RURAL BOOMTOWNS: THE RELATIONSHIP BETWEEN ECONOMIC DEVELOPMENT AND AFFORDABLE HOUSING

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ECONOMIC DEVELOPMENT AND AFFORDABLE HOUSING

Housing Assistance Council

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HAC, founded in 1971, is a nonprofit corporation which supports the development of rural low-income housing nationwide. HAC provides technical housing services, seed money loans from a revolving loan fund, housing program and policy assistance, research and demonstration projects, and training and information services.

TABLE OF CONTENTS

Executive Summary 1

Introduction 3

Case Studies

Camden County, Georgia 4

History 4
The Boom: Kings Bay Naval Submarine Base 5
"Guns and Butter" Growth 6
Housing Affordability 7
Lessons Learned 8

Deadwood, South Dakota 10

History 10
The Boom: Gambling 12
Betting (and Losing) on Better Jobs 14
Housing Affordability 15
Lessons Learned 17

Fremont County, Colorado 19

History 19
The Boom: The Federal Prison 20
Growth Impact and Planning 21
Housing Affordability 22
Lessons Learned 24

Washington County, Utah 27

History 27
Boom, Boom, Boom: Retirees, Tourists and Refugees 29
Great Service, Little Pay 30
Housing Affordability 31
Lessons Learned 33

Conclusion 35

Appendix A: Planning Process: Camden County, Georgia 42
Appendix B: Comparative Population, Housing and Economic Indicators 44

EXECUTIVE SUMMARY

Introduction

Throughout the 1990s, several communities in rural America experienced rapid economic development. These boomtowns -- extremely high growth areas -- are at the extreme end of the growth/decline axis, and are sufficiently important phenomena that their low-income housing needs should be given special attention. They have become boomtowns for a variety of reasons: gaming, the military, tourism, retired residents, even prisons.

Overall, there is a general lack of understanding about how variables such as the types of jobs created, wage levels paid, population trends and the capacity for housing construction impact a community's low-income housing needs. The purpose of this study is to examine the relationship between economic development and the need for low-income housing in selected high growth rural areas.

Case Studies

Camden County, Georgia

The source of Camden County's economic boom was the unexpected arrival of the Kings Bay U.S. Naval Submarine Base, which triggered a two-decade expansion of jobs in lucrative defense-contracting services and other related industries. However, the comprehensive planning process that occurred prior to the location of the base was reactive rather than proactive, and low-income residents felt that they were left out. While the presence of the base was offset by substantial federal impact funds and there was a generous surplus of housing units, the supply of affordable housing was never sufficient, and the few left out of Camden's military-industrial expansion were left out of housing as well.

Deadwood, South Dakota

While Deadwood, South Dakota's history sprang from the boom-and-bust cycles of the gold-mining industry, its most recent gold-mine was in the form of legalized gambling. Even though the growth brought on by the gaming industry was titanic and compacted into a very short amount of time, the city's status as a National Historic Landmark District enabled it to capture a significant amount of gaming revenues and channel them into housing, as well as place very strict regulations on land use and architecture. However, gambling also brought with it a bottom-heavy service economy that made both rental and single-family housing unaffordable, even when the city went into a housing glut.

Fremont County, Colorado

In relying on a federal prison to provide economic growth, the officials of Fremont County assumed that the impact would be similar to that of the state prisons that the county had hosted for over 100 years. However, the federal prison did not bring the local jobs or revenue that were expected. Housing was inadequate for incoming employees, who subsequently moved outside the county, and when private builders finally began to replenish the housing stock there was still

a significant shortage of affordable units. Fremont County learned that dealing with a tax-exempt federal entity is a very different matter than dealing with the state Department of Corrections (DOC), and that very careful planning and capacity-building are necessary to capture revenue from it.

Washington County, Utah

Because of its natural and historical attractions, Washington County was able to sustain a three-decade boom from retirees (1970s), tourists (1970s to 1980s), and inmigrants from California (1990s). Due to its primary appeal as a retiree-attraction county, the economic growth in Washington came from service sector industries such as health (at the upper end) and food/beverage and retail (at the lower end). Since the majority of growth was in low-wage jobs, and since Washington County was virtually the only stable employment center in the region, the county attracted a population of young "boomer" families who were much poorer and in much greater need of affordable housing -- particularly rental. Even when the "boom" began to slow after 1996, there were still waiting lists for Section 8 rental units and housing costs have shown no sign of abating.

Conclusions

The three main benefits that rapid growth brings to rural areas are population infusion, economic growth, and more jobs. Many rural areas in the U.S. have been plagued by population loss, particularly of younger wage-earners who migrate elsewhere for job and education opportunities. However, even though population, industry and employment gains were all hallmark traits of the four boomtowns in this study, *better* jobs, *higher* salaries and industrial stability were not necessarily a part of the bargain. In fact, in many instances, the quality of employment declined as the boom took off.

The benefit a locality can extract from incoming industry depends on the kind of industry driving new growth and the amount of strategic planning that a community does in advance. Government industries -- such as the military and federal prisons -- are far more difficult to negotiate with due to their entrenchment in bureaucracy, and local revenues have to be captured indirectly from business growth since they are tax-exempt. High-growth private industry -- such as gambling -- is taxable; however, the employment opportunities that it brings are often low-income and transient and affordable housing can only be guaranteed through careful development regulation. Long-range growth sectors such as retiree attraction may provide for decades of economic expansion; however, the price is typically the creation of a two-tiered economy with retirees at the top and poor, young inmigrants in service-sector jobs at the bottom.

Either before the boom or in its wake, there is still a population for whom rising property values only mean higher rents and a steeper cost of living. Housing for these people can only be provided through careful planning, not by trusting the housing market to adjust to meet their needs eventually.

INTRODUCTION

Throughout the 1990s, several communities in rural America experienced rapid economic development. These boomtowns -- extremely high growth areas -- are at the extreme end of the growth/decline axis, and are sufficiently important phenomena that their low-income housing needs should be given special attention. They have become boomtowns for a variety of reasons: gaming, the military, tourism, retired residents, even prisons. While growth is good for the economy, it brings numerous challenges that may not have been considered by local officials and community leaders. One such challenge is helping longtime residents prepare for the influx of new people to the community. In many small towns residents know their neighbors, talk with them in the local market, and share common values. A sudden influx of new residents can have a traumatic impact on a small, tight-knit community.

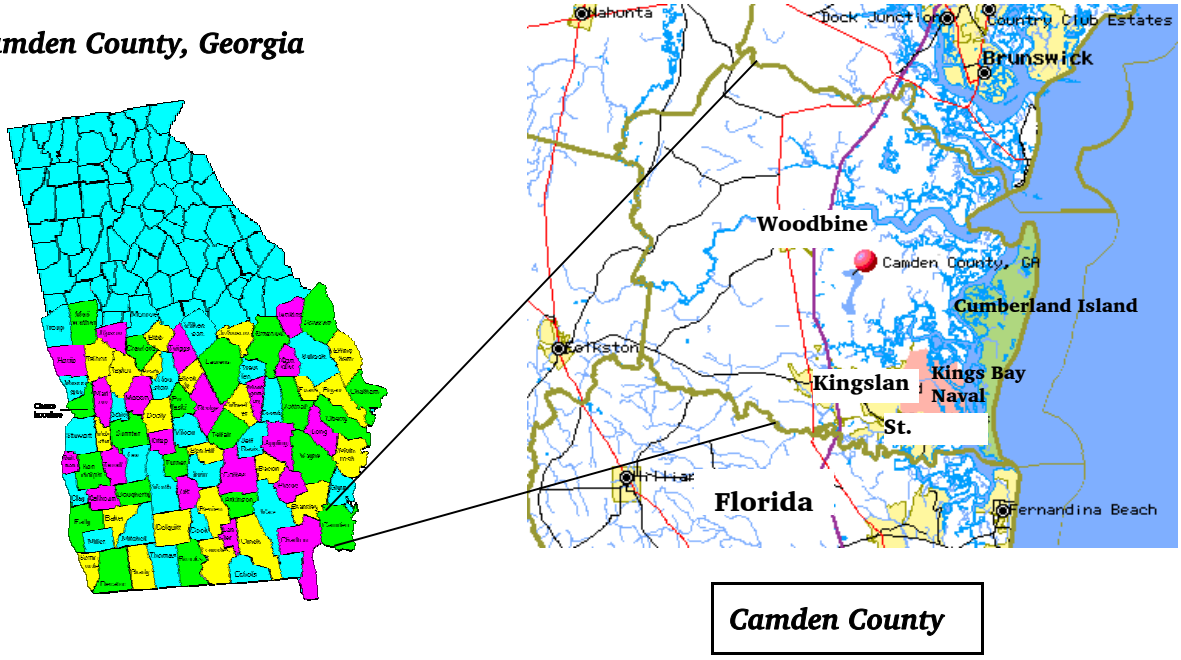
Another challenge facing rural boomtowns is the relationship between economic growth and housing. Not only is a general understanding of this relationship important, but the community must also be prepared to develop strategies to deal with the impact. For example, in many communities economic growth leads to increased land and property values, which ultimately lead to increased housing costs. Similarly, boomtowns that experience population growth may also experience an increase in average rent. This is a classic supply and demand model -- as demand increases and supply does not, prices rise. While boomtowns typically have an overflow of jobs, they are often low-wage jobs, making it difficult for low-income and first-time buyers to either purchase homes or find affordable rental property. These factors are compounded in communities where the housing stock is limited and production cannot keep up with the needs of the residents.

Overall, there is a general lack of understanding about how variables such as the types of jobs created, wage levels paid, population trends and the capacity for housing construction impact a community's low-income housing needs. The purpose of this study is to examine the relationship between economic development and the need for low-income housing in selected high growth rural areas. There is no blueprint for how a community should respond to the challenges mentioned above. Indeed, every community has unique goals, opportunities and obstacles, and its approach should reflect these differences. However, there are lessons to be learned from communities that have experienced rapid economic growth.

Using a case study format, this report examines how rapid economic growth impacts small communities and how four rural boomtowns were able (or unable) to manage both economic growth and steadily rising populations. Specifically, the report describes the impact that rapid growth has had on low-income housing in these communities, how the communities responded to housing needs, and the challenges they faced in doing so. Finally, drawing upon the experiences of these four boomtowns, this report outlines the changes that appear in housing markets when communities experience rapid growth -- and attempts to provide some guidelines for areas undergoing the same kind of growth in the future.

CASE STUDIES

Camden County, Georgia



The source of Camden County's economic boom was the unexpected arrival of the Kings Bay U.S. Naval Submarine Base, which triggered a two-decade expansion of jobs in lucrative defense-contracting services and other related industries. However, the comprehensive planning process prior to the location of the base was reactive rather than proactive and low-income residents felt that they were left out. While the presence of the base was offset by substantial federal impact funds and there was a generous surplus of housing units, the supply of affordable housing was never sufficient, and the few left out of Camden's military-industrial expansion were left out of housing as well.

History

Camden County has a rich history that dates all the way back to 1565. In fact, St. Mary's (the county seat) is the second oldest town in the United States. From its earliest days, the land between the St. Mary's and Satilla rivers had always been of military importance, having been exchanged several times between the French, the Spanish, and the British, finally falling into American hands at the end of the War of 1812.

In the late eighteenth century, British settlers noted the abundance of live oak trees and eyed their use as ship-building material. Subsequently, on November 20, 1788, a group of 20 men met on Cumberland Island and signed an agreement to establish the port town of St. Mary's (each received four town lots for a down payment of $38). The British general James Oglethorpe later founded Fort Williams on the south side of the island, which commanded the entrance to the St. Mary's River.

After the War of 1812, antebellum Camden County was the home of several plantations, and its economic base was primarily rice and cotton farming. As of the 1800 census, St. Mary's had a population of 190 whites, 73 slaves, and three freedmen.

One nineteenth century historian -- a native of St. Mary's -- observed that the abolition of slavery was "disastrous to planting interests." Many plantations fell into disrepair or were destroyed during the Civil War, after which their heirs abandoned them and moved to Savannah, attracted by the "unwholesome allurements" of city life. The county went into severe recession in 1900, and agriculture took the form of subsistence vegetable farming by freed slaves and poor whites.

From the nineteenth century until 1920, the advent of the steam powered saw mill led to a booming timber economy. However when the timber industry declined, it took a great deal of the county's population with it, going from a high of 7,690 in 1910 down to 5,910 in 1940. In 1941, the Gilman Paper Company opened its plant in St. Mary's, reviving the sagging population from 5,910 to 8,900 over the next nine years, and many saw the mill as a harbinger of economic prosperity.

Then, in 1954 the U.S. Army purchased the land that is now Kings Bay Naval Submarine Base. From the 1950s to the early 1970s, the facility was used to store ammunition and conduct support exercises. In 1975, the Spanish government asked the U.S. Navy to remove its nuclear submarine squadron from its base in Rota, Spain. After a search of 60 potential U.S. sites, the Navy chose St. Mary's, Georgia as its submarines' new home and purchased the land from the Army in 1977.

The Boom: Kings Bay Naval Submarine Base

Located at the very southeast tip of Georgia, Camden County is just north of Florida on the state border. The county, which is 698 square miles, includes three municipalities -- St. Mary's, Kingsland and Woodbine -- each with its own mayor and city council. There is also an unincorporated section of Camden County that the County Board of Commissioners oversees. After the installation of the Kings Bay Naval Submarine Base in 1977, and the arrival of ten Trident nuclear submarines in the mid-1980s, the population of Camden exploded. From 1980 to 1990, the population jumped 43 percent to 30,882 and in the 1990s, the population leaped an additional 60 percent to a total of 47,800 (1997 estimate). In 1997, *Money Magazine* rated St. Mary's, Georgia as America's number one small boomtown.

