AFFORDABLE HOUSING FOCUS GROUP

SPONSORED BY MONTANA DEPARTMENT OF COMMERCE

IN SUPPORT OF MONTANA'S FIVE-YEAR CONSOLIDATED PLAN

TRANSCRIPT OF THE PROCEEDINGS

Robert Gaudin, Facilitator

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ON WEBINAR/TELEPHONE CONFERENCE:

CHARITY FECHTER
Madison County Planning Director

MARNEY McCLEARY
Community Action Partnership of Northwest Montana

PAM HIGGINS
Rural Community Assistance Corporation

REVONDA STORDAHL
Butte Public Housing Authority

RUSTY SNOW
Summit Housing Group

DEPARTMENT OF COMMERCE:

STEPHANIE CRIDER

JOANNE GILBERT
WHEREUPON, the following proceedings were had:

MR. GAUDIN: Good morning, everyone. Welcome to the Affordable Housing Focus Group. My name is Rob Gaudin. I'm with a consulting organization out of Portland, Oregon, by the name of Western Economic Services. It sounds like I'm some out-of-towner, you know. I've been working for the Department for 28 years, since they established this company. I graduated from high school in Hamilton and went to college here and got my first job right here in Helena, so it's been a long time.

My firm has been involved in every one of the consolidated plans that the Department has done over the years, so I have some institutional knowledge to bring. Many of the people that I'm working with today I was not working with 28 years ago. But that being said, what I would like to do is to have each of you introduce yourselves and kind of discuss what your role is in the housing industry and kind of what you'd like to bring to the table in helping us prepare our Consolidated Plan.

We'll begin here to my left.

MS. CRIDER: I'm Stephanie Crider. I work for Commerce. Most of you got e-mails or phone calls from me.

So I'm just working on that side of this.

MR. LEUWER: Gene Leuwer. I'm currently working with Mountain Plains Equity Group, which is a syndicator, developer of low income housing tax credits out of Billings. I spent 10 or 15 years in the nonprofit world doing tax credit development with the nonprofit sector using HOME and CDBG and, as that nonprofit, operating the ESG program as well, so maybe some advice on how those things work on the ground.

MS. DAVIS: Hi, my name is Andrea Davis. I'm the executive director at Homeword. I'm here with my coworker, Heather McMilin, who, of course, will introduce herself. But we're a nonprofit organization located in Missoula, with a satellite office in Billings.

We have HomeOwnership Center services; so we teach first-time home-buyer education, we provide financial literacy and foreclosure intervention counseling. And then the other side of the organization is we're an affordable housing developer, and we mostly own the properties that we develop, although we have partnered over the years with folks, and we're helping some groups now develop housing that they will own.

And we've utilized the low income housing tax credits and HOME, using the state HOME program here. We've utilized the CDBG program in combination with the community of Anaconda for a planning grant, and so we're interested in looking at some CDBG for actual implementation into some of our properties on a statewide basis.

MS. McMilin: My name is Heather McMilin. I'm the housing development director for Homeword. I do work with Andrea. Just to add a little to it, I've been with Homeword for 11 years in housing with an architecture background. And what we've done over this time -- we're actually a CHDO specifically, and we've done our own projects in Missoula and Billings. We've in the last few years diversified and worked with different projects statewide, so different partnerships.

We've worked -- for new construction, we've done multifamily, but we are also heavily into preservation now and trying to understand and learn the nuances of that. So we worked on a project in Great Falls with a partner with the 502 program, and there were a couple of other subsidies attached to another preservation deal we did. So we're just trying to figure out how to preserve and also stay ahead of the curve in constructing around Montana. So no small task.

MR. MAGISTRELLI: I'm Dave Magistrelli, with Habitat for Humanity of Gallatin Valley. We serve Gallatin and Park County. We service the 30 percent AMI targeted market families for getting them into homes. We carry about 32 mortgages ourselves. We interact with the Montana Board of Housing, utilizing some of their funding to help us in our building program.

We also use some [phone interference] funds in some of our opportunities in the rural development area, such as Gardiner. We're trying to interact with HRDC in the town of West Yellowstone to bring some housing down there, and I think we're going to be interacting with Homeword on another development that's coming into the Bozeman area.

MR. GAUDIN: Thank you.

MS. GILBERT: Joanne Gilbert. I also work with Commerce.

MR. GAUDIN: Okay. For those of you on the telephone, why don't we start out with Charity.

MS. FECHTER: This is Charity Fechter. I'm Madison County planning director and a board member of Trust Montana. And in 2006, Madison County completed a housing study, and, certainly, affordable housing is an issue here. Some of the issues that we have is that we are a rural area and we can't really do projects that pencil out for large developers. And so that is why I'm here, to see what I can offer on the rural side.

MR. GAUDIN: Thank you.


Pamela Higgins.

MS. HIGGINS: Hi, this is Pam Higgins. I'm the director of Madison County Economic Development. We're in a very rural county, the smallest county in the state. We have about 28,000 people, and we're located on the west side of the state.

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rural planning capacity building manager for Rural
Community Assistance Corporation. We serve a 13-state
footprint, and I oversee multiple HUD contracts for RCAC,
and one of those contracts is the Tribal Housing
Excellence Academy. I'm formerly a community action
agency executive director. I was the director at HRDC
District 6 for many years. And then I was regional
manager for Midwest Assistance, overseeing their contracts
in Montana, North Dakota, South Dakota, Wyoming.
And then as far as RCAC is concerned, rural housing
always is a concern for us, especially in the very small,
rural communities.

MR. GAUDIN: Well, thank you, very much.

MS. HIGGINS: Thank you.

MR. GAUDIN: Revonda.

Okay. Well, I guess we'll go to Rusty.

I guess they've all gone to the bathroom.

MR. GAUDIN: Well, thank you very much.

MS. McCLEARY: I'm back. I'm Marney McCleary.

I'm the housing director for Community Action Partnership
of Northwest Montana in Kalispell. And I've spent all my
professional life in affordable housing development. I've
been the executive director of a housing authority and a
nonprofit development corp.

Presently, as I said, we are working on a 258-unit
project that is comprised of seven properties in three
different locations, Columbia Falls, Libby, and Kalispell.
It's called the ReCAP 6+1 Project, using 4 percent tax
credits and bonds. And we're here just to see what we can
learn, find out a little more about what's happening with
HOME and CDBG. And that's about all I have to tell you
guys.

MR. GAUDIN: Well, great. Thank you very much.

You know, what this process -- We're just beginning
our planning for the Consolidated Plan, which is a
five-year strategy formation process. And what we do is
take a look at kind of what our needs are across a broad
array of topics. It was 20 years ago that HUD created
this consolidated planning process. You know, it's really
guiding four programs into one application
process; you know, HOME and CDBG and ESG, now Emergency
Solutions, and the HOPWA programs. But, really, the
fundamental reason is, in exchange for getting that money
we have to kind of lay out what we think our needs are,
what we're going to do about it, and report back to HUD.
All of this is within a context of affirmatively
furthering fair housing, so there's a fair housing
component to this as well.

Now, this planning process, you know, asks us to
identify our housing and community development needs, you
know, just kind of all of them in a large bucket. We need
to prioritize them. They can't all be number-one
priorities. You know, how are we going to allocate our
resources, what are we going to do with the money that we
have maybe from a variety of other sources, how are we
going to leverage what we have from HUD under community
planning and development CDBG programs, our grant funds,
and try to address what our needs are. So this whole
process is to flesh out our needs, try to attack any
barriers or constraints we have in addressing those needs,
and kind of give us some idea of how we should establish
and address our priorities.

Fundamentally, you know, we have kind of a process to
go through, but really, you know, there are national
objectives, too. We need to determine whether we need new
housing or fix old housing or do we want to preserve stuff
or how great a need do we have for demolition, period; you
know, each of those things. You know, within this
context, we need to have vibrant communities. How do we
establish and maintain and sustain our communities? As
well, give us an idea of how we might promote
opportunities, economic opportunities for our residents
and our communities. All of this is really designed to
assist in lower income households.

There's some outcomes that we also have to talk about
as well; you know, certain avenues in which we're talking
to HUD: Well, we've enhanced our communities by doing
this, we've benefited certain individuals by doing that,
we've created and maintained affordable housing by doing
these other things. And we've got, as of 2014, $9 million
to spend; roughly 3 million for HOME and 5.85 for CDBG.
So it's less than it used to be, but it's still not chump
change, you know. I mean, it's a decent number.

We'll be analyzing a lot of data. You know, there's
quantitative information, stuff we get. Surveys that we
take are qualitative information. We're going to be
reaching out to experts, like we are right now, you know,
as well as others.

But this isn't really about me just babbling on and
talking, flapping my lips for my comfort, this is really
about you. So your role today is to interrupt me as many
times as possible. Right? That's your role. I want to
hear statements and questions. You have answers. I'm
just here kind of to facilitate you talking to the
Department of Commerce about what you see Commerce might
be able to do to facilitate making things better for you.
Right?

