

F I N A L R E P O R T

RURAL REDEVELOPMENT/TARGETED ECONOMIC DEVELOPMENT STUDY COMMITTEE

January, 1987

The Rural Redevelopment/Targeted Economic Development Study Committee was established by the Legislative Council to propose legislation which is a long-range state policy plan that statutorily phases in state programs and incentives to systematically redevelop rural Iowa.

Members serving on the Study Committee were:

Senator Charles Bruner, Co-chairperson
Representative Ed Parker, Co-chairperson
Senator Leonard Boswell
Senator John A. Peterson
Senator James Riordan
Senator John Soorholtz
Senator Jack Rife
Senator John Jensen
Representative Dennis Black
Representative Daniel Fogarty
Representative Bob Skow
Representative Tom Miller
Representative Dan Petersen
Representative Wilmer Rensink

The Study Committee was granted three meetings which were held October 23, November 25, and December 11, 1986.

At the first meeting, the Study Committee heard from Dr. Ronald Powers of the Cooperative Extension Service at ISU on its educational programs relating to economic development for rural Iowa; Mr. Jerry Smith, Director of service delivery area 14 of the Federal Job Training Partnership Act, on its programs to help dislocated and distressed farmers; the Department of Economic Development on the various programs it administers that aid rural areas in economic development; Mr. Robert Rodale on his regenerative economic philosophy for rural Iowa; and Mr. Neal Nathanson on the potential of the Federal Rural Economic Development Program.

At the second meeting, Ms. Karen Merrick, Mayor of Guttenberg and member of the Iowa Economic Development Board spoke on the successes of the town of Guttenberg and the reasons for them; Ms. Sue Schroeder described the Community Betterment Program of the

Department of Economic Development and its significance for encouraging communities to improve themselves; and Dr. Ryan and Otto gave the Study Committee an overview of their two U.E.A.G. studies relating to economic development and availability of capital in rural counties.

The Study Committee spent the last meeting discussing and making changes to a proposed final report drafted for this purpose by the Co-chairperson, Senator Bruner. It was also requested that a bill be drafted to allow a property tax levy for economic development. The staff was directed to forward a rewritten draft of the final report based upon Study Committee action and the economic development tax levy bill to them for their approval. Subsequently, the Study Committee gave its approval to the attached final report and the bill entitled "An Act to authorize the imposition of a property tax levy by a city or county for economic development purposes."

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RURAL COMMUNITY REDEVELOPMENT INTERIM COMMITTEE REPORT

Many small towns and the rural communities they serve are in serious shape. Mainstreet businesses have closed; the hospital or school in the town is financially strapped and burdened; the purchasing power of the farm community has diminished; houses are vacant and property values have declined. Redevelopment is necessary or these towns and the rural communities they serve will cease to have a productive base and will dwindle and die.

It is impossible to generalize about what type of redevelopment or stabilization can work in such areas, but it is clear that the needs for such rural communities are different from those of the urban centers in Iowa (although it is upon these urban centers that most economic development strategies are focused). Most rural Iowa communities at best fall at the fringes of regional economic development strategies and are unlikely to benefit from economic development gains through industrial expansions and jobs created in metropolitan areas from high technology developments.

It is also true, however, that such communities have real capacities for redevelopment and that these capacities are different from those in metropolitan areas.

First, there is a generally greater spirit and history of entrepreneurship and self-employment within rural communities.

Second, there is a generally greater integration of all aspects of life within rural communities and greater communication among all the social elements within the community.

Third, there is a generally greater ease of getting community sentiment behind specific projects and getting all elements of the community to participate in those projects (e.g. the cost of organization is low).

Fourth, there is the potential of a flexible labor market of persons with skills who are ready to accept off-farm employment opportunities.

These characteristics suggest that the state work to structure economic development efforts to rural communities that make use of these capacities. These include the following:

1. Assistance in goal setting.
2. Assistance in leadership development and community involvement.
3. Technical support in grant-writing and intergovernmental communications.
4. Mechanisms to make necessary financing available.
5. Mechanisms to provide for exchanges of information on available resources and successful efforts at redevelopment.

