



## Measuring Success in Communities: Understanding the Community Capitals Framework

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*The Community Capitals Series introduces the concept of measuring success in communities based on seven dimensions called community capitals. Capital is any type of resource capable of producing additional resources. When those resources or assets are invested, they become capital (Flora, et al. 2004). Community capitals are all of the things in a community that have the potential to be a resource that can be invested, saved, or used up. This is the first part of the series, an introduction to the community capitals framework.*

The community capitals framework reveals the interactions between different parts of a community. Communities are systems that have inflows and outflows, ups and downs, progression and regression.

For example, when money is invested in a new factory in the community, the system is affected either positively or negatively; more jobs, increased populations, increased pollution, decrease in unemployment, new housing developments, increased crime rates, and new immigrant populations are just a few of the new issues to be dealt with. From an economic development perspective, bringing a new factory to town seems like a great solution, but it must be understood that it will have an impact on other facets of the community.

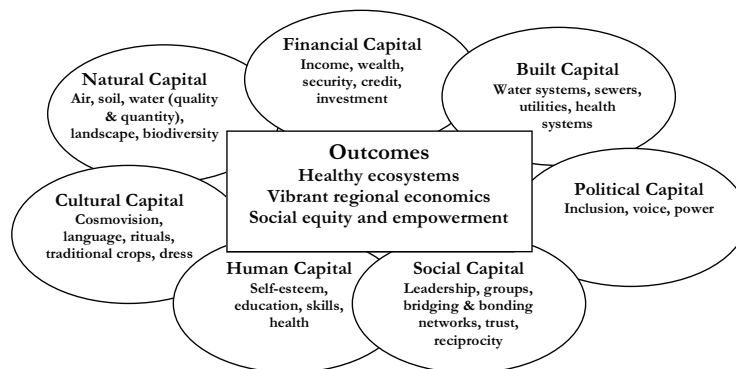
Communities actively looking to the future can use community capitals to measure current resources and identify the potential for improvements. Researchers have listed seven types of community capital that can be used as a gauge of how community resources are being used:

**Natural Capital**—the environment, natural beauty, lakes, rivers and streams, forests, wildlife, soil, the local landscape.

**Cultural Capital**—ethnicity, generations, stories and traditions, spirituality, habits, and heritage.

**Human Capital**—all the skills and abilities of people, leadership, knowledge, and the ability to access resources.

The seven types of community capital can also be depicted by the following model:



Olson, David P. 2006. *Factors Contributing to the Growth of a Small Town*. Ph.D. dissertation, Department of Rural Sociology, South Dakota State University, Brookings, SD. Adapted from Comelia Flora's presentation slides (2005).

**Social Capital**—groups, organizations, networks in the community, the sense of belonging, bonds between people.

**Political Capital**—connections to people in power, access to resources, leverage, and influence to achieve goals.

**Built Capital**—buildings and infrastructure in a community, schools, roads, water and sewer systems, and main streets.

**Financial Capital**—money, charitable giving, grants, access to funding and wealth.

### Understanding the Community Capitals

One way to understand the capitals in a community is to think of them as a community bank with seven accounts. Each bank account holds the strengths, skills and opportunities available to and residing within community members. The contents of each account may be spent, invested, squandered, or used up, depending on how people choose to use these resources.



- Environmental Account - Healthy air, water and soil, forests, mountains, natural beauty
- Cultural Account - Stories, traditions, spirit, attitude, habits
- People Account - Skills, abilities, leadership, knowledge, wisdom
- Network Account - Bonds among family & friends, ties to organizations & resources
- Power & Connection Account - Connections with political and local leaders, voice and power
- Building & Infrastructure Account - Telecommunications, roads, industrial parks, main streets
- Financial Account - Money, access to funding, grants, wealth

### Investing in Communities

While the capitals are separated into seven separate categories, each of them has a connection with each of the other types. If a community wants to build a new swimming pool, for example, it must be able to invest several of the community capitals to reach their goal. Here's how it could work: Interested community members form a "Build Our Pool" group to work on the project, and they partner with several local civic clubs to hold fundraisers (Human, Social and

Financial Capital). The mayor and city council agree to support the project with funding and an available vacant lot with access to the city water system (Political, Built and Financial Capital). The community pool project becomes a success!

Five of the seven capitals were needed in this example to reach the goal and the two remaining capitals could easily be added to the equation. For instance, Cultural Capital could be included by holding fundraisers that promote the local heritage or traditions, such as a German supper or a Native American wacipi. Natural Capital could be added by including improvement of the local landscape, where the vacant lot that was once an eyesore can become welcoming and attractive by adding trees and grassy areas around the pool.

