

Iowa Communities of Distinction: An In-depth Study of Cherokee, Iowa - A Valley with Nodes of Vitality *

Mark A. Edelman and Sandra Charvat Burke **

March 18, 2004

A Report Prepared for the

Community Vitality Center

478 Heady Hall

Ames, IA 50011-1070

Phone: 515-294-3000

FAX: 515-294-3838

E-mail: cvc@iastate.edu

Web site: www.cvcia.org

* This report includes an analysis and summary of factors identified in a series of in-depth community studies completed for a project called Iowa Communities of Distinction sponsored by the Community Vitality Center. The purpose of this project is to examine local perceptions regarding the factors that contributed to community vitality or the lack thereof during the decade of the 1990s in order to provide lessons learned, best practices and innovative ideas for other community leaders in Iowa and other states. Researchers identified eight non-metro communities ranging in population from 1,100 to 11,000. Two communities of similar size were selected from each regional quadrant of the state. One of the two communities from each quadrant exceeded the state average population growth rate for the decade of the 1990s. The other lost population. An interdisciplinary assessment team conducted on-site interviews with a cross-section of local leaders from local government, economic development, education, and healthcare in each community. A total of 75 community leaders from the eight communities were interviewed for this project. Draft reports were developed from field notes and local interviewees were given an opportunity to review the drafts for their community prior to publication.

** Mark A. Edelman is a Professor and Sandra Charvat Burke is a Research Scientist in the Department of Economics, Iowa State University. Both are affiliated with the Community Vitality Center. The authors would like to thank the 75 community leaders for their time and expertise in participating in this study. Tim Shields, Director of Education Services for the Institute of Public Affairs at the University of Iowa provided valuable input during the community selection process. Luke Seibert, graduate student in the Department of Regional Planning, is acknowledged for his participation in several site visits. Rick Morain, Jefferson Bee & Herald Publisher; Becky Johnson, Extension-CVC Secretary; and Laura Klesel, CVC Project Manager, are acknowledged for their editing expertise during final review.

Cherokee, Iowa: A Valley with Nodes of Vitality

Cherokee is located in northwest Iowa and is the county seat for Cherokee County. The county was one of 49 divided from Indian Treaty lands in 1851 by the Third Iowa Assembly. Although archaeologists have found the existence of Indian culture in the county as early as 1200 A.D., Anglo settlers first came in 1856 with the Milford Massachusetts Emigration Company and settled along the Little Sioux River. In 1862, Fort Cherokee was established to help protect the Milford Colony from Indian uprisings. The railroad came in 1870 but located its depot 1½ miles west of the original town site causing residents to move there. It is now the present location of the city of Cherokee.

The 2000 Census reports that Cherokee County has 13,035 residents. The 20th century population peak for the county came in 1940 at 19,258 residents. The city of Cherokee has 5,410 residents or 41 percent of the county population based on the 2000 Census. During the 1990s, the county declined 1,063 people or 7.5 percent but the city declined by an even greater rate of 12.2 percent or 616 residents. This was one of the greatest percentage declines among Iowa cities for the decade.

What Changed Cherokee in the 1990s?

A consensus of local leaders identified three main factors that contributed to the severe drop in population during the 1990s. First, the floods of 1993 created a major jolt to the community. Several houses and businesses were in the flood plain. The direct impacts of the devastation coupled with the secondary impacts in terms of loss of trade and property valuations were severe. Even though FEMA provided assistance for demolition and relocations of affected houses and businesses, it took a few years before the relocations and rehabilitations were completed. Several leaders thought the tax base lost to the flood had now been recouped. While the current leadership and citizens of the community are more positive about Cherokee's future, the mood of many during this period was one of pessimism.

