

COMMUNITY *Connections*

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FALL 2010

FEDERAL RESERVE BANK of KANSAS CITY



CAO's NOTE

*by Tammy Edwards,
Assistant Vice President and
Community Affairs Officer*

RESEARCH and PRACTICE – A POWERFUL COMBINATION

Economic development in the broader community and in underserved communities is very important to the Kansas City Fed. Through research, resources and relationships, we bring together community leaders to explore solutions for economic development initiatives.

Recently, our Bank hosted a national conference on economic development issues affecting underserved communities. This issue of *Community Connections* highlights key findings from the conference.

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Kansas City Fed Brings Experts Together to Discuss Economic Development in Underserved Communities

More than 120 people, including top research and development experts, gathered from across the nation to discuss critical issues facing low- and moderate-income populations at the Federal Reserve Bank of Kansas City's September 9-10 conference, *Economic Development in Underserved Communities: Where Research and Practice Meet*.

The conference examined the effect on both rural and urban communities as the country moves to a knowledge-based economy – one driven more by information and intellectual skills and less by labor and physical production.

This edition of *Community Connections* features highlights from the conference. To see the presentations and research papers, visit <http://www.kc.frb.org/eventinfo/community/2010-09-09-underserved-agenda.cfm>.

KEYNOTES SHARE PERSPECTIVE

Speakers stressed the importance of improving public services, quality of life, small business development and regional collaboration in order to attract and retain a skilled workforce.

Keynote speaker Gary Burtless, a senior fellow in economic studies at the Brookings Institution, emphasized education and the need to reverse a disturbing trend of young men failing “in droves” to finish college.

Mark Partridge, Swank Professor in Rural-Urban Policy at The Ohio State University, advised communities competing for new businesses to skip “the latest fad” and stick with the basics of creating good environments for business and quality places to live.

Javier Palomarez, president and CEO of the U.S. Hispanic Chamber of Commerce, addressed challenges that he said the nation's

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CAO's NOTE (Continued)

A member of the Bank's Community Development Advisory Council is also featured in this issue. Erica Dobreff, president of the Kansas City Equity Fund, is a two-term member of the Council, which was formed in 2001 to inform Bank leaders on the community and economic development issues facing our District.

In addition, you will learn about two new resources, Regional Profiles and a Non-profit Directory, now available on our Bank's website, www.KansasCityFed.org. The Regional Profiles provide data and maps on economic indicators for Missouri, Kansas, Colorado, Oklahoma, Nebraska, New Mexico and Wyoming. The Nonprofit Directory allows nonprofit organizations to market services for free, and is a source for consumers

looking for assistance.

Enjoy our regular features and let me know what topics you'd like to see in future issues. Tammy.Edwards@kc.frb.org

CONFERENCE STRESSES NEW APPROACHES TO ECONOMIC DEVELOPMENT (Continued)

2.8 million Hispanic-owned companies face in accessing credit. He stressed a need for more Community Development Finance Institutions (CDFIs) to serve the Hispanic business community.

Carol Marinovich, a senior vice president and partner at Fleishman-Hillard Kansas City, and a former mayor and CEO of the Unified Government of Wyandotte County, Kansas, recounted the remarkable story of how consolidating city and county governments allowed



Underserved communities seek redevelopment.

leaders to transcend politics and collaborate to spark redevelopment. The region's economic transformation resulted in a major speedway, a sports complex, entertainment venues and a mixed-retail and business development.

All of the conference speakers underscored the crucial needs for leadership, innovation and collaboration. Summaries of the conference's four sessions follow below.

ECONOMIC DEVELOPMENT IN UNDERSERVED COMMUNITIES

Session 1: Developing a Talented Workforce Challenges Communities

Healthy communities in today's economy must emphasize quality of life and education to develop, attract and retain a talented workforce, said presenters at the conference's first session, which addressed critical workforce issues.

Yohannes Hailu, an assistant professor and associate director of the Land Policy Research Program at Michigan State University, said in the "old economy," which was rooted in manufacturing, people moved to locales where factories paid well and living costs were low.

