

An Applied R&D Lab Serving Solo and Family-based Entrepreneurs  
in Rural and Distressed Urban Communities

**The “War College” of the Small Is Good Business Revolution**  
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## Iowa Arts and Entertainment Districts: Pathway to Gentrification or Engine for Microeconomic Community Development?

We thank Cynthia Nieb and the **Iowa Department of Cultural Affairs** for inviting **Sohodojo** to comment on the strategic vision and implementation requirements for the **Iowa Arts and Entertainment District bill** currently under development. In this paper, we share our thoughts on a potential pitfall and the unique opportunities Iowa faces in drafting such legislation.

### Gentrification – An A&E District’s Worst Potential Pitfall

One danger of an A&E District initiative is **gentrification** of target communities. When a neighborhood’s residents are involuntarily driven from their homes and workplaces through rising property values and business relocation, we see an unintended, negative consequence of an A&E District program.

The key to avoiding A&E District gentrification lies in strategic vision and program implementation. If an A&E District bill consists only of a laundry list of incentives and prohibitions, only those with variable self-interest will be motivated to become the most astute and active in the District’s realization. For example, property redevelopment by a clique of self-interested property owners, real estate brokers, and mortgage bankers will by necessity focus on raising property values which results in the loss of extant community.

### Thoughts on Iowa’s A&E District Strategy: An Engine for Microeconomic Community Development

Prior to the Age of Industrialization, the Modern Corporation and factory-based mass production, craft-based production was the only means to move from “one off” works of art to volume-production of consumer products. Economic viability was constrained by local reputation, location and limited means for transport. Mass production of consumer products later changed market dynamics such that the craft-based shops could no longer survive.

Today, the advent of the Internet and the dynamics of a mobile Network Society are reinvigorating the Power of the Individual and giving new meaning to the phrase, Small Is Good. New production techniques, and the information and distribution systems that can produce “Just In Time” and “Just What I Want” products and services are again transforming how business is done. We are, in fact, witnessing a new era where craftsmanship and craft-scale production can be competitive in the marketplace.

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*Sohodojo is a non-profit applied R&D lab developing software and associated education and business development materials to support “Small Is Good” microenterprise networks of solo and family-based entrepreneurs in rural and distressed urban communities.*

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In a recent statewide business cluster study, Montana found that its **Creative Enterprise Cluster** made up over 5% of the state’s economy. This business sector – consisting primarily of self-employed, microenterprise and very small businesses involved in the arts, crafts, writing, media production, entertainment, and other design-intensive creative enterprises – had until this study, been largely overlooked and underappreciated.

Iowa too has a Creative Enterprise Cluster although it has not been the subject of such close scrutiny as this business cluster has been in Montana. The Iowa Creative Enterprise Cluster is the dynamic force that will most likely be the biggest beneficiary of, and the source of the greatest economic return as a result of, Iowa’s implementing an A&E District initiative.

Many traditional programs for regional economic development have focused on offering corporations incentives to encourage their relocation to some desired place. The expectation is that these relocations will create new jobs, pump services-based revenue into local economies, and eventually result in an expanded tax base (after incentive-based tax forgiveness runs out).

If only there were a Saturn plant for every rural and distressed urban community that needs an economic shot in the arm. If only relocated corporations would stay around after their tax incentives run out. If only we could find a more sustainable means to regional economic development.

While looking too optimistically for the Big Wins of corporate relocations, we have been missing the opportunity to expand our jobs and self-employment opportunities through support for the businesses of the Creative Enterprise Cluster. The Creative Enterprise Cluster businesses are the best candidates to be nurtured and expanded by a strategically focused A&E District initiative. But more importantly, the growth and diversification of Creative Enterprise Cluster businesses in Iowa can become the microeconomic engine that transforms the neighborhoods and surrounding regions of Iowa’s A&E Districts.

### **Thoughts on Iowa’s A&E (ACE) District Tactics: Tuning the Engine of Microeconomic Community Development**

An A&E District program that could become a real engine for community development will be based on incentives and infrastructure support that encourage solid links between creative artistic designers and the development of products that can be manufactured within the District by skilled, craft-scale production processes.

