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Cooperation as a Strategy for Rural Economic Development

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The economics of John Nash (1950) and Ronald Coase (1960) provide rural Midwest communities with remarkable insights into an opportunity for competitive advantage by combining leadership, cooperative behavior, and technological investment. County governments are in a unique position to provide leadership and resources to create a regional vision attractive to private investment while positioning the community to take advantage of opportunity as it arises.

Cooperative behaviors among private investors, local entities, and a county can create significant efficiencies and resources to achieve a countywide vision. A county

willing to take on this leadership role can provide technology that creates incentives for cooperation, supports opportunistic action, and regulates a balance between private sector investment and payment for public services and improvements.

Such a plan is proposed for Fulton County, Illinois (population 38,000), but many counties can benefit from considering a similar approach. Many of these concepts are gleaned from successful communities but have yet to be incorporated into one complete strategic action plan for a rural community.

What Is a Strategic Action Plan?

A strategic action plan goes beyond the traditional comprehensive plan. Its foundation is built on creating a regional vision, attracting private sector investment with minimal giveaways, enhancing cooperative behavior among all local entities and actors, and collectively seeking and taking advantage of opportunities within a two decade time horizon.

A strategic action plan has three equally important components: (1) the use of technology to create efficiencies and incentives; (2) an intergovernmental cooperative effort with common regulations and procedures led by county government; and (3) partnerships with other service providers such as utilities. These partnerships minimize differences

between public and private sector views and create many opportunities for mutual benefit. All partners are further encouraged to share information and resources, including data and existing infrastructure and planned capital improvement programs.

The realities of global competition and the ineffectiveness of old business recruitment strategies demand new strategies for rural economic development. Local communities that adapt a common regional vision and that cooperate rather than compete can attract private investment without excessive giveaways. They can also support and seek opportunities for one another. This creates a significant competitive advantage.

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A Strategic Action Plan for Rural Counties

The plan for Fulton County and one that other counties might consider includes the following components:

- Technology
- Comprehensive action plan
- Infrastructure and utility location and capacity analysis
- Mutual gain through cooperative behaviors
- Well-publicized regional capital improvement plan
- Private/public partnering

Technology. When seen as an investment with an anticipated return, technology becomes a basic foundation for the planning effort. A geographic information system (GIS), along with server-based computer systems, can provide information products that enable the following:

- Reduce the cost of information while improving quality and availability
- Reduce the cost and risk of investment
- Reduce costs by creating work-flow efficiencies
- Create incentives for cooperative behavior
- Create a means of mining for opportunity (see DeMers 2005)

A GIS is more effectively developed over a 5- to 10-year time frame. It is most effective with a partnership between the county, other public bodies, private and public utilities, and other participants that can benefit from the information generated.

Key components in developing a GIS include early communication and coordination of technology efforts. Early coordination is highly beneficial. Standards for ground surveying and aerial photography (orthophotography) ensure investments will meet everyone's needs. Free training for all participants promotes trust and ownership while mining for additional efficiency opportunities. Once sincere communication begins and work challenges are shared in a team atmosphere, identification of information products and potential work-flow efficiencies will abound. Shared server-based technology within and between entities can also increase efficiencies by providing real-time information between government departments and throughout the county.

It is astounding how little rural local governments have integrated technology into work-flow and asset management, accounting, communication, and other activities. Paper log books, duplicated paper processing, and personally held information are "low hanging fruit" for simple technology to provide huge productivity gains, cost savings, and benefits to those who must deal with government.

Zoning applications, for example, are often merely scribbles on plain paper in small rural counties. With a vision of assisting applicants with GIS information products, zoning and building permit applicants can obtain accurate orthophotography of their property with two foot topography, creating a low-cost, accurate plan for many kinds of preliminary engineering and regulatory review.