While some communities lobby to attract new business and industry, and other communities establish economic development authorities, neither the residents nor the local government of Camden County played an active role in bringing the naval base to the area. In fact, the military made the decision independent of local community priorities and without consulting with members of the community. Camden County and St. Mary's government officials were informed by the Navy in the mid-1970s that the naval base would be built in St. Mary's.

In 1975, a team of county and city employees and elected officials began visiting other cities that host large military installations to learn from their experiences. During these visits they learned that growth would impact the community in many different ways. They developed a prioritized list of needs in anticipation of a rapid spurt of growth and a large influx of in-migrants. The list

included such things as improving and expanding water and sewer lines, school facilities, and roads and highways. In the early 1980s, county planners formed the Kings Bay Impact Coordinating Committee (KBICC). From 1981 to 1983, the KBICC initiated a complex long-range planning process that involved the participating jurisdictions of Camden County, Kingsland, St. Mary's and Woodbine.

To provide citizen participation, a Citizens Advisory Committee (CAC) was formed, consisting of community members of each of the four jurisdictions. The CAC, in turn, was divided into five subcommittees (Housing, Economic Development, Community Facilities, Natural and Historic Resources, and Land Use), each addressing different concerns about future development. Beginning in 1991, the CAC met once a month for three months, with subcommittees meeting in between each full committee meeting.

In between the CAC's findings and the end of the planning process was a complex chain of government officials and paid consultants, whose task was to facilitate and streamline the process so that the outcomes would not conflict between jurisdictions (see Appendix A). At the end of one year, all four jurisdictions had hammered out comprehensive five-year plans that would be used to regulate all future development proposals and provide for mitigation of any significant impacts on the area.

Government officials viewed the comprehensive plans as dynamic and flexible documents, capable of responding to any changes in community facility requirements, area economics, or military objectives at the base. The planning process ostensibly allowed the community to evaluate the existing housing needs of the county, giving room for grassroots input on the location of existing housing, the number and type of housing available, the cost of existing housing and the age and condition of the existing housing stock.

How much the older and low-income residents benefitted from this process, however, was more problematic. One woman interviewed described the community meetings as "cliquish -- it was all about the politics. They invited the military people, but they didn't say a thing to the people who had been living here for generations." The final comprehensive plan for the county was equally unrepresentative: "The whole thing was written by a bunch of consultants from *Atlanta.* Now how is someone from Atlanta going to know a *thing* about living here?"

"Guns and Butter" Growth

The military created thousands of jobs in Camden County and provided Camden with federal impact funds to offset the fact that their enlisted personnel were not permanent county residents. Since 1980, the military has paid the county approximately $58 million to address pressing growth needs such as extensive road and highway improvements, expanded fire and police services, water and sewer lines, and a $14 million high school and recreation center.

However, the influx of military employees still placed a great demand on county and municipal services. Each submarine at the base had a crew of 300 and many of these officers had families with children. Even though the military provided the county with substantial growth mitigation, the impact of the base and its ten submarines still outstripped existing resources. In 1998, roads

were still constantly in need of repair because of the heavy flow of traffic in town and most schools were still overcrowded, using portable trailers as makeshift classrooms.

The overall result of the military presence was a two-tiered "guns and butter" economy, where the highest paid jobs were in military positions, the manufacturing sector, and services targeting base personnel and military-related industries.

High-end military contractors (Lockheed Missiles and Space) and the county's manufacturing mainstay, the Gilman Paper Company, were the bulk of the lucrative manufacturing sector that, as of 1996, employed 1,267 with an average yearly wage of $39,600. Although nowhere near as lucrative as the manufacturing sector, the second largest employer was the county's municipal sector, with the largest number of jobs coming from Camden's public school system.

The service sector came in third with the best positions in health ($25,100 per year) and engineering/management services ($24,700) -- although it provided a good deal of low-wage clerical jobs as well. The Kings Bay Naval Submarine Base employed about 9,500 people, 5,500 of whom were enlisted military personnel. The remaining base employees were either Department of Defense civilian employees (2,500) or government contractors (1,500). In 1996, the base's average annual payroll per person was $24,000.

The total civilian labor force in Camden County in the same year stood at 15,746, and at its bottom was the retail trade, where eating and drinking establishments alone employed 1,019 -- more than half of the entire sector -- and paid average annual wages of $7,702. The sector as a whole did not offer much better, paying an average $10,670 per year.

Housing Affordability

Between 1980 and 1997, the population of Camden County increased from 13,371 to 47,800. In 1990, the county had 9,459 households (63 percent of them homeowners), with 10,885 housing units available (up from 3,518 in 1970). Consequently, the availability of housing in and of itself was not a problem. The central problem was its affordability.

At first glance, the population of Camden County seems to have gained a windfall from the presence of the Kings Bay Naval Submarine base. Its 1993 median household income was $33,430 (up from $28,212 in 1989), with a poverty level of 11.2 percent -- substantially better than for Georgia overall (with a median income of $31,148 and poverty rate at 16.8 percent). As of the 1990 census, the median value of a home in Camden County was $66,700, up 127.6 percent from 1980.

Nonetheless, the litmus test of housing affordability is cost burden (the percentage of a household's gross monthly income that goes to either rent or mortgage payments). According to U.S. Department of Housing and Urban Development guidelines, any housing unit is unaffordable if its total monthly expenses per household exceeds 30 percent. In 1990, the median gross rent for Camden was $416 and the median percentage of monthly income paid for rent was a comfortable 24.5 percent.

However, in the $20,000 or lower income range, the vast majority of renters were cost-burdened, with the most severe burden placed on households with incomes of $10,000 or less. Out of the 647 renter households in the $10,000 or below income category (out of a total renting population of 3,457), 67 percent paid at least 35 percent of their income for housing.

Once a renter's income shifted to $20,000 or above, this trend completely reversed, with the vast majority of renter households having no cost burden at all. In other words, low-to-poverty level renters were squeezed the hardest for their shelter costs, whereas the middle-income to affluent households were virtually unaffected.

As of 1998, Camden County had only three public housing projects, with a total of 85 units. The units were fully subsidized and managed by the Camden County Housing Authority. The only other subsidized housing in Camden County were five other complexes, managed by private companies, that were Low Income Housing Tax Credit properties (unaffordable for most households that qualified for public housing). With nearly 500 households living in unaffordable units, the subsidized housing stock was nowhere near adequate.

While the majority of housing in Camden County is not rental -- 63 percent of all occupied units are owner-occupied -- that proportion has shrunk considerably from 84.1 percent in 1970. As the ownership housing stock has shrunk, housing values have correspondingly risen, accompanied by a surge in the property tax rate. The effect on Camden's homeowners has not been as onerous as it has on low-income renters; however, regressive cost burdens are still a problem.

According to the wife of an enlisted officer, many of the military families chose to build new homes in the 1980s because the cost to build was "cheap," even if they would only be in the area for five to six years. Consequently, the number of homes built per year in Camden County spiked from 1985 to 1988 with 1,669 "cheap" single-family homes aimed at the needs of the new military personnel. However, the greatest proportion of cost burden was still at the bottom of the income scale. The 379 homeowning households in the $10,000 or below salary range were still the most severely cost-burdened, with 36 percent of them spending 30 percent or more of their monthly income on housing costs.

When county officials conducted their housing needs assessment in the early 1990s, they concluded that the housing condition county-wide was fairly good. There was a mix of construction styles, costs, and environments appealing to Camden's burgeoning middle class. The Camden County Joint Development Authority also promoted the county as "retaining small-town charm in conjunction with the healthy bustle of our business community." Its lush tax base also enabled it to develop a strong public school system, with one of its elementary schools achieving Georgia and National School of Excellence status.

Lessons Learned

Camden County's experience with the Kings Bay Naval Submarine Base has been mixed. The growth spurred by the arrival of the base has triggered impressive employment opportunities, nurtured a thriving high-end manufacturing and service sector, and provided federal impact funds and property taxes for an award-winning public school system. Camden's new affluent

middle class has access to abundant housing, and the development of more than five industrial parks, plus generous tax incentives, all seem to cement Camden's future as a high-tech, industrial magnet.

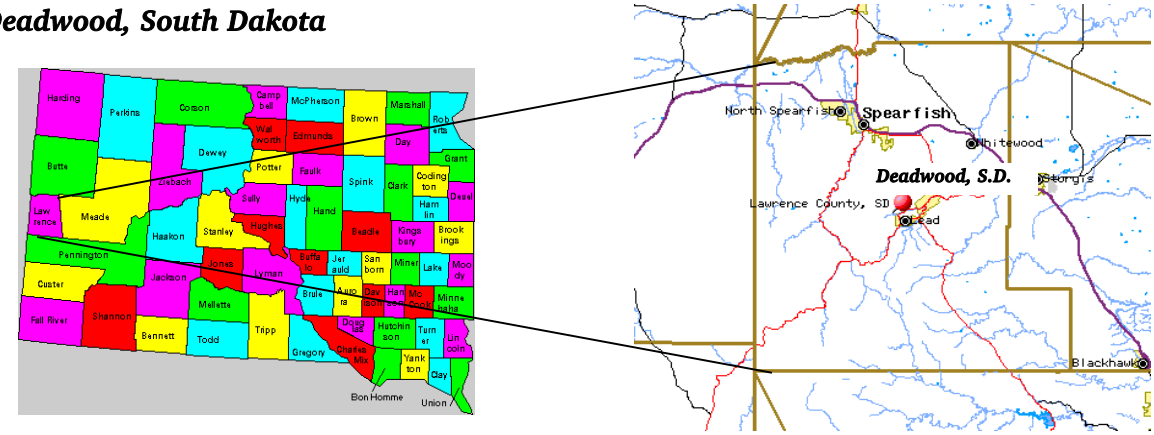
Nonetheless, as one local activist put it, "Johnny can't go to school if he doesn't have an address." For the minority of the population left behind by Camden's growth -- primarily single mothers and elderly people -- the economic boom obliterated the supply of affordable rental housing and left people in older homes trapped in dilapidated structures. A worker at the Department of Family and Child Services pointed out that women coming off welfare and working low-end service jobs have not been able to afford rental housing through vouchers (in 1997, county officials put limits on the number of building permits they will issue in an effort to slow new construction). With incomes far too meager to purchase a home, these women and their children have been left with nowhere to go. The older owner-occupied housing at the north end of the county is also falling apart, leaving senior citizens with substandard shelter -- but afraid to leave their homes for unaffordable rental housing. By 1998, even base personnel were moving outside Camden County, leaving local jurisdictions with the dilemma of how to lure them back and retain them.

The overall benefits of hosting a military base for Camden County have buoyed the economy and created a solid infrastructure; however, they were not enough to guarantee a sufficient supply of affordable housing -- in spite of a surplus of thousands of units. Since the military is a government entity (hence, tax-exempt) any local revenues derived from its presence had to be either in the form of federal impact funds or taxes from newly stimulated business development. Even though Camden received $58 million in funds since 1980 and developed an impressive industrial and residential tax base, the lopsided housing cost burdens faced by the county's poorest residents meant that there would have to be some form of public/private commitment to building and maintaining an adequate low-income housing supply.

Finally, the planning process -- which should have provided the basis for adequate low-income housing -- was not useful or accessible to those residents who needed it the most. The woman quoted above, who runs a homeless shelter, maintains that "for ten years, I've been tromping up and down, yelling like a bag lady. But they don't want to hear about it. Nobody wants to hear about it."

While Camden County had to adjust to the abrupt arrival of a military base, Deadwood, South Dakota had to deal with another sudden visitor: the gambling industry.

Deadwood, South Dakota



Lawrence County

While Deadwood, South Dakota's history sprang from the boom-and-bust cycles of the gold-mining industry, its most recent gold-mine was in the form of legalized gambling. Even though the growth brought on by the gaming industry was titanic and compacted into a very short amount of time, the city's status as a National Historic Landmark District enabled it to capture a significant amount of gaming revenues and channel them into housing, as well as place very strict regulations on land use and architecture. However, gambling also brought with it a bottom-heavy service economy that made both rental and single-family housing unaffordable, even when the city went into a housing glut.

History

Deadwood, S.D., the seat of Lawrence County, has had more than its fair share of fame during the past century, starting with the Black Hills Expedition of 1874. Led by Lt. Col. George Custer, the expedition verified rumors of gold in the region, sparking the Black Hills gold rush. As in many other episodes of U.S. history, fortune seekers arrived in large numbers, violating the terms of U.S. treaties with local Native Americans. In response to these incursions on their territory, the Sioux began a war which, despite the defeat of General Custer and his troops at Little Big Horn in 1876, ended in their defeat. The new treaty, signed in 1877, ceded the Black Hills to the U.S. and confined the Sioux to smaller reservations.

Gold was first discovered in Deadwood Gulch in 1875. In one year Deadwood grew from a muddy gulch of tent-dwelling miners to a frontier town with stores, entertainment, an elected mayor, and a population of around 5,000. This "Wild West" period ensured Deadwood's place in history and popular imagination as the site of big gold finds, lawlessness, gambling, prostitution, whiskey-drinking, and colorful personalities such as Calamity Jane and Wild Bill Hickok. Since its beginning, Deadwood's economy has been extremely vulnerable to booms and busts due to changes in the price of gold and the costs of mining. Timber and agriculture (mainly cattle ranching) became important parts of the economy, but never provided protection against slumps in the gold industry.

