



# **Urban America is Filling Up**

## **Opportunities for Rural America**

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## Introduction

Many years ago, when I was doing development work with [Dickinson State University](#) in southwestern North Dakota, the president of the university hosted a wonderful dinner for me, my wife, and an alumnus. This former Dickinson State graduate was a very remarkable entrepreneur developing real estate in San Francisco and then the Far East. He retained a deep love for his home state and university. During our long evening conversation, he made the point that new urban land was by and large not being created even though population continues to grow. For this reason, he was bullish on real estate development prospects. That conversation stuck with me and as I travelled across North America, I would always check out real estate listings to see residential costs. Several years ago, my wife joined me on a trip from Taos, New Mexico into the San Juan basin in southern Colorado. While basing in Alamosa, Colorado, we made a day trip to the former mining community of Creede, Colorado to take in some of the best community theater we have ever attended. Get out a map and check Creede's very isolated location. Creede is not an easy place to reach. We were struck by the real estate prices suggesting that outsiders were making Creede the site of vacation, second and primary homes.



*Creede, Colorado*

## America's Next Best Places

This pattern is repeating itself across rural America. It is a form of gentrification well known in more urban areas. As urban America fills up driving both costs and congestion upwards, Americans are looking for the **next best places** offering amenities with lower costs, less congestion and possibly less crime. For rural America, this represents a development opportunity. In this paper we provide some illustrations of this dynamic and what your community should be doing to take advantage of this national trend.

### Use of Median House Prices

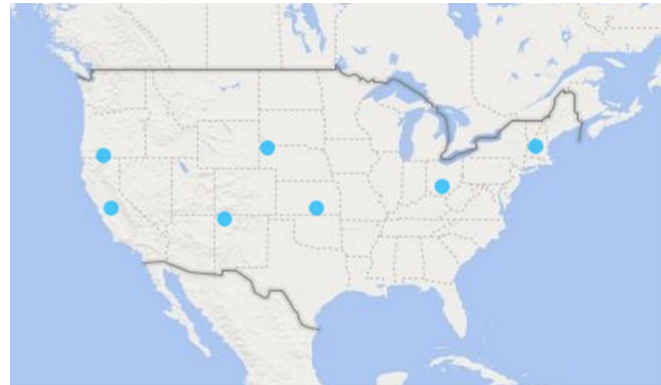
In our analysis we employ median housing prices obtained from web searches. We use this surrogate indicator to provide cost of living and doing business comparative analyses. While median housing prices has its limits as a cost indicator, it is universally available, and we have found it to be a reasonable way to compare relative cost of living and doing business between communities along the urban-to-rural continuum.

## Illustrations

We have worked in many rural regions across North America. We draw on some of these experiences to illustrate this dynamic of **push out** into rural communities, an important development trend. Here is a selection of illustrations from across America to make our point of the potential of this trend and the likelihood it may already be at work in your corner of rural America.

**Figure 1 – Map of America’s Next Best Places**

- Northwestern Nebraska
- South Central Oregon
- North Central California
- San Juan Basin
- South Central Kansas
- Central Ohio
- Southwestern New Hampshire



We begin our journey in my home state of Nebraska, tapping into some emergent work in Northwestern Nebraska.

### **Northwestern Nebraska**

For most Americans their experience with Nebraska is flying over it in a plane or driving through it on Interstate 80. These experiences create an impression of flat and uninteresting landscapes, and of endless fields of corn and pastureland. But for the residents who make their way to Northwestern



*Chadron, Nebraska*

Nebraska, the experience is different with a remarkable landscape of buttes, pine forests and a rich history. Northwestern Nebraska and the community of Chadron is a gateway to the Black Hills of South Dakota, Mount Rushmore, the Badlands, and further west, Devils Tower. One would not think of Chadron and Dawes County being a destination for new residents, but it is and has potential for more such development. Employing our median housing cost indicator consider the cost-of-living differential in three high amenity landscapes in this region of America:

- Estes Park, Colorado & Rocky Mountain National Park - \$500,000+
- Custer, South Dakota, and Custer State Park - \$294,000
- Chadron and Dawes County, Nebraska - \$135,000

While we could argue the vistas and amenities are clearly greater in Estes or even Custer, Chadron is one of those **next best places** offering special amenities at a cost significantly lower than Estes or Custer. On a typical summer weekend in Chadron, one is unlikely to experience traffic jams that are common in Estes.

