Rural communities are losing population which means fewer shoppers for local stores, more vacant homes, and probable loss of tax revenues to support services.

Individual rural communities need strategies to reverse population losses, retain local businesses, and attract new jobs for local residents.

Population losses can be slowed or reversed by strategies to attract the nation’s growing number of people living in retirement, many of whom prefer to live outside big urban areas.

Local businesses and employment opportunities can be saved and promoted through the use of Community Supported Enterprises.

This Policy Profiles offers suggestions on how to revitalize small, rural communities.

---

**issue:** *Smart Tip: A Strategy For Rural Communities to Reverse Population Losses and Increase Tax Revenues*

*By Norman Walzer, Gary Kull, and Mirna Maria Fernandes*

**Editor’s Note:** Illinois’ small, rural cities and villages have a unique opportunity to stem their population losses and improve both their communities’ finances and lifestyle. This Policy Profiles suggests how they can take advantage of that opportunity.

Retirement lifestyles in the United States are rapidly changing. So, too, is the percentage of the nation’s population living in retirement. Rural communities will be especially affected, often negatively, by these two trends.

But it is possible for rural communities to survive – and perhaps even prosper – from these trends. There are strategies which, if pursued, may enable rural cities and villages to reverse their population declines, increase local government revenues, and, most importantly, significantly improve the quality of residents’ lives and lifestyles. This Policy Profiles offers suggestions and strategies on how rural community leaders can capitalize on this opportunity to revitalize their home towns.

**The Forces of Change**

Continued aging of the Baby Boomer population in the next decade and beyond will significantly change the demographics across the U.S. and it is already causing local public officials to explore new development strategies. Rural areas will be especially affected by two significant trends. First, residents 65 and older are the fastest growing population group. They are at or near retirement, a time when they will have fewer immediate demands on their time, be open to trying new activities, spending more time in leisure and cultural activities, and have more flexible schedules, lower incomes, and a different need for public services, especially health care.

In addition, for many rural counties, cities, and villages, it will also mean a loss in the size of the population served which, in turn, will mean smaller markets for local products, fewer shoppers in local stores, more vacant homes and stores, fewer people to participate in local activities and events, and a possible drop in local tax revenues to support basic services.

Further, according to Illinois Department of Public Health projections based on 2010 Census data, 52 of the 66 rural counties in Illinois will lose population by 2025 (13 may lose 10 percent or more). Substantial losses may occur in some rural southern, western, and northwest counties. These areas are already sparsely populated so these trends will force hard decisions in the future, possibly even within the next several years. The projected trends will adversely affect most age categories, including the working age cohort, which may make recruiting businesses more difficult. A recent issue of Policy Profiles addressed these issues.
In short, rural public officials and community leaders must confront two distinct, but intertwined, dilemmas to avoid even more difficult issues in the future. One involves making the region attractive to potential investors by having available a workforce with the kinds of skills needed by businesses. Keeping residents in the workforce longer is one strategy receiving increased attention since it may be less costly to retain and retrain long-standing, experienced workers than lure younger people into an area and train them.

Likewise, growing numbers of retirees who are “un-retiring” are gaining attention as a future workforce development strategy. States such as Georgia target this group for relocation possibilities. For example, WAHVE is a company that provides businesses a possibility of hiring highly skilled, knowledgeable retired workers. It offers retirees an opportunity to continue their careers working part-time at home in, for example, accounting or insurance.

Other closely related strategies involve making rural areas more attractive to residents seeking a quieter lifestyle. Seen as especially important, for example, is access to natural recreational activities and affordable housing while still earning relatively high wages. Internet access is also a consideration in location decisions. This interest has generated renewed interest in the Shrink-Smart or Smart-Growth strategies popular a decade ago in Western Europe. Such strategies have now gained prominence in Iowa.

The philosophy is that some small towns may be well-advised to focus on investing in the community by improving quality of life factors. This approach can be more effective in stabilizing long-term populations than pursuing large employers unlikely to invest in small communities with a limited workforce. Successes in these endeavors may also help expand future workforces, making a community more attractive to potential future employers.

This Policy Profiles issue briefly examines Illinois Department of Public Health population projections over the next decade for rural Illinois. It then reviews strategies used successfully in small towns in Illinois and elsewhere to revitalize their economies and avert adverse trends. Since workforce strategies have already been discussed, this Policy Profiles will also focus on several community development efforts that can help both small towns and rural counties deal with pending demographic changes. The approaches discussed are not equally suited to all areas, but nonetheless can help local policymakers and community leaders find and evaluate potential options.

