Retiree-Attraction Policies for Rural Development. By Richard J. Reeder. Food and Rural Economics Division, Economic Research Service, U.S. Department of Agriculture. Agriculture Information Bulletin No. 741.

Abstract

Many rural communities have benefited from the attraction of retirees in recent years. With the baby boom generation beginning to make retirement decisions, many other rural communities might consider economic development strategies based on attracting and retaining retirees. This report reviews the literature on the impacts (both positive and negative) of retiree attraction in rural areas and indicates which places might benefit most (slow growth or declining population) and least (rapid growth) from retiree attraction. Factors indicating local potential to attract retirees include natural and manmade amenities, proximity to cities and tourism, and past record of attracting retirees. Recent State retiree-attraction initiatives are examined, such as direct State technical assistance and marketing, the use of local self-help models, targeting previous residents, and promoting the development of planned retirement communities.

Keywords: Retirement communities, retirement counties, retiree attraction, retiree attraction policies, rural development policies.

Acknowledgments

The author wishes to thank Caroline Thompson and Richard Hopper, two ERS interns who gathered information from selected economic development officials about retiree-attraction policies during the spring of 1993 and the fall of 1994. Cal Beale and John Cromartie at ERS provided data on population change and elderly migration during the 1980's. Mark Fagan (Jacksonville State University) helped by writing material on the Alabama program, which is summarized in the section on State initiatives; he also provided valuable comments on the draft manuscript, as did Cal Beale. Sam Calhoun provided valuable assistance with graphics.

Washington, DC 20005 June 1998

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Summary

As the elderly have become wealthier and more numerous, economic development officials have increasingly looked for ways to attract retirees. As of 1995, 25 million people were in the 50-59 age group that is currently planning retirement, and, with the arrival of the first wave of baby boomers, this age group will mushroom to 35 million by the year 2005. In addition, today's retirees have more income, independence, and motivation for migrating than in past years. Many researchers have documented the advantages of attracting retirees (particularly wealthy retirees) to rural areas. Few, if any, have examined the various approaches States and communities might try to attract retirees. This report fills the gap by reviewing the literature on rural retiree attraction and describing recent State initiatives to help communities attract retirees.

Rural retirement-destination counties (15 percent or more net inmigration of those age 60 and over) tend to benefit significantly, as evidenced by their population growth, increased family incomes, greater economic diversification, and reduced unemployment rates. The growth and economic improvement in retirement counties contrasted sharply with stagnation or decline in most other rural areas during the 1980's. While retirement counties' populations grew by 16 percent and received 12 percent net inmigration during the 1980's, nonmetro areas in general had population growth of only 4 percent, and experienced 1 percent net outmigration. Inflation-adjusted median incomes increased by 4 percent in retirement counties during the 1980's, while they decreased by almost 1 percent for nonmetro areas in general. Retiree attraction boosts local populations and tax bases, which can be important for maintaining main street businesses and key public services like schools and hospitals in rural communities. Inmigrating retirees can also provide a boost to local churches, charities, volunteerism, and other civic activities.

The main reason rural communities might want to attract retirees is to offset problems associated with the major changes taking place in rural America over the last 20 years. The economic restructuring that characterized rural America in the 1980's left many rural communities vulnerable and uncertain about their futures. Traditional rural industries such as farming and mining experienced significant declines in employment and real earnings. Even in rural manufacturing areas, which enjoyed more than 10 percent employment growth during the 1980's, real median family incomes were stagnant, reflecting industry cost-containment measures resulting from increased global competition. Many rural economies have revived during the 1990's, but rural industrial restructuring continues, led by growth in service sector jobs. Retirees are attracted to many of these areas with strong services.

Not all retiree impacts are positive. In places that are growing too rapidly or that have little room for further growth, retiree attraction can result in undesirable congestion and environmental strain and drive up housing prices and property taxes so that some long-time residents are forced to move out. Many of the jobs created by retirees are low-wage service jobs that may attract low-income workers into the area, an unintended consequence of which can be a drain on public services, such as schools and jails. Not all retirees are wealthy, and, depending on which type of retiree is attracted, the economic effects could vary significantly. As retirees age, they may become an increasing drain on the local tax base as their incomes erode with inflation and they demand more in health-related services. In addition, demographic changes can create community

conflicts, since retirees sometimes have different views about public policies like land use, economic development, schools, and taxes.

Recent State retiree-attraction initiatives provide interesting models for encouraging rural retiree attraction. For example, Alabama aggressively markets its rural areas to potential retirees and provides technical assistance to communities that formulate local retiree-attraction policies. South Carolina has encouraged the development of planned retirement communities in previously undeveloped areas to attract wealthy retirees. North Dakota is trying to encourage former residents, including retirees, to move back to their hometowns. Some States, like North Carolina, can take advantage of the large number of travelers passing through on interstate highways to market their retirement locations at visitor centers. Others make more use of traditional and mature-market media. Some States, such as Michigan and Mississippi, have recently eliminated income taxes on retirees in an attempt to attract the attention of retirees. The best marketing approach may involve word-of-mouth advertising, which means that places that start early in attracting retirees and succeed in satisfying them may gain an advantage over other places.

Retiree-Attraction Policies for Rural Development

Richard J. Reeder

Introduction

Rural retirement counties, nonmetropolitan counties with substantial net inmigration of the elderly, have enjoyed significantly more rapid population and employment growth than other types of metro and nonmetro counties since the 1970's. The influx of retirees is also associated with increased family incomes, reduced unemployment rates, and greater economic diversification in rural areas.

Much research has examined the nature and extent of elderly migration, the extent to which social and health needs of the retirees are being met in rural retirement destinations, and the economic, community, and fiscal impacts of retiree inmigration on the State and locality. How a State or community might go about attracting retirees, however, has received relatively little attention until the last few years.

Retiree-attraction policies began to gain favor during the late 1980's and early 1990's in hopes of rekindling rural economic growth. Even so, this strategy still attracts relatively little interest from economic development officials, who tend to focus on strategies that revitalize or modernize ailing manufacturing and resource-extraction industries. Although economic diversification through increased tourism has gained popularity in recent years, retiree attraction tends to be taken for granted. Thus, policies that might expand one of rural America's most successful long-term growth industries are ignored in much of rural America.

One reason for this apparent oversight is the lack of published information on retiree-attraction policies and their effectiveness. This report tries to fill this gap. It includes a review of the literature on rural retiree attraction, including a discussion of potential impacts, good and bad. It examines migration and population growth data to indicate which counties appear most likely to benefit from this strategy. In addition, it covers recent State initiatives that might encourage retiree attraction in rural areas. Although these strategies are still largely experimental, an attempt is made to identify those best suited to different types of communities.

Retirement Counties Buck 1980's Trends

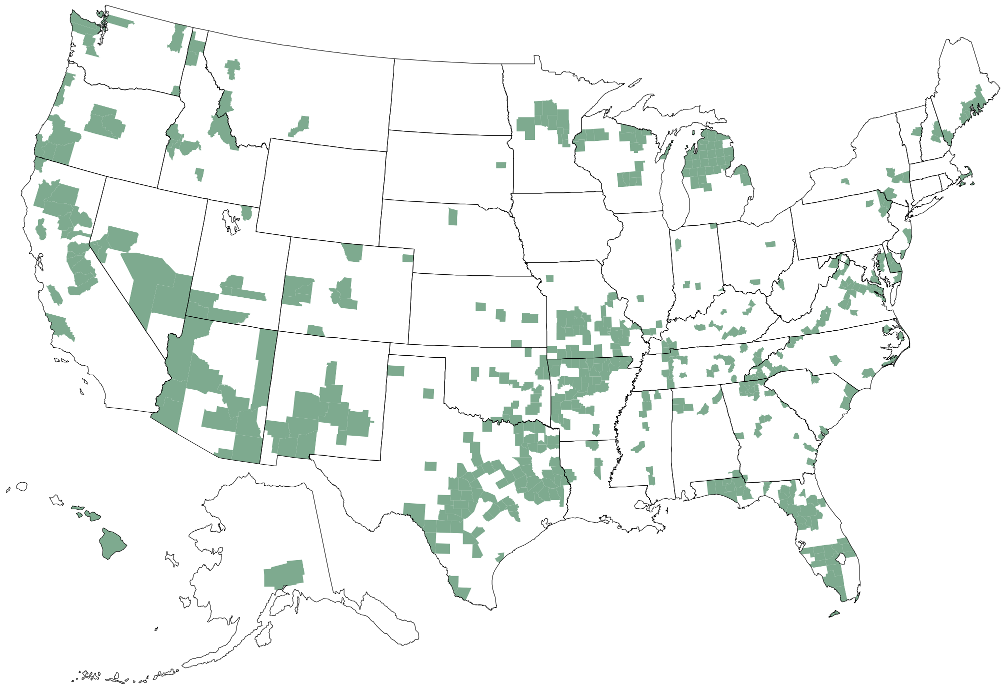
Only after economic difficulties began to slow the growth of the rural economy in the 1980's did the benefits of attracting retirees receive serious attention from both researchers and policymakers. Retirement counties (using the 1970 definition, see box) experienced 32-percent growth in elderly populations during the 1980's (table 1). Although this was down from the previous decade's 48 percent, it still represented substantial growth. Overall population growth for retirement counties was 16 percent in the 1980's, half that of the previous decade but still greater than that of the 1960's for these counties.[1]

The growth and economic improvement in retirement counties contrasted sharply with stagnation or decline in most other rural areas during the 1980's. While retirement counties' populations grew by 16 percent and received 12 percent net inmigration during the 1980's, nonmetro areas in general had population

[1] During the 1960's, these retirement counties' population grew 10.4 percent, compared with 13.3 percent for the Nation as a whole, 17.1 percent for metro areas, and 2.5 percent for nonmetro areas (Ghelfi et al., 1993, p. 65).

