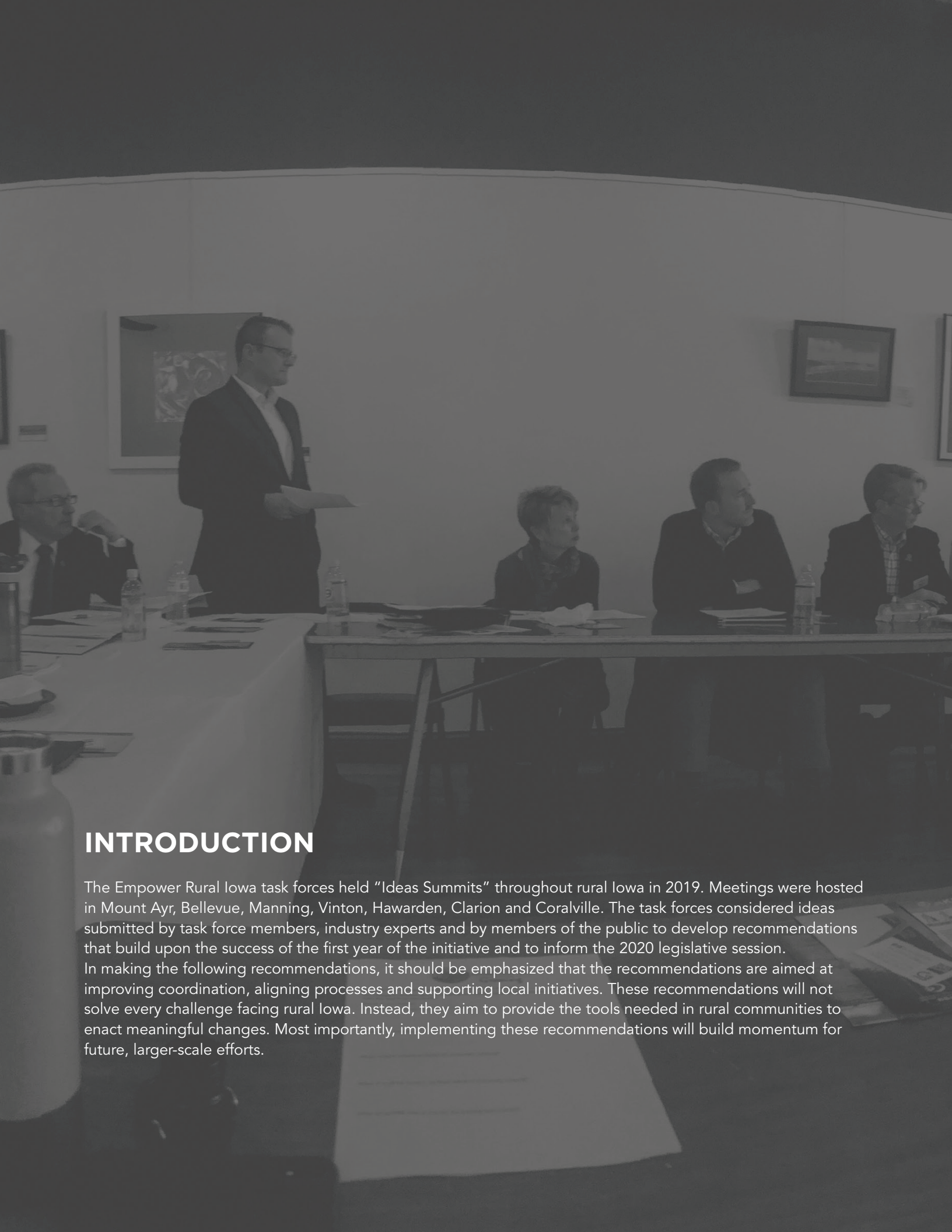
GOVERNOR'S **EMPOWER RURAL IOWA** INITIATIVE

RECOMMENDATIONS

December 2019



INTRODUCTION

The Empower Rural Iowa task forces held "Ideas Summits" throughout rural Iowa in 2019. Meetings were hosted in Mount Ayr, Bellevue, Manning, Vinton, Hawarden, Clarion and Coralville. The task forces considered ideas submitted by task force members, industry experts and by members of the public to develop recommendations that build upon the success of the first year of the initiative and to inform the 2020 legislative session.

