

## **Micropolitans - Rural economies take a new shape**

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Unless you are a dedicated reader of American Demographics magazine, you probably missed a subtle shift in rural development that took place in 1989.

That was the year author G. Scott Thomas referred to a new demographic entity he coined a 'micropolitan' in reference to 577 urban areas in the U.S. based around a core city or town with a population of 10,000 to 49,999. Adopted by the Census Bureau and Office of Management and Budget in 2003, the micropolitan designation gave researchers and statisticians a new way of identifying parts of the country that were essentially rural, but with many urban amenities.

According to Wikipedia, micropolitans 'are drawing migrants both from rural America and from suburban areas, offering some of the cultural attractions and conveniences of towns without all the expenses and liabilities of urban sprawl. Telecommuting and Internet mail-ordering can make it easier to organize trade and commerce from an isolated population center. Employers find it easier to open a factory or an office park in these towns, which have plenty of developable land and lower real estate costs than the suburbs or traditional metropolitan areas.'

In this issue and future issues of Prairie Business, a number of these micropolitans will be profiled. According to the Census Bureau, 21 of these rural/urban centers are located in that portion of the Northern Plains covered by this publication, so their impact on economic development should reveal a pattern of migration first identified by Jack Schultz, author of Boomtown USA – 7-1/2 Keys to Big Success in Small Towns.

Business is booming in the 'sticks'

Sporting an MBA degree in agribusiness and economics from Harvard, Jack Schultz has brought a down-home speaking style and genuine passion to small towns all over America since he launched Agracel 23 years ago (now based in Effingham, IL). Ostensibly a hybrid firm that does site selection and development for corporate America, Schultz wrote Boomtown in 2004 because he felt mainstream media outlets weren't paying enough attention to rural America and little communities.

"It's been nothing short of amazing," admits Schultz of his book's wild popularity. "We're in our seventh printing, including a new release translated into Chinese, the book has been honored as one of the top five books ever published about economic development, and it's the number one book in the publisher's history."

Having toured over 400 towns in 44 states in recent years (including 14 meetings in North Dakota) and helped develop over seven million square feet of industrial space in locations all over the country, Schultz says the micropolitan designation has been helpful for many economic development professionals.

"I think it's a good definition; it takes regional developers to a higher level and helps major companies in selecting sites for industrial growth," Schultz asserts. "I see more of a regional approach all over the country, usually involving three or four counties, usually all within a half hour to an hour's drive from one end to the other. We see this regional approach as the wave of the future, especially with the high price of gasoline in recent months ... that's really made the 'sprawl' cities suffer where people used to drive far enough from the urban area until they found a home they were qualified to buy."

He notes that the biggest challenges for many regional organizations include getting over the 'Friday night lights' syndrome (prevailing competitive spirits related to high school athletics) and the aging workforce.

"At some point you get beyond the tipping point and there won't be a workforce left," he predicts. "It can become a downward spiral; not every community will survive that."

East Coast brains at work

Development professionals on the East Coast are also turning their substantial resources on rural causes, especially in the face of dramatic global pressures on jobs and economies. Erik Pages of Entre Works and Sean McNamara of the Council for Community Economic Research (C2ER) are both based in Arlington, VA, just outside Washington, D.C. Both men face the challenges of living in an area of dense population, so they both understand the advantages of rural living.

"The micropolitan designation was important because it provided a new way to track the trends in this nation," offers Pages, who works with a number of smaller communities on development matters. "The concept has been important for

us data geeks, but it might also be contributing to a migration trend into rural areas with a core city that provides some of the amenities that are more important to young people who are seeking a lifetime of changing activities as they age.”

McNamara concurs that a trend is taking place and part of the momentum is derived from a ‘larger’ voice that a micropolitan can take to the marketplace.

“Commuting patterns are important, as well as the cost of living,” suggests McNamara, administrative director at C2ER, which was founded in 1961 and gave birth to the ACCRA Cost Of Living index, a quarterly survey of 300 goods and services that is a leading source of information for economists and the markets. “Some volunteers have been conducting the surveys for 40 years, since it was created in 1968. We have to have a certain minimum size to the community, which makes it tough in areas with sparse populations, like the Northern Plains.”

Using this ‘snapshot’ for expansion plans is fairly typical for U.S. businesses and similar systems for measuring expenses are being created in other countries where traffic congestion and broadband Internet connections are combining to change development patterns, according to McNamara.

“Telecommuting is becoming more and more important,” he emphasizes. “You can now set up an office at home and telecommute, saving on fuel and wear on your vehicle. Compared to urban areas like Arlington, where people have to make higher salaries to cover the higher cost of housing and commuting (which often takes up to three hours a day), rural areas seem attractive. That’s what entices people: it’s more relaxed, with more entrepreneurial opportunities. You feel like you can take more chances in a rural setting.”