Soon Deadwood's surface gold deposits were exhausted, and Deadwood became the center of supplies, services, financing, transportation, and ore processing for the surrounding country's mines and residents. Fires and floods destroyed much of the town several times, but residents determinedly rebuilt. The development of new gold extraction techniques enabled miners to access previously hidden deposits, ensuring that the region's economy would remain viable. In 1890, the arrival of the railroad in Deadwood and the development of a new, cyanide-based process for extracting gold from low-grade ores combined to create a new expansion of Deadwood's economy. The availability of raw materials and transport led many companies to build ore processing plants.

Government demand for industrial supplies and labor during World War I caused a decline in gold mining, and many local mines closed down because they were unable to bear the high costs during this period. The large Homestake mine, founded in 1875, remained open and supported a great deal of the region's economy. After the war, lower costs of production and higher gold prices led to the expansion of mining, but it declined again during World War II when all gold mines were abruptly closed by a 1942 federal order. During the 1920s and 30s Deadwood remained a regional destination for gambling, prostitution and alcohol consumption (especially during Prohibition). During these years increased car ownership across the country and improvements in South Dakota's roads allowed tourism to become a significant part of the Black Hills economy.

After World War II, two factors contributed significantly to a decline in Deadwood's economy and population. One was the increasing automation of mining, which led to job losses and out-migration as people left to find work. The other was the growing ascendancy of the car over the railroad, which created declines in two of Deadwood's other economic sectors, also leading to job losses and migration. By the 1950s, Rapid City had displaced Deadwood as the region's transport and wholesale distribution center. By 1961, Deadwood's population was down to 3,045, even though the entire town had been designated a National Historic Landmark. During the 1960s the construction of Interstate 90 eight miles to the north led to Deadwood's demise as a retail center. Its stores lost customers to national chain stores that opened in Spearfish and to a new mall in Rapid City (I-90 runs through both these locations).

Many people say that "Deadwood was dying" in the 1990s. Deadwood's population had declined to 1,830 by the 1990 Census. Mining and summer tourism remained the major industries in the area. The honor of being listed on the National Register of Historic Places was not attended by any funding other than tax incentives. The dearth of public and private resources for historic preservation meant that an estimated $20-$60 million worth of restoration was needed.

Deadwood's housing stock was in poor condition: most homes were about 100 years old, and had numerous physical problems related to owners' inability to afford sufficient maintenance and to changes in construction standards. The gulch was barely wide enough to accommodate two parallel streets, and most housing was terraced into the hillsides. A significant amount of nearby land was unavailable because it was part of the Black Hills National Forest. The dearth of flat land meant that sites (if they could be found) and construction would both be expensive.

The Boom: Gambling

In 1986, a group of young local business owners conceived the idea of legalizing gambling in Deadwood to create economic development and formed the "Deadwood You Bet Committee." The idea came from tourists who would sometimes expect more decadence, particularly gambling, of Deadwood than it had to offer. At that time, Atlantic City and Nevada were the only locations in the U.S. with legal gambling, although by some accounts gambling had never completely died out in Deadwood and continued underground. To appeal to a broad range of people, the proposal for "You Bet" included not only predictions of economic development from gaming, but a plan for fees and taxes on gaming to be used for historic preservation. South Dakota had no personal or corporate income tax, so special fees and taxes would be necessary for the state to capture any portion of profits from gaming.

You Bet lobbied the 1987 South Dakota legislature to pass their proposal, but without success. They refused to be discouraged, and immediately began collecting signatures for a statewide ballot initiative on legalizing gaming in Deadwood. At the same time Deadwood's City Commission established a Historic Preservation Commission to oversee the National Historic Landmark District. Later that year, Deadwood became a Certified Local Government, qualifying to receive federal funds for historic preservation, and promising to use federal standards for alterations in the Historic District. When several historic buildings burned to the ground later that year, You Bet used the news footage of the collapsing buildings to garner support for their initiative. They collected over 30,000 signatures to get the initiative on the 1988 ballot, and it passed with 64 percent of the vote.

Before gambling could begin in Deadwood, the state legislature had to write and pass legislation based on the ballot initiative, Deadwood residents had to hold a local referendum on legalizing gambling, and a state gaming commission had to be assembled and write detailed regulations to implement the new law. Accomplishing these took over a year, during which time Deadwood established a Local Historic District -- a smaller area within the National Historic Landmark District encompassing the downtown commercial center. State law empowers a Local Historic District to establish strict guidelines for any new construction or rehabilitation and to withhold building permits if the guidelines are not followed. Gaming was authorized to begin on November 1, 1989, and 14 casinos were ready to open their doors that day.

Gambling in Deadwood was limited to slot machines, blackjack and poker, with a maximum bet of $5. One location also offered simulcast dog and horse race betting. Gambling was legal only on sites zoned for commercial use within the city limits. There was an 8 percent tax on all gaming revenues, of which 40 percent went to the state, 10 percent to Lawrence County, and 50 percent to the Deadwood Historic Preservation Commission (minus the expenses of the state gaming commission and approximately $100,000 for the statewide historic preservation grant program). There was also a $2,000 annual licensing fee for each gaming device, the entirety of which went to the Historic Preservation Commission.

The impact of gaming on Deadwood was stronger than the community had expected. Outside companies came in either to start up casinos or to speculate on commercial property. Downtown property owners were able to sell their buildings for as much as 200 times their previously assessed value, and rents increased in tandem. The average assessed value of commercial property in the city increased 527 percent between 1990 and 1994. As property values rose, so did property tax assessments. Most owners of commercial property could not afford to pay the taxes with either the income or the rent from retail businesses, and converted stores into casinos. In the first nine months of legal gambling over 70 buildings changed from retail or wholesale businesses to gaming operations. The total loss of businesses was estimated at only 35, which can be attributed to the large number of pre-existing vacancies and to businesses that used more than one building. Some of these businesses had been expected to move or close down anyway because they were not viable in Deadwood's depressed economy. However, more and bigger casinos opened than had been expected: a consultant had estimated that 150 to 200 machines would be licensed, but the number turned out to be 2,200. In the first eight months, $145.5 million was wagered -- more than 72 times the amount the state Commission on Gaming had estimated -- and at one point more than 85 casinos were operating.
The immediate effects of gaming were bound to cause some distress. Apart from the natural sadness people felt over changes in the character of their community, Deadwood did not have the money or the time for much planning, and in any case there was no previous example from which to learn. In addition, according to historic preservation consultants, the boom "compressed into less than one year the equivalent of 20 years of construction in a similar community with normal growth."

The city's staff (which did not increase 20-fold) lacked the capacity to respond to all the new demands placed upon it. Predictable problems were the strains on already deficient infrastructure systems, the increase in traffic and parking congestion, and the issuance of some building permits that later were determined to be historically inappropriate. The town also changed for the tackier, with bright slot machines visible in almost every Main Street storefront, a proliferation of garish signs, and loudspeakers and barkers outside many casinos.

In the year following gaming legalization, Deadwood's city government moved to control the frenzy of casino development. Fortunately, some higher tax revenues related to gambling were already available to pay for new city expenditures. Deadwood applied for and received a grant from the National Trust for Historic Preservation for part of the costs of hiring planning consultants to develop a Comprehensive Historic Preservation Plan. The city created new staff positions: city planner, historic preservation officer, zoning administrator, and building inspector. They also approved and began to implement the Comprehensive Historic Preservation Plan once it had been created, established a sign ordinance, and amended zoning and subdivision ordinances.

After the historic preservation officer was hired, Deadwood's economic activity increasingly revolved around the Historic Preservation Commission. The preservation officer administered the commission's budget and reviewed all design plans for appropriateness according to the design guidelines. Plans were required for any change in the Local Historic District or in the rest of the city (the National Historic Landmark District) that involved state or federal funds or

required a building permit. Thanks to far-sighted provisions in the legislation authorizing gaming, Deadwood's historic preservation budget was not limited to paying for rehabilitation of buildings. Expenditures for infrastructure, tourism, and expanded government services were authorized expenses on the grounds that they were all necessary for effective historic preservation. The budget also funded restoration of historic city properties, a revolving loan fund for safety repairs, grants for retaining walls (a necessity on any hillside property), and a Chamber of Commerce program to promote tourism. The historic preservation officer also supervised the visitor center, and provided guidance for real estate agents, buyers, and new businesses.

Betting (and Losing) on Better Jobs

From 1989 to 1998, gaming led to significant improvements in Deadwood's economy, infrastructure and municipal services. Total gaming tax revenues up to May 1998 were $3.6 billion, more than half of which were allocated to Deadwood's use, and 4 percent of which went to the Lawrence County Commission. Property and sales tax revenues also increased 145 percent in the first six years of gaming, and tourism also increased, as indicated by the growth in hotel and motel facilities, in sales tax revenues, and in attendance figures at various attractions. Between 1990 and 1994 the government spent $29.3 million on building and infrastructure restoration, and the private sector spent between $34.8 and $53.6 million. The city's budget increased 595 percent between 1989 and 1995, more than twice as much as the demand for municipal services did. A "trolley" bus service was even put into place to move visitors around the downtown district.

Gaming was not an unmitigated good to Deadwood's economy, however. Most casinos had no profits until 1992, and 38 percent still had none between 1992 and 1994. Many casinos went out of business, and by 1998 there were only 15 owners compared with a one-time high of 75. The Homestake gold mine remained the biggest local employer, and therefore the community remained vulnerable to fluctuations in the gold market. Deadwood's retail sector was pushed out by the high property assessments on the basis of commercial sites' potential value as gaming establishments. As retail establishments could not produce the profits to pay such high taxes, many stores either went out of business or moved to the city of Spearfish -- the new retail magnet. In addition, gaming did not provide the kind of stable, well-paid jobs that many had hoped it would.

The new casino jobs had highly variable hours and frequent turnover, with hours changing between the summer peak tourism season and the rest of the year. The unemployment rate for Lawrence County remained around 3.5 percent from 1994 to 1998, but many casino workers could not work as many hours as they wanted or needed. Even for full time work, wages were not high enough to keep a family much above poverty. In 1998, wages started at about $6 per hour, and a 1994 survey found an average annual wage of $13,494 (not including tips) among gaming employees. Not surprisingly, there were problems with employee theft, and employees who handled gaming money became subject to criminal background checks.

A 1992 study estimated that 1,800 jobs in Deadwood were generated by gaming legalization. Since Deadwood's own population was 1,830, the arrival of commuters and migrants to fill the new jobs was inevitable. The first outside job-seekers arrived from Las Vegas and other South

Dakota cities, as well as states in the surrounding area. A different 1994 survey found that 33 percent of casino workers lived in Deadwood, 28 percent in the nearby city of Lead, and 19 percent slightly farther away in Spearfish, with the remaining 20 percent living elsewhere. As gaming gained a foothold in Deadwood, fewer outsiders move to the area for jobs than in the beginning. Gaming improved jobs in one sector, though -- higher property tax revenues enabled the Lead-Deadwood School District to increase spending per pupil from $3,340 in 1989 to $4,230 in 1995; most of this money was spent on increased pay and benefits for employees.

Housing Affordability

Deadwood residents expected the legalization of gaming to create a housing shortage, as there was little money to build any housing beforehand. Residential and commercial properties were affected as outsiders arrived to set up and run gaming businesses. At the same time that the demand for housing shot up, speculators began buying houses, driving prices even higher. Average house prices in Deadwood went from $30,000 in October 1989 to $50,000 in November 1990. Many local homeowners could not resist selling their property.

This situation lasted about a year or two, while many out-of-state construction contractors were living in town. Most low-income residents (including casino employees) could not afford to live in Deadwood, and were doubling up in rented houses or moving to other towns. The impact on homeowners was less severe due to the fact that higher taxes were largely offset by grants and loans for repairs from the Historic Preservation Commission.

In 1990, a local private developer built a 30-unit project called McKinley Apartments with Rural Development funding and rental assistance, but there was still an obvious need for additional affordable rental housing. At about the same time, a for-profit developer from St. Paul, Minnesota called MetroPlains followed suit by converting a historic hotel into a 14-unit project called the Gillmore Apartments.[1]

At the end of 1992, the nonprofit Deadwood Community Housing Organization was formed with the goal of creating a sufficient supply of affordable housing. Given Deadwood's topography, locating a large enough site near downtown was a difficult challenge. The next step, putting together a financing package, took two years.[2] In order to receive funding from the Neighborhood Reinvestment Corporation, the Deadwood Community Housing Organization became one of its affiliates, changing its name to Neighborhood Housing Services (NHS) of the Black Hills. After concluding that they lacked the skills to start construction of the housing, NHS

[1] The project was financed by federal Low Income Housing Tax Credits, federal historic preservation tax credits, a grant from the Affordable Housing Program (AHP) of the Federal Home Loan Bank of Des Moines, and a loan from the Deadwood Revolving Loan Fund.

[2] The main funding was a $1.3 million, zero-interest mortgage from the federal HOME block grant administered through the South Dakota Housing Development Authority. Other funding was grants from the Deadwood Historic Preservation Commission, AHP, and the Neighborhood Reinvestment Corporation, a national nonprofit; tax-increment financing from the city of Deadwood and Norwest Bank South Dakota; a construction loan from First Western Bank; and federal historic preservation tax credits.

of the Black Hills asked the advice of MetroPlains, who had become their limited partner for tax credit purposes, and ultimately turned project implementation over to them entirely.