In making the following recommendations, it should be emphasized that the recommendations are aimed at improving coordination, aligning processes and supporting local initiatives. These recommendations will not solve every challenge facing rural Iowa. Instead, they aim to provide the tools needed in rural communities to enact meaningful changes. Most importantly, implementing these recommendations will build momentum for future, larger-scale efforts.

2019 RECOMMENDATIONS IN SUMMARY

Investing in Rural Iowa Task Force

- Streamline eligibility and application processes for state-administered programs impacting abandoned or derelict buildings.
- Increase funding, rural set-asides and flexibility for programs with abundant demand to support quality, transformational projects in rural communities:
  - Increase funding for the Iowa Department of Natural Resources Derelict Buildings Grant program.
  - Provide an additional rural set-aside in the Community Catalyst grant program and provide additional funding.
  - Increase the $1 million cap on Main Street Challenge Grants.
  - Expand the Iowa Department of Transportation's RISE Grant authority to support rural housing projects.
  - Reform the Nuisance Property and Abandoned Building Remediation Loan Program by modernizing interest rates and using a portion of the funds to provide loan guarantees rather than loans.
- Continue the "small cities set-aside" in the Workforce Housing Tax Credit program and continue support for Rural Innovation Grants and Rural Housing Assessment Grants, created during the last legislative session.

Growing Rural Iowa Task Force

- Create a matching grant program focused on developing rural leaders by engaging communities in professional visioning processes.
- Encourage implementation of community vision plans by funding a rural set-aside in quality of life programs, such as Enhance Iowa and Iowa Great Places.
- Support existing leadership programs and provide resources for development of new rural leadership programs.
- Continue support for Rural Innovation Grants created during the last legislative session.

Connecting Rural Iowa Task Force

- Optimize the existing broadband grant program by providing additional funding and a higher state match for projects that provide higher levels of speed and service.
- Continue to improve and update the maps of broadband connectivity in the state of Iowa.
- Continue support for the Rural Innovation Grants created during the last legislative session.

HISTORY

The Empower Rural Iowa Initiative was formed by Governor Kim Reynolds through the signing of Executive Order No. 3 on July 18, 2018. The order created a partnership with the Iowa Rural Development Council (IRDC) and tasked Lt. Governor Adam Gregg and IRDC Chair Sandy Ehrig with co-chairing the initiative. The executive order also created three task forces – the Investing in Rural Iowa Task Force, the Growing Rural Iowa Task Force and the Connecting Rural Iowa Task Force.

Governor Reynolds challenged the task forces to develop initial recommendations for her consideration ahead of the 2019 legislative session. She asked each task force to address a specific topic:

- Investing in Rural Iowa Task Force - rural housing shortage;
- Growing Rural Iowa Task Force - leadership development in rural communities; and
- Connecting Rural Iowa Task Force - financing broadband connectivity.

On May 20, 2019, the Empower Rural Iowa Act, HF 772, passed unanimously, addressing many of the recommendations from the Empower Rural Iowa task forces. The Act created incentives for broadband, workforce housing and innovation throughout rural Iowa. Additionally, the Governor created a Center for Rural Revitalization housed within Iowa Economic Development Authority (IEDA). The Center is responsible for implementing recommendations, acting as a liaison to rural communities, and serving as the primary point of contact for small communities to access programs that support rural areas.

SINCE 1910

Investing in Rural Iowa Task Force

Streamline eligibility and application processes for state-administered programs impacting abandoned or derelict buildings.

The State of Iowa has multiple programs that support the removal or rehabilitation of derelict commercial and housing structures. For example: the Community Catalyst Building Remediation Program, the Nuisance Property and Abandoned Building Remediation Loan Program, the Derelict Building Program, the Vacant State Building Rehabilitation and Demolition funds, and historic tax credit programs. These programs aim to provide communities tools to address housing concerns or attract new businesses. However, the various programs exist in different state departments, across various divisions, with different application procedures or eligibility standards that make cross-applications impossible.