### **Median and Mean?**

A median value is the mid-point where half of the housing has prices below this value and half have prices above this value. The mean value is the average where total housing value is divided by the number of housing units. So, when a community has a median housing value of \$500,000, 50% of the



housing units have prices above \$500,000. Of course, there is housing that is lower than this mid-point and depending upon the community there may or may not be “affordable” housing as illustrated in the San Francisco housing market.

## South Central Oregon

For the past few years, we have been fortunate to work with Kat Rutledge and Klamath IDEA on entrepreneurship. Klamath Falls anchors a relatively large rural region in south central Oregon and northern California. Klamath Falls has struggled with the decline of forest related industries ranging from processing to value-added manufacturing. When we completed our last [Development Opportunity Profile](#) for Klamath County, we identified new resident attraction as a clear emerging trend and opportunity. There was some disbelief and pushback, but evidence of Klamath Falls being one of those next best places is emerging. Consider the cost differentials again using median housing costs:



*Klamath Falls, Oregon*

- Klamath Falls, OR - \$186,000
- Medford, OR - \$335,000
- Bend, OR - \$529,000
- Portland, OR - \$500,000+

Residents from the Bay area, Portland and Seattle have been moving into Medford and Bend for some time reflecting rising median house prices. As cost and congestion increase in Bend, Medford and other “discovered” communities, places like Klamath Falls with strong amenities are likely to see this kind of development in the coming decades as these other communities fill up economically and spatially.

## North Central California



*Modesto, California*

A number of years ago we completed a Transfer of Wealth study for Modesto and its county. Modesto is located in California’s Central Valley and just over the mountains to east from San Francisco and the Bay Area (e.g., one of the most expensive areas in the U.S.). While we were doing this study, it was announced that significant new investment into commuter rail services would dramatically increase the connections between Modesto and the Bay Area. This announcement caused us to explore the implications of enhanced commuter rail services between the employment centers in the Bay Area with very high cost of living and

the more affordable cost of living in the Modesto area. Consider the median housing price differentials for selected communities in this corner of America:

- San Francisco, CA - \$1.4 million
- Modesto, CA - \$359,000

With enhanced commuter rail service, a worker could connect to remarkable job opportunities in the Bay Area but have significantly lower cost of living in the Central Valley around Modesto. Long story short we changed our projections to reflect this new reality and opportunity.

## San Juan Basin

One of my favorite landscapes in North America is the San Juan Basin running from Santa Fe, New Mexico in the south to Alamosa, Colorado in the north. There are 14,000-foot-high mountains, forests, deserts and the remarkable art and cultural environment in this culturally rich region of America. As we explored that vast region spending time in Santa Fe, Taos, and the Alamosa region in Colorado it was clear there were powerful cost of living differentials at work. Consider the following employing median housing prices:

- Santa Fe, NM - \$536,000
- Taos, NM - \$273,000
- Monte Vista, CO - \$158,000

For someone who wants to be part of the San Juan Basin art and culture scene, Santa Fe and Taos may just be too expensive for a gallery, work studio and home. But in communities like Monte Vista availability of historic brick buildings in downtown offers both significantly lower costs and access to this region's art environment and markets. Many years ago, we did a major study of the San Juan Basin in Colorado and visited Monte Vista with its declining main street. During our last visit to Monte Vista, we experienced a thriving and beautifully renewing downtown in large part to the arts and culture ventures taking advantage of Monte Vista's historic buildings and lower costs.



