

ECONOMIC DEVELOPMENT FOCUS GROUP - MONTANA DEPARTMENT OF COMMERCE MAY 1, 2014

ECONOMIC DEVELOPMENT FOCUS GROUP

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IN SUPPORT OF MONTANA'S FIVE-YEAR CONSOLIDATED PLAN

TRANSCRIPT OF THE PROCEEDINGS

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DEPARTMENT OF COMMERCE:

JOANNE GILBERT

1 WHEREUPON, the following proceedings were had:
 2 MR. GAUDIN: Can everybody hear me on the phone?
 3 I'm hoping so.
 4 My name is Rob Gaudin. I'm the director of research
 5 and planning for an Oregon consulting organization by the
 6 name of Western Economic Services. My company started
 7 working for the Montana Department of Commerce actually
 8 28 years ago, and over this last 28 years, we've done work
 9 for a variety of capacities. Generally speaking, that's
 10 in housing and community development planning.
 11 This particular time, we're going to help them prepare
 12 what's called a Consolidated Plan. And within the
 13 Consolidated Plan -- You know, there's several reasons why
 14 we have to do one. In exchange for receiving funds from
 15 HUD for housing and community development planning, we
 16 need to kind of think about how we're going to use our
 17 resources over the next five years. You know, I mean,
 18 this is HOME and CDBG. There's a couple other programs,
 19 smaller ones, for homelessness, Emergency Solutions Grant;
 20 there's kind of a three-state group that does something
 21 for HOPWA, housing for persons with AIDS. But the idea
 22 is, in return for getting these grants, we develop a
 23 five-year strategy. We talk to HUD about what we're going
 24 to do. We also determine how we're going to spend our
 25 money each year. Right? And then we kind of figure out

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1 how we're going to measure our success and report back to
 2 HUD about that.
 3 This last little bit, there's also something for fair
 4 housing, and that's another piece. The last few years,
 5 that's kind of become a little bit more concerning at HUD,
 6 about how you certify that you're going to affirmatively
 7 further fair housing.
 8 I'm not going to get too much into that particular
 9 detail, at least not today. What I really want to do is
 10 kind of introduce this process to you, you know, help you
 11 and help us, all of us, kind of get a sense of how we're
 12 going to look at our housing and community development
 13 needs. You know, there's several different types. You
 14 know, we need to assess things. We need to get expert
 15 opinion. We need to do public involvement. We are
 16 currently doing a survey, so there's both quantitative
 17 information and qualitative information. And you've been
 18 invited today to help us with some economic development
 19 concerns.
 20 You know, nationally we have some guidelines we have
 21 to do. Right? There's national objectives. You know,
 22 our work, we need to be providing decent housing, you
 23 know, whether that's affordable housing, particularly for
 24 lower income people. Decent housing can be new
 25 construction, it can be rehab, it can be home ownership,

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1 it can be rental, it can be focusing on preservation of
 2 existing housing, a variety of different things.
 3 Providing a suitable living environment might be making
 4 sure that our streets and roads are safe, that we have a
 5 good water supply, a good sewer system, things like that.
 6 But especially, we need to consider how to expand economic
 7 opportunities, and that's kind of the focus of our talk
 8 today.
 9 Now, I would like to take a moment -- I don't know how
 10 we do this for those persons on the phone, but perhaps we
 11 can kind of go around the room, of those who are
 12 attending, and kind of tell us a little bit how you're
 13 involved with economic development and what your
 14 organization is doing and why you've elected to come and
 15 help us.
 16 We'll start with Chris here.
 17 MR. SHOVE: Okay. Well, I'm Chris Shove,
 18 executive director of the Montana Business Assistance
 19 Connection. And our primary area of work is in this
 20 county -- Lewis and Clark County -- Meagher County, and
 21 Broadwater County that are to the east of here. And we
 22 just happened to have finished our comprehensive economic
 23 development strategy for the U.S. Economic Development
 24 Administration, because we are funded by EDA. And so we
 25 just did a pretty good data analysis of the area and also

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1 citizens' input.
 2 So did you want anything besides that?
 3 MR. GAUDIN: If you have ideas, you know, we can
 4 talk about those.
 5 MR. SHOVE: Well, you know, it's just -- the
 6 geography I just described, about what are the economic
 7 development kinds of issues in that area, or this area.
 8 One of the things that we observed is we did population
 9 projections by age cohorts to 2020, and the population is
 10 aging, significantly. It's a very -- it's very atypical
 11 for the United States and even Montana, it's a bit
 12 exaggerated in terms of the number of elderly people.
 13 That population is growing significantly. And the other
 14 bad part of that is the younger population is leaving the
 15 area, the people in their 20s. And the U.S. Census Bureau
 16 has also identified that trend as an issue in the Midwest.
 17 And, you know, people are talking about the issue is for
 18 the youth; there's not jobs for the youth, there's not
 19 career jobs.
 20 But then in the other areas, like in Meagher County
 21 and, to a lesser extent, Broadwater -- Meagher County is
 22 an impoverished county, and they've had a slow but steady
 23 decline of economic activity. And it's caused some other
 24 kinds of big issues, and it's a little bit here in Lewis
 25 and Clark County and all of Broadwater County, and that's

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1 paying for infrastructure. Their tax base is eroding to a
 2 certain extent. The infrastructure is getting old, very
 3 old, and just a lot of infrastructure problems;
 4 waterlines, sewer lines, and roads. We just did a survey
 5 of a small town, White Sulphur Springs, in Meagher County,
 6 and the number-one issue was job creation and the
 7 number-two issue was to improve the roads. There were
 8 some other things there, but it was really dramatic.
 9 And so -- And I'm coming from -- I've only been in
 10 Montana for about eight or nine months, but I've worked in
 11 other areas, and so it's kind of like I compare around
 12 here with what I've seen elsewhere, and I'm really kind of
 13 surprised somewhat about the lack of paved roads. Right
 14 here in downtown Helena, you know, a brand new subdivision
 15 without paved roads. I mean, what's that all about?
 16 MR. GAUDIN: Yeah.
 17 Now, what about you, your situation?
 18 MS. CONVERSE: My name is Sarah Converse. I'm
 19 the executive director of Sweetgrass Development. It's
 20 similar to MBAC. We're the economic development district
 21 and certified regional development corporation through the
 22 state for Glacier, Pondera, Teton, Toole, Cascade
 23 Counties, and the Blackfoot Reservation. So I have from
 24 Great Falls north to the Canadian border and across.
 25 We also have a certified economic development strategy

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1 as required by EDA that we had updated in 2011, I do
 2 believe it was. But we are currently in the process of
 3 doing a regional impact assessment to look at
 4 infrastructure, including housing, public safety, water,
 5 sewer, roads, schools, and that type of thing, but kind of
 6 on the flip side, based upon private business. We have a
 7 consultant. We have a listing of interviewees throughout
 8 the five counties that we're going to be contacting to
 9 find out what their plans are for the next five years,
 10 because we're seeing a lot of influx for support services
 11 for the tar sands in Alberta, as well as the Bakken,
 12 subsidiary type businesses.
 13 So we're looking at it from the business side, what do
 14 they need to come in and expand and how many employees are
 15 they bringing in and what is going to go on that way, so
 16 that they can plan. I mean, it's similar to what's going
 17 on here. TSEP, the Treasure State Endowment Program, and
 18 DNRC fund water and wastewater projects within the state.
 19 And last year alone, I wrote nine letters of support
 20 throughout my five counties for that many different
 21 projects, because we do have an aging infrastructure and
 22 an aging population and a declining population. So we're
 23 seeing a similar thing.
 24 But what we're hoping to get out of that study is we
 25 have a huge, huge housing issue within the region. There

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1 isn't affordable housing. Not necessarily low income, but
 2 median income affordable housing, which is pushing
 3 everything from both ends. We have a lot of lower end
 4 housing that really either needs to be torn down or
 5 refurbished and a lot of higher end but nothing in the
 6 middle for median income people. So we are looking at all
 7 of that as well.
 8 MR. GAUDIN: Okay. Can we turn the audience on?
 9 We're trying to figure that out here. We might have to
 10 come back to that in just a moment.
 11 But I want to thank both of you, and I apologize for
 12 those of you guys on the phone. Apparently we can't quite
 13 figure that out at this very instant. We will, as soon
 14 as -- have you state your name --
 15 MS. GILBERT: I'm not sure you can. It's not a
 16 conference call --
 17 MR. GAUDIN: I see.
 18 MS. GILBERT: -- it's done through the computer.
 19 MR. GAUDIN: Well, all right. You know, this
 20 particular process is -- We have measurement outcomes,
 21 too; things that the money's spent on. These are kind of
 22 HUD's buzzwords; you know, how you enhance communities,
 23 how you benefit eligible individuals and create additional
 24 housing. It does sound like you have some commonalities
 25 with the designs of these programs.

