ECONOMIC DEVELOPMENT FOCUS GROUP

SPONSORED BY MONTANA DEPARTMENT OF COMMERCE

IN SUPPORT OF MONTANA'S FIVE-YEAR CONSOLIDATED PLAN

TRANSCRIPT OF THE PROCEEDINGS

Robert Gaudin, Facilitator

301 South Park, Room 504A
Helena, Montana

May 1, 2014
1:38 p.m.

REPORTED BY: CHERYL ROMSA
CHERYL ROMSA COURT REPORTING
ONE NORTH LAST CHANCE GULCH, #3
P. O. BOX 1278
HELENA, MONTANA 59624
(406) 449-6380
PARTICIPANTS

IN ROOM 504A:

CHRIS SHOVE
Montana Business Assistance Connection

SARAH CONVERSE
Sweetgrass Development

ON WEBINAR:

BILLIE LEE
Lake County Community Development Corporation

LUKE WALANDER
Beartooth Resource Conservation & Development Area, Inc.

JULIE FOSTER
Ravalli County Economic Development Authority

DEPARTMENT OF COMMERCE:

JOANNE GILBERT
WHEREUPON, the following proceedings were had:  

MR. GAUDIN: Can everybody hear me on the phone?  

I'm hoping so.  

My name is Rob Gaudin. I'm the director of research and planning for an Oregon consulting organization by the name of Western Economic Services. My company started working for the Montana Department of Commerce actually 28 years ago, and over this last 28 years, we've done work for a variety of capacities. Generally speaking, that's in housing and community development planning.  

This particular time, we're going to help them prepare what's called a Consolidated Plan. And within the Consolidated Plan -- You know, there's several reasons why we have to do one. In exchange for receiving funds from HUD for housing and community development planning, we need to kind of think about how we're going to use our resources over the next five years. You know, I mean, this is HOME and CDBG. There's a couple other programs, smaller ones, for homelessness, Emergency Solutions Grant; there's kind of a three-state group that does something for HOPWA, housing for persons with AIDS. But the idea is, in return for getting these grants, we develop a five-year strategy. We talk to HUD about what we're going to do. We also determine how we're going to spend our money each year. Right? And then we kind of figure out how we're going to measure our success and report back to HUD about that.  

This last little bit, there's also something for fair housing, and that's another piece. The last few years, that's kind of become a little bit more concerning at HUD, about how you certify that you're going to affirmatively further fair housing.  

I'm not going to get too much into that particular detail, at least not today. What I really want to do is kind of introduce this process to you, you know, help you and help us, all of us, kind of get a sense of how we're going to look at our housing and community development needs. You know, there's several different types. You know, we need to assess things. We need to get expert opinion. We need to do public involvement. We are currently doing a survey, so there's both quantitative information and qualitative information. And you've been invited today to help us with some economic development concerns.  

You know, nationally we have some guidelines we have to do. Right? There's national objectives. You know, our work, we need to be providing decent housing, you know, whether that's affordable housing, particularly for lower income people. Decent housing can be new construction, it can be rehab, it can be home ownership, it can be rental, it can be focusing on preservation of existing housing, a variety of different things.  

Providing a suitable living environment might be making sure that our streets and roads are safe, that we have a good water supply, a good sewer system, things like that. But especially, we need to consider how to expand economic opportunities, and that's kind of the focus of our talk today.  

Now, I would like to take a moment -- I don't know how we do this for those persons on the phone, but perhaps we can kind of go around the room, of those who are attending, and kind of tell us a little bit how you're involved with economic development and what your organization is doing and why you've elected to come and help us.  

We'll start with Chris here.  

MR. SHOVE: Okay. Well, I'm Chris Shove, executive director of the Montana Business Assistance Connection. And our primary area of work is in this county -- Lewis and Clark County -- Meagher County, and Broadwater County that are to the east of here. And we just happened to have finished our comprehensive economic development strategy for the U.S. Economic Development Administration, because we are funded by EDA. And so we just did a pretty good data analysis of the area and also citizens' input.  

So did you want anything besides that?  

MR. GAUDIN: If you have ideas, you know, we can talk about those.  