Where are our most pressing needs? How might we
manage our resources, leverage them better? So this is
your opportunity, this is really about you; how can we
best characterize our problems so, collectively, efforts
to overcome our challenges are easier, if we do them
collectively. So kind of that's, you know, your job
today, is to talk at any time. Please, if you have a
question -- If you're anything like me, if I wait until an
opportune time to ask my question, I will have forgotten
that question, that really important topic I wanted
everybody to hear. I don't know, I couldn't think about
it.

But what we do need is to take a look at these pieces
of the Consolidated Plan. Right? We're going to do an
assessment. Housing is one piece of it. There are other
different pieces that housing plugs into, or plugs into housing,
conversely; it is a dovetailing arrangement. And there's
a strategy. What are we going to do about it? And then
we act on that strategy.

Within the context of housing, we also need to
affirmatively further fair housing. There's a
certification to do that. As an aside, you know, several
years ago, there was a big case back East that somebody
was sued for falsely claiming the certification. They'd
already spent their money from HUD, and they had to return
$50 million to HUD, and they had to pay 50 million to the
lawyers on both sides. And so the taxpayer had to come up
with that money to reimburse those two parties. And now
the New York court system tells this jurisdiction where

housing is going to be located and how many units and what
to do. So they've lost their ability to manage their own
affairs.

So the certification to affirmatively further fair
housing gets looked at quite closely since that time, and
so, you know, the actions that are taken need to kind of
be in that spirit, make sure we don't make innocent
mistakes to get us in trouble. But we get to report back
to HUD about that and we can talk, you know, about how
that's working.

So what we're doing today is really beginning this
needs assessment. This is the second of three focus
groups, housing, there's homeless, community development,
part of which is economic development, which we did
yesterday, non-housing special needs populations, how we
might address them, and bring this all together in a large
documentary process.

Now, the Consolidated Plan kind of was precipitated
from the National Affordable Housing Act, the grants in
Gonzalez 1990 National Affordable Housing Act, which
created the HOME program. A couple years later, Clinton
wanted to consolidate this and proposed that all these
programs come together on a single application date.
Right? Because previously there was four processes. What
has happened in this Consolidated Plan, it has some legal
components to it and then kind of in a way some
preoccupation with housing. And that's actually a good
thing, you know, because it's kind of preoccupied. It
really gives us an opportunity to lay out what our housing
needs are, how we're going to use our resources. There's
some legislative issues we need to address in that, too.
So that's all good. But again, if you have any question
about any of this, you know, please let me know.

What we're going to be looking at, you know, in this
consolidated planning process, of course, the housing
market, how that's behaving. You know, what are our
housing needs, right? Do we need new? Do we need rehab?
What do we need something else? Preservation. How might we
prioritize these? You know, I realize this is kind of a
grand scale. Montana is a very large state, we have a
very large picture, and changes occur at the local level.
So how do we see these local changes from 30,000 feet?
You know, that's really one of our many challenges.
So what we're looking at, at least today, I'm hoping
to see what our sense is for some of our greatest housing
needs. You know, Community Development Block Grant,
there's three other entitlements in the state. There are
occasionally opportunities where the state's funding from
Commerce can go to those communities but in many cases
that's not true. But there are many areas of the state

that are not addressed by the entitlements that the state
can address.

You know, market barriers are kind of pandemic in many
ways. You know, what kind of challenges do we have there?
Are there state issues that -- or initiatives that we can
do? Our policy barriers, maybe those are local. You
know, maybe there's nimbyism or maybe there's other kinds
of land use. Many parts of the state don't have any of
those things, but other parts do.

MS. GILBERT: Pardon, Rob. Marney has a
question.

MR. GAUDIN: Yes.

We cannot hear you, Marney.

MS. CRIDER: Go ahead and unmute.

MS. McCLEARY: I'm sorry, I couldn't -- Did
somebody ask for me to do something or say something?

MR. GAUDIN: Did you have a question, Marney?

MS. McCLEARY: No, I didn't.

MS. GILBERT: She raised her hand.

MS. McCLEARY: Am I supposed to jump in here or
what?

MR. GAUDIN: If you would like to, anytime is a
good time.

MS. McMILIN: Apparently your hand was up.

You're just getting ahead of the curve.
more convenient as well.

MS. McMILIN: I did get it from one of your MDOC blasts. So I would recommend, after you get through these meetings, doing it again. I did fill it out. She didn’t see it, so we could send it off again just as a reminder.

Duplicity is okay.

MS. DAVIS: Absolutely. Because you know how e-mails are, you’re like, Who sent me that? And so sometimes I look for MDOC, but it’s -- I think the e-mail address is like Community Development Division, I think is the actual title that comes through.

MS. CRIDER: Yes.

MS. DAVIS: So then it’s not intuitive for me, because I was thinking, MDOC? So I was literally looking for it before I came two days ago and I couldn’t find it. So that would be great if it’s at the top of my inbox.

MR. GAUDIN: Thank you for that.

Okay. In the way of demographics, just kind of a quick glimpse at some changes, you know, statewide. We have 9.7 percent growth over the decade. That’s good.

Whites grew a little bit more slowly. But as this affects our housing markets, you know, we are seeing significant increases and some -- there’s smaller populations, most certainly. But we do see some significant increases in certain groups. That will affect the kind of products that are demanded in the marketplace. Also, our largest minority, the American Indians, grew 11.6 percent, a little bit faster than the overall average.

What HUD likes to do in this, kind of in balancing kind of the fair housing, where the housing locational choices are made and how is the population distributed, they’re kind of looking to integrate things. Now, various products and parts, if you will, of this strategy process is going to ask for where have people located. Of course, in this chart, kind of the light blue are roughly representing the tribal lands, and the color scheming addresses the concentration. Now, 6.3 percent of the state’s population is American Indian. In HUD’s notion about over-concentrations of poverty -- Let me just -- I’ll get back to that. If it’s 16.3 percent or more, there is an over-concentration, a significant over-concentration.

So this case that I referenced earlier about somebody who was falsely claiming certification of affirmatively furthering fair housing, what they did was, ah, man, we have such a need for affordable housing, so they built it all in one place. The clientele were primarily minorities. So in the end they managed to concentrate both ethnic and racial minorities and poverty in certain areas. So the consequence of that decision foiled them.
1 census here that is above the threshold, right here in
2 West Yellowstone, for some odd reason. But all of these
3 have elevated percentages, all these greens. So when you
4 think about building in these green areas, hmm. You know,
5 it's just something to consider.
6 I mean, Commerce is charged with having the duty to
7 affirmatively further fair housing in the programs and the
8 participants of their programs. So this is just a matter
9 of guidance.
10 One of the other pieces that's interesting, especially
11 here we have some groups literally declining, age groups.
12 Right? From 5 to -- Now, I want to make this certain; we
13 are still flying at 30,000 feet. This is statewide. Some
14 communities, all these numbers are negative, right? A few
15 places, they're all positive. But what's interesting, we
16 have the 5 to 19 declining, 35 to 54, like mom and dad and
17 the kids are leaving, something like that; but here, our
18 approaching cohort of elderly significantly increasing.
19 Now, this is not unique to you. It is largely nationwide.
20 If you were to look at Florida, someplace like that, this
21 thing is like triple digits.
22 But what this means, the elderly group, they're going
23 to be requiring different housing products. You know,
24 aging in place is a popular theme. If they're having
25 ambulatory difficulties, where are the challenges? If we

want new construction, should we have visitability kind of
a concern? You know, maybe we need at least one entrance
and exit to the home so someone can access it from outside
in a wheelchair. But these groups, you know, they're
approaching -- Look. 85 or older, the typical individual
is going to have two incidences of limited activities of
daily living or ADLs. So this is rapidly increasing.
When the 55 to 64 get in here, remember, that increased
63 percent, these bubbles are just going to increase
significantly. Maybe they need single-level housing,
maybe they're cluster, patio style; you know, things where
they can have, somewhere nearby, services. So those are
not just, you know, assisted living only but aging-in-
place opportunities.
Now, please, if somebody has an example or knows of a
community where that need exists or is already emerging, I
would very much be interested in hearing about that.