But that scenario is changing. The manufacturing sector accounted for 41 percent of employment in the 1950s, compared with 9.1 percent in 2009. Communities and workers can no longer count on factory jobs that rely mainly on physical labor.

Hailu said the new economy is global and entrepreneurial. Success requires combining knowledge, creativity and innovation in the production of products and services. Today's bright workers want local amenities and a high quality of life in the community in which they choose to live.

Clyde McQueen, president and CEO of the Full Employment Council in Kansas City, addressed the educational needs of urban youth. He cited statistics showing only 48.9 percent of urban youth between 16 and 24 are working – the lowest percentage since 1954. He said higher numbers of young men fail to finish high school.

He recommended several strategies to recover "at-risk" urban youth, including tailoring programs to specific at-risk populations, motivating more youth to remain in school,

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Today's bright workers value a high quality of life.

SESSION 1: DEVELOPING A TALENTED WORKFORCE CHALLENGES COMMUNITIES *(Continued)*

lengthening the school calendar and working with employers to identify jobs.

RURAL AREAS STRESS LIFESTYLE

Rural communities face similar challenges in retaining a talented workforce.

But Cheryl Burkhart-Kriesel, extension associate professor at the University of Nebraska, said rural communities can stem the leakage of workers who head to metro areas by promoting strong schools and a simpler lifestyle.

She cited a survey conducted in one western Nebraska town in which a majority of newcomers said they relocated specifically in search of a simpler pace of life, a safer place to live, a shorter job commute and opportunities for community involvement.

She said communities can do a better job marketing their virtues using technology, with user-friendly websites that highlight community benefits. And, she said, communities can retain newcomers by making them feel part of a welcoming and inclusive environment.

James Leeper, professor of community and rural medicine at the University of Alabama School of Medicine, addressed the challenge of attracting doctors to rural communities. He described a successful Alabama program that directly recruits rural students.

The Rural Health Scholars Program is a five-week summer session that encourages 11th-graders to consider medical careers. Leeper said the “grow your own” initiative so far has a graduation rate higher than the national average.

Leeper said an effort to recruit physicians has a positive impact on economic development because people prefer communities with good health care.



An Alabama program recruits rural students for medical careers.

Session II: Creating Opportunities for Entrepreneurship and Small Business

Entrepreneurship and small business development can play key roles in promoting economic opportunity in underserved areas, presenters at this session said. Successful efforts benefit from diverse financial partnerships, collaboration between business and social resources, and access to technical support.

Colleen Casey, an assistant professor at the School of Urban and Public Affairs, University of Texas, cited research showing community organizations can connect individuals from historically disadvantaged groups to traditional financial resources. She suggested a need for a study of community support systems to assist low-wealth entrepreneurs.

Roberto E. Barragan, president of Valley Economic Development Center, the largest business development organization in metro Los Angeles, stressed the need for technical assistance. He cited three critical elements of success for small business: financing and financial management, marketing and sales, and products and services.

His 34-year-old organization provides technical assistance to small businesses at seven offices and expects to serve more than 6,000 businesses in 2010. He said his organization has a strong relationship with banks and the Small Business Administration. The center hosts events where as many as 800 entrepreneurs come to meet with loan officers, attend classes and listen to experts.

Chuck Stein, founder of Strategic Development Services in Powell, Ohio, addressed the challenges facing business incubator projects.

He found from studying Benton Harbor, Mich., and the South Side of Chicago that the top challenges include defining market demand, developing community consensus, identifying a

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SESSION II: CREATING OPPORTUNITIES FOR ENTREPRENEURSHIP AND SMALL BUSINESS *(Continued)*

local champion, finding an adequate location and obtaining financing.

In addition, he also said incubator businesses benefit most when integrated into community networks that connect people to resources.

RURAL MICROENTERPRISE

Anil Rupasingha, an assistant professor at New Mexico State University, cited research suggesting that success in generating microenterprise growth in rural areas is enhanced by understanding an area's economic and labor characteristics, such as average wage and unemployment rates, homeownership and local economic growth.

Presenters described two different strategies for assisting rural micro-entrepreneurs.