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1 And this is the kind of money that we're talking
 2 about. Now, it's not a whole lot, but it's not chump
 3 change either. It's a little more than \$9 million for
 4 2014. Ten years ago it was a little bit more than that,
 5 but it's been declining over the last several years, but
 6 it went up a tiny bit between 2013 and 2014. So there has
 7 been some additional work in it.
 8 But what we are doing is analyzing this data, you
 9 know, measuring events, measuring labor force, measuring
 10 income, measuring population and household size and age
 11 and so on. And what we want to do is also get public
 12 involvement and expert opinion, like you all here.
 13 Now, I'm thinking that if there is a question that
 14 somebody might have in the audience on the phone, you can
 15 type into the webinar and we'll read that and state it.
 16 Now, this is not really a presentation style thing; you
 17 know, it's more like please interrupt me at the instant
 18 you have a thought. Because the idea is really to get
 19 feedback from you all and not just to listen to me yammer
 20 on for an hour or so.
 21 But our assessment here is really to kind of see where
 22 we're at; you know, get the pulse of the entire state.
 23 And it's a large state, you know, with many counties, and
 24 so there's going to be many problems and many number-one
 25 priorities. But the idea is, here, to give us some sense

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1 of how we're going to prioritize those things. You know,
 2 is it geographically? Is it buying one item? Are there
 3 lots of number-one priorities? So that's what we intend
 4 to do, get together some strategy. We need to take these
 5 strategies and implement them in a series of annual action
 6 plans. There will be one each year. After we've done
 7 that, of course, we go back and talk to HUD about what
 8 we've done in the Consolidated Annual Performance and
 9 Evaluation Report.

10 So this whole Consolidated Plan has several huge parts
 11 to it; you know, housing, housing of homeless needs
 12 assessment, there's a community development needs
 13 assessment, there's non-housing special needs. You know,
 14 it's documentation of the entire process, how this all
 15 will work, and you get that down in a five-year strategy.

16 What I want to work with this afternoon really is a
 17 large category, substantively funded through Community
 18 Development Block Grant or community development. Right?
 19 And particularly economic development. You know, there's
 20 competition from other things; infrastructure, community
 21 and public facilities, such as youth centers, water,
 22 sewer, roads, and so on. But what I do want to talk with
 23 you about is kind of define where we're at. I'm hoping
 24 this particular venue, we can get some feelings --
 25 additional feelings, if you will, about what kind of jobs

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1 we need to bring in or what qualities of jobs and what are
 2 our current jobs paying and how does that look compared to
 3 the nation; you know, how we might promote certain types
 4 of things. Kind of a statewide, a unified policy. So the
 5 idea here is for us to get some sense about what are our
 6 needs over the impending five years, okay, our economic
 7 development needs.

8 Now, this is just one piece. Now, you all talked
 9 about infrastructure. You talked about housing. You
 10 mentioned something I think about the aging population.
 11 Each of these things is going to have something to do
 12 with, you know, influencing our economic vitality. But
 13 that's really where we're at. You know, the idea is we
 14 have barriers in front of us, so how might we best
 15 overcome them? What kind of constraints; are they
 16 political or are they public policy problems?

17 You look like you're about ready to say something
 18 there.

19 MR. SHOVE: No, no, no.

20 MR. GAUDIN: But if you are, please just blurt
 21 that out.

22 Of course, you know, what are some of the first steps
 23 we might want to take? So what I want to do is just kind
 24 of take a view from 30,000 feet, if you will, looking down
 25 on the entire state and not two, three, or five counties,

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1 but try to get an idea about, you know, where we're at,
 2 what we're doing.

3 So let's just initially talk about some of our
 4 demographic trends. Now, statewide, not everyone is
 5 declining. Statewide, the population grew, you know,
 6 9.7 percent. Interestingly enough, the share of the
 7 population that's white is slipping a little bit; you
 8 know, went from 90, well, to 89 percent, and some of our
 9 minorities are growing much more quickly. Sure, they're
 10 still a small part of the state's population. But with
 11 this shift to a more diverse population also comes some
 12 underlying needs. For example, Hispanics have grown
 13 considerably over the last decade. They're still a small
 14 group. Actually, the second largest group is actually our
 15 American Indians.

16 When we take a look at this population in terms of
 17 their age, as Chris indicated earlier, we have some
 18 significant shifts going on. You know, a couple of the
 19 population groups, you know, 5 to 19 has declined
 20 statewide, 35 to 54 have declined. At the local level
 21 this can be muted or it could be more severe. I do see
 22 here that the groups with the -- not necessarily the
 23 largest, but certainly the fastest growing are those who
 24 are older, particularly the 55 to 64 age. Now, this aging
 25 demographic is going to provide us with challenges, if you

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1 will. There will be -- might be different types of
 2 housing that is required. For those who are over 85,
 3 there's going to be additional types of services that will
 4 need to be delivered for that housing. So the idea here
 5 is that we do have some substantive growth. How are we
 6 going to --

7 MR. SHOVE: And, you know, I was -- You know,
 8 that's geographically really skewed, especially, you know,
 9 you have the population group 20 to 34 where there's an
 10 increase. My guess, it's all to the east in the Bakken
 11 oil fields, where the young workers are going in because
 12 there's so many high-paying jobs, and potentially maybe in
 13 Bozeman a bit. But, you know, in this area, we're not
 14 seeing that kind of thing. But there's really a
 15 geographic difference of those population dynamics. But
 16 the elderly population, I think, is probably pretty true
 17 throughout the whole state. Well, your numbers say that.
 18 But it's really an interesting growth pattern.

19 And you're right, that's one of the things we're --
 20 We're doing a growth policy plan for Meagher County, and
 21 one of the things that we're bringing up is the elderly
 22 population most likely being -- having more support
 23 required, different kind of housing, health care, access
 24 to services. That's all going to be shifting a little bit
 25 in some of these areas.

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1 MR. GAUDIN: So services for our older citizens.
 2 MR. SHOVE: Yes.
 3 MR. GAUDIN: Don't those present employment and
 4 job opportunities?
 5 MR. SHOVE: Well, you know, if -- This is
 6 anecdotal, but for me it's really kind of interesting when
 7 I'm coming to Montana and I go around here, but the clerks
 8 in Walmart and the clerks in the food stores are in their
 9 60s. Now, I came from Kansas City; most of them are in
 10 their 20s. So it's really interesting, you know, that the
 11 older population is much -- at least when I compare to
 12 other places, is much more common in a lot of entry-level
 13 jobs. And I think it's people that have retired and
 14 they're doing something else.
 15 But I was concerned about -- in the area I work with,
 16 the trends are a little bit more extreme than that, and a
 17 very large indigent, elderly population is coming about.
 18 MR. GAUDIN: So what's been your experience?
 19 MS. CONVERSE: I have some very rural counties,
 20 and the ages are much higher than Helena or anywhere else,
 21 similar to Meagher County, and because of that populations
 22 are declining. As an example, a hospital in a small rural
 23 community that ended the year last year up \$400,000 is now
 24 in dire straits because people have passed away in this
 25 small community. They went from having one nursing home

1 full and another almost full to one being less than half
 2 and the other being under census, in a community of a
 3 thousand people. And if they don't do something, their
 4 hospital will close.
 5 So they need some additional industry. But I have a
 6 very agricultural region. We don't have a lot of
 7 industry. It's agriculture, and as agriculture becomes
 8 more and more and more efficient, you need less to do
 9 more. So it's bringing those kids back home to run the
 10 farms, and if they're not they're being sold and being
 11 purchased by larger entities that have the infrastructure
 12 already to do what needs to be done. So that's some of
 13 it.
 14 Also, in Great Falls -- not that Great Falls can --
 15 They receive a CDBG allocation, but they're also looking
 16 at diversifying because of the military component within
 17 the community. It makes up a huge portion of the economy
 18 there. So not knowing what the Government will do, there
 19 needs to be a large amount of diversification.
 20 But we do have a lot going on. There's a lot of
 21 transportation improvements and things like that that are
 22 following because of what's going on in eastern Montana
 23 and western North Dakota. So it's a little bit different,
 24 but it's aging, incredibly aging. And those hospital
 25 meetings I've been attending is, we haven't changed but

