

Expanding Oklahoma's Prosperity One Dream at a Time

SCOTT DEWALD

President and CEO
Rural Enterprises of Oklahoma

The views expressed in this article are those of the individual author/authors and do not represent the views of or an endorsement by the Federal Reserve Bank of St. Louis, the Federal Reserve Board of Governors, or the Federal Reserve System.

Growing Businesses, One Pumpkin at a Time

Just inside the shore of Lake Texoma, nestled along a narrow road among rows of blooming pumpkins, lies the fruit of REI Oklahoma's labor. Platter Flats Pumpkin Patch, located in Calera, Oklahoma, is much more than a pumpkin farm. Featuring an outdoor event space, the rural small business provides the perfect place for birthday parties and private events and, of course, offers a pumpkin patch with a variety of pumpkins and gourds. The veteran- and Native American-owned company hosts outdoor movie nights and Christmas Market at the Farm, and provides several activities such as hayrides, a hay tower, pumpkin bowling and a hay maze. Inside the barn, you'll find handmade crafts, candles and seasonal merchandise for sale.

Owners Brandi and Guy Burkhalter created Burkhalter Family Farms to provide new and fun activities for the community, while instilling in their children a desire to work hard. Starting from nothing but dirt and weeds, the family planted 20 acres of pumpkins and gourds, and built a custom facility on the property. With training and guidance from REI Oklahoma and its partners, Burkhalter Family Farms is thriving.

There Had to Be a Better Way

In an urban setting, perhaps this success story carries little weight. However, in rural Oklahoma, having overcome the hurdles, obstacles and trials faced by rural entrepreneurs, this small business has reason to celebrate. It creates much-needed jobs. It inspires additional economic growth in the region where the business is located. And most importantly, it helps ensure that rural America continues to thrive. For decades now, supporting small businesses in rural Oklahoma has been no small task; it is a heavy lift. For REI Oklahoma, it means early morning, state-crossing road trips and after-hours business coaching. It means overcoming barriers to technology access and crafting custom solutions to small-town business problems. It means fine-tuning a successful process for nearly 40 years.

So, who is REI Oklahoma, and what is its influence on Oklahoma's rural economy? As small retail and agriculture-related businesses and industries began to exit rural areas of Oklahoma to urbanize their operations in the early 1980s, it became increasingly difficult for rural entrepreneurs to gain momentum, access funding and seek sound guidance. Fueled by the disappointment and discouragement of rural Oklahomans, the organization took form at that time with an enduring mission to expand economic opportunities for Oklahomans by providing flexible financing and development services to individuals, businesses and entrepreneurs with limited access to resources. It began with the vision of a man who understood the limitations brought on by poverty, a lack of jobs and a lack of opportunities. He understood those obstacles because he witnessed them take place among his family, friends and neighbors as he grew up in rural southern Oklahoma. Honoring those childhood roots, economic influencer and congressman Wes Watkins began garnering support for rural business owners and leveraged his position as an elected lawmaker to establish what is now known as REI Oklahoma.

Originally, the chief complaint from Oklahoma's rural small-business community stemmed from a lack of funding. When it came to obtaining financing for well-thought-out business concepts, rural entrepreneurs garnered little support from their local financial institutions. At the time REI Oklahoma was being conceptualized, community banks were struggling with increasing federally imposed lending limits and weren't in a position to assume the risks that were being presented by financing rural small-business startups. Therefore, that became REI Oklahoma's first problem to solve—finding a way to deliver attainable financing to rural Oklahoma's entrepreneurs. Since that initial challenge, the organization has continued to identify hurdles and deliver holistic solutions to aid not only the state's rural business community but urban entrepreneurs as well.

The Right Programs, at the Right Time, in the Right Place

Today, the solutions offered by the mission-based nonprofit organization are relevant, yet diversified. Remaining a key offering, business loans ranging from \$1,000 to more than \$10 million are made available by partnering with private-sector lenders to provide U.S. Small Business Administration (SBA) Section 504 loans to Oklahoma businesses. The types of businesses currently

utilizing SBA 504 funding include health care (16%), manufacturing (12%), auto-related (7%), hotels (6%), convenience stores (5%), entertainment (2%), supermarkets (2%) and other (50%).