Second, downsizing of the Northwest Iowa Mental Health Institutes (MHI) has been a continuing concern of community leaders. The MHI campus is located on the western edge of Cherokee and once was the town's largest employer. MHI is a State of Iowa facility operating under the Department of Human Services. Inpatient and outpatient psychiatric services are provided to 41 counties for adults and 55 counties for youth. Many of the jobs require four year and advanced college degrees, so they are generally higher paying jobs for the community. According to local leaders, employment at the MHI was once up to a staff of 1,000 and a resident patient population of 1,500. Now there is a resident operating capacity of less than 60 beds. During the 1990s, there were several budget cuts and policy decisions to de-institutionalize the resident population. According to the latest labor survey, MHI employs about 250 people. The capacity for a larger resident population still exists and many buildings are not being used. Several entrepreneurial efforts to use the space have been initiated, including attempts to attract a state prison. The MHI campus is now home to other agencies including Synergy (Chemical Dependency) Center, The Boys' and Girls' Home, the YES (Youth Emergency

Services) Center, Job Service of Iowa, Vocational Rehabilitation, Juvenile Court Services, and the Ecumenical Institute. Recently, the Civil Commitment Unit for Sexual Offenders was relocated from Oakdale. So although some of the lost jobs have been replaced with new public and private nonprofit sector jobs, the total employment and salary base is still significantly less than what it once was.

Finally, the farm economy was mentioned by local leaders. After rebounding in the early 1990s from the 1980s farm crisis, the agriculture economy became depressed once again in the latter part of the decade. The farm population declined by 497 residents between the years 1990 and 2000. Industrialization of agriculture and regional consolidation of agribusiness have occurred with the continuing decline in farm numbers.

Education

The population declines were reflected in declining enrollment numbers for the Cherokee School district. The 2003 certified enrollment for the district was 1,103 students. This is down nearly 24 percent or 350 students from a decade ago. In spite of the enrollment declines, local leaders report, “Cherokee is a community that values education and places high expectations on schools.” They report over 80 percent of the students go on to post-secondary education.

Also in evidence of strong support for K-12 education is a new middle school that opened in 2001. The bond issue passed in 1998 on the first attempt with 67 percent of the voters in support of the bond. In addition, there was a 52 percent turnout. The oldest school building is the high school, which was built in 1953. Major additions were added in 1960 and 1975. Thus the school facilities are perhaps more modern and up-to-date than what is offered in many Iowa communities and the schools serve as a major source of community activities for youth and families.

The certified teaching staff represents 93 of the district’s 180 employees and the district is Cherokee’s 5th largest local employer. The district covers a 132 square mile area that includes the city and the surrounding rural region. Local officials say there has been zero budget growth during the past few years due to the declining enrollment. Post-secondary education is provided by Western Iowa Tech Community College, which has a modern facility in Cherokee. It provides access to job training, technical courses and advanced college prep courses.

Healthcare

The Sioux Valley Memorial Hospital is the fourth largest employer in Cherokee with 250 employees and 200 FTEs at the hospital. There are nine local physicians, including six family practitioners, and another 40 or so doctors with specialty areas who schedule local visits and are affiliated with the hospital. There are four physician clinics in Cherokee and 24-hour paramedic service to all residents within the hospital service area. Residents have other hospital choices as there are competing hospitals located 22 miles away in Storm Lake, 40 miles away in Spencer, and 42 miles away in Sheldon. Local Medicare

reimbursement rates have been a universal concern of Iowa health care providers. For Sioux Valley Memorial, Medicare patients account for 56 percent of inpatient revenues and 87 percent of outpatient revenues.

Health care has emerged as an entrepreneurial sector in Cherokee. Since the mid-1990s, local leaders say the Sioux Valley Memorial Hospital has been on a more aggressive growth path. The hospital is organized as an independent, nonprofit entity and receives no direct city or county government support. In the early 1990s, there was not much local input, involvement, or information sharing with local leaders or among local health care providers. “The hospital wasn’t even listed in the community’s welcome packet”, said one leader.

In less than a decade, the hospital has modernized with state-of-the-art technology, created new clinics, developed new partnerships with other local health agencies, and generated profits for reinvestment every year. A number of specialty clinics have been established to serve as magnets for attracting patients and the public health agency is now located in the hospital. Local officials said a decade ago the hospital attracted just 20 percent of the referrals from part of its service area but now it garners 60 percent of those referrals. Leaders also say the hospital has achieved the 7th lowest charge-to-cost ratio nationally and that it has been accomplished because of higher patient volume and more efficient utilization of staff.

Hospital leaders initiated innovative efforts to construct 32 units of independent senior housing and a new community wellness/recreation center that is available for public as well as therapeutic uses. Both are adjacent to the hospital. Close to 1,000 members now belong to the wellness/recreation center, which offers a swimming pool, two racquetball courts, a basketball court, locker rooms, a recreation room and a walking track. The proximity of hospital services and wellness/recreational activities next to senior living accommodations provides several health benefits for the seniors in addition to providing recreational activities for the youth and adults of the community.