MR. SHOVE: Well, you know, it's just -- the geography I just described, about what are the economic development kinds of issues in that area, or this area. One of the things that we observed is we did population projections by age cohorts to 2020, and the population is aging, significantly. It's a very -- it's very atypical for the United States and even Montana, it's a bit exaggerated in terms of the number of elderly people. That population is growing significantly. And the other bad part of that is the younger population is leaving the area, the people in their 20s. And the U.S. Census Bureau has also identified that trend as an issue in the Midwest.  

And, you know, people are talking about the issue is for the youth; there's not jobs for the youth, there's not career jobs.  

But then in the other areas, like in Meagher County and, to a lesser extent, Broadwater -- Meagher County is an impoverished county, and they've had a slow but steady decline of economic activity. And it's caused some other kinds of big issues, and it's a little bit here in Lewis and Clark County and all of Broadwater County, and that's...
have a huge, huge housing issue within the region. There is an aging population and a declining population. So we're throughout my five counties for that many different projects, because we do have an aging infrastructure and an aging population and a declining population. So we're seeing a similar thing. But what we're hoping to get out of that study is we have a huge, huge housing issue within the region. There are some other things there, but it was really dramatic. And so -- And I'm coming from -- I've only been in Montana for about eight or nine months, but I've worked in other areas, and so it's kind of like I compare around here with what I've seen elsewhere, and I'm really kind of surprised somewhat about the lack of paved roads. Right here in downtown Helena, you know, a brand new subdivision without paved roads. I mean, what's that all about?

MR. GAUDIN: Yeah.

Now, what about you, your situation?

MS. CONVERSE: My name is Sarah Converse. I'm the executive director of Sweetgrass Development. It's similar to MBAC. We're the economic development district and certified regional development corporation through the state for Glacier, Pondera, Teton, Toole, Cascade Counties, and the Blackfeet Reservation. So I have from Great Falls north to the Canadian border and across.

We also have a certified economic development strategy as required by EDA that we had updated in 2011, I do believe it was. But we are currently in the process of doing a regional impact assessment to look at infrastructure, including housing, public safety, water, sewer, roads, schools, and that type of thing, but kind of on the flip side, based upon private business. We have a consultant. We have a listing of interviewees throughout the five counties that we're going to be contacting to find out what their plans are for the next five years, because we're seeing a lot of influx for support services for the tar sands in Alberta, as well as the Bakken, subsidiary type businesses.

So we're looking at it from the business side, what do they need to come in and expand and how many employees are they bringing in and what is going to go on that way, so that they can plan. I mean, it's similar to what's going on here. TSEP, the Treasure State Endowment Program, and DNRC fund water and wastewater projects within the state. And last year alone, I wrote nine letters of support throughout my five counties for that many different projects, because we do have an aging infrastructure and an aging population and a declining population. So we're seeing a similar thing.

But what we're hoping to get out of that study is we have a huge, huge housing issue within the region. There is a huge, huge housing issue within the region. We're seeing a similar thing. And last year alone, I wrote nine letters of support for the tar sands in Alberta, as well as the Bakken, because we're seeing a lot of influx for support services. And it's similar to what's going on here. TSEP, the Treasure State Endowment Program, and DNRC fund water and wastewater projects within the state.

And last year alone, I wrote nine letters of support throughout my five counties for that many different projects, because we do have an aging infrastructure and an aging population and a declining population. So we're seeing a similar thing. But what we're hoping to get out of that study is we have a huge, huge housing issue within the region. There is a huge, huge housing issue within the region. We're seeing a similar thing. And last year alone, I wrote nine letters of support for the tar sands in Alberta, as well as the Bakken, because we're seeing a lot of influx for support services. And it's similar to what's going on here. TSEP, the Treasure State Endowment Program, and DNRC fund water and wastewater projects within the state.

And so -- And I'm coming from -- I've only been in Montana for about eight or nine months, but I've worked in other areas, and so it's kind of like I compare around here with what I've seen elsewhere, and I'm really kind of surprised somewhat about the lack of paved roads. Right here in downtown Helena, you know, a brand new subdivision without paved roads. I mean, what's that all about?

MR. GAUDIN: Yeah.