Help on the horizon

Riding the waves of opportunity generated by energy in the west and higher education (with a growing research and development sector), people like Kevin Magstadt and Clare Carlson are extending a professional hand to micropolitans and other rural communities that are in a growth mode ... some of them for the first time in two decades.

“The movement of new companies to the area has really slowed down in the present economy,” observes Magstadt, community development manager for Montana Dakota Utilities (MDU) and current president of the Economic Development Association of North Dakota (EDND). “When I started working for MDU in 1999, we were trying to develop jobs in our service area; now we’ve got over 14,000 jobs looking for workers in North Dakota, so we’re getting more selective on the development side. We don’t want to create jobs that only pay seven dollars an hour.”

Meeting twice a year to discuss development issues, the EDND helps local developers, private individuals, and government entities with networking and lobbying.

“Networking is huge among developers,” Magstadt confirms. “With our Web site and blogging, we know what’s cooking and what’s not. In the west, housing stock has become a big issue, with some small towns salvaging older homes that might have been empty for a while. It’s doubtful, though, that many of them will initiate any major infrastructure projects in the near future; they all remember the boom and bust of the 80s.”

Noting that rural people have had strong backgrounds in technical and mechanical endeavors, Magstadt feels it helps to explain why they get into entrepreneurial activities and engage in processes like the Innovate ND program that seeks to encourage the creation of new firms.

“This is a good time to be in North Dakota,” Carlson agrees. “This seems to be a time of optimism, tinged with a little anxiety over the uncertainties in the global marketplace, but more people are working together in micropolitan areas and in REAP zones and Champion communities. Let’s face it though, developers have a tough job. They have to be a jack of all trades, with lots of masters to serve and a variety of expectations. They can’t always get things done fast enough.”

For nearly eight years now, Carlson has served as state director for the United States Department of Agriculture (USDA) Rural Development, distributing funds to rural towns for business programs, housing programs, and water systems. Last year over \$92 million was distributed in the form of loan guarantees and grants in some cases.

“There is a strong sense of collaboration between USDA and Small Business Administration (SBA) in North Dakota,” Carlson says, adding, “our relationship has been recognized as the best in the country, with Jim Stai (SBA state director) and me both interfacing with so many willing bankers across the state. When you add the efforts of the Bank of North

Dakota and the Department of Commerce development fund – as well as the great efforts of our Washington delegation – it's apparent that we have the best of all worlds right now.”

Private development on the rise in the region

Interfacing with numerous entities supporting micropolitans and other rural communities is a new private source of capital and energy that was originally fueled by California investors who had faith in a Fargo native.

Mike Marcil, CEO of The Marcil Group, Inc. (based in Fargo) has found a niche in small towns across the Northern Plains, in some cases purchasing old buildings and renovating them into apartments or building new structures. Along with his wife and partner, Trish Bothum, CFO, and Art Rosenberg, president, the group began investing in North Dakota projects just three years ago.

“We got into real estate investing in 2000 in California,” recalls Marcil. “It was successful and comfortable but we were still little fish in a big pond and we started thinking of something more ... our legacy. So, late in 2005 we liquidated our California holdings and began investing in North Dakota with Jeremy Aalmond and Edwin Yeah. Jeremy had family from the Jamestown area. Now, our investment arm – St. Johns Capital Group – is bringing more local investors into the mix.”

Projects have been located in Williston, Zap, Hazen, Washburn, Glen Ullin, New Salem, Bismarck, Jamestown, Fargo, Grand Forks, and Wahpeton in North Dakota, as well as Detroit Lakes and Karlstad in Minnesota. Marcil says his team continues to look for other opportunities across the Northern Plains.

“Primarily, we focus on rural housing, with over 500 units in planning phases right now,” Marcil explains. “We also invest in small businesses in rural settings, like manufacturers. Being ‘on the street’ gives us access to lots of information, so we have found another niche as a financing partner in rural towns. With the regional economy so strong right now, it’s also time for local investors to double down on their own prosperity. We prefer working with local investors and have lots of confidence in the small towns of the Northern Plains.”

And as more people recognize the inherent value in micropolitans as worthy locations for business and housing and family-friendly lifestyles, it’s highly likely more private investors will be joining the cadre of other groups intent on restoring prairie towns that are pulling themselves back from the brink of extinction in many cases.

*(Note: The Marcil Group is not related to William Marcil, chairman and Chief Executive Officer of Forum Communications Company)*