1 kind of our most frequent customers have passed away, in
 2 regards to the hospital. So there's kind of a give and
 3 take. You can't have all of these support services for an
 4 aging population that's still declining.
 5 MR. GAUDIN: Now, you did say that you had growth
 6 in certain sectors, particularly tar sands. And where are
 7 those people choosing to live?
 8 MS. CONVERSE: Great Falls has a large company
 9 that has just moved in. There are a couple others that
 10 are in Teton County looking at ramping up, and Glacier
 11 County up by the border. Not huge right now, but there
 12 are some in Shelby, too. But they are just starting.
 13 It's not like they're fully in gear and pushing product
 14 out or anything. And some of it's depending on the
 15 Keystone Pipeline, too, because a lot of what they're
 16 looking to do will support pipeline type activities, not
 17 necessarily trucking and train, which will happen if that
 18 doesn't occur.
 19 MR. GAUDIN: Right.
 20 MS. CONVERSE: So some of those are waiting on
 21 contracts from Canada and some things like that, too.
 22 The positive is that agriculture has been very, very
 23 strong, so that has been good through the region. But the
 24 recession didn't hit our rural counties like it hit some
 25 of the other areas, because agriculture was still strong

1 through that --
 2 MR. GAUDIN: Right.
 3 MS. CONVERSE: -- and so it was good.
 4 MS. GILBERT: Excuse me. We have a question from
 5 Billie Lee, or comment.
 6 MS. LEE THROUGH MS. GILBERT: As we see an aging
 7 population in western Montana, we are also seeing a
 8 growing need for a different type of senior housing for
 9 low/moderate income; not expensive assisted care or
 10 nursing homes, but responding to the desire to age in
 11 place but independently. Perhaps we need to look at how
 12 we define housing needs for this.
 13 MS. CONVERSE: I would 100 percent agree.
 14 MR. SHOVE: I agree with that.
 15 MS. CONVERSE: At-home services. People don't
 16 want to leave home.
 17 MR. GAUDIN: No, they don't. And it's helpful,
 18 you know, if the homes are visitable for our older
 19 citizens who might have some ambulatory limitations as
 20 they age. So that represents an opportunity for kind of
 21 some redevelopment or rehabilitation for some of the
 22 existing housing units. So Ms. Lee's point is very well
 23 taken.
 24 I do want to follow up on where you talked about the
 25 growth being initiated. What I was -- the path I was

1 wondering about is if these things come to pass and this
 2 development occurs, and pretend Keystone does happen, you
 3 know, would these people move to the communities that are,
 4 on the surface at least, losing population or would they
 5 want to build a new house in a more populated area?
 6 MS. CONVERSE: Well, due to location, they would
 7 be in those smaller communities. Because where most of
 8 that type industry outside of Great Falls is occurring is
 9 at least 60 miles away. There aren't a lot of people that
 10 will make that commute on a regular basis, so they will be
 11 more out in those less populated areas.
 12 MR. GAUDIN: So is there the housing stock
 13 available?
 14 MS. CONVERSE: That's what we're going to see,
 15 depending on how many people that are coming in. An
 16 example is, Toole County completed a housing study using
 17 CDBG economic development planning grant funds. They
 18 completed the study, I think it was this last fall.
 19 Basically, the same kind of format; what do we need, what
 20 do we have. Because we're not attracting developers to
 21 these small communities. They don't want to put the money
 22 forth to complete these developments and not have somebody
 23 come in and purchase. And because of that study they were
 24 able to say, Look here, this is what our needs are; if you
 25 want to come in, we can help you with some different

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1 things, or you'll know exactly who you're building for.
 2 And they've seen some development based upon that.
 3 So sometimes it's a matter of having that information
 4 handy, available to hand someone and say, Look, this is
 5 what we need and this is what we have. What can you help
 6 us with?
 7 MR. SHOVE: You're kind of moving into the
 8 economic area. And one of the reasons we're doing a
 9 CDBG-funded growth policy plan for Meagher County is the
 10 potential of a new copper mine opening up. It would
 11 employ roughly about 300 people. It's in a rural area.
 12 The closest town is this little town I mentioned before,
 13 White Sulphur Springs.
 14 In analyzing White Sulphur Springs, by 2020,
 15 76 percent of the housing will be over 50 years old.
 16 Currently, right now, 46 percent of the housing is vacant.
 17 And what happened was, you know, things were going down
 18 this slow decline, so people were leaving or not having
 19 the money to repair their housing. So the housing is in
 20 really poor shape.
 21 We anticipate that because this town is like a major
 22 trade center for that whole rural area, most of the
 23 population that comes in will go there with this new mine
 24 if it comes online, and the probability is pretty good at
 25 that. And we identified that if you look at this old

20

1 housing stock, there's only a few housing units that
 2 people might even want to buy or move into. Very little
 3 rental. And so there is a demand for brand new housing,
 4 probably of a different type.
 5 And I'll just leapfrog real quick to something you
 6 said before. One of the strategies that we're looking at
 7 for them is sustainability. Sustainability, if the mine
 8 doesn't come in and they're in a low, slow decline or if
 9 the mine does come in and they're going to have a
 10 40 percent increase of population, they need to -- But the
 11 mine is not going to last forever. They need to have
 12 something that will be sustainable after the mine closes
 13 in terms of their infrastructure, their tax base, and
 14 things like that. So we expect the people to go into
 15 these small towns, but the housing stock that's available
 16 now is poor.
 17 MR. GAUDIN: So what I'm hearing you say, the
 18 particular existing stock is unlikely to be rehabilitable.
 19 MR. SHOVE: A small percentage of it at best;
 20 yeah.
 21 MS. LEE THROUGH MS. GILBERT: We have just
 22 submitted an application for five units for adaptable
 23 independent living units in a small, very rural community.
 24 84 percent of the people living in this community turned
 25 out to support the project.

21

1 Regarding general affordable housing issues in western
 2 Montana, we obviously do not have the same issues as
 3 eastern Montana, but, again, affordability usually relates
 4 to substandard. We have exactly the same issues as the
 5 current speaker.
 6 MR. WALANDER THROUGH MS. GILBERT: Please ask
 7 when the conversation is relevant. I apologize if this
 8 was already addressed. In Carbon County, we're struggling
 9 with high water rates and static amount of users. Towns
 10 like Joliet aren't able to utilize TSEP, CDBG, et cetera,
 11 because of the match requirements for construction and
 12 there is no room to increase water rates. We seem to be
 13 able to access planning grants, but can't find a match for
 14 construction. Are there any plans to address the problems
 15 associated with match?
 16 MR. GAUDIN: You know, I'm here to try to be a
 17 pair of ears for the Department of Commerce. And we are
 18 recording these proceedings, and they will have your
 19 concerns on record. You know, those kind of requirements
 20 and operational things are usually handled within an
 21 annual action plan, at which time those kinds of things
 22 do, and often, change from year to year. I certainly
 23 understand the problems that Joliet and other communities
 24 are facing with water and sewer and trying to find a way
 25 to get from here to there.

22

1 You know, so we do have, statewide, some population
 2 growth. And that growth, when looked at in specific
 3 communities, can be significant and it could be the
 4 opposite of that. So we have two number-one priorities:
 5 Providing for those who are moving in and trying to
 6 preserve that stock which we have.
 7 But I also want to talk a little bit about kind of
 8 where our economy is statewide. This particular slide
 9 here shows labor force. Labor force is a count of people.
 10 Right? You're either looking for work or working; that's
 11 roughly the definition of labor force. The bottom line,
 12 the green one, is those folks who are employed. We took a
 13 pretty big hit, you know, between 2008 and '10, but, you
 14 know, I'm pleased to see that you all are recovering
 15 significantly, more so than, for example, the nation.
 16 But, you know, what I do also know, there are two
 17 definitions of employment; one is about people who are,
 18 like I said, either looking for work or have a job,
 19 they're working, and actually the number of jobs. They
 20 can be full time or part time. You can have three jobs
 21 and be in this particular data.
 22 We've had, 1974, 1981, 1991, you know, a little later,
 23 some significant changes, but this thing between 2008 and
 24 2010, we lost over 21,800 jobs statewide. That's a pretty
 25 significant hit. And I'm happy to see that we are coming

23

1 back. We're almost there. The questions, you know, often
 2 faced are, Did some jobs go away and never come back and
 3 they were replaced with perhaps lower paying jobs? Are
 4 the new industries going to correct for deficiencies in
 5 our pay rates? And this is actually a significant
 6 problem, and it has been for us for four years.
 7 This is average earnings per job across the entire
 8 state. My first job, my first professional job was
 9 working for the Montana Governor, the Governor's Office.
 10 This is a long time ago. But we were doing the same
 11 analysis: How do we get pay to be higher? And, you know,
 12 this age-old discussion isn't resolved. We're actually
 13 falling a little bit behind. At least in the last couple
 14 of years it's begun to improve. You know, tar sands and
 15 what's in eastern Montana and some other things might have
 16 an effect on something like we saw in the early '70s, but
 17 how do you view ways that we might enhance our economic
 18 vitality? What kinds of things can we also bring to the
 19 state to enhance pay rates?
 20 MS. CONVERSE: We have the answer with the
 21 millionaires that aren't sitting here.
 22 MR. SHOVE: I can tell you what our strategy is
 23 with this area, Montana Business Assistance Connection.
 24 And we work closely with local governments, and they
 25 know -- they're on my board, they know what we're doing.