### How Does Your Community Measure Up?

Once you have identified the capitals in your community, you can use them as a tool for planning for the future. You find where your strengths are. You can identify where you need assistance and where to develop partnerships if community capitals are lacking. To learn more, read about each of the seven community capitals in the Community Capitals Series of Extension Extras:

- ExEx16006, Natural Capital
- ExEx16007, Cultural Capital
- ExEx16008, Human Capital
- ExEx16009, Social Capital
- ExEx16010, Political Capital
- ExEx16011, Built Capital
- ExEx16012, Financial Capital

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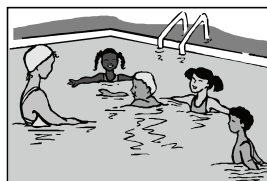
Build Our Pool Group +



Fundraising Partners +



Local Government Support =



Pool Project is Complete

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## Community Capitals: Natural Capital

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Natural Capital consists of all the natural resources available to a community. Examples include water, air, soil, biodiversity, and landscape. These natural resources may be scarce or they may be found in abundance in your community.

Natural Capital adds to the richness of our communities. Depending on where you live, you may benefit from wildlife habitats, wind power, water resources, and fertile soil ideal for farming and ranching. Or you may have resources like minerals, timber, oil, and natural gas. In its purest form, Natural Capital is something that already exists and is not made by human hands.

These natural assets not only add to the beauty of where we live, but also affect the economy, as they attract visitors and new residents who increase sales revenue and create business opportunities. Remember, capital is defined as a resource that is capable of producing additional resources. It can be enhanced, changed, used, or used up.

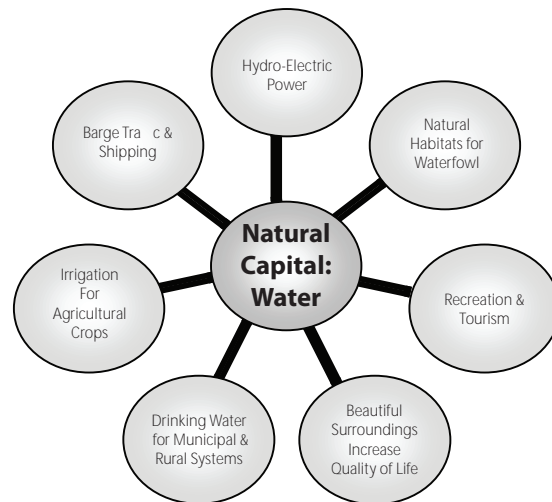
### Water as a Natural Capital

As an example of Natural Capital, consider water. Water as a Community Capital can provide financial impact by fostering tourism, which increases the economy. But water also has other impacts that cannot necessarily be measured by dollars and cents, such as increasing the quality of life for people who enjoy the outdoors and for families who may spend more time together because of the opportunity to engage in recreational water sports. This resource adds to the overall value of the community.

If a river is used for recreation and tourism (Social Capital) that will increase the amount of money available in the economy (Financial Capital) to be used for community improvements. But tourism and recreation can take away land that birds and wildlife once occupied, potentially having a negative impact on the environment (Natural Capital). Each of the capitals are connected and impact each other based on their use, either positively or negatively.

### A Great Investment to Protect

Natural Capital can also be affected by things that are beyond our control. For instance, droughts and floods impact our rivers and lakes, fires can wipe out entire sections of forest land, or humans can overuse natural resources until they are permanently depleted.



In a state that relies heavily on agriculture and tourism for economic well-being, South Dakota has a great investment to protect. Our soil, our rivers and lakes, our mountains and prairies are all wonderfully unique, and communities need to recognize how best to use these resources.

### **Balancing the Community Capitals**

The use of Natural Capital may also depend on who owns it, or who has the rights to it. For instance, land use and land management may come under the jurisdiction of local, state, and/or federal entities. Zoning regulations and ordinances are often designed to both protect certain natural assets as well as to take advantage of them when considering community growth.

Sometimes uses of the capitals can clash, for instance, when a company wants to establish a factory in a community and the community doesn't want it. The problem, popularly known as "NIMBY," or Not In My Backyard, is a perfect example of how communities choose to balance the uses of community capitals. While the addition of a factory can enhance Financial and Built Capital, the community members may value the other capitals more, including land, air, and water quality (Natural Capital) or quality of life (Social and Cultural Capital). This example further supports the fact that community capitals are a complex system.

State park areas are a good example of the balance between using the resources as well as conserving them. They pro-

vide ways to take advantage of the existence of these natural resources while taking steps to ensure that these areas are kept intact for future users. The delicate balance of using Natural Capital for both public and private good while being aware of the need to preserve things for future generations is the challenge facing communities today.

What kind of Natural Capital exists in your community? What are the benefits? What is the potential? What are the concerns? What is the best use of these natural resources? These are questions that communities need to consider as they plan for their future, understanding that there is an interconnection between each of the Community Capitals.

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## Community Capitals: Cultural Capital

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Cultural Capital consists of symbols and language, festivals, celebrations, and events. Cultural Capital is our shared identity, things that make us feel like a community.