In some rural communities, building permits can meander through the review process, dependent on phone calls between reviewers to ensure compliance. With server-based technology, the status of the various approvals can be posted in real-time, expediting permitting and increasing government efficiency, level of service, and accountability. There are dozens, if not hundreds, of opportunities for enhanced work-flow efficiencies in most areas of utility and government service, which, in turn, will create large returns on the investment in GIS and shared server-based technologies.

Comprehensive Action Plan. A second component of a strategic action plan is the comprehensive action plan. It contains two equally important elements: (1) regulations and (2) information. Regulations include the zoning ordinance, building code, subdivision ordinance, and a flood plain management plan. Adding helpful land use guidelines can identify areas where development limitations exist such as problems with water wells or septic systems.

Assistance with the approval process; guidance for traffic, drainage, and parking studies; improvement standards; and a clear definition of the public expectations of government approvals attached to private investment adds more value. It is essential to clearly define predictable, consistent, and fair private investor obligations and mitigations. These expectations can achieve aspects of the regional vision or can create problems for taxpayers to resolve.

Regulations also can be models for all local entities so that maximum consistency occurs in the entire county, easing information costs for investors and creating opportunities to share resources. In essence, in this regional vision, efficient government and quality information products are seen as substitutes for giveaways as attractions to private investment.

Infrastructure and Utility Location and Capacity Analysis. Available information can include many GIS products such as those previously mentioned. Most important for economic development, however, is a countywide Infrastructure and Utility Location and Capacity Analysis.

This analysis identifies the types and capacities of air, rail, water, and road transportation and the location and capacity of water, sewer, gas, electricity, telephone (land and wireless), and data transfer (fiber, cable, wireless, satellite, and telephone). No strategic action plan is complete without this component since it is an essential resource for economic development efforts and for private investors. This information may not be made public for many reasons, such as homeland security, but by identifying areas with specific and quantified infrastructure and utility capacity, marginal costs of development can be readily identified at a lower research cost. In addition, areas targeted for specific development can be marketed.

For instance, a community that can describe a development location as “Class III truck roadway access with 260KV-4megawatt electric capacity, eight inch 300 psi natural gas, fiber optic D2 cable, and one million gallon per day water and sewer capacity” will be attractive to a site selector and saves considerable time and money in site evaluation. On the other hand, a location merely described as having “good road access with utilities available” lacks the specifics to initiate an action plan. An aerial photograph with two-foot contours and accurate distances to specific utilities enables a site evaluator to perform preliminary engineering, apply for zoning, and complete the analysis in days, not weeks or months. Since many private projects are time dependent, this can be a considerable advantage while saving thousands of dollars in research.

Critics might argue that the costs of such a large investment in technology will be paid by the public, but the benefits will accrue to others. The Coase (1960) argument is that this is a social cost with social benefits. The Infrastructure and Utility Location-Capacity Analysis is a combination of technology, cooperation, and accessible information. It enables a community to provide higher levels of service at lower cost once the investment is made. Of course, funding must be reasonable, and the allocation must be fair. Cooperation is inherently beneficial because the information providers are also information users. Private investors are customers of these providers/users, so all can mutually gain. Also, providing information products that increase work-flow efficiencies creates additional benefits to the private sector, utility companies, local entities, and the county. Over time, as the same group of players engages in mutually beneficial endeavors and experiences continued benefits, the incentive to cooperate will grow.

Mutual Gain Through Cooperative Behaviors. The proposed strategic planning approach sets the stage for close communication between service providers. Local governments regularly can benefit from county assistance. Utility companies are sometimes applicants to government

regulators for permission to use rights of way, for zoning approval, or for other business needs. Utility companies also serve private investors needing government approvals and utility services for development.

Close communication among local governments and utility companies creates a multitude of opportunities, including assistance in creating user-friendly, yet effective regulations; sharing information; and the coordination of public capital improvement programs, utility improvement programs, and private sector improvements. A cooperative approach based on well-earned trust has considerable potential.