MS. McMILIN: I would speak to the elderly
population specifically. I think that's happening all
across the state. I think there's a huge issue that I
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housing or services. And so you're losing literally a
generation within the small towns around Montana. And I
think it's a problem. I think it takes the lifecycle of
housing, takes one demographic generation completely out
and it creates an imbalance within the community.
I don't know if you want to speak anymore to the
importance of --
MS. DAVIS: Well, yeah. I mean, the importance
is obviously significant, right to the rural, I would say
vitality of our communities. And then the challenge being
something that you already illustrated at the beginning,
which is that the economics of developing housing and
infrastructure in rural communities is a significant
challenge, because the economics of just the cost of
development versus what you have for the marketability of
property to remain viable, particularly because we've,
Montana in particular but I think all over country, been
dependent on federal resources, which is what we're
talking about today. And those are shrinking and we are
finding ourselves needing more and more, like let's just
say federal rental assistance, for example, either through
Rural Development or HUD.
And those have been traditionally what I think our
elderly populations have utilized when we're talking about
very low income affordable housing properties. And if

those properties are being sold or converted to market
rate, we're losing those rental subsidies in some of these
small communities. And that's significant even in large
urban areas in Montana, but in small communities those are
basically the only show, that's it.
So the equation is concerning. We have a greater
population of elderly folks. I'd say that this is -- I
would be interested in the numbers, but I think we have a
lot of elderly folks that are dependent sheerly on Social
Security, and that is a concerning economic picture.
MR. GAUDIN: As far as --
MS. DAVIS: For affording housing and services.
MR. GAUDIN: -- these existing affordable -- The
phrase I'm using as affordable is not market rate housing
but affordable, meaning housing created through some form
of subsidy. So the preservation of this type of
affordable housing in these small communities is
problematic, is what you kind of just said.
MS. DAVIS: Right.
MR. GAUDIN: So can you think of a method in
which we can preserve existing affordable housing?
MS. McMILIN: I've made notes, and I'll jump in.
But I think that what would be good for Department of
Commerce and the programs that we're talking about today
is to be well aware of the need to work in tandem with

There’s some technical assistance needs in the state of the housing stock that we’re talking about, and the room, they’re a different entity, but that is a large part coordinate. at touch point with other projects so that they can work. So I’ll not talk about the new construction, but at least on the preservation side, I think that it’s very important, and so if we could spread our resources in a way that is just the most efficient as possible.

Policy and procedure and what happens on the federal level is hard to put in on the ground. So MDOC needs to pay attention, work with these other programs, work with us, do focus groups, try to figure out how we can make it work. So I’ll not talk about the new construction, but at least on the preservation side, I think that it’s very critical, and it’s the only way, especially if Social Security starts to slim and go, we can keep some of these units -- This is the lower and lower income targets we’re talking about in these smaller communities, and the smaller projects are harder to cash flow in general, and so it’s kind of the worst equation.

Also, with degrading infrastructure, that’s also important, on the CDBG side, to really be looking at, you know sewer systems and water mains and all of that. That’s another thing that’s very difficult when you’re looking at these small communities.

Mr. Gaudin: So that’s more like a communication and outreach role, that Commerce can play a role in making sure -- and I’m just trying to paraphrase or repeat what you said --

Ms. McMullen: Yeah. Right.

Mr. Gaudin: Make sure that they’re kind of right at touch point with other projects so that they can coordinate.

Ms. Davis: And maybe technical assistance, I think. You know, USDA Rural Development’s not in this room, they’re a different entity, but that is a large part of the housing stock that we’re talking about, and the collaboration and coordination between MDOC and RD.

There’s some technical assistance needs in the state of Montana in terms of the experience level that we’ve gone through here compared to other states. Just to be fair, Mr. Leuwer: I think, you know, you’ve got the subsidy, what you need to preserve with both RD and HUD, and within Commerce there’s a process for folks who are going to opt out of project based Section 8. So Commerce has, I don’t know, I don’t recall the specifics, but about a year warning period when a HUD project based Section 8 is going to opt. RD will tell you they’ve got owners all over the place that would love to get out of their 515 programs for a whole variety of institutional and demographic related issues. How you preserve those -- I think there’s good information in the bureaucracy as to where those projects are, which ones are at risk. What we haven’t done, I think, is put in place a coordinated, effective strategy to systematically try to preserve them. We’ve got folks in the field that are doing one-off opportunity projects and -- Because there is no alternative. And I sure wouldn’t argue against -- you know, I think it’s great we’re trying to do them.

Earlier on you mentioned the court case in New York and kind of HUD’s bureaucratic reaction to that, whether it’s HOME and in some ways bleeds over to CDBG. But, you know, as I look back over more years than I care to remember, the federal requirements generically have gotten more complicated and sophisticated for grants management and for whether it’s procurement, whether it’s grant administration, whether it’s compliance after the fact. Your demographics break down populations by income and age, and I think they’re all great and they’re all correct and you all ought to do that. I think a real challenge, and Andrea talks about it in terms of technical assistance, but how in rural Montana does the capacity exist to meet those more complicated federal requirements either in terms of gaining a grant opportunity, administering one, or going forward for 20 or 30 years and complying with it?

And I think as a -- There are some states that have consolidated some of those grant management functions at the state level, so the projects at the local level are really given that capacity through a state agency. In Montana, particularly with HOME, we’re on a model that grants that money and relies on compliance at the local level. And there’s some advantages to that for local folks. I mean, I’m a little ambivalent about which way I’d argue to do it. But if you look at the organizations across the state that are active with the capacity to do that compliance, to make the applications, you don’t have a lot of them. And the rural areas really have to find somebody, and interest them in a project, that does have
that capacity in order to compete at all.

1  MS. McMILIN:  Right.
2  MR. LEUWER:  And that really relies on nonprofit
3  entities. You don't have a state system that would
4  provide that project-based development capacity to local
5  governments or to local communities. So if you're in Any
6  Small Town, Montana, you've got to develop all that
7  capacity, you've got to carry it out, you've got to comply
8  with it under the threat of if you screw something up that
9  you don't even know exists HUD's going to ask you for the
10  money back. And odds are you're only going to do one
11  project.
12  MS. McMILIN:  Right.
13  MR. LEUWER:  So how long does it take you to
14  develop the capacity to get the money; once you've got it,
15  to administer it; and, once you get the project done from
16  a development standpoint, comply with it, in the HOME
17  world for the next 5 to 20 years, or the tax credit world
18  4 to 6 years? But, you know, there's something wrong,
19  there's something lacking in a system that allows much of
20  Montana's need in population based on geography, not age
21  or ethnicity, to compete in these programs.
22  MR. GAUDIN:  Is this the technical assistance
23  you're kind of referring to that he just described?
24  MS. DAVIS:  Yeah. I'd say that's a part of it.

1  MR. LEUWER:  That's part of it.
2  MS. DAVIS:  That's part of it.
3  MR. GAUDIN:  Yes, ma'am.
4  MS. McMILIN:  Gene articulated it down to kind of
5  one simple point. I think MDOC could help facilitate the
6  connections. Because in that rural community, why
7  should a local entity try to come up with the skill set to
8  be able to do the development and this long-term
9  compliance, and do that all for one project?
10  MR. LEUWER:  And the grant application.
11  MS. McMILIN:  Yeah, and the grant application.
12  That is -- Affordable housing basically takes a lot of --
13  it's a lot of brain damage. It's very difficult. Why
14  should that one entity do that? I think Department of
15  Commerce can help connect the dots with groups that have
16  the capacity to do that for those rural communities or
17  that one project, to make that easier to do that. Being a
18  CHDO developer, those pieces we're learning, there's some
19  nuances with the new HOME rule. Really understanding how
20  to make that effective for both the application,
21  development, but also technical assistance probably would
22  be most important on the compliance side or how do we
23  allow the management -- how is that management, how is
24  that ensured. I mean, every time we work in a different
25  part of the state, that's our first question. We know we

1  can come in and do the bricks and mortar, but how is it
2  going to be to maintain compliance?
3  So I think facilitating those connections between
4  experience and need.
5  MR. LEUWER:  Some states really use the state as
6  the grantee to assure all that compliance and they
7  participate with the locals in the development.
8  MR. GAUDIN:  Can you name some?
9  MR. LEUWER:  Wyoming, on their HOME program. I
10  mean, they don't grant that money to CHDOs or local
11  government. They get a tax credit application that
12  requires HOME funds, that's all done at essentially the
13  Montana Board of Housing or Community Development Division
14  level.
15  MR. GAUDIN:  In Wyoming.
16  MR. LEUWER:  In Wyoming.
17  MR. GAUDIN:  So it's WCDA, Wyoming Community
18  Development Authority.
19  MR. LEUWER:  Right.
20  MR. GAUDIN:  Okay.
21  MR. LEUWER:  Now, I think the other model in
22  Montana has forced the development of some capacity that I
23  sure wouldn't want to see go away, whether that's
24  Homeword, some of the HRDCs --
25  MR. GAUDIN:  Is there an institutional

1  barrier there?
2  MR. LEUWER:  -- but I'm not sure you couldn't do
3  it both ways.
4  MR. GAUDIN:  In Wyoming it's a quasi-public
5  corporation, not part of state government, the Wyoming
6  Community Development Authority. Like the New Mexico
7  Finance Authority or Nebraska Investment Finance
8  Authority. They're all entities that are separate from
9  state government. Because the Board of Housing is inside
10  Commerce and they're kind of fed through the standard, you
11  know, budgetary concerns and considerations. Would having
12  a quasi-governmental entity not as part of the state
13  government be a better model to do what you're suggesting?
14  MR. LEUWER:  Don't know. I mean, I don't know
15  that I'd spend a lot of time arguing over the form.
16  MS. McMILIN:  I agree.
17  MR. LEUWER:  I think the function, however you
18  provide, on kind of an equitable basis -- You talked
19  about, you know, in your list, one of the three or four
20  significant things was barriers to affordable housing. I
21  think capacity's a real barrier to rural Montana, and I
22  think we've all done projects in rural Montana where we've
23  benefited from that, we've provided that capacity to
24  folks. We've incurred some brain damage, but we got some
25  stuff done.
But I think -- I think a barrier to affordable housing in Montana is capacity. And if I'd look at the function end of it, my advice would be to explore options that would help increase rural Montana’s accessibility to federal funds through probably provision of state capacity, whether the state provides it directly, through a quasi, or whether a contract. I mean, RCAC has got a model, WCDA has got a model.