How are populations changing and why?
Population changes in the past five to ten years have been in the making for decades. The large number of births after the Second World War (Baby Boomers) triggered major changes as this population group moved through various phases of life. Members of the group are now approaching, or have reached, retirement age. Because, as a group, this generation has adopted lifestyles distinctly different from its predecessors, its arrival at the customary age of retirement has posed many new and different policy decisions about the kinds of services they may need or require, the kinds of lifestyles they will adopt, and the opportunities or activities they will choose to pursue. These changes, in turn, provide unique opportunities for small and rural communities and their leaders to shape the future in new, different, more attractive, and more useful ways.

Compounding the situation is that elderly residents will not only continue as the fastest growing population group in the decades immediately ahead, but they will also substantially affect local economies. For example, less income during retirement can translate into slower growth in sales tax revenues. In some cases, the elderly qualify for property tax relief which, at the least, could dampen expected growth in property tax revenues. At the same time, these new senior citizens are one of the relatively few groups with the flexibility and possible motivation to move from urban to rural environments. Rural areas offer them several very attractive lifestyle amenities, including a safe and less pressured lifestyle, lower housing costs, an easily walkable or drivable environment, and abundant and relatively inexpensive outdoor leisure activities.

These changes in retiree preferences give small communities an unparalleled opportunity to create and market an attractive, lower-cost living environment that will not only retain more of their current residents, but may also attract new ones.

What strategies can small towns take? Illinois is certainly not alone in facing these demographic trends, and some states are giving new tools to local leaders to help them improve their community’s quality of life and retain local businesses. While successful strategies are community specific, at least three broad approaches have been used successfully. First, some small towns aggressively try to restart or retain local businesses considered essential to a high quality of life. Grocery stores are highest on this list.
Second, some areas accept the prospects of a smaller population size in the future and try to be more attractive to current and prospective residents using a loosely defined Shrink-Smart approach. Recent successes by Strasburg, Illinois, in working with the MAPPING program are described later in this discussion.

Third, recognizing the effects of long-term population loss, some communities are exploring ways to streamline their systems for delivering public services, looking for ways to reduce costs and, hopefully, property taxes. The Governor’s Rural Affairs Council (GRAC) collaborated with the NIU Center for Governmental Studies on a guidebook and electronic database to support these efforts. The ultimate aim is to reduce, or avoid increases, in per capita property taxes.

Fourth, and perhaps most significant is the use of one or, possibly even more, Community Support Enterprises to retain existing or establishing new businesses and support activities that enhance the quality of life in a community.8

**How can small cities, villages, and towns take advantage of these opportunities to retain and attract businesses?**

There has been a growing interest by community leaders in organizing local groups to invest in business ventures, sometimes with an expected financial return, but often without. Typically, these local efforts, sometimes labeled “Community Supported Enterprises” (or CSEs) are used to support existing, or attract new, businesses such as grocery stores or restaurants in danger of closing because of pending owner retirements or shrinking markets. Community efforts to save or attract such businesses are organized as Limited Liability Corporations (LLCs), nonprofits, or cooperatives with a common characteristic—they intend to generate and build local support for existing or potential new businesses as well as to assure the availability of essential services in the community.

**Some successful examples.** Vermont has led these efforts with many examples of successful CSEs that offer insights for other groups interested in such approaches. Two examples follow.

**Shrewsbury Cooperative at Pierce’s Grove.** This cooperative started when a family that had owned the community’s general store for a century or more could no longer manage the operations and closed it. The family had the foresight to provide funds to the Preservation Trust of Vermont to help potential future operators of the store in Shrewsbury and other similar ventures. In response, the Preservation Trust held a competition for people interested in reopening the store. A local group of residents pooled their funds and responded. The store opened as a cooperative and, after several management changes, continues to operate profitably, in part by adding new services, such as catering at events, that help defray costs and generate additional revenue flow.

Community Supported Enterprises, like Pierce’s Store (the reorganized general store in Shrewsbury), must, like any small business, successfully meet market conditions. Shrewsbury is located in a sparsely populated rural area so it was, and is, important that the merchandise or services appeal to as wide a market as possible. This means providing, not only a wide range of merchandise, but also relatively unique services or activities valued highly by potential customers in the region. Pierce’s Store, for example, has locally produced fresh meats and cheese, a small line of local fresh baked goods, and an assortment of locally-produced craft items in addition to groceries.

Price competition from larger area stores also requires that CSEs, such as Pierce’s Store, constrain operating costs. One way that can be accomplished is to utilize local volunteers to stock shelves, help operate the store, and provide other basic functions. Having a part-time store manager with business experience further reduces operating costs and keeps the store competitive.