*Monte Vista, CO*

## South Central Kansas

Many Americans would not consider south central Kansas as amenity rich when compared to Santa Fe, Estes or even Klamath Falls, Oregon. But perceptions are relative, and each region of the country can offer unique and genuine assets attractive to certain groups of people. Even in south central Kansas we see a similar dynamic. Consider the median housing prices for the following communities:

- Overland Park, Kansas (metro Kansas City) - \$350,000
- Wichita, KS - \$174,000
- Hutchinson, KS - \$117,000



*The Flint Hills*

For someone wanting a more rural life or maybe acreage with room for horses there is huge price differential where a home in Overland Park can translate to a small ranch in the Chautauqua Hills. The regional assets of the Flint Hills and Chautauqua Hills represent some of the largest native grassland remaining in the United States. For some this is heaven.

## Central Ohio

Over the years we have periodically worked with Pickaway County, Ohio due to our friend, mentor, and colleague Shirley Bowser. Shirley's family were early pioneers settling in central Ohio. Shirley is a powerhouse and remarkable woman. Because of Shirley we have done a lot of work in Pickaway County, Circleville (county seat) and the greater Columbus, Ohio metropolitan region. Pickaway County and Circleville are located directly south of the Columbus metro. The northern part of the county is being suburbanized as Columbus spreads south, the central part of the county is rich commodity agriculture country, and the southern part of the county is the beginning of Appalachian Ohio. Even here we find the same dynamic:

- Columbus, OH - \$230,000
- Circleville, OH - \$140,000

Urban sprawl and suburban development have been powerful spatial and economic forces since the first trolley lines made it possible to live on the edge of cities and commute in. Columbus has a huge multi-county metropolitan footprint. Adjoining counties have or are filling up with rising living and business costs and congestion. Pickaway County is one of those next best places. *Note - Columbus is now working hard to control urban sprawl and foster urban infill.*



Circleville, Ohio

## Urban Sprawl

Urban sprawl is a huge issue and an unsustainable land use trend in the United States. Cities like Denver, Houston, Los Angeles, and Phoenix have massive urbanizing footprints. Every year precious high-quality farm ground is lost to urbanization. In the Rocky Mountain West, urbanization into the mountains and forests have created very serious wildfire implications. Movement of urban residents to more rural communities with available real estate can be a dually good thing in reducing urbanization and creating renewing development in rural communities. Regardless of a major metro region like the Denver Front Range or a rural urbanizing community like Plattsmouth, Nebraska, land use planning and natural environment protection is foundational to a more sustainable and asset-rich environment.

## Southwestern New Hampshire

Recently we have been advising the [Hanna Grimes Center for Entrepreneurship](#) based in Keene, New Hampshire, on story capture. Stay tuned for when this remarkable story becomes available. Keene is located in extreme southwestern New Hampshire. By northeast U.S. standards it is relatively rural and remote. Keene is a hub city in this region of America hosting two higher education institutions, insurance, and tourism sectors. For some time, the Boston metroplex has been moving north towards





Portland, Maine and northwest into Manchester and southern New Hampshire. The politics of New Hampshire are changing due to growing Boston in-migration. Keene and this part of New Hampshire by and large have not been affected by the Boston footprint. Time will tell as this megaplex continues to grow whether Keene will be impacted. Consider the median housing price differences for selected communities:

- Keene, NH - \$227,000
- Manchester, NH – \$279,000
- Boston, MA – \$585,000

With these short illustrations in mind, we now turn to what your community can and must do to connect to this trend and development opportunity.

## What Your Community Should Be Doing!

In this paper we will not go very deeply into strategy or tactics in positioning your community for connecting with this urban-to-rural trend and development opportunity. Our paper, [Likely Entrepreneurial Development Opportunities](#) suggests trends and strategies for rural community consideration. But we cover some basic considerations here:

1. Become aware of and track the trends.
2. Check out how welcoming your community is today.
3. Do not underestimate the change forces with these trends.
4. Work proactively with developers.
5. Protect genuine assets.

