolina Rural Center is widely regarded as a top model for delivering rural development services. Supported by a mix of federal, state and private funding, the Center offers a number of capacity building programs and policy activities. With respect to capital access, the Rural Center offers several programs of note. The Capital Access Program establishes a loan loss reserve to allow participating banks to make loans that carry higher risk than they would otherwise be able to make. The reserves are financed by a borrower's fee of 3 percent to 7 percent which is matched by program funds. The Microenterprise Loan Program provides loans to individuals with sound business ideas for starting or expanding a small business but do not qualify for bank loans. Loans range from \$500 to \$25,000 and include business planning and technical assistance, which is offered in partnership with small business centers located at area community colleges and small business technology development centers.

The West Central Initiative

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The West Central Initiative is a privately-funded program operating in the west central Minnesota to address the needs of the region's residents. WCI offers loans, grants, training and technical assistance through five initiative areas. The Initiative focuses on both family support and workforce development as well as building up the capacity of individuals and businesses in the region. What makes WCI noteworthy is the comprehensive approach it takes to meeting the needs of the largely rural west central part of Minnesota.

Rural Capital Advance

Federal Home Loan Bank of Des Moines
Curt Heidt
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As part of a larger community investment program, the Federal Home Loan Bank Rural Capital Advance Program to provide below-rate capital for banks to make construction and housing loans in rural areas. The program is based on a general community investment advance program, but is specially tailored to the specific needs of rural communities, including a lower minimum loan amount, and geographic limitation for the use of funds.

Coastal Enterprises Inc.

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Coastal Enterprises is a Community Development Corporation and Community Development Financial Institution that pays serious attention to the natural resource-based industries. CEI takes a comprehensive approach to building assets, linking development finance to workforce, entrepreneurship, sustainable development, and policy and research. Coastal is principally a rural enterprise, helping individuals and businesses achieve tangible changes in their lives or work that also pay returns to their communities. CEI offers financing to small and medium-sized businesses through both loans and equity investments, as well as one-on-one counseling, workshops and related support to businesses. CEI also operates an affordable housing program to improve both the rental market and encourage first-time home ownership. Through its subsidiaries, Coastal offers venture capital, New Markets Tax Credit financing and employment and counseling services.

Economic Development Institute (Georgia)

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The Economic Development Institute of Georgia Tech was recently reorganized by Governor Purdue to reflect a statewide entrepreneurial culture. A new Enterprise Division was established within EDI to focus attention on entrepreneurs across the state. The Enterprise Division works with communities around the state to help them support their local entrepreneurs. A significant aspect of this has been to put in place a network of regional economic development managers to pull together a team to help them understand their entrepreneur environment and learn how to become "entrepreneur-ready."

Office of Rural Community Affairs

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The Office of Rural Community Affairs is the focal agency for Texas's community development, economic development, and healthcare programs that target rural areas of the state. The agency was created by merging two existing programs administered by separate state departments into one rural agency, providing them with the resources of several significant federal or state-federal grant programs. ORCA administers the state's non-entitlement Community Development Block Grant program, three fund programs related to The Colonia's in west Texas, three critical access hospital programs, three infrastructure grant and loan funds and several other programs.

ORCA also convenes meetings with agency personnel to review their rural programs and to provide a contact point for a wide variety of state services in rural areas. The Agency is also a resource for identifying rural funding, grant and training opportunities from other organizations. ORCA operates three field offices in rural places to provide closer access to communities and individuals needing their services.

Two other important resources:

Rural Policy Research Institute Center for Entrepreneurship

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The Rural Policy Research Institute conducts policy-relevant research and facilitates public dialogue to assist policymakers in understanding the rural impacts of public policies. RUPRI was founded as a consortium of scientists from Iowa State University, the University of Missouri and the University of Nebraska. Over time, this network has greatly expanded to include more than 170 scientists across 16 disciplines at 67 universities. The Center for Entrepreneurship is dedicated to prosperous, dynamic and sustainable rural economies through entrepreneurship development. The primary goal of the Center is to be the focal point for efforts to stimulate and support private and public entrepreneurship development in communities throughout rural America.

David L. Barkley, Ph.D.

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Dr. Barkley has done extensive research and writing on capital markets and rural economic development and is Co-coordinator (with Mark Henry, Ph.D.) of the Regional Economic Development Laboratory. His writing has been very influential in guiding policy decisions on rural development and capital access. He also serves on the Rural Policy Research Institute's Venture and Equity Capital Panel.