The housing development posed a number of unusual challenges. A historic house, built by General Custer's secretary, sat on the site, requiring detailed compliance with Deadwood's historic preservation guidelines. The steeply sloping site required special grading, drainage, a strong foundation, and a retaining wall to prevent the hillside from collapsing under the weight of the 24 other apartments built behind the historic house. A creek ran through one half of the property, so in order for the apartments to have a parking lot, MetroPlains had to divert it underground. All of these considerations together cost MetroPlains $107,000 and added an extra year to the project time line. The project, named the Hills Apartments, was completed in 1997. It offered one-, two-, and three-bedroom units: half the units to households at 50 percent or less of area median income (AMI), 40 percent of the units to households from 50 to 60 percent of AMI, and the remaining units to households from 60 to 80 percent of AMI.

After about a year of gaming, it became apparent that Deadwood was not attracting a substantial number of new residents with disposable incomes, other than a few casino managers. Speculators were unable to sell off houses at the prices they had hoped for, and most decided to recoup their losses by becoming absentee landlords. The construction of the new apartments coincided with the tapering off of much of the commercial construction and restoration in Deadwood. Departing contractors and recently laid-off mine workers freed up rental housing which, in addition to the new housing, cut down on rental demand until Deadwood's housing shortage actually disappeared. Rents subsequently decreased, but property assessments did not: Between 1990 and 1994, the assessed value of residential property in Deadwood actually rose 166.2 percent.

As of 1998, physical quality and cost burden remained significant housing problems. Deadwood residents maintained that the new money available from gaming incomes and taxes did not make a significant change in local housing quality. Cost burden still affected any single person working full-time at $6.50 or less per hour paying fair market rents, increasing for larger households at the same income level and for single people who could not get full-time work at that wage. Demand for Section 8 rental assistance increased since 1989: as of 1998, the program served approximately 50 more households, and the time they spent on the waiting list grew longer. The local Section 8 administrator attributed the increase partly to stagnant wages and to households' loss of income from welfare reform policies that were instituted in December 1996.

Faced with this situation, the Neighborhood Housing Services of the Black Hills decided not to develop any additional housing, but to concentrate on their other programs, focusing on homeownership and expanding their services to other counties. The Deadwood block club program began in 1996, organizing groups of residents who received a small amount of city funds to plan and implement neighborhood improvements. Activities were usually a mixture of socializing and upgrading the physical appearance of the neighborhood. NHS homeownership programs also offered:

- ⌂ homebuyer counseling;
- ⌂ downpayment assistance;
- ⌂ free labor for "mini repairs" for the elderly and other very needy people;

- ⌂ rehabilitation of dilapidated homes for resale to first-time homebuyers,
- ⌂ education for elderly homeowners about safety, housing codes, rehabilitation financing and inheritance issues; and
- ⌂ administration of the Historic Preservation Commission's revolving loan fund.

Lessons Learned

As of 1994, a majority of Deadwood residents supported gambling in their town, despite some serious reservations. However, 76 percent believed the gambling industry had more influence over the city commission than individual citizens, only 50 percent expressed satisfaction with life in Deadwood, and 29 percent desired to move away. In spite of these reservations, when approval of gambling went to the ballot box, residents came out to vote "yes."

Almost everyone would agree that the atmosphere of Deadwood as a community changed in the wake of the gambling boom. The new people, new money and new rules and regulations swept away the old informal ways and created deliberate planning processes for community activities and institutions, such as the new recreation center. One benefit of gaming was that Deadwood's history became better known through the increase in tourism and marketing.

Deadwood's status as the sole gambling venue in the center of the country has since been eroded by gaming on Native American tribal lands. As of 1998, nine South Dakota reservations instituted gaming, and many other states legalized gaming in limited locations and instituted state lotteries. However, considering the huge impact of gaming on Deadwood, perhaps the competition from other places was a check on even more overwhelming effects.

No other economic development efforts in Lawrence County have been nearly as successful as the institution of gambling. The local hospital is expanding, a computer chip manufacturer was persuaded by free land to relocate its factory there, and retirees are moving to the area in greater numbers. Nonetheless, as in the rest of the rural Great Plains, the economy has been declining gradually throughout the 1990s. Around Deadwood, the timber industry is gradually fading because of stricter environmental protections, and the economy remains vulnerable to any change in the gold industry. In January 1998 the Homestake mine laid off a significant proportion of its workers, approximately 500 people who had been employed at wages of $20-$25 per hour. Those laid off left the area for other states, as there are no other jobs for them in the Black Hills.

Deadwood's experience has shown that gaming, if carefully regulated, can benefit communities. The city did not have to offer any incentives such as land or tax preferences to attract gambling businesses. On the contrary, they were able to impose very strict construction regulations and high taxes without discouraging business relocation. This ability does not accompany most economic development schemes -- only those that involve an industry with few other optimal locations available.

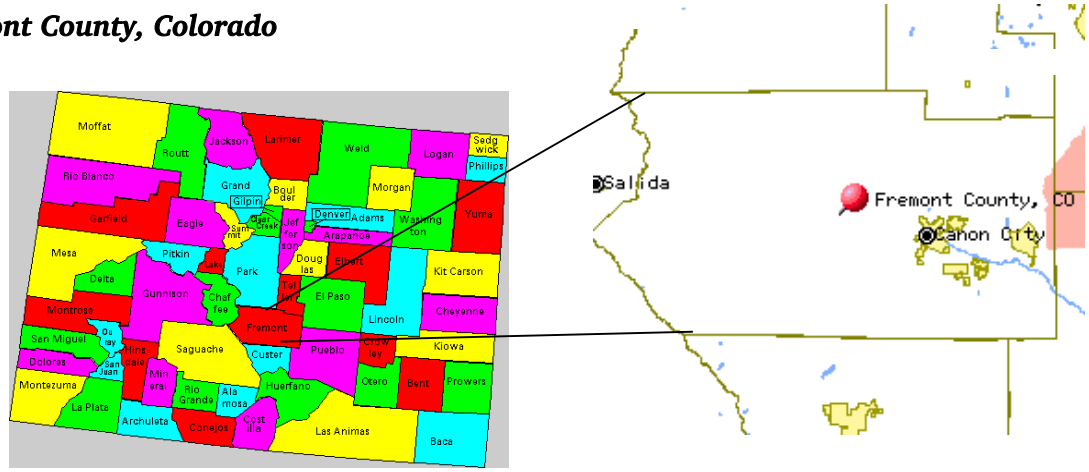
The legislation legalizing gaming also specified the uses of gaming tax revenues. These limitations, in addition to Deadwood's comprehensive planning process, protected Deadwood from pressure to use the new tax money in ways other than as originally intended. The gaming industry benefitted Deadwood by preserving its historic resources, improving its infrastructure,

and increasing tourism. Other towns that have legalized gambling have not necessarily had the same success at regulating the industry, and the more common legalized gambling becomes, the less leverage they will have to do so.

However, historical preservation did not guarantee the preservation of affordable housing. Housing became a source of profit speculation, rather than a long-term investment in the area's livability. The community has also generally been disappointed by the quality of jobs generated by gaming and the income for most positions has not been enough to keep a family out of poverty -- much less bring them into homeownership.

Changes in Deadwood's community character would have accompanied any kind of economic development. While Deadwood was hit all at once by the glittering tidal wave of gambling, Fremont County, Colorado had to deal with the effects of a different kind of monolith -- a new federal prison.

Fremont County, Colorado



Fremont County

In relying on a federal prison to provide economic growth, the officials of Fremont County assumed that the impact would be similar to that of the state prisons that the county had hosted for over 100 years. However, the federal prison did not bring the local jobs or revenue that were expected. Housing was inadequate for incoming employees, who subsequently moved outside of the county, and when private builders finally began to replenish the housing stock there were still a significant shortage of affordable units. Fremont County learned that dealing with a tax-exempt federal entity is a very different matter than dealing with the state Department of Corrections (DOC), and that very careful planning and capacity-building are necessary to capture revenue from it.

History

There is a local legend that when Colorado became a state, Fremont County was given the choice of the state capital, the state university or the state prison -- and it chose the prison. In fact, Fremont County already had the original territorial prison, constructed in 1871. It is still in use, along with eight other state prison facilities and four federal ones. The federal prisons are consolidated into a single campus and the state prisons into three. Until the late 1980s, Fremont County was the site of almost all Colorado's prisons.

However, before there were prisons in Fremont County, there was the frontier. The 1859 Pike's Peak Gold Rush brought U.S. citizens flooding into Colorado, and mining marked the beginning of Fremont County's participation in the money economy. The previous local residents, members of the Ute people, were driven westward. The sudden population influx led to all the trappings of east-of-the-Mississippi civilization, including the rule of law -- and its enforcement through incarceration. Although very little gold was found in Fremont County itself, it was centrally located between gold prospecting areas and provided housing, industrial and consumer supplies, railroad transportation, and smelting facilities for the gold industry.

Around the turn of the century, the gold mines were almost exhausted. Coal, which had previously been used locally in gold smelters and for domestic fuel, now began to be exported further outside the county. Coal mining became Fremont County's primary industry. As the gold fever died down, the economy had also branched out into extracting other minerals such as silver, oil, and later uranium; quarrying and/or processing rock into bricks and cement; farming (fruits, vegetables and cattle); and tourism (the Arkansas River, Royal Gorge, and Sangre de Cristo foothills). Except for fruit and vegetable farming, which lost a significant share of the Colorado market with the introduction of refrigerated trucking, these industries have remained the principal components of Fremont County's private sector employment.

Coal mining remained a strong industry in Fremont County until the end of the 1970s, when it dwindled into one remaining operating mine. The population declined as people moved away to find work, and the county needed to replace the lost mining jobs to preserve the community. Unemployment reached a high of 11.6 percent in 1987. That same year, a local Benedictine abbey refused an offer from the Federal Bureau of Prisons to buy their land; however, this event planted the idea of attracting the prospective federal prison to another site in Fremont County. The Fremont County Economic Development Corporation's (EDC) board of directors, made up of elected officials, bankers and businesspeople, decided to pursue the idea. As the county was already the site of most of Colorado's state prisons, the EDC board thought that a federal prison would play essentially the same role in the economy by providing local jobs. At that time, prisoners already comprised 10 percent of the county's population.

The Boom: The Federal Prison

As a result of this enthusiasm, Fremont County, Canon City and Florence jointly hired a lobbyist for the 1988 Colorado legislative session to get the state to bring more prisons to the county. The lobbyist tried to persuade the state to donate some of its land in Fremont County to the Federal Bureau of Prisons, but with no success. Under the direction of the EDC, the community began collecting money to buy another piece of land, so they could donate it to the Federal Bureau of Prisons themselves. After raising $123,000 by personal solicitation, including a radio appeal, the community purchased the land by the end of 1988.

In 1990, Fremont County offered no other incentives to the Federal Bureau of Prisons than an enthusiastic welcome (residents appeared on *Good Morning America* holding a banner that said "We want a federal prison!"). However, the Federal Bureau of Prisons accepted the land donation, and construction of the federal prison complex followed in the same year. As of 1998, the complex had four separate prisons and housed 2,500 inmates. Prison jobs accounted for 17 percent of employment, and inmates made up 17.5 percent of the population.

As the project finally came to fruition, it became apparent that the federal prison complex was not the unmitigated good the community had anticipated. Many local people found construction work, but although some local companies received construction contracts, many of the tasks involved were beyond their capacity, and only outside contractors bid on them. Outside contracting for maintenance and support services likewise followed suit.

In town hearings prior to construction, Federal Bureau of Prisons staff stated that they expected to hire Fremont County residents. Average salary would be $30,000 with the highest pay at

$104,600 per year. However, when the prison facilities opened from 1992 to 1994, very few local people were hired for the 1,105 jobs available. All supervisory staff were recruited from existing federal prisons. Although the prison had opportunities for advancement locally, community ties between the federal prison employees and locals were (and remained) minimal. In addition, Fremont County residents did not feel much of an affiliation with the new prison employees, most of whom were young racial minorities from urban areas -- unlike the native majority white population. As a result, 72 percent of the federal prison employees eventually lived outside the county, and staff often pursued promotions elsewhere through Federal Bureau of Prisons incentives.

All state prisons in Fremont County were located in or near Canon City, housing 4,700 inmates and employing a staff of 1,650. Since 1989 the Colorado Department of Corrections (DOC) built two new prisons and expanded two others, resulting in approximately 650 new staff positions and an increase of more than 1,650 inmates. However, as with the construction of the federal prison, DOC construction contracts were typically beyond the capacity of local businesses.

Unlike federal employees, roughly three quarters of state prison employees lived in Fremont County. As of 1998, average salary was about $33,000 and because of the large number of state prisons in the Canon City area there was opportunity for advancement without moving away. Consequently, state prison employees were much more integrated into community life. Most Fremont County residents knew many state prison employees, so they easily became aware of job openings. The DOC recruited across the state, but when opening a new prison it always recruited intensively in the local area.

During the 1990s, factors other than prison expansion also affected economic growth in Fremont County. Attracted by the pleasant climate and beautiful natural surroundings, many retirees moved into the area, who spent money and paid taxes without competing for jobs. The county also saw inmigrants arriving from California, drawn by Colorado's lower cost of living, especially in the wake of California's recession and natural disasters of the 1990s. As of 1996, Fremont County's population had grown to 41,000. Roughly 15,500 lived in Canon City (the county seat), 4,000 in Florence (the other main town), and an additional 5,700 in Penrose, an unincorporated town whose residents mainly work in Colorado Springs. From 1990 to 1998, the non-incarcerated population grew 18 percent (total population growth was 27 percent).

Most local government agencies increased their staff or space to respond to new demands for services. The industrial sector also grew, providing more jobs manufacturing or processing such products as toy rockets, conveyor belts, cement, semiconductors, uranium, ceramics, motorcycles, and insulation. Residential and commercial property tax revenues increased, unemployment dropped from 6.3 percent to 3.4 percent, per capita income rose 28.1 percent, and local sales tax revenues increased 67 percent.

