

Infrastructure in Rural Areas: Rural Quality of Life and More

Moderator – Kelly Haverkampf, Executive Director of Wisconsin Rural Partners, Inc. (WRPI)

The Future of Economic Development in Rural America

WRPI is a nonprofit organization that builds, trains, and supports public-private collaborative partnerships to create and implement strategies that improve rural community life across Wisconsin.

Wisconsin's Top Rural Development Initiatives and Quality of Life

The WRPI's "Wisconsin's Top Rural Development Initiatives" is an annual recognition program to identify and profile some of the state's best community-based and led activities.⁹ Haverkampf explained that while the WRPI has discovered that "quality of life" ("QoL") is defined differently from place to place and person to person, it has certain common indicators called lifestyle benchmarks, which include: natural amenities, arts, history, culture, third spaces, and outdoor recreation.

Four Opportunities in the "New Rural Economy"

Haverkampf explained that the context of her comments were based in part on research conducted by the Federal Reserve Bank of Kansas City's Center for the Study of Rural America. Using the findings of the center, Haverkampf identified four QoL opportunities in the new rural economy.¹⁰ These opportunities are: wildlife recreation, historic tourism, creative economy, and agricultural tourism.

Wildlife Recreation

According to the Kansas City Fed, wildlife recreation is rural America's newest billion-dollar industry.¹¹ Wildlife recreation refers to hunting, fishing, and wildlife watching (such as bird watching). According to Haverkampf, Wisconsin ranks seventh in dollars spent on wildlife recreation (with more than \$500 spent per capita). The leading spenders are mostly western states with large hunting facilities such as Montana, Idaho, and Wyoming. The key to developing wildlife recreation, Haverkampf

noted, is investing in infrastructure that supports tourism, such as hotels, restaurants, and transportation.¹²

The most intriguing piece, Haverkampf said, is "whole experience" development, which refers to the concept of enabling visitors who initially take part in just one activity to experience all the different businesses in a community.

In recent years, wildlife biologists in Wisconsin noted a marked increase in the number of inquiries from people seeking bird watching opportunities. In 2003, the Wisconsin Department of Natural Resources, in partnership with the Wisconsin Department of Tourism, and a variety of local nature and hospitality organizations, created a statewide program called the Great Wisconsin Birding & Nature Trail. The program divides the state into five bird watching regions based on species and habitats. Each region will produce a guide to bird watching, which will also include information on other attractions, accommodations, restaurants, and complementary activities. This will provide visitors with a package of options to choose from so they can spend more time bird watching and less time seeking out food, lodging, and other necessities. Businesses located at trail stops carry retail, promotional, and educational products marketed specifically to the bird watchers. Participating trail stops are featured in each guidebook so visitors can plan ahead for meals, lodging, and gas stops.

As of November 2005, two trails were fully functional and have produced guides. Although it is too early for sufficient collection of data on the program's economic impact, several participating businesses in the Lake Superior Northwoods Trail have reported up to a 25 percent increase in revenue because of the trail.

Cluster business development, in which similar types of businesses locate in close proximity in order to become a tourist destination, is important to create sufficient infrastructure to support tourism, Haverkampf explained. As an example, she referred to a slide from

David Oppedahl's presentation showing rural counties that are increasing in population (see page 2). She noted counties in northern Wisconsin, bordering Lake Superior, where there has been a movement to cluster business opportunities around kayaking, skiing, and other recreation-based businesses in order to become an outdoor recreation destination. This cluster development has made the Bayfield area a mecca for water sports enthusiasts, and has resulted in a tourism clientele that is harmonious with the natural amenities of the region.

Education is the final component to wildlife recreation. Haverkamp offered the tourism businesses that focus on eagle watching in Wisconsin as an example. Those who travel to Prairie du Sac to observe the annual Bald Eagle Watch each January are greeted with opportunities for bus tours, educational programs, and special features at a local photography studio and winery. Visitors learn about bald eagle habitat, migration, behavior, breeding, etc. The expanded opportunities encourage visitors to stay longer and spend more money in the community. The visit also promotes "word of mouth" marketing for the community.¹³ This educational component, along with the "whole experience" development, has increased the overall tourism draw to the area.