Also important is building and maintaining a steady clientele committed to promoting the store. Stocking locally-produced merchandise such as crafts, but also the meats, cheeses, and bakery items, helps with this effort. Pierce’s Store also hosts regular community dinners, not only making it a focal point in the community, but also enhancing the quality of life and social capital in the community.

**Hinesburg Public House.** A CSE in Hinesburg, Vermont, took a different approach. After a large cheese processing plant closed, two residents started a CSE corporation, called the Hinesburg Public House (HPH), to open a restaurant in one of the buildings. The purpose was to provide residents with access to affordable high quality meals as well as attractive jobs with promotion opportunities. The organizers combined local funds with secured loans from financial institutions to start the business. As part of the effort, they presold meals using a community supported agriculture approach that provided discounts on food purchases to persons, such as local residents, who contributed money or otherwise invested funds to launch and support the new business.
The HPH also sponsors other activities that not only generate a higher revenue flow, but also promote community causes. For example, the HPH regularly provides a burger night where customers can obtain a healthy meal at a relatively low price. In addition, it helps nonprofit organizations, such as local churches, raise money by sponsoring and promoting a meal. If 100 patrons purchase a meal at an event, the nonprofit earns $1,000. Such activities not only generate revenues for the business, but they also fulfill a Social Benefit Corporation requirement for public service.

**Midwest examples.** Several examples of CSEs in the Midwest illustrate other approaches. Township Grocery in Bonaparte, Iowa, has operated successfully as a grocery store for nearly 30 years. It has been able to continue operations despite a significant decline in the community’s population, many local business closings, and the closing of several public agencies such as the local secondary school. Despite difficult times, and being in competition with stores in adjacent communities where many local Bonaparte residents commute to work, it still is profitable.

Cow and Quince in New Glarus, Wisconsin, sells organic food, locally obtained when possible, and operates a restaurant. Investors can buy memberships at several levels of service and participate accordingly. This CSE regularly provides fixed price meals for members which also adds camaraderie and builds customer support in the area. It is financially successful and is located in the local business district which helps bring traffic to other stores and thus revitalizes the area.

**Illinois examples.** CSEs have been tried in several small communities in Illinois, but in some instances adverse market conditions or high costs to replace fixtures and equipment caused them to close. Washburn, Illinois, organized a cooperative to reopen a grocery store and managed it for several years. However, company closings with losses in local employment reduced the market. Even though a restaurant located next door in an effort to stimulate the downtown economy, the grocery store closed after turnovers by several private owners. Clearly, adverse market conditions were a deciding factor.

Nauvoo, Illinois, also reopened a grocery store when the previous owner retired, but the store had difficulties with seasonal fluctuations in customer traffic. The store was viable with large numbers of tourists during the summer months, but slack traffic in the winter challenged profitability. The deciding factor in the closure was the high replacement costs of refrigeration equipment. Community investors were unwilling to invest more money in the operations.

Each of the CSE experiments in Illinois illustrates the importance of several factors. They show the importance of being able to manage the operations during changing economic conditions. Competition from larger stores and residents commuting to work away from town make it harder for small stores with a single line of merchandise, e.g., groceries, to compete. Instead, the stores may need a broader line of merchandise and variety of services to maintain customer loyalty. The experiences also highlight the importance of market tests and consumer preference surveys in designing a CSE. If a store is not profitable as a privately-owned venture, then a CSE needs cost advantages such as volunteer labor, tax advantages as a nonprofit, or a part-time manager with prior experience.

**What else can be done?**

In recent years, leaders in small, rural counties, cities, villages, and towns faced with declining populations and the loss of local jobs have enjoyed some success attracting or retaining their current populations by making their communities more desirable places to live and visit. Focusing on community rather than economic development and using a variety of strategies, one of which is known as “Shrink Smart,” have allowed them to stabilize or even increase their populations.

*Shrink Smart* strategies acknowledge that, while continued population declines may be inevitable, revitalizing a community from within is a viable approach. The *Shrink Smart* philosophy has been widely-recognized in Western Europe for many years as a successful way of countering population declines in small communities. It was recently revived by David Peters whose analyses of small communities in Iowa showed that those with population declines still could improve their quality of life characteristics.

Successful communities have several important characteristics. According to Peters, their incomes do not differ substantially from other communities, but their residents “have more diverse social linkages; more participation in local projects; and belong to more organizations. They also are better kept, more open to new ideas, more trusting, and viewed as safer places.” Fortunately, community leaders can promote these attributes at relatively low cost through established community development strategies. Using *Shrink Smart* strategies, states such as Michigan and Delaware promote what they call “place-based” strategies as development options to help communities create and market attractive local features that can foster growth.