I think looking at the function and how you provide -- You know, you’ve got Madison County on the phone today saying we’re trying to figure out how to do affordable housing projects. And I think there’s probably ten others we could name that in the last year or two have come looking for help one way or another, probably to the nonprofit and state sector as well. I think just some thought in your state plan about how you provide that -- you remove that rural barrier that logically brings a lack of capacity with it in most instances.

MS. McMillin: And maybe it’s just recognizing it. Because I think that there’s kind of two fronts to this. You want to strengthen those who have capacity. You want to make sure that they’re healthy organizations so they can lend that capacity, whether it be in the urban and the rural. So you have the Homewords and the HRDCs that have experience. We don’t always do it perfectly, but we work in tandem with our state agencies and local agencies to be better and better and understand the rules and work together as we work these projects.

And then recognizing that -- Because there’s a limited capacity of what state staff can do, there’s only so many hours. So there’s the health and wealth and the technical assistance on the experienced, but then also staff at the state level have to spend more time -- I recognize that there’s more compliance and monitoring, and they should be spending more time on these projects that have maybe the long-term ownership with someone with less capacity, to make sure it’s okay, make sure it’s being taken care of the right way. Spend time doing technical assistance with the larger groups that have capacity and try to figure out how we can best use our skill sets together.

So I think -- I think there’s a trend with Department of Commerce now with the HOME program. We’ve been doing that a year plus, trying to understand the new HOME rule and trying to figure out how to implement it, and we’re having really, really good conversations. So I just want to continue that, but then recognize there’s different levels of capacity, the programs have different capacity, there’s different levels of that, recognizing it, and training it appropriately.

MS. McCleary: This is Marney. Can you hear me?

MR. GAUDIN: Yes.

MS. McCleary: Yes. You know, Colorado has a model that works really well; you’re probably aware of that. But, you know, they’ve got the Colorado Housing and Finance Authority, and then they have the State Division of Housing. And at the State Division of Housing level, they have obviously a main office in Denver and it’s --

MR. GAUDIN: We just lost you, Marney.

MS. McCleary: Am I coming across now?

MR. GAUDIN: Yes.

MS. McCleary: Okay. Anyway, they have -- their main office, like I said, is in an entitlement city, but they also have field offices in all the rural areas of the state, and those field offices offer technical assistance. And they’re only usually one-person offices, and they’re assigned, you know, so many square miles or whatever. And it’s not quite as rural, obviously, as Montana, but there are some very rural areas of the state.

And, you know, in working with them for 15 years, I mean, they do -- they do a very good job. And they’re very -- everybody works very well together. And those development specialists really offer a high level of technical assistance for, you know, a lot of the smaller groups that are doing farm worker housing and elderly housing, et cetera. So, I mean, there are a lot of models out there that we can school with. And, you know, it worked really well. I mean, I know our development specialists were very, very important to our organization.

MR. GAUDIN: Thank you. Thank all of you, actually, for all those suggestions.

Another thing I see emerging here in the state, this is -- this chart is the number of households by household size. You know, sure, we have a large expanse in smaller households, persons per household. That average continues to decline a little bit. The total number of households grew 14.2 percent, the population just grew a little over 9 percent, so we’re having smaller average persons per household. But what we do see nationally, and here, is that these larger households are expanding rather rapidly. This is largely related to increases in minority households. And this is a housing product that is not typically provided in the marketplace anymore; seven or more persons. That’s a huge house or apartment; you know, it’s like a four-bedroom apartment, unless you’re overcrowded.

So my question to you, have you yet seen this emerging in any of the localized markets that you might be working in?

MR. Magistrelli: We’re finding it in Gallatin County where our partner families are requiring four and
five-bedroom housing because of the family size. And
often it's a single parent, a mom or dad, with a large
family. So we see that happening within the last three
years.

MR. GAUDIN: Have they recently moved to the
state?

MR. MAGISTRELLI: No. They've been here for --
for a while. Many of them are native Montanans.

MR. GAUDIN: And so that's for your products.

MR. MAGISTRELLI: For our product, yes.

MS. McMILIN: For our developments in the rental
realm, I would say Billings -- Billings is the only place.
We have a project on the south side that has a couple of
four-bedroom apartments. And I haven't checked recently,
but I don't believe we've ever had any trouble filling
them. I don't think there's a lot of units of that
nature. I don't know if the Housing Authority is trying
to develop them either. But that was something that was a
surprise to us when we developed it, but it's been units
that have been full in that neighborhood. I think it's
with -- I don't know the ethnicity component to that, I
just think there's some large families in that
neighborhood.

MS. DAVIS: I'm sorry, are you talking about
Missoula or Billings?

MS. McMILIN: Billings.

MS. DAVIS: Yeah. I mean, we've noticed a
difference between the western side of the state and the
eastern side of the state, and so demographically there's
obviously something going on there; you know, whether it's
the urban Native American population in Billings because
of the proximity of the Crow Reservation. In Missoula,
the reservation closest to the city of Missoula has got
the Flathead, Salish, which is a greater distance, so --
You know, it's all kind of a puzzle. You know, we ask
ourselves, Is that the dynamic?

There also may be some agricultural components on the
eastern side of the state, that there are agricultural
immigrant workers at a higher rate. Now, of course, the
Flathead has -- you know, certainly there are immigrant
families in that part of the state. But I think it's just
a higher propensity on the eastern side. So we do see
larger-bedroom-size needs over there in Billings than we
do in a community like Missoula.

MS. McCLEARY: You know, I mean, since we're in
the Flathead, I can tell you that we have seen a lot more
requests, especially in our mutual self-help housing
program and our community land trust program, for three
and four-bedroom homes. We're building a lot more
four-bedroom homes than we ever were five or ten years
ago, and we're putting a lot more larger homes into the
land trust.

MS. CRIDER: Was that Marney?

MS. McCLEARY: Yes.

MS. CRIDER: Just a reminder, with you guys on
the phone, if you could just say your name at the
beginning.

MS. McCLEARY: I'm sorry.

MS. CRIDER: That's okay.

MS. DAVIS: Hey, Marney, this is Andrea. Are you
seeing that as far as young families?

MS. McCLEARY: Yes. And I'm also seeing it as
far as minority families, and not just one minority, but
we have a lot more Asian Americans, we have a lot more
Hispanic families, South American families, and a lot of
people were brought up on agricultural farms and ranches
that are gravitating towards, you know, towns, cities,
much, more urban areas.

MR. LEUWER: And I would agree. I'm working with
a project in Sidney that's got three or four four-bedrooms
in it out of a 36-unit. So you've got a few -- a few
larger families, and I think particularly in your
single-family home ownership thing, that larger unit may
experience a little demand. Again, on your graph, that's
just a shade over 1 percent of the population. You look
at your elderly demographics, where you've got huge
increases in your 55 and above age group, and you really
almost see the opposite trend there, where you've got long
waiting lists for one bedroom or maybe two bedrooms with a
little bit of family, caregiver or even husbands and wives
that require separate bedrooms for medical issues in some
instances.

So, you know, I think there is some demand in the home
ownership for large families with the -- even occasionally
with the multifamily stuff. But, boy, I think your
demographic drivers with age would lead you the other way
in the rental market, different than the home ownership or
even single-family rental kind of market.

MS. McMILIN: I would agree. When you're looking
at the lifecycle of housing, you kind of see rental at the
beginning --

MR. LEUWER: Uh-huh.

MS. McMILIN: -- then the middle, and then at the
end going back to more of a rental, and that's an aging
population. Because you can see that we're all living
longer, and a lot of people move home to Montana; the
native family leaves, comes back. I don't believe that's
ever going to be a trend, especially on the rental side,
that ends. A focus which leads to the emphasis on
visitability and accessible. Anything that we're building
new or rehabbing, whatever we can do to make it
live-in-place, not assisted living but make it
aging-in-place, is really important.

MR. LEUWER: I think it's one we shouldn't
ignore. But if you look at, you know, your bottom
three percentages up there, you've got 8 percent,
9 percent, your top two you've got 65 percent. And I
really think that's the --

MS. McMILIN: That's aging.

MR. LEUWER: And you're in the development end,
boy, you look at that one-and-two-bedroom-unit stuff and
there's I think no end of demand for it.

