

# **Iowa Communities of Distinction: An In-depth Study of Guttenberg, Iowa: A Scenic Interior Riverfront Community \***

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\* 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.

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## **Guttenberg, Iowa: A Scenic Interior Riverfront Community**

Guttenberg is a scenic community of 1,976 people on the Mississippi River in northeast Iowa. It was named for Johannes Guttenberg, German inventor of movable type. The riverfront was considered an ideal focal point for western settlement and it served as an early government and administrative center. The area was known for lead mining and attracted a large influx of German immigrants. Census data show that 60 percent of local residents still claim German ancestry. The town was incorporated in 1851 and served as a supply center until the Civil War. But when the railroads crossed the river at other locations, the town's role in commerce was limited. Guttenberg gained importance in river barge traffic when Lock and Dam #10 was built as a 1930s WPA project. The local economy is now based on manufacturing, tourism, river recreation, and agriculture.

According to the Census, Guttenberg's population dropped by 281 residents or 12 percent from 2,257 residents in 1990 to 1,976 residents in 2000. Guttenberg accounts for 10.6 percent of the county population and remains the largest town in the county. The county's population peak for the 20<sup>th</sup> Century occurred in 1900 when Clayton County was home to 27,750 residents. The countywide population declined by a third over the last century. In the last decade, the county population declined by 376 residents (two percent) from 19,054 people in 1990 to 18,678 residents in 2000. Guttenberg's decline in population accounted for three-fourths of the county's population decline for the 1990s.

### **What Changed Guttenberg in the 1990s?**

Local leaders said several factors influenced the population decline of the 1990s. One said the Census numbers overlook and possibly overstate local trends because a lot of residential development has occurred outside the city limits. People have moved from the incorporated area to areas right outside the city limits where they are still counted in the county population but not in the city population. Two areas in particular were identified in connection with this migration. One is south of Guttenberg on a scenic bluff plateau, overlooking the river. Another is north on Abel Island where the local airport and about 200 cabins, vacation homes, and year-round homes are located.

Some leaders said regional layoffs contributed to the population decline. John Deere Dubuque Works was in its heyday with 5,000 employees in the 1970s and early 1980s. Buses and carpools hauled workers to Dubuque and back and the Deere jobs paid well. The farm crisis occurred in the mid-1980s. Not only was the regional agricultural economy impacted, but farm machinery manufacturing jobs dried up. Since then, parts manufacturing is contracted out to control costs. Today, local leaders say the Dubuque Works has been down to fewer than 900 employees. Many jobs never returned.

Since 1990, Guttenberg has focused more on sustaining the local manufacturing and industrial base. Local leaders say their industrial base has remained relatively stable until the last couple of years. Guttenberg enjoys a diverse array of industry. The largest local employer is Kann Manufacturing with 240 employees. It produces truck body equipment for agriculture and recycling industries. Guttenberg Industries is a custom plastics molder and employs 150 people. Tyco Electronics manufactures electronic components

and employs 150. Shakeproof Industrial Products employs 80 to manufacture screws. Nordic Forge employs 40 workers and manufactures tool/die products and horseshoes. Guttenberg Precision Machining is a small company that manufactures parts and fixtures.

Guttenberg leaders indicate the combination of older people passing away and a “brain drain” of young people has impacted the local community. They say that many young people leave to attend college and often do not return due to a lack of higher-paying white collar jobs that would attract them back to the community. Census data show that the percentage of the local population with a bachelor’s degree or higher is below the state average. The median age of residents in the community is 45, which is higher than the state average. The proportion of seniors over the age of 65 is also higher than the state average. Local leaders say the river and scenic beauty attract retirees who come to stay.

Flooding was a major problem, historically, since most of the town of Guttenberg sits right on the river. After a particularly devastating flood in 1965, a flood control levee was built to encircle the town and now helps to protect the community. River levels are managed by the Army Corps of Engineers. During the summer of 1993, there was some flooding that caused temporary damage to the sewer system, but most of the town was protected. Unlike Guttenberg, Abel Island properties are not protected by dikes.