Growth Impact and Planning

In response to the federal prison expansion, the city of Florence (located just outside of Canon City), had to drastically increase their water and sewage system capacity. However, the funding for the $2 million improvement did not from either the federal or Colorado prison systems, but from a combination of loan and grant money from the U.S. Department of Agriculture's Rural Utility Service (RUS). As of 1998, the state and federal prisons accounted for half of the waste processed at the Fremont County Sanitation plant, which also had to undergo expansion in 1998. The project cost $2.3 million -- $1,550,000 in grants and $750,000 from another RUS loan.

In spite of their burden to local infrastructure, the prisons were a boon to Fremont County's higher educational system. The Colorado DOC located its training facility in Canon City, where mandatory three-week courses for all new state prison employees are held. Pueblo Community College eventually offered an associate degree in criminology, geared toward employment in federal and state prisons. The Fremont County branch of the community college also planned construction of a permanent campus in 1998 or 1999 on land donated by the Department of Corrections so that the college could offer more classes in more subject areas.

As government agencies, prisons pay no taxes; however, prison visitors and employees did contribute to increased purchases, and employees' need for housing pushed up residential property prices. However, Fremont County's ability to benefit from increased revenues was limited by a state law that caps local tax revenues at a level based on the jurisdiction's previous annual revenues and on the Denver/Boulder area Consumer Price Index. If revenues exceed the cap, the excess must be returned to taxpayers, unless the local jurisdiction has already passed a voter initiative providing for how the excess is to be spent. This state law limits the ability of local government to respond to economic development because, unless they hold an initiative, they cannot reinvest their growing revenues into infrastructure. By 1998, neither the county nor its two major cities had passed any such initiatives.

Although the demand for retail shops had long exceeded supply, the county's retail sector did not responded accordingly, and resident shoppers simply took their business to other counties. Consequently, uncontrolled commercial development in Fremont County has not been a problem. Canon City, Florence, and the unincorporated area of the county were all zoned and had comprehensive growth plans, and both incorporated towns regulate growth by withholding utility extensions unless project plans meet their requirements. The county and city governments generally cooperate on zoning issues, and all required buildings to meet the Universal Building Code of 1994. Lots of 35 acres or more are not covered by zoning or building regulations, but so far uncontrolled development outside the cities has not occurred.

The advantages of economic growth were tempered by some declines in the intangible aspects of Fremont County's quality of life. The population increase brought heavier traffic, more crime, a greater need for social services, some loss of community feeling, and a social division between old and new residents.

Housing Affordability

Due to Fremont County's population decline in the 1980s, more housing was available and prices were lower by 1990. However, high unemployment also pulled down area incomes, and HUD calculations based on the 1990 Census identified a "significant shortage" of rental and ownership units affordable for households earning 80 percent or below of area median income. Forty-six percent of renters and 25 percent of owners in this income category had one or more housing problem: overcrowding (more than one person per room), cost burden (paying over 30 percent of income for housing) or physical inadequacy (lacking complete kitchen or plumbing).

While planning for the opening of the federal prison, Fremont County leaders predicted that the federal prison would bring increased demand for housing. When they visited another rural county with a new federal prison in order to learn from its experience, they were told to expect a sharp rise in real estate prices. They commissioned a study of Fremont County's housing stock, which, although statistically flawed and lacking any concrete information about the prospective housing demand, showed that the housing stock was aging and could not accommodate any significant new demand.

The Federal Bureau of Prisons also attempted a survey of its employees at other institutions, revealing only that employees wanted to live in single-family homes that their budgets would not support. With these minimal facts available, local builders were hesitant to take the risk of new construction before the prison opened, and -- even if they had been willing to take the risk -- did not have the capital to build more than a few homes in advance. Ultimately, many federal prison employees lived outside Fremont County because suitable housing was not available.

As soon as construction began on the federal prison complex, demand for housing increased beyond the available supply as contractors and permanent employees moved into Fremont County after 1991. As a result of the shortage, house prices and rents increased drastically, with monthly rent for a typical three-bedroom house more than doubling from around $250 to $550. Even the larger housing developers from outside the county did not have the capacity to build very much housing in advance, and few of the newcomers could wait for a house to be built specifically for them. As transferred employees arrived, they mainly found permanent housing in Pueblo -- an expanding, unincorporated neighborhood only a 20-minute drive from the federal prison -- while others moved to Colorado Springs.

As more people migrated to Fremont County for federal prison jobs, retirement and other reasons, local builders sped to construct new single-family houses and rehabilitate many older ones. Sooner than expected, this market segment became overbuilt because (ironically) most federal prison employees had already settled outside the county. The few remaining inside were not interested in homeownership, even though the Federal Bureau of Prisons would buy and resell the homes of employees who were transferred.

In 1994, Bearpaw Joint Ventures (a for-profit developer) began building 14 single-family homes, but encountered difficulties selling them. Most people were concerned about the safety of the location and prison employees, while unafraid, disliked the site because they could see their workplace from their homes. In any case, most prison employees were satisfied with the housing

they had found elsewhere. Bearpaw added 10 duplexes to the subdivision (financed privately) which proved to be more popular.

In 1996, the Fremont Schools Facilities Corporation (FSFC), a nonprofit spin-off of the Canon City School District, completed construction of the Fremont Family Center, a 52-unit housing project located in northern Canon City -- even though affordable housing was not an initial part of its plan. FSFC originally intended to provide social services, particularly preschool education, for developmentally at-risk children. In considering this challenge, the organization realized that the children were also often in need of decent affordable housing.

FSFC received a HUD Community Development Block Grant from the Colorado Housing Finance Authority (CHFA), but wanted to use it in a way that would generate income in the future rather than just to spend it. A board member with extensive knowledge of state and federal funding sources was able to help the nonprofit put together a funding package with low enough permanent financing that the apartments' rent would cover the upkeep of the buildings, as well as the cost of a future community center with extensive social and recreational programs. Additional funding came from another CHFA grant, the federal Low Income Housing Tax Credit, and the local bank, Fremont National Bank.

In early 1997, a nonprofit developer from St. Paul was able to secure a building site in Canon City for a complex financed through the HUD Section 221(4)(b) program. After a seven-year struggle and more than one site rejection by CHFA and HUD, construction began in July 1998 on a 72-unit project called Heatherwood Apartments. A low-interest gap loan from the Colorado Division of Housing made the project possible despite the cost of the seven-year delay.

In spite of the post-1990 housing glut, prices in Fremont County never decreased significantly. The county's waiting list for Section 8 housing subsidy vouchers had 152 families in October 1993 and has been temporarily closed since January 1998. The projects described above did not add enough units to the market to significantly affect the shortage of housing at all income levels. By 1998, the rental market had eased because some renters had purchased houses, but a shortage of affordable rental housing remained, estimated at more than 200 units.

Local government officials long continued to expect private industry to meet the need for new housing; however, the executive director of the Fremont County EDC has stated firmly that its members (local businesses of all sizes) are not interested in developing housing because it "doesn't pay for itself."

Lessons Learned

Many Fremont County residents have been pleased to have a large prison industry and point out its advantages enthusiastically: stability, safety, and no pollution. However, in bringing a federal prison to the county for the purpose of economic development, the city would have been able to extract more concessions with more thorough research and planning. Fremont County planners relied on their experience with the Colorado state prisons to assess the impact of a new prison on their community; however, they did not consider how a federal prison might be different. More research would also have enabled them to better evaluate whether they wanted a federal prison in the first place.

Because a federal prison is part of a large bureaucracy with its own policies and procedures, it is difficult for a small community to negotiate incentives or extract mitigations. In-depth research about the federal prison bureaucracy could have given the county a better idea of which incentives the system would find the most attractive and which preconditions it would or would not accept. Fremont County did not negotiate very much with the Federal Bureau of Prisons, simply offering them a free piece of land without asking for anything in particular in return.

Moreover, according to some interviewees, local leaders should have assessed their own capacity to carry out high quality planning long before the process even began. Colorado has good technical assistance available from both government and private sources, including the Department of Local Affairs, whose mission is to build the capacity of local governments. Another person suggested that the Fremont County EDC should have hired economic development staff members with more expertise.

Given that most communities do not welcome prisons, the Fremont County EDC may have possessed more leverage than they realized to require the prison to hire and contract a certain percentage of their business locally and provide far more infrastructural mitigation (particularly for water and sewage). Guarantees to hire and contract locally, however, would still not have altered the fact that Fremont County's local businesses did not have the capacity to win most state or federal prison contracts.

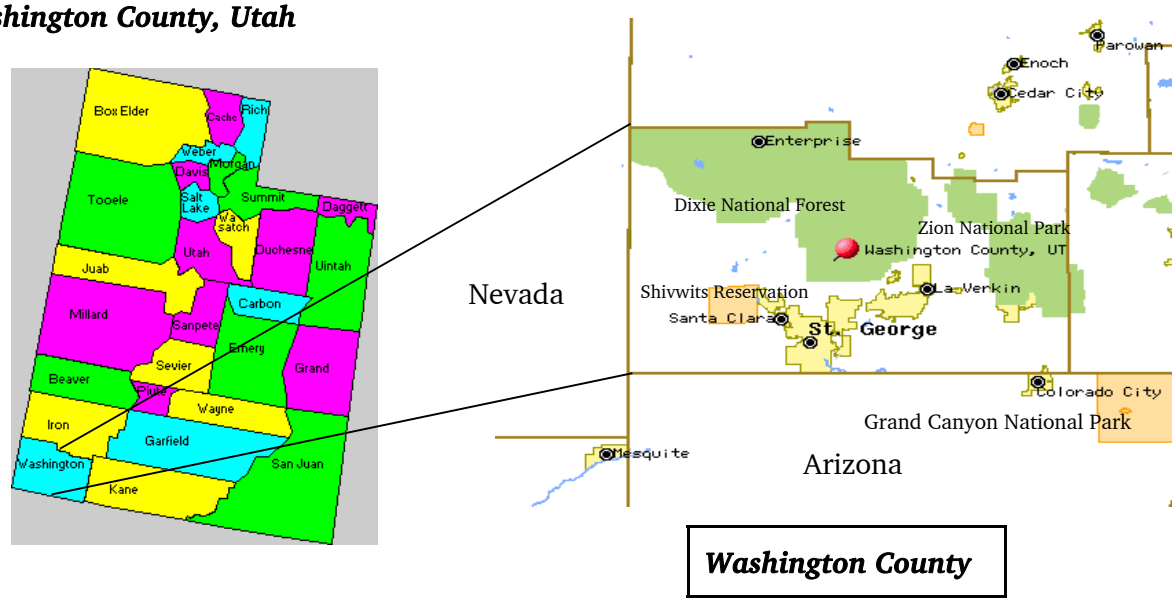
Unless they are run by private corporations, prisons pay no taxes and do not fall under local planning and zoning ordinances. Consequently, Fremont County had to plan to capture new revenues from other sources such as retail sales, persuading federal prison employees to buy locally. Unfortunately, even if the county did take advantage of the opportunity to create more businesses for the prison market, it would not have been able to capture sales tax revenues due to the state-imposed cap that could only be rescinded by local ballot box initiative.

Many local businesses did attempt to provide housing for the newcomers. This would have benefitted the local economy by not only increasing revenue for local landlords and builders, but also by increasing local sales and property taxes. However, this option was curtailed for Fremont County because the Federal Bureau of Prisons survey did not give Fremont County adequate information on the housing market characteristics of its new employees, surveying only a sample of the agency's staff at that time. In addition, even with accurate housing market information, the lack of capacity among local builders to build housing in advance would still have prevented much local revenue from being captured.

Overall, government officials in Fremont County may have been mistaken to rely on a weak private market to respond to the county's need for affordable housing. Since low-income tenants would not have been able to supply break-even revenues for private developers, the county government may have fared better by partnering with local organizations to plan, finance and develop any expansions of the affordable housing stock.

While Fremont County's options to deal with the prison boom were limited due to its lack of capacity in the face of one large bureaucracy, Washington County, Utah had to deal with the impact of migrating retirees -- and the other economic booms created in their wake.

Washington County, Utah



Because of its natural and historical attractions, Washington County was able to sustain a three decade long boom triggered by incoming retirees (1970s), tourists (1970s to 1980s), and inmigrants from California (1990s). Due to its primary appeal as a retiree-attraction county, the economic growth in Washington came from service sector industries such as health (at the upper end) and food/beverage and retail (at the lower end). Since the majority of growth was in low-wage jobs, and since Washington County was virtually the only stable employment center in the region, the county attracted a population of young "boomer" families who were much more poor and in much greater need of affordable housing -- particularly rental. Even when the "boom" began to slow after 1996, there were still wait-lists for Section 8 rental units and housing costs have shown no sign of abating.

History

The preconditions for Washington County's exponential growth were in place long before any settlers arrived -- in fact, long before any human beings had appeared on the planet at all. Eons ago, in the far southwestern corner of Utah, three geological provinces (the Colorado plateau, the Rocky Mountain Province, and the Great Basin) crashed together to create a spectacular, tangled and rocky landscape that would capture the imagination of people for centuries to come. Utah's human prehistory covers more than 10,000 years, from the Archaic and Anasazi (Pueblo) peoples, up to the more recent Ute, Paiute and Navajo tribes. A large number of Southern Paiute archeological sites remain in Washington County, and the Shivwits branch of the tribe lives on tribal lands just west of the city of St. George.

The first European arrivals to the area were a 10-man exploration team from New Mexico led by two Franciscan priests -- Fathers Dominguez and Escalante -- who kept detailed diaries on the geography, plant life, and indigenous peoples of southern Utah. Their writings paved the way for future explorations by mountain men (such as Jedediah Smith in the 1820s) and expedition groups (such as the Donner Party in 1846).