Direct lending and equity investments are also made available to small-business owners. The availability of direct loans is a result of 40 years of creating organizational loan pools to finance business opportunities. Maintaining a strong balance sheet has allowed REI Oklahoma to leverage its own resources to fund business ideas. Direct-loan recipients currently include service-related (53%), retail (26%), health care (6%), learning centers (6%), manufacturing (7%) and miscellaneous (2%).

REI's New Markets Tax Credit (NMTC) program helps attract new investments into Oklahoma by providing investors a tax benefit through a 39% federal income tax credit for investments into a qualified business. This spurs job growth in underserved communities, breathes new life into sometimes long-vacant or underutilized buildings, and paves the way for new residential, retail, office and industrial space. The types of businesses currently utilizing NMTC funding include manufacturing (46%), health care (29%), service-related (12%), real estate (10%) and hospitality (3%). As the state's leading mission-based lender, REI Oklahoma maintains a pipeline of potential development projects, including those benefiting from New Markets Tax Credits, equity investments, business startup financing and business expansion lending programs.

Funded in part through a cooperative agreement with the SBA, REI Women's Business Center has reached more than 30,000 entrepreneurs since opening its doors, providing training workshops, business consulting and networking opportunities. Frequently working as a one- or two-person operation, small-business owners find their most valuable resource to be time. This valuable time can quickly become consumed by bookkeeping or marketing tasks that business owners lack knowledge of or simply dislike. While paying for such services may seem like an alternative, doing so can be taxing on the budget, and a business owner in a small town may not have access to subject matter experts such as accountants, tax advisers, social media managers, and the like. In response to this need, the Women's Business Center provides versatile training for both men and women to foster efficient and effective business practices.

From one corner of the state to the other, the center trains Oklahoma entrepreneurs wanting to explore the opportunities of starting or expanding a business. The center is a place where entrepreneurs gain support, encouragement, strength and answers, and celebrate successes. It offers courses that address the current needs and interests of entrepreneurs, as well as delivers one-on-one business guidance. The Women's Business Center team collaborates with chambers of commerce, Main Street programs and educational institutions to develop curriculum, co-host events and generate event awareness throughout the state.

Collaborative

The Women's Business Center team collaborates with chambers of commerce, Main Street programs and educational institutions to develop curriculum, co-host events and generate event awareness throughout the state.

In response to the lack of access to professional services and resources by small-business owners who struggle with bookkeeping, REI Oklahoma leverages the expertise of its in-house accounting staff to provide hands-on guidance. Business owners cannot make well-informed decisions without well-kept books, which can also create obstacles when accessing financing. The QuickBooks-certified accountants offer assessments of current practices, recommend more-efficient processes and work to correct issues that may exist in a client's current bookkeeping setup.

REI's Minority Business Center provides professional business consulting services and technical assistance to Native Americans as well as other minority-owned entrepreneurs to help them manage, sustain and grow their businesses. The Minority Business Center is partially funded by the Minority Business Development Agency's Business Center program. While government contracts are made available to specifically minority-owned businesses, the process for obtaining these contracts can be overwhelming. The Minority Business Center provides guidance to help businesses earn minority certifications, including 8(a) and HUBZone, through the SBA. It also creates opportunities for minority-owned companies to achieve new growth and pursue government-related contracting opportunities. Assistance is available for all

stages of business from startup through expansion and includes services such as marketing assistance and business plan development.

Inclusive

REI's Minority Business Center provides professional business consulting services and technical assistance to Native Americans as well as other minority-owned entrepreneurs to help them manage, sustain and grow their businesses ... [and] provides guidance to help businesses earn minority certifications ... and pursue government-related contracting opportunities.

Early on, REI Oklahoma recognized the need for commercial business space suitable to accommodate many types of both startups and expanding businesses. As with most of REI Oklahoma's programming, the commercial space offerings have evolved over time and continue to provide a safe, functional environment for entrepreneurs to put their great ideas into motion. The benefit of operating a business within the REI Oklahoma space lies with the business assistance that is included, which helps occupants reduce the risk of failure during the early stages of the business life cycle, when small enterprises are most susceptible.