Thomas Lyons, professor of management at the Zicklin School of Business, Baruch College, The City University of New York, described the Entrepreneurial League System, which he pioneered. This system takes a structured approach to helping entrepreneurs. It creates personal, peer group and coaching activities matched to the needs and skills of new business owners. The approach builds on relationships to expand an area's talent pool.

Ines Polonius, a founding member and executive director of alt.Consulting in Memphis, Tenn., described his organization's personal approach, involving one-on-one consulting to target the individual needs of businesses.

One outgrowth of this work is that alt.Consulting created a financing arm to make non-traditional loans to rural businesses. It manages its underwriting risks by building strong relationships with clients, rather than relying solely on credit assessments.

Session III: Planners Must Address Consumer Needs and Seek More Collaboration

Government efforts to increase economic development in both urban and rural areas should focus on regional needs and strengths, said presenters at this session.

In addressing urban development needs, Jenny Schuetz, assistant professor at the School of Policy, Planning and Development for the University of Southern California, said planners often overlook the value of retail to healthy neighborhoods. She urged planners to approach retail from the perspective of consumers and not just in terms of job creation.

She noted neighborhood retail disparities. One New York study found that grocery stores in low-income neighborhoods were, on average, six times smaller than those in high-income neighborhoods. They also had fewer employees, smaller selections and higher prices.

One recommendation was to examine the value of expanding social programs that increase consumer purchasing power rather than relying on business subsidies.

Paul Nelson, executive director of Commercial Revitalization Initiatives for New York City Small Business Services, focused on upgrading commercial districts to reduce trash and graffiti that deter potential consumers. Amenities, such as parking and loading docks, also attract new business enterprise, he said.

One New York program that offered technical assistance to new enterprises attracted more than 60 businesses to low- and moderate-income neighborhoods. The program included a website to promote neighborhoods to the public.



Retail contributes to healthy neighborhoods.

SESSION III: PLANNERS MUST ADDRESS CONSUMER NEEDS AND SEEK MORE COLLABORATION *(Continued)*

TAKING A REGIONAL APPROACH

Researchers at the rural portion of the session said lines between rural and urban development have blurred, suggesting a need for new approaches to collaboration.

Charles Fluharty, president and CEO of the Rural Policy Research Institute and a professor at the University of Missouri, said decidedly rural neighborhoods exist in metro areas, and urban-like neighborhoods exist in nonmetro regions.

He said the message is that urban and rural communities need to realize that regional collaboration is the way to ensure mutual success, especially in a weak economic environment.

He said efforts at the national level are increasingly emphasizing place-based policies, rather than ones differentiating by sector, resulting in benefits for both urban and rural areas.

He said city and state leaders should work together to take advantage of these new place-based policies.

Tom Thornton, CEO of the Kansas Bioscience Authority, stressed the value of building on a region's strengths, rather than chasing the latest trend. For example, a top reputation for animal research and pharmaceutical production assisted Kansas' efforts to develop an impressive corridor of new bioscience businesses.

Session IV: Resurgent Cities Benefit from Robust Redevelopment Champions



Innovative leaders are reinventing their communities.

Leadership, innovation and collaboration are three key ingredients that can help ignite economic development in underserved communities, said presenters at the final session of the Kansas City Fed's economic development conference.

Resurgent communities often have one thing in common: redevelopment champions able to lead robust efforts to promote their communities, advance higher education, modernize their infrastructure and encourage adaptive economies, said Yolanda Kodrzycki and Ana Patricia Munoz, two researchers at the Federal Reserve Bank of Boston.

John Stafford, director of the Community Research Institute at Indiana University-Purdue University in Fort Wayne, described how that city reinvented itself through the collaborative leadership of the Chamber of Commerce and mayor, working with the Indiana governor and lieutenant governor to persuade national companies to establish branch offices in the community.

The same holds true in rural communities, said John Lehman, of the Appalachian State University Research Institute for Environment, Energy and Economics.

He said local groups are mobilizing human and social capital to boost economic development. He described the redevelopment of a North Carolina landfill resulting in a biofuel center, a methane-recovery facility and greenhouses that created 150 new jobs.