**Become aware of and track the trends.** Your first action is to begin to learn about this trend and explore if it is in play in your region of America. Work with local real estate agents, educators, and others with ground knowledge to explore who is moving into your community and why. Consider hosting focus groups or one-on-one coffees to learn more.

### Aspen, Colorado and Rural Gentrification

Aspen, a historic silver mining community located in the heart of Colorado’s Rocky Mountains, went into deep decline following the closure of the mines. For decades this isolated rural community moved into decay. Aspen could have become one of those ghost towns common in Western America. Early in our family’s life, my father lived in Glenwood Springs, Colorado up the road from Aspen. He worked for a construction firm building houses in Glenwood Springs. Periodically he would work on a project in Aspen. His boss and owner of the company encouraged my Dad to invest in Aspen real estate. Dad was remarkably bright but practical and could not see the opportunity Aspen, with its drop-dead vitas and assets, and did not invest. Long story short the growth in winter sports and particularly snow skiing revitalized Aspen. Over the years Aspen went from a hard-to-get-to frontier skiing to a community where millionaires brushed shoulders and now a community dominated by billionaires with jet service (both private and public) serving this remote location. Aspen has experienced dramatic gentrification

dislocating residents who simply could no longer live in this increasing dense and expensive community. Most communities in rural America will never experience the forces that Aspen experienced. But addressing the forces of gentrification impacting communities like Bend and Medford, Oregon is important.

**Evaluate how welcoming your community is today.** Our friends and colleagues Frank and Kimberlee Spillers from southwestern Iowa employ an exercise with rural communities where participants are asked to describe the “perfect” person to attract to their community and why. Often times the responses are telling where participants describe people very much like themselves. Reality is America is increasingly diverse. Even our children and grandchildren may hold different customs, generational views, politics, and faith beliefs. Becoming a welcoming community means embracing diversity in its fullest dimensions as an asset and opportunity and not a threat to us.

**Do not underestimate the change forces with these trends.** Most communities do not need to fear gentrification like is occurring in Aspen and other high-amenity communities. Nevertheless, when conditions are right, the forces of change can be powerful. A number of years ago we were partnering with the Nebraska Community Foundation and the community of Plattsmouth located south of Omaha near the Missouri River. Plattsmouth was rural and doing okay.

While visioning with leaders, community builders and residents in Plattsmouth, our analytics identified the potential for significant urbanization south out of Omaha. During our community conversations it was challenging for those engaged from the community to visualize that this could happen and how profoundly it could change the community creating both opportunity and reorientations within the community with new players (e.g., developers, businesses, leaders, etc.) and residents. As U.S. Highway 75 was upgraded to four lanes, urban growth moved south, and this process is now evolving in Plattsmouth. It is critical that communities understand how this process occurs, its pacing, and actions a community can take to protect what is old and treasured while embracing what is new creating opportunity.

**Work proactively with developers.** Most urban-to-rural migration is relatively small where people discover a community and begin to move there (e.g., no massive in-migration). One example is a favorite rural community of ours at e2-- Red Cloud, Nebraska. Red Cloud is located in extreme south-central Nebraska. It is rural, small (about 1,000 residents) and relatively isolated. It is like hundreds of small rural communities throughout the Central Great Plains Region rooted in commodity production agriculture and the associated culture. But Red Cloud is also unique in that it is the home of 19<sup>th</sup> Century author Willa Cather (e.g., *O’Pioneers* is an example of one of her most popular books). Many of Cather’s stories are rooted in the people and places of Catherland. Even though she is deceased, and it has been a long time since her last writings, there is a strong niche with national and even international fans. Each year 10,000 to 20,000 people find their way to Catherland to visit and explore Willa Cather. The Cather Foundation, City of Red Cloud, Red Cloud Community Foundation, and others have created significant assets attractive to retiring newcomers. With small public schools, a hospital and housing assets, Red

### Welcoming Community

Rural communities can be parochial and unwelcoming. In order to position your community for tapping into this trend and development opportunity your community must become a welcoming community. For some communities there will be no choice as developers and new residents will come because of location and costs. When this powerful dynamic comes into play communities will fundamentally change and can experience the worst of rural gentrification.



