



## Can Peacocks help Honey Creek Resort instead of the Government?

By Deborah D. Thornton

Recently Dan Ehl, Managing editor of *The Daily Iowegian* newspaper in Appanoose County proposed that peacocks might be just the thing to help entertain tourists in Mystic City. His column on December 17, 2007, was amusing, interesting, and only half facetious. However Honey Creek Resort, located in Appanoose County, needs more than peacocks to be successful, it needs the private sector.

There were many years of efforts to develop a privately owned destination resort on state property at Lake Rathbun. When these failed, legislators and officials with the Department of Natural Resources instead decided to have the state build Honey Creek Resort, the state's first "destination" resort. The resort was to be paid for primarily by state issued bonds, not by tax dollars, and run by a private operator. In addition, there was to be a large private sector "partnership" component. In contrast to other state park facilities, Honey Creek Resort would be self sustaining and the bond purchasers paid from the resort income. The bonds were sold. Construction has started, and even with the rough December weather is only "a little behind."<sup>1</sup> The anticipated opening date for both the resort and the golf course is mid-August 2008, before Labor Day but after the main summer tourism season.

There are only two small problems: the bids for the lodge, restaurant, meeting space, and water park came in significantly over budget estimates at \$24.3 million instead of \$13.5 million. After revising and downsizing the plans, the final (and only) bid submitted was \$19.3 million.<sup>2</sup> A separate bid for the 28 unit cabin component was also above budget, but only by about \$30,000. With these numbers in hand, the Iowa Department of Natural Resources and the Natural Resource Commission cancelled the cabins, specifically called for in the legal bond documents, and only built the lodge and related amenities.<sup>3</sup> Now the State is potentially out of compliance with the bonding documents because a major component is not being built with the money intended to build it. This could result in a default on the bonds and a lowering of the state's bond rating.<sup>4</sup>

Second, the private sector involvement in Honey Creek is less than \$4 million, with most of the committed funds in the form of a loan to be paid back from the hotel/motel taxes collected by the Resort after it opens. This is basically a delayed appropriation of tax dollars, not true private sector investment. In response these problems, the Natural Resource Commission decided to ask Governor Chet Culver to request another \$8 million from the Iowa Legislature during the 2008 session.<sup>5</sup> This is an increase of almost 30 percent over the original bond funding. The \$8 million request includes not only building and equipping the cabins, at about \$5.7 million, but funds for an activity center.<sup>6</sup> According to a staff member, the Natural Resource Commission actually wanted even more funding, but decided to only ask for \$8 million.

These funds will not be bonds, to be paid back from resort income, but will instead be straight taxpayer dollars just like any other state park project.<sup>7</sup> This is a fundamental and significant shift from the original and specific intent of developing Honey Creek Resort as a flagship public/private partnership, self-sustaining destination resort. By adding another 25 percent in taxpayer dollars, which will never be paid back to the state treasury, the practical and philosophical reality of the project has changed significantly. Now it just becomes another state park facility paid for by Iowa taxpayers, a really expensive one and very pretty, like a peacock. However, taxpayers did not intend to pay for a peacock.

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In explaining the backtracking on the self-funding aspects of Honey Creek Resort, a Natural Resource Commission employee returned to the philosophy that we “must remember that state parks aren’t intended to pay for themselves.” If so, why did the Natural Resources Commission structure Honey Creek as a public/private partnership and issue bonds? If they were going to change their approach in managing state parks, or at least this one, to a private sector business model then they need to follow through.

Additionally, private sector businesses and foundations need to fulfill their partnership commitment. There are 28 cabins to be built. Divide \$8 million by 28, and you get approximately \$275,000 each. For naming rights and a week of free use each year, the non-profit Rathbun Lake Resort group, Governor Culver, the Natural Resources Commission, the legislature, and others should be able to raise the private sector funds for the cabins.

According to State Senator and Senate Majority Leader Michael Gronstal (D-Council Bluffs) there are “certain things which must be done (i.e. build the cabins) or the bonds will be in default, and the state will not default on the bonds.” He further elaborated that even though there are significant questions about the project viability and financial package, the legislature will “likely find a way to make the project work; we will not risk the state’s bond rating.”<sup>8</sup> State Senator Keith Kreiman (D-Bloomfield) says he doesn’t expect much opposition in the Iowa Legislature to providing the \$8 million in extra tax dollars,<sup>9</sup> and given the record of the Democrat-controlled Legislature and Governor’s office during the 2007 session, he’s probably right.

Instead of settling for the easy solution and using tax dollars to “make the project work,” the Appanoose County supporters and business people, legislative originators, and state administrators of Honey Creek Resort need to fully implement the original public/private partnership plan. Further, the Legislature, the Natural Resource Commission, and the Department of Natural Resources staff should all remember that it is not their own money they’re spending, it’s ours. Fortunately, Honey Creek Resort Project Administrator Terry Montgomery supports that philosophy, saying “we should look at these projects as if we’re using our own dollars.”

While peacocks may look very pretty and be charming on the streets of Mystic City, they can’t save Honey Creek Resort. However, a \$275,000 donation from the United Peafowl Association, which has members in 42 states, just might be a good start. Then they can come to Appanoose County, stay in their cabin, and enjoy viewing the birds. Either way it is going to take a more substantive and creative effort by everyone involved, not tax dollars, to make Honey Creek Resort a success.

The full Policy Study, “*Government or Capitalism as a Solution to Rural Population Loss?*” November 2007 and the Institute BRIEF, “*Tourism, Economic Development, and the Role of the State: Honey Creek Resort, Appanoose County, Iowa*” July 2007, Vol.1, No. 20 can be viewed at [www.limitedgovernment.org](http://www.limitedgovernment.org).

#### Endnotes:

<sup>1</sup> Conversation with Ryan Ferris, Hansen Construction Project Manager, January 3, 2008.

<sup>2</sup> Fiscal Update, Legislative Services Agency, July 26, 2007, p. 10.

<sup>3</sup> Ibid.

<sup>4</sup> Perry Beeman, “\$8 million wanted for resort,” *The Des Moines Register*, November 24, 2007, p. B1.

<sup>5</sup> Ibid.

<sup>6</sup> Conversation with Terry Montgomery, Department of Natural Resources Project Administrator, January 3, 2008.

<sup>7</sup> Fiscal Update, Legislative Services Agency, November 13, 2007, p. 15.

<sup>8</sup> Conversation with State Senator Michael Gronstal, January 3, 2008.

<sup>9</sup> Dan Ehl, “IDNR requests \$8 million more for resort project,” *The Daily Iowegian*, November 30, 2007, p. 1.

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