Creating uniform procedures and streamlining the application process would increase accessibility for rural communities, which often lack the capacity to effectively compete for multiple programs with different deadlines and eligibility requirements.

The following steps would reduce applicant confusion and increase accessibility for rural communities:

- Aligning application deadlines and funding cycles;
- Determining a more consistent eligibility threshold for rural population across multiple, similar programs; and considering "sliding scale" eligibility where assistance is gradually reduced for areas with larger populations, reducing abrupt cut-off points;
- A more standardized application process, including more widespread adoption of the "Iowa Grants" online application portal;
- Rewarding regionalism and combined project applications to improve cooperation at the local level and improve access to contractors for multi-part projects in an area.

Regional trainings, technical assistance programming and toolkits educating potential applicants on the programs could further improve access. In addition, state program managers should continue to coordinate efforts to collaborate on similar projects. Improving and increasing that coordination through application reviews, regular meetings or combined procedures will move towards creating an efficient and effective program platform for applicants.

In addition, efforts should be made to quantify the number of dilapidated buildings in Iowa, in order to better understand the challenge presented and measure progress.

Adjust Nuisance Property and Abandoned Building Remediation Loan Program requirements to better meet the demands of rural Iowa communities.

The IEDA Nuisance Property and Abandoned Building Remediation Loan Program has been consistently undersubscribed since its creation in 2015 – approximately half of the original allocation of $5 million remains unused. Currently, the interest rates on loans when the project is a "pass-through" to a private entity increase, up to triple the rate, as compared to when the loans go to a government entity. Reducing the pass-through loan rate to make it equivalent to those offered to government entities would support the utilization of this program and effectively provide the financial assistance needed to help communities demolish or remediate buildings and structures that are a hazard to public health and safety.

Adjusting the interest rates to reflect current day rates, compared to 2015, will also allow for the flexibility required by this program to provide value to rural communities. The addition of education, training and technical assistance for rural communities to further understand and implement this program will increase its use and fulfill the intent.

As an alternative, consider converting some of the existing program funds to a loan guarantee to bridge the financing gap for rural community investment projects. In partnership with Iowa Finance Authority, such a structure would allow a local financial institution to participate while sharing the risk.

Increase funding and rural set-asides for programs with abundant demand to support quality, transformational projects in rural communities.

The Iowa Department of Natural Resources (DNR) Derelict Building Grant program is currently funded at $400,000 annually by solid waste tonnage fees. Yet, applications typically outpace funding by two or three times the amount available, with many quality applications not receiving grants. Increased funding for this effective program would accelerate the rehabilitation or removal of dangerous structures in rural communities.

The IEDA Community Catalyst Building Remediation Grant program has been a popular and dynamic tool for restoring and renovating key buildings in rural Iowa that will have a catalytic impact on the downtown. Additionally, the program requires that 40% of allocated funds are set-aside for communities with a population of less than 1,500. In its third year, funding has been inconsistent year-to-year. Providing a consistent line item appropriation dedicating funding to the Catalyst program and creating an additional set-aside of 30% for communities with populations between 1,500 and 5,000, would both provide continuity for future applicants and incentivize rural communities to apply, while also better aligning eligibility with the DNR Derelict Building Grant program.