Cultural Capital gives each community its own distinctive character. Many communities have festivals celebrating their heritage, celebrating events and common themes that exist by living in that community. Cultural Capital is also formed when communities live through historic events together, for instance in the Midwest in the Dirty 30s or in a New York neighborhood during the terrorist attacks of 9/11.

Cultural Capital is part of our identity, our traditions, and our understanding of each other. Cultural Capital can be framed by common occupations such as farming and ranching. Cultural Capital can also be related to a common attitude; for instance, Midwestern people are typically known for their strong work ethic and can-do attitudes. Everything that shapes our lives—our families, our spirituality, our history, and our ethnicity—is part of our Cultural Capital.

### Cultural Capital as a Resource

Cultural Capital can be used as a resource in the form of museums and historical societies that help to preserve history and also attract people to visit the community. Recall that Community Capitals are interconnected: communities that do Main Street revitalizations with historic store fronts are using their Cultural Capital to develop other kinds of community capitals such as Financial and Built Capital.

An example of using Cultural Capital for economic gain through tourism is the community of Deadwood, S.D. Deadwood's rich history as a gold rush town of the 1870s has led to the preservation and restoration of the community. Along with the addition of gaming activities, Deadwood has established itself as a National Historic Landmark, using its Cultural Capital to its advantage.

But for every positive change in enhancing their Financial Capital through economic development, Deadwood residents would also tell you that there have been negative impacts as well. This demonstrates that the seven community capitals are interrelated and that communities who make plans for the future need to consider how decisions will affect the community as a whole.

### Unique Cities and Towns

Another example of using the Cultural Capital in a community is advertising and hosting events that highlight the community's claim to fame. Here in South Dakota we have many examples including the Rhubarb Capital of the World (Leola), Pheasant Capital of the World (Redfield and others), Home of the World's Only Corn Palace (Mitchell), Potato Capital of the World (Clark), Hay Capital of the World (Gayville) and many more. Communities use these common themes to create festivals and events while promoting tourism and economic growth; all of which enhance other community capitals.

### **An Example of Cultural Capital as an Asset**

The Fort Sisseton Historical Festival is held every June at a former Army outpost built in 1864. It features reenactments of frontier life at the fort, military demonstrations, music and dancing, storytelling, exploration of the fort grounds and buildings such as officers' quarters and Army barracks, blacksmith shops, and dozens of historical exhibits. This Cultural Capital can be used to enhance the six other community capitals as follows:

#### **Natural Capital**

The state park offers nearby fishing, canoeing, and camping areas. The Fort is located at the top of the Coteau des Prairies, in the heart of the glacial lakes region of northeast South Dakota.

#### **Human Capital**

The Fort Sisseton Historical Festival benefits from the festival's planners, presenters, and historical reenactors who share their knowledge and expertise of frontier life. Volunteers provide time and labor.

#### **Social Capital**

Groups work together each year to plan the festival, partnering with state agencies, committees, vendors, and entertainers. Networks are established to make the event a reality each year.

#### **Political Capital**

Fort Sisseton is a State Historical Park and is managed by the South Dakota Game, Fish & Parks Department. State funding is used for preservation and upkeep of the State Park area.

#### **Financial Capital**

The annual historic festival brings nearly 30,000 visitors to the area, providing increased revenues to local businesses through tourism dollars. Onsite vendors of food and craft items pay fees and state sales tax.

#### **Built Capital**

Fort Sisseton is a National Historic Landmark. It is accessed by both state and county roads which are maintained by both state and county funds.

Cultural events such as the Fort Sisseton example show how communities can work together to enhance the resources and assets available to them. If people can find success in putting together a cultural event, then they are also capable of working together to tackle other community issues. In this example, state, regional, county, and local resources were necessary to the success of the event, and everyone benefits from being involved.

### **Conflicting Cultural Capital**

Events and celebrations are just one element of Cultural Capital in a community. Getting work done depends on groups being able to work together for common goals. Cultural differences may sometimes get in the way. Conflicting Cultural Capital may exist when there are two different populations living together, with different traditions, history, and values. Minority populations and new immigrant populations can add a richness to a community's Cultural Capital when the differences are embraced and celebrated. But those differences can also complicate decision

making in a community when a dominant group tries to force its values on another.

Our South Dakota communities are constantly changing and becoming more diverse. These changes can be perceived as a threat to "what was" or they can be an opportunity of "what could be."

Investing in Cultural Capital can enhance tourism, build social networks, build unity among diverse populations, and define a community's identity. As your community designs the future, determine what Cultural Capital exists in your community, how it is currently being used and how it can be built upon in the future.

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## Community Capitals: Human Capital

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“Human Capital includes those attributes of individuals that contribute to their ability to earn a living, strengthen community, and otherwise contribute to community organizations, to their families, and to self-improvement” (Flora et al. 2004). Investments in people are just as important, if not more important, than investments in the other community capitals.