Several additional ideas for partnerships and increasing staff utilization were mentioned by local leaders, including contracting health nurse services to local schools, developing central dispatching for services, and studying the feasibility of the hospital as a warehouse and distribution center for regional health care supplies that are currently purchased from out-of-state suppliers. “More joint purchasing arrangements could be encouraged to provide lower costs,” said one local leader. Some of the suggestions represent the application of an industry cluster strategy and may have some logic if health care is to be locally regarded as an engine for economic development.

Development Limitations and Concerns

One area of concern was the perception of high property tax rates. Iowa Department of Management data show Cherokee’s consolidated FY04 property tax rate to be \$38.60 per \$1,000 valuation, ranking 94th among Iowa’s 950 cities. On a positive note, the rate has declined in comparison to the previous years, when the consolidated rate was over \$40

per \$1,000 valuation and Cherokee ranked 41st or higher. While the community has modern water and wastewater plants and a new library, street and sewer infrastructure were identified as priority concerns requiring future attention. These concerns add to future uncertainty regarding local property tax competitiveness.

Cherokee sits at the crossroads of U.S. Highway 59 and State Highway 3. The city's location provides both opportunities and challenges. Access to U.S. 20, which is being expanded to four lanes, is 21 miles south of Cherokee and represents an east-west route that traverses the state and which leaders see as an important initiative. Interstate access is at Sioux City, 60 miles away or north 70 miles to Interstate 90. Serving the area are 3 intrastate and 6 interstate trucking companies. The Canadian National/Illinois Central Railroad provides rail access to west coast and southern ports. Commercial air service is available at Sioux City and the Cherokee Municipal Airport has a 4,000 foot concrete runway that serves a variety of aircraft.

Several local companies see transportation as a critical issue for competitiveness and would benefit from highway design improvements that specifically address rural transportation bottlenecks. One local leader lamented Iowa's 55-mile per hour speed limit for two lane highways. Slow moving vehicles on highways without passing lanes are an added safety issue in rural areas. Barriers to efficient trucking place rural businesses and communities at a competitive disadvantage compared to those from metro areas with interstates. On the bright side, another leader referred to Census data that show the median commuting time to work for those in Cherokee is 5 to 15 minutes—far less than the average for commuters in other areas of the country.

Several leaders commented on the impacts of state budget cuts on the local community and a perceived lack of state attention to the needs of rural communities. Police, fire, and emergency services have been particularly hard hit because they are funded from the city's general fund, which is directly impacted by the cuts in state aid. In one example provided, local leaders spent time and resources to put together a significant proposal for the Vision Iowa program to construct the wellness/recreation center, but lost out to other communities. The community went ahead and carried out the project but at a greater financial burden on local institutions and citizens. On one hand, quality of life was improved and a feeling of accomplishment can be enjoyed. On the other, local citizens already carry a relatively high tax burden compared to other communities that received state funding for similar facilities.

A limiting factor identified by several leaders in separate interviews was the level of confidence among some leaders and citizens. One said the continued downsizing of MHI has affected the psyche of the community. Others said that when new leaders develop enthusiasm and gain momentum, there seems to be "something that pulls the rug out." Another said that local leaders have not always worked well together, but opportunities for collaboration have recently improved by the entry of new leaders in economic development and local government. Interviews suggest that some attitudinal differences regarding the use of various financial incentives for housing and industrial development such as Tax Increment Financing (TIF) and abatements continue to be present.

Development Assets and Strategies for the Future

Cherokee's economic base includes a diversified mix of agriculture, food processing, distribution, manufacturing, and construction companies, as well as public sector entities and government services. According to the latest labor survey, Continental Deli Foods is the largest local employer with 740 employees, followed by a HyVee distribution center with 340. The Mental Health Institute employs 248 people and Sioux Valley Memorial Hospital has 250. The Cherokee School District employs 180, First Coop Association has 140, and Schoon Construction employs 135. In addition, a variety of smaller firms provide significant employment for the local labor force.