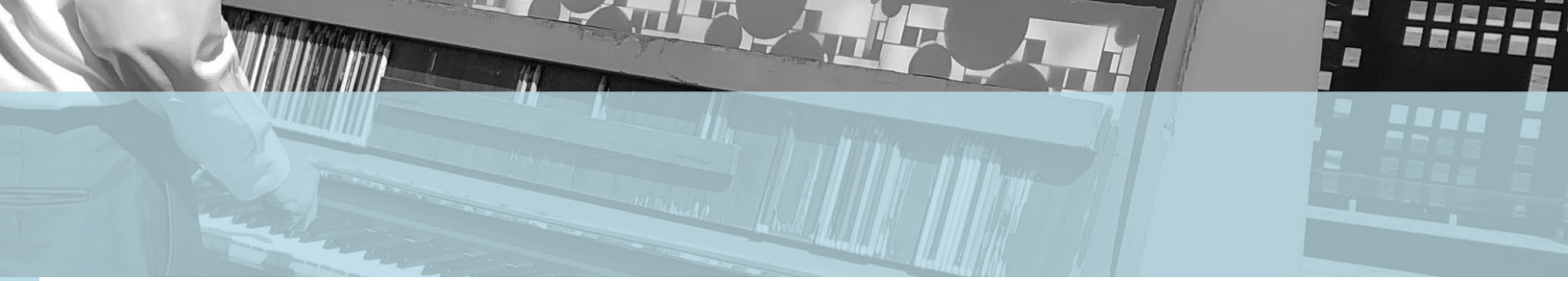
The IEDA Main Street Challenge Grant program is currently capped at $1 million. This program has been a successful tool in Main Street designated communities, resulting in projects that boost the vitality and economy of downtown districts. Removing the funding cap would provide Main Street Iowa the ability to diversify funding programs, as well as provide funding for additional quality project applications.

Expand Iowa Department of Transportation's RISE Grant Authority to Support Rural Housing.

The Iowa Department of Transportation's Revitalizing Iowa's Sound Economy (RISE) Grant program promotes economic development through the establishment, construction and improvement of roads and streets. Currently, RISE grants may only support infrastructure projects associated with developments, including but not limited to manufacturing facilities, office parks and warehousing. There is no doubt housing development is economic development in rural Iowa – as such, RISE should be expanded to include rural housing as an eligible development activity. In addition, a tiered match requirement based on city population should be implemented to increase program access for rural projects.

Support existing programs that address the needs of rural housing.

- Workforce Housing Tax Credit. Last year the entire FY 2020 Housing Tax Credit allocation was used to remove the backlog of the "small cities set-aside" projects in the 88 least-populous counties in Iowa. The program rules were also adjusted from a first-come, first-served program with a multi-year waitlist, to an annual competitive application. The state should maintain the increased rural set-aside, which was doubled to $10 million pursuant to the 2018 recommendations of this task force.
- Empower Rural Iowa grant programs. The rulemaking process is in the beginning stages for both the Rural Housing Needs Assessment Grants and the Rural Innovation Grants. Funding support should continue for these programs as they are developed.



Growing in Rural Iowa Task Force

Develop Community Leaders by Encouraging Community Visioning through Creation of a Matching Grant Program

Execution of an effective community visioning process will inherently develop leaders. Community visioning programs are founded on wide and broad citizen participation to create a plan for the community that's based on what they value the most about their town and collectively envision for the future. Through this process, citizens are encouraged to actively participate in steering the change that impacts their community. While there are many different styles and varieties of visioning programs being used successfully across the state, the one commonality and necessity is the continual identification of new leaders and development of local leadership.

Barriers to undertaking visioning programs in rural communities include lack of capacity to implement a successful process; lack of understanding of available resources; and lack of funding to employ external expert programs. The state, with assistance from regional and state-wide partners, should develop mechanisms to reduce these barriers in rural communities and provide the tools to empower communities to use visioning to identify and grow their leadership base.

Through the creation of a matching grant, the state can enhance access to visioning programs and develop more leaders. The grant should support programs that utilize extensive community surveys and which leverage technology to maximize participation; that utilize coaching techniques to empower the local facilitators; and engage local youth in the process to create communities they want to stay in or return to in the future. By encouraging communities to strategically plan a vision for their future, they will not only identify leaders, but will be armed with the tools they need to apply for future project funding.

When communities are considering the appropriate visioning process, the state can provide the options available, encourage the use of the online Iowa Profile Tool to analyze communities' demographics and share best practices from lessons learned across the state. These resources will be on the Iowa Rural Development Council's website, as well as shared at regional meetings across the state.

Encourage Implementation of Community Vision Plans through Funding a Rural Set-Aside in Quality of Life Programs

The strength of community visioning processes is in identifying community member's passions and then empowering them to take ownership of projects that capitalize upon those interests. It is through those initial steps that a community grows new leaders and identifies new community champions. The state should support the implementation of creative placemaking projects resulting from community visioning through the development of rural set-aside funding in key quality of life programs implemented by the state.