Figure 1

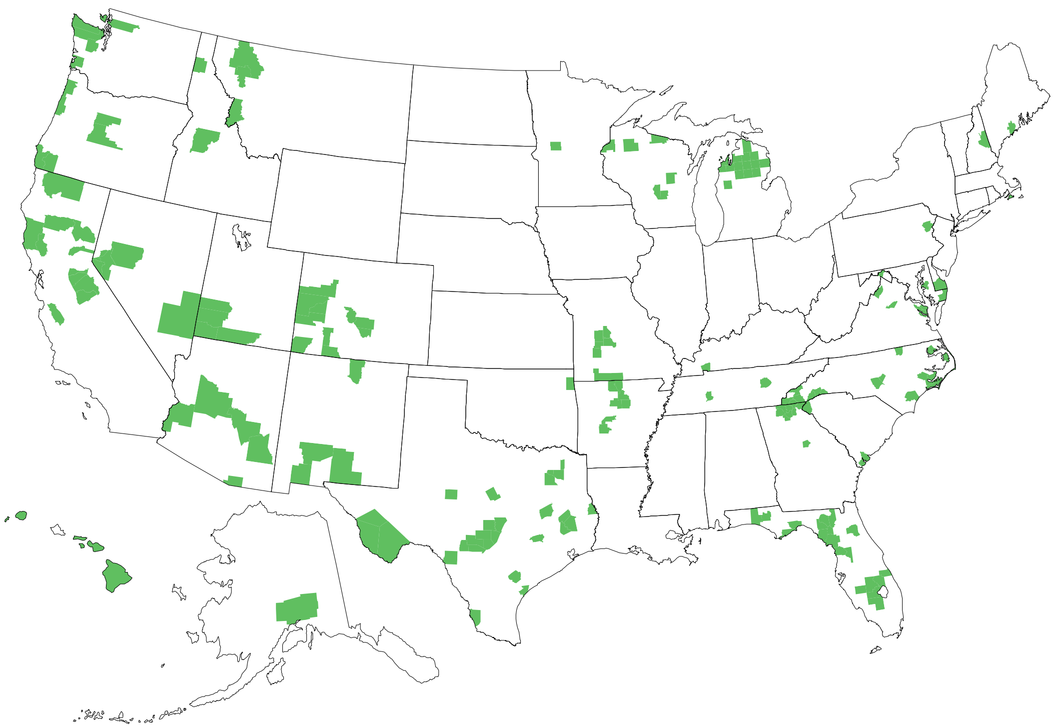
There were 484 nonmetro retirement destination counties in the 1970's*



*Counties with 15 percent or more net inmigration of persons age 60 and over, 1970-80.
Source: Food and Rural Economics Division, ERS, using data from the Bureau of the Census.

Figure 2

The number of nonmetro retirement destination counties declined to 190 in the 1980's*



*Counties with 15 percent or more net inmigration of persons age 60 and over, 1980-90.
Source: Food and Rural Economics Division, ERS, using data from the Bureau of the Census.

Table 1—Elderly and pre-elderly populations continued to grow rapidly in retirement counties in the 1980's

Age group	U.S. total	Metro	Nonmetro	Nonmetro retirement
		Percent		
Total population:				
1980-1990	9.8	11.6	4.1	16.4
1970-1980	11.5	10.6	14.4	32.5
Ages 0-17:				
1980-1990	-0.3	1.5	-5.6	4.6
1970-1980	-8.8	-10.4	-3.7	11.0
Ages 18-34:				
1980-1990	4.0	6.4	-4.4	7.0
1970-1980	39.1	37.8	43.9	62.9
Ages 35-64:				
1980-1990	19.7	20.9	15.6	27.8
1970-1980	8.0	7.5	9.6	29.0
Ages 65 and over:				
1980-1990	22.5	24.5	17.5	31.5
1970-1980	26.8	26.8	27.1	47.6

Source: Ghelfi et al.,1993, pp. 65, 69, 70.

growth of only 4 percent, and experienced 1 percent net outmigration (tables 1 and 2). Inflation-adjusted median incomes increased by 4 percent in retirement counties during the 1980's, while they decreased by almost 1 percent for nonmetro areas in general (fig. 3).

Benefits of Attracting Retirees Now

Although retiree attraction has already had a significant impact on rural America, its significance is likely to increase markedly in the future when the baby boom generation retires. As the 1990's progress, more communities will consider how they will be affected by the upcoming surge of baby boom retirees. Some communities will wait until the effects are obvious before taking action. Others will act soon to put into place policies that make the most of the inevitable.

The first baby boomers, born around 1945, have already reached the age of 50. Although most of these early boomers will not retire for another 10 years (average retirement age in the United States is about 60), many are probably already thinking about retirement and are looking for an ideal retirement spot. Some have already taken their first steps toward retirement in a rural location.

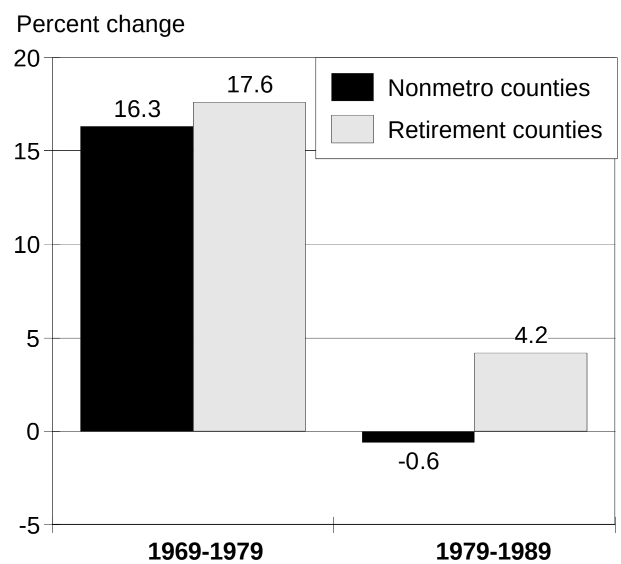
Table 2—Net inmigration and related population growth declined in the 1980's, but they remained substantial in retirement counties

Time period	U.S. total	Metro	Nonmetro	Nonmetro retirement
		Thousands		
Net migration:				
1980-1990	6,738	7,289	-552	1,434
1970-1980	5,819	2,840	2,979	2,148
		Percent		
Effect on population:				
1980-1990	2.7	3.9	-1.0	11.6
1970-1980	2.6	1.7	5.3	19.0

Source: Ghelfi et al.,1993, p.71.

Some middle-aged baby boomers let go by corporate downsizing appear to have seized this opportunity to get out of the urban rat race, having relocated to a small town or rural area to take a new job or start businesses of their own until they have enough saved to retire in their new community. For example, many of those moving into the Rocky Mountains in recent years (fig. 4) seem to be middle-aged boomers fleeing California's stagnant economy and its congested,

Figure 3--Median family income grew in retirement counties in both the 1970's and the 1980's



Adjusted for inflation.
Source: Ghelfi et al.

Retirement Destination Counties: Changing Definitions and Performance in the 1970's and 1980's

ERS defines retirement counties as nonmetro counties with 15 percent or more net inmigration of the elderly (age 60+) during a decade. For example, county figures for net inmigration of the elderly were estimated by applying national average mortality rates to the 1970 Census counts for the age groups that would be 60 and over as of 1980, producing an estimate of the elderly population that would be expected without migration. By subtracting this estimate from the actual 1980 Census count of age 60-plus population, ERS obtained an estimate of the net inmigration of the elderly. Where the rate of net inmigration (expressed as a percentage of the expected population in 1980) was 15 percent or more, the county was identified as a retirement county (Cook and Mizer, 1994).

When the Economic Research Service (ERS) first examined this phenomenon, it identified 515 out of 2,443 nonmetro counties—about 1 in 5—as retirement counties during the 1970's (fig. 1). The ERS study that defined and identified these counties (Bender et al., 1985) used the 1974 Office of Management and Budget metro designations to distinguish between metro and nonmetro counties. These retirement counties also experienced significant inmigration of other age groups, resulting in 33-percent growth in total population for the 1970's. Concentrated in the South, in Appalachia, the Ozarks, and along the Rio Grande and Texas Hill country, and in several other parts of the country, these places averaged relatively low per capita incomes, but, with the help of retiree attraction and other forms of economic development, they closed some of this income gap during the 1970's (Reeder and Glasgow, 1990).

One apparent consequence of the nonmetro economic difficulties during the 1980's is that fewer (190) nonmetro counties met ERS's retirement county definition during the 1980's (Cook and Mizer). Most of these nonmetro retirement counties were near metro areas, whose more robust economies helped them outperform other nonmetro counties in attracting and retaining people of all ages, including the elderly (fig. 2).