Historic Tourism

The second QoL opportunity in the new rural economy is historic tourism. The strategy holds that because every place and every person has a history, Haverkamp explained, communities that wish to pursue historic tourism need to look to their community's past to determine its uniqueness and how to take advantage of it. As an example, she cited one of Wisconsin's Top Rural Development Initiatives related to historic tourism—the Potosi Brewery Restoration.¹⁴

Located in southwest Wisconsin, Potosi has approximately 600 people. The brewery, which operated from 1852 to 1972, was listed on the National Register of Historic Places and later identified as one of the 10 most endangered properties in Wisconsin. In 2000, through a regional partnership and a cooperative, restoration on the brewery began, and by 2004 \$2.4 million had been raised for the effort. As a result, the community won out over Milwaukee and St. Louis to house a national brewery museum. The building will also house the Great River Road Interpretive Center and is scheduled to open within the next year.

Creative Economy

"The arts and art-related activities are becoming good economic drivers for rural communities," Haverkamp said.¹⁵ The creative economy requires a people-based development approach, she explained, that involves asset mapping and support of entrepreneurial activities.

One example of Top Rural Development Initiatives that reflects the creative economy and have had significant impact on a community is the Suring Bridge to Tomorrow project. The Suring Bridge to Tomorrow is now the central symbol in the tiny community of Suring in northeast Wisconsin. The bridge, built in the 1930s, was the primary entrance to the community for vehicle traffic. It was scheduled for demolition and replacement as part of a highway upgrade, but members of the community wanted to preserve it. The village government and children from local schools enlisted the help of two local artists who developed a community-wide project that involved painting the bridge with murals depicting their community. The bridge was moved to an undeveloped public space and dozens of local residents contributed their artistic talents. The project drew so much attention that it prompted development of the space into a park that serves as a community center, which has become the venue for festivals and events and has prompted several other arts-based projects around the small village.

Agricultural Tourism

The fourth new rural economy opportunity Haverkamp discussed is agricultural tourism. For decades, family-farm based agriculture has been experiencing decline, both in the overall economic contribution to the economy and in the ability of small farms to produce sufficient sole-source incomes, she explained. The development of a global economy has caused small agricultural producers to look closer to home to develop new markets. One of the ways they have been successful in creating new markets is through agricultural tourism, which combines the many benefits of tourism development with agricultural products and pursuits.

Agricultural tourism allows farmers to provide on-farm products and experiences and sell directly to the consumer. This helps eliminate "middle-man" costs of getting wholesale products to market, and allows the farmer to keep a greater share of the profits, boosting on-farm income. Retaining this revenue locally adds to the economic wealth of the community. Agricultural tourism also educates the general public on how farms are businesses, and how valuable farm production contributes to a healthy local economy, Haverkamp explained. When agriculture becomes part of the economic development of a community, new markets open up, helping to create a valuable tourism identity for a region.

Haverkamp offered one example of successful agricultural tourism that has been recognized as Wisconsin's Top Rural Development Initiatives. The CranberryLink® Visitor Center in Wisconsin Rapids offers the history of the native American fruit, tours of cranberry bogs and processing operations, scenic drives during harvest, arts and crafts, recipes, and various cranberry

products for sampling and gifts. The development of the center as a tourist attraction has helped educate the public about the cranberry, of which Wisconsin is the second largest producer in the United States.

Vision Iowa

**ANDREW R. ANDERSON - Attorney with
Faegre & Benson, LLP, Des Moines, Iowa**

Andrew R. Anderson is also chairman of the Vision Iowa Board (VIB), Iowa's preeminent public infrastructure financing program. For over six years, Anderson was legal counsel to the Iowa Department of Economic Development (IDED). The VIB and IDED are responsible for the development of nine major public facilities and 40 smaller public attractions, including an aquarium, a science center, sporting arenas, riverfront redevelopment, and conference centers.