Presently, the state does provide services in all these areas-- through the extension service and through the small business development centers and CIRAS; through department of economic development programs as diverse as the community betterment program, the 623 program, and the community cultural grants program; through the regional coordinating councils and satellite centers; and through financing mechanisms and options available through the community economic betterment (CEB) funds from lottery proceeds.

Still, it is far from clear that such services are sufficient to meet the needs of rural Iowa communities that have the will and capacity to redevelop.

It is also far from clear that such services are themselves well-integrated, well-publicized, or easy for communities to access.

It is also far from clear that rural community redevelopment-- using indigenous development capabilities-- is a central part of the Iowa department of economic development's strategic development plan.

It is also far from clear that appropriate mechanisms are in place to aid in the financing of community projects and rural entrepreneurship efforts.

Finally, it is far from clear that traditional financing mechanisms (local lending institutions, bonding, etc.) themselves are structured to service rural redevelopment needs.

It is the Committee's view that rural community redevelopment be a part of the overall state economic development strategy. While not all rural community redevelopment efforts will be successful ones and not all rural communities will

develop such efforts, the potential for diversity in redevelopment by rural communities presents the potential for some very successful activities that can be dynamic and sustain long-term growth and can be capable of replication by other communities. Further, rural community viability is very important to the economic well-being of metropolitan and urban areas of the state and must be recognized as such.

The Committee believes that one major need in establishing viable rural community redevelopment assistance from the state is making communities aware of the services currently available to them for economic redevelopment. The Committee believes that an improved information delivery system is needed to enable rural communities to make use of existing economic development programs.

From the perspective of the rural community, the information system should require that any person being a first point of access with communities or individuals seeking assistance (whether that be through the extension service, small business development centers, the satellite centers and the RCCs, or through a specific departmental program) be aware of all other state programs that provide assistance to rural communities and be capable of arranging appropriate assistance from those programs. To establish an effective system requires the involvement of rural community leaders in defining how that system can best work.

Prior to the commencement of the next General Assembly and in order to more fully identify current needs for rural community redevelopment, the Committee requests that the following be prepared by the department of economic development for consideration by the General Assembly:

1. An inventory of the programs that provide assistance to rural communities in goal setting and developing indigenous economic development plans, and how these are integrated with other economic development programs.
2. An inventory of the programs that provide leadership development assistance to rural communities and how these are integrated with other economic development programs.
3. An inventory of the programs that provide technical assistance and support in securing funding from federal, state, and local sources-- both public and private-- and how these are integrated with other economic development programs.

4. An inventory of the mechanisms available to rural communities that have been used to provide financing for projects by rural communities, and the assistance that state programs have provided in securing this financing.
5. A discussion of how the strategic development plan under preparation by the department recognizes the special needs and capacities of rural communities and how rural community development is built into the state's overall economic development plan, including a discussion of rural communities that fall at the fringes of regional growth center areas.
6. An update on the efforts at coordination between the department and the extension service, the small business development centers, and CIRAS in order to assure that such programs complement one another and provide for appropriate referrals to best serve communities and individuals accessing any state economic development program.
7. An inventory of the projects applying for funding and the projects receiving funding under the community economic betterment (CEB) program, the 623 program, and other state programs that have involved communities of under 5000 population.
8. An inventory of education and seminar services provided by the department to communities, including a description of the specific education programs, and their accessibility in terms of appropriate program time and location.
9. A description of the manner in which the department provides for the dissemination of information regarding successful rural community redevelopment efforts, and the manner in which such information may be transferred to other communities.
10. A discussion of current departmental efforts to establish public-private partnerships in economic development, including a discussion of how the department might develop a program for establishing a public-private partnership for funding rural economic development programs (including the potential for developing spin-off industries from major corporations located in Iowa).
11. An analysis of the level of demand for circuit-rider services by rural communities to assist in grant development or other technical activities related to financing or project development or addressing regulatory concerns, contrasted with the current capacity of the department and state government to provide such assistance.
12. An inventory of the current knowledge within the rural banking community of financing possibilities for rural communities and the current mechanisms to provide such information, including a discussion of what needs banks have in order to serve rural community redevelopment financing needs (technical assistance in loan evaluation, awareness of available financing programs, loan security guarantees, etc.).
13. A description of the manner in which the department communicates information on specific business opportunities identified by the department to

rural communities which might be capable of taking advantage of those opportunities.