Other factors that might explain the drop in the number of nonmetro retirement counties during the 1980's are:
(1) increased metro area construction and marketing of specialized retirement housing, some subsidized by the Federal Government and some the result of national chains (such as the Hilton hotel chain), making retirement in metro areas more desirable than before; (2) the perception of improved quality of life in many metro areas during the 1980's—associated with the transition from manufacturing to service economies and successful urban renewal efforts (such as the harbor development in Baltimore); (3) the evolution of some 1970's retirement counties into metro counties by 1990; and (4) the inability of some 1970's retirement counties to sustain continued 15-percent inmigration of the elderly after having already achieved a large base of elderly population during the 1970's.

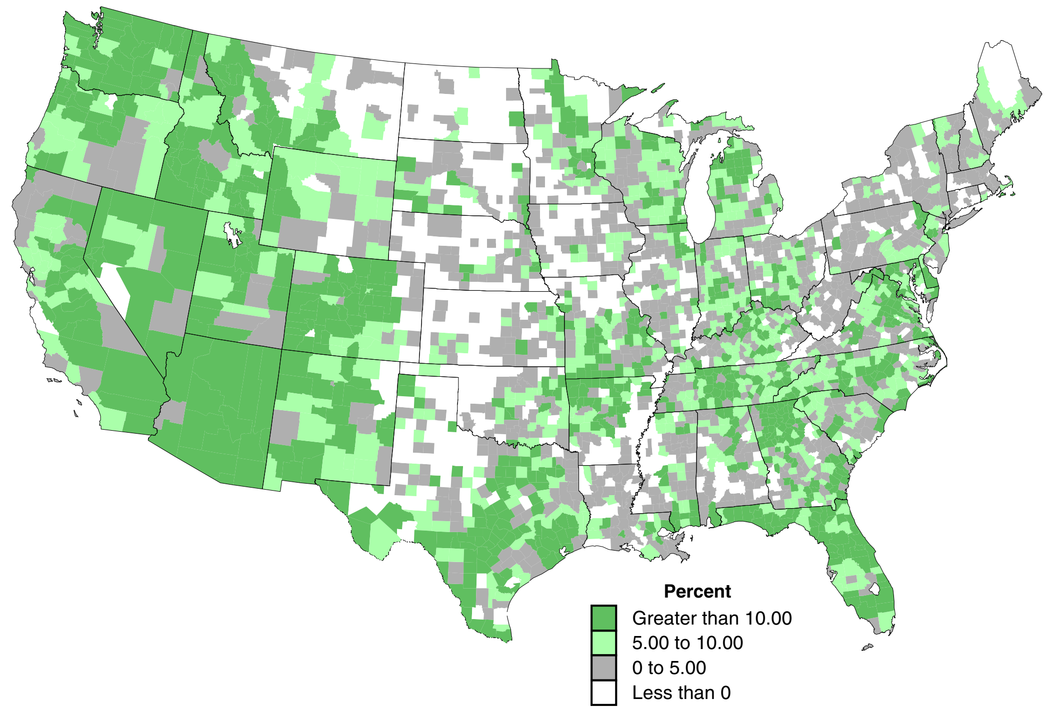
high-cost communities. These people are expected to play an active role in the community, perhaps leading to a more diversified rural economy in many places.

Many of the wealthier boomers actively being sought by retirement destinations are already having an impact in rural areas. They may have already bought, or will soon buy, a vacation home that can be converted into a retirement home within 10-15 years. Some high-income boomers, including the many professional two-person working couples, may retire early, between ages 50 and 55. Because the first wave of boomers is believed to be the wealthiest group, having benefited most from the real estate boom of the 1970's and 1980's, rural areas probably cannot begin too early their efforts to attract these people.

The number of baby boom retirees migrating to small cities and rural areas could be large. Census projections indicate that, as of 1995, 25 million people (pre-boomers) were in the 50-59 age group that is currently planning retirement (Day, 1993). This group is the target of most retiree-attraction policies. When the first wave of baby boomers reaches this age, the 50-59 age group will mushroom in size, reaching 35 million by the year 2005.

Most baby boomers today live in metropolitan areas; most will probably choose to retire in their current communities. However, today's retirees have more income, independence, and motivation for migrating

Figure 4
Rapid growth has characterized many counties in the 1990's*



*Population change from 1990 to 1996.
Source: USDA, ERS, using data from the Bureau of the Census.

than in past years. Some surveys suggest that between 17 and 38 percent may move away to retire (Governors Task Force, 1994). This would represent a large and growing market for rural retirement destinations.

Why Attract Retirees?

Rural communities might want to attract retirees to offset problems associated with the major changes in rural America over the last 20 years. One such change is the economic restructuring that characterized rural America in the 1980's and left many rural communities vulnerable and uncertain about their futures. Traditional rural industries such as farming and mining experienced significant declines in employment and real earnings. Even in rural manufacturing areas, which enjoyed more than 10 percent employment growth during the 1980's, real median family incomes were stagnant, reflecting industry cost-containment measures resulting from increased global competition (table 3). Many rural economies have revived during the 1990's, but rural industrial restructuring continues, led by growth in service sector jobs. Retirees are attracted to many of these areas with strong services.

In another major change, urban regional service centers have grown and have absorbed retail and service activity from many small rural towns. This change, combined with the industrial restructuring described above, probably accounts for the large number of small rural towns experiencing population decline in recent years. Harley Johansen's recent (1994) study found that of the 13,306 rural places (incorporated towns with less than 2,500 population) in the United States, over 66 percent experienced population loss during the 1980's. Examining a sample of these small rural towns, Johansen found that the mean number of firms per place declined from 21.3 in 1980 to 15.3 in 1992, and most of this decline is associated with retail activity. The very survival of many of these small towns may be in doubt. Johansen's study concluded that, when it comes to economic opportunity in small rural towns,

Table 3—For retirement counties, the 1980's brought relatively high levels of economic growth and rising median incomes, as well as large increases in poor persons and poor children

Nonmetro county type	Population	Employment	Real median family income	Poor persons	Poor children	Poverty rate
	Percent change					
Nonmetro total	4.1	12.3	-0.6	11.0	938	1.1
Economic type:						
Farming	-0.7	6.1	-1.4	1.4	1.5	0.5
Mining	-4.2	-1.2	-15.0	26.5	22.3	5.4
Manufacturing	2.5	11.5	0.9	6.4	4.3	0.6
Poverty	0.5	11.6	1.0	0	-5.7	0.1
Retirement	16.4	26.9	4.2	18.1	19.2	0.3
Proximity to metro:						
Adjacent to large metro[1]	10.5	19.8	0.7	21.7	24.4	1.3
Adjacent to small metro[1]	5.7	14.6	1.3	10.2	8.4	0.7
Nonadjacent with city	4.4	10.6	-2.0	18.3	18.0	2.1
Nonadjacent without city	-0.7	7.2	-2.0	4.5	2.4	1.0

[1] Large metro = 1 million or more residents; small = less than 1 million
Population and employment trends are for 1980-90. Other trends are for 1979-89.
Source: Ghelfi et al., 1993.

"...increasingly, either commuting to larger cities or retirement are the only options" (p. 4).

Another major change in rural America is the increase in migration of poor people from urban to rural areas, particularly to nonmetro areas adjacent to large metro areas. During the 1980's, nonmetro counties that were adjacent to large metro areas experienced 10-percent growth in total population. Even more rapid, however, was their 22-percent increase in poor persons, and their 24-percent increase in poor children. Although median family incomes have risen in these "adjacent counties," their poverty rates have risen by 1.3 percentage points—0.2 percentage points more than the increase for nonmetro areas in general (Ghelfi et al., 1993). This may relate to the observed outflow of lower income population from central cities in search of lower cost housing in suburban and rural areas. Many of these individuals appear to be moving into mobile homes. Rural counties adjacent to major metropolitan areas experienced an 81-percent increase in mobile homes during the 1980's (Ghelfi et al., 1993). The influx of low-income individuals can strain a rural community's limited educational and social service resources. The recent welfare reforms initiated by States and by the Federal Government might also increase the need to find jobs for many of these poor nonmetro residents.

With such diverse problems, it is understandable that different types of rural communities—both growing and declining, adjacent and nonadjacent to metro areas—might want to attract retirees to stabilize local populations, provide jobs for young people, maintain local retail businesses, diversify their economies, add to the tax base to maintain local infrastructure and services, and reinvigorate critical local institutions such as schools, hospitals, and churches. But what does research say about the potential for retiree inmigration to address these problems?

Research on Retiree Impacts

In theory, retirees can benefit a rural community in many ways. They consume goods and services, such as housing, food, entertainment, health services, and other items. Such consumption creates jobs and stimulates local businesses. Retirees also pay taxes that support public goods and services. They bring capital into the community, which may be invested locally by local banks. Some retirees start their own businesses using their own finances, or they may help finance joint ventures with local businesspeople.

Some retirees work part-time, or full-time (this is often the case with younger military retirees). Many retirees volunteer their services to local schools, churches, hospitals, and other community activities. These activities should stimulate the local and regional economies and improve employment, income, and other measures of socioeconomic well-being.

Retiree attraction adds to the fiscal tax base of rural governments, but retirees can also add to demands for public services. Retirees can have other impacts as well, and not all are beneficial. Recent research has found that the extent of these impacts varies depending on the type and quantity of retirees moving in and the nature of the place receiving them.

