

WHAT ARE RURAL DEVELOPMENT HUBS?



Rural Development Hubs: Not Just Any – Or Any One *Kind* – of Intermediary

Pursuing a development approach that generates inclusive wealth creation and investments in people, firms, sectors and systems requires an organization capable of doing what it takes: systems thinking and weaving, enterprise development, innovation and more. In the rural places where development is being done differently, a certain set of intermediaries – Rural Development Hubs – are typically leading the effort.

But first, what is an “intermediary”? Intermediaries are place-based organizations that work to improve prosperity and well-being by harnessing local and outside resources to design and deliver services and products to people, firms and organizations in their region. As MDC authors described back in 2001, intermediaries “sit in between the realms of local action and national policy.”³⁹ Intermediaries provide an array of services to local organizations, firms, entrepreneurs, individuals and families, while simultaneously providing eyes, ears and boots on the ground that can inform state and federal agencies, foundations and others – and knit them into the action.

Thousands of rural and regional intermediaries operate in the United States. But not all are created equal. Not all intermediaries work on community and economic development, and those that do may favor the “old school” traditional methods. Of those that do community and economic development, some focus on the “people” side – for example, community action agencies that provide services and support to low-income individuals and families, or community colleges that prepare people for careers. Others, such as community development financial institutions, provide finance and assistance to small businesses. Still others, such as community foundations, have flexible missions focused broadly on community betterment.

Within any category of intermediary, some choose narrow missions that are largely *transactional*; they focus on efficient delivery of resources and services – a good thing. We need such intermediaries to address the immediate needs in a region, but their transactions rarely change the rules or the system. Others seek to *transform* – to go beyond treating symptoms by working to cure and prevent the “disease” that caused the symptoms. It’s the difference between efficiently providing food to hungry families through food kitchens (transacting) and helping these same families change their circumstances and thrive so they no longer need food assistance (transforming).

The *transformers* fit our definition of a **Rural Development Hub**. The main players in rural America that are doing development differently, Hubs think of their job as identifying and connecting community assets to market demand to build lasting livelihoods, always including marginalized people, places and firms in both the action and the benefits. They focus on all the critical ingredients that either expand or impede prosperity in a region – the people, the businesses, the local institutions and partnerships, and the range of natural, built, cultural, intellectual, social, political and financial resources. They work to strengthen these critical components and weave them into a system that advances enduring prosperity *for all*.

Again, not every intermediary working in rural America has the qualities of a Hub. And there is no one “kind” or “category” of rural intermediary that is reliably *always* a Rural Development Hub. For example, in our research, we engaged 43 Rural Development Hubs drawn from a wide range of intermediary categories, including:

- **Community Development Financial Institution (CDFI)**. Private financial institutions dedicated to delivering responsible, affordable lending to help low-income, low-wealth and other disadvantaged people and communities join the economic mainstream.

RURAL DEVELOPMENT HUB

A Rural Development Hub is a place-rooted organization working hand-in-glove with people and organizations within and across a region to build inclusive wealth, increase local capacity and create opportunities for better livelihoods, health and well-being.

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- **Community Development Credit Union (CDCU).** Credit unions that serve low- and moderate-income people and communities, especially populations with limited access to safe financial services.

- **Community Development Corporation (CDC).** Nonprofit, community-based organizations focused on renewing their community – typically low-income, underserved areas that have experienced significant disinvestment – by rehabilitating buildings, establishing new businesses, and creating jobs for residents.

- **Community Action Agency (CAA).** Quasi-governmental organizations with a mandate to provide services to needy populations and connect them to greater opportunities in specific geographic regions. By law, CAA executive boards include low-income community members.

- **Community Foundation.** Public charities dedicated to improving lives and conditions within a defined local geographic area. The most flexible form of nonprofit, they can bring together the financial resources of individuals, families, businesses, government and other foundations, and use a wide range of tools to effect change – grantmaking, building locally controlled funds and endowment, fiscal sponsorship, convening, investing, lending and running programs. Many have geographic component funds or geographic affiliates that give them a wide reach in rural communities.

