

# Small talk: An interview with three small-town advocates

*Challenges and opportunities abound in rural communities*



Jane Leonard, former president of Minnesota Rural Partners



Dave Engstrom, executive director of the Minnesota Association of Small Cities



Bart Finzel, Center for Small Towns interim director

*This summer, the Center for Small Towns at the University of Minnesota-Morris hosted a two-day symposium regarding the health and outlook of small towns. Afterward, the fedgazette took the opportunity to organize a round-robin interview via e-mail with three small-town and rural advocates: Bart Finzel, CST interim director; Dave Engstrom, executive director of the Minnesota Association of Small Cities; and Jane Leonard, former president of Minnesota Rural Partners and now manager of the leadership and community engagement team at the Bush Foundation.*

**fedgazette:** First, how did small towns fare during the recession?

**Jane Leonard:** Small towns and rural areas did better than urban and exurban areas in the first year of the recession, due primarily to strong commodity prices for farmers, which in turn contributed to small-town Main Street doing better relative to its urban counterparts.

Small towns were not as affected by the housing downturns and contractions in finance and banking, in part because they weren't as exposed as urban areas in the residential housing and commercial real estate markets. However, the length of the current recession is now making its mark on rural areas and small towns because of job losses and the resulting belt-tightening by consumers.

**Dave Engstrom:** I agree with Jane that small towns have done better than urban areas in general. Small cities in the lakes region and those with tourist economies have done fairly well. These cities tend to have higher-than-average property tax capacities because they have higher-end homes and thriving commercial districts.

However, as the recession has lingered, some towns seem to have been hit harder by the recession, like those with poor property tax capacity and a dependence on [declining] local government aid from the state. It seems to be almost a survival of the fittest.

**Bart Finzel:** I agree that, in general, small towns initially weathered the recession better than most urban areas. They haven't been immune, however.

In addition to what's been mentioned, I would add the decrease in credit. Many small-town banks sought higher returns by investing in the speculative run-up in commercial real estate in urban areas. This has left them weakened and less likely to lend to any but their most creditworthy customers.

**fedgazette:** Does population size matter to the livability or survivability of a small town? If so, what is a critical mass?

**Finzel:** I believe viable small towns can come in all sizes. More important than numbers of residents is the role the small town serves in the region. Viable small towns must be gathering places. It may be that people gather because the town provides essential services—financial, legal, medical, recreational, retail. In such instances, what is most important is the population these services can be expected to provide for.

However, small towns need not be only about service provision. A small town may be viable if it is the central gathering place, [such as] for a local religious community or a local school. Of course, this implies that small-town residents depend upon larger population centers to fill in the gaps in needed services, but all communities rely upon others to

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some degree. Is St. Cloud not viable because it lacks the Twins? Is a small town not viable because it lacks a mall? I don't think so.

**Engstrom:** I agree with Bart that there are success stories in all sizes of cities. There are 854 cities in Minnesota; about 100 of them have populations less than 100, and about 500 have populations less than 1,000. Minnesota lays claim to Tenney, the smallest city in the nation with a population of six—or five or four or seven, depending on the census you look at.

One may wonder why some of the smaller cities even exist, and the reason can often be traced back to planning and zoning laws. Cities, unlike townships, have autonomy on zoning. There have been cities incorporated for the sole purpose of controlling their zoning or to prevent annexation by a neighboring city. But the common thread of the most vibrant and vital small cities I know is a common vision of the future and to preserve the past.

**Leonard:** Ditto on Bart's and Dave's responses. Viability also depends on the remoteness of the town and the can-do spirit of the people. A town considered very small—under 500, for example—could be a vibrant regional center if it is in a very rural area with even smaller towns or hamlets around it and has some essential places and services—a post office, church, community center, food, gas and hardware.

**fedgazette:** There is a lot of attention paid to small-town sustainability, which seems to imply a lack of sustainability currently. What exactly is the sustainability threat? What threats are systemic and affect virtually all small towns, and which ones are more selective, or even anecdotal?

**Engstrom:** From my observation, the biggest systemic threat is related to population decline, and specifically among younger age groups. As the population in small cities declines and grows older, there is less consumer activity, causing a decline in retail business. Also, school districts with fewer students fuel the local economy less. It's a vicious cycle once it starts. The decline in retail and business activity

leads to a glut of Main Street retail buildings, which drives down property values and eventually leads to a decreased tax base.

The selective or targeted threats I have seen usually stem from a loss of a major employer or in some cases a regional "big-box" retail operation opening up nearby. The loss of a high percentage of employment is always devastating. But when a new big-box store opens up, it causes the local mom and pop businesses, grocery stores, hardware stores and others a lot of stress and strain and possible demise.

**Leonard:** The advent of the auto, cheap gas and better roads accelerated the fragility of small towns. It allowed people to travel farther in less time for supplies they needed. That practice led to more regionalization in government services, education, health care and commerce, which in turn further weakened small towns.

