The following are potential ideas and solutions that could be accomplished within existing state and local resources and/or control.

REGULATORY ISSUES

We need to develop a change in attitude from acceptance of the status quo to “How can we do this and still maintain safety and security of the institution?”

Many times there is permission if we ask. We have seen regulatory agencies make such changes.

The issue is how to change the attitude. We must first build the partnerships and establish some level of trust. Another initial step is to agree upon some common goals. An example might be to encourage banks to become an integral part of local economic development activities and thus become a financial partner in local initiatives.

Some solutions are local—using local assets—when outside markets will not serve all the needs.

Housing development is a good example. In past years, the developer and banker used to develop new infrastructure. It no longer happens that way in rural Iowa. In order to construct the needed infrastructure and housing it now takes a “partnership”—banks, economic development groups, cities, counties, not-for-profit housing organizations, utilities, hospitals, nursing homes, telecommunications companies, to name a few.

The basic premise is that a group will share the risk as opposed to a single entity in order to make the deal work. Especially for low-to-moderate-income housing, there is a need for financial packaging.

Examine state rules, regulations and laws to find barriers to capital access. An example in Iowa involved the loss of tax increment financing (TIF) for housing development. For various reasons, including access to capital, developers were no longer able to finance the infrastructure for lot development in smaller rural communities. Development of new subdivisions was also stymied because cities could no longer use TIF to finance the infrastructure for new lots. Through a concerted effort of stakeholders, we managed to change state law on TIF. Construction is now beginning in many of our smaller communities for the first time in many years.

Encourage the development of new models. In some cases the models for development in housing need to be modified for size, type of capital available, type of partnership, ownership structure, etc. In a rural community of 2,800 without proximity to a populated metro area, new lot development was undertaken by a consortium of three local banks. The banks financed the construction of infrastructure and in partnership with the local development organization managed to sell all 47 lots in one day. The banks shared the risk and accomplished a task that would have been close to impossible for a single bank in this market. This was a unique accomplishment and one that is being examined by other communities.
Market successful models to all communities, private sector groups, not-for-profits, and agencies. Locally developed models which create partnerships to garner the resources are a valuable informational asset to communities. Develop case studies featuring the “how-to’s.” Present them in various forms: electronic bulletin boards, printed case studies, newsletters, conferences, or press releases. We find that communities watch their peers and copy or modify the model to fit their own purposes. Success breeds success.

Encourage coalitions of agricultural producers to form entities which produce, market, or process in some type of joint venture. In most cases they are jointly financing the operation through a legal structure such as a closed cooperative or other partnership structure. This is one method for accessing local assets for new value-adding activities. Local lenders may or may not be investing resources, but they are providing valuable advice on the financial aspects of the business venture.

Organize statewide networks of venture capital sources including “angels.” In bringing together the network in some type of organized fashion, rural business start-ups or expansions can be provided with better access to private sector resources.

Local lenders must become involved with area economic development activities. They are key to the success of local initiatives. They not only bring financial assets but also their personal leadership.

KEY THEMES

- Build partnerships—single players cannot accomplish the larger goals. Partners need to pool their resources.

- Be innovative and create new models—ones which overcome barriers such as economies of scale.

- Don’t forget to look at your internal assets. We need the external sources of capital along with the internal.