Another example is the LindenPointe Technology Innovation and Development Center in Hermitage, Penn., a workforce training center that resulted from a collaboration spanning several Appalachian counties in northwestern Pennsylvania and southeastern Ohio.

All the examples, whether urban or rural, highlight existing opportunities in underserved communities, the energy of combining social, institutional and financial capital and the transformative power of collaborative leadership.

Reporting and writing by Kelly Edmiston, Erika Ramirez, Steve Shepelwich and Ariel Cisneros, members of the Community Affairs staff.

Region Roundup

VACANT PROPERTIES INITIATIVE

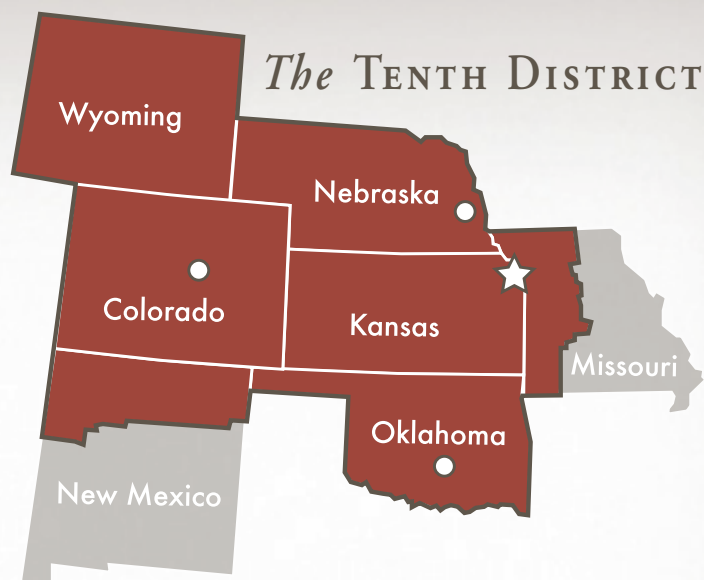
The Kansas City office partnered with the Greater Kansas City Local Initiatives Support Coalition (LISC) on July 15 to host a symposium on the use of city code enforcement to address vacant properties. The forum allowed community leaders from Missouri and Kansas to pose examples of problems in their respective cities. The issues were then addressed by representatives of the National Vacant Properties Campaign. The event was part of a series of symposiums on vacant properties. For more information, visit: <http://vacantproperties.org/>.

COMMUNITY DEVELOPMENT SPEAKER SERIES

The Kansas City office hosted a Speakers Series presentation on Oct. 21 by critically acclaimed author and money coach Olivia Mellan. She shared her experiences and techniques in helping individuals and families move toward money harmony and how the psychology of money influences behaviors. The free event was also videocast to Branch offices.



Olivia Mellan



MEASUREMENT TRAINING for NONPROFITS

The Kansas City office hosted a training session for community development nonprofit organizations on July 20 that focused on innovative approaches for benchmarking, measurement and evaluation. The training was facilitated by Debra Natenshon, president of the Chicago-based Center for What Works. The session helped nonprofits identify new methods for measuring outcomes and results. The training was videocast to the Omaha Branch. For more information, visit <http://whatworks.org/>.

SMALL BUSINESS TRAINING

The Omaha Branch partnered with the Nebraska Hispanic Chamber of Commerce and the Omaha Earned Income Tax Credit Coalition to host two small business workshops on August 3 and August 10 that focused on a range of financial topics, including taxes, funding and technical assistance opportunities, and health-care reform implications.

SUSTAINABLE HOUSING CONFERENCE

The Kansas City office partnered with HUD, FDIC, EPA, the Federal Home Loan

Bank, the Mid-America Regional Council and LISC to host the 2010 Sustainable Housing Conference on August 12. The annual program featured an emphasis on neighborhood stabilization, healthy homes, "green" building initiatives, efforts to identify financial resources and community development. For more information, visit: <http://marc.org/sustainablehousing2010/index.htm>.