Further, the Committee recommends that the General Assembly review grant conditions under which CEB funds are awarded in order to give greater recognition to rural communities and to place requirements for receipt of funds that include overall community involvement in the development of programs. The Committee believes that the state must take a long-term focus in expending state resources on private industries, with that focus recognizing the need for sustained economic activity and involvement within the community which provides for quality employment and does not displace employees from other Iowa communities.

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In addition to specific development programs for rural communities, the Committee also recognizes the need for programs that provide for rural stabilization and the continued delivery of services even when economic redevelopment itself is unlikely. The Committee recognizes that services in the areas of goal establishment and leadership development apply to communities whether or not their goals end up involving private sector economic activity.

SENATE/HOUSE FILE _____
BY RURAL REDEVELOPMENT/TARGETED
ECONOMIC DEVELOPMENT STUDY
COMMITTEE

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act to authorize the imposition of a property tax levy by a
2 city or county for economic development purposes.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. NEW SECTION. AUTHORIZATION -- ELECTION -- IM-
2 POSITION.

3 1. A city or county may impose, as provided in this sec-
4 tion, an economic development property tax levy to raise
5 revenues to be used for economic development purposes. The
6 economic development levy shall not exceed thirty-five cents
7 per thousand dollars of assessed valuation.

8 2. An economic development levy may be imposed only after
9 an election at which a majority of those voting on the
10 question favors imposition, and may then be imposed for up to
11 five fiscal years. Before each year of the five-year period,
12 the governing body of the city or county, as appropriate,
13 shall decide if the levy will be imposed and if imposed, the
14 levy rate not to exceed the limit specified in subsection 1.
15 If the governing body of the city or county, as appropriate,
16 wishes to continue the economic development levy, it may do so
17 in the manner provided in this section for the imposition
18 within the twelve-month period prior to the termination of the
19 five-year period. The economic development levy shall apply
20 to all taxable property located within the city or located
21 within the county, as appropriate.

22 3. Upon its own motion, the governing body of the city or
23 county shall direct within sixty days of its motion the county
24 commissioner of elections to submit the question of the
25 imposition of an economic development levy to the qualified
26 electors of the appropriate jurisdiction at a state general
27 election, city regular election, or at a special election as
28 designated by the governing body. The election may not be
29 held sooner than sixty days after publication of notice of the
30 ballot proposition. The city or county may submit the
31 question on imposition only once during a fiscal year. The
32 ballot proposition shall state the maximum rate of the
33 property tax levy, that the levy would be authorized for the
34 next five fiscal years, and that the governing body will
35 decide before each fiscal year of the five-year period if the

1 tax will be levied and the rate.

2 4. If a majority of those voting on the question of impo-
3 sition of the economic development levy favor its imposition,
4 the governing body may impose the levy for a five-year period.
5 The economic development levy may first be imposed for the
6 fiscal year during which the favorable election was held.

7 5. Revenues received by the city or county from its
8 economic development levy shall be used for any lawful purpose
9 to enhance economic development in the area in which the levy
10 is imposed. However, before the city or county expends any of
11 these revenues, it shall determine that the use will be for a
12 public purpose.

13 EXPLANATION

14 The bill authorizes a city or county to impose an economic
15 development property tax levy. The economic development levy
16 can be imposed only after an election at which a majority of
17 those voting favor its imposition. The levy would be for a
18 five-year period but could be continued by having another
19 election. If the levy is authorized, the city or county would
20 decide each fiscal year if the tax would be imposed and the
21 rate. The maximum rate is thirty-five cents per thousand
22 dollars of assessed valuation. The economic development levy
23 would apply to all taxable property located in the city or
24 county that imposes it. Revenues from the levy would be used
25 for any lawful purpose that will enhance economic development
26 in the area where the levy is imposed, provided the city or
27 county determines that the purpose for which the revenues are
28 used is a public purpose.

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