For example, Enhance Iowa improves community vitality through recreational enhancement grants that support local economies through citizen-use, as well as through tourism. Iowa Great Places recognizes rural communities who have completed a visioning process both through designation and funding opportunities. Iowa Great Places grants support projects that focus on those unique assets within each community and are often catalyst projects, generating additional local support and expanding project scope. Increasing the funding allocation for both programs and requiring a percentage of all funding allocated to rural communities would support the implementation of vision plans developed by rural communities and continue to engage and empower emerging rural leaders.

Support existing leadership programs and provide resources for development of new rural leadership programs

There are many existing leadership development programs at the local, regional and state-wide level. To encourage collaboration and strengthen these programs, the Center for Rural Revitalization, with assistance from the IRDC, Leadership Iowa and others, will host an annual event to support networking, collaboration and best practice exchange among coordinators of existing leadership programs. This one day or half-day event is the re-creation of a previously successful event hosted by the Iowa Association of Business and Industry, a partner in the initiative.

While many successful programs exist in rural communities and regions, there is still a need to guide the development of new programs for interested cities and counties. By providing a fundamental overview and initial planning assistance to rural communities interested in launching their own community leadership program, towns will be empowered with tools to initiate the program that best fits their needs. In addition to training, the state could partner with existing leadership communities to develop a mentorship program to further guide the development process.

To supplement these events, resources will be available year-round on the IRDC's website for leadership programs. This online repository of best practices, forms, guides and inventory will complement the exchange event for running leadership programs and create an incubator for new programs.

Continue support for the Rural Innovation Grant program

The rulemaking process is in the beginning stages for the Rural Innovation Grants to be awarded in each of the task force areas of focus. Funding support should continue for these programs as they develop.

Connecting Rural Iowa Task Force

Optimize the existing broadband grant program by providing additional funding and a higher state match for projects that provide higher levels of speed and service

Connectivity is vital in today's economy. Connectivity matters to everyone: from school children doing their homework to entrepreneurs operating businesses; and from farmers using precision technology to rural hospitals providing increased standards of care. It will become even more critical as the economy continues to shift to the "internet of things," whether that entails self-driving vehicles or connected manufacturing equipment or home appliances. Iowa should continue to lead the nation in rural connectivity.

Last legislative session, pursuant to the recommendations of the Connecting Rural Iowa Task Force, the legislature modernized and improved the existing broadband grant program. In addition, funding for the grants was increased from $1.3 million in FY 2019 to $5 million in FY 2020. However, the program changes and limited funding simply does not meet the demand to enhance connectivity throughout rural Iowa.

Governor Kim Reynolds requested a total of $20 million over two fiscal years in her budget recommendations to the legislature in 2019. Funding for the broadband grant program should meet or exceed the amount the governor originally requested, which would be reflected in a $15 million appropriation for FY 2021.

Additionally, under current program rules, only 15% of the total project cost is provided by the grant. A scaled award structure providing a higher percentage of state matching funds based upon level of service and low population density would address the intent of the program: to provide broadband connectivity throughout rural Iowa. Such a structure would allow the state to provide more assistance to incentivize providers to build networks to reach the most difficult areas to serve, would also bring Iowa's broadband grant program more in line with neighboring states.

The Office of the Chief Information Officer should continue to improve and update the maps of broadband connectivity in the state of Iowa. The broadband maps have been updated to reflect current connectivity based on the Federal Communications Commission's data as of June 2018, and a validation process was implemented that allows providers to assert that the map does not reflect current broadband availability. Despite these recent updates, there are mapping flaws resulting in connectivity levels being reflected inaccurately. Developing solutions to concerns regarding the accuracy of the maps will create a program that utilizes limited state funds most efficiently and empowers rural Iowans through connectivity.

Continue support for the Rural Innovation Grant program

The rulemaking process is in the beginning stages for the Rural Innovation Grants to be awarded in each of the task force areas of focus. Funding support should continue for these programs as they develop.

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