

BY CHARLES GERENA

Collaborating to Improve Rural Access to Capital

Small towns and rural communities play a key role in the Fifth District's economy. Not only do they make up nearly one-quarter of the region, they also have important economic ties to neighboring cities and counties.

That's why the Richmond Fed is addressing the economic health of rural areas as part of its broader mission of strengthening the economy. Working with partners on the local, regional, and national levels, the Bank's Community Development team recently launched the Rural Investment Collaborative to increase economic investment in small towns and rural communities throughout the Fifth District.

"When we spoke to rural leaders, they let us know they wanted to work together on improving access to capital," says Jason Smith, senior community development advisor at the Richmond Fed. Smith leads the Rural Investment Collaborative for the Bank. "Increased workforce training is important, but without community and economic development investment, the people who develop new skills may go to where there are resources to use them."

The Rural Investment Collaborative aims to address demand and supply issues that impede access to capital in rural areas. On the demand side, the collaborative identified a lack of expertise in applying for funds as an obstacle. "Small towns and rural communities have fewer organizations and individual leaders who have the time and skills to pursue community and economic development investments," notes Smith.

On the supply side, the collaborative recognized two issues. First, there are fewer sources of capital in small towns and rural communities. According to Smith, because many rural areas have higher percentages of low- and moderate-income people, "there are fewer local resources in the form of a tax base and philanthropic capital to help secure investments."

Second, there is a lack of coordination of capital sources for rural investment that do exist. "Money rarely comes from a single funding source for today's projects," says Jarrod Elwell, the Richmond Fed's community development regional manager for Virginia and Washington, D.C. "Instead, funding typically involves multiple sources and entities, both public and private."

For example, a subsidized housing developer told Elwell last year that one project had 23 different funding sources. Each source can have its own application process, use restrictions, and reporting requirements, so aligning the layers of this "capital stack" takes time. Elwell has learned

that it can take between seven and nine years for a project in a rural area to go from conception to completion.

To improve the demand side of the capital equation, the Richmond Fed worked with Invest Appalachia to create the Community Investment Training program. The Rural Investment Collaborative's eight-member steering group and a project development workgroup selected 20 rural leaders from nonprofits and government agencies in the Fifth District to learn the basics of community development finance and expand their network. The objective is for each participant to develop and pitch a proposal for a real-life project at the end of the 12-week virtual program. To help build a coalition of local support for their projects, participants will also receive a \$2,000 mini-grant from the collaborative's partners.

Richmond Fed staff did not participate in the fundraising for the grants or selecting the grantees or the participants. Instead, they relied on people on the ground like Jennifer Hudson, development director of the Williamson Health and Wellness Center in West Virginia. Hudson joined a pilot version of the training program because she wanted to gain the skills to communicate and move her ideas forward.

"It's all about relationships," describes Hudson. "I've been able to share resources and to be part of a team working to secure funding for projects that inspire us." So far, the connections she made through the training have led to support for several projects, including the reopening of a rural hospital and the launch of an indoor market and kitchen in Williamson.

To address the supply of capital in small towns and rural communities, the Richmond Fed has been bringing together leaders with expertise in community development financing. In May 2023, the Bank gathered practitioners, funders, and researchers from organizations including Harvest Foundation, United Way of Southwest Virginia, Invest Appalachia, Claude Worthington Benedum Foundation, Brookings Institution, Bloomberg Philanthropies, and the Annie E. Casey Foundation. This group helped develop a work plan for a new capital development workgroup within the Rural Investment Collaborative.

The workgroup members met this past February. Led by Elwell, they began to develop research questions and resources for rural leaders. Ultimately, their work will help inform decision-makers about the challenges, opportunities, and promising practices related to improving capital access for small towns and rural communities. **EF**