A significant historic downtown renovation and river tourism effort started in the 1990s. Data show that countywide leakage of retail sales peaked in 1995 and local retail sales improved slightly during the remainder of the decade. While some of the luster from this initial effort may have eroded during the recent national economic downturn, tourism and river recreation continue to play an important role in the local economy.

## **Education**

Since 2001, the Guttenberg school district has been whole-grade sharing with Garnavillo, a community with 754 residents that sits 11 miles northwest. The 2003 certified enrollment for Guttenberg was 503 students, while Garnavillo registered 215. St. Mary’s Catholic School also serves 140 students in K-8<sup>th</sup> grades. Guttenberg and Garnavillo have declining enrollments. Projections indicate a 2 percent per year decline until 2008. This is nearly double the statewide rate prediction. Whole-grade sharing is seen as a step toward a possible merger; however, voters have not yet ratified this step. The sharing agreement allows each district to have elementary schools. Middle school grades 6 through 8 go to Garnavillo, and 290 high school students attend in Guttenberg.

Both districts have renamed their schools Clayton Ridge Schools and picked a new mascot to facilitate student and community transition. However, the sharing has not been accomplished without some rough spots. There are 38 students in the combined districts that open enroll out, compared with 11 that open enroll in, so the net outflow is four to one and funding dollars follow the students under the Iowa school law.

Guttenberg’s school facilities are generally older, but kept in good repair. The elementary school was built in 1954. The high school was built in 1903 with a main addition in 1972 and a new gym in 1977. New classrooms and a new shop for industrial

tech were added in 1987. No school bonds have been passed in the last 20 years and the last expansion was completed without a bond. After voters rejected a larger physical plant and equipment levy (PPEL), the school board approved a lower PPEL amount. A countywide School Infrastructure Local Option School Tax (SILO) recently passed and will start generating revenue for all Clayton County school districts in 2004.

Local officials say that support by parents is strong and student performance is good. The Iowa Communications Network (ICN) is utilized for several specialized courses. In addition, a few post-secondary education classes are provided over the ICN by Northeast Iowa Community College. Local officials also note that a partnership has been formed to promote life-long learning related to job training, business skills, and entrepreneurship. Local firms have been surveyed for skill sets needed, employment needs, and retraining for adults in anticipation of the loss of a local employer.

Given the regional enrollment trends, local leaders said longer term regional restructuring may eventually involve up to four districts. They say more incentives are needed for sharing superintendents, school administrators, and specialized teachers. Also needed are incentives for early retirement and property tax rate equalization across districts. The tradeoffs to mergers include the transportation cost and bus travel time for students.

## **Healthcare**

Similar to many rural hospitals, the Guttenberg Municipal Hospital was constructed under the Hill Burton Act, midway into the 20th century. During the 1990s there was one surgeon and three local family practitioners. One family practitioner and two mid-level practitioners have been added during the past decade. Guttenberg also has a pharmacy established in the 1990s, two chiropractors, two dentists, a clinic, and an optometrist.

By the year 2000, the Guttenberg Hospital had been running a negative balance and changes were needed to restore positive balances. As a result, the locally elected board negotiated a management contract with Finley Hospital, a larger regional hospital in Dubuque. The current CEO of the Guttenberg Hospital is an employee of Finley Hospital and a non-voting member of the local board. The five-member locally elected hospital board remains independent. The budget is not only approved by the hospital board, but also by the City Council even though no city tax dollars are currently used to operate the hospital. Thus the management contract and performance must be mutually beneficial to both the regional hospital and local board to be renewed by both parties.

An extensive survey of local health needs was conducted in 2000. There were long discussions by the board and community about the hospital's mission, the kind of health care system desired by the community, and what the community could afford. Radiology and laboratories were upgraded. Both Finley Hospital and the local board have developed an understanding that rural patients stay and are treated in the rural setting unless there is a special need. As a result, 13 specialists from Dubuque now visit on a rotating basis. Inpatient admissions remain level, while outpatient visits are up. The hospital is enjoying its best year since 2000 with a \$150,000 positive operating balance.