MR. GAUDIN: What I do see is with our growing
population we have a variety of increasing trends. I
found it really interesting the way in which you talked
about facilitating the development of capacity as a role
that Commerce could take a little bit more elevated
position in.

MS. McMILIN: Uh-huh.

MR. GAUDIN: I would like to touch on a few
economic issues, just a couple of slides. Here we have
labor force statistics. Now, labor force is a count of
people, right? They're looking for work or they're
working. And here we have the labor force, which is the
sum of those two, and then the people working. We took a
pretty big hit here a couple years ago. I'm happy to say
that the difference between those two lines is the
unemployment rate. And here, you know, nationally, almost
up to 10 percent while you're at 7. And you're down here,
in 2013, down to 5.6. So that's good. But when you look
at jobs -- that's another way to address employment -- you
can have a couple of part-time jobs and you're going to be
counted twice in this chart.

Now, we have had some kind of, you know, ups and
downs. We thought it was really bad in '74, you know, but
this is almost 22,000 jobs we lost right here, between
2008 and 2010. We're coming back. We're not all the way
there yet. This is Bureau of Economic Analysis. The
other data was BLS. I like BEA data because we can get
some information about income derived from these jobs.

And this is a sad statement. This is an economic
development statement, a challenge. This is the average
earnings per job in the state and the nation. I mean,
holy smokes, we started diverging here, and for 20 years
we went nowhere and the U.S. went up. We've been doing a
little catchup thing, but here we're $14,000, roughly,
less than the national average. That's a kaboodle. You
just divide these by 2,000, the rule of thumb for hourly
average wage per job; you know, 20 versus 27 or 28 bucks.
I know, as housing developers, you probably want to

know where these jobs are paying more to provide a
marketplace. But, you know, our economic development
personnel might want to have some play in that.

MR. LEUWER: Well, and I think the other effect
that has in terms of reality is as the federal government,
through reduced or static appropriations, provides less
subsidy, from an affordable housing developer's standpoint
where you're looking at what you can do to keep that
subsidy active, that $7-an-hour difference in wage rate
average would indicate we've got a heck of a lot of demand
for subsidized housing, given the economic realities. I
think you're right. I wish there was a way to increase
our average wage seven bucks an hour in Montana, but the
reality of it is we've got a lot of folks that depend on
some sort of a government subsidy for decent housing.

MR. GAUDIN: If we take another look --

MR. LEUWER: Preservation stuff becomes --

MR. GAUDIN: Very important.

MR. LEUWER: Right.

MR. GAUDIN: If we took another look at just
income -- I mean, Montanans have a tendency to work many
more jobs than average. You know, there's also some farm
economy in here, a large portion of it. So total income
divided by -- you know, the income might come from
dividends, interest, rent, divided by the number of people

is per capita, we're a little closer. But look, the
whole -- historically, we've just been really low. We're
narrowing the gap a teeny bit here, but we're still $5,000
less.

MS. DAVIS: I mean, what's your gut on that? You
know, my gut on that is that actually maybe is an
overstatement of what people's actual earned income is.
And I think that's what we're finding -- that's what we
find in the work we do. And we can talk about developing
low income housing tax credit for people at 60 and
50 percent of area median income, and we may be funding
that with a HOME grant or CDBG grant, and the reality is
we're serving people not at 50 and 60 percent but at 30
40 and 50 percent that are spending 40 and 50 percent
of their -- of their income on housing. And so,
technically, they are cost burdened, but they're a heck of
a lot less cost burdened than they would be in the market.

And when I look at those numbers, I say, yeah, that's
pretty close, and when you look at the amount of income
for some of the other parts, you know, the statistician in
my head goes, hmmm. You know, I just think that actual
dollars earned versus income is a different number --

MR. LEUWER: That's your first number. That's
your 14,000 --

MS. DAVIS: Yeah. I mean, that's really what's
The economic issues. We have significant barriers in front of us.

Now to housing. The surprise here for me, households -- population went up 9 percent, households went up 14 percent, production of housing units went up 17 percent. Okay, okay. Home ownership declined a little bit; people are shifting more to renters, rental properties. But we had a fairly substantial increase, like 20,000 units, in vacant housing.

MS. DAVIS: Is that homes?

MR. GAUDIN: Are you seeing anything like that?

MR. LEUWER: Oh, I think that makes sense. I mean, I think in rural Montana, with the exception of the energy boom, you've seen a lot of out-migration over the last 20, 30 years, probably, in small-town rural Montana, particularly in the east. You know, I think as those aging demographics you pointed out occur, I think one of the big drivers that increases demand for senior housing in the more populated areas is the availability of medical care. So you've got mom and dad moving off the farm, they're headed to Billings or Missoula or Kalispell or Bozeman because there's good medical facilities there and one of the kids and the grandkids are there.

MS. DAVIS: Right. Yeah.

MR. LEUWER: So you've got zero vacancy in Bozeman and you've got -- you want to go buy a house in, and I may have the community wrong, Lewistown or Harlem, you know, and until a few years ago in Sidney or Glendive, and, boy, you were paying 40, 50, 60 grand for a very nice three-bedroom house that would cost you five times that in Missoula or Helena. So I think you've got a lot of vacancy and you've got a lot of demand and it's --

MR. GAUDIN: This here is the disposition of these vacant units. Some of them, grandma and grandpa move into town, they move from the small town into more urbanized areas, and the kids rent their house, or somebody tries to sell it. These units are still available to the marketplace. I'm more concerned about this other vacant; you know, this 4,000 increase in homes that are not available to the market.

MS. DAVIS: Right. Second homes.

MR. GAUDIN: Those are not second homes.

MS. DAVIS: They're not? What are they?

MS. McMILIN: Is it an aging housing stock?

MR. GAUDIN: Here's second homes.

MS. DAVIS: Oh, seasonal recreational.

MS. McMILIN: Is it an aging housing stock?

MR. GAUDIN: These are not for sale and not for rent.

MS. GILBERT: Pardon me. Charity has a comment.
MR. GAUDIN: Okay. Charity, if you can unmute your speaker.

MS. FECHTER: Okay. Thank you very much.

This is directly related to the housing issues we have in Madison County. And the seasonal recreational occasional use is a big part of it; the other vacant is property that is not available because people are looking at putting it into the seasonal market. Our issue is that we have housing, there's plenty of housing, except nobody can afford to be in it because they can't afford to pay $1,000 a week.

MR. GAUDIN: Well, that would be housing that's for rent, because it's available to the marketplace. They can't afford it, but it's still --

MS. FECHTER: Well, some of it is not available to the marketplace. They're actually holding onto it, it's just left vacant. It's not for rent, it's not for lease, it's not available. And I don't know if they're holding on for the market to increase or what the issue is. But that is something -- I don't have any solutions, I don't have any recommendations. I'd be happy to hear from others.

MR. GAUDIN: Yeah, and that speculative arrangement, where they're holding onto the housing unit for a different future, is usually a bit different from housing units that are kind of captured in this category, other vacant. Typically, those are units that are not desirable to the marketplace; they can't sell them, they can't rent them, they might be in a floodplain, because they can't get any money to improve them either, so they're kind of stuck.

MR. MAGISTRELLI: One of the questions I have, because we run into it a lot, is the number of people that are living in trailers, unsustainable trailers, and trailers that are vacant because nobody wants to live there, nobody can afford to live there because of the heating bills during the winter. I'm thinking of two communities that we work in that have very extreme winter weather conditions, and people in trailers spend in excess of $1,000 a month just to heat it and still have frozen pipes. Under this other vacant, is this where trailers fall in?

MR. GAUDIN: You know, these types of units, that can happen. But they're not available to the marketplace. You can't go rent them. Often they're units that the ownership is indeterminable. You can break them into them and squat on them. And that's in an urban city; like, you know, I don't know, Minneapolis or something, they would have problems. Roustabout towns have a lot of problems with other vacant.

MR. MAGISTRELLI: West Yellowstone has that problem, with squatters going into vacant trailers. They've had drug problems down there because that's where the drug dealers go, because they don't have to pay, they can squat in there and they can carry on their business through these trailers, they can leave and not be detected. But they're sitting down in that town and they're unsustainable. They're vacant. They're rentals. During the summer, some of these units go for $1,200 a month.

MR. GAUDIN: Yeah, those seasonal units are also not part of other vacant because they're seasonal.

MR. MAGISTRELLI: I think they're seasonal because the demand for housing during the months of May through October is so great that -- because there's this influx of people, these units that you would not necessarily want to live in go for rental units at a high price.

What I'm referring to in other vacant are usually -- in a place like Montana, they would probably be pioneer housing. You know, small towns where the housing units were built on stones or something that was originally some mud and stones and the foundation has crumbled from those old days. Maybe it was just some other form of foundation, no basement; maybe they dug a little bit. But housing units that are very small, lathe and plaster, sometimes some kind of the early board that they put up that wasn't lathe and plaster. Stuff that has not anything near to what current codes would be. If they were painted in the '30s, you know, there's high incidences of lead-based-paint risks.