- **Health Legacy Foundation.** Sometimes called health conversion foundations, created when a nonprofit health organization (e.g., a hospital) is sold to a for-profit entity or when one transitions to for-profit status. Federal law requires that the proceeds of the sale be placed into a nonprofit foundation, which typically serves the same geographic region that the health organization served.

- **Family Foundation.** Derives its funds from members of a single family, sometimes over multiple generations. Its decision-making board includes one or more members of that family. Some family foundations dedicate all or part of their philanthropy to specific geographic areas.

- **Statewide and Multi-State Foundations.** Mission-driven private foundations with a geographic focus and/or an economic and social equity focus.

- **College and Community College.** Degree and certificate-granting institutions that provide academic and technical education and workforce



training, ideally with some focus on jobs in industries based in its region.

- **Statewide Rural Organization.** An independent nonprofit that works statewide to analyze rural conditions, run programs, and advocate for policy change.
- **Social Enterprise/Cooperatives.** A nonprofit organization or collaborative that operates businesses as part of its mission – or vice versa – both to generate revenues and improve economic, social, equity and environmental outcomes for people and places.
- **“Unicorn” Regional Organization.** A free-standing nonprofit that does not fall into any other category. It works to improve an aspect of rural/regional economic and social well-being within a defined geographic area, which may include areas in more than one state.

It’s notable that government agencies do not appear on this list, nor do any organizations that are called economic development agencies. Public and development agencies do play important roles in rural development – and some are quite creative at it. But most of the visible innovation in doing development differently in rural America is being advanced by Rural Development Hubs that identify in one of the categories listed above.

The Hubs we interviewed play a catalytic and transformative role in their regions and communities. They are not focused on meeting immediate needs alone. They also aim for and deploy systemic and long-term interventions and investments that have the potential to strike at the root causes of poor rural social and economic outcomes and to strengthen the essential components that form a better foundation for lasting prosperity.

What Sets Rural Development Hubs Apart?

In recent decades, plenty of documented stories have surfaced about rural intermediaries stretching their missions and organizational boundaries to improve regional outcomes. We interviewed dozens of these “stretching” Rural Development Hubs to delve into what sets them apart from other intermediaries. Here is what our interviews and experience surfaced.

1. Hubs think and work “region.” Hubs use a regional mindset and pursue regional action, regardless of whether their work starts in one community or crosses state lines. They cite several reasons:

- A place cannot do well – or better – without connections. The existence, linkage and relative strength of connections within a region make a difference on outcomes.
- Most development work is hard to do alone, and because of low density and large distance, the partners necessary to do rural development typically are spread across a region, rather than all located in one town.
- Industry sectors that drive economies tend to be regional, so the region becomes a natural action zone.
- Scale matters. It is easier to negotiate with other regions and outside stakeholders as the critical mass of a “region” rather than as one organization or community. And working across a region better enables a Hub to assemble sufficient resources and work needed to maintain its efforts and organization.

Not only do Hubs think “region,” they induce others in their area to think “region” as well. This role is important because very few policy incentives encourage regional action. Rural actors often come to the table thinking about their own town or issue – not about regional connections or mutual reliance. Things as simple as high school sports rivalries among neighboring towns reinforce go-it-alone thinking,

as do differing jurisdictions, elected leaders and governance. City residents, by contrast, may live in competing neighborhoods, but often think about the city as a whole – and are indeed legally part of that city, which makes it more natural to work together.

2. Hubs assemble the region for discovery and dialogue. Rural regions are home not just to multiple organizations, but to numerous political and

municipal jurisdictions. The region of one Hub we studied, for example, includes a school district, a hospital, three counties, multiple towns and villages, and 15 additional special districts with varying footprints, all to serve roughly 33,000 full-time residents. This complexity, coupled with cumbersome and widespread geography, makes getting together, let alone doing anything together, time-consuming and difficult. Again, this is different in cities, where it’s logistically – in time, transportation options and distance – easier for people from several neighborhoods to gather.