### Leadership and Education

One of the greatest forms of Human Capital a community possesses is leadership. Leadership can be either natural or earned. Like any skill, the more it is practiced the better it gets.

Too often communities suffer from "STP Syndrome" or the "same ten people" syndrome where a core group seem to be the only ones working for community change. The supply of leaders needs to be developed by adding new people and enhancing the skills of existing leaders.

Additional Human Capital in communities exists in the form of educational attainment, both formal and informal. There is great wealth in tapping into the skills, abilities, and knowledge of community members. Communities that have abundant Human Capital have people who value lifelong learning and who are always willing to try new ways of thinking. Creativity—the ability to think in a new way—and possessing the knowledge and skills to solve problems are all forms of Human Capital.

Human Capital also includes the ability to access outside knowledge. Community members can build their Human

Capital by taking leadership development courses in schools and in adult education programs. They can explore local resources at their Extension office or community college.

There are several ways to build Human Capital:

- Learning—from others, working in groups
- Education—formal and informal, accessing information at the library or on the Internet
- Experiences—knowledge that creates wisdom
- Leadership development—reading, training, practicing skills

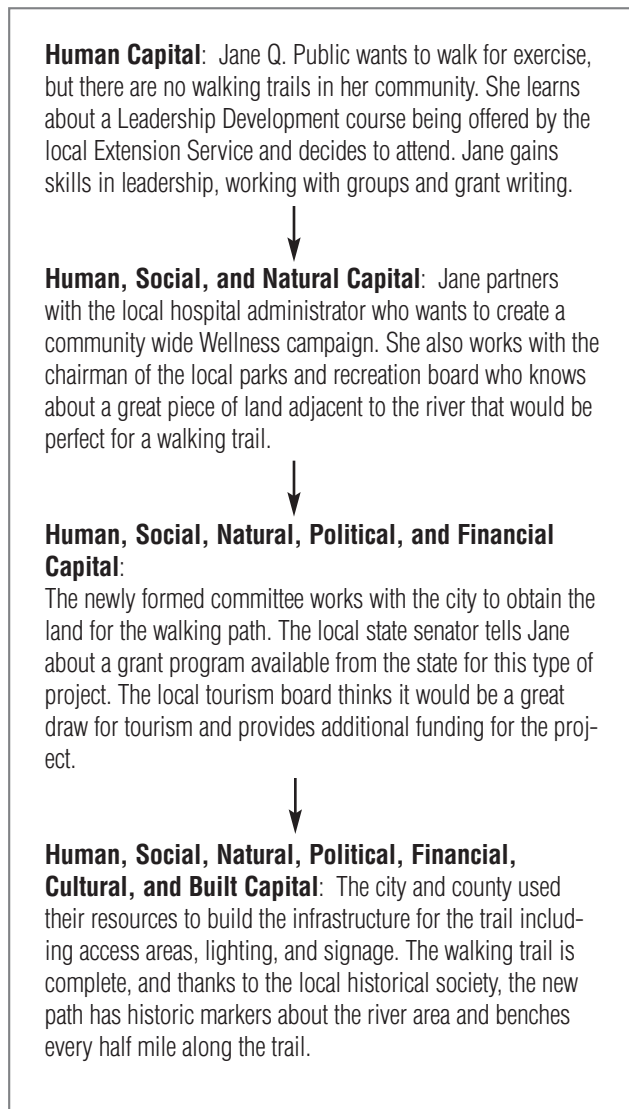
### Attitude is Everything

Attitude can also be a powerful force in communities.

Community members in Eureka, S.D., found a unique way to deal with the negative attitudes that were a barrier to community change by holding a "funeral." Community members were asked to write down the negative attitudes that had held them back in the past on pieces of paper that were then burned, placed in an urn, and buried. The headstone at the grave reads "Here lies the past." This symbolic gesture helped community members build their Human Capital by allowing them to move forward with a fresh perspective.

Human Capital can be gained by being resourceful and looking for opportunities to do things differently. Every town has early adopters, or those people who are the first to latch on to a new idea. Communities also have what are jokingly referred to as "C.A.V.E." people, or Citizens Against Virtually Everything. The best way to deal with "C.A.V.E." people is to discover what skills and abilities they possess and use their strengths to entice them to become a part of the project.

People are the heart of a community, and often the pursuit of one idea can demonstrate how interrelated the Community Capitals are, as shown in this example:



## Discovering Human Capital in Communities

Success in communities depends on using every available asset to its fullest potential. Too often communities don't realize the treasure of skills, knowledge, and abilities that community members possess. Volunteer recruitment and leadership development are important things for communities to invest time in. Once individual assets are discovered, they need to be matched with issues and needs to discover solutions to common community problems.