So the question -- or the increase in these 4,000 units is probably that people found better housing, because remember, housing stock grew 17 percent and household formation grew 14 percent, so the least desirable units are growing as empty units. So the question becomes, What, if anything, do we want to do? And in yesterday's focus group people were talking about the need -- In some communities, these housing units are located in close proximity to one another, and so there are two things that they represent: A redevelopment opportunity, where you just push them all down and you reestablish the neighborhood. Because infrastructure is in place.

MR. LEUWER: Right.

MR. GAUDIN: There's a sewer and there's sewer line and there's some water and there's some kind of a street, so that's a redevelopment opportunity.
Also in other vacant are units that at one time were beautiful. You know, they were built with quality materials and workmanship, and there may be an opportunity for rehab.

So that's kind of where I'm coming from. Is there a way or should we really think about that, is there a way to make these -- kind of restore these things to their natural beauty? Can you think of any situations where either the redevelopment or the rehab might be viable for some of your communities?

MR. MAGISTRELLI: Well, I think we have one on the books that a couple of the agencies are looking at in the Bozeman area where the infrastructure is there; unfortunately it has to be upgraded, and that's limiting that development right now, or redevelopment, because the cost of redoing that infrastructure is so high.

MS. McMILIN: I think that using the NSP program in Anaconda, we've seen there's kind of a fine line. Some units -- in especially the Goosetown and the older neighborhoods, some are able to be rehabbed, but a lot where there may be infrastructure for city and services and all that, but a lot of the houses need to be taken to the ground and start over. They're in too rough a shape or there's asbestos or it's just run down. So, you know, infusing money in, we had tried to salvage as much of the buildings as we could, and in most instances we did have to demo and then build up from scratch.

I don't know if Revonda sees that in Butte, if they walk that fine line about what can be rehabbed and what needs to be started over. But there are definitely communities with delapidated or just aged housing stock that just hasn't been taken care of. So I think that is a big need in Montana.

MR. GAUDIN: So redevelopment is a greater need.

MS. McMILIN: Redevelopment.

MR. LEUWER: Well, and in some ways I would think that results from market demand. I mean, you've got a few communities, Great Falls, maybe Butte, maybe Anaconda, where you've seen significant decreases in urban population. So you've got the infrastructure, you've got the community systems, but given the out-migration because of industry changes, you may not have the demand for housing.

MS. McMILIN: And now with the demand --

MR. LEUWER: And some of that's in rural Montana as well, I think, or portions of rural Montana.

MS. McMILIN: What I see in Anaconda and what I suspect about Butte now, you're right, there was a big economic turn and there weren't jobs, and now that there are new facilities coming in --
MR. GAUDIN: I think a big driver in your cost burden is really what we looked at with income variance.

MR. LEUWER: I think a big driver in your cost burden is really what we looked at with income variance.

MR. LEUWER: That's right. Yeah. You have it coming at both sides.

MR. GAUDIN: That's right. Yeah. You have it coming at both sides.

MR. GAUDIN: Because not everybody's costs have increased. Some jurisdictions have decreased.

MR. LEUWER: Right.

MR. LEUWER: They may be closer to the distribution center or maybe there's transportation costs.

Oil costs are significantly higher, so --

MR. LEUWER: Right.

MR. MAGISTRELLI: And land property values, the cost of getting a lot has skyrocketed.

MR. GAUDIN: What's a typical cost today?

MS. McMILIN: Depends on where you are.

MR. GAUDIN: In Bozeman.

MR. MAGISTRELLI: In the Bozeman area, we're looking at 65 to $70,000 for a city lot.

MR. GAUDIN: And some of the smaller communities?

MR. LEUWER: If you were doing single family?

MR. GAUDIN: Yeah, single family.

MR. LEUWER: You might get a lot for 50 grand for a multifamily development, you know, a couple of acres.

MS. DAVIS: But with no infrastructure.

MR. GAUDIN: Right. So, yeah, you can put in a multifamily dwelling and where is the sewer? You know.

MR. MAGISTRELLI: You know, and I bet you down in West Yellowstone, I bet you a lot is going to be three times that value, maybe four right now, because of what is going on dynamically with some of the corporations coming in.

MR. GAUDIN: Well, I do know in the county south of there, Teton County, Wyoming, the average house on ten acres or less is $1.9 million.

MR. LEUWER: Right. Jackson Hole.

MR. GAUDIN: That's right.

MR. MAGISTRELLI: I think in Bozeman --

MR. GAUDIN: They went down $500,000 between 2008 and 2010.

MR. MAGISTRELLI: I think in December, the average cost of a house that was being sold in Bozeman was $245,000.

MR. GAUDIN: Yeah. Substantial.

Now I'd like to take you through our 94 survey participants. So please, once again, if you have -- I should be putting this survey there. I apologize for that oversight. But your e-mail is here, we'll make sure you get a copy of it if you haven't received it.

But one of the questions later in the survey, we asked people just their feelings about, well, if you had enough money for these things -- you know, basically all the categories that would qualify under CDBG is really what this is about -- how would you allocate your resources.

Housing came out on top. But that's only a quarter of the resources. Sure, we need something -- we need water and sewer to build the house, water and sewer to do anything
here, but this is kind of what people have said.
And I have a couple of housing questions that we ask
people to rate the need. Over the years, the Consolidated
Plan has asked you to tell me, tell us what the need is
for certain types of housing. No need means you’re
absolutely not going to participate in this. Low means,
well, there’s a possibility if we were to amend the plan
or maybe find some money somewhere; probably not. Medium
means, yeah, we might. And high means we definitely will.
So we ask people to rank the need for these various types
of housing.

What I’ve found, really, this word “rental” -- I
sorted this slide, actually the first couple slides, this
one and the next one, by level of high need. There’s
another batch of these on the next slide, 24 or less. But
these first three are all about rental housing. Is that
what you see as the greatest need?

MR. LEUWER: It really comes down to your income
demographic.

MS. McMILIN: Right.

MS. DAVIS: Yeah.

MR. LEUWER: I mean, if you’re on the affordable
end of things, you’re, you know, 80, 100 percent of median
income or lower, they’re not thinking about buying a
place --

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MS. McMILIN: Exactly.

MR. LEUWER: -- given your construction costs and
land costs.

MS. McMILIN: The only time it works to buy a
house is to have an infusion of one-time NSP funds where
you put a soft second in to even reach those income
targets for ownership. I agree. The rental --

MS. McCLEARY: This is Marney.

MR. GAUDIN: Yes.

MS. McCLEARY: You know, we’re seeing a little
bit different of a dynamic up here, and I’m seeing, yes,
the need is more for rental right now. But the reasons
that people are giving up, especially people that would
have formerly applied for, like I said, a land trust home
or a mutual self-help home, is that they’re gun shy. You
know, I’ve had people say to me, I’d rather walk away from
my rent than walk away from a mortgage and ruin --

MR. LEUWER: Yeah.

MS. McCLEARY: And once again, that’s the
economic factor or the income factor at work, but it’s
also the -- You know, I mean, people are still very
unstable and nervous after the recession, especially the
age group that we deal with most of the time, which is,
you know, right around 20 to 30.

MR. GAUDIN: Thank you.

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MS. DAVIS: That's the trend that we're seeing
with transportation and with housing with that same age
group nationally, is the decreased desire for the burden
of home ownership. I mean, I think people -- On one hand,
it opens all these avenues in asset building. That
demographic, you know, the Millennials, since we've been
talking about them, look at it more as a burden. They
look at it as, you know, it ties me down, I can't travel
to Europe if I own a house. And the same thing with a
car; we see fewer and fewer -- And this is a national
trend. We're seeing fewer and fewer households with two
cars, we see fewer vehicles, a higher demand for public
transportation from that group.

That generation, which is a larger generation than
Generation X -- actually, what I read, it's actually a
bigger generation than Baby Boomers. I think we're going
to see some significant policy changes because of that
demographic, because of that generation.

MR. GAUDIN: That would be a promotion of higher
density living. Is that --

MS. DAVIS: Yes. Yeah. And better
infrastructure, better public transit and infrastructure,
community planning, all of those things that need to click
together in order to make a vital community. Those are
the demands that that group is saying they want.

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MS. McMILIN: Because they can function without a
2 car.

MS. DAVIS: Yeah. Absolutely. It's a high
quality of life. Why would you hold that cost burden?

MR. GAUDIN: But transportation or public
transportation is not in all communities.

MS. DAVIS: Absolutely. A big issue for a state
like Montana.

MS. McMILIN: And on the flip side of it -- I do
think there's that big push, but having grown up in
Belgrade, which has seen massive changes, being fourth and
fifth generation, I mean, historically there are people
that are moving from that area to Lewistown or the smaller
communities because they want that lifestyle that we used
to have in Belgrade or some of those overrun communities
with growth and change. So I think there's both ends of
the spectrum.

MS. DAVIS: Yeah, absolutely.