Now, what about you, your situation?

MS. CONVERSE: My name is Sarah Converse. I'm the executive director of Sweetgrass Development. It's similar to MBAC. We're the economic development district and certified regional development corporation through the state for Glacier, Pondera, Teton, Toole, Cascade Counties, and the Blackfeet Reservation. So I have from Great Falls north to the Canadian border and across.

We also have a certified economic development strategy as required by EDA that we had updated in 2011, I do believe it was. But we are currently in the process of doing a regional impact assessment to look at infrastructure, including housing, public safety, water, sewer, roads, schools, and that type of thing, but kind of on the flip side, based upon private business. We have a consultant. We have a listing of interviewees throughout the five counties that we're going to be contacting to find out what their plans are for the next five years, because we're seeing a lot of influx for support services for the tar sands in Alberta, as well as the Bakken, subsidiary type businesses.

So we're looking at it from the business side, what do they need to come in and expand and how many employees are they bringing in and what is going to go on that way, so that they can plan. I mean, it's similar to what's going on here. TSEP, the Treasure State Endowment Program, and DNRC fund water and wastewater projects within the state. And last year alone, I wrote nine letters of support throughout my five counties for that many different projects, because we do have an aging infrastructure and an aging population and a declining population. So we're seeing a similar thing. But what we're hoping to get out of that study is we have a huge, huge housing issue within the region. There is a huge, huge housing issue within the region. We're seeing a similar thing. And last year alone, I wrote nine letters of support for the tar sands in Alberta, as well as the Bakken, because we're seeing a lot of influx for support services. And it's similar to what's going on here. TSEP, the Treasure State Endowment Program, and DNRC fund water and wastewater projects within the state.
of how we’re going to prioritize those things. You know, is it geographically? Is it buying one item? Are there lots of number-one priorities? So that’s what we intend to do, get together some strategy. We need to take these strategies and implement them in a series of annual action plans. There will be one each year. After we’ve done that, of course, we go back and talk to HUD about what we’ve done in the Consolidated Annual Performance and Evaluation Report.

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

What I want to work with this afternoon really is a large category, substantively funded through Community Development Block Grant or community development. Right?

And particularly economic development. You know, there’s competition from other things; infrastructure, community and public facilities, such as youth centers, water, sewer, roads, and so on. But what I do want to talk with you about is kind of define where we’re at. I’m hoping this particular venue, we can get some feelings -- additional feelings, if you will, about what kind of jobs we need to bring in or what qualities of jobs and what are our current jobs paying and how does that look compared to the nation; you know, how we might promote certain types of things. Kind of a statewide, a unified policy. So the idea here is for us to get some sense about what are our needs over the impending five years, okay, our economic development needs.

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

You look like you’re about ready to say something there.

MR. SHOVE: No, no, no.

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

Of course, you know, what are some of the first steps we might want to take? So what I want to do is just kind of take a view from 30,000 feet, if you will, looking down on the entire state and not two, three, or five counties, but try to get an idea about, you know, where we’re at, what we’re doing.

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

When we take a look at this population in terms of their age, as Chris indicated earlier, we have some significant shifts going on. You know, a couple of the population groups, you know, 5 to 19 has declined statewide, 35 to 54 have declined. At the local level this can be muted or it could be more severe. I do see here that the groups with the -- not necessarily the largest, but certainly the fastest growing are those who are older, particularly the 55 to 64 age. Now, this aging demographic is going to provide us with challenges, if you will. There will be -- might be different types of housing that is required. For those who are over 85, there’s going to be additional types of services that will need to be delivered for that housing. So the idea here is that we do have some substantive growth. How are we going to --

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

But it’s really an interesting growth pattern.

And you're right, that’s one of the things we’re -- We’re doing a growth policy plan for Meagher County, and one of the things that we’re bringing up is the elderly population most likely being -- having more support required, different kind of housing, health care, access to services. That’s all going to be shifting a little bit in some of these areas.
MR. GAUDIN: So services for our older citizens.

MR. SHOVE: Yes.

MR. GAUDIN: Don't those present employment and job opportunities?