"I'm the [one] that has to pay for what Kelly Haverkamp wants to do," Anderson quipped. "Five years ago, the most common complaint heard in Iowa was that there was nothing to do. Economic development was primarily focused on job retention, and not on cultural vitality or cultural activities." He explained that in order to confront that "nothing to do" problem, Governor Vilsack introduced a bill in 2000 that proposed the creation of a fund to financially assist the creation of recreational, cultural, educational, and entertainment attractions. At the time, spending a large amount of state money to develop these sorts of attractions was a novel concept. As a result, Vilsack and the Iowa Legislature created the VIB, which, in turn, established the Vision Iowa Fund (VIF) and continued the existing Community Attraction and Tourism Fund (CAT). The funds provide financial assistance for recreational, cultural, educational, or entertainment attractions that are available to the general public.

Anderson explained that the VIF was created to fund larger attractions, where the total cost of the project must be at least \$20 million, but applicants can't receive more than \$75 million in financial assistance. The applicant must also provide financial and nonfinancial support of the project equal to at least 50 percent of the total project cost. The CAT fund is designed to focus more on smaller projects in smaller communities.

The novel approach earmarked state revenues from infrastructure for cultural activities. After overcoming initial skepticism, strong leadership by the VIB, coupled with solid support by the state treasurer and auditor, led to use of a "developer's approach" by aiming to leverage state money to attract funds from other sources. "In other words," Anderson said, "the VIB's plan was to be the honey that would attract the bees in order to entice as

many resources as possible to fund as many projects as possible."

Proposed by cities, counties, or nonprofit organizations, eligible projects for the VIF include primarily "vertical infrastructure" – land acquisition and construction, major building renovation and repair, all appurtenant structures, utilities, site development, and recreational trails. The projects must also be open to the general public. "These types of projects add a lot of construction and trade-type jobs in the communities," added Anderson.

The state treasurer, at the request of the VIB, is authorized to issue bonds against state gaming revenue to fund projects approved by the VIB. The maximum value of the bonds issued for the Vision Iowa program cannot exceed \$300 million in principal. This has yielded approximately \$260 million for the VIF. The CAT Fund is financed out of annual appropriations, generated partially through the bank franchise tax, and will receive \$12 million annually through 2010.

The Vision Iowa process fosters local leadership through high expectations and local vision for the community. "The Vision Iowa Fund demands that there be local leadership," stressed Anderson. "Throughout the state we've done 13 large projects and over 200 small projects, and each one of these communities has had to have local leaders that can come in, help develop the idea and the financing, and then execute the plan." The program has not just involved the development of buildings, but also the development of local people and leaders. Anderson stated that this aspect has directly addressed Iowa's "brain drain" through development of its local human capital.

Anderson also noted that partnerships between public and private sectors are integral to making the Vision Iowa process work. "We expect city, county, and private money to be in every deal that we participate/invest in," stated Anderson. This approach stretches VIF funding dollars. More importantly, it unleashes capital that may not have otherwise gone into the market. For example, Anderson explained, there are many counties that don't use even a fraction of their bonding capacity and cities that don't use their reserves of cash. In addition to the federal government, some private sources (the gaming sector, utilities, and banks) are also willing to partner.

Through the VIF, funding totaling \$226.5 million for 13 projects has been awarded. The awards have leveraged almost \$2 billion in investment in Iowa, created 766 jobs and generated approximately \$7.094 million in tax revenue.¹⁶ In addition, 205 CAT awards totaling \$69.5 million have been made, leveraging over \$505 million in investment in Iowa.

Importance of Rural Quality of Life Perceptions

NORMAN WALZER, PH.D. - Professor of Economics at Western Illinois University in Macomb, Illinois.

Norman Walzer, Ph.D., is also past director of the Illinois Institute for Rural Affairs (IIRA) at Western Illinois University in Macomb, Illinois. He is currently completing an analysis of the Illinois Rural Life Poll focusing on quality of life and satisfaction with local service delivery.

"In the 1980s, the rural areas in Illinois, like rural areas in most other states, were seriously affected by farm consolidations and other adverse economic trends," began Walzer. Following recommendations from a statewide Task Force on the Future of Rural Illinois, in 1989 the Illinois General Assembly funded the IIRA. "The mission," Walzer continued, "is to improve the quality of life in rural Illinois by partnering with public and private agencies on local development and enhancement projects." The vision of the IIRA, he explained, is to attain national recognition for an integrated delivery system that provides knowledge, information, and innovative strategies to help rural residents improve policy decisions, overcome rural disparities, and achieve a high quality of life with strong communities.