24

1 We're really focused on creating or retaining
 2 export-related jobs, because they have the biggest
 3 multiplier to the rest of the economy. When you were
 4 pointing out that job loss before, one of the things
 5 that's been experienced in this area is the decline of the
 6 timber industry. And it was kind of going on, but then
 7 with the recession, the great recession, the reduction of
 8 the demand for timber simultaneous with more environmental
 9 constraints, it really closed down a lot of timber
 10 operations in this area. In Meagher County there was a
 11 big shutdown. And, in a way, that was an export industry.
 12 But we're really focused on export-related activities.
 13 Mostly, we are trying to develop new gazelle or higher
 14 technology kinds of fast-growth businesses. The real
 15 issue there is equity capital, and we're looking at ways
 16 of improving equity capital. As you probably know, equity
 17 capital is grossly under-represented in Montana; you know,
 18 it's geographically concentrated in other parts of the
 19 United States.
 20 And then the other thing that we've worked -- Now,
 21 this is my area, not everybody. We're focused on actually
 22 recruiting small firms from other states, you know,
 23 Chicago, New York, that would be more likely to move to
 24 Montana. And we have some really good role models that
 25 have occurred in recent times, mostly in Bozeman and

25

1 Missoula. But that's what our strategy is, focusing on
 2 export-related jobs, focusing on smaller businesses that
 3 have high-growth potential, recruiting those businesses
 4 from out of state.
 5 Part of the next level of things is improve capital
 6 formation. And on the debt side, there is -- because of
 7 the great recession and because of all the stress tests on
 8 the banks, they're incredibly conservative about what
 9 they're doing, and there's a real need on the equity
 10 capital side for I think the whole state, including in
 11 Bozeman. I know there's companies there the banks won't
 12 touch, but they have incredible intellectual property,
 13 they have incredible markets. What they really need is an
 14 equity capital infusion.
 15 MR. GAUDIN: Thank you.
 16 It is remarkable, just this difference. But if you
 17 look at it a slightly different way, you take all of your
 18 income, all the different jobs you're working and divide
 19 it by the population, average earnings are roughly \$14,000
 20 less than the national average. That's a pretty big
 21 number, but it's only 5,000 on per capita income. So
 22 Montanans are working a lot harder because they're holding
 23 more jobs. So there is the opportunity to make some
 24 headway.
 25 You know, here I have a little bit about poverty.

26

1 Now, this type of data is a little bit different than a
 2 census count. In 2000 this was the census long form, the
 3 one-in-six sample, so it was a sample. Poverty was not
 4 counted in 2010. Income was not counted. Several other
 5 things were not counted. The Census Bureau has been
 6 conducting the American Community Survey periodically.
 7 You know, then they started releasing a three-year rolling
 8 average and a five-year rolling average; and that's what
 9 this data is from, the 2012 five-year rolling average.
 10 And we do see poverty, according to these two samples,
 11 went up a little bit, the SF3 data, the one-in-six long
 12 form, compared with the five-year ACS. But we do see that
 13 poverty rose from 128,000 to roughly 143,000.
 14 Fortunately, fewer of children, at least, you know,
 15 6 to 17.
 16 But when we look about where poverty is kind of
 17 distributed, this is the reason why I like to take the ACS
 18 data, is because it's offered down to the census track.
 19 And these different colors on the map, the light yellow is
 20 up to the statewide average poverty rate, the
 21 14.6 percent. The areas that are like the dark green, the
 22 somewhat blue, those are areas where poverty is
 23 significantly more concentrated than elsewhere. They are
 24 somewhat related where tribal lands are located, but other
 25 areas have significant concentrations of poverty. Even in

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1 the eastern part of the state.
 2 MS. GILBERT: Billie Lee has a comment.
 3 MR. GAUDIN: Yes.
 4 MS. LEE THROUGH MS. GILBERT: In addition to
 5 having a similar strategy to the current speaker, we are
 6 really looking to improve broadband into our very rural
 7 areas and completing a study on the potential for rural
 8 tech centers that could help attract high-tech micro
 9 businesses and their higher paying jobs that are attracted
 10 to our quality life. As you can see, Lake, Sanders, and
 11 Mineral Counties are pretty green.
 12 MS. CONVERSE: Uh-huh.
 13 MR. SHOVE: Yeah, one of those green counties is
 14 one I work with. That's Meagher County, and the poverty
 15 rate is 20.6 percent, so it's substantially higher.
 16 Just back up a moment. When you're talking about the
 17 per capita income, the other thing you have to relate it
 18 to, though, is affordability or the cost of living index.
 19 The cost of living index for different areas of Montana,
 20 like around here, is actually higher than the nation. And
 21 one of the weird things we discovered in that one county
 22 was that when you looked at income and you looked at the
 23 median price of housing, it was actually more expensive
 24 for housing in this poor county than it was for the
 25 United States as a whole.

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1 MR. GAUDIN: That's remarkable.
 2 Okay. So economically, you know, we've had some
 3 difficulty between 2008 and '10. We're kind of on the
 4 mend. At least people are coming back and finding jobs.
 5 We hope some new development occurs and helps us to
 6 increase some of our wage rates.
 7 But what I also want to take a look at a little bit is
 8 our distribution of incomes by kinds of households by
 9 income ranges. You know, it's not all bleak. I mean,
 10 those households that made less than \$15,000 comprised
 11 20 percent of all households, you know, 12 years ago. Now
 12 it's down to 13,000. And households making 75 or more
 13 than 100 grand have kind of increased substantially. That
 14 100 grand, from 5 to almost 15 percent. Now, that's a
 15 really positive sign. Other areas geographically that are
 16 a blend of a few small rural -- urbanized areas with large
 17 rural populations have not fared as well as you guys have.
 18 So that is all really good.
 19 You know, what I do find interesting here with
 20 housing -- we've touched on this a couple different
 21 times -- you know, the population went up 9.7 percent and
 22 the households, like we saw with income per household,
 23 that went up 14 percent, but total housing units statewide
 24 went up 17 percent. Home ownership declined a little bit
 25 over this period is what we see here, from 69 percent to

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1 68.
 2 But I'm a little bit concerned about the number of
 3 vacant units. You know, in the communities where people
 4 are passing away and new residents are not moving in,
 5 those are vacant units that are not available to the
 6 marketplace. You know, to the extent that they can be
 7 preserved, that's 20,000 more units that's in this bucket
 8 now than in 2000. So that's a fairly significant
 9 increase. Some are available to the marketplace; some are
 10 for rent and some are for sale. But this particular jump
 11 of 35 percent, the question really becomes, What do we do
 12 with the units that are not really going to ever be
 13 available to the marketplace again?
 14 MR. SHOVE: In the rural areas, a little bit of
 15 what Sarah said before. A lot of the housing needs to
 16 just be demolished. They're really in very poor
 17 condition. The cost to renovate them would be just
 18 tremendous. And again, this rural community I keep
 19 referring to --
 20 MR. GAUDIN: White Sulphur Springs?
 21 MR. SHOVE: Yeah. Very aged housing stock. And
 22 it's really costing the taxpayers a lot of money to
 23 support that infrastructure that's going to all this
 24 vacant housing that's out there. And I just think that's
 25 going to be part of it maybe in the rural areas, is just

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1 demolishing some of the very old housing stock to reduce
 2 the cost to the taxpayers.
 3 MR. GAUDIN: Typically, this, if I may coin this
 4 term, pioneer housing that has a less likelihood of being
 5 rehabilitable; it may be on blocks, it may not have a
 6 foundation, things like that. It would be very difficult
 7 to bring it anywhere near what current code would be, even
 8 though many jurisdictions in the state --
 9 MR. SHOVE: Don't have codes.
 10 MR. GAUDIN: -- don't have a permit process.
 11 That's right. So, you know, that is a little bit of a
 12 challenge: What kind of policy do we need to deal with
 13 our vacant housing that's no longer available to the
 14 marketplace? No one wishes to move into it, to rent it,
 15 to rehab it.
 16 Yes.
 17 MS. GILBERT: Excuse me. Billie Lee has a
 18 question.
 19 MR. GAUDIN: Yes, Billie. Thank you.
 20 MS. LEE THROUGH MS. GILBERT: At the same time,
 21 the owners cannot afford to demolish and rebuild, as they
 22 don't have a mortgage and it comprises their total asset.
 23 Who pays?
 24 MS. CONVERSE: That's exactly it. They can't
 25 afford to have it demolished. Who is going to do it?