Cloud is also a growing bedroom community to the employment hub of Hastings and the rapidly growing Tri-Cities Region in Nebraska.

We share this Red Cloud story because it illustrates our fourth point of working proactively with developers. Central to Red Cloud's attraction is a community trapped in time with little growth since 1900. It has historic, period housing and commercial buildings. While many if not most are in decay, Red Cloud has worked with private and public developers who are committed to saving and repurposing this real estate into museums, bed and breakfast lodging, private housing, the Moon Block with the Cather Center and Opera House (location of live entertainment regularly) and now the redevelopment of several downtown buildings into a beautiful boutique hotel. Working with the right developers who embrace your community's assets and values can ensure change is more positive.

**Protect genuine assets.** Rural Americans are practical. Why save an 1880 building that has declined where the cost of restoration greatly exceeds something new? Our story from Red Cloud highlights the importance of protecting genuine assets like historic real estate, festivals and customs, favorite cafes or bars, and natural areas. People moving to rural American want value, less congestion, and welcoming communities, but they also want authentic communities. This is the appeal of Aspen, Colorado, Keene, New Hampshire, and hundreds of rural communities throughout the United States. Community leaders must fight the practicality of saving a few dollars and work hard to protect these unique and genuine assets that truly make our communities special.

#### **Ben Winchester's Rural Narrative**

Ben Winchester with the University of Minnesota Extension is a remarkable national researcher and thought leader. He is crafting a very important alternative rural community narrative based on more granular analysis of rural demographic trends. Check out Ben and this important [work](#).

## **Conclusion**

We hope this paper demonstrates how urban outmigration is creating opportunities for rural communities across the vast landscape we call North America. In time we will build out more detailed strategies and granular tactics associated with this entrepreneurial development opportunity. We welcome your input, stories, and questions. Engage in the conversation and share back by contacting Don Macke at [don@e2mail.org](mailto:don@e2mail.org).

## How e2 Can Help



**e2 Entrepreneurial Ecosystems** helps communities increase prosperity through entrepreneur-focused economic development and ecosystem building. Led by [Don Macke](#), e2 has a national team of practitioners who bring research, coaching, incubation, market intelligence and other expertise to this work.

## What We Do

- ✓ **Mentoring.** We mentor and coach new practitioners seeking to pursue entrepreneur-led development. We provide advice and support for building eEcosystem strategies that work and invite practitioners to join our [National e2 Practitioners Network](#).
- ✓ **Analytics Support.** e2 helps communities and regions understand their entrepreneurial potential through research and data.
- ✓ **e2 University (e2U)** is our online platform for sharing guides, papers, stories, tools, and resources with communities wanting a deep dive into eEcosystem building. Don Macke leads the [e2 University](#) team with analytics support from **Cathy Kottwitz** and report preparation from **Ann Chaffin**. Special recognition for their e2U legacy contributions goes to **Dana Williams** and **Deb Markley**, LOCUS Impacting Investing.
- ✓ **Fostering the eMovement.** We support the national entrepreneurship movement along with our partners including the **Federal Reserve Bank of Kansas City**, **SourceLink**, **Edward Lowe Foundation**, **Kauffman Foundation**, and **NetWork Kansas**. We are a founding member of **Start Us Up: America's New Business Plan**, a coalition dedicated to strengthening entrepreneurship across America. Together, we continue to advance the foundational ideas of building entrepreneurial ecosystems and entrepreneurship-led economic development.

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[NetWork Kansas](#), a 501c3 nonprofit organization dedicated to developing an entrepreneurial ecosystem in Kansas, is the home for e2 Entrepreneurial Ecosystems. NetWork Kansas connects aspiring entrepreneurs, emerging and established businesses, to a deep network of business building resource organizations across the state.

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