Human Capital has one of the strongest ties to each of the other capitals, because it is community members who get things done. Ideas, attitudes, willingness to participate, gumption, and the power of working together is how Human Capital impacts a community. Mixing individual capacities, identifying, and using and combining resources together can benefit both the individual and the community.

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- Cardi Cornell ACCEE Conference Community Capitals Framework, retrieved June 11, 2007, from <http://www.cardi.cornell.edu/images/Community%20Capitals%20Framework1.ppt>.
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## Community Capitals: Social Capital

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What makes a community a desirable place to live? While the answer may have to do with resources, location, size, or jobs, ultimately people enjoy living where they feel connected and included. Social capital is that network of connections among individuals and organizations in a community, and even between communities themselves. Basically, it's the glue that holds a community together.

### Why is Social Capital Important?

Social networking can become one of your community's greatest resources. Individual, group, and community-wide efforts are more effective when that network is functioning. A well-functioning network in a community may be a resource for shared knowledge and ideas, reciprocal labor and money, or mutually beneficial endeavors. It can also create norms and trust that give a community its reputation.

When there is a strong presence of social capital in a community, goals are set and decisions are made based on consensus. Members want to be part of the group; they generally like each other and get along well. They are loyal and united in the pursuit of group goals. A shared vision of optimism is present, not in the form of fantasy but of realistic hope.

In a paper from Johns Hopkins University on communication for social change, the authors cite six related dimensions to social cohesion (Figueroa et al, 2003):

- Sense of belonging
- Feelings of high morale
- Trust
- Goal consensus—many voices in making decisions
- Reciprocity—favors are done with confidence of favors being returned
- Network cohesion—sharing between organizations, agencies, neighbors

Social capital is significant because it affects a rural community's capacity to organize for development. Tasks such as planning, evaluating, mobilizing resources, coordinating activities, and resolving conflicts are more manageable in a community that is well connected both internally and externally.

### How Can A Community Develop Social Capital?

Building social capital is a necessary part of any community development effort. Two types of social capital are involved in fostering healthy communities. The first is closed social capital, which is built within the community and may begin with taking an inventory of existing assets. Getting groups to communicate and work on projects together also builds closed social capital.

Bridging social capital among local communities and regional or state institutions is the next step. Rural communities must build cohesiveness internally, and then be willing to

work with other communities to establish bridges necessary to obtain more regional resources. The goal is for individual communities to keep their own identities while forging new relationships with other communities that build a regional reputation.

Bridging social capital relies on long-term trusting relationships and requires citizens to venture beyond their familiar communities and culture. In a community setting, bridging brings together groups of individuals who collectively possess more knowledge and ideas than individuals acting alone.

A caution, when building social capital, is to be aware of the possibility of exclusion. A small, cohesive group may develop that is hard for newcomers to join. Groups based on racial or ethnic backgrounds, faith, or political preference are examples of fairly closed groups. While these groups can have their place in a community, care should be taken to bridge between these groups and ensure that other, broadly based community groups are also available that encourage cross-representation of citizens.

### Conclusion

Strengthening communities where residents have a sense of ownership and pride is a long-range goal of community

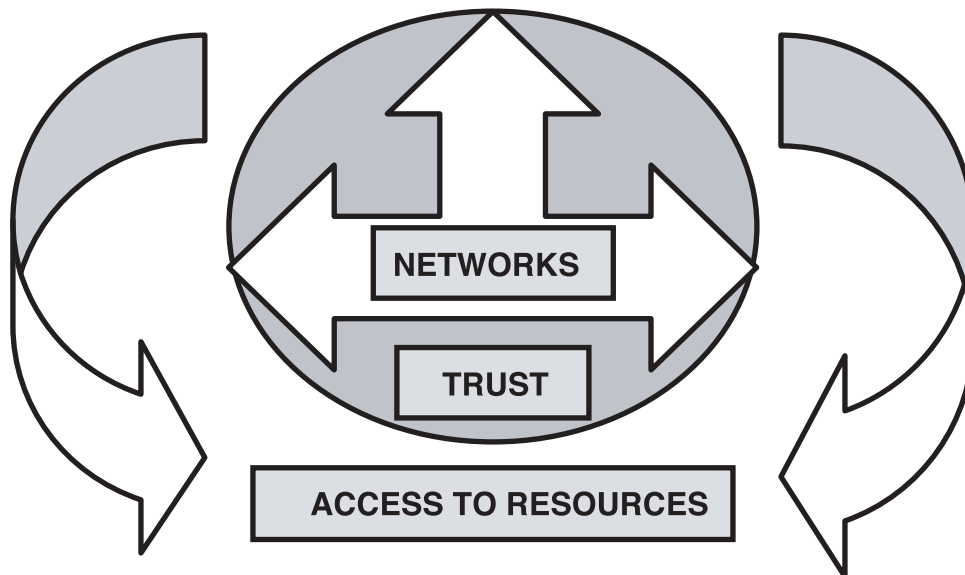
development. This requires a mix of investments in individuals, families, and institutions that aim to build trust in existing and new social networks.