MR. GAUDIN: I guess what I'm asking for is, in a
way -- You know, homeowner rehab, we can fix those, but
what we don't see -- construction and new for-sale is the
bottom of this list. I mean, if we're to prioritize
these, are we saying we're going to let the market take
care of new construction and home purchase and we're going
to try to focus our efforts here on these markets?
mean, okay, Habitat is a little different.

MR. MAGISTRELLI: Right.

MR. GAUDIN: But largely, would that characterize what we're talking about?

MR. MAGISTRELLI: Well, you know, we're a little different in the fact we do build single-family homes.

The other component that Habitat is moving to, because affordable housing is such a critical issue, that we're trying to move into -- not trying to, we are actually moving into more of a community-based interaction with other agencies to address the affordable housing issue.

And one component to that is home ownership, but the other component is getting people in decent, affordable housing.

MR. GAUDIN: So are you saying that Habitat is going to be managing rental property?

MR. MAGISTRELLI: Officially we cannot, and they're not doing that; they don't want us to go in that direction. But they do want us to get involved in the community so that affordable housing, whether it's rental or home ownership, is viable because of the long-term benefits to families, to children, and to the community.

MS. McMILIN: So you won't be working a silo, basically.

MR. MAGISTRELLI: Yes. Right.

MR. LEUWER: You said partnering with others in

the community --

MR. MAGISTRELLI: Yes.

MR. LEUWER: Through partnerships provide that rental stock.

MR. MAGISTRELLI: Right.

MR. GAUDIN: So even your emphasis has shifted somewhat.

MR. MAGISTRELLI: Even our emphasis has shifted dramatically for affiliates. Because, you know, we have a long history of one house, one family; you know, stabilizing communities by a family at a time. Our funders, International, the need -- I mean, even the applications we get are in two lines; one, rehabbing, and affordability.

MR. GAUDIN: So you're headed to townhomes.

MR. MAGISTRELLI: Yes.

MR. GAUDIN: Yes, ma'am.

MS. McMILIN: What I like about the fact -- We have to look at the lifecycle of housing, and I'm not going to say that rental is the most important. I like that Habitat's shifting their mentality, because they are a critical spoke to the affordability piece of the cycle of housing. So that's fantastic.

And I think we do need to work together. We only have so many resources, and with the way they can be used and the way they're -- There is more of an emphasis on rental, I think. I mean, home-buyer assistance I think is critical. But if you're talking about the first tier of -- the first part of your life in housing is typically rental and the last part of your life is typically rental.

I just think, because our demographics look that way, whether we're chasing the demographics, that's just where the emphasis for the spending of those funds are, and it's the best way to spend them. And we certainly work on both sides of the equation. Not everybody should be a homeowner, but if you can get into a rental housing situation, stabilize it, and go through the education piece and become a good homeowner -- We're all interconnected. So I do think the bricks and mortar are spent more on rental with the HOME and CDBG programs.

MR. LEUWER: And I think you said it early in the discussion. I mean, half of it's new construction, because there's a lot of communities that you've got a real shortage of quality, decent, safe, sanitary rental for affordable folks; and the other half is just the preservation of that federally subsidized, existing --

MS. McMILIN: Not just the subsidy but the units themselves, too. They need --

MR. GAUDIN: This table here is the second half of what we started with. So this preservation down here, retrofitting these existing units so we have aging-in-place, you know, some preservation of existing subsidized housing, you know, they're in the middle of the pack. What I'm going away with is you would kind of think that should be more elevated in its importance.

MR. LEUWER: Well, I think we look at it in some ways through the prism of the four funding sources or federal sources that this Consolidated Plan covers. And I think the affordable or special -- you know, the affordability for folks at 80 percent of median income or below, down to your 30 percent or lower level, is who we deal with. And through that lens, I think a lot of -- I think that might skew a little bit your 10,000-foot overall demographic look. I mean, I think in the affordability world, you need more new construction of affordable units, you need more of them, and you need to preserve what's out there, because some of them are a problem and there aren't any more.

MR. GAUDIN: Like this right down here, it's like, you know, housing demolition, we just talked about that, there's a great need for it. Downtown housing is kind of your point, that that's an emerging issue.

MR. LEUWER: Yeah.

MR. GAUDIN: Or maybe the 94 respondents haven't seen it yet. But in a way, when I see first-time
home-buyer assistance kind of down here, I'm thinking, well, why don't we let the marketplace take care of that
and redirect our --

MS. DAVIS: I'm going to argue that these are statistically challenged numbers. If we have 94 respondents, I think that we need to get the survey out there more. I will personally get that to our home-buyer group. Because I can tell you that we can serve -- In our Missoula home-buyer education class, we do it monthly, we are already full for May, we half of it filled up for June. We are in the peak home-buying season, yes, but that happens every single month. This happens to be a particularly busy time.

So we can serve 40 -- let's say 40 people per class. Those are about half of the people who have financing lined up and are really much too ready to buy a house, half of the people are just dipping a toe in or are interested and want to find out what they have to do. That's about the statistics we see.

Is that what you see --

MR. LEUWER: Yep. I would think that's pretty similar.

MS. DAVIS: Yeah. And so, you know, at least half of the people, then, are probably accessing first-time home-buyer type financing opportunities, so they are the ones that are getting home-buyer assistance. And there is not a lot of housing stock out there. Realtors are telling me that the competition is back up to where it used to be; that they are suggesting that people make offers over the asking price. It's not quite the frenzy that it used to be. And I don't think this is every community in Montana like it was in 2006 and '7 and, you know, that chunk of five years in there when we were in the bubble. But we are seeing it in some of our larger metropolitan areas; we're seeing it in Billings, we're seeing it in Missoula, definitely seeing it in Bozeman. And Helena, I can't imagine we're not seeing it there.

MR. LEUWER: Yeah.

MS. DAVIS: And that's because we haven't -- You know, single-family home ownership, which is what you saw, people still really want that.

MR. GAUDIN: That's right.

MS. DAVIS: And we're not building the units. I think the builders --

MR. GAUDIN: Which might be the rebound --

MS. DAVIS: -- don't want to take the risk.

MR. GAUDIN: It's rebounding a little bit.

MS. DAVIS: It is rebounding a little bit, but not at the rate that has low interest --

MR. LEUWER: And the financing reality --
of what part of the state you're looking at. So I named
the three entitlements, **"or remainder of state.*** And so
we'll be able to kind of sort between whether it's the
more urbanized areas, Missoula, Billings, Great Falls --
Sorry, Bozeman is not on the list. I know you have
some transportation.

MR. MAGISTRELLI: Right.

MR. GAUDIN: -- and then the remainder of the
state. So we can actually segregate whether these
consorts are important to the more rural areas of the
state or whether they're more important just to the
urbanized.

Do you have a question?

MS. McMILIN: I was just going to say, it was a
little challenging because we work in both, so it was like
I didn't know what to pick when I filled it out.

MR. GAUDIN: You can take it again on a different
computer.

MS. McMILIN: A different computer. Okay.

MR. GAUDIN: Take one from your laptop and answer
it for one and then take one from your desktop and answer
it for the other. Because then I'll have two IP
addresses. I do track those, and I'm really looking for
somebody to try to stuff the ballot box.

Tax or other financial incentives, making reasonable
accommodations, I think that's a question for Commerce;
you know, how do we wish to allocate our resources for our
disabled. And that would include, you know, making things
more visitable for our elderly citizens.

Sure, we want more federal funding. But again, the
emphasis -- Commerce wants to know if our funding needs to
be shifted to more broadly, you know, across the cities of
the state, encourage higher density living. So this is
somewhat need. Remember, 24 was the second set of charts
on the others. Lower cost of materials; boy, I wish we
could do that. Comprehensive planning; the idea is should
we have some more.

I have actually a few of these. Kind of land use
regulations; again, they're kind of falling off
importance, but this is all of the communities blended
together. I'd say the smaller, rural ones don't care so
much, and Billings, Missoula, Great Falls probably want a
little bit more.

You shake your head like you might be --

MS. McMILIN: I just laugh, because in the
21 smaller communities, having grown up in one, zoning is
just as important there as it is in the big cities, they
don't realize it yet.

MR. GAUDIN: Right.

MS. McMILIN: And when the pig farm lands in the
middle of the town, you worry about zoning.

MR. GAUDIN: When somebody actually uses the
laissez-faire approach, then they'll have zoning.

Guidelines for constructing accessible units, private
sector development willing to construct high density.

Now, have you seen builders and developers reluctant to do
that?

MS. McMILIN: No.

MR. GAUDIN: You shake your head no? Okay.

MS. McMILIN: They want -- Yeah. I mean, their
bottom line is the same as ours, they want denser housing.

Market rate wants the ability to do --

MS. DAVIS: I would say we're challenged, though,
in rural communities. The capacity to build multifamily
and the ability to bond does not exist.

MR. GAUDIN: The capacity meaning infrastructure
capacity.