STATE of METROPOLITAN AMERICA

The Kansas City office and Omaha Branch hosted a webinar on August 17 on the State of Metropolitan America with Alan Berube, senior fellow and research director of the Metropolitan Policy Program at the Brookings Institution. The webinar explored the Metropolitan Policy Program's research into demographic and social trends shaping the nation's large metropolitan areas and what they imply for public policies to secure prosperity. For more information, visit: http://www.brookings.edu/reports/2010/0509_metro_america.aspx.

REGION ROUNDUP *(Continued)*

TRIBAL HOMEOWNERSHIP

The Denver Branch hosted a New Mexico Tribal Homeownership Coalition meeting on August 18 to update tribal organizations and Bank partners serving tribal communities on new and existing products and services available on tribal land. Assistant Vice President and Community Affairs Officer Tammy Edwards also presented the Kansas City Fed's research on the unbanked. To view the research, visit: <http://www.kc.frb.org/research/community/unbanked.cfm>.

GUARANTEED LENDING PROGRAMS

The Denver Branch hosted a meeting in Albuquerque, N.M., on August 19 for regulated financial institutions and Community Development Financial Institutions (CDFIs) that make small business loans. Updates on new guaranteed-lending products were presented

by the USDA-Rural Development, the Small Business Administration and the Department of Commerce. Branch Executive Mark Snead provided an economic overview.

COMMUNITY REINVESTMENT

Community Reinvestment Act (CRA) roundtables for financial institutions were hosted by Community Affairs staff in Oklahoma City; Salina, Kan.; and Casper, Wyo., during September. The events included overviews on CRA performance requirements, question-and-answer segments with examiners, and economic updates. To learn about upcoming locations and dates, visit: <http://www.kc.frb.org/community/>

KANSAS HOUSING CONFERENCE

The Kansas City office co-hosted the fifth Kansas Housing Conference, held September 8-10 in Topeka. Other sponsors included the

Kansas Housing Resources Corporation, NeighborWorks America, LISC, the Federal Home Loan Bank, KC Equity Fund and Homestead Affordable Housing. Staff members moderated panels on foreclosure fraud, community development and the Community Reinvestment Act. Bank President Tom Hoenig delivered the keynote address. More than 500 people attended. For more information, visit: <http://kshousingconference.org/>.



BANK ON AMERICA SAVES

The Kansas City office hosted a kickoff meeting on September 24 for the Bank On America Saves Greater Kansas City initiative. The Kansas City initiative is a national pilot program merging the Bank On and America Saves efforts that encourage consumers to consider savings accounts. Planning members include 15 banks and credit unions, 13 community organizations, and four municipal and state agencies. Implementation is projected for spring 2011.

NONPROFIT SUSTAINABILITY TRAINING

The Kansas City office partnered with LISC to host a training seminar on September 27-28 for community development corporations that focused on better understanding the role that financial statements and budgets play in strategic planning and sustainability.



A breakout group shares ideas at a nonprofit sustainability program.

Q&A: Erica Dobreff

Erica Dobreff is president of the Kansas City Equity Fund, which was formed in 2007 to provide capital for affordable rental housing with equity raised from financial institutions and corporations that receive tax credits in return for their investments. Prior to this she served 19 years with the U.S. Department of Housing and Urban Development, including two as housing director in HUD's St. Louis office. Ms. Dobreff also served one year as executive director of the Kansas Housing Resources Corporation and four years as executive director of the Missouri Housing Development Commission. She has also consulted with local government entities.

Ms. Dobreff currently serves on the Tenth District's Community Development Advisory Council (CDAC), which meets with the Bank president and members of the Bank's senior management to offer insight on economic and community development issues in the seven states of the Tenth District. *Community Connections* periodically features CDAC members and other leaders committed to community and economic development. An edited interview with Ms. Dobreff follows:

WHAT WOULD YOU SAY MAKES THE KANSAS CITY EQUITY FUND UNIQUE?

We like smaller deals that large national investors may not, especially to improve a neighborhood.

WHAT IS THE MOTIVATION *for* FINANCIAL INSTITUTIONS TO INVEST?

Financial institutions invest in the fund for three reasons: for a return on their investment, recently about 10 percent; to receive Community Reinvestment Act credit; and because it's good for the community. (Go to www.naslef.org to learn about other state and local equity funds.)