---

*Source: Northern Illinois University*
Illinois has provided a statewide community development assistance effort for nearly 30 years with a focus on community development. Called the Management and Planning Program Involving Nonmetropolitan Groups (MAPPING), it is managed by the Illinois Institute for Rural Affairs located at Western Illinois University. It began with funding from the Governor’s Rural Affairs Council and the federal Economic Development Administration. In recent years, it has been funded by the Illinois Department of Commerce and Economic Opportunity (DCEO). The MAPPING effort helps organized groups of local leaders review past trends and experiences, set goals for the future, and then find ways to implement and maintain a plan of action to accomplish local agreed-upon initiatives. This program has been conducted in communities across rural Illinois with positive outcomes and lasting changes.¹²

While not in the strict tradition of *Shrink Smart* or Smart Growth approaches, the Village of Strasburg, a small community in Shelby County, Illinois, embraced many similar principles in its development efforts. By Census counts, Strasburg had 603 residents in 2000, but decreased to 467 ten years later. Recognizing a pending decline, community leaders organized a Strasburg Community Action Network (SCAN) and participated in a MAPPING program in 2007 that resulted in a strategic action plan.

Several key catalysts contributed to successes in the SCAN initiative. They include:
- Working closely with the village board and a cross-section of residents
- Actively engaging volunteers through brainstorming sessions
- Gaining consensus on projects and matching talents with work needed
- Developing and supporting community champions
- Celebrating successes widely in innovative ways

The efforts and outcomes are marketed through a variety of activities. Especially important is that participants are encouraged to have fun working on various community projects.

One especially unique marketing approach was to make gnomes a visual trademark in community marketing. This community-bonding symbol generated considerable interest and attention to efforts in Strasburg. At one time, residents gained national exposure by conducting a gnome census to determine the number of gnomes in the community. Their on-going marketing efforts also include a newsletter with a “gnome news is good news” slogan.

Also to promote development, Strasburg created a community foundation fund and a 10-lot subdivision where people who buy a house can obtain property tax relief under certain conditions. The subdivision is part of a Tax Increment Financing district (TIF) that led to the creation of two additional businesses in the downtown area stimulating still more growth. The most recent census data show a significant increase in home values and a decrease in the average age of residents which partially reflects the new subdivision with school age children in all of the houses constructed so far. These shifts show positive outcomes from the SCAN efforts and Strasburg is now seen as a more attractive place to live.

The Strasburg experiences are especially important because they highlight principles other communities can use in development initiatives. First, the focus is to make the community a more active and exciting place to live. Second, the effort incentivizes businesses and residents to locate in

Strasburg. Third, SCAN engages residents in development projects in entertaining and fun ways that involve overall community engagement to build pride. Fourth, the effort is marketed to emphasize successes. While the long-term outcomes of this initiative in terms of population change or other measures are yet to be determined, the achievements to date clearly demonstrate the possibilities available even to very small communities.

A second opportunity for rural communities was made available by the federal Main Street Employee Ownership Act (MSEO) enacted into law on August 13, 2018.¹³ This legislation encourages banks to support employee stock ownership programs and worker cooperative transactions. Banks can make business loans under the Community Reinvestment Act without obtaining approval for each loan. This approach provides more access to funds for employee-ownership and can foster ownership succession planning, so vital in many small communities.

Employee ownership benefits the employees, retiring business owners, and the community at large. Employees become business owners and create wealth in the community. Retiring owners increase their retirement funds and are available to guide business operations during the transition. The community benefits from retaining a business and a higher quality of life that
What can local leaders do to sustain revenues given current trends?

County governments can play a major role in both economic development and service delivery in many sparsely populated areas. Thus, they can be part of a successful response to expected population declines by helping to deliver high quality public services at lower costs due to economies of scale. Smaller populations in the future will inevitably mean higher per capita costs for the same local public services. Because many services are mandated and vital to quality of life, local public officials usually have few alternatives; they must find more cost-effective ways to provide essential, required services. The option of reducing quality of service often does not exist for the community to remain attractive to current and prospective residents.

So what alternatives exist? Property taxes are the principal revenue source for local services and Illinois already leads other states in effective property tax rates, mainly because of low state support for education. Also, Illinois has the largest number of governments and, with population declining, some will be too small to be efficient. Further population declines can only aggravate this condition. Thus, about the only approach left to reduce costs is to deliver local services, sometimes with more county participation, using advances in communication and technology. Collaborations among current units of government, perhaps some mergers, and intergovernmental agreements are likely alternatives.