And though perhaps a blinding flash of the obvious, here is another key point: There is no “government” of a rural region. No one “holds the whole.” No one has the official or assigned responsibility for a rural *region’s* welfare and action. In some places, a regional forum might exist – for example, a regional council of governments – but often it has limited scope and cannot take the risks essential to innovation.

A Hub steps into this void. *Someone* has to call the meeting. When a discussion must be had or an issue addressed, Hubs tend to be conveners, bringing together the region’s stakeholders across profession, politics, place, sector, role and class. They provide a safe place for dispersed and diverse actors to hash out the tough stuff of how to improve the livelihoods of people, place and economies. As intermediaries evolve into Hubs, our research shows, they typically become entities that look at the region as a whole, and provide the space (physical and psychological), the organizational flexibility, and the whole-region perspective to host and lead essential conversations.

When you look at how a region functions, these imaginary lines of cities and counties don’t mean a lot in terms of economic development and how people are able to better themselves.

Mike Clayborne
CREATE Foundation

3. Hubs are of their region, know their region, and are widely and deeply trusted in their region. Hubs live and work in the places they act in. This gives them an authentic voice. They also “show up” in the region, not just for work, but to build the understanding and relationships critical to making good decisions and working together. They travel far and wide to listen, be present, do work and become known. This way, when “things come up” and “stuff happens,” they bring ground-truth to the action and solutions table.

Hubs know that building trust – up, down and sideways – is essential to their work. Hubs find ways to consult, stay in touch, and build relationships with as many types of community actors as they can manage. Hubs understand this means meeting their customers where they are, and that their customers range from colleague nonprofits to business owners, workers, striving families trying to get ahead, new immigrant populations, and students considering their futures. Each is a source of information critical to what to do and how to do it. Hub leaders told us, time and again, that when they have buy-in from

Because we are in the community... [we] are able to understand the communities we are working with. It enables us to be so successful. We grew up with these people. We understand their needs, their cultures.

Angie Main
NACDC Financial Services, Inc.

their region’s business community, political leadership, civic associations and residents, they have the power to move and change fundamental social systems.

4. Hubs take the long view. Hubs think long-term, with an unwavering commitment to their communities. Achieving lasting outcomes through community and economic development work requires a multi-decade arc. This underscores the often uncomfortable – yet essential – Hub role of assembling and

investing resources for a long-term payoff in places where residents have many immediate needs. As Clark Casteel of the Danville Regional Foundation in Virginia, noted, Hubs are in “...the transformation business, not the happiness business.”

This long-term commitment to a place, knowing that an intermediary isn’t going anywhere, is a vital ingredient in building the trust that enables collaboration. Patrick Woodie of the NC Rural Center offered: “As we enter our 33rd year, we have built deep trust and strong relationships with our rural communities, and we know they see the Rural Center as ‘one of us.’”



Taking the long view also liberates Hubs from jumping on the latest “action sensation” bandwagon. Instead, they take their cues from the community – and from careful analysis of what is going on. The end result, according to Heidi Khokhar of Rural Development Initiatives in Oregon: “Ultimately, if we do our job well, rural places have a living economy. They have strong community, are resilient, self-determining...It’s not something that happens in two- to four years.”

- 5. Hubs bridge issues and silos.** Hubs are the antidote to “siloeed” action. “Siloeed” has almost become a trite expression except it is still true – many rural (and urban) organizations and efforts focus on one isolated issue or aspect of a challenge and stop there. Some realize that their work is only alleviating symptoms, not tackling root causes. But the limits of their mission stops them, or they feel unequipped or too stretched to do more.

However, economic and social challenges are rarely caused by one factor. They can’t be fully addressed without addressing a “system” of linked factors. Feeding hungry children, for example, is a good siloeed thing to do. But unless the children’s family situation changes, they will be hungry tomorrow. Likewise, a region can offer excellent training programs for would-be workers. But unless the programs are connected to the region’s businesses and the skills those businesses need, the training may not lead to landing a local job or produce value for the region.