Community-wide social capital depends not on the number of relationships or groups, but on the quality of relationships between individuals, institutions, and socially defined groups. The process takes time and energy, and it is a task that is never quite complete, but it helps making a community a more desirable place to live.

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**Figure 1. Three Key Elements of Social Capital**  
(Schneider 2004)



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## Community Capitals: Political Capital

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Political Capital affects how decisions are made in the community and how outside resources are brought in. Both individuals and groups can possess Political Capital. It is based on organizations, connections, voice, power, and the ability to influence the distribution of resources.

Having Political Capital is having leverage to get things done. Political Capital is created when access to power causes a change in resources. Political Capital can affect the other capitals that exist in a community.

Powerful government officials can make things happen—it's "who you know, not what you know." For instance, representatives and senators can bring projects and funding to your community through their places in the government power structure.

Holding a political office is only one small part of the Political Capital that exists in a community. Political Capital can also be found in individuals and groups. For instance, if faced with the threat of a school closing due to lack of enrollments, a group may form to battle the threat to the community. The group may start a letter campaign, get signatures for a petition, or disseminate information to the public as a means of exercising their Political Capital muscles.

Having Political Capital means you have the ability to influence naysayers, engage state and federal agencies in projects, discover new funding sources, and possess the leverage to get things done.

### The Effect of Civic Engagement on Political Capital

Individual actions can increase a community's Political Capital. Activities such as voting, discussing politics with family and friends, and reading the newspaper all add to their awareness of how the power structures in the community and in the nation have an impact on what happens in their community.

Political Capital can also be gained by being part of a group. School boards, political-party volunteers, and social, fraternal, and other organizations involved in political issues can also increase the Political Capital in a community. Political Capital is also gained by developing working relationships with state and federal officials and politicians. Workers who belong to a union gain Political Capital through their membership in that organization. Groups such as these have more power, more voice, and more leverage because they act together for a common cause.

### Who's in Power in Your Community?

Cornelia Flora, Director of the North Central Regional Center for Rural Development (NCRCRD) explains that power in communities can take many forms and be found in many people.

In some communities, the power is held by elected officials. In other communities, the "real people in power" are those who have a reputation of being decision makers. Sometimes, too, there are hidden power structures that newcomers to a

community run into when they attempt to cause change. Community members may know who the "right people" to talk to are in order to get things done.

Power can be shared by the few or the many depending on the community. You have to be aware of the Political Capital that exists in your particular community to accomplish your goals. Flora also states that community groups need to ask the question of "who is running this town?" and offers these four questions to determine who has the power in the community:

1. Who can best represent the town to the outside?
2. Whose support do you need to get things done?
3. Who is needed to implement a project?
4. Who can stop a project in the community?

### **When Political Capital is Lacking in a Community**

Another important thing to note about Political Capital is who lacks it? Who are the groups that feel excluded from the community?

Lack of power and voice can turn into an "us versus them" atmosphere. When those who lack political voice are unable to be heard, there is a disconnect that occurs in communities. Inclusiveness in decision making doesn't happen by accident. Communities need to make a concerted effort to make sure that all voices are being heard.

Voting patterns are an indicator of equality in a community. When people don't vote, they are basically saying "I don't matter." Voting statistics can also be a measure of how involved people will be in other aspects of community life.

Robert Putnam explains this principle in his book *Bowling Alone: The Collapse and Revival of American Community*. Putnam describes how changes in society in the last third of the twentieth century have led to decreased involvement in communities. Putnam writes that "...voters are more likely to be interested in politics, to give to charity, to volunteer, to serve on juries, to attend community school board meetings, to participate in public demonstrations, and to cooperate with fellow citizens on community affairs." When people feel that they lack the power to be heard, they unplug from community life.

Just as individuals can feel the effects of the lack of Political Capital, sometimes entire communities can feel a separation from those in power. The devastating hurricanes that hit the Louisiana and Mississippi coastline in 2005 are an example of how there was a breakdown in the Political Capital on a large scale. This natural disaster amplified the lack of Political Capital by many of the poorest residents of New Orleans. Anger, frustration, and distrust of those in power grew, causing a breakdown in the system and the long-term effects that are yet to be seen.

Political Capital is strongly affected by Social Capital. Social capital is the network of connections among individuals and organizations in a community.

In the hurricane example, as the lack of Political Capital increased, the Social Capital of the community decreased. In communities where Social Capital is low—like a disadvantaged neighborhood in a Louisiana community devastated by a sudden natural disaster or a rural South Dakota community that has experienced a long, steady decline and may be feeling hopeless—these events can have two very different effects on Political Capital.