The Governor’s Rural Affairs Council commissioned the NIU Center for Governmental Studies to prepare a guidebook and electronic database to help government agencies navigate a process to find efficiencies. The guidebook suggests creating a 25-30 member Local Efficiency Assessment Plan (LEAP) Task Force that follows a six-step process (Figure 1).

Figure 1 Components in Local Efficiency Assessment Plan

The LEAP process involves public officials and community leaders organizing a committee or task forces of community leaders, elected officials, business leaders, and the public to find ways for agencies to collaborate in delivering the desired level of services. They can contact state agency heads or other groups to obtain relevant financial data and use the LEAP electronic database to make comparisons with governments of similar size or location.

Steps to follow in the process include:
- Work with department heads and others providing services to a particular government to identify possible cost-savings;
- Design a plan of action showing steps that might be taken to cut costs in the future, such as collaborative interactions with local businesses, other governments in the area, and local residents to cut back on costs; potential mergers with other governments serving the area; intergovernmental agreements; and other approaches; and
- Verify statutory authority for any proposed actions that might be taken or, if needed, work with local state legislators to pursue new authorizing legislation.

The LEAP process is completely voluntary and locally-driven. Participants can obtain relevant information from the Census of Governments, the Comptroller’s Warehouse, and other sources using the
LEAP web-based database. The current program uses 2017 data from the State of Illinois’ Comptroller’s Office and current data will be added regularly as they become available. While information for other governments is available from the LEAP web-based database, it is important for the LEAP team members to begin the process by contacting their local community’s department heads, financial officers, and other local and county officials and personnel for local revenue and spending information. Be sure to include all local elected and appointed leaders in the deliberations.

Summary
Many rural areas are facing, or soon will face, challenging times given pending demographic trends. However, they can also be exciting times for those communities and counties willing to explore new approaches and alternatives to adjust to the changing environment. This Policy Profiles issue presented several approaches that succeeded in improving the quality of life in the rural areas which have used them. These, or similar strategies, may very well help others interested in new alternatives.

Effective management of the trends causing rural communities to lose population and tax revenues is possible. But the task requires local leaders to abandon the common small community practice of leading and governing by using the strategies and techniques that worked in the past. The forces of change will not respond to the old ways of governing or doing business. They require new ideas and approaches. Local leaders must be prepared to fail, to learn from failure, to modify on-going efforts, and to try again. Success requires, above all, persistent efforts, even in the midst of failures, to meet objectives. It is a process of try, try, and try again, keeping at the effort until the goal is achieved.

The positive news is that Illinois has several programs that can be used to help small rural areas in the state as they strive to make their community better in the future. Two such programs, MAPPING and LEAP, are discussed here. However, other units of higher education in Illinois, including the NIU Center for Governmental Studies, have outreach programs designed to help community leaders find solutions. Many of these programs are low-cost or free and are designed to help reenergize local groups interested in evaluating alternatives and moving ahead to revitalize their community.

In the final analysis, and especially when the going is tough, it is important to remember that the maintenance of a beloved home town is worth the effort.

Endnotes
12 For additional information: http://mappingthefuture.iira.org/
13 https://www.govtrack.us/congress/bills/115/hr5236
14 Walzer and Blanke, op. cit.
About the Authors

Norman Walzer is senior research scholar in the NIU Center for Governmental Studies where he researches and writes about local community and economic development, public finance, and governmental structure. Most recently, he and Andy Blanke, CGS research associate, have developed a guidebook for modernizing local government structures to reduce costs. He also works with several small communities in northern Illinois on economic development planning.

Gary Kull has a B.S. in Education from Eastern Illinois University and has been self-employed in the appliance retail and repair business for more than 30 years. He led the SCAN effort in the early years and was responsible for bringing the MAPPING efforts to the community. He also has been instrumental in emphasizing future-focused activities rather than lamenting the past.

Mirna Maria Fernandes is a Fulbright Student in Public Administration at Northern Illinois University, and is an intern at CGS assisting in research on an XBRL-based taxonomy to increase efficiency and transparency of finances. She also helps with projects regarding management, project implementation, finance, economic and social development, and strategic planning for public and private companies.

If you would like to receive or be notified of future Policy Profiles, email Policy_Profiles@niu.edu with your name and email address.

Copies of past Policy Profiles can be found at: https://cgs.niu.edu/Policy_Profiles/index.shtml

The views expressed in this edition of Policy Profiles are those of the authors and do not necessarily represent the views of the Center for Governmental Studies or the officers and trustees of Northern Illinois University. For more information please contact James Banovetz at jimbanovetz@gmail.com.