1 MS. CONVERSE: And I'm talking within the
 2 communities themselves. If they're out on somebody's
 3 property -- I drove by one today that I've watched fall
 4 down over the years because it's been empty for 30 years,
 5 and it's finally down on the ground and someone will come
 6 in and haul all that away. But those that are in town
 7 that the lot would be great but they have to tear it down,
 8 and they don't have a developer to come in, and maybe
 9 they're behind on their taxes, I mean, it's a whole
 10 situation with those that -- Any good solution would be
 11 fantastic.
 12 MR. SHOVE: And this goes beyond the term of
 13 "blight." This is really fundamental, basic public
 14 health, welfare, and safety. These are dangerous places.
 15 They are kindling waiting to light up. They are a danger
 16 to the public health and safety. It's not just that
 17 they're blighted.
 18 MS. CONVERSE: In some instances.
 19 MR. GAUDIN: Right. At the same time, you know,
 20 we have been building, you know, a lot. Remember?
 21 Housing stock over the 10 years grew 17 percent in total.
 22 Now, this green portion of the bar is single family
 23 and the red is apartments. Those are just permits. Now,
 24 many areas of the state, I know, are not permit-issuing
 25 entities, but, you know, I need to get my electrical

1 There are some communities that have a demolition program
 2 where they have funds that you can apply for through the
 3 city and use some of those funds if you are doing rehab or
 4 rebuild or things. But these people can't. Or if there's
 5 a catastrophic fire, they can't afford to have it cleaned
 6 up, anything like that. So they're old and they sit there
 7 because no one can afford to do anything with them, and
 8 there's no venue.
 9 MR. GAUDIN: Well, if it's a pioneer house on
 10 what was once a homestead, it's by itself, that's one
 11 situation. If it's in town and is vacant and no one for
 12 sure even knows who owns it anymore, you know, when these
 13 other vacant units are in close proximity to one another,
 14 then the neighborhood becomes less desirable. So the way
 15 in which a community would want to rebirth itself, if you
 16 will, would be to take some of those out. So would this
 17 kind of approach be something that should be supported;
 18 you know, like take out a whole block?
 19 MR. SHOVE: I think in -- Again, I have a limited
 20 geographic scope. In certain areas, absolutely yes. In
 21 other areas, you know, the housing market is vigorous
 22 enough where it does replenish itself. But in some of
 23 these rural areas, there's just -- like Sarah
 24 characterized it, it ain't going to happen unless somebody
 25 else comes in to do it.

1 permits --
 2 MS. GILBERT: Excuse me.
 3 MR. GAUDIN: Yes.
 4 MS. GILBERT: Billie Lee has another comment.
 5 MS. LEE THROUGH MS. GILBERT: And unfortunately
 6 the very low income people are often occupying them.
 7 MR. GAUDIN: Yes. Some of the more lower cost
 8 housing has had deferred maintenance, which then makes
 9 them a lower cost so that the lower income person can live
 10 in them.
 11 Now, our previous discussion was focused on the units
 12 that are actually empty and they're neither for sale nor
 13 for rent, and it's a perpetual problem that perpetuates
 14 itself. But what we have seen is that we are building,
 15 you know, more now even with this recession than we saw in
 16 the late '80s. So it is pretty substantial.
 17 MR. SHOVE: But I'd still say -- I mean, it's
 18 very geographically skewed with all of the economic
 19 activity in the Bakkens. You know, there's a shortage of
 20 housing there, and it's high-priced, so it's worthwhile
 21 for a developer to do stuff, but in other areas it's not
 22 the same. So it geographically varies.
 23 MR. GAUDIN: You know, you're right. This red
 24 line is the value of construction on the permit. Now, it
 25 does not include the cost of the lot or the infrastructure

1 that developed the lot. And even the -- We had such a
 2 massive drop-off, more than 50 percent, in permitting.
 3 You know, prices hardly budged; just a little bit down.
 4 Look at that. It's over 200,000 to build a house. Right?
 5 Then 50 more for the lot? That's a pretty --
 6 MS. CONVERSE: Uh-huh. Bozeman, Kalispell, and
 7 the western side of the state.
 8 MR. SHOVE: Yeah. We've looked at it price per
 9 square foot. You know, it's actually more expensive in
 10 different parts of Montana, in this area, than it is to
 11 build in Florida, Texas, elsewhere.
 12 MR. GAUDIN: And would that be a shortage of
 13 skilled workers; is that why that is?
 14 MR. SHOVE: And that was what?
 15 MR. GAUDIN: A shortage of skilled labor.
 16 MR. SHOVE: I can't answer that. I don't -- I
 17 don't know for sure. My guess is it's the cost of
 18 transportation of the construction materials, but I'm not
 19 sure.
 20 MR. GAUDIN: So the value of the -- This is what
 21 the value represents. The labor and the material costs --
 22 MR. SHOVE: Yeah.
 23 MR. GAUDIN: -- are higher here.
 24 MS. CONVERSE: Probably more the material cost
 25 than the labor, just if I were to guess.

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1 MR. GAUDIN: So we need more concrete plants.
 2 MR. SHOVE: Or wood and all the stuff that goes
 3 into construction.
 4 MS. CONVERSE: The mills.
 5 MR. GAUDIN: But we have built a lot more quickly
 6 than the formation of households, so that has contributed.
 7 But just the value of new construction continues.
 8 You know, we have been conducting a housing and
 9 community development survey. To be honest with you, we
 10 just finally got back and forth and finished editing the
 11 survey. It's an invitation distributed via e-mail
 12 announcement. If you haven't gotten that, any of you,
 13 make sure we have your e-mail address on that sign-in
 14 sheet, because you'll get a copy. And we're soliciting
 15 commentary about housing and community development needs.
 16 And it covers not just economic development but, you know,
 17 public facilities, infrastructure, and all of the
 18 different avenues related to housing, housing barriers and
 19 housing issues.
 20 But one of the questions that we offer is kind of a
 21 free tell us how you think we should allocate our
 22 resources. You know, I realize that certain programs have
 23 design features that won't allow this to actually happen,
 24 but it does give us a sense of what people want to see.
 25 And I'm surprised that economic development is down this

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1 list as far as it is. Now, there's only 94. We've barely
 2 had it out a week. Right? So maybe this is all bogus.
 3 You know, when we get 500 it would change to 25 or
 4 45 percent.
 5 But do you have any commentary you can answer me about
 6 why economic development would be down here (indicating)
 7 at 15 percent, how people would allocate resources?
 8 MS. CONVERSE: It's not tangible; I mean, in the
 9 aspect of people can see housing, they can see what's
 10 there. Housing is a big issue. My water and sewer rates
 11 are going to go up because infrastructure is failing.
 12 Those are like primary on people's minds every day. They
 13 don't think of economic development. If you said "jobs,"
 14 that would be different. But "economic development" is
 15 still, for a lot of people just on street, not the
 16 phraseology they would use. I did see the survey and I
 17 haven't taken it yet. But I think that's some of it.
 18 Opportunity Link has a sustainable communities grant,
 19 and we are in the final stages of going through that plan
 20 as well. And we had to rank -- I think -- I can't
 21 remember if we put paper in the bin or we hit dots or what
 22 was done, but these type of things were asked about
 23 throughout the communities in the region, too. And it was
 24 very similar to this, because people don't see economic
 25 development as a driver for the rest of it. They see

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1 housing is immediate need, infrastructure is immediate
 2 need; human services, health care, that type of thing,
 3 schools. I don't know where schools fall into this, if
 4 that's under human services or what. But that's always on
 5 the forefront of people's mind, and I think that's why.
 6 It's --
 7 MR. SHOVE: You know, I did the survey, and my
 8 guess is that there's still just a geographic difference,
 9 of what's really needed in Billings versus what's really
 10 needed out in the rural areas or what's needed in the
 11 Bakkens versus what's really needed someplace else.
 12 You know, I agree a little with Sarah. Most of the
 13 people I think taking the survey would probably have an
 14 understanding of economic development, but there's a
 15 paradox with CDBG and economic development. The CDBG
 16 funds can only be -- really, it has to be targeted to low
 17 and moderate income people. Low and moderate income
 18 people are usually geographically located in a place that
 19 is not really suitable for high-tech jobs or for high-tech
 20 businesses or export-related businesses.
 21 You know, I mentioned I was working in Meagher County.
 22 And thank goodness -- I shouldn't really say this, but the
 23 whole county is impoverished, so we can do economic
 24 development work wherever in the county with CDBG funds.
 25 But you take like Helena and this area, we have some

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1 really good projects to do, but they're ineligible for
 2 CDBG economic development because it doesn't have the low
 3 to moderate income in that particular census tracks.
 4 So it's kind of a paradox that, well, you know, the
 5 CDBG economic developments funds, we want to encourage
 6 economic development, and I think it's a people versus
 7 place prosperity. We want to help the low and moderate
 8 income, but the low and moderate income are not in the
 9 places where the job creation could actually occur, unless
 10 you have, you know, a really significant public
 11 transportation system or something like that that could
 12 accommodate that.
 13 MR. GAUDIN: We did ask a couple of questions
 14 also about certain types of economic development
 15 activities. I sorted all of them by number -- or by
 16 frequency of high need. And there's two slides; this is
 17 the top set, then there's the lower set. And in the
 18 Consolidated Plan, over the years you need to kind of
 19 grade the importance of certain choices: You're not going
 20 to do it; well, you might do it; that's no need or slight
 21 need, moderate need, or high need. And definitely you
 22 want to do a high need. But of the 94, 42 people skipped
 23 the questions. You know, this group was at the back end
 24 of the survey, so that may have had something to do with
 25 it.