Economic Impacts

Several researchers have estimated employment impacts of retiree attraction, with varying results depending on type of place and retiree. Sastry's (1992) study of inmigrating elderly to the State of Florida found it took 2.5 retirees to create a job (each retiree creates four-tenths of a job). Wiseman (1991) examined retiree migration in Appalachia and found a wide range of potential impacts. For example, it took only 2.2 retirees to create a job in Virginia and North Carolina, while it took 3.4 retirees to generate a job in West Virginia and Kentucky. The difference was mainly due to incomes of inmigrating retirees. Virginia and North Carolina attracted higher income retirees than did West Virginia and Kentucky. Haas and Serow (1990) examined the western North Carolina region that had been attracting high-income retirees. The typical retiree in this region spent about $36,000 per year. Haas and Serow estimated that, including direct and indirect effects, it took less than one retiree to generate a job (each inmigrating retiree generated one and one-half jobs). Even greater economic impacts are implied in Bennett's (1993) study of retirees moving to various South Atlantic coast destinations, where average annual expenditure levels of retirees ranged from $31,000 to $47,000.

Local-area impacts tend to be less than the State or regional impacts described above because some of retirees' spending and its economic benefits occur in surrounding areas. Rural communities have particular difficulty capturing a large share of retirees' economic benefits because rural communities often lack the full range of goods and services demanded by retirees, leaving retirees (and others) with no option but to spend much of their money elsewhere. Rural communities may also lack residents skilled in professions demanded by retirees, causing employees to commute there to work. Researchers refer to this loss of economic activity to surrounding areas as leakage. Leakages in health services are a particular problem for rural retirement areas (Harmston, 1981). As a rule, leakages will be larger in small communities with limited economies and in communities located near metro areas or near nonmetro towns that serve as regional shopping and service centers.

Siegel and Leuthold's (1993) study of Tellico Village, a planned rural retirement community in Tennessee, found that retirees there had substantial annual incomes ($60,000 per year) and expenditures ($40,000), but that only 34 percent of their expenditures were within the local area of Loudon County (Siegel, Leuthold, and Stallmann, 1995). The nearby metro area (Knox County) benefited more from the economic impacts. Over time, rural retirement areas such as these should gain a larger share of benefits as local businesses adjust to meet the demands of retirees. However, as with any new industry, policymakers should be cautious about projected economic impacts that do not include adequate adjustments for expected leakages to neighboring communities.

Retiree attraction creates a mix of jobs, ranging from highly skilled medical jobs to unskilled retail jobs, but most of these new jobs tend to be created in low-skilled occupations (Reeder and Glasgow, 1990; Haas and Serow, 1990; Sastry, 1992). Because unskilled jobs pay relatively low wages, retiree attraction may not be the best way to increase local wage levels. Nevertheless, retiree attraction can add to family incomes by providing unemployed or underemployed family members with additional part-time and overtime employment. This can be particularly helpful in places with a high concentration of poverty, working poor, unemployed youths, and part-time college students. Retiree attraction may also provide valuable off-farm income to farm families. This ability to supplement family income may help explain why retirement counties have increased their family incomes relative to other nonmetro counties in recent years.

Wang and Beegle (1978) observed that retiree attraction helps stave off the shift of retail and services from local main streets to nearby regional service centers because retirees add to the demand for local goods and services and they spend more locally than do other residents. Henderson's (1994) study suggests, further, that as retirees age, their mobility declines, increasing their propensity to spend locally rather than in regional shopping centers. This has several benefits. First, it helps rural communities retain population and employment. Second, it helps maintain the old-fashioned small-town main streets that many people enjoy. Third, it provides more shopping alternatives for consumers, which means more diversity in the goods and services available. For example, an influx of retirees might keep the local theater from closing. This helps maintain or improve the quality of life in a community that might otherwise face a narrowing range of entertainment options.

Fiscal Impacts

Most studies of inmigrating retirees to rural areas conclude that retirees, at least initially, add to the local government tax base more than they add to local government spending (Haas and Serow, 1990; Siegel and Leuthold, 1993). The additions to the tax base can be considerable, including property taxes, local sales and income taxes, and user charges and fees. Retirees may be heavy users of some types of public services, such as public transportation and health services, but they place relatively few demands on big-ticket local government spending items like education.

Most inmigrating retirees are covered by Medicare, which pays the bulk of their health costs. The retirees themselves usually pay the uncovered health care costs out of their own pockets. Hence, retirees' main effect on local hospitals is to reduce the number of empty hospital beds. This contributes to hospital profits and reduces the need for local government subsidies for rural hospitals (Reeder and Glasgow, 1990). Although some retirees will become impoverished by health costs and place a burden on local and State governments, many of those that become seriously ill and/or cannot afford treatment move away to live with a relative.

Retirees' long-term impacts on health-related costs of State and local governments could be negative for retirement destinations, at least under some scenarios. For example, many believe that when the baby boom retires, changes will have to be made in the Federal Medicaid, Medicare, and Social Security programs to reduce costs to the Federal Government. To the extent that these changes involve significantly higher costs to retirees or to local hospitals and communities providing medical services, this could become a serious drawback to retiree attraction. State governments tend to be particularly concerned because they bear a significant share of the costs of Medicaid, which covers the poor elderly (Stallmann and Siegel, 1995).

Another public sector concern involves how retirees affect local tax and spending policies. Because retirees are usually homeowners, have fixed incomes, and pay property taxes, they might be expected to oppose increases in property tax rates more than other residents. This hypothesis is supported by opinion polls. Research on retiree voting behavior indicates that retirees in some places have been less supportive than other residents of tax increases to pay for schools (Reeder et al., 1993). Retirees have also been found to be less supportive of economic development spending when they believe this might detract from their quality of life (Bennett, 1993). In some places, however, retirees may have attitudes that are more pro-development, pro-government. If they are accustomed to higher levels of spending and taxing than are long-time local residents, for example, they might push for more local taxes and spending than supported by long-time residents.

Other potential drawbacks of retiree attraction involve growth problems. In some places, retirees may increase the demand for housing to such an extent that some existing residents will be unable to buy a house in the community. Land values and property taxes may rise enough to make it difficult to attract industries to the area and make it hard for farmers and other land-intensive businesses to remain profitable. Congestion may become a problem, requiring expensive transportation investments. Unplanned retiree-related development may strain the environment, requiring expansions and modifications of local water and waste disposal systems.

If substantial retiree inmigration occurs, the entire character of the community can change. Retirees' lifestyles may conflict with those of current residents. For instance, retirees may oppose hunting on their property, or they may object to agricultural and industrial noises and odors that are accepted by long-term residents. Retirees may become politically active and fight the local power structure to effect changes in community policies, such as land-use issues and local government spending and taxing (Reeder et al., 1993).

Policies can be implemented to avoid or minimize these problems, but this requires planning and action before problems become severe. For example, many growth-related strains, such as road congestion and lack of water/sewer capacity, can be mitigated by expanding the necessary infrastructure before it becomes strained. Similarly, communities can initiate projects to provide low- to moderate-income housing to help long-time residents find homes in the community. Zoning and impact fees can also help deal with many of these problems.

Some potential social conflicts can be avoided by enlisting retirees in volunteer programs that give them the chance to help local schools, hospitals, and public services. Retirees may be sought as advisors or participants in local government, providing expertise and input reflecting their abilities and needs. In addition, some potential conflicts, such as those involving land use, can be avoided by providing both retirees and long-time residents with alternatives that satisfy both parties.

In sum, researchers have begun examining the economic consequences of retiree movements in recent years. Most avoid making definitive conclusions about longrun implications, due to uncertainty about future trends in Social Security and health care programs. But, those who have looked at communities that already have a track record of attracting retirees generally conclude that retiree attraction has been, on net, a positive development for most rural areas (Haas and Serow, 1990; Bennett, 1990; Wiseman, 1991; Fagan and Longino, 1993). When deciding whether or not to attract retirees, though, local officials should recognize that problems will arise, and the community should be prepared to deal with them.

Places That Might Benefit From Retiree Attraction

Retiree-attraction policies are not for every community. At one extreme are high-amenity places that are already attracting so many people (retirees and others) that they have little need for policies to attract more people. At the other extreme are remote, sparsely settled places with few public or private services and minimal natural amenities; these places probably have little potential to attract retirees and would be better off employing other economic development policies rather than wasting their resources on retiree attraction.

Between these extremes are the places for which retiree attraction strategies seem best suited—places with both the *need* for retiree attraction and the *potential* to attract retirees. One way to identify such places is to examine recent population growth rates and rates of net inmigration of the elderly. Lack of population growth can be used to indicate *need* for retiree-attraction policies. Net inmigration of the elderly can be used to indicate *potential* to attract retirees.

Population Growth in the Early 1990's

The first half of the 1990's saw population revival for many rural areas that had declined during the 1980's. By 1995, demographers had coined the term "rural rebound" to describe this phenomenon (Johnson and Beale, 1995). The most recent data suggest that retirees, though contributing to the growth in the 1990's, are not really responsible for the rebound, which has been led by heavy inmigration of nonelderly people from metro areas (Fuguitt et al., 1996).

The general revival of rural population growth in the 1990's may reduce the benefits of (or need for) retiree attraction in some rural areas, but population growth rates continue to vary widely across rural America. Much of the population growth is in rapid-growth areas, while most other areas tend to be growing slowly or declining (Beale, 1996).