If a utility company knows a government entity is planning a road improvement in three years, for example, this may prompt a change in the utility capital improvement plans, or at least it may create an opportunity for coordination before significant engineering costs are incurred. Further, information gathering, such as surveying costs and right-of-way acquisition, can be shared; utility relocations can be planned; and changes can be more easily made. Park and school districts and other local entities can also partner in this scenario, opening more and more opportunities.

Regional Capital Improvement Plan. This key component of the strategic action plan includes four elements: (1) planned public investment of all local entities and the associated financial payment plan; (2) planned utility improvements; (3) a discussion of the public responsibility of private investment; and (4) other relevant information regarding how the regional vision will be paid.

A sound regional vision must balance the needs and wants of a region with its ability to pay for its implementation. A 10- to 20-year time horizon is minimal and should consider the following:

- Emergency services for police, fire, emergency, and 911
- Community needs for health, parks, open space, greenways, and trails
- Educational needs for preschool, elementary, middle school, high school, college, adult education, and training in support of the private sector
- Public utilities such as water and sanitation
- A compilation of all entities’ needs and wants
- The needs and wants of all local entities

In terms of ability to pay, combine a realistic analysis with an opportunistic action plan, including the following:

- State and federal funding sources and the reliability of these revenues
- Local funding from state and federal sources

- Private and utility funding expectations
- Funding from fees and charges for services, noting that deficit costs must be made up from other revenue sources (e.g., fee and permit schedules for regulatory services such as zoning, building, subdivisions, and other service charges)
- Funding opportunities for state and federal earmarks, grants, and private donations
- Revenues from impact fees
- Funding to maintain new assets and replace depreciated assets
- Clear definition of the community's expectations of the private sector's role in providing public infrastructure with development such as with zoning, buildings, subdivisions, and right-of-way uses

Obviously, numerous challenges face individual players who seek internal competitive advantage, who are free-riding, and who exhibit other noncooperative traits. A cadre of capable leaders must emerge to create a truly common vision and guide these resources. County boards are in a unique position, however, in that numerous budgets must receive their approval, and they typically appoint many of these board members. If a wise county board can sincerely include cooperative behavior as a primary goal, it has a huge advantage.

Private/Public Partnering. Another element of the strategic action plan is public/private partnering. The government has many overlooked tools that assist the private sector that are often viewed with skepticism by private decision-makers. The repetitive theme of cooperative behavior is equally valid here.

Too often, ill-advised Tax Increment Financing (TIF) districts and the like are merely ineffective giveaways. Governments can help private investors without giveaways by striving to reduce investment costs and risks; providing reliable information; adopting well-defined, efficient government procedures (i.e., predictable, consistent, and fair); and by being a reliable partner in progress.

Having clear laws and standards; accountable enforcement; and quick, open protest procedures creates an honest discussion that defines the public responsibility private investors have in a community. In this way, the impacts of a development on a community can be identified and shared with a combination of developer's mitigations and the various capital improvement programs. Claims that a development will repay for giveaways are seldom based on sound finance and result in existing taxpayers subsidizing future taxpayers. In fact, this is a good argument in favor of developer mitigations since it is a policy that can keep future taxes low. Besides, there are other tools for assistance.

Increased assessed valuation can significantly improve local governments' ability to provide services, but only if the future demand for the services is clearly considered. This philosophy may scare away brokers trying to combine "other people's money" with a "higher and better use," but communities are better off with a reputation as credible partners in development.

Many government tools can assist in accomplishing the regional vision. Whereas the TIF incentive may often be misused, TIF districts and other tools have their place. One alternative, Special Improvement Districts (SID), create a mini government that sells public bonds based on the improved land value defined by the "special district." Landowners pay off the bonds similar to a real estate mortgage, which passes on to future buyers as a known liability.

Combining an SID with special zoning use permits, local governments can bond and construct all public improvements, including parks and project embellishments, through public financing. The private sector and the government can negotiate a fair balance of costs, or all costs can run with the private property. Note that these improvements are reflected in assessed valuation increases. The SID provides a significant portion of the project financing at a lower interest rate and reduces the developer's need for private financing. This is a very powerful tool. If a project fails, the bond holders face the problem, reducing the impact on local government.