1 But foster businesses with higher paying jobs. We
 2 already saw that, and that was kind of like the massive
 3 difference in the pay rates, and that's what people are
 4 saying is the number-one thing. Now, do you see that as
 5 the number-one thing?
 6 MR. SHOVE: In my case, yeah.
 7 MS. CONVERSE: That and retention of existing.
 8 Economic development starts from the ground up in a lot of
 9 rural areas. You're not going to get that big one to move
 10 into a small community. I mean, the likelihood is very
 11 slim. So you need to support and retain and help those
 12 that are already there expand -- stay, expand, and
 13 possibly grow to something larger. So it's both. It's
 14 both. It's retention of what we already have there,
 15 because if those smaller communities lose businesses, then
 16 you have to work twice as hard to bring more in to do that
 17 backfill and to get ahead.
 18 MR. SHOVE: In the higher paying jobs, I agree
 19 with it. That's why I mentioned earlier we're focused on
 20 export-related jobs because they're usually higher pay and
 21 they also have a multiplier effect to the economy. But,
 22 yeah, that's what we're after.
 23 MR. GAUDIN: Say, something down here. You were
 24 talking about White Sulphur Springs, and in general those
 25 kind of communities have something on site that somebody

1 wants to develop. You know, it was the copper mine you
 2 were talking about. But just bringing someone from
 3 somewhere to choose a small town, attraction of new
 4 businesses, like kind of the recruitment, is this too far
 5 down the list or should it be up here?
 6 MS. CONVERSE: It should be up with retention of
 7 existing business and attraction of new business.
 8 MS. GILBERT: Question.
 9 MR. GAUDIN: Yes.
 10 MS. LEE THROUGH MS. GILBERT: And neither can be
 11 accomplished with great success unless we are able to
 12 afford infrastructure, housing, and redevelop our main
 13 streets to attract growth.
 14 MS. CONVERSE: Yes.
 15 MR. GAUDIN: It's kind of what comes first, the
 16 chicken or the egg.
 17 MS. CONVERSE: Exactly.
 18 MR. GAUDIN: And I totally understand. But we
 19 are attempting to kind of prioritize these things. You
 20 know, it's important that we can have many number-one
 21 priorities, but we have a fixed resource pool. So going
 22 through this exercise hopefully will give us a better
 23 idea --
 24 MR. SHOVE: I think like the attraction of the
 25 new businesses, one of the really truly fundamental

1 changes in the last 10 or 20 years, of course, is the
 2 Internet, and there's a lot of businesses that can operate
 3 from the Internet. So then it gets to be a quality-of-
 4 life issue, where do I want to live. And, you know, going
 5 back to my little town of White Sulphur Springs, we have a
 6 very, very successful entrepreneur there, incredibly
 7 successful, who chooses to live there, but they operate a
 8 national business and has had a great impact on the
 9 community.
 10 And that's really what -- when we're trying to attract
 11 businesses, we're really after those small companies,
 12 talking about the quality-of-life issues relative to
 13 living in Los Angeles or relative to living in Nassau
 14 County, New York, or relative to living in Chicago. You
 15 know, so we're stressing that. But I -- Normally,
 16 attraction of businesses is normally a small percentage of
 17 total job growth, but in some cases it's got to be a major
 18 effort to have any kind of real significant job growth.
 19 Helena is very different than I think a lot of the
 20 other places, and I've seen this in other state capitals:
 21 You've got state government. So retention and expansion
 22 of business for us is government, but that's controlled by
 23 the taxpayers. So, really, for Helena, we're really
 24 focused on trying to bring in new businesses, but also for
 25 the rest of the area. And maybe I'm just talking too much

1 about that. But I think, again, it's a geographic thing
 2 of where your local economy is and what's important for
 3 it.
 4 MS. CONVERSE: Diversification other than state
 5 government.
 6 Attraction of new business should be in the top four.
 7 Some areas of our state have amazing technology; I mean,
 8 the fiber to the home and some of that is really good.
 9 But some areas aren't. So I think that's big. But
 10 attraction of new business shouldn't be last on the list,
 11 it should be in the top four.
 12 MR. GAUDIN: Well, this is the last of the first
 13 set.
 14 MS. CONVERSE: Yeah.
 15 MR. GAUDIN: The second set, I mean, look at
 16 this. The sentiment is all the way down here. I left
 17 other off because I was running out of space. But
 18 development of business parks, trade partnerships,
 19 provision of venture capital, these are like way down
 20 here. Now, what's wrong with this?
 21 MR. SHOVE: I think, one, it depends where you're
 22 at, whoever did the survey and what they think is possible
 23 in their local economy. I think that's probably a big
 24 deal. But I think if you talk to the people in Missoula
 25 or Bozeman, they'll put that other stuff way up high

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1 there, equity capital, venture capital, because they're
 2 getting the spinoffs from the university and that kind of
 3 a thing. And it's possible in other areas -- And again, I
 4 think it's geography. In Helena's case, development of
 5 business parks, we really don't have any land available
 6 for industrial activity; some at the airport. So we're
 7 trying to encourage the development of a business park out
 8 in East Helena so we would have that asset available for
 9 industries to come into.
 10 I think it's partially due to where you are.
 11 MR. GAUDIN: Right. I think the first question
 12 on the survey is: Are you going to reference Missoula,
 13 Billings, Great Falls, or the remainder of the state? We
 14 isolated the entitlements.
 15 MR. SHOVE: Oh, yeah, I remember that question.
 16 It's kind of weird. I remember that.
 17 MR. GAUDIN: That's why, because they're
 18 entitlement communities. So we will be able to separate
 19 your concern and get the non-entitlement areas, which in
 20 some, like the CDBG program, that's where the resources --
 21 MR. SHOVE: I wondered why you did that. Now I
 22 realize they're entitlement cities.
 23 MR. GAUDIN: Yes.
 24 MS. CONVERSE: It will be interesting when you
 25 actually have more people take the survey.

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1 MR. GAUDIN: Right.
 2 MS. CONVERSE: And it will probably be sent out a
 3 couple more times before people will pay attention.
 4 MR. GAUDIN: Well, we're not going to open it for
 5 two weeks and close it. I mean, we do these a lot, and
 6 500 -- there's no limit on the number of responses we can
 7 get. We do track the IP address so if somebody were to
 8 stuff the ballot box, we can see that they did the same
 9 responses for all the questions. That's actually never
 10 happened, most people just do it once.
 11 MR. SHOVE: And, you know, there -- I just saw,
 12 where did it go, international trade was low. Oh, it's
 13 the bottom. Yeah, establish and strengthen trade
 14 partnerships overseas. I don't know if people really
 15 realize that, you know, most of this coal is going to
 16 China from Montana, most of this timber is going someplace
 17 out of the country, and the oil is clearly leaving the
 18 area and soon it's going to start leaving the
 19 United States. So that international stuff is really
 20 important as potential buyers of the products and services
 21 out of Montana.
 22 MS. CONVERSE: If they're thinking globally
 23 locally, they're not thinking that big.
 24 MR. GAUDIN: So what I'm kind of hearing you say,
 25 you would like to see the entitlements as a group of

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1 tables and the rest of the state as a group of tables.
 2 MR. SHOVE: You probably ought to do that.
 3 MR. GAUDIN: Because -- Well, with 94 and 42
 4 skipping the question, I mean, it doesn't really have
 5 enough to go on.
 6 MS. CONVERSE: That's crazy.
 7 MR. GAUDIN: I know. But like I said, we haven't
 8 really had it out for a week yet. There's a lot of
 9 questions about housing, so maybe people got tired of it.
 10 MS. CONVERSE: Well, and maybe the individuals
 11 that went out to look at this right away are within the
 12 housing industry, so they skipped over these to get to
 13 their piece of it.
 14 MR. GAUDIN: That could be.
 15 MS. CONVERSE: I could see that. Send it out to
 16 all of them to make sure you complete the housing portion
 17 of this and so -- But honestly, but people took it
 18 verbatim.
 19 MR. GAUDIN: Right.
 20 MS. CONVERSE: Because I would do same thing,
 21 send it out and say, Make sure you read the economic
 22 development questions thoroughly, and they may skip
 23 something else.
 24 MR. GAUDIN: Right. That's why I hope that the
 25 allocation question is answered by everyone.