It is also important to understand that a great percentage of the primary service constituents of an A&E District program – the entrepreneurs, self-employed and Creative Enterprise businesses – are very often ‘reluctant’ businesspeople.



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Taking these two characteristics into account, below is a short list of potential incentives and district infrastructure support requirements that will encourage positive, and minimize negative, results within Iowa’s A&E District initiative:

- Provide a multi-tier tax abatement incentive that rewards artists for designing items that are produced by a skilled craft-scale production within the District; that rewards entertainers and entertainment venues within the district for selling craft-produced products made within the District at their entertainment events, etc. (The emphasis here is on increased incentives that reward artists and entertainers for designing and/or marketing craft-produced products made within the District.)
- Craft-scale production of artistic products is often a skilled job that is learned through on-the-job, apprentice-style training. Provide incentives to artists and craft-production businesses that offer job training of unemployed and underemployed residents of the District. To the greatest extent possible, these incentives should include local service center support to reduce or eliminate the burden of extra paperwork or administration of such training programs.
- Artists, entertainers, and craft-oriented production businesses are very often self-employed individuals, microenterprises (under 5 employees), or very small businesses (under 50 employees). Their relocation into an A&E District should be a purposeful, managed process that ensures the highest level of new resident satisfaction, and that ensures that the new resident is effectively and efficiently introduced to the social and business networks within the District that will most support and mutually take advantage of the new resident’s creative skills and business interests. (This is the District’s equivalent of the traditional ‘Welcome Wagon’ service.)
- Artists, entertainers and craftspeople are often ‘reluctant businesspeople’; therefore they hesitate to visit and to take advantage of small business services that are ‘tuned’ for traditional businesspeople. An A&E District service center should work with regional small business service providers to deliver business development services that are geared to the unique values and business goals of the District’s artists, entertainers and craftspeople.
- A major obstacle to sustainable self-employment or operation of a microenterprise or small business in the arts, entertainment, and crafts domain is the problem of *access to markets*. In some Districts, this means that the local District service center must help to promote the District in order to *bring customers to the District*. But just as often there is an equally great need to assist the artist, entertainer and craftspeople to *effectively reach and sell into external markets*, including sales of products and services through the Internet. In both regards, bringing folks to the District and assisting District Creative Enterprises with access to external markets, the



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economies of scale and shared resources, and the application of specialized technical skills and knowledge should be supplied by a District resource service center.

In all the recommendations listed above, we believe Iowa's A&E initiative must include funding for, and service delivery requirement specifications for, District-level **Creative Enterprise Network Resource Centers**. The ultimate success of Iowa's A&E District program cannot be left to happenstance, or overlaid onto existing small business service center offerings.

These Creative Enterprise Network Resource Centers should collaborate with existing social and small business service providers to avoid duplication and reinvention of service offerings. However, the unique characteristics and business goals of the artists, entertainers, and craftspeople that own and operate the District's Creative Enterprises require a dedicated service provider that understands and tailors service offerings to this community.

Finally, we offer this recommendation – *Let Iowa's A&E Districts flourish in any and all communities motivated and committed to meet funding and service delivery requirements under this initiative.* Iowa's A&E District program should accommodate participation by small rural communities and by resource-constrained distressed urban communities, as well as by the more typical, prospective A&E communities that benefit from proximity to affluent, metropolitan locations.

Some states have implemented an A&E District program based on a scarcity model wherein a very limited number of A&E District designations are available under a highly competitive selection process. While such a strategy may increase the success potential of the few select A&E Districts, it denies the reality that Creative Enterprises of the self-employed, microenterprises, and small businesses exist and should be supported in virtually any community regardless of size and location.

To our minds, a truly successful Iowa A&E District program will be one characterized by scores of (perhaps more than a hundred) A&E Districts, each serviced by an effective Creative Enterprise Network Resource Center, with each District being home to a dynamic and growing community of Creative Enterprises that contribute to Iowa's economic vitality while increasing the quality of life for all Iowans.

*Respectfully Submitted,*  
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*Founders and Research Directors*  
**Sohodojo**