Retention and expansion of existing firms is the major focus of local development. Local visits have been made to 45-50 existing businesses. A database system called *Synchronous* is used to identify risks and opportunities. Some interest in applying industry cluster strategies to identify expansion and entrepreneurial opportunities was mentioned. The County Supervisors approved a \$20,000 innovative small-scale enterprise facilitation program. Two people with business backgrounds have been hired to work part-time to make visits to local businesses and entrepreneurs within the county who request their advice and counseling. Local leaders expressed interest in supporting more entrepreneurship activities and expressed interest in business incubators.

Cherokee has two primary industrial and business parks with 21 and 23 acres available for additional development. Electricity, water, gas, sewer, paved access, and Tax Increment Financing are available on site at both, but only one has the potential for rail access. Several other industrial sites, some with rail access, could also be developed. Leaders expressed mixed views regarding the wisdom of constructing spec buildings.

A downtown revitalization initiative has been completed with vintage lighting, new storm sewers, street reconstruction, brick pavers, and rehabilitation incentives for historic buildings. The focus is to improve customer traffic and sustain viability for a compatible mix of businesses and retail shops, because as one leader said, "Cherokee is sandwiched between Super Wal-Marts at LeMars and Storm Lake and Sioux City is an hour away."

Added recreational development potential is present with the Little Sioux River and its valley. In contrast to the "flats" of nearby areas, the river valley provides scenic hills and untapped recreational possibilities. Numerous community leaders said they recognized the river as a potential undeveloped asset. They mentioned that there had been talk of considering bike trails, rafting, horseback riding, and a horse arena. Other activities could be canoeing and kayaking, camping, nature walks, and sites for studying river and woods ecology. There may also be potential for selected housing sites on the bluffs overlooking the river. More than one leader suggested the need for development of river recreational activities as an opportunity waiting to happen.

Other Cherokee attractions include the county fair, the Sanford Museum and Planetarium, the MHI Tallmann Museum, a Harley rodeo, a community symphony orchestra, a jazz

festival, and an active community theatre. Cherokee maintains several parks, including Spring Lake Park with asphalt walking/jogging trails, paddleboats, fishing, and shelter facilities. Cherokee has focused to some extent on its heritage in restoring the railroad depot. Future efforts could focus on the original Fort Cherokee and pioneer history. One leader said Cherokee had many assets, with some being developed more than others. Regional recreational assets include proximity to Lake Okoboji, which is 50 miles away.

According to the 1997 Ag Census, Cherokee County has 890 farms with two-thirds of the land devoted primarily to corn and soybeans. Much of the grain is fed to livestock as hogs and pigs generated the largest share of farm receipts in Cherokee County. While farm numbers continued to decline, local leaders still mention agriculture as important and as an opportunity for future growth. Regional value added agricultural enterprises include Little Sioux Corn Processors, an ethanol plant and the Pioneer soybean plant. Tyson's Continental Deli is a value-added enterprise and Cherokee's largest employer. Leaders also mentioned the area has wind turbine farms for power generation.

Due to population declines in the 1990s, the need for new housing development may not be as strong as in other communities. Many housing types and architecture styles are available in the existing housing stock with varying price levels, and low-income housing and subsidized rent programs are also available. One leader suggested greater use of abatements to encourage rehabilitation and renovation of current housing as well as infill on lots. TIF has not been used to assist housing development.

The current focus of the Cherokee Area Community Development group (CACD) is to encourage the communities within Cherokee County to think and act together better than in the past. Projects that benefit one community use a broader labor pool and add to the valuation base of the whole county. The CACD, along with the county supervisors, has organized day-long visits to the state legislature. In a recent year, a bus of 30 to 40 local people went and focused on the importance of the MHI campus to legislators. Local leaders say that they gained a program at the MHI with these efforts.

Leaders expressed divided opinions about regional development activities. Some suggested many counties in northwest Iowa generally viewed each other as competitors. Some doubts were expressed about state efforts to create regional clusters with boundaries for all economic development activities. Regional partnering was thought to be best when based on project-by-project needs and when the benefits for the local partners were clear.

Local leaders expressed an interest in leadership development programs to bring the "30 and 40 year olds along" in local leadership. Other ideas included more child-care, a senior center, a business incubator and local access to four year college degree programs. Finally, Cherokee has a community foundation that leaders say is under-utilized. One leader reported that a local woman recently gave a million dollars to a regional college and was never approached to consider bequests to projects in her hometown community.