The community may feel distrust and anger toward the governmental agencies and representatives that should be helping them. Or the community can make Political Capital. It can spur people to get involved in political matters and make a difference. Negative events in communities may be the catalyst that increases awareness of political and social capital and thus motivate change.

Political Capital is all about the power structures in communities. Power can be held by individuals, groups, or institutions. Lack of Political Capital can stop community projects from going forward, while access to Political Capital can open doors to a wealth of opportunities. Understanding the power structures in your community is an important key to creating community change.

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## Community Capitals: Built Capital

Cheryl Jacobs

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The Community Capitals Series introduces the concept of measuring success in communities based on seven dimensions called community capitals. Capital is any type of resource capable of producing additional resources. When those resources or assets are invested, they become capital (Flora, et al. 2004). Community capitals are all of the things in a community that have the potential to be a resource that can be invested, saved, or used up. This is the seventh in the series.

Think of Built Capital as the foundation of a community. In some ways, Built Capital is the delivery system, the infrastructure of how other capitals can be used. Facilities, roads, power plants, and technology are physical infrastructures that can be used to strengthen local development. Some examples of Built Capital might include:

- Sewer and water systems
- Buildings
- Machinery
- Roads
- Electronic communications

Cornelia Flora, Director of the North Central Regional Center for Rural Development (NCRCRD) explains (Flora et al. 2004) that Built Capital is:

Physical infrastructure that enhances other community capitals because:

- It serves multiple users
- It can be locally maintained and improved
- It links local people together equitably
- It links local people, institutions and businesses to the outside

Built Capital is something that needs to be managed by a community. Often Built Capital is in the background, it is the things we don't notice until they are not there or they are in poor condition. They are the basic services, facilities and structures that communities expect to have. Flora explains that "Built Capital enables individuals and businesses to be more productive within the community. Although the Built

Capital of a community is necessary, it cannot ensure the economic health and well-being of that community. People must be able to use the infrastructure in productive ways."

### Successful Communities

Built Capital does not usually stand on its own. A common example of this is when communities say "if we could just get a... 'insert a typical economic development project here' to come to our town, that would solve our problems." The communities may offer incentives, such as tax incentives, spec buildings, or savings on utilities, but when the incentives end, the commitment from the company often ends. It is only when Built Capital is paired with the other community capitals that it is most effective.

Another common example of Built Capital not being the end all and be all to community development is one that we see in many communities: the wish for a youth center. The thinking often is short sighted, assuming that the Built Capital will in itself solve a Social Capital problem. "If we only had a youth center, then the kids would be off the streets..."

An investment in Built Capital is only part of the solution. The other investments are in Social and Human Capital. Build the youth center without providing volunteers to run it, people to invest their time and money in the upkeep, or kids who want to be there, and you have wasted a lot of money on a building that will stand empty.

People are the common ingredient in successful community projects. The community capitals rarely stand alone, communities exist as a system, and all of the things that occur have impacts on the other parts of the system.

### **Changing South Dakota Communities**

Most communities in South Dakota have infrastructure that is several decades old and is starting to deteriorate. Financing for these projects is getting more difficult to obtain. Local, state, and federal money in the form of grants may be available, but the majority of the available funding is gained through tax revenue.

Unfortunately, many small communities are also facing population decline, which translates into a smaller tax base, which makes funding large infrastructure projects all the more difficult. Small communities face great economic challenges as they attempt to update their old systems and add new Built Capital such as telecommunications equipment for internet and cellular technology.

In rural areas where resources are scarce, a relevant question for communities is who should be responsible for the creation, upkeep, and improvements of the Built Capital in the community. Can and should private resources be used to fund public infrastructure?

For instance, who should maintain a local swimming pool that is built using shared resources, both public and private? Who has the right to say who has access to the pool or what the costs or user fees should be? Public goods and services are controlled and regulated by laws and statutes, while pri-

ate goods and resources can choose to be as inclusive or exclusive as they want to be. As resources become scarce, more communities will have to rely on joint funding, such as the pool example, and they will also have to determine new rules between public versus private goods.

Built Capital in a community also includes housing. A common theme in rural communities is the lack of good quality, affordable housing. As rural populations decline and access to jobs moves to urban centers, communities are faced with a double edged dilemma. People want the quality of life in a small town, but they also need jobs, health care, shopping, and services found in larger towns.

Many communities think that just building more housing will make people want to move there. But without all of the other types of community capitals in place, Built Capital cannot stand alone. It is clear that the community capitals work as a system. Communities that make plans using the community capitals framework will be able to see how the seven community capitals intertwine with each other.

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## Community Capitals: Financial Capital

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Community Leadership Development Extension Associate

The Community Capitals Series introduces the concept of measuring success in communities based on seven dimensions called community capitals. Capital is any type of resource capable of producing additional resources. When those resources or assets are invested, they become capital (Flora, et al. 2004). Community capitals are all of the things in a community that have the potential to be a resource that can be invested, saved, or used up. This is the eighth in the series.