WHAT CHALLENGES HAVE ORGANIZATIONS LIKE YOURS FACED IN THE PAST YEAR?

The biggest challenge has been the economic environment in which the banks find themselves. They are more cautious than they've ever been. We are really focusing in the coming year on broadening our investor base to include more corporate investors.

ARE YOU SEEING THINGS GETTING BETTER SOON?

Most people think that things are getting better. In the last three



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months, we've seen some of the bigger investors come back to the market. They are making some money and again need a tax credit. I think it will be up and down for a while.

WHAT PROJECTS ARE YOU ESPECIALLY PROUD OF?

I am excited about each of them. We've worked on four, including the transformation of an historic hotel into 65 beautiful apartments; the rehabilitation of 75 older units; 14 new townhouses, and 15 new garden-style apartments for seniors. These all improved their neighborhoods. That's a hallmark of what we do.

WHAT MOTIVATES YOU?

If children have a safe place to live, they do better in school. They make friends more easily because they are proud of where they live, and they are healthier, so they have a happier and more secure childhood. The ability to positively affect the life of a child is why I love what I do.

WHAT IS ONE COMPELLING ISSUE FACING THE TENTH DISTRICT?

The Heartland is not glitzy, compared with some other parts of the country. We tend to get less recognition than we deserve. It becomes a challenge in terms of attracting jobs, finding people to fill existing jobs and securing investment dollars. It takes vision and hard work to explain the merits of lesser-known communities.

WHAT DO YOU LIKE TO DO WHEN NOT *at* WORK?

We have a garden where we grow vegetables for ourselves, our friends and "an extra row" for a food bank. I love to dig in the dirt. I also enjoy theatre, music... all the wonderful arts in Kansas City.

UPCOMING EVENTS

NOVEMBER 2010

- **November 2:** Evening at the Fed:
Dinner and Discussion for Educators
Oklahoma City
Contact: Annette.F.Phillips@kc.frb.org
- **November 3:** Financial Education
in Oklahoma Conference,
Oklahoma City.
Contact: Steve.Shepelwich@kc.frb.org
- **November 3:** Community
Reinvestment Act (CRA) Round-
table, Kansas City.
Contact: Erika.Ramirez@kc.frb.org
- **November 3-5:** New Mexico
Housing Conference, Albuquerque,
N.M.
Contact: Ariel.Cisneros@kc.frb.org
- **November 8-14:** Money Smart
Nebraska, Omaha.
Visit: www.MoneySmartNebraska.org

DECEMBER 2010

- **December 2:** Evening at the Fed:
Dinner and Discussion for Educators
Kansas City.
Contact: Gigi.Wolf@kc.frb.org

JANUARY 2010

- **January 13-14:** Habitat Advance
Finance Training, Denver.
Contact: Ariel.Cisneros@kc.frb.org

What's New?

Free Online Resources and Information:

REGIONAL PROFILES

The Regional Profiles site is a depository of economic information about states and communities throughout the Tenth District. The site uses data provided by Policy Maps to create detailed maps showing up-to-date economic indicators, including employment, consumer credit, U.S. Census, housing, industry and crime data. For more information, visit: <http://kansascityfed.org/community/regional-profiles.cfm>.

NONPROFIT DIRECTORY

The Nonprofit Directory is a central web-based source of information about community-based organizations and program information related to adult financial education, asset building, housing and neighborhood services, and community development corporations for stakeholders throughout the Tenth District. For more information, visit: <http://findanonprofit.kcfed.org>.

ADDRESSING FINANCING NEEDS OF SMALL BUSINESSES

Transcripts and video are available from the July 12 forum hosted by the Federal Reserve System that focused on information gathered at 40 regional meetings regarding small business access to credit. For more information, visit: <http://www.federalreserve.gov/events/conferences/2010/sbclagenda.htm>.

REO & VACANT PROPERTIES SUMMIT

Transcripts and video are also available for the September 1-2 REO & Vacant Properties Summit. For more information, visit: <http://www.federalreserve.gov/events/conferences/2010/reovpsns/agenda.htm>.

COMMUNITY CONNECTIONS *Fall 2010*

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