MS. DAVIS: I mean the ability of the general
contractor to come in and build the scale, the multifamily
project. First of all, their building habits and skill
set exist around the single-family model. And then the
bonding needs to do what we need to do in a community like
Havre, we have a contractor from Billings. And we're
working with the local economic development group there,
and they want to see their local contractors be hired, and
so do we. But the reality is there was no general
contractor that had the capacity to deliver on time what
we need to do when we're bumping up against low income
housing tax credit and HOME timelines.

MR. GAUDIN: How would you facilitate the
creation of that capacity?

MS. DAVIS: Well, one thing that we did do was,
you know, ensure that at least the subs were contacted so,
you know -- I don't really know the answer to the general
contractor piece as much as what we did do was try to make
the link to then the subs in those communities, so at
least businesses in those communities had the opportunity
to participate in the project.

MS. McMILIN: There's a procurement piece
within -- and it might be Montana state law, the nuances
within the program. But this is why we want to prioritize
local materials and labor, and there's a bit of a
prohibition allowing us to do that.

MR. GAUDIN: What's that? Section 3?

MR. LEUWER: In Montana, a requirement to take a
low bid on the construction.

MS. McMILIN: And we can't say -- and it has to
be non-proprietary specifications, where you can't say --

MR. LEUWER: You can't give a preference for --

MS. McMILIN: You can't give a preference for
MR. LEUWER: You can't give a 5 percent spread for local products. You know, you can't. So you're getting a bid from a general contractor who you have to require is bonded. I mean, you need a private insurance company that will ensure the guy's capacity to deliver your project so that if it goes south everybody gets paid. And in the rural communities, the local generals can't get the private bond because they don't build that size of projects, they don't have any experience. And my guess is in most rural communities, even, for instance, Havre, where you've got, you know, the railroad, the hospital, and the college, there's only a handful of projects in a decade that are big, and they bring in your contractors from the rest of the state. So the local guys --

MS. McMINIL: So if you could --

MR. LEUWER: -- are doing one-off single-family housing or remodels.

MS. McMINIL: And if you could emphasize in your bid process the use of local labor, you could still have the Billings contractor hire everybody local, but you can't say that.

MR. LEUWER: Or if your state wanted to somehow provide the bonding capacities for local guys.

MR. GAUDIN: All these projects that are entitled to federal dollars have Section 3 requirements, right?

MS. McMINIL: Yeah.

MR. GAUDIN: So maybe if we define those in a certain way that may help that.

MS. McMINIL: Yeah.

MR. LEUWER: If I understand the Section 3 requirements correctly, I don't know that those are quite the issue in Montana.

MS. McMINIL: It's Montana state code.

MR. LEUWER: Right. I mean, it's low bid requirements, it's bonding capacity. You know, some states, you have the ability to negotiate, you know, a contract, and design, build, negotiate a process.

MS. McMINIL: Right.

MR. LEUWER: At the state level, we don't have that.

MR. GAUDIN: Well, the bonding consideration is important.

MR. LEUWER: Right.

MR. GAUDIN: And there might be ways to facilitate that.

MR. LEUWER: Right. I mean, maybe there's a state insurance pool or some sort of an economic development effort that provides that capacity to smaller contractors.

MR. GAUDIN: Well, I see I'm running out of time here. I've only got like one or two more slides.

High need, we're dribbling down here, neighborhood or community support, like try to stomp out nimbyism. Local land use regulations that permit more allowable high density. Information regarding availability of suitable sites, giving Commerce a role for promoting locations of higher density housing. That's kind of not currently significant sentiment, more information about housing availability. Smaller minimum lot sizes, kind of local zoning and land use planning, really kind of falling off the list here.

MS. McMINIL: Only because somebody hasn't run into it yet.

MR. GAUDIN: It will happen.

MS. McMINIL: Well, some of us have.

MR. GAUDIN: Just the kind of summary things here. You know, rising prices, insufficient building; we've heard that, we see it. I think all these conditions are occurring.

I think what we've done in the last two hours is really take a good trip down through each of these questions. Unless there's something else that you can think of, I think we've done really great. I want to thank you.

Yes.

MS. McMINIL: I was going to say, I think that the MDOC and Montana, our funds are limited, so -- and we're one of three states without a housing trust fund in Montana, so I think that they should be willing to support all our efforts to try to come up with a local source in Montana to help supplement their funds so we can get more done.

MR. GAUDIN: Does Bozeman have a local trust fund?

MR. MAGISTRELLI: Not that I know of.

MS. McMINIL: There is a little pod of incentive money, but it's waiving fees and stuff like that.

MR. MAGISTRELLI: Yeah.

MS. McMINIL: There are some dollars. They're limited.

MR. MAGISTRELLI: Technically, they're not waived, they're just --

MS. McMINIL: Right. Paid for.

MR. MAGISTRELLI: -- delayed.

MR. GAUDIN: They're deferred. Okay.

What should we do first? All these things?

MS. McMINIL: Keep facilitating discussions around capacity and --
MR. MAGISTRELLI: Yeah, I think it's capacity building. Because in the communities that we're working at, the smaller ones, the rural ones, they want to make change, but how do we make it happen? They need housing, they know that, but they don't know how to make it happen.

MS. McMILIN: Capacity and technical assistance.

MR. MAGISTRELLI: Yeah.

MS. McMILIN: Connecting players.

MS. DAVIS: Uh-huh.

MR. LEUWER: Well, you've got 140 RD projects around the state. Probably 35 or 40 percent of those are in real small, rural areas. They're largely the only rent subsidized units in those communities. We ought to have a focused effort that looks at that problem and says, How is there a way to facilitate a change in ownership and a rehabilitation so that subsidy remains in place for the next 30 or 40 years?

MS. DAVIS: Absolutely. It's got to be both capacity building with either individual communities and municipalities, but it's also the other -- you know, MDOC and their programs and really Rural Development. I mean, that's the only player, besides Montana Department of Commerce, Montana Board of Housing, that we're talking about here. That capacity building between those two entities and coordination, really, really important.

MS. McMILIN: And we plan on having a very healthy conversation at our state housing conference in two weeks about that.

MR. LEUWER: And I think everybody appreciates the issue, understands that you've got a bunch of aging owners and a bunch of dilapidated housing that's kind of physically on the fringe, but I think it really is -- we've not really had the discussion about systemically how we might address that.

MS. McMILIN: And how to put the -- Yeah.

MR. LEUWER: Yeah. I mean, you can do a one-off until hell freezes over and you've still got the --

MS. McMILIN: It's a drop in the bucket.

MR. LEUWER: Yeah.

MR. GAUDIN: Actually, there is another focus group we're having on May 22nd at the conference. So, please --

MR. LEUWER: I think your public policy influence. I mean, there's funding a Montana housing trust fund, there's, you know, setting up a state tax credit, there's the North Dakota model on a housing incentive fund, all of which produces housing and has shown success in different parts of the country.

MS. McMILIN: Yep.

MS. DAVIS: So there's an organization of Montana housing -- Montana Coalition for Housing and Infrastructure, which is a number of organizations, and you know, the Board of Housing has been at the table, I'm sure the Department of Commerce has as well. And so whatever within the Department of Commerce's capacity where they can participate with that coalition.

Because that's, you know, where we're looking at legislation on the state level to facilitate housing. And whether that's the creation of funds, like Gene just mentioned, through the model that we've looked at, which is this housing trust fund that's been created in North Dakota via tax credits, state-generated tax credits.

It's been enormously successful. And so -- I know that there's limitations with a government body participating in public policy, so however they can help support that, whether it be data, whether it be coordination, whatever that might be.

Because -- Well, we had done a survey at the beginning of creating this coalition and surveyed a number of different people involved in housing, and people are all over the board, but I think the indication was that people are -- they don't have the capacity to think about public policy. So it's an unfortunate scenario because they're grasping with bloody fingernails to try to hold on, figure out how to, you know, develop and preserve housing, but

you can't really -- you don't have the capacity to think beyond that, whether that be time or energy or resources.

MS. McMILIN: Again, it's a delicate balance, because MDOC is a public agency, but funds are getting smaller and smaller and we have to be more and more efficient, and they have to put their head in the policy game to create these other pools so that we can spend those dollars that are given federally here wisely and extend it further and have a greater impact. I mean, it's a delicate line, but essential that they participate.

MR. GAUDIN: All right. I want to thank all of you very much for the care and the way in which you've made these contributions. Thank you so much. If you have a question later that you wish you would have said, just send it to Jennifer and she'll get it out to me.

MS. DAVIS: And I'll do my survey.

MR. GAUDIN: Yes, please. There are comments you can enter in the survey as well.

MS. CRIDER: And I did mention to Jennifer sending the survey again, and she really liked that idea. She thought it was a good suggestion.

(The meeting was concluded at 10:38 a.m.)
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 -82- pages contain a true record of the proceedings to the best of my ability.

DATED 19th day of May, 2014.

/s/Cheryl A. Romsa
CHERYL A. ROMSA