

GROW SOUTH DAKOTA

BUSH PRIZE FOR COMMUNITY INNOVATION



SISSETON, SOUTH DAKOTA

LEADER

Marcia Erickson
Lori Finnesand

BUDGET

\$1M – \$4,999,999

GEOGRAPHY

South Dakota,
Native Nations

YEARS ACTIVE

Founded in 1966

INNOVATION STORY NO. 4

KEEPING SMALL TOWNS STRONG THROUGH BOUNDLESS POSSIBILITY

Understanding that small communities often struggle to invest in economic development, GROW South Dakota (GROW) offers an innovative program of financial and technical assistance. Its efforts have sparked growth in 14 rural communities and developed a thriving network that actively shares best practices for housing, community and economic development.

STORY BY **KRISTIN DONNAN AND MORGAN MERCER**

“ HAVING SOMEONE TO GUIDE YOU THROUGH OBSTACLES IS VERY IMPORTANT FOR OUR COMMUNITY.

— MARCIA ERICKSON, GROW South Dakota

INNOVATION

GROW SOUTH DAKOTA

GROW has triggered progress in 14 rural communities and developed a thriving network that actively shares best practices.

BREAKTHROUGH



While small towns knew a paid economic development director could help keep their communities from becoming stagnant, a \$50,000 salary often wasn't in the budget. GROW wrangled a series of national grants to design an innovative program that gave communities the ability to hire and train staff for the first time, sparking growth in rural areas.



GROWING PARTNERS

Once communities established an economic development office, GROW worked with them to ensure they could support the work even when the grant money ran out. To do that, GROW connected economic development directors across the state, trained them and kept in touch through personal coaching calls and monthly newsletters.



REBUILDING NARRATIVE

Through its revolving loan funds, GROW established a unique series of positive feedback loops that allow the organization to finance its work independent of outside sources. The more money it invests in local businesses and homeowners, the more it gets back. GROW shares the risk of its loans with a network of local banks that provide additional support.



EMBODIES COLLABORATION



LISTENS ACTIVELY



BUILDS RELATIONSHIPS

LIKE MANY SMALL TOWNS,

Langford, South Dakota, felt a little empty. There was no hair salon or restaurant on Main Street. The town didn't even have a convenience store. If residents wanted a gallon of milk, a carton of eggs or gallon of gas, they had to drive 20 miles to the nearest gas station. Those days are in the past now.

Fifteen years ago, GROW South Dakota partnered with a bank and another local non-profit to give Langford's convenience store a start-up loan to get its business off the ground. Then GROW found another partner and together they financed the Front Porch, a restaurant and gathering place on the town's main drag.

“There was a hole in that Main Street that is filled now,” says Marcia Erickson, who lives in Langford and is co-CEO of GROW, along with Lori Finnesand. “We're a vital piece of improving the fabric within small, rural communities throughout South Dakota.”

Marcia and Lori often hear people give small towns a bad rap. Yet where others want to make dire predictions about unaffordable housing and dying Main Streets, Marcia and Lori see something else: boundless possibility.

Without organizations like GROW, small towns struggle and occasionally fade away. GROW rewrites that narrative by improving old housing, building new infrastructure and helping companies expand the services they offer to the community. The nonprofit is the safety net for small-town businesses and homeowners who need an extra boost to take the next step forward in their life or work. In rural communities like Langford, it's often faster for Marcia and Lori to point out the businesses they haven't helped than the ones they have.

Over 40 years, GROW has made more than 2,000 loans to small-town entrepreneurs and created more than 11,000 jobs with those investments.

Because of GROW, more people are able to call rural South Dakota home. Finding enough money for a down payment was nearly impossible for one Langford family. GROW stretched the couple's money further through its savings fund. For every dollar the couple stashed away, GROW matched it with \$3. Soon, their \$4,000 turned into \$16,000. That kind of help can sound too good to be true, but GROW makes it possible. Through a substantial base of partners and self-sustaining mechanisms built into its organization, GROW keeps resources pumping into towns across South Dakota.



EMBODIES COLLABORATION: With two CEOs running the show at GROW, Marcia and Lori are able to build capacity, lock in funding sources and build partnerships twice as fast. Co-leadership is at the heart of GROW's organizational model, and that partnership ripples out to inform how GROW interacts with the community. After working together for 25 years, Marcia and Lori's relationship is built on a deep sense of trust and respect. The pair often divides and conquers, relying on each other's strengths to delegate tasks. Marcia and Lori share the same vision for GROW, which allows each CEO to make decisions for the organization independently of the other. GROW brings this same working relationship to its partners. For example, GROW leans on the local expertise that each of the 14 economic development directors brings to the table. Those individuals have the latitude to guide conversations and the direction of work in their towns, but are still able to rely on GROW for additional support in areas where they could use a boost. Continuous communication with new partners—through phone calls, emails, newsletters and meetings—builds the same kind of trust that is so crucial to the success of Marcia and Lori's relationship.

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WITH EVERY FILE AND EVERY PHONE CALL, THERE IS A STORY.

— MARCIA ERICKSON, GROW South Dakota

Growing Partners



Several years ago, 14 towns across South Dakota came to GROW with the same dream: to hire paid economic directors. While the towns had vision, they lacked funding. So GROW got to work researching a solution. What it found was the Rural Community Development Initiative (RCDI), a national United States Department of Agriculture program. The funds GROW helped to secure through the program paid for half of the salaries of all 14 directors and provided capacity building, with the other half coming from the community as matching

funds. Together, the partners agreed to cover staff salaries for three years, buying each community enough time to build capacity and find local funds to continue the work.