Four population growth categories (fig. 4) are defined here:

- rapid = population growth greater than 10 percent,
- moderate = population growth between 5 and 10 percent,
- slow = population growth between 0 and 5 percent,
- negative = population decline.

Rapid growth has been a problem in parts of the Rocky Mountains and the West. Pockets of rapid population growth are also apparent in eastern Texas; the Ozarks; northern Michigan, Wisconsin, and Minnesota; central Tennessee and Kentucky; northern Georgia; Florida; and parts of other Southeastern and Midwestern States. Most of these areas have little need for attracting more people and may even be hurt by a retiree-attraction policy.

Places with moderate population growth tend to be scattered across the country. They are most prevalent in mountainous areas in the West; in Wisconsin, Minnesota, and Michigan; in or near the Ozarks; in southern Appalachian and Piedmont areas; and in northern New York and southeastern Pennsylvania. Most of these places also seem to have little need for retiree attraction. Exceptions include places that experienced extensive outmigration in the past and remain underpopulated, or places with high levels of unemployment that might benefit from retiree-generated job growth.

Places with slow population growth are more likely to benefit from retiree-attraction policies, since they are more likely to be having trouble finding new jobs for youths and losing their main-street businesses to regional service centers. These places are also scattered widely across the country, but they tend to be concentrated in northern Appalachia; along parts of the Mississippi and Ohio Rivers; in the Black Belt in the South; near the Texas border with Oklahoma, Louisiana, and Arkansas; and in the Western Plains.

Places with negative population growth (population decline) probably have the greatest need for retiree-attraction strategies, particularly those places that are already so small and depopulated that they risk losing their schools, hospitals, and other institutions if they lose many more residents. Population decline is concentrated in the Great Plains area, in some farming areas in the Midwest, in the lower Mississippi Delta, in northern Appalachia, and in Alabama.

Other Factors Affecting Desirability of Retiree Attraction

Recent population growth or decline is only a crude indicator of the desirability or need for adopting a retiree-attraction strategy. Other factors—such as the income levels of local residents and inmigrants, housing conditions, the level of local congestion, unemployment, community stability, and the community's potential for other forms of development—should be considered in deciding if a place might want to attract retirees.

For example, some rural recreation or exurban communities may be attracting large numbers of mostly younger, lower income individuals who add more to local government costs than to the local tax base. Such places may alter the inflow of migrants through selective retiree-attraction policies targeting high-income retirees. This approach has certain advantages because high-income retirees demand goods and services, creating jobs for some of the younger inmigrants. They also add to the tax base so the community can afford better public services for its lower income population. Such an approach might also make sense for rapidly growing areas that are already attracting significant numbers of retirees but where most of the retirees have relatively low incomes.

In contrast, some places that are currently experiencing little or no population growth might decide against retiree-attraction policies if they already have a fairly high standard of living, a stable economy, a tight housing market, and/or significant congestion problems. Even though they may be growing slowly, many such communities may be close to optimal population size and density. In such places, attracting retirees could add more to local problems than the benefits would justify.

Among places that would benefit from additional growth, some might benefit more from nonretirement development than from retirement development. For example, in places with good potential to attract high-wage, high-tech firms, some sites that could serve as retirement communities might be worth more to the community as high-tech industrial parks. In such cases, where alternative development approaches exist and are viewed as incompatible with retirement development, decisions between retirement and other approaches should be based on which approach best meets the community's needs and capabilities.[2]

For example, places characterized by a low-skilled labor force with many high-school dropouts, substantial unemployment, and discouraged workers who have dropped out of the labor force might benefit little from high-tech development that brings in skilled workers from outside the area. The same places might benefit significantly from the low-skilled service and retail sector jobs associated with retiree attraction. Conversely, places with low unemployment but with significant underemployment (i.e., many high-school and college graduates in search of better jobs and higher incomes) might benefit more from the high-wage jobs produced by high-tech development or some other high-wage industry.

Many people fear that attracting retirees from outside the community might create undesirable community change. For example, an influx of retirees might upset a delicately balanced local political coalition, increasing the level of political conflict in the community. Some fear that inmigrating retirees would raise property values enough to drive out long-time residents with low incomes or marginal businesses and prevent young people from buying houses. Additional concerns about land use sometimes arise, such as when retirees take exclusive possession of property that used to be available to local hunters or fishermen, or when retirees object to the sights and smells of industrial uses of their neighbors' land.

Where communities are concerned about losing their rural character, some may worry that inmigrants from cities will vote to raise taxes to pave the dirt roads and otherwise change the community to make it look more like the places they left. In other places, local residents may worry that those who choose to retire in a rural setting will oppose paving roads or other changes that might lead to economic development.

[2] If the two approaches are not incompatible, however, there is no need to choose between the two approaches, making it preferable to adopt both strategies.

In addition, some may be concerned that inmigrating retirees with no family ties to the local community will vote against local school improvements that do not directly benefit retirees.

Some of these problems can be avoided or mitigated by focusing retirement development policies on the retention of current residents and the attraction of former residents. Other mitigation policies can also be employed with some success. But where such approaches are not very promising, communities that want to avoid potentially undesirable community changes might seek other forms of development.

Past Elderly Inmigration Reveals Retiree-Attraction Potential

Not all communities that desire to attract retirees will succeed. One indicator of a community's potential to attract retirees is net inmigration of the elderly.[3] Four categories (fig. 5), varying in the extent of retiree attraction during the 1980's, are defined as follows:

- rapid = greater than 15 percent net inmigration of the elderly,[4]
- moderate = between 5 and 15 percent net inmigration of the elderly,
- slow = between 0 and 5 percent net inmigration of the elderly,
- negative = net outmigration of the elderly.

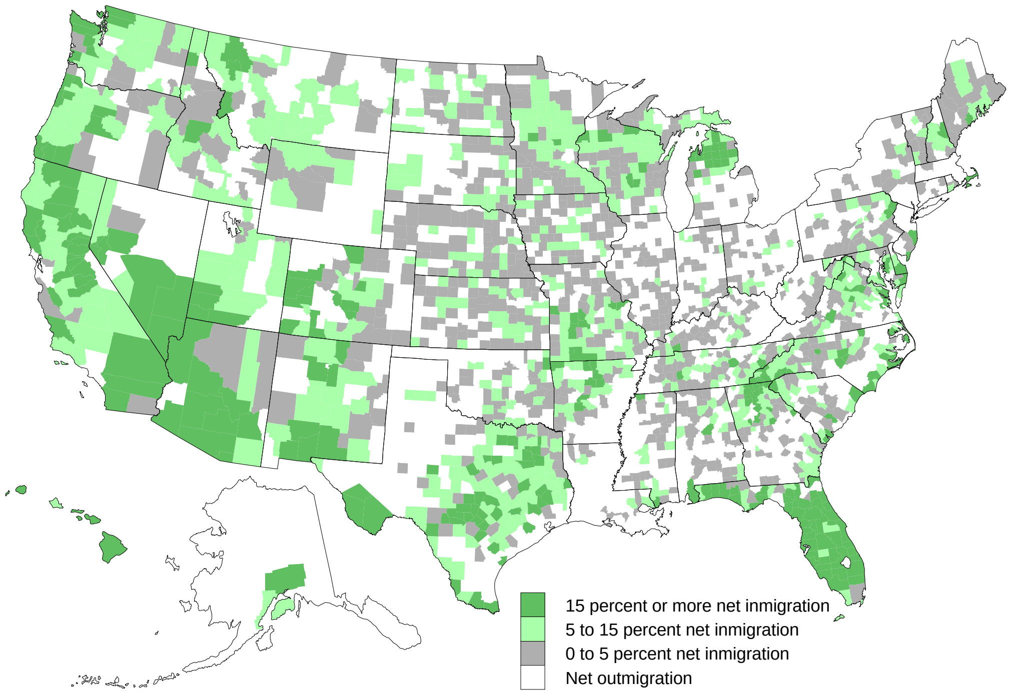
The greatest potential to attract retirees is clearly in the rapid net-inmigration category. Most of these places, however, would not benefit much from policies to attract more elderly for two reasons. First, they are already attracting lots of the elderly. Second, the large majority of these counties experienced rapid population growth in the early 1990's, suggesting that they may, if anything, be experiencing growth-related problems. A handful of excep-

[3] ERS calculated net inmigration for each county by estimating the number of elderly (age 60+) residents that would be expected in the county in 1990 based on the aging of the population present in 1980. This estimate was then subtracted from the actual number of residents age 60+ in 1990, and the difference became the estimate of net inmigration of the elderly. This difference was then expressed in percentage terms (percent of estimated 1990 population 60 and over) to produce an indicator of the relative extent of inmigration of retirees.

[4] The cutoff for the rapid net inmigration category was the same as that selected by ERS to define retirement counties during the 1970's: 15 percent or more net inmigration of the elderly.

Figure 5

Many counties had net inmigration of the elderly in the 1980's



Note: Percent net inmigration computed as the net inmigration of population age 60 and over in the 1980's as a percentage of population age 60 and over in 1990.
Source: USDA, Economic Research Service.

tions to this pattern—having rapid inmigration of the elderly without experiencing rapid population growth—are widely scattered, including a few counties in northern California, southeastern Nevada, southern New Mexico, Maine, New Hampshire, Florida, and Texas.