When the founders of the Mormon church were assassinated in Illinois in 1844, their followers began a long trek to find a permanent home where they could worship freely. In May 1861, Brigham Young -- the Mormon prophet-colonizer -- sent 309 families from their farms in northern Utah to colonize the settlement of Tonaquint, which is now Washington County. Because many of the colonizers were originally from the American south, and because the area eventually became home to a thriving cotton industry (as well as wine and molasses), it became know as "Utah's Dixie."

In the 1870s, Brigham Young contracted with Union Pacific to build part of the transcontinental railroad, and railroad lines eventually connected many of the Utah settlements and mining towns to the territory's capital in Salt Lake City. One of Washington County's neighbors, Cedar City in Iron County, was a direct beneficiary of the railroad and became the hub of southwest Utah's economic activity until the 1970s.

From 1875 to 1880, Washington County's Silver Reef mine provided more than $8 million in gold bullion that was shipped by Wells Fargo back east. The era also saw a number of social and economic experiments by the Mormons including the Zions Cooperative Mercantile Institution, and communal living sites in St. George called the "United Orders." The economy flourished, bringing with it the construction of monuments such as the historic courthouse (1870), the social hall and opera house (1875), the St. George Latter Day Saints (LDS) Tabernacle (1875) and the St. George LDS Temple (1877).

In 1909, a giant canyon originally surveyed by John Wesley Powell was designated a national monument by President William Howard Taft. Originally the Mukuntuweap Park (after its native American name), the park's name was changed to the Zion National Monument and the area was designated a national park in 1919. A one-mile-long tunnel was cut through solid sandstone in 1930 (at a cost of $2 million) and several improvements were made by the Civilian Conservation Corps (CCC) during the next ten years. The park, along with its future visitors centers, scenic overlooks and hiking trails, would become one of the main engines of Washington County's economic growth in later years.

The mining industry shifted from silver to copper and coal by the turn of the century. From 1900 up until the Depression era, southern Utah's economic history was dominated by battles between coal mine owners and militant labor unions. In 1933, the United Mine Workers of America succeeded in unionizing the Carbon County coal mines; however, the following Depression years dealt Utah mining and agriculture a series of heavy blows. Severe droughts in 1931 and 1934, combined with high freight rates, decimated southern Utah's economy.

The New Deal era brought new life to the area with Works Progress Administration and CCC reclamation projects, and World War II brought an increased demand for agriculture and the location of war-related industries to the state. However, it was not until word got out about Washington County's picturesque, temperate climate that the far southwest corner of the state started experiencing major growth.

History relates that Brigham Young bought and renovated a home in Washington County, where he spent the last winters of his life. The area's initial economic boom would be brought by older people in the twentieth century who, although not aware of it, were following the prophet's

example.

Boom, Boom, Boom: *Retirees, Tourists, and Refugees*

Unlike the previous three boomtown examples, Washington County's economic boom has sustained itself for three decades. As a mature, nonmetro "retirement destination" county,[3] Washington County has not only enjoyed a sustained rate of growth, but it has also reaped a windfall from the multiplier effects of retiree attraction.

Around the country as far back as the 1960s, factors contributing to early growth in retiree destination areas included better health, earlier retirement, and higher incomes for seniors, as well as desirable rural living conditions and natural attractions to draw them. In the early 1970s, Washington County was host to incoming flocks of "snowbirds" -- retired individuals who wanted to escape frigid northern temperatures to the temperate climate of "Utah's Dixie."

One 15-year resident of the county attributes its success as a retirement haven to two key events in the 1970s. The completion of highway I-35, which runs through St. George, made the city and its retiree attractions far more accessible to travelers and drew business revenues away from Cedar City. In addition, the St. George city council's decision to build a nine-hole "executive" golf course paved the way for the area's eventual status as a retiree golfer's paradise -- with nine golf courses (seven municipally owned), three of which are championship courses and two of which are Utah's "top two." Finally, the LDS Temple had always served as a draw for elderly Mormon Utahns wishing to live out their days in religious service.

Even before the Interstate and the golf courses, Washington County's emerging health care industry was available to met the demands of those in their "winter years," eventually expanding to include 11 nursing homes and the Dixie Regional Medical Center (DRMC) -- the county's largest private-sector employer, established in the 1950s. The DRMC is now a 137-bed regional facility with a wide array of specialized services. Since the hospital is owned by a not-for-profit multi-hospital system, it is also able to provide quality health care to any patient, regardless of their ability to pay.

The health care sector is virtually the only thriving service-sector industry in rural areas that pays wages comparable to the former industrial leaders, such as mining, oil, gas and machinery. The booming population of seniors has also brought a large demand for bargain retail stores such as WalMart, Thriftway, Harmon's and Kmart -- all among the top employers in Washington County as well. By 1984, Washington County had the highest percentage of persons age 65 or older in Utah at 14.6 percent (9 percent statewide).

The overall result of Washington County's longstanding attraction to seniors was that, as early as the 1970s, its growth was already outpacing much of the rest of the nation. In 1960, the population was just over 10,000 and in 1975, nonfarm jobs in the county totaled just under

[3] The USDA Economic Research Service defines retirement destination counties as those in which the population aged 60 and above increased at least 15 percent due to inmigration from 1970 to 1980 and from 1980 to 1990.

4,500 positions. According to one interviewee, businesses around St. George consisted of "one gas station, one motel, and a fruit stand." By 1980, the county had more than doubled its population to 26,000 people.

Hotel room tax records for Washington County indicate that its second boom came in the late 1970s and early 1980s in the form of the tourist industry. Retirement destination counties tend to stimulate tourist growth, simply because the amenities that attract seniors attract many other people as well. The wide-open spaces and geological wonders of "Utah's Dixie" have made it a tourist super-magnet. However, it was not until the late 1970s that the combination of I-95 access and an effective marketing campaign by the newly incorporated Five-County Association of Governments began to bring in the travelers. By 1982, roughly 1.5 million people had visited Zion National Park, and by the end of the 1980s, the county's population had shot up again to 48,560.

The 1990s brought the area's third boom -- the inmigration of a host of Californians seeking refuge from a sour economy, smog, earthquakes, floods, fires, and urban unrest. As early as 1990, 18 percent of Washington County's population had lived there for only five years or less and as of 1999 there are very few second generation residents of St. George. As the inmigrants settled down and became homeowners, real estate and mortgage companies thrived and finance sector jobs had expanded by 11 percent in 1996. The boom in homeownership and the constant waves of visitors produced a terrific gain in the transportation, communications, and utilities industries, which grew by 12 percent within the same year.

Great Service, Little Pay

In addition to a higher senior population, Washington County also has a "bottom-heavy" population at its other end. Roughly 36 percent of both Washington County and Utah inhabitants were under 18 years of age in 1990, compared with only 26 percent nationally. A high share of persons on both ends of the age spectrum has meant that Washington County has a relatively small population in the "middle" ages. It also suggests that Washington County has a very high dependency rate, with a much smaller share of the population in the "working and earning" ages than is the norm. Without Dixie College, this segment of the population would shrink even more.

The 1990 average monthly wage in Washington County was $1,562, which is substantially lower than the statewide average of $2,016. Nominal wages in Washington County have risen substantially over the last decade, up 55 percent from $1,005 in 1983. However, inflation-adjusted wages show that during the 1980s, the average "real" Washington County wage dropped steadily. Since 1990, the inflation-adjusted average wage has risen slowly. However, the 1996 adjusted wage of $996 still fell below the 1983 average of $1,009. The state as a whole has experienced the same trend.

In 1996, the average wage in Washington County measured a little more than 77 percent of the average Utah wage. This lower than average wage is noticeable across all major industries. Wages in Washington County's public sector are closest to the state average, while wages for mining show the widest variance. For most of the 1980s, Washington County wages averaged 74-76 percent of the state average. However, between 1993 and 1995, the gap closed, and then

dropped again in 1996.

Washington County's average monthly wage ranks in the bottom half of Utah counties. The average wage in mining-dominated Emery County measures more than $900 higher than Washington County's. The county's heavy reliance on jobs in the retail trade (where wages tend to be low and jobs are often part-time) contributes to its low showing among all Utah counties. Additionally, household and family income are both lower than in Utah or the nation. In 1979, slightly more than 50 percent of the area's households received less than $25,000, compared to about 40 percent for the state as a whole. In 1990, the average family income in Washington County measured 83 percent of the state average.

Housing Affordability

As Washington County's boom accelerated, housing affordability became a function of age as well as income. By 1990, the vast majority of householders were owners (71 percent out of 15,256), and their median age fell into the 55 to 64-year-old range. For renters, who made up the other 29 percent of households, the median age range was considerably younger -- 25 to 34 years old. Homeowners had also moved into their homes roughly a decade earlier than their renting juniors. In the 1970s, only 2 percent of Washington County's 1990 renters had arrived, compared with 17 percent of the 1990 owners. A decade later, however, 93 percent of the renters had moved in, versus only 69 percent of homeowners -- most likely reflecting the increased demand for service sector labor that came after the arrival of Washington County's seniors.

In 1989, the overall poverty rate in Washington County was not very remarkable at 9.2 percent (compared with 10 percent nationally and 8.6 percent in Utah). However, young adults were not only more likely to be renters, they were also far more likely to be poor. Among 18 to 24 year olds, roughly one-third were below the poverty level. At the other end of the scale, senior citizens from age 65 to 74 were the least likely to be in poverty -- only one in 17.

From 1970 to 1980, the total number of housing units built in Washington County had already jumped by 121.6 percent to 9,700 per 7,800 households and by 1990, the number of housing units had shot up again to over 19,523 per 15,200 households. Nonetheless, in spite of a housing surplus of thousands of units, housing officials in the county say that the cost of housing increased dramatically, making affordable housing almost impossible to find (much as it did in the rest of Utah). In addition, cost burdens hit those at the lowest end of the income scale the hardest. As of 1989, 24 percent of all renters (typically young families) had incomes of $10,000 per year or under; out of those, 67 percent (711 households) were paying 35 percent or more of their monthly income for housing.

From 1992 to 1998, seven new affordable housing complexes have been built through the Low Income Housing Tax Credit program for a total of 464 units. The county also has a 30-unit public senior housing complex and 161 Section 8 units (with 68 reserved for elderly persons and persons with disabilities). From 1998 to 2004, however, 140 units will lose their HUD funding, and residents with vouchers may not have enough money to even afford subsidized units with meager service and retail wages.

The median housing value for single-family homes in Washington County also shot up from $60,100 in 1980 to $78,300 ten years later. County officials speculate that the difference in California and Washington County home prices meant that the inmigrants could often afford upper-end housing that would still be far cheaper than any comparable housing in the sunshine state.

By 1990, homeownership had become far more affordable for families in the low-to-moderate income categories, with slightly more than 50 percent of households with a gross income of $10,000 to $49,999 paying less than 20 percent of their monthly income for housing. Washington County's triple boom had created a stable, affluent homeowning core. However, as with rental cost burden, homeowner costs disproportionately impacted extremely low-income families; 48 percent of households in the $10,000 or under bracket were paying at least 35 percent of their monthly incomes on housing.

While county officials describe the county's annual job growth as impressive throughout the 1990s, in 1994 Washington County hit "super boom" status with employment expansion of almost 20 percent. However, since 1994, the job growth rate in Washington County shrank rapidly -- from 11 percent in 1995 down to 4 percent in first quarter of 1997. In 1995, Washington County had the third highest growth rate in the state of Utah, but dropped to fifth in 1996 -- even though it still had the fifth lowest jobless rate in the state at 3.6 percent.

A large part of Washington County's slow-down was due to the rebound of California's economy in 1996; however, the county's net inmigration rate remained at 7 percent (with only 1 percent statewide). The Chamber of Commerce in St. George (the county seat) still sets the 1998 population at an all-time high of nearly 73,000, with 50,000 living in St. George alone.

Projections by the Utah Governor's Office of Planning and Budget project show the Southwest Service Delivery Area (SDA), which includes Washington county, will continue to have the highest employment growth rate in the state through the year 2000. In fact, the Southwest SDA is projected to create more new jobs than the Weber/Morgan or Davis SDAs, both of which are metropolitan districts. However, as with many fast-growing rural areas, most new jobs in the Southwest SDA will be provided by low-paying service industries (approximately 35 percent), followed closely by trade, with 25 percent growth.

The service sector will no doubt be fed by the increasing number of tourists in the county. In 1995, tourists made roughly 2.4 million visits to Zion National Park, almost double the number of visits in 1982. Even though the population density of Washington County rose from 20 to 30 persons per square mile from 1992 to 1998, it still contained abundant open space (ranking far behind people-packed Salt Lake and Davis counties, at over 500 persons per square mile). Consequently, by 1996 hotel/motels made strong economic gains and trade produced the largest number of new jobs, up 730 positions -- almost half of which were in eating and drinking establishments.

Building permits have followed the same basic pattern as the rest of Washington County's economic growth. In 1995, over 2,000 dwelling units were approved. By 1996, the number had dropped to slightly more than 1,900. Most of the residential activity and inmigration occurred in St. George, which accounted for about half of the residential permits in 1996 -- the majority of

which were for single-family housing. New residential valuation dropped by more than one-fifth between 1994 and 1995, and by 1996, property values in both new residential and nonresidential categories had declined with California's rising fortune.

As of 1998, there was still a long waiting list of families hoping to receive some sort of housing assistance. The county cut off its waiting list at 250 families, and believed that if they maintained an ongoing waiting list the number of families would have probably increased to about 1,000.