Another overlooked tool is the private sector's ability to give tax deductible donations to governments for public improvements. It is worthwhile to communicate with private sector parties to see where mutual benefits can be achieved. Many have corporate donation targets and look for good causes. This door of opportunity should always be kept open. There are many cases of a landowner donating money and other valuables to assist a local entity. Some are clearly self-serving, but the benefits are typically public benefits, too.

Similarly, developer participation agreements can solve "all or nothing" scenarios where mitigation is needed; these scenarios are inefficient if done piecemeal or in situations in which impact fees are undesirable. Effective contracting is a tool that can be used to move closer to a regional vision and remain attractive to investment. This can be especially relevant with parks, roadway components, traffic control devices, or other items that might be too burdensome on one party, but may be reasonable in a "fair share" arrangement. Participation agreements can also be very effective with zoning actions in a growing area or where a future public project is programmed, or as part of TIF district conditions among other situations.

Pulling It All Together

A bold proposal, such as countywide strategic planning, faces many challenges. Change is often a bad word in rural communities as it implies a threat that some will lose something of value. Therefore, it is imperative to gain trust and credibility. Respect for people at all levels is a must to win and keep enough support to move forward. Change affects people's lives; thus, change can only occur with their support. Benefits must be identified, quantified, and shared. Authority is not a reliable methodology.

Local governments and service providers, such as utility companies, are often overwhelmed with current workload, much less new initiatives. Elected officials with oversight responsibilities have little influence individually, while elected officials with administrative duties have political realities that make change risky. Appointed managers often have specific missions that create tunnel vision; therefore, cooperative leadership is needed.

Resource allocation in local government is often viewed as a zero-sum game with only winners and losers, no mutual gains. Financial management in local government may be little more than an annual update of the budget, with little if any analysis of changing circumstances, costs, or expectations. It is as if some wise person in the past created the perfect budget, and mere mortals of the present are unworthy to change the sacred text. The public may sometimes complain about government, but like the weather, it is difficult to do anything about it. This and other appearances of reality can lead to huge resistance to thoughtful planning.

On the other hand, employees and managers of local utilities, local government, and private investors spend considerable time together, including at work, church, and recreation. Some are lifelong acquaintances or relatives. These relationships are important community assets and a sound basis for trust and credibility. If a county can mobilize these forces behind a regional vision with true partners, a strategy of cooperation dominates and technological tools can improve outcomes.

Now comes some bad news: Rural America is losing its political clout (votes) as the population becomes more urban; increased control of public funding resides in Washington; federal elected officials seek resource allocation control through earmarks; and local over-reliance on real estate taxes (e.g., assessed valuation and tax levy rates) is slowly becoming a lethal, self-inflicted wound. Time may be running out for rural communities to seriously influence outcomes.

This scenario calls for a realistic strategic action plan that gives rural residents a chance. Local areas can choose to continue past methods or develop a strategy to improve outcomes in today's realities. The strategy of a common regional vision that is attractive to private investment, finds opportunity, adopts technology, and nurtures cooperative behavior can influence outcomes and move toward that regional vision.

Starting a countywide strategic action plan begins, of course, with action. The county board can pass a resolution and provide some funding and direction to the process as outlined herein. Choose a community leader to advocate the process. Identify all boards appointed by the county board, the funding each receives, its written mission statement, and the current board members. Create a mayor's council of all local entities. Create a public works coordination group and a utility coordination committee, and assist the mayors in reviewing every utility franchise agreement in every city. The mutual aid and comparison of information can be enhanced by available assistance from state agencies. Combined with technology and cooperation, best local strategies will emerge. Voluntary cooperation is always difficult, but rural communities have special ways to identify noncooperative behaviors and work toward the common good. This strategy has significant advantages and is worthy of serious consideration by rural counties willing to take on the responsibility of leadership.

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