MR. SHOVE: Well, you know, if -- This is anecdotal, but for me it's really kind of interesting when I'm coming to Montana and I go around here, but the clerks in Walmart and the clerks in the food stores are in their 60s. Now, I came from Kansas City; most of them are in their 20s. So it's really interesting, you know, that the older population is much -- at least when I compare to other places, is much more common in a lot of entry-level jobs. And I think it's people that have retired and they're doing something else.

But I was concerned about -- in the area I work with, the trends are a little bit more extreme than that, and a very large indigent, elderly population is coming about.

MR. GAUDIN: So what's been your experience?

MS. CONVERSE: I have some very rural counties, and the ages are much higher than Helena or anywhere else, similar to Meagher County, and because of that populations are declining. As an example, a hospital in a small rural community that ended the year last year up $400,000 is now in dire straits because people have passed away in this small community. They went from having one nursing home full and another almost full to one being less than half and the other being under census, in a community of a thousand people. And if they don't do something, their hospital will close.

So they need some additional industry. But I have a very agricultural region. We don't have a lot of industry. It's agriculture, and as agriculture becomes more and more and more efficient, you need less to do more. So it's bringing those kids back home to run the farms, and if they're not they're being sold and being purchased by larger entities that have the infrastructure already to do what needs to be done. So that's some of it.

Also, in Great Falls -- not that Great Falls can --

They receive a CDBG allocation, but they're also looking at diversifying because of the military component within the community. It makes up a huge portion of the economy there. So not knowing what the Government will do, there needs to be a large amount of diversification.

But we do have a lot going on. There's a lot of transportation improvements and things like that that are following because of what's going on in eastern Montana and western North Dakota. So it's a little bit different, but it's aging, incredibly aging. And those hospital meetings I've been attending is, we haven't changed but kind of our most frequent customers have passed away, in regards to the hospital. So there's kind of a give and take. You can't have all of these support services for an aging population that's still declining.

MR. GAUDIN: Now, you did say that you had growth in certain sectors, particularly tar sands. And where are those people choosing to live?

MS. CONVERSE: Great Falls has a large company that has just moved in. There are a couple others that are in Teton County looking at ramping up, and Glacier County up by the border. Not huge right now, but there are some in Shelby, too. But they are just starting. It's not like they're fully in gear and pushing product out or anything. And some of it's depending on the Keystone Pipeline, too, because a lot of what they're looking to do will support pipeline type activities, not necessarily trucking and train, which will happen if that doesn't occur.

MR. GAUDIN: Right.

MS. CONVERSE: So some of those are waiting on contracts from Canada and some things like that, too.

The positive is that agriculture has been very, very strong, so that has been good through the region. But the recession didn't hit our rural counties like it hit some of the other areas, because agriculture was still strong through that --

MR. GAUDIN: Right.

MS. CONVERSE: -- and so it was good.

MS. GILBERT: Excuse me. We have a question from Billie Lee, or comment.

MS. LEE THROUGH MS. GILBERT: As we see an aging population in western Montana, we are also seeing a growing need for a different type of senior housing for low/moderate income; not expensive assisted care or nursing homes, but responding to the desire to age in place but independently. Perhaps we need to look at how we define housing needs for this.

MS. CONVERSE: I would 100 percent agree.

MR. SHOVE: I agree with that.

MS. CONVERSE: At-home services. People don't want to leave home.

MR. GAUDIN: No, they don't. And it's helpful, you know, if the homes are visitable for our older citizens who might have some ambulatory limitations as they age. So that represents an opportunity for kind of some redevelopment or rehabilitation for some of the existing housing units. So Ms. Lee's point is very well taken.

I do want to follow up on where you talked about the growth being initiated. What I was -- the path I was
wondering about is if these things come to pass and this
development occurs, and pretend Keystone does happen, you
know, would these people move to the communities that are,
on the surface at least, losing population or would they
want to build a new house in a more populated area?

MS. CONVERSE: Well, due to location, they would
be in those smaller communities. Because where most of
that type industry outside of Great Falls is occurring is
at least 60 miles away. There aren't a lot of people that
will make that commute on a regular basis, so they will be
more out in those less populated areas.