Places with moderate inmigration of the elderly during the 1980's also appear to have considerable potential to attract retirees. Unlike the rapid inmigration category, many of these places did not experience rapid or even moderate population growth in the early 1990's, suggesting they might benefit from retiree-attraction policies. Places that have both moderate net inmigration of the elderly and little or no population growth are concentrated in the Great Plains and the Farm Belt in the Midwest, with fewer, more widely scattered places in the West, Southeast, and Northeast. However, these elderly inmigration estimates probably overstate the inmigration in places like the Great Plains and the Farm Belt where life expectancies tend to be longer than the national average, thus exaggerating the potential for attracting retirees to these places.

Places with slow net inmigration appear to have some retiree-attraction potential. These places are widely scattered, with no obvious pattern. Some of these places have benefited little from population growth in recent years and may have unrealized potential to attract retirees. Others either have little potential to attract retirees or have little need to do so, having benefited from population growth in recent years.

Places with elderly net outmigration in recent years would appear to have the least retiree-attraction potential. They are a little more concentrated than the slow net-inmigration group, including parts of Oregon, Nevada, Montana, Wyoming, western Texas and Oklahoma, and the Gulf Coast of Texas; almost all of the lower Mississippi Delta; much of the Midwest and Great Lakes coastal area; and parts of the Southeast. Many of these places experienced overall population decline in recent years, suggesting that even if they do not have much potential to attract retirees, they might benefit by retaining more of their retirees. However, ERS's elderly migration estimates probably overstate the outmigration of the elderly in places with low life expectancies, such as in the lower Mississippi Delta, suggesting that some of these places may have more potential to attract retirees than is indicated by the migration estimates.

Have migration patterns changed any in the 1990's? This is difficult to answer. While some rural areas appear to be attracting more retirees than in the past, a recent study concluded that the overall net inmigration of the elderly slowed considerably for nonmetro areas in 1990-95 (Fuguitt et al., 1996). The authors caution that the Medicare data they used to count the elderly in 1995 might significantly undercount the nonmetro elderly, possibly overstating their observed decline in nonmetro elderly net inmigration. However, if true, this trend might indicate that many nonmetro areas may have to more aggressively attract and retain retirees if they are to continue to benefit significantly from retiree attraction in the near future.

Factors Contributing to Retiree-Attraction Potential

Recent migration trends provide only a crude indicator for identifying places that might benefit from retiree-attraction policies. As noted earlier, elderly inmigration rates are expected to pick up considerably in the next 10-15 years as the baby boom retires. As more and more future retirees begin looking for and investing in retirement destinations, some of the places currently attracting retirees may become unattractive future retirement destinations due to rising costs and congestion. Other, less popular places may become popular retirement destinations as their advantages become better known.

Because retiree attraction is largely a word-of-mouth phenomenon, unless a place is next to a major population center or near a tourism attraction, its potential advantages for retirees may go unnoticed for many years. Aggressive retiree-attraction policies can turn such latent retiree-attraction potential into a significant and growing inflow of retirees. Thus, the decision to attract retirees should consider whether or not such potential exists.

Some places may not be aware that they have amenities that many retirees like, such as a mild climate with four seasons (not all retirees opt for hot places) and attractive natural amenities such as forests, rivers, lakes, views of mountains, deserts, or coastal settings. Even places without impressive natural amenities may be able to attract retirees if they have inexpensive housing and land, a small-town lifestyle, and proximity to metropolitan areas and attendant urban amenities. Retirees prefer places with convenient access to a variety of goods and services, including entertainment, shopping, medical facilities, and airports. Many retirees also seek places with good recreational opportunities—such as boating, fishing, golf, and gambling—that can occur in man-made settings.

To better understand which areas are likely to attract retirees, one must understand why the elderly migrate and what factors might influence when the baby boom elderly retire. First, most elderly do not migrate, and many who migrate do so for nonretirement reasons. Those who enjoy working or cannot afford to retire sometimes move for jobs. Those in poor health sometimes move for health reasons, such as to a nursing home. Many of the elderly move to stay near their families. When families move, the elderly often move with them. This is particularly common for medically dependent retirees who tend to be relatively old, single, in poor health, and need a family support system. Other retirees may consider moving back to their hometowns or to some other location to be near friends and family.

Most people who move, including the elderly, move only short distances, such as those who move out of high-cost cities and suburbs and into lower-cost suburban or exurban settings where they can retire with more financial security. For the retiree, such short moves preserve long-time friends and familiar settings.

Thus, many rural places will receive inmigration of the elderly not so much because of their attractive natural settings, recreation, or amenities, but because they are low-cost places conveniently located near the retirees' current or past homes or near some other place where the retiree's friends and family reside. This suggests that both exurban areas and other rural communities that have been in existence for at least

50 or 60 years (that is, are capable of being hometowns to baby boom retirees) probably have latent retiree-attraction potential.

Many wealthier retirees will select retirement destinations with abundant manmade and natural amenities (these are generally referred to as amenity retirees). Many, no doubt, will continue to opt for traditional, warm-weather retirement destinations with good golfing and/or boating opportunities, such as Arizona and Florida. However, many in the baby boom generation identify with rural areas, perhaps more so than their parents. For example, many of the "hippie" generation left the cities for rural areas in the early 1970's, espousing the simple virtues of country living. Although these individuals may have later moved to find jobs and start families, they may still have a preference for rural settings in their retirement. Many have grown attached to rural recreational areas with hiking, mountain biking, skiing, or camping, and many are drawn more to the mountains and desert than to the beach. This might induce many baby boomers to retire in highly rural settings or in towns within a short drive of such settings.

In addition, many baby boomers have moved around the country a lot while getting their college educations, working for branch plants of large corporations, and on vacations. Thus, baby boomers may be familiar with more distant places than their parents' generation, encouraging proportionately more baby boomers to make the leap and move long distances to retire. Consequently, in the coming years, a higher percentage of the elderly may become return migrants to a former residence (either their hometown or where they went to school or worked) or vacation site.

Creative State Initiatives

The 1990's have seen the advent of innovative strategies promoting retiree attraction throughout a State or a region within a State. According to a recent newspaper account, nine or more States already are actively trying to attract retirees, including North and South Carolina, Alabama, Louisiana, Mississippi, Arkansas, New Mexico, Florida, and Pennsylvania—and four more States (Idaho, Texas, Washington, and Tennessee) are considering marketing to seniors (El Nasser, 1996). These strategies typically require the active participation and leadership of State government, though local governments and real estate companies often play a major role. The strategies are experimental because they have not been in effect long enough to judge their success. No formal program evaluations have been made to assess their effectiveness. But anecdotal evidence suggests some positive results. If these strategies turn out to be successful, they may serve as good models for other States seeking to attract retirees.

Alabama Advantage Model

Alabama's attempt to attract retirees into rural communities has been one of the most aggressive and wide-ranging strategies adopted thus far. The Alabama model entails State assistance to rural communities in all phases of retiree attraction, including planning and technical assistance, literature development, coordinated marketing efforts, financial assistance, and amenity development.

Beginning in the late 1980's, the Alabama Department of Economic and Community Affairs (ADECA) began working with the retiree-attraction expert, Mark Fagan, at Jacksonville State University, to create a State program to help rural communities attract retirees. According to Fagan, these were the key components of this initiative, known as the "Alabama Advantage for Retirees":

(1) The State's 1989 "Alabama Reunion," which attracted many former Alabamans back to visit the State, was used as a vehicle to promote retiree attraction.

(2) A statewide survey identified communities interested in joining a new program to attract retirees to rural communities and collected infrastructure data in each participating community.

(3) The State produced color brochures promoting retirement in Alabama. These were distributed at welcome centers on major highways entering Alabama, and the Bureau of Tourism and Travel sent them to people requesting information on retirement opportunities in the State. Those who received the brochure and requested more information received a guidebook to retirement in Alabama, including descriptions of each of the communities in the State program.

(4) Planning and technical assistance manuals were prepared to provide information to communities considering retiree attraction as a development strategy. Communities were told to organize volunteer committees to design local retiree-attraction strategies and prepare local promotional materials. These committees often worked closely with the local chamber of commerce. Workshops were presented to encourage communities to undertake these activities, and ADECA provided financial assistance to help pay for locally produced promotional materials. Real estate agents, banks, and utilities helped design and pay for brochures.

(5) A State publicity campaign generated much free advertising in national newspaper and magazine articles, and ADECA supplemented this with paid advertisements in mature-market publications. This produced many inquiries that were used to set up a database of prospective retirees. Communities involved in the program used the database to contact prospective retirees and arrange visits. The State also started a cooperative advertising program in which local communities could join together to share the costs of national ads that featured these communities.

(6) Annual State-level conferences instructed local leaders on techniques for attracting retirees and allowed participants to share success stories.

(7) The State's employee retirement system agreed to finance the construction of a series of innovative, first-rate golf courses, all located within 10 minutes of an interstate. This resulted in seven new golf complexes that have become highly acclaimed as the Robert Trent Jones Golf Trail, representing a total of $120 million in investments. These golf courses are attracting many wealthy tourists into the State. Retirement housing developments are being built nearby.

Among the successes is Guntersville, Alabama, a town of 7,000 along the Tennessee River that advertised fishing in magazine ads and on ESPN fishing shows and attracted 250 retired couples (Kerr, 1991). Many of these retirees came from the Chicago suburbs.