Over the three years, GROW continued to pitch in more than just money. To move communities toward self-sufficiency, the nonprofit focused on training and networking, too. In 2003, GROW began hosting quarterly roundtable meetings that gathered representatives from up to 50 communities. During each meeting, directors got two minutes to share

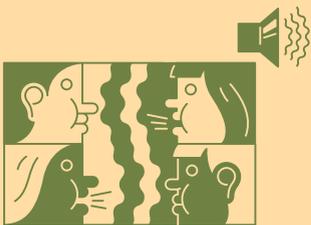
previous successes, current projects and areas in which they needed help or guidance. To make sure everyone got time to speak, Lori used an egg timer. After the sessions, directors followed up individually with one another on the questions they posed during the meeting. Before this, economic directors rarely saw each other more than once a year and struggled to know who to turn to when they needed advice.

“Staff members were new to those positions, and they were out there on their own,” Lori says. “We wanted to connect with others in the same profession and let them learn from each other.”

In between quarterly gatherings, GROW stays in regular communication with each economic development director through emails, monthly newsletters and coaching phone calls.

“It’s always easier to keep on task if you have someone who is going to be calling in a couple of weeks to see what progress you’ve made,” says Lori. “Otherwise you go to the trainings, you learn all of this information and then it’s hard to get back and actually implement that.”

These checkpoints allow staff members at GROW to pass on their expertise and professional connections to small-town directors who want to start a revolving loan fund or write a succession plan like GROW has done. The organization’s work with these communities was so successful that it inspired the South Dakota government to pass legislation in 2013 that created a similar state-funded program to cover directors’ salaries in South Dakota towns for three years.



LISTENS ACTIVELY: From the roundtable meetings, a unique partnership has developed between several communities whose economic development directors decided to host “first impression tours.” For each tour, roundtable representatives from several communities take turns traveling to a specific town and sharing their initial observations of what they see and experience. Participating directors pass on their visual assessment through a checklist that roundtable members create. That feedback then goes back to the town’s director so he or she can use it as data to encourage city officials or housing groups to make changes or improvements in town.

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WE’VE PROVIDED LOANS TO THE FLOWER SHOP, THE REPAIR SHOP, THE CONVENIENCE STATION, AND THE MEAT MARKET.

— MARCIA ERICKSON, GROW South Dakota

Rebuilding Narrative



What do you do when the bank turns you down for a loan? Maybe you didn't have enough collateral, or perhaps you're a start-up without a strong track record to lend against. Maybe housing regulations made it nearly impossible for your small-town bank to give out home loans. When traditional funding avenues fail, GROW steps in to fill in the gap through two revolving loan funds: one that supports South Dakota businesses, and another that supports homeowners throughout the state.

Forty years ago, GROW launched its program with \$7,500. Today, those funds have grown to more than \$20 million and support 60 to 70 loans each year. Applying to finance your home or business alone can be daunting. Not to mention individuals often can't apply for and receive federal resources. As the middle-man, GROW cuts out the application hassle and pursues those federal funds to get more money into the hands of South Dakotans. To do that, GROW matches the client's needs to the resource that fits them best.

As an applicant, you'll never know the difference between the various funding sources in the pot. That's because GROW does all the legwork behind the scenes, creating checklists to make sure every borrower meets the specific mandated requirements and restrictions of the funds he or she receives.

Little would happen without the help of more than 90 local banks that refer clients to GROW's loan program and co-finance start-up businesses, company expansions and first-time home buyers. Together, the partners share the risk and have financed more than 2,000 otherwise impossible dreams.

"The local bank can still maintain that person as a customer, but we're able to assist them with a loan that the bank may not be able to do otherwise," says Lori, who has worked with up to 10 partners on a single loan.

GROW sweetens the deal by working with each borrower to create an individualized management plan and providing free technical workshops to keep them on track. Staff members draft businesses plans with entrepreneurs and even teach them how to list their businesses on Google Maps.

While many community action groups like GROW don't operate revolving loan funds, the program creates a unique symbiosis between the nonprofit and its clients: the more the organization invests in local businesses and homeowners, the more it invests in itself through the interest it earns on loans. Occasionally, that money is used to cover GROW's operating fees, but more often than not that extra cash is dumped back into the revolving funds so GROW can give out even more loans the following year.

That kind of self-sustaining mechanism is just what GROW's financial partners look for when they consider which organizations to partner with or give money to in the future. As GROW's pot of money increases, it also means the organization can operate more independently of federal funds or grants. Instead of relying on outside sources, GROW can continue to give South Dakotans a leg up when they need a loan by dipping into their in-house resources. By nurturing positive feedback loops like this, GROW ensures South Dakotans continue to lead the way and have an opportunity to act on their visions for the future.



BUILDS RELATIONSHIPS: As funding sources evolve, GROW continues to adapt its programs to find new ways to work with people. Money from RCDI originally allowed 14 towns to hire economic development directors. Throughout RCDI's three years of support, communities not only saw the value of hiring full-time directors, but also found local funds to continue financing those individuals' salaries outside of RCDI. Now with a new funder, GROW is transforming that program to focus on local housing improvements. GROW's success in adapting its work relies on the relationships it previously built with local economic directors and the positive track record the partners share.

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COMMUNITIES WILL OFTEN CALL US UP AND ASK, 'CAN YOU DO THIS?' WE START WITH, 'LET'S TRY.' IF IT IS A GOOD FIT WITH OUR MISSION, WE WILL FIND THE EXPERTS OR DEEPEN OUR OWN EXPERTISE TO HELP THAT COMMUNITY.

— LORI MOEN, GROW South Dakota



STAFF, GROW South Dakota

GROUNDS
GROW South Dakota



INTERIOR
GROW South Dakota





A CLIENT'S HOME
GROW South Dakota



MARCIA ERICKSON
GROW South Dakota