Within a geographic region, effective intermediaries like Hubs can, as regional sociologist Ralph Richter puts it, “...not only bridge social and spatial but also cultural gaps. They represent the capability to link different worlds, whereas most of the other players are either involved in one or another of these environments.”⁴⁰

- 6. Hubs analyze at the systems level, and intentionally address gaps in the system.** Mission, scope or funding streams often limit the ability (real or perceived) of local organizations to respond to community priorities or needs. Our interviews indicate that Hub leaders, no matter the type of organization, look beyond these limitations to take a wide view of their geographic, economic, social and cultural responsibilities.

Hubs tend to intentionally – or by nature – think “system.” They try to figure out whether the system is

making things worse or is generating opportunities to make things better. They map the components or factors that perpetuate current outcomes or that could produce desired ones. They look for missing links in the system that demand action, or for underutilized resources that present opportunity. Rather than limiting themselves to their organization’s primary and required functions, they think creatively about assets and gaps – how to build the most from community assets, and how to plug gaps within regional systems through new enterprise or partnerships that produce local value. For Hubs, good is not good enough; it is all about getting to better.

- 7. Hubs collaborate as an essential way of being and doing.** To do community and economic development differently, Hubs convene networks and create collaborating systems that otherwise wouldn’t exist, across multiple political and

jurisdictional boundaries as well as extensive rural geographies. Some even see it as part of their performance framework, meaning that they hold themselves accountable for collaborating and view collaboration as a sign of a healthy organization and growing community vitality. Building collaboration is not just a technique; it is in the DNA of Hub organizations.

Others have signaled the importance of collaboration in taking on community and economic development. In a 2014 address to the Boston Federal Reserve, Rip Rapson, CEO of the Kresge Foundation, underscored this: “...[C]ommunity and economic development presents a constellation of

challenges so densely packed, intertwined and complex that the solutions must be systematic, not atomistic; dynamic, not rigid; long-term, not episodic; participatory, not hierarchical. It will be the increasingly rare circumstance in which these challenges can be resolved through neat and tidy technical interventions. Instead, communities will have to bring to bear multifaceted adaptive solutions requiring changes in beliefs, priorities and behaviors of multiple parties.”⁴¹

Collaboration is a Hub’s bread and butter. Hubs foster regional collaboration that cuts across economic sectors, and that can work to unite urban and rural spaces. Though a few Hub leaders we interviewed view other regional organizations as competitors, the overwhelming majority identify

What sets the work of The Industrial Commons apart is the comprehensive nature of what we do. Some organizations are focused just on workers, just on economic development, just education, just technological advances in workforce. Here, all are under this house, in an interconnected way. We hope it doesn’t make us a jack of all trades, master of none, but rather that solving one problem naturally drives solving another problem.

Molly Hemstreet
The Industrial Commons and Opportunity Threads

collaboration and partnerships as essential to their work. Their partners range from organizations within the region with varying expertise to organizations trying to do something similar but in a different part of the country. Ines Polonius, CEO of the multi-state Communities Unlimited, bottom-lined the rationale for collaboration: "In my mind, the work done in rural places is dramatically different when you are able to build a collaborative of stakeholders, rather than one-off partnerships. We need to lift up the difference. Collaboratives are time- and money-intensive. But once you have collaborative systems in place, change begins to accelerate."

In a rural place, there aren't enough resources to go it alone...The model for collaboration that is essential to rural America is the church potluck supper. Everyone brings what they can to the table, and you end up with more than you need to get your job done.