Etowah County, in the same northeast corner of the State, recently began an aggressive campaign to attract retirees, using one of the new golf courses as a major attraction. This is a regional effort, where the city of Gadsden, population 47,000, promotes the surrounding rural amenities while the surrounding rural towns promote Gadsden's urban amenities. To further this effort, a regional "Retiree Relocation Center" was established, in a cooperative venture involving the chambers of commerce of Gadsden, AL, and Calhoun County and the Silver Lakes (Golf Complex) Developers. Located at one of the entrances to the Robert Trent Jones Golf Trail, the center's volunteers answer questions about retiring in northeast Alabama and distribute brochures. Initial advertising for the center is being funded by Retirement Systems of Alabama and consists of television, radio, and newspaper ads in 16 States.

Arkansas Real Estate Organization Model

Arkansas has several well-known retirement spots, including Hot Springs and Mountain Home. These places have attracted retirees for many years, mainly through word-of-mouth, with little organized assistance. Other communities, however, have not benefited as much from retiree attraction. To help promote retiree attraction elsewhere in the State, Arkansas real estate agents organized a statewide effort, beginning with a 1991 task force that recommended the creation of a retirement development center called "Share Arkansas."

Share Arkansas was incorporated in 1993. It was sponsored by the State's real estate association and by Teamwork Arkansas (sponsored by a power and light company) and has a 2-year budget of $250,000. Its main goal is to create a network of local retirement development efforts throughout the State, consisting of city governments, chambers of commerce, real estate agents, and other groups interested in retiree attraction in each of the State's seven geographic regions. Local groups can receive funding from Share Arkansas for up to $5,000 for specific projects.

The center has set up a formal marketing/response process, similar in some respects to what Alabama has done for its retirement communities. Share Arkansas advertises using tabloid-type information featuring the benefits of a "nonurban" setting in fulfilling the dreams of potential retirees. Retirees who respond via the 1-800 number listed in the ads are asked their area of interest. The local and regional groups then follow up on these leads in an attempt to get the retirees to come visit.

According to Larry Myers of the Arkansas Realtors' Association, this is a pilot project. A formal evaluation is underway. They hope to document its effectiveness in attracting retirees and use this to convince the State either to provide permanent funding to the center or to have a State division take over the center's activities.

Washington Community Self-Help Model

The State of Washington has fostered a local self-help model for retiree attraction, begun in 1987 when the small town of Goldendale advertised in California newspapers. This ad resulted in over 400 inquiries and the relocation of over 40 retiree households. Following this success story, the State's Department of Trade and Economic Development began to encourage other rural communities to adopt such an approach, and the Art of Retirement Task Force, a "Team Washington Project," was formed. This group consisted of representatives from both the public and private sector, including the State's economic and community development agencies. Its principal objective was to help rural communities that desire to attract urban retirees.

In July 1989, the Task Force produced a self-help guidebook, *Art of Retirement: An Economic Development Program for Rural and Distressed Areas* (Fisher). This guidebook advised interested communities on how to set up local retiree-attraction committees, find sponsoring organizations, create promotional materials, arrange visits, and report results to the central program office. Also included is a "Community Assessment Kit" that helps communities gauge and improve their retiree-attraction potential.

A more comprehensive self-help guide, *Economic Expansion Using Retiree Income: A Workbook for Rural Washington Communities*, was published by Washington State's Rural Economic Assistance Project (Severinghaus, 1990). This report covers a wide variety of topics, including background material on retiree impacts, who should run the program (local retirees), community assessment, marketing, and a good bibliography.

Lee Fisher, a recently retired consultant who worked with 20 or so communities in the late 1980's as part of the Art of Retirement project, claims this self-help approach is relatively inexpensive, costing only $5,000 to $15,000, and has produced some notable success stories and few, if any, negatives. One of the towns Fisher helped was Chelewah, population 2,000, located about 40 miles north of Spokane. The town chamber of commerce spent $6,500 on a brochure. High-school students used their own video cameras to tape a promotional video which was edited professionally in Spokane. A multicounty board paid $3,000 for advertising in regional publications and an administrator was hired to run the program. In 1 year, Chelewah got 27 new housing starts and 150 new residents, most of whom were retirees (Haag, 1993). Chelewah's efforts were cited by the *New York Times* and the CBS Evening News, which added to the town's advertising effort.

Idaho/North Dakota Back-Home Model

The so-called back-home model, where word-of-mouth advertising is used to attract former residents, appears well suited to communities that do not want to attract outsiders who might clash with current residents. This approach may also prove effective in places that are not so picky but find it difficult to attract outsiders because they are far from major metropolitan markets and off the beaten path of most tourists. Like other approaches, however, its effectiveness remains to be demonstrated.

Richard Gardner, of Idaho's Division of Financial Management, first proposed the back-home approach in 1988, when he suggested that local volunteers write to friends and family and others who were born, educated, or worked in the area at one time, including those who worked on military bases. This word-of-mouth advertising could be supplemented by modest advertising in mature-market magazines and coordinated with tourism and centennial marketing efforts. Senior centers could offer to host visits by couples or group tours. College dormitories could accommodate summer visitors cheaply (Gardner, 1988).

Although Gardner proposed that the State coordinate and finance local marketing efforts, no such coordinated retiree-attraction program has materialized in Idaho, in part because there was little need for the program following significant migration of middle-aged workers and young retirees from California to Idaho in recent years. Idaho's Department of Commerce may have contributed to this migration by targeting the mature market in its advertising, but much of the migration appears to have resulted naturally from one person telling another about the advantages of Idaho. Many of the people who recently relocated to rural Idaho have in fact been previous residents or tourists.

North Dakota's Project Back-Home Cooperative program, which began operating in 1994, is a comprehensive approach to bring former residents back into the State. It involves 13 counties and about 70 communities. Although not officially affiliated with the State government, several former and current State economic development officials have encouraged the creation of the program. Program costs are shared by participating counties/communities, with additional support from the North Dakota Rural Electric Cooperatives (which provide space for the operation) and the North Central Data Cooperative.

This is a direct mail program. The communities develop mailing lists of former high-school graduates and others who have left over the past 40 years. The Management Group, a private company in Bismarck, ND, contacts everyone on the list, reminding them of their home community's good points and asking if they might be interested in returning. Interested individuals are asked to send back an enclosed postcard, indicating on the card their reasons for considering returning (to obtain a decent job, to retire, to visit as a tourist, to start up a company). Respondents are sent a survey specific to their expressed interest. After the surveys are returned, the responses are entered into a data base and the surveys are sent to the respective communities so they can determine whether the individual's requirements can be met by the community and then do the necessary followup.

South Carolina Planned Retirement Community Model

South Carolina has emphasized planned retirement communities as a vehicle to bring retirees into the State. As noted earlier, private companies that build such developments usually mount aggressive marketing campaigns that relieve the State and local governments from marketing duties. In return, State and local governments often provide some incentives to these companies, such as free land.

South Carolina's move in this direction began in 1986, when the Savannah Valley Authority, a regional economic development agency of the State, obtained over 3,000 acres of prime development land from the Army Corps of Engineers and the General Services Administration. After soliciting development proposals, the Savannah authority signed an agreement with Coopers Communities, Inc., to develop a retirement/recreation community for upper- and middle-income retirees. This community was slated for 5,100 homesites and is expected to have a major impact on the surrounding rural McCormick County (population 8,868) and nearby metropolitan areas (Barkley and Henry).

South Carolina's Department of Parks, Recreation, and Tourism subsequently sponsored a study conducted by the University of South Carolina (1991), *The Economic Impact of the Senior Living Industry in South Carolina*. One of the chapters in this study looked specifically at retirement community developments. It examined survey data from 128 retirement community developers in South Carolina, and estimated that the developments had resulted in a $4-billion stimulus to the State, with another $10 billion expected.

South Carolina has recently undertaken other efforts to encourage additional retiree attraction. The Community Development Division of South Carolina's Department of Parks, Recreation, and Tourism sponsored conferences in 1992 and 1993 to encourage communities to set up committees to form local retiree-attraction policies, and the Community Development Division has been assisting communities in their efforts. The State also helped fund a retirement magazine promoting the State to potential retirees.

Perhaps the most significant development, though, has been recent negotiations with Del Webb, the company that created Sun City in Arizona and Florida, to build a major new retirement community in South Carolina near Savannah and Hilton Head Island. This reflects the State's aggressive posture toward using planned retirement communities as vehicles for rural economic development.

Other State Initiatives

Other States also have made notable efforts to encourage retiree attraction. For example, some States publish annual marketing magazines that target the mature market. Most of these States mail these out to retirees who write requesting information. Some States also distribute them at welcome centers on interstate highways. *North Carolina Retirement* is a good example of such an approach.

Georgia has its *Southern Lifestyles: Georgia's Premier Retirement and Relocation Magazin*e. Georgia supplements this with regional *Retirement Living Georgia* publications, such as its "Mountains and Lakes Region" issue covering Blairsville, Clarkesville, Clayton, Cleveland, and Hiawassee. Georgia also publishes its annual *Georgia On My Mind* guide, which features detailed maps of each region within the State, descriptions of attractions and resorts in each town, and phone numbers and addresses of visitor centers and local chambers of commerce. Georgia also sends out detailed information on State and local taxes to those who make inquiries about retiring in the State.