Financial Capital is often the easiest to measure, and it can be used to measure the other community capitals. Financial Capital is money that is used for investment rather than consumption. Money is a tangible asset that can be measured; profits and losses can be tracked; and it is easily turned into other kinds of assets. Money can be used in two basic ways: consumption, where money helps us to purchase goods and services; and investment, where money earns interest which can be used to earn more money.

Some examples of Financial Capital in a community might include:

- Bond issues to aid community economic development
- Foundation grants as a source of external financial support
- Revolving loan funds
- Micro loans to aid community economic development
- Tax abatements
- Gifts
- Transfers of wealth

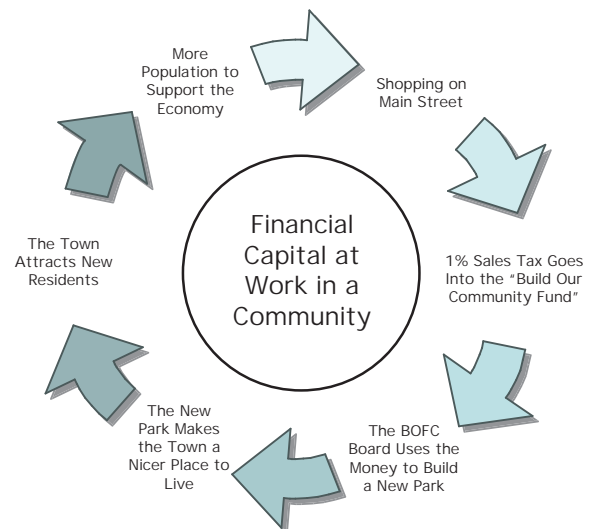
### Financial Capital at Work in a Community

An illustration of how Financial Capital has the potential to impact several other types of capital can be found in this example.

The city council voted (Political Capital) to use a 1% sales tax to help fund community projects. When people shop at the stores on Main Street they pay a 1% sales tax which generates money (Financial Capital) to be deposited into the "Build Our Community Fund" (BOCF).

The BOCF board works together to come up with ideas (Social and Human Capital) and decides to use the money to build a new park in the community. The new park includes newly planted trees, a bird habitat area, and a nature trail (Natural Capital) making it a great place for individuals and families.

Soon, word spreads in the region that this community is making positive changes in the town. That attracts new residents who shop on Main Street, paying the 1% sales tax, which grows the Build Our Community Fund...and the cycle continues.



### **Using Financial Capital For Consumption or Investment**

We can further define the difference between using Financial Capital for consumption or investment. An example of investment can simply mean purchasing a savings bond, which earns interest, which can be used to develop other types of capital.

But in our definition of community capitals, capital is any resource capable of producing other resources. Cornelia Flora, director of the North Central Regional Center for Rural Development (NCRCRD) explains that if you use Financial Capital (money) to "...buy a car for personal enjoyment, the car is not considered a form of capital. But if you buy a car in order to run a shuttle service, the car becomes a means for generating income. A resource (the car) is capable of producing other resources (your income)" (Flora et al. 2004).

Financial Capital is typically the most easily converted capital of the seven community capitals and for some the easiest to measure, because spending dollars and cents is a tangible measurement that people understand. Financial Capital is not always in the form of money. It can also include things like stocks, bonds, lines of credit, and real estate.

### **Grants and Loans**

Another common example of Financial Capital available to a community includes grants and loans. While these are good sources of funding to obtain for community development, they are not the only answer. Many communities find that while grant writing is not difficult, it needs to be learned to be successful.

There are two main sources of grant funds available to communities; government grants and foundation grants. Government grants are typically more complicated and often have strict guidelines for applying. Qualifications, applications, and deadlines for foundation grants differ depending on the entity offering them, but are another good source of

resources to seek out. Experienced grant writers will tell you that success rates for getting a grant funded are not that high, so persistence is the key.

Another example of how communities are creating another form of available Financial Capital is through the creation of community foundations. Local citizens, businesses, and organizations invest assets in a foundation that provides loans and grants to entrepreneurs, business owners, and a variety of community economic development and betterment projects. These local foundations have a say in how local projects are funded and are specific to a set of goals outlined by the community.

In addition to seeking grants and loans, communities are starting to look at the wealth found right within their own communities. Too often major investors living in their own communities are overlooked. Communities can encourage local citizens to do estate planning and transfers of wealth to a community fund rather than or in addition to other charitable causes. Communities can cultivate Financial Capital by making the most of intergenerational transfers of wealth and providing ways for people to give back to their community.

Financial Capital is more than just money, it is often based on the connections to power (Political Capital) and is probably the one community capital that has the potential to impact all of the other capitals. It is also often the focus of all community development, as money is the resource that drives many community change projects. Communities depend on Financial Capital to invest in the growth of the community and to ensure sustainability for the future.

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