In 2001, the Guttenberg Hospital attained “Critical Care Access Hospital” status. This means the hospital receives extra federal funding to help the bottom line. Local leaders say that this status is important because Iowa is among those states that receive the lowest Medicare reimbursement rates and 77 percent of the local patients are Medicare patients. Due to community priorities, the hospital continues to operate an ambulance service, a fitness program, and a daycare center even though these programs are not considered qualifying services for critical care access hospitals.

The hospital is developing a master facility plan. One area of consideration involves renovation of obstetrics, which has higher risks in rural settings. Estimated costs include asbestos removal, wiring and windows. The initial plan was estimated to cost \$7 million, so the board may consider a more modest phased-in project and may need to consider long-term debt financing in the future in order to complete the identified upgrades.

A potential goal that has emerged from a local community planning process involving 150 people is the creation of a community wellness center as a separate 501c3 entity. It would potentially include an aquatics area, exercise area, gym, flexible office space, meeting rooms, and room for other activities. Development of a wellness center would encourage physical fitness and add other quality of life attributes for both young people and senior citizens. While some consultants have encouraged the hospital to take the lead in this project, the hospital’s reimbursement experts have advised the board against becoming involved in operations or management because the wellness center costs would represent non-reimbursable costs under the critical access criteria and could jeopardize federal funding status. On the other hand, creation of a local wellness center as a separate legal entity could actually provide the hospital with an opportunity to divest and move more of its non-qualifying services to the new wellness center entity and help to maintain the hospital’s critical access federal funding status in the future. This approach is being considered in some other communities that have critical access hospitals.

## **Development Limitations and Concerns**

Local leaders mentioned the river as both a major asset and limitation, in that the river bisects the potential market area. The nearest crossing is a ferry six miles south at Cassville, which operates only part of the year. It is a draw for tourists, but it is not commuter-friendly. The nearest highway crossings are 30 miles north at Prairie du Chien and 36 miles southeast at Dubuque. One leader said casino boats draw tourists to other nearby river communities. There is barge traffic on the river and rail service passes through Guttenberg adjacent to the river. The nearest commercial airlines are either 39 miles away at Dubuque or 75 miles at Cedar Rapids and La Crosse. Highway 52 is the main road for Guttenberg. There is no interstate highway close by; however, Highway 20 has been improved as an east-west, four-lane route and can be accessed 26 miles south.

The area’s topography includes some of the more scenic river bluffs in Iowa. However, hills and curves can impede transportation and make infrastructure improvements more costly. There is a 365 ft. elevation difference between sections of Guttenberg located on top of the bluffs and the bottom next to the river. The City rebuilt its water treatment plant in 1992 and added improvements to the water distribution system. Some concerns

were mentioned about waste treatment as leach fields for Abel Island are increasingly inadequate to handle the waste generated. However, Abel Island is outside city boundaries. There is a unique opportunity for resolving the solid waste concerns and expanding the city's tax base via annexation. Maintenance of the Abel Island airport could also be included as negotiated incentives in the development of a voluntary annexation package. Leaders suggest the City's existing drinking water plant has capacity to accommodate the Island, but the wastewater treatment would need to be updated with substantial investment and properly sized to accommodate the growth.

Several leaders agree that the greatest limitations for Guttenberg's future vitality are prevailing attitudes against change, weak efforts in collaboration, and divergent views on community direction. Several said that there is a love-hate relationship with tourists. Locals realize that tourism is important to the economy of Guttenberg, yet many do not want to be bothered or inconvenienced by tourists. Others say that local industry and the community could use a shot of innovation and entrepreneurship to develop more aggressive and competitive strategies to generate business growth and to sustain the community. Concerns about international competition were mentioned as one large local employer had publicly announced plans to move some operations to China. Also mentioned was the lack of fast food restaurants and activities that would appeal to families and youth and influence them to stay in the community.