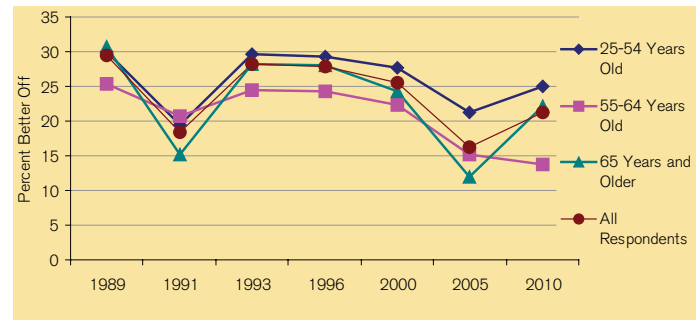
The IIRA also conducts applied research projects on a variety of issues facing rural Illinois, such as: economic and community development (including value-added agriculture), health care, education, public transportation, public management policies, housing, and technology.

Walzer presented findings of an IIRA survey conducted in 2005 on rural quality of life perceptions. The survey asked rural residents how their quality of life has changed between 2000 and 2005 and about their perceptions for the next five years.

Referring to Figure W1, Walzer reported that 2010 projections based on the question, "In the next five years, will the quality of life in your community improve?" are especially troublesome for the 55- to 64-year-old age bracket. The group perceives that the quality of life in its communities will not improve. However, the elderly (65 years and older age bracket) are more positive. Walzer noted that, over time, the responses for the 25- to 54-year-old age bracket tend to mirror broader macroeconomic performance.

The survey also included measures of how satisfied rural people are with the services they receive. Referring to Figure W2, Walzer reported that rural residents are more satisfied with local libraries, parks and recreation, and schools than with retail shopping, public transportation, and entertainment options.

Figure W1: Community Quality of Life has Improved (during past five years)



Note: 2010 projections based on "In the next five years will the quality of life in your community improve?"

Source: Illinois Institute for Rural Affairs

Figure W2: Satisfaction with Services

Service	All Respondents Mean
Library services	4.14
Parks and recreation	3.89
Education (K - 12)	3.82
Solid waste disposal	3.76
Senior centers and services	3.64
Housing	3.64
Law enforcement	3.63
Head Start programs	3.60
Basic medical care services	3.51
Day care services	3.46
Streets	3.19
Quality of public services	3.18
Mental health services	3.11
Local government	3.06
Restaurants	2.98
Responsiveness of state agencies to local requests	2.77
Retail shopping	2.74
Public Transit and Transportation	2.73
Entertainment	2.64

Coding: 1= Very Dissatisfied
5= Very Satisfied

Source: Illinois Institute for Rural Affairs

The survey then asked about positive and negative trends. According to responses, the biggest concern is a lack of jobs that pay a "living wage." A related concern is the closing of small businesses and erosion of main streets. Also, quality of rural schools has traditionally been an issue, with concern over the number and types of courses available and whether rural education adequately prepares children for the future.

Walzer also discussed factors important to businesses deciding whether to locate in a rural area (see Figure W3) and the possible role quality of life plays in those decisions. Labor costs, highway accessibility, availability of skilled labor, and state and local incentives were all important factors; however, labor costs are, by far,

the most important, he said. "Labor costs mean labor productivity costs," explained Walzer. "Schools are important here because they are preparing the workforce for the future and will affect the ability of local areas to attract high paying jobs. Quality of the workforce is a continuing concern of businesses."

Figure W3: Site Selection Factors in Industrial Location

Percent Responding as Important or Very Important

Labor costs	96.4%
Highway accessibility	90.2
Availability of skilled labor	89.1
State and local incentives	87.5
Energy availability and costs	85.8
Corporate tax rate	84.4
Occupancy or construction costs	83.6
Tax exemptions	83.3
Availability of telecomm. services	82.3
Availability of high-speed Internet access	80.7
Environmental regulations	80.7

Source: Illinois Institute for Rural Affairs

MICHAEL L. WHITE - Specialist for Iowa University Extension Field Corps/Viticulture