Passionate about helping food-related businesses grow and succeed, REI Oklahoma helps jump-start these businesses by providing entrepreneurs with a flexible commercial kitchen space and the necessary equipment and tools at flexible prices. The commercial kitchen at REI Oklahoma strives to foster entrepreneurship, good food and community by providing a supportive environment for new and aspiring food professionals, such as caterers, bakers and personal chefs, and farm-to-market vendors, meal-prep businesses, small-scale food manufacturers/packagegers and food truck vendors.

In 1998, REI Oklahoma noticed that a lack of quality housing was preventing businesses in the state from recruiting and retaining employees. To address this need, the organization began providing down payment and closing cost assistance to help working families become proud homeowners. Addressing the state's need for access to homebuying options has, in turn, helped employers recruit and retain a quality workforce. Increasing

homeownership within the state has given stability to both rural and urban communities, and helps the local community through increased tax revenue. REI Down Payment Assistance gives low- and moderate-income individuals and families in Oklahoma down payment and/or closing cost assistance through partnerships with participating mortgage lenders. Now a NeighborWorks Chartered Member, the program has helped thousands of Oklahoma families achieve the dream of homeownership.

What Makes It Work?

REI Oklahoma has focused on successfully cultivating an environment conducive to economic growth and job creation for nearly four decades. So, what makes it work? Mobilizing the passion of the state's entrepreneurs and coupling it with the organization's team of highly talented difference-makers ensure no job is too big or too small. REI Oklahoma uses these five goals in a strategic plan as guiding principles and a road map:

- *ACHIEVE* Organizational Excellence. Ensure that the organization's vision, mission, goals and strategies are supported by a strong, fiscally sound, diverse and economically sustainable operation.
- *BUILD* a Great Team. Recruit and retain an engaged, high-quality and diverse team of professional staff and volunteer leaders.
- *CREATE* Wealth. Support wealth-creating businesses and equity-building homeownership programs through mission-focused financing.
- *DEPLOY* Relevant, Impactful Programs. Provide high-quality programming and deliver exceptional and relevant client value.
- *EXPAND* Strategic Business Alliances. Use strong collaborations to create economic growth and jobs.

Practicing what it preaches to aspiring entrepreneurs, REI Oklahoma maintains a diversified product mix and pays close attention to economic fluctuations, ensuring both that the varying needs of small-business owners are continually met, and that the health and vitality of the organization remain strong. Depending on the current state of the economy and the goals of clients, programs come and go. Just as small businesses often experience, today's "loss leader" program can quickly become tomorrow's "cash cow."

Perhaps this keen focus on delivering a variety of programs has been a chief contributor to REI Oklahoma's enduring influence. Acknowledging that it can't support clients if it doesn't first take care of itself, REI Oklahoma continually seeks qualified, sustainable programming.

Resilient

REI Oklahoma maintains a diversified product mix and pays close attention to economic fluctuations, ensuring both that the varying needs of small-business owners are continually met, and that the health and vitality of the organization remain strong. ... Acknowledging that it can't support clients if it doesn't first take care of itself, REI Oklahoma continually seeks qualified, sustainable programming.

Operating with a small team of approximately 40 staff, REI Oklahoma finds covering all 77 counties in the state can be challenging. To better saturate the small-business community, and to more effectively gauge the interests of its target audience, the organization maintains an extensive collaboration with statewide community development partners and assists those partners in completing various development projects to create jobs and help their respective communities thrive. A recent example includes participating in the Ada Jobs Foundation's Entrepreneurial Summit, focused on the uniqueness of building rural entrepreneurial ecosystems. In alignment with REI Oklahoma's vision to expand the state's prosperity, these long-standing partnerships and strategic alliances with like-minded economic and community developers within the state are key to infiltrating every rural community in need of support. With momentum from its volunteer board of directors strategically located throughout the state, REI Oklahoma is well-positioned to catalyze these relationships to identify opportunities to support rural communities across Oklahoma.