According to Washington County's 1998 affordable housing plan (mandated by the state of Utah), housing affordability has reached crisis levels. Federal income tax data for the area show that, out of a total of 22,499 households, 56 percent (12,189) are moderate-income and 38 percent (8,455) are low-income.[4] However, the Washington County Multiple Listing Service shows that as of 1998, there are only 351 single-family residential units available to moderate-income households, and 148 units available to low-income households. In an even more vivid illustration, the plan relates that in the Bloomington Hills neighborhood, "only 10 homes sold for less than $120,000 during 1998, while 53 homes sold for more than $120,000."

Lessons Learned

The benefits of "rural retiree attraction" as an economic growth strategy for nonmetro areas has been the subject of much recent study. As of 1990, 40 percent of retirement-destination counties were already located in remote rural areas, and another 50 percent were in nonmetro or metro-adjacent areas with populations from 2,300 to 20,000. In the 1980s, nonmetro retirement counties made up only one-fourth of all nonmetro counties; however, they contributed over half of the nonmetro population growth from 1980 to 1986.

The tremendous power of retiree attraction as an economic growth engine is nearly indisputable. Incoming retirees stabilize areas with declining populations; they have higher incomes and spend more money locally; they add considerable amounts to the local tax base without competing with other residents for jobs; and their increased demand for retail services creates jobs for the young while their demand for medical services creates a well-paying health-care industry. As in the case of Washington County, retirement-attraction areas also trigger exponential growth in the tourist trade and attract affluent homebuyers from other states.

On the down side, tremendous economic growth does not necessarily create terrific jobs and income. In fact, growth in retirement destinations has had the exact opposite effect. As of 1986, the average income of nonmetro retirement counties was 3 percent below the nonmetro average. In Washington County, the service sector (in spite of the lucrative health service industry) had created overwhelmingly low-paying food and beverage service positions. The majority of workers in these jobs were young "boomer" families (with an average of three children) moving in from other areas in southwest Utah, where the precarious mining industry made the city of St.

[4] U.S. Department of Housing and Urban Development defines "moderate-income" as 80 percent of area median income (AMI), "low-income" as 50 percent of AMI, and "very-low-income" as 30 percent of AMI.

George almost the only source of stable employment.

Most importantly, retiree inmigration (and its later draw on affluent out-of-staters) made affordable housing virtually inaccessible, particularly for the young renters who make up most of the service economy workforce. Renters with less than $10,000 gross annual incomes are 11 times more likely to be severely cost-burdened than renters in the $20,000 to $34,999 range -- even though each made up roughly one fourth of Washington County's total renter population. Although the majority of the county's economic growth was anticipated to be in the lower-wage service sector, the majority of new homes built as of 1998 were single-family homes, typically well out of reach for a five-member "boomer" family living from paycheck to paycheck.

The fact that the number of units built in Washington County shot up by 121 percent in the 1970s and an additional 100 percent in the 1980s did not have an impact on lower-income residents' ability to house themselves. In 1998, the county had applied to purchase a duplex development, to be managed by St. George, that would have up to 400 low-income senior housing units, and the 1998 affordable housing plan has called for extensive affordability measures, including:

- ⌂ impact fees;
- ⌂ factory-built housing;
- ⌂ inclusionary zoning;
- ⌂ redevelopment districts; and
- ⌂ use of federal, state and local housing programs.

However, the above figures demonstrate that, while a super-growth driven economy may well create adequate housing (in fact, an overwhelming surplus in Washington County's case) vigorous government action in conjunction with the private and/or nonprofit sectors will be necessary to successfully house its junior residents.

CONCLUSION

The Impact of Rural Booms

Communities that have become boomtowns typically have two distinguishing characteristics prior to the development: their population has declined in size, and they have been highly homogenous.[5] Once a community becomes a boomtown, however, dramatic changes occur. Not only does the community experience a reversal of past population patterns and trends, but a rate of change occurs that is beyond anything previously encountered. The growth rate is accompanied by heavy demands on city/county services and facilities. Studies have shown that the rapid increase in population causes rural boomtowns to experience a period of crisis and a loss of traditional attitudes and values.[6] This period of social disruption ultimately leads to the challenge of integrating large numbers of new inhabitants into the community.

Each of the boomtowns studied above had unique circumstances surrounding their experiences with rapid growth. To begin with, the timing and trajectory of the four "booms" differ with each location. While Fremont County and Lawrence County (Deadwood) took off during the 1990s, Camden County and Washington County boomed considerably earlier (two decades earlier, in the case of Washington County). Deadwood's growth trajectory was brief and meteoric, with a housing glut hitting the area after only one year of a booming gambling trade. At the other extreme, Washington County's mammoth growth rate may finally be slowing, but the area's economy and population are still projected to expand well into the next millennium.

The areas experienced the same onslaught of outsiders, but the end result was different in each case. In Fremont and Camden counties, the incomers (federal prison employees and naval enlistees) promptly segregated themselves from the rest of the community, with the federal prison employees moving outside the county and the naval workforce living locally but buying elsewhere. In the case of Fremont, the new population (young African Americans and Hispanics) was in direct contrast to the homogeneously white community. In Deadwood and Washington County, the population changed either so abruptly or so relentlessly that integration between old and new was a moot point.

In all cases, however, the rapid growth in population signalled a movement toward a more urbanized community and lifestyle, which typically caused a large degree of social or cultural disruption.[7] When there was a persistent division between poorer old-timers and more affluent newcomers, the older community heads lost considerable influence, and were dismissed as outsiders and "hicks" by new elites who did not need their input.[8] This particularly held true for

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[5] "Boomtowns and Social Disruption," *Rural Sociology* 49:2 (Summer 1984), 231.

[6] "Rapid Growth Effects on Rural Community Relations," *Rural Sociology* 54:2 (Summer 1989), 199.

[7] "Community Satisfaction and Social Integration in a Boomtown: A Longitudinal Analysis," *Rural Sociology* 54:4 (Winter 1989), 569.

[8] Logan, John R. and Harvey Molotch. 1987. *Urban Forunes: The Political Economy of Place,* 119.

Camden County, where local residents had no idea that there were community meetings being held for public input, and where activists were occasionally rebuffed. In fact, local officials were not even consulted about the location of the Kings Bay Naval Submarine Base at all.

When the incoming industries radically jarred with the former small-town way of life, boomtowns had to move swiftly to enact local regulations restraining the incoming industry from mowing over major historical landmarks. In the case of Deadwood, local officials were able to use the town's designation as an historical landmark to leverage taxes and building concessions from casino developers. Camden County was fortunate enough to have its own historical society in place to require naval construction to conform to environmental regulations concerning the preservation of the area's live oaks. However, any grandfathered planning regulations from before the Navy's arrival still have not stood in the way of massive new industrial park developments.

Impact of County Economic Types

The three main benefits that rapid growth brings to rural areas are population stability, economic growth, and more jobs. Many rural areas in the U.S. have been plagued by population loss, particularly of younger wage-earners who migrate elsewhere for job and education opportunities. However, that trend is currently reversing, particularly in the South and West. From 1990 to 1996, high-density metropolitan core areas lost a total of 4.5 million people to domestic migration to less-crowded areas. From 1992 to 1997, Utah, Colorado and Georgia rank fourth, fifth and sixth (respectively) in annual population growth (South Dakota as a whole was not even in the top 20).

The impact of rapid growth on wages appears to be linked to the industry moving into the community. For example, in Camden County, most of the inmigrants moving in were active duty military personnel and the contractors associated with the base who, in addition to the Gilman Paper Company employees, made up a large, new core of affluent residents. In Deadwood, S.D., and Washington County, the vast majority of new jobs were in the service and retail sectors, in the form of low-paying casino positions, food and beverage service or low-end retail giants such as Wal-Mart. While the elderly population in Washington County did fuel a more lucrative health care industry and a strong municipal job market, these gains were not enough to offset the decline in average adjusted household incomes. The federal prison in Fremont County promised over 1,000 new positions; however, nearly all of them were taken up by out-of-towners, with locals taking the lower-paying (but still stable) state prison positions.

Consequently, even though population, industry and employment gains were all hallmark traits of boomtowns, *better* jobs, *higher* salaries and industrial stability were not necessarily a part of the bargain. In fact, in many instances, the quality of employment declined as the boom took off. A prime example of this trend is Washington County, a retirement-destination area that maintained the largest and longest economic boom of the four case studies. The majority of households in the county were owner-occupied, owned by seniors (and later Californians) with high incomes. Attracting retirees is often touted as a smart growth strategy for declining rural areas because of an incoming population with better buying power that does not compete for local jobs. However, by 1997 the average monthly wage in the county was 77 percent of the average Utah wage -- which was, in turn, 85 percent of the U.S. average.

In Camden County, the military and manufacturing also created a two-tiered economy, with the bottom tier a rapidly expanding service sector catering to the needs of more affluent arrivals. In Deadwood, those who were not involved in property speculation or casino ownership and management were often left with low-paying, unstable work as casino employees. Fremont County is probably the only case out of the four where the bottom did not drop out of the lower half of the economy; however, this was because the county already had a stable employment base in the form of the Colorado State Department of Corrections long before the federal prison arrived.

County types also affected the degree to which any of the counties were able to exact concessions from incoming businesses. In the case of Fremont County, the monolithic federal prison bureaucracy barely yielded any concessions, in spite of the fact that the federal site was a large drain on local infrastructure. Of course, local leaders did not help in this regard by not negotiating with the Federal Bureau of Prisons in the course of trying to lure them to the county. The Navy paid Camden County millions of dollars for infrastructure improvement; however, these funds were still nowhere near sufficient to deal with the military presence and the military families that came along with them. Camden County also had a handsome tax base thanks to homeowning military and industrial employees -- which made for a state-of-the-art school curriculum. However, the great influx of children has still outstripped the capacity of the school system, which has had to use temporary classrooms.

Not only does the industry itself drain local resources, but occasionally the people drawn to the area in its wake need resources as well. In Camden County, for example, people would arrive in the county with no money, food, housing, or job and then seek temporary supportive services from local social service agencies. Another concern is that when this happens, small towns may not have the capacity to provide supportive services, such as temporary shelter and food for these people.

Boomtowns and Affordable Housing

Affordable housing is a critical need in almost every community around the country, and is becoming more so. The 1998 *State of the Nation's Housing* report by Harvard University relates that, although homeownership is up due to the buoyant U.S. economy, the supply of affordable housing for low-income populations has sunk to an all-time low. As of 1995, over 10 million households pay more than half their incomes for housing, with the vast majority of severe cost burden falling on those with extremely low incomes (nearly four million renters and 2.5 million homeowners). Nationally, the affordable housing stock has shrunk by 67,000 units since 1985, while the number of low-income households needing affordable units outstrips the supply by a factor of three.[9]

Since there is no single trajectory that all locations follow when they experience dramatic growth, it is extremely difficult to predict the path that housing affordability will take during that

[9] Harvard University. Joint Center for Housing Studies. 1998. *The State of the Nation's Housing,* 3, 20.

process. In *Urban Fortunes* (1987), John R. Logan and Harvey Molotch frame the process by which communities benefit or are burdened by growth in terms of four "determinants":

a. the strategic value of the neighborhood in the larger system of places (i.e., its changing utility in the rent generation process);
b. the nature of the internal pressures for exchange value[10] returns and the particular strategies used;
c. the power and status of residents within the larger political economy; and
d. the sentiments and cultural systems of residents that guide the pursuit of local use values.[11]

In other words, when a locale is targeted by outside industry either because of its amenities, its incentives or its lower cost of labor, the boom created by the industry's arrival results in sky-rocketing exchange values for people who own property or are in a position to buy it. The resources that the locale will be able to capture for ongoing municipal spending and protection of resident interests will depend on its unique position as a site, the ability of local officials to bargain with the industry through incentives and demands, the relative power of local officials and residents compared to the influence of the industry, and the degree to which residents even want to bargain in the first place (as well as what concessions they desire).

One study showed that when in-migrants were surveyed by the Department of Social Services, the reasons most frequently given for leaving the prior location were "too expensive," followed by "lost apartment," which was found in other research to be connected to its being too expensive. Boomtowns appear to low-income in-migrants as offering a solution to their housing problem.[12]

In the areas studied for this report, with the exception of Lawrence County, S.D., many of the in-migrants moved to the community to obtain government jobs, to retire, or to buy real estate in a much better locale. As a result, they have decent salaries or savings, which allows them to become property owners who can benefit from rising property values in the form of equity

However, either before the boom or in its wake, there is still a population of renters for whom rising property values only mean higher rents and a steeper cost of living. This same population is more likely to concentrate at the low-paying service or retail end of the economy, so that either renters are blocked from homeownership or low-income homeowners are trapped in dilapidated housing due to their inability to afford major repairs. Some homeowners, such as those in Deadwood, S.D., are able to take advantage of the bull market, sell their homes and move

[10] The authors define exchange value as the value of land and property in creating profits for its owners; use value is the qualitative value that land and property have for the people who live in it, are emotionally attached to it, and conduct their daily round in it.

[11] Logan and Molotch. 1987. *Urban Fortunes,* 123.

[12] "Spatial Redistribution of Poverty through Migration of Poor People," *Rural Sociology* 60:2 (Summer 1995), 189.

elsewhere. However, homeowners in areas such as northern Camden County are outside the area where real estate is in most demand or are bound to their homes through social ties.

In areas such as Deadwood and Fremont County where conditions eventually led to a housing bust, the increasing availability of housing did not necessarily spell enhanced affordability. The economic boom that created the housing was also the same boom that provided jobs for low-income residents. When (as in Deadwood) the boom went bust or (in the case of Fremont) better-paying jobs did not filter down to older residents, unemployment and low incomes meant that the percentage of monthly wages spent on housing stayed the same.