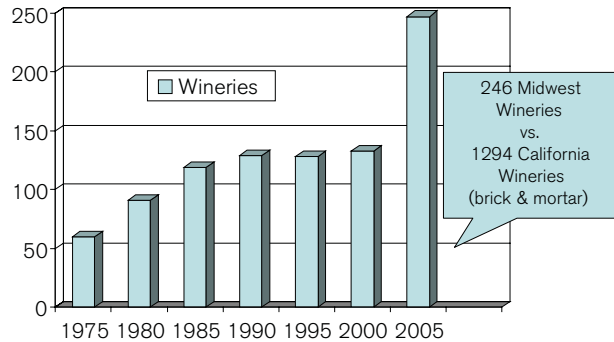
Wineries and Rural Economic Development

Michael L. White is an Iowa State University Extension Field Crops/Viticulture specialist.¹⁷ For the past 10 years, White has worked with conventional and alternative crop farmers in southwest, south central, and central Iowa. In January 2000, he began working with the newly emerging grape and wine industry in Iowa.

Historically, Iowa had been a significant grape producer. In 1919, Iowa was the sixth largest grape producer in the nation.¹⁸ White explained that several factors negatively impacted Iowa's grape growing industry. First, came the national prohibition on alcohol (1920-1933). Because a family unit could still produce and possess 200 gallons of alcohol and wine each year, prohibition had only a minor effect on grape and wine production. A second, and much larger impact on Iowa's wine growing industry, was wrought by the Armistice Day blizzard of November 11 and 12, 1940. The huge blizzard fell so suddenly it destroyed a large number of Iowa's vineyards (and orchards). Finally, the most significant blow was dealt by the advent of 2,4-D herbicide in 1944. This herbicide is highly volatile and once sprayed vaporizes into the air and drifts. Grapes are very sensitive to this herbicide. After World War II, 2,4-D herbicide was extensively used in Iowa corn production and consequently devastated grape production. By 1954,

no vineyard in the state was free of 2,4-D damage. Today, however, there are practices in place that minimize drifting of the herbicide.

Figure M1: Iowa, Nebraska, Illinois, Indiana, Michigan, Minnesota, and Wisconsin Wineries



Source: Iowa State University, University Extension, and WineAmerica 75-00, State Associations for 2005

As Figure M1 shows, the number of wineries in the Midwest has exploded over the past five years due to the recent renaissance in the wine industry. White attributed the robust Midwest growth primarily to the development by several leading universities over the past 10 years of new grape varieties that can be planted for wine production. "There are now about 30 varieties available for planting in the Midwest – formerly it was two – Concord and table grapes," he said. "It's a new industry with new grapes, and we're seeing quite a few new wineries come online."

Iowa has been one of the fastest growing states for a number of reasons, the biggest being the Iowa Wine Growers Association.¹⁹ The group has been very active in lobbying for laws and regulations to enhance the industry. As Figure M2 illustrates, since 1999, Iowa has seen a dramatic increase in the number of wineries, vineyards, and acres planted.

Figure M2: Recent Iowa History

Approximate Wine Grape	Acres &	Vineyards	Wineries
1999	31 acres	15	13
2000	100 acres	50	14
2001	200 acres	100	16
2002	400 acres	200	18
2003	450 acres	225	26
2004	500 + acres	231 +	33
November 2005	600 + acres	275 +	51

Source: Iowa State University, University Extension

The wine industry represents rural economic growth. Vineyards and wineries provide tourism. In California, wineries were second only to Disneyland for the number of visitors in 2004. "Its all about destinations and traveling," explained White. "The typical wine trail visitor will drive about 100 miles per day to visit wineries. So, if you're going to position a winery, you want it within 50 miles of an urban population center." Economic studies conducted in other states indicate that for each dollar spent in a winery, there is a concomitant \$0.75 to \$1.00 spent locally. Wineries have proved to be an outlet for locally produced cheeses, honey, catering, and food services and also provide the venue for many cultural activities such as summer festivals. "This is the epitome of value-added agriculture," White noted. "One dollar worth of grapes will produce about \$10 worth of retail wine sales." White also added that the wine industry is not subsidized as other Iowa agricultural industries are. Yet, a typical vineyard in Iowa that produces about 3.5 tons of grapes will pay about \$2,500 to \$3,500 in taxes (local, state, and federal) per acre each year.