Higher gas prices curtailed some of the regional travel in recent times, but right or wrong, people still vote with their pocketbooks and their vehicles. They shop and get health care and government services in regional centers because of the perceived lower costs and wider selection. More ubiquitous broadband and leaders who champion "buy local" efforts can help bring back key services and businesses.

**Finzel:** I would add that farm consolidation and reduced diversity of farm outputs—some resulting from economies of scale and others from farm policy—have contributed greatly to the population loss. Also, high returns earned by highly specialized labor—in medicine, law and finance—have contributed to shortages of the general practitioners so essential to small-town sustainability.

**fedgazette:** Many small towns have been losing population for decades. Economists generally argue that migratory trends are market signals—households are making efficient decisions based on their perceived best interests. Should government support or subsidize small towns in hopes that they become more attractive? If yes, what's the most efficient way of doing so?



**Leonard:** How young people are regarded by a community is key. If enough people hold a mindset that young people don't have a future in their small town and that belief is instilled from an early age, then the town is on a downward spiral.

**Leonard:** This is the eternal question since people moved to urban areas from farms and small towns as industrialization took hold in the 19th century. Where is opportunity? Opportunity depends on personal choice, need and situation. So my answer to the subsidy question is "it depends." Rationally, some towns are strategically more important to support with subsidies—gateways to resources that we all depend on, for example. Some towns given access to subsidies for broadband, for example, become more attractive to both lone eagles and businesses that depend on high-speed access to the world.

It's important to maintain a healthy rural-urban balance for a number of reasons. The best example of efficiently doing that, of everyone pitching in a little to support one another, was the rural electrification and telephone subsidies beginning in the 1930s and continuing today. That catalyst opened the doors to innovation and revitalized the countryside.

Yet, small towns have disappeared since forever. New ones have been built in different places as opportunities evolve. It may seem easier to have a sweeping one-size-fits-all policy in subsidies—to do it or not—but case-by-case decisions on the different forms of support available ensure better stewardship of shared resources.

**Finzel:** I do not necessarily agree that the migration away from small towns is entirely the result of market forces. Although small-town decline is partially the result of limited opportunities, farm programs added to population loss by supporting a limited number of commodities and contributing to larger farms, fewer farmers and less-viable small towns. Other structural issues, such as health insurance being far more expensive for small firms than for large firms, have also contributed to out-migration.

Regarding small-town support, providing assistance to the relatively small economic entities that are the backbone of small towns—rural hospitals, micro enterprise, community banks, cooperatives, small farms benefiting from the local food movement—will be most successful. Regulatory reform and subsidies directed at very small firms in

the federal health care reform bill should also enable small firms—and small towns—to retain talented employees who might have migrated to larger firms with a better health insurance plan.

**Engstrom:** The main support needed is state assistance for basic necessities that a city provides. All citizens in Minnesota deserve basic services related to health and safety at a fair price. If a community can retain good, basic services at reasonably competitive property tax rates, then it has a chance at competing for new housing and business. This cannot be done without some sort of property tax equalization program like the current Local Government Aid, which has been the target of huge cuts over the last few years.

**fedgazette:** What loss is most critical to a community, and why? Put another way, what elements are key to whether communities die, merely survive or thrive?

**Engstrom:** It's hard to pinpoint what is the most crucial loss to a community as far as allowing a small city to remain viable. At some point, the combined losses of places of worship and places to shop and gather, combined with the population decline, breaks a community spirit. So I guess I'm saying it is the community spirit that is most critical to a community. Small cities with tiny populations can thrive or fail based on the spirit and support of the residents.

**Leonard:** I agree, and I'll add this: How young people are regarded by a community is key. If enough people hold a mindset that young people don't have a future in their small town and that belief is instilled from an early age, then the town is on a downward spiral. If kids are embraced, supported and encouraged to be a part of the community's present and future, then that community is investing in its own future.

**Engstrom:** Jane, those comments are right on the mark.

**fedgazette:** There is a lot of angst regarding the loss of state aid and other support for rural areas. Is long-



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**Leonard:** I don't agree that we as a world are as interconnected socially as you suggest. The connections we have tend to be in distinct circles based on our own special interests.

term survival tied more to internal capacity—local leadership—or does external funding and other support play an outsized role?

**Engstrom:** If we are going to preserve small towns as a way of life, there is an absolute need for some sort of property tax equalization to provide assistance to communities in need. So the loss of state aid payments, such as Local Government Aid, for small cities is a huge problem. Some communities have a very poor tax base, and paying for services like police protection would require a much higher-than-average tax levy [if LGA were cut]. Some small cities do not receive LGA because their tax base or tax capacity is very high—like those in the lakes region with high-end homes.

In some cities, LGA payments are 30 to 50 percent of total available revenue. When LGA is cut, as has happened the last few years, there is a limited choice for city councils to make up the lost revenue. Most simply cannot raise taxes, and many cities are subject to state-imposed levy limits. The usual city response is to not fill vacant positions, cut positions and also cut back or limit capital improvements and expenditures. There is at least one city in Minnesota that has pledged its LGA payment to payment of bonds that were used to improve its wastewater system. Nonpayment of LGA could cause default on the bond payments.