John Molinaro
Appalachian Partnership, Inc.

preventing striving but struggling rural families from getting ahead. The Hub engaged several public, foundation and private partners, and the effort improved family outcomes on multiple measures of well-being, more effectively than many of the agency's other poverty-fighting programs. Absent the *car ownership product* and *dealership structure* and the Hub's relationships, no collaboration.^{43, 44}

Several Hubs that are rural community foundations assembled regional workforce development collaboratives in their service areas, pulling local banks, employers, colleges and charities into the action, along with state technical assistance programs, university research, international experts, federal dollars – and more. Absent a Hub providing a *coordinating backbone* and its relationships, no collaboration.^{45, 46, 47}

- An enterprising rural nonprofit Hub linked multiple partners' efforts into a strategy to help single low-income mothers pursue college degrees and secure jobs while pursuing other family-strengthening goals for themselves and their children. The initiative was formalized through an unprecedented joint memorandum of understanding (MOU) among seven organizations that clearly spells out each organization's responsibilities, with a local economic development agency serving as the effort's home base. Absent the MOU tool and the Hub's relationships that landed the effort a permanent home at the economic development agency, likely only a tenuous collaboration.⁴⁸

The will and ingenuity to develop these mechanisms and tools, over time, builds relationships among collaborating organizations and understanding of each organization's expertise. This helps Hubs and their partners tackle more complex challenges the next time they arise.

- 9. Hubs translate, span and integrate action between local and national actors.** Groups working at the community level grasp what has worked and not worked locally. But they tend to lack the resources to connect to trends, innovations and funding sources elsewhere, especially at the national level.⁴⁹ Likewise, many national and state leaders who marshal significant resources have a notional understanding of what rural communities need but lack the will or means to tailor action to specific rural places.

- 8. Hubs create structures, products and tools that foster collaborative doing.** Regardless of whether their main mission is to provide direct services to families or to build business ecosystems, a central function of Hubs is to create structures – inventive products, services, programs or tools – that bring others more easily into right-sized collaborative action. They work horizontally and vertically across the political and resource spectrum to achieve results. A few examples:

- During the recent federal government shutdown, within one week, a CDFI Hub that had never done consumer lending developed a new instant loan product to help area residents employed by the federal government or its local contractors. The Hub recruited a local bank, a local employer and a foundation to collaborate. Absent that *product* and the Hub's relationships, no collaboration.⁴²
- A rural community action association Hub launched a certified car dealership and a family car ownership program after realizing that transportation was an insurmountable obstacle



Hubs bridge the gulf between macro-scale rural economic development policies and micro-level community action, and do so in ways that transcend political boundaries.^{50, 51} This work of connecting and translating between national, regional and community-level efforts and actors is important to rural development. The flow of ideas to and from rural places can be slow – made worse by the ongoing collapse of local newspapers and media outlets, not to mention spotty, substandard rural broadband coverage. In addition, national and state policy tends to be developed with urban places in mind, with limited understanding of the impact on the variety of rural places and economic bases.

Hubs know this, which leads to two kinds of Hub work. First, Hubs track federal and state policy and investors – including government, foundations, corporations and other investing funds – or strive to do so. They figure out what’s available that applies to their region and tap it when possible. Second, when they can, Hubs inform policymakers and investors about how policy or investment design, requirements or restrictions help or hinder investment in rural places. And they advocate for changes that will facilitate healthier rural development.

**Thank God for our extreme isolation...
because it has created a very
entrepreneurial spirit in
agencies like ours.**

Nick Mitchell-Bennett
Community Development
Corporation of Brownsville

10. Hubs flex, innovate and become what they need to become to get the job done. Overwhelmingly, Hub leaders described their organizations and approach to working in the community as entrepreneurial. Hubs fill gaps and offer programming, services and products that are beyond the mission, scope, reach or interest of their region’s other institutions. For example:

- Thirty-five years ago, few (if any) U.S. community foundations conducted business lending. This changed when rural community foundations in Minnesota spotted the need to fill business lending gaps in their regions that no one else would. Local business sectors could not modernize and improve jobs and wages without these gap loans. Community foundations in the state banded together to secure an Internal Revenue Service permission letter enabling them to lend to businesses as a charitable activity in areas of economic distress. Today, many community foundations lend to businesses – especially in rural America.
- In Texas, the Brownsville Community Development Corporation launched in 1974 with the goal of eliminating the community’s

1,500 outhouses. It moved from doing “just outhouses” to housing rehabs to new workforce housing construction, evolving into an equity-focused comprehensive housing organization. When more and more clients with low credit ratings needed housing, the Brownsville CDC began building multi-unit housing and rental properties – and also developed methods to provide financial education and credit-building services. It was one of the first CDCs in the country to create a revolving loan mortgage product using Community Development Block Grant funds, a technique that has since been adopted nationwide.