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1 Remember that? That was also at the end, but there
 2 were not 42 missing from that question.
 3 You know, just to summarize, we will continue to have
 4 some fairly strong population growth. From everything
 5 you've characterized here, the future looks brighter than
 6 the last few years. We've got recovery. We have problems
 7 with our persistent lower wage rates, the poverty
 8 remaining. I like to see the fact that we've had some
 9 growth in our higher income households.
 10 Now maybe we need to talk about these. I think we
 11 have addressed what we see. If you have additional
 12 insights that you can share, I'm really interested in
 13 hearing that. But what I am hearing is that, you know,
 14 the lack of resources constrains us tremendously.
 15 Everybody has the same problem: So how can we do more
 16 with what we have? That's really the kind of ultimate
 17 choice.
 18 MS. GILBERT: Pardon me.
 19 MS. FOSTER THROUGH MS. GILBERT: I am in Ravalli
 20 County. In the last six months we have had 80 jobs
 21 created in a town of 1,809, in the last six months. These
 22 will occur over the next 24 months. We have been planning
 23 using all resources available to us since 2006 to get to
 24 this point.
 25 We had a business with 19 employees on outhouses; did

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1 not have funds due to severe infrastructure deficit. We
 2 put tax increment financing in place. We now have a good
 3 town government. We have infrastructure projects
 4 underway. The resources included DOC planning, loans, and
 5 infrastructure funds as well as USDOC EDA. We needed it
 6 all and we needed it to be somewhat flexible. We had no
 7 trouble with low to moderate income. There was retention
 8 and expansion. The jobs in these areas pay from \$12.50 to
 9 \$25 per hour.
 10 MR. GAUDIN: I would like to ask Ms. Foster a
 11 couple of questions. That is: How long did it take you
 12 to put this together, and is this an approach that might
 13 be successful for others?
 14 MS. FOSTER THROUGH MS. GILBERT: I'm here, but I
 15 can't speak -- or, rather, you hear can't me.
 16 MS. GILBERT: Julie, could you type in your
 17 comment?
 18 MS. FOSTER THROUGH MS. GILBERT: Yes.
 19 I imagine they would work for others. As you can see,
 20 it took eight years; way too long if we want to compete.
 21 MR. GAUDIN: Well, Julie, I'm actually delighted
 22 to hear that. As a graduate of Hamilton High School, I'm
 23 happy to hear this from Ravalli County.
 24 MS. CONVERSE: That's awesome. Julie, what was
 25 it? Which business was it?

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1 MS. GILBERT: She went: Yeah.
 2 MS. CONVERSE: Well, you should have said that to
 3 begin with.
 4 MR. SHOVE: I keep thinking about the point No. 1
 5 up there for discussion, and I'm thinking about for the
 6 whole state. I think for the whole state of Montana,
 7 is --
 8 MS. GILBERT: Pardon me. Julie responds.
 9 MS. FOSTER THROUGH MS. GILBERT: Stevensville,
 10 Bitterroot Tool & Machine, BV Forest Products, and one I
 11 can't say yet opening up in October. Selway.
 12 MR. GAUDIN: Very good.
 13 I'm sorry, you were saying.
 14 MR. SHOVE: I was just thinking for the whole
 15 state really is to encourage and facilitate the
 16 development of the new businesses of the 21st Century,
 17 technology types of businesses, and the things that are
 18 needed to make those happen, like the funding. But then
 19 also, you know, the universities I think are doing a
 20 pretty good job here in Montana of supporting that. But I
 21 think that's really, for the state, the really important
 22 thing. The traditional natural resource industries are in
 23 gradual decline, except for Bakkens, and so it's really a
 24 matter of moving forward to new ventures.
 25 We have a small business incubator here in Helena, and

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1 we just had a new tenant move in, and they sell all of
 2 their product on the Internet. And what happened was they
 3 were starting to sell so much that they really needed to
 4 have their own space to operate and pull all this stuff
 5 together. They were doing it out of their house. And so
 6 the global market has opened up because of the Internet,
 7 and there should be more exploitation, and there can be.
 8 Like the -- I forgot the gentleman's name out of Bozeman
 9 who sold his company to Oracle for a billion dollars.
 10 MS. CONVERSE: Greg Gianforte.
 11 MR. SHOVE: Yeah.
 12 MS. CONVERSE: See, but technology isn't the big
 13 push in our region. You're not going to walk into Conrad,
 14 Montana, and then say, We need technology jobs. They're
 15 not going to, because it's not there. I think in a
 16 generic form we need good to high-paying jobs for an
 17 educated workforce. And our two-year schools and our
 18 universities are doing an amazing job. Great Falls is
 19 working on a huge welding program right now to support
 20 what's going on in the Bakken and the oil sands, what's
 21 going on with ADF International in Great Falls. And
 22 they're actually going to help augment some of the smaller
 23 communities that have the need for those skilled workers,
 24 too.
 25 So it's kind of an all-encompassing -- not just one

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1 industry, but it's wind power and it's construction and
 2 it's welding and it's fabrication and some of those
 3 skilled jobs, too, that there's a huge need for. CDL is a
 4 perfect example that we just don't have. So we have to
 5 figure out a way to get our existing, really good,
 6 high-paying jobs filled and to increase those
 7 opportunities as well.

8 MR. SHOVE: Last year I was at the optics
 9 conference at Montana State University in Bozeman. A lot
 10 of success. I've forgotten, they spun off like 21 firms,
 11 something like that.

12 MS. CONVERSE: Huge.

13 MR. SHOVE: But the interesting thing about the
 14 entrepreneurs that were in those firms, when they
 15 graduated from Montana State University they went to work
 16 in California or they went to work in the state of
 17 Washington someplace else, they became fairly successful,
 18 then they came back because of quality-of-life issues.
 19 But I think that's part of the problem. The state is
 20 producing a good, educated workforce, but they're leaving
 21 the state for the jobs. And then hopefully, you know,
 22 like you, you're coming back here from Oregon. But it's
 23 that kind of a situation where there has to be more job
 24 formation in those emerging businesses of the
 25 21st Century.

1 MS. CONVERSE: Those opportunities for those that
 2 go elsewhere who have the education to gain the skills
 3 then and the development of what they're able to do to
 4 come back and be incredibly successful, to raise their
 5 families and things like that, which is what you hear: I
 6 wanted my kids to go to school; we needed a slower pace of
 7 life where I could still make a great living.

8 MR. GAUDIN: What I did like hearing was the
 9 Ravalli County example about how -- through partnership
 10 and blending of several resources to develop a team
 11 approach seems to be a way to break down some of the
 12 barriers that low resource constraints give one.

13 MS. CONVERSE: Which is really great and why CDBG
 14 is so wonderful, because we can use it to match other
 15 programs; other state programs as well as federal. It's
 16 kind of a neutral funding source, and that's wonderful.
 17 Because the only way to complete great packaging and do
 18 true business development is to tap into all those
 19 different resources, package it together, and you get this
 20 really amazing product when you're done with that. So...

21 MS. FOSTER THROUGH MS. GILBERT: Dittos there.

22 MS. CONVERSE: Well, it's awesome. And
 23 Billie Lee can attest, too, that -- I mean, if we weren't
 24 able to use EDA to match CRDC and Big Sky Trust and CDBG
 25 and Growth through Ag, we wouldn't be able to do a lot of

1 the projects that we do.

2 MR. SHOVE: You know, one of the big projects
 3 we're working on is the old Caird Engineering Works here.
 4 MBAC bought it. But it was a mixture of old CDBG funds,
 5 EDA funds, U.S. Environmental Protection Agency funds,
 6 City of Helena, Lewis and Clark County funds, my funds,
 7 so, you know, to get the whole pie together.

8 MS. CONVERSE: Did you use DNRC?

9 MR. SHOVE: Not yet. I mean, it was too far off.
 10 We were going to do that, but it was --

11 MS. CONVERSE: You're missing one.

12 MR. SHOVE: Well, I talked to them, but it still
 13 has to go through the Legislature next year, and you
 14 wanted to do the --

15 MS. CONVERSE: Oh, we are doing the
 16 implementation.

17 MS. LEE THROUGH MS. GILBERT: I attest.

18 MS. CONVERSE: Yeah. I mean, there are a lot of
 19 projects when you walk in. Even infrastructure projects,
 20 you have USDA Rural Development involved with DNRC as well
 21 as Department of Commerce. So it's knowing the programs
 22 and what you can use, and the flexibility is essential.

23 MR. SHOVE: Yeah.

24 MR. GAUDIN: Now, I would tend to think that
 25 having so many players at the party, if you will, makes

1 the process slow or slower. Is there a way to make it
 2 more crisp?