More than one leader suggested that more state and local effort is needed to stimulate entrepreneurship and new business start-ups. One person commented that he was aware of a couple of entrepreneurs who recently moved to a neighboring community that was viewed to be more supportive of start-ups. Local leaders had visited business incubators in Platteville, WI, and Benton, IL. They concluded that a lot more could be done in non-metro communities to effectively support entrepreneurship. A local forum was organized to generate local discussion, but was lightly attended. Others suggested that more communication is needed to generate local discussion and interest.

## **Development Assets and Strategies for the Future**

The Mississippi River was identified as a key asset. Tourism and recreation initiatives were started in the 1990s. Substantial investment has been generated to renovate Guttenberg's downtown and historic riverfront buildings. Ten-year pro-rated tax abatements are provided to encourage rehabilitation of historic buildings. Several downtown buildings are listed on the National Register of Historic Places. The area includes retail shops, hotels, restaurants, houses, an observation deck, the Lockmaster House Historical Museum, and other attractions. In June 2001, Guttenberg ranked 1<sup>st</sup> in the state for historic small towns according to the "e-Podunk.com" Historic Small Town Index. The local chamber leads the tourism marketing efforts and has scheduled events throughout the year, such as an Eagle Watch Weekend in January. Local hotel/motel tax revenues are split and go half to tourism and half to recreation and parks. A new boat landing on the north side of the dam was constructed in the 1990s. The community has an extensive system of scenic parks and trails. Proposed projects include a ten-acre boat landing, marina expansion, and a waterfront development on the south side of the dam.

Guttenberg has a 10-acre industrial park on the northwest plateau. Three of four sites are occupied. Although no speculative buildings are available, leaders have used Tax Increment Financing (TIF) on past projects and plan to use TIF to assist new projects. Residential use of TIF includes both apartment complexes and housing developments. Existing industries provide a fairly diversified mix of manufacturing and production companies in support of the local economy. Leadership for industry recruiting rests with the local development group. This group was in transition while this study was being done. A diverse group of leaders provided suggestions for the future, including (1) conducting a comprehensive retention/expansion program to identify opportunities among existing businesses and (2) extending an invitation to CIRAS to help local firms modernize with new technologies to become more efficient and competitive.

Some local leaders suggest property taxes are too high. However, Guttenberg's consolidated property tax rate for FY 04 is a competitive \$32.22 per \$1000 valuation. This rate ranks 447<sup>th</sup> out of Iowa's 950 cities. Some leaders desire to keep property taxes low because Guttenberg is not a high-income area and has many senior citizens living in the community. The current tax rate has been achieved without significant annexation of outlying development areas. Other local leaders suggest that at some point, community leaders and citizens will need to balance their desire for low property tax rates with the need to invest in community infrastructure, provide services, and to maintain quality of life amenities desired by local citizens. Some free rider issues exist with Abel Island residents who live next to the city but do not pay city property taxes. In addition, a community foundation could provide an endowment mechanism to assist local projects.

The city owns its own electric utility and has been successful in contracting for rates lower than many neighboring communities. Leaders say it provides local employment and operating returns. The returns are used to help fund local capital improvement projects such as renovation of city hall, fire station, and city parks. City Council acts as the utility board with the primary focus being the upkeep of the distribution system. However, the current power purchase agreement will end in 2006, so the city is interested in exploring its options with power generation and standby capacity. Agricultural interests have expressed support for increased capacity of Lock and Dam #10 to facilitate larger capacity barge tows. If the lock is improved, hydroelectric power feasibility would be of local interest considering the dam already exists and water is a renewable resource.

Guttenberg currently works on a countywide basis with Clayton County Development and the Regional Council of Governments. Tourism is an area where some regional events have been coordinated. Tours along and excursions on the river were given as examples. Many local leaders say regionalism is going to happen. There was concern that state resources like the Iowa Values Fund will primarily benefit metro areas and rural communities will be left out. Local leaders said Tax Increment Financing (TIF) was an essential local development tool and losing access to TIF would mean that the community and the state would become less competitive. In light of growing internet sales, one person suggested that state policy "over-taxes" commercial property relative to residential property and farmland, further eroding community competitiveness.