Georgia is just one of several States that feature tax breaks for retirees as part of their promotions. For example, States with no income tax usually use this fact in their marketing to retirees. Some States, such as Mississippi and Michigan, have recently enacted special legislation to eliminate taxation of retiree incomes. This approach has been criticized because it reduces income taxes for both incoming retirees and existing instate retirees, resulting in a substantial net loss in income tax revenue. It also produces considerable inequities between retirees and nonretirees in income tax liabilities within the State, and these inequities can result in resentment of retirees and opposition to retiree-attraction efforts. In addition, it aggravates interstate competition for retirees, sometimes leading to retaliatory measures by States that would lose retirees and their incomes. Most States with income taxes already exempt pension income from State income taxes (Mackey and Carter, 1994).

California recently attempted to stem its outflow of retirees and their incomes to Nevada by withholding taxes on pensions going to retirees who leave the State. However, Federal tax legislation was enacted in January 1996 to prohibit State taxes on retirement payments that go to out-of-State retirees.

It remains to be seen how effective tax inducements are in affecting retiree relocation. States that do not tax retiree incomes must raise revenues in other ways that ultimately will cost retirees. When retirees discover they pay more in property and sales taxes than they paid in their home State, they complain. Many complain about special impact fees and user charges in new developments—payments that other community residents may not have to make. Another drawback of emphasizing tax breaks in marketing is that, to the extent that it achieves its purpose, it brings in people who will be sensitive to future tax increases; State and local governments may want to think twice before embarking on such an approach. Tax concessions also deflate one of the key public benefits expected from retiree attraction—the fiscal windfall associated with retirees.

A more cost-effective way for a State to promote retiree attraction is through tourism. All States promote tourism to some extent, but some do a better job at attracting tourists and targeting potential retirees as tourists. Traditional tourism destinations—such as ski resorts, beaches, mountains, and lakes—can all be exploited to attract retirees. Recent years have seen an increase in the promotion of cultural festivals in remote rural areas to attract large numbers of urban residents to nearby rural areas, many of which may be prime retirement locations. These efforts should be rewarded by increased retiree attraction over the long run. One of the more dramatic efforts benefiting retiree attraction has been in Missouri, where the State has promoted motor coach tours to Branson and other entertainment spots in the Ozarks. This has produced large flows of tourists, many of them potential retirees.

Some States intentionally advertise in magazines that cover the mature market. For example, Texas advertises in *AAA World, Adventure World, American Legion, Cruise and Tours, Discovery, Friendly Exchange, Home and Away, Mature Market, Midwest Living, Midwest Motorist, Modern Maturity, New Choices, Trailer Life, Travel 50 and Beyond, Vacations, Vista USA, Where To Retire, Woodland Trails Away*, and various atlases. Texas keeps track of inquiries coming from these ads and computes the advertising cost per inquiry in deciding whether to place such ads again. This has been a successful form of marketing for Texas, but not all State advertising efforts are successful. In Michigan, for example, an effort was recently made to promote the northern Michigan retirement area to seniors in Wisconsin by advertising in Wisconsin publications, but it generated few inquiries.

In some cases, poor marketing results may reflect lack of knowledge about where and what the market is for any particular retirement destination. In an effort to produce better information for its proposed marketing effort, the Mississippi Governor's Task Force on Retirement Development (1994) recommended that the State conduct an extensive data-gathering effort through the use of market surveys, information obtained from the Department of Motor Vehicles on applications for new licenses, and random surveys at welcome centers.

This is just one part of Mississippi's new initiative, which is, in many ways, patterned after the Alabama and Washington models. Like Alabama, Mississippi has embarked on an aggressive State marketing program, plus State technical assistance to communities participating in a new State "Community Certification" program set up for places that are serious about attracting retirees. In its first year of operation, Mississippi's ad campaign generated over 36,000 out-of-State information requests (El Nasser, 1996). Like Washington, Mississippi has produced and distributed copies of a community self-help retiree attraction manual, *Developing a Retirement Industry in Your Community* (Mississippi Department of Economic and Community Development, 1994). Although a half dozen communities have already produced strategic plans for this effort, this initiative is only just beginning and it is too early to evaluate.

Other States—including Georgia, North Carolina, Pennsylvania, South Carolina, Oklahoma, Arkansas, and Tennessee—have sponsored special studies and conferences examining the economic development potential of retiree attraction. Most are States that have already benefited from retiree attraction and want to benefit more. Pennsylvania is an exception. After having lost retirees to southern locations for years, Pennsylvania recently decided it needed to halt the flow, so in 1993 it started the *Silver and Gold* magazine to promote the advantages of the State as a place of retirement. The target of this effort includes not only Pennsylvania residents but potential inmigrants from New York, Ohio, and New Jersey (El Nasser, 1996).

Conclusions

The retirement of the baby boom generation could provide significant opportunities and challenges for rural development in the coming years. Some baby boomers are already making retirement decisions and acquiring land and housing in preparation for their retirement. For rural communities interested in getting a head start in participating in this form of development, now is the time for States and communities to learn how retirees might affect them and to design policies to attract or retain retirees.

Retiree Attraction Has Both Advantages and Disadvantages

A fair amount of research has examined retiree impacts, including both the advantages (benefits) and disadvantages (costs) of retirement-based development. This research generally indicates that inmigrating retirees usually add to local economies, raise median family incomes, reduce local unemployment, and add to economic diversity. Retiree attraction boosts local populations and tax bases, which can be important for maintaining Main Street businesses and key public services like schools and hospitals in rural communities. Inmigrating retirees can also provide a boost to local churches, charities, volunteerism, and other civic activities.

Not all retiree impacts are positive. Among the negative aspects of retiree attraction are strains associated with excessive population growth. In places that are growing too rapidly or that have little room for further growth, retiree attraction can result in undesirable congestion and environmental strain and drive up housing prices and property taxes so that some long-time residents are forced to move out. Many of the jobs created by retirees are low-wage service jobs that may attract low-income workers into the area, an unintended consequence of which can be a drain on public services, such as schools and jails. Not all retirees are wealthy, and, depending on which type of retiree is attracted, the economic effects could vary significantly. As retirees age, they may become an increasing burden on the local tax base as their incomes erode with inflation and they demand more in health-related services. In addition, demographic changes can create community conflicts since retirees sometimes have different views about public policies like land use, economic development, schools, and taxes.

Retiree Attraction Works Better for Some Places Than Others

Because there are both advantages and disadvantages associated with retiree attraction, the net result may vary, depending on the community. For example, communities that have suffered significant outmigration in recent years may find the growth-related advantages of retiree attraction to outweigh any disadvantages. Communities with relatively low incomes and low tax bases may also find retiree attraction advantageous, figuring the influx of wealth and jobs associated with retirees outweighs the additional difficulties associated with growth. This may be particularly the case with high-poverty communities having difficulty adjusting to welfare reform and the related need to find jobs for poor unemployed residents.

At the other end of the spectrum, communities that are already congested and environmentally strained may not be capable of absorbing many retirees, hence they may want to look to other, more environmentally friendly development strategies. Some middle- or high-income communities that lack the need for additional economic stimulus may also want to avoid policies that attract retirees and their associated growth problems.

Retiree attraction as a strategy for development has great potential in places with desirable natural amenities such as beaches, mountains, forests, rivers, and lakes. However, many other rural places are capable of attracting retirees, including communities near metro areas with relatively low land and housing prices. While it is probably true that some places simply lack what it takes to attract retirees, many communities that do not now think of themselves as being good retirement places may have significant latent retiree-attraction potential. If they actively engage in policies that help them to take advantage of this potential, they might attract enough retirees to make a real difference in their economic development.

Attraction Strategies Vary From State to State

This report has examined the retiree-attraction strategies that are currently being implemented in a dozen or more States. A wide variety of approaches are represented. Some, as in Washington State, are largely passive approaches that provide information to local communities to enable them, if they so desire, to design and implement local retiree attraction strategies. Some, as in Alabama, involve the State government as an active agent for attracting retirees, including State marketing and retiree-related development investments. In others, as in Arkansas, the private sector (in the form of real estate associations) has taken the lead in developing a comprehensive attraction strategy.

The character of retirement development varies significantly. In South Carolina, new residential developments, including planned retirement communities, play a major role in attracting retirees. In North Dakota, one retiree-attraction effort is aimed at filling existing vacant housing by attracting former residents back into the community. Some States, such as Pennsylvania, have lost many retirees to other States, and are focusing more on retaining their own retirees rather than attracting out-of-State retirees.

Some States, like North Carolina, can take advantage of the large number of travelers passing through on interstate highways to market their retirement locations at visitor centers. Others make more use of traditional marketing media, such as advertisements in newspapers, magazines, television, and radio. Some States—for example, Michigan and Mississippi—have recently eliminated income taxes on retirees in an attempt to attract the attention of retirees. The best marketing approach may involve word-of-mouth advertising, which favors places that start early in attracting retirees and do well to satisfy their retirees.

Although case studies indicate that at least some of these strategies, such as the planned retirement community approach, have proven successful in some places, it is still too early to judge how successful most of these strategies will be in attracting retirees.

More evaluative research is needed to help States and communities understand the advantages and disadvantages of alternative retiree-attraction strategies.

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