**Leonard:** Local leadership is a necessity for long-term survivability, but external resources and external leadership matter a great deal. These days, we face a crisis in confidence in ourselves. We justify decreasing state aid as a way to hunker down until the storm passes. But hunkering down doesn't work when we are going through dramatic, long-term transformations that require proactive leadership and resource investments coordinated across local, state and national levels.

We made a pledge when this nation was founded out of 13 colonies: *e pluribus unum*—"out of many, one." In practice, at national and state levels, it means we strive to contribute equitably to the commonwealth to ensure reliable and consistent levels of basic services and

infrastructure across our states and nation. This "commonwealth" is the base upon which further community and economic development can happen.

**Finzel:** A sudden loss of state aid, particularly if coupled with continuing tax limits on local government, would be destructive for small cities. Even the most enlightened local leadership couldn't move quickly enough to overcome the blow.

I agree with Jane. State aid is an expression of our collective desire to ensure that all have access to basic services and to not have areas of the state barren and blighted. Larger units of government have greater capacity to smooth over the peaks and valleys of funding levels market economies naturally create and should play that role.

**fedgazette:** There's a lot of talk about better rural-urban connections. It could be argued that the world has never been more socially and economically interconnected. So what's the "connection" problem or gap that needs bridging?

**Leonard:** Historically, we had stronger rural-urban connections because our region was very rural up until just after World War II. People who did move to the city still had strong ties back in the countryside. With increasing urban- and suburbanization, rural ties have weakened in succeeding generations.

Today, I'm amazed at how few people make an effort to visit parts of their state that are different from where they live. We've had a tradition in Minnesota of "going up to the lake," but that is usually a narrow corridor between a city and lake country that omits vast parts of very rural or very urban places.

I don't agree that we as a world are as interconnected socially as you suggest. The connections we have tend to be in distinct circles based on our own special interests. To thrive, we have to be more intentional about reaching beyond our own comfort levels and connect with people and places different from our own settings.

**Finzel:** As a professor in a small town, I find it remarkable to witness students

with urban sensibilities truly connect with the realities of rural places. Some students are empowered by the connection. Others go home.

Students from urban areas take 24-hour shopping, a Walmart or Target, a cinema multiplex and a variety of dining opportunities for granted. Moreover, as their family ties to rural areas have lessened with each generation, their knowledge of small places and their ability to imagine a life without urban amenities have diminished.

After a time, urban students who stick it out find that those in small towns make the most of their limited menu of options: friends cook for one another and create their own entertainment; problems are solved by coming together, rather than making a phone call to a service provider; goods and services are provided by local sole proprietors, barter or not at all. Students learn that nothing can be taken for granted in a small community. Doing for oneself and one's community is necessary. A sense of shared responsibility is cultivated.

**fedgazette:** Step back for a big-picture view. Small towns are the historic roots of this country. Then came urbanization, suburbanization and now a lot of emphasis on the competitiveness of regions and regional centers. Can you envision the pendulum swinging to a point where rural areas and small towns are again a preferred, market-driven place to live?

**Finzel:** Small towns that exist because they provide essential services are, I suspect, unlikely to make a comeback because major services will continue to migrate to regional centers. But small towns that are built on a set of shared beliefs or aspirations, be it a desire for sustainable communities or the chance to fully engage in all aspects of a community, will be attractive in the future. This depends critically on leaders gathering residents together to articulate a shared vision. It will also depend on whether the town welcomes newcomers, creates opportunities for retirees to return and fosters a degree of promise in the future.

The advantages of small-town life—the cheap and abundant housing

stock, the community's role in child rearing, the relative security of knowing your neighbors, the opportunities for self-determination and self-expression—will continue to be attractive to some. My thinking is that we are near bottom in terms of out-migration from small communities.

**Engstrom:** There will always be people who desire the "small-town lifestyle." I do not think we will get back to a point where small towns are the hubs of commerce in rural Minnesota simply because of the change in agricultural practices. We will have large urban cities, suburbs and regional centers, and there will always be small towns. For many, a small town is a lifestyle choice—for retirees returning to their roots or families looking for a more affordable housing option, maybe with a longer commute.

I would agree with Bart that the out-migration from small towns may be subsiding. What I can envision is small towns that exist as housing clusters; Main Street may not be the same, but there will be some basic services, even if it's a convenience store and maybe a place of worship. Some small towns will do better than others, and those that have the good leadership to work toward developing their own microeconomy will do very well.

**Leonard:** The majority of people in this country do prefer to live in a small town if there are certain amenities nearby: recreation, health care, education, jobs or business opportunities, churches and social/civic groups. Broadband can create improved access to health care, education and some economic opportunities anywhere. Small-town resurgence based on recreational amenities—lakes and mountains—has been evident for some time.

The aging of the baby boomers also represents an opportunity for small towns. Many people do want to return to their small-town hometowns when they retire. They have lots of experience, know-how and leadership skills to contribute to any place they settle.

**fedgazette:** Thank you. **f**

—Ronald A. Wirtz