With Section 8 and welfare reforms, low-income families will be able to use rental vouchers to live in newly constructed homes; however, the wages that they are likely to earn as they transition off welfare will still make housing a major problem. A recent study from the Center on Budget Priorities demonstrated that in the 12 states that have welfare-to-work programs, former welfare recipients who find work are typically paid less than $8 per hour and earn between $8,000 and $10,800 per year -- well below the poverty line for a family of three.[13] Another study from the Children's Defense Fund relates the following:

- In South Carolina, one in four (29 percent) of former welfare recipients were unable to pay their rent or mortgage after leaving;
- In Idaho, one in three former Temporary Assistance to Needy Families (TANF) recipients described their current housing situation as "temporary;" and
- In Atlanta, nearly one-half of homeless families reported recently losing their TANF benefits.[14]

Next Steps, Lessons Learned

The numerous boomtown studies conducted during the past two decades have not answered many questions about the consequences of rapid growth as they relate to housing. While a large body of literature exists about rural boomtowns, the existing literature focuses primarily on the social changes attributable to growth. Overall, research conducted about boomtowns reports a connection between the large and rapid influx of population and a variety of social disruptions.[15] Although the case studies conducted for this report do not provide conclusive evidence that rural boomtowns experience negative affordable housing circumstances, they do seem to indicate a general pattern for how the housing market responds in rapidly growing economies.

Despite forecasts that predict growth, many rural communities find that there is not a great deal of interest by private developers to build affordable housing until there is an identifiable market.

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[13] Parrot, Sharon. 1998. *Welfare Recipients Who Find Jobs: What Do We Know About Their Employment and Earnings?* Washington, D.C.: Center on Budget and Policy Priorities, 1.

[14] Sherman, Arloc et al. 1998. *Welfare to What? Early Findings on Family Hardship and Well-Being.* Washington, DC: Children's Defense Fund, 2.

[15] "Boomtowns and Social Disruption," *Rural Sociology* 49:2 (Summer 1984), 236.

Even if a market is identified, low-income housing is typically not a business in which for-profit developers wish to invest, due to the fact that the lower rents make it very difficult for them to make a profit. Consequently, most of the new housing that enters the housing stock is either single-family, owner-occupied or upscale rental complexes. Low Income Housing Tax Credits may provide considerable incentive for developers, but these complexes are still scarce, and there is no protection against the property being converted to market rate after the tax credit is used up.

Many municipal governments, strapped for cash and without Section 8 funds, are not able to get into the affordable housing business either. The only other sector left to provide funds -- the nonprofit sector -- cannot reasonably be expected to absorb crisis-level low-income demands. Consequently, a strategy of partnership may be one of the last and best hopes for low-income housing development. While any one sector cannot (or will not) take on the task, a combination of for-profit loans, government grant funding and nonprofit technical assistance will vastly improve local capacity to provide quality low-income housing.

It is important that communities recognize the need for cooperation and have a willingness to bring in other players, so that incoming businesses are brought into the fold as "good corporate neighbors," rather than as antagonists to local leaders and residents. However, residents and grassroots organizations must also have an equal place at the table, and "power players" need to make an active effort toward inclusiveness if any coalition is to meet residents' needs.

Local leaders who are considering attracting new businesses/industries for the purpose of economic development also need to decide whether a particular industry is right for their community in the first place. Once the community has decided to attract a business, there are ways to ensure a congenial fit between the community and the business. Basic facts to remember are that some industries pay no taxes (such as prisons and military entities) and do not fall under local planning and zoning ordinances (unless, in the case of prisons, they are run by private corporations). Thus the community must plan to capture money from these entities through their contracts with local businesses, their employment of local residents, and increased sales and sales tax revenues to visitors and employees who arrive from elsewhere. The community must also make sure the industry's impact on local infrastructure, government services, and quality of life are positive or neutral.

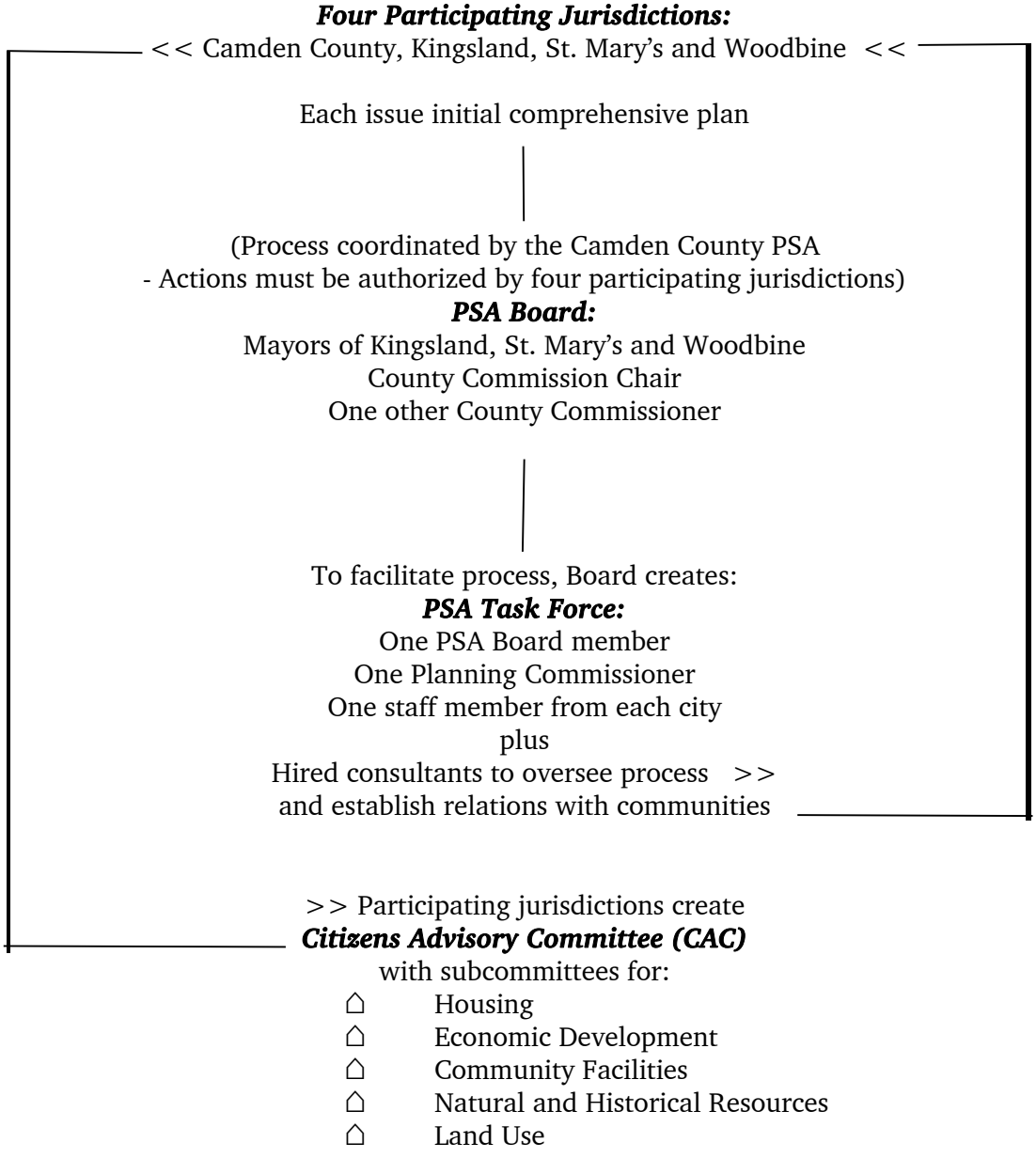
Most governmental agencies, such as the military and state and federal prisons, are also part of large bureaucracies with their own policies and procedures, some of which are required by law, others of which are long-standing habits. Consequently, it may be difficult for small communities to pressure them into new ways or to impose preconditions in conjunction with offering incentives. Private corporations coming into a small community have more flexibility to enter into partnerships and invest in the community. In-depth research about any potential corporate neighbor will provide municipal players with more leverage.

Finally, local officials and businesspeople need to have sufficient organizational capacity in order to undertake planning at all. National nonprofits and state/government agencies are critical in this regard, in order not only to provide good technical assistance, but also to promote their programs well enough so that the information reaches rural areas.

APPENDIX A:

PLANNING PROCESS: CAMDEN COUNTY, GEORGIA

1977: Kings Bay Steering Committee formed upon hearing about closure of base in Rota, Spain
1981: Kings Bay Impact Coordinating Committee (KBICC) formed
1991: Comprehensive planning process begins:



1992:

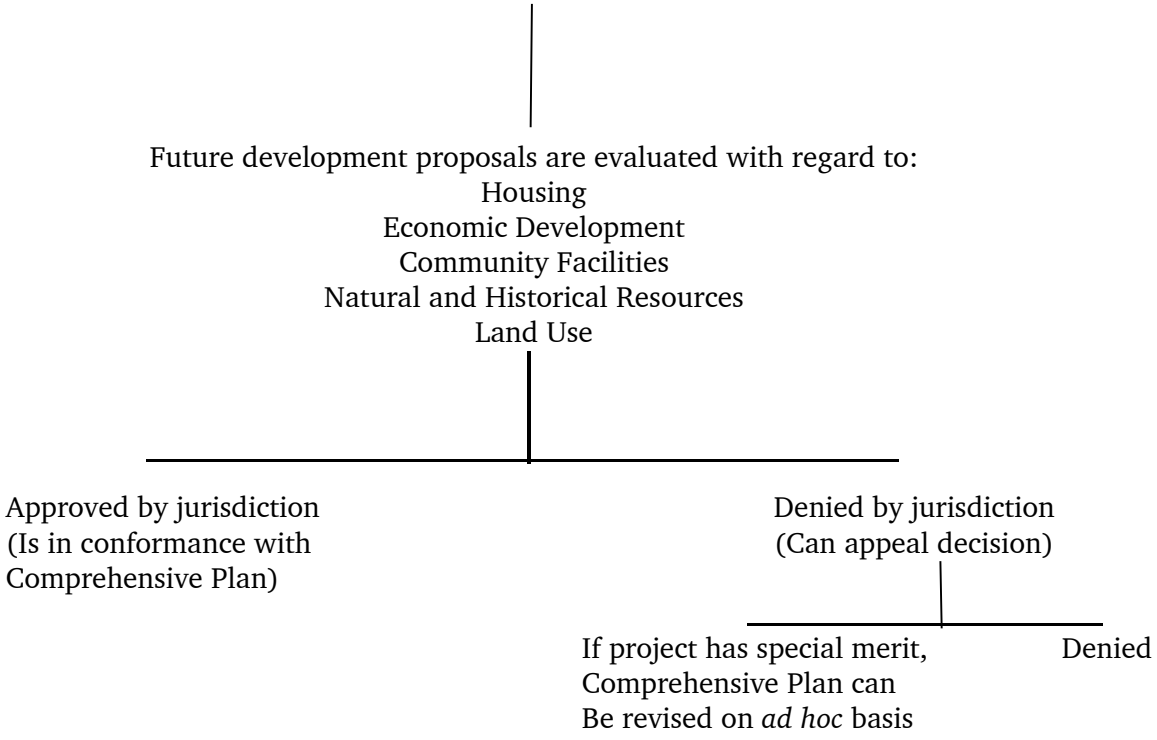
I. PSA Task Force and consultants:
   - A. Gather all relevant planning data
   - B. Discuss citizen participation strategy
   - C. Hold preliminary public hearing to inform public about planning and citizen participation process
   - D. County has a chance to solicit community input and support

II. February 1992 Camden County Municipal Association meeting:
Citizens' Advisory Committee presents findings and recommendations to:
   - A. Planning Commissions of the four jurisdictions and
   - B. County and city elected officials

III. Second (Interim) Public Hearing:
   - A. Citizens' Advisory Committee presents findings
   - B. Discusses the overall approach of the comprehensive plan drafts
   - C. Fields comments and questions

IV. Each jurisdiction has work sessions addressing:
   - A. How the comprehensive plan draft affects their area
   - B. How to review future land use maps

V. Comprehensive Plans are adopted in Camden County, Kingsland, St. Mary's and Woodbine (to be updated in 1997)



APPENDIX B:

COMPARATIVE POPULATION, HOUSING AND ECONOMIC INDICATORS

	Population		Percent Change in Total Housing Units		Median Gross Rent, 1990	Median Household Income, 1989	Median Housing Value	
	1980	1990	1970-80	1980-90			1980	1990
Camden County, Georgia	13,371	30,167	52.0	102.3	$416	$28,212	$29,300	$66,700
Lawrence County, S. Dakota (Deadwood)	18,339	20,655	29.2	14.3	$306	$24,815	$37,200	$52,300
Fremont County, Colorado	28,676	30,273	50.7	19.1	$330	$19,998	$44,900	$57,000
Washington County, Utah	26,065	48,560	121.6	100.8	$414	$24,602	$60,100	$78,400

Rural areas are increasingly hosts to economic "boomtowns" -- counties or cities that are at the extreme end of the growth/decline axis. Although economic growth in these places results in a windfall of new resources, it also results in large-scale changes that previously small areas may not be ready to handle. Changes in culture, population, industry, wages and municipal spending are common issues for boomtowns. However, one key issue is how abrupt economic surges affect the supply of affordable housing in these areas, and what residents, officials and businesspeople can do to mitigate any shortages. The lessons learned from the four case studies examined in this report can serve as precedents for future boomtowns dealing with the same challenges.

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