- The Land Buy-Back Program was the U.S. Department of the Interior’s “...collaborative effort with Indian Country to realize the historic opportunity afforded by the Cobell Settlement – a \$1.9 billion Trust Land Consolidation Fund – to compensate individuals who voluntarily chose to sell fractional land interests for fair market value.”⁵² The Buy-Back Program prompted many American Indian tribal members to sell their interest in parcels of land. For some, an unintended consequence was losing the collateral essential to accessing credit. In the wake of the initial stream of buy-back activity, NACDC Financial Services, in Browning, Montana on the Blackfeet Reservation, created a short-term loan program so that Tribal members who had sold their land interests could access a line of credit, absent collateral.

Every Rural Development Hub has a story like this. One Hub leader, Peter Kilde of West CAP, Inc. in Wisconsin – the agency that developed the low-income car ownership program mentioned earlier – pointed out that this flexing and innovation can happen only if a layer of readiness is in place to attract and absorb necessary resources in the right way: “You can’t just throw money at a region and have it do what you want it to do. There are things you have to do first to get people ready and networks underway.”

In short, Hubs do in their regions what others with limited scope, funding constraints, lack of will or meager entrepreneurial muscle will not. What Hubs decide to do, or what they decide to morph into, emerges from consulting with the community and seeking a fuller analysis of the system. It results from constantly asking *why* and a persistent, eager search for *how*.

11. Hubs take and tolerate risk. Taking risks is fundamental to innovation. Hub leaders cite risk tolerance as critical in their move from a transactional to a transformative organization. And it has to start at the top. Some Hub CEOs reported investing significant time and energy to foster a board culture comfortable with both risk and the possibility of failure. Discussing a pivotal moment when the Neil and Louise Tillotson Fund of the New Hampshire Charitable Foundation adopted new risk and decision-making processes, director Kirsten Scobie cited the Tillotson Fund advisors' rationale: "If we really want to make change and be part of catalyzing this region that has been in decline, we have got to be bold."

Hubs' bias towards bold action is a frequent refrain. Chrystal Cornelius of First Nations Oweesta Corporation in Longmont, Colorado, put it plainly: "We need to keep pushing boundaries, doing uncomfortable things, being in places that we normally are not. We need to have the tenacity and thicker skin to take rejection well and keep on going."

We are accountable to the people whom we serve and to our investors. One thing we have going for us is we have the trust of the community. If we should ever lose that trust, we are going to be out of the business. For us, that is very key.

Jennie Stephens
Center for Heirs' Property Preservation

12. Hubs hold themselves accountable to the community – the whole community. The community is the heart of a Hub's work. When asked, "To whom are you accountable?" the overwhelming majority of Hub leaders responded that their organizations are primarily responsible to their community. Of course, they also cite fiduciary duties and responsibilities to investors, funders and the government. But their reputation in the community and the community's trust is paramount to their ability to be effective.

The Northern Forest Center's Rob Riley reinforced this point: "There is accountability to the board, but we feel really accountable to stakeholders in the region. That, to some degree, is how we measure impact. It's about being respected and sought after because people

know we can get the work done; it is the promise of what we can bring to a partnership."

Some noted that their work responds to a disaffected community's search for hope, opportunity and a new way of living. For Rural Development Hubs, the highest aspiration is creating vibrant communities where *everyone* can participate – in the economy, democracy and decision-making. Hubs know they have a place in the arc of positive change as they work to transform a place of need into a place of hope.