3 MS. CONVERSE: That's a million-dollar question
 4 as well.

5 MR. SHOVE: You know, maybe I'm naive. I think
 6 the best way is to really keep everybody informed about
 7 what's going on. And it does require more work in terms
 8 of meetings and collaboration and things like that. But
 9 information dissemination and collaboration, long term, I
 10 think improves the success of implementation. But it is a
 11 little bit more involved and takes a little bit longer.

12 MR. GAUDIN: I guess I'm asking if Commerce can
 13 do something within this network that would facilitate
 14 that process.

15 MS. CONVERSE: We could talk about this all day.
 16 I think the best way to do it is to have an incredibly
 17 strong project with huge community support and do your due
 18 diligence ahead of time and know which program is going to
 19 be -- I'm trying to be politically correct, I'm not going
 20 to be -- most challenging regarding the application
 21 process and the funding things. Because if you can get
 22 through that one, most of the others, as long as you keep
 23 everyone in the loop, as Chris said, you can make it
 24 through.

25 MR. SHOVE: I think maybe it's a little bit of

1 the time. On some really good projects that I'm really
 2 trying to push, I go to private foundations because
 3 they'll tell you quick, two weeks or a month, this is
 4 going to happen or not. And I'd rather have a no quickly
 5 than wait several months for a no or a yes. So I don't
 6 know if somehow processes could be organized in such a way
 7 as they can occur a little bit faster. I'm talking about
 8 Commerce.
 9 MR. GAUDIN: Right.
 10 MS. CONVERSE: I think it's the conversations.
 11 And Commerce has done a much better job, from quarterly
 12 submissions on some projects to monthly and having those
 13 committees meet monthly. It has just speeded up the
 14 process immensely. I mean, you're not working towards a
 15 deadline all the time, you can get that whole thing
 16 together and submit it and know within a shorter time
 17 frame. And that makes a huge difference, too, those
 18 open-ended project deadlines. Not that you can do a lot
 19 with CDBG, because once those dollars hit, everyone is
 20 jumping all over them.
 21 MR. GAUDIN: So that comes back to the original
 22 question of allocation. With economic development getting
 23 15 percent of the overall set, but really some larger
 24 percentage of CDBG, is that going to work? I'm not saying
 25 that this is going to make the decision for Commerce,

1 because Commerce makes the decision, but this is part of
 2 the decision process.
 3 MR. SHOVE: Well, I think that more funding
 4 available in economic development projects has a higher
 5 impact value, economically and also demographically, than
 6 things related to housing. We have a very strong housing
 7 industry in Montana and the United States; we have all
 8 these banks providing mortgages, all these loans. And so
 9 I think, you know, just looking at the small amount of
 10 money that HUD can provide to the housing market in the
 11 United States is really not significant unless it's
 12 focused on one particular aspect of housing, like senior
 13 housing or something like that.
 14 But, really, the other funding is in the area of
 15 community development and economic development. That's
 16 where -- Banks do not make loans for economic development,
 17 especially if it's a high-technology business. I
 18 mentioned this before. We have a business that I oversaw,
 19 two of them, and they have intellectual property, they're
 20 doing really well, but they don't own real estate as
 21 collateral for a bank loan, so they don't get a bank
 22 interested in them. They say, This is a really exciting
 23 business, but we don't do that kind of thing.
 24 And so funding that is available more in the economic
 25 development area I think would have much greater impact

1 than you would see in trying to affect the housing
 2 industry and the banking industry.
 3 MS. CONVERSE: A couple of years ago, Commerce
 4 had moved all of the ED funds into CDBG community
 5 facilities and housing. And I believe -- And then they
 6 reopened it up last year when I came through, and I think
 7 they've used up all their allocation for ED. I know the
 8 planning grants went incredibly fast. So when they're
 9 using their allocation that they had set aside for
 10 economic development, and they have used and allocated
 11 most of it by midway through the year, that shows a
 12 greater need.
 13 So I think it's something -- They've done a really
 14 good job about communicating with economic development
 15 organizations and public entities to find out what their
 16 plans are regarding projects, if they're going to submit.
 17 And I think that would be a good way for them to gauge how
 18 much they may need and where the best, quote/unquote, bang
 19 for their buck can be.
 20 MR. SHOVE: Yeah.
 21 MS. CONVERSE: But it was very difficult when
 22 they moved those funds a couple years ago. I was on my
 23 second public hearing to submit an application when those
 24 funds were moved back into community development. It was
 25 difficult to deal with. But we funded the project last

1 year.
 2 MR. SHOVE: And there was the one item, like
 3 infrastructure: Does that go into economic development or
 4 does that go into housing? You know, it has a big impact
 5 on both, and it's a very important issue -- you know,
 6 waterlines, sewer lines, roads -- out there.
 7 MR. GAUDIN: Well, often an infrastructure
 8 project will facilitate economic development or housing,
 9 so...
 10 MR. SHOVE: Yes.
 11 MS. CONVERSE: Yep. If you don't have the
 12 infrastructure to that site, no one is going to build
 13 there and the ability to get it there. That same thing is
 14 going on in Valier right now. They want to put a business
 15 there, but there's no infrastructure. And the cost for
 16 that small community to run it there, they're looking at
 17 trying to package differently to try to get there.
 18 MR. SHOVE: Now, an interesting story, I was
 19 talking with the director of the SBA, the U.S. SBA, and he
 20 was talking about the Bakkens and that there were
 21 businesses that wanted to move into that area, some hotels
 22 and other things, but they couldn't because there isn't
 23 enough water; there isn't enough infrastructure for them,
 24 so they just can't do it.
 25 MS. CONVERSE: Uh-huh. It's a huge issue in that

1 area. And right now you may be seeing a lot of
 2 infrastructure because TSEP applications are due, so
 3 that's kind of on the forefront of everyone's minds.
 4 MR. GAUDIN: Well, these are really the issues I
 5 wanted to hear from you and, you know, kind of where we go
 6 from here. This is the first of three focus groups, just
 7 really appealing to your expertise, you know, so Commerce
 8 can get some better idea about how to maybe be more crisp
 9 than they are or more crisp as might be -- as they could
 10 be, but as well as see about what ideas really are working
 11 and if there's something we can do more to have the best
 12 ideas rise to the top. There are two more focus groups
 13 tomorrow. One is community and public facilities and
 14 another is housing.
 15 But there will be public input meetings and various
 16 types of meetings throughout the development process. The
 17 consolidated plan will be completed late this year, you
 18 know, so this is really kind of just the beginning of the
 19 process, so there may be more opportunities.
 20 If you have had the e-mail, please forward it to your
 21 friends and family. You know, anybody who can take it is
 22 welcome to take it. There is no size limit, so the more
 23 the merrier.
 24 MS. CONVERSE: So I'm guessing, because it's
 25 never safe to assume, that you'll look at the updated sets

1 this, but I do thank you very much.
 2 MR. SHOVE: Thank you. Appreciate it. It's
 3 important.
 4 MR. GAUDIN: Yeah. Thank you.
 5 (The meeting concluded at 3:11 p.m.)
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1 of a lot of the ED groups and the Main Street report that
 2 the Governor's Office had just done regarding business and
 3 all of that type of thing?
 4 MR. GAUDIN: The idea is to draw it all together.
 5 MS. CONVERSE: Sure. Vibrant Futures information
 6 will be good, for those 11 counties, and then, of course,
 7 we're using CDBG funds on our regional impact assessment,
 8 so they'll have that data, too, in four months.
 9 MR. GAUDIN: Just a curiosity, you two cover
 10 separate geographic areas. How many of your brethren are
 11 out there?
 12 MS. CONVERSE: Billie Lee has one. Luke
 13 Walander, that was on, has another. Paul Tuss, Kathie
 14 Bailey, Barbie. I think Paul is from Bozeman. Kalispell
 15 doesn't. Jason Rittal, Jim Atchison, Martin DeWitt.
 16 They'll all be at the MEDA conference next week, so I'm
 17 sure -- Some of the people from Commerce will be there.
 18 MR. GAUDIN: Please have them do that. Make
 19 sure --
 20 MS. CONVERSE: Nick Rich will be there from CDBG
 21 next week, so I'm sure he'll be talking to everyone, too.
 22 MR. GAUDIN: Very good.
 23 Well, listen, I want to thank you all very much for
 24 taking some time out of your day. I know you're busy, you
 25 have things you want to be doing besides participating in

COURT REPORTER'S CERTIFICATE

STATE OF MONTANA)
)
COUNTY OF LEWIS AND CLARK) ss.

I, CHERYL ROMSA, Court Reporter, residing in Helena, Montana, do hereby certify:

That the foregoing proceedings were reported by me in shorthand and later transcribed into typewriting; and that the -61- pages contain a true record of the proceedings to the best of my ability.

DATED this 16th day of May, 2014.

s/Cheryl A. Romsa
CHERYL A. ROMSA