MR. GAUDIN: So is there the housing stock
available?

MS. CONVERSE: That's what we're going to see,
depending on how many people that are coming in. An
example is, Toole County completed a housing study using
CDBG economic development planning grant funds. They
completed the study, I think it was this last fall.
Basically, the same kind of format; what do we need, what
do we have. Because we're not attracting developers to
these small communities. They don't want to put the money
forth to complete these developments and not have somebody
come in and purchase. And because of that study they were
able to say, Look here, this is what our needs are; if you
want to come in, we can help you with some different
things, or you'll know exactly who you're building for.
And they've seen some development based upon that.
So sometimes it's a matter of having that information
handy, available to hand someone and say, Look, this is
what we need and this is what we have. What can you help
us with?

MR. SHOVE: You're kind of moving into the
economic area. And one of the reasons we're doing a
CDBG-funded growth policy plan for Meagher County is the
potential of a new copper mine opening up. It would
employ roughly about 300 people. It's in a rural area.
The closest town is this little town I mentioned before,
White Sulphur Springs.

In analyzing White Sulphur Springs, by 2020,
76 percent of the housing will be over 50 years old.
Currently, right now, 46 percent of the housing is vacant.
And what happened was, you know, things were going down
this slow decline, so people were leaving or not having
the money to repair their housing. So the housing is in
really poor shape.

We anticipate that because this town is like a major
trade center for that whole rural area, most of the
population that comes in will go there with this new mine
if it comes online, and the probability is pretty good at
that. And we identified that if you look at this old

Regarding general affordable housing issues in western
Montana, we obviously do not have the same issues as
eastern Montana, but, again, affordability usually relates
to substandard. We have exactly the same issues as the
current speaker.

MR. WALANDER THROUGH MS. GILBERT: Please ask
when the conversation is relevant. I apologize if this
was already addressed. In Carbon County, we're struggling
with high water rates and static amount of users. Towns
like Joliet aren't able to utilize TSEP, CDBG, et cetera,
because of the match requirements for construction and
there is no room to increase water rates. We seem to be
able to access planning grants, but can't find a match for
construction. Are there any plans to address the problems
associated with match?

MR. GAUDIN: You know, I'm here to try to be a
pair of ears for the Department of Commerce. And we are
recording these proceedings, and they will have your
concerns on record. You know, those kind of requirements
and operational things are usually handled within an
annual action plan, at which time those kinds of things
do, and often, change from year to year. I certainly
understand the problems that Joliet and other communities
are facing with water and sewer and trying to find a way
to get from here to there.
You know, so we do have, statewide, some population growth. And that growth, when looked at in specific communities, can be significant and it could be the opposite of that. So we have two number-one priorities: Providing for those who are moving in and trying to preserve that stock which we have. But I also want to talk a little bit about kind of where our economy is statewide. This particular slide here shows labor force. Labor force is a count of people. Right? You're either looking for work or working; that's roughly the definition of labor force. The bottom line, the green one, is those folks who are employed. We took a pretty big hit, you know, between 2008 and '10, but, you know, I'm pleased to see that you all are recovering significantly, more so than, for example, the nation. But, you know, what I do also know, there are two definitions of employment; one is about people who are, like I said, either looking for work or have a job, they're working, and actually the number of jobs. They can be full time or part time. You can have three jobs and be in this particular data. We've had, 1974, 1981, 1991, you know, a little later, some significant changes, but this thing between 2008 and 2010, we lost over 21,800 jobs statewide. That's a pretty significant hit. And I'm happy to see that we are coming back. We're almost there. The questions, you know, often faced are, Did some jobs go away and never come back and they were replaced with perhaps lower paying jobs? Are the new industries going to correct for deficiencies in our pay rates? And this is actually a significant problem, and it has been for us for four years. This is average earnings per job across the entire state. My first job, my first professional job was working for the Montana Governor, the Governor's Office. This is a long time ago. But we were doing the same analysis: How do we get pay to be higher? And, you know, this age-old discussion isn't resolved. We're actually falling a little bit behind. At least in the last couple years it's begun to improve. You know, tar sands and what's in eastern Montana and some other things might have an effect on something like we saw in the early '70s, but how do you view ways that we might enhance our economic vitality? What kinds of things can we also bring to the state to enhance pay rates?

MS. CONVERSE: We have the answer with the millionaires that aren't sitting here.

MR. SHOVE: I can tell you what our strategy is with this area, Montana Business Assistance Connection. And we work closely with local governments, and they know -- they're on my board, they know what we're doing.

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

Part of the next level of things is improve capital formation. And on the debt side, there is -- because of the great recession and because of all the stress tests on the banks, they're incredibly conservative about what they're doing, and there's a real need on the equity capital side for I think the whole state, including in Bozeman. I know there's companies there the banks won't touch, but they have incredible intellectual property, they have incredible markets. What they really need is an equity capital infusion.

MR. GAUDIN: Thank you.

It is remarkable, just this difference. But if you look at it a slightly different way, you take all of your income, all the different jobs you're working and divide it by the population, average earnings are roughly $14,000 less than the national average. That's a pretty big number, but it's only 5,000 on per capita income. So Montanans are working a lot harder because they're holding more jobs. So there is the opportunity to make some headway.

You know, here I have a little bit about poverty.
Now, this type of data is a little bit different than a census count. In 2000 this was the census long form, the one-in-six sample, so it was a sample. Poverty was not counted in 2010. Income was not counted. Several other things were not counted. The Census Bureau has been conducting the American Community Survey periodically.

You know, then they started releasing a three-year rolling average and a five-year rolling average; and that's what this data is from, the 2012 five-year rolling average.

And we do see poverty, according to these two samples, went up a little bit, the SF3 data, the one-in-six long form, compared with the five-year ACS. But we do see that poverty rose from 128,000 to roughly 143,000. Fortunately, fewer of children, at least, you know, 6 to 17.

But when we look about where poverty is kind of distributed, this is the reason why I like to take the ACS data, is because it's offered down to the census track. And these different colors on the map, the light yellow is up to the statewide average poverty rate, the 14.6 percent. The areas that are like the dark green, the somewhat blue, those are areas where poverty is significantly more concentrated than elsewhere. They are somewhat related where tribal lands are located, but other areas have significant concentrations of poverty. Even in the eastern part of the state.

MS. GILBERT: Billie Lee has a comment.

MR. GAUDIN: Yes.

MS. LEE THROUGH MS. GILBERT: In addition to having a similar strategy to the current speaker, we are really looking to improve broadband into our very rural areas and completing a study on the potential for rural tech centers that could help attract high-tech micro businesses and their higher paying jobs that are attracted to our quality life. As you can see, Lake, Sanders, and Mineral Counties are pretty green.

MS. CONVERSE: Uh-huh.

MR. SHOVE: Yeah, one of those green counties is one I work with. That's Meagher County, and the poverty rate is 20.6 percent, so it's substantially higher.

Just back up a moment. When you're talking about the per capita income, the other thing you have to relate it to, though, is affordability or the cost of living index.

The cost of living index for different areas of Montana, like around here, is actually higher than the nation. And one of the weird things we discovered in that one county was that when you looked at income and you looked at the median price of housing, it was actually more expensive for housing in this poor county than it was for the United States as a whole.
There are some communities that have a demolition program where they have funds that you can apply for through the city and use some of those funds if you are doing rehab or rebuild or things. But these people can't. Or if there's a catastrophic fire, they can't afford to have it cleaned up, anything like that. So they're old and they sit there because no one can afford to do anything with them, and there's no venue.

MR. GAUDIN: Well, if it's a pioneer house on what was once a homestead, it's by itself, that's one situation. If it's in town and is vacant and no one for sure even knows who owns it anymore, you know, when these other vacant units are in close proximity to one another, then the neighborhood becomes less desirable. So the way in which a community would want to rebirth itself, if you will, would be to take some of those out. So would this kind of approach be something that should be supported; you know, like take out a whole block?

MR. SHOVE: I think in -- Again, I have a limited geographic scope. In certain areas, absolutely yes. In other areas, you know, the housing market is vigorous enough where it does replenish itself. But in some of these rural areas, there's just -- like Sarah characterized it, it ain't going to happen unless somebody else comes in to do it.
And I'm surprised that economic development is down this sheet, because you'll get a copy. And we're soliciting commentary about housing and community development needs. And it covers not just economic development but, you know, public facilities, infrastructure, and all of the different avenues related to housing, housing barriers and housing issues. But one of the questions that we offer is kind of a free tell us how you think we should allocate our resources. You know, I realize that certain programs have design features that won't allow this to actually happen, but it does give us a sense of what people want to see. And I'm surprised that economic development is down this list as far as it is. Now, there's only 94. We've barely had it out a week. Right? So maybe this is all bogus. You know, when we get 500 it would change to 25 or 45 percent.

But do you have any commentary you can answer me about why economic development would be down here (indicating) at 15 percent, how people would allocate resources?

MS. CONVERSE: It's not tangible; I mean, in the aspect of people can see housing, they can see what's there. Housing is a big issue. My water and sewer rates are going to go up because infrastructure is failing. Those are like primary on people's minds every day. They don't think of economic development. If you said "jobs," that would be different. But "economic development" is still, for a lot of people just on street, not the phraseology they would use. I did see the survey and I haven't taken it yet. But I think that's some of it.

Opportunity Link has a sustainable communities grant, and we are in the final stages of going through that plan as well. And we had to rank -- I think I can't remember if we put paper in the bin or we hit dots or what was done, but these type of things were asked about throughout the communities in the region, too. And it was very similar to this, because people don't see economic development as a driver for the rest of it. They see housing is immediate need, infrastructure is immediate need; human services, health care, that type of thing, schools. I don't know where schools fall into this, if that's under human services or what. But that's always on the forefront of people's mind, and I think that's why. It's --

MR. SHOVE: You know, I did the survey, and my guess is that there's still just a geographic difference, of what's really needed in Billings versus what's really needed out in the rural areas or what's needed in the Bakkens versus what's really needed someplace else. You know, I agree a little with Sarah. Most of the people I think taking the survey would probably have an understanding of economic development, but there's a paradox with CDBG and economic development. The CDBG funds can only be -- really, it has to be targeted to low and moderate income people. Low and moderate income people are usually geographically located in a place that is not really suitable for high-tech jobs or for high-tech businesses or export-related businesses. You know, I mentioned I was working in Meagher County. And thank goodness -- I shouldn't really say this, but the whole county is impoverished, so we can do economic development work wherever in the county with CDBG funds. But you take like Helena and this area, we have some
But foster businesses with higher paying jobs. We already saw that, and that was kind of like the massive difference in the pay rates, and that's what people are saying is the number-one thing. Now, do you see that as the number-one thing?

MR. SHOVE: In my case, yeah.

MS. CONVERSE: That and retention of existing. Economic development starts from the ground up in a lot of rural areas. You're not going to get that big one to move into a small community. I mean, the likelihood is very slim. So you need to support and retain and help those that are already there expand -- stay, expand, and possibly grow to something larger. So it's both. It's retention of what we already have there, because if those smaller communities lose businesses, then you have to work twice as hard to bring more in to do that backfill and to get ahead.

MR. SHOVE: In the higher paying jobs, I agree with it. That's why I mentioned earlier we're focused on export-related jobs because they're usually higher pay and they also have a multiplier effect to the economy. But, yeah, that's what we're after.

MR. GAUDIN: Say, something down here. You were talking about White Sulphur Springs, and in general those kind of communities have something on site that somebody wants to develop. You know, it was the copper mine you were talking about. But just bringing someone from somewhere to choose a small town, attraction of new businesses, like kind of the recruitment, is this too far down the list or should it be up here?

MS. CONVERSE: It should be up with retention of existing business and attraction of new business.

MS. GILBERT: Question.

MR. GAUDIN: Yes.

MS. LEE THROUGH MS. GILBERT: And neither can be accomplished with great success unless we are able to afford infrastructure, housing, and redevelop our main streets to attract growth.

MS. CONVERSE: Yes.

MR. GAUDIN: It's kind of what comes first, the chicken or the egg.

MS. CONVERSE: Exactly.

MR. GAUDIN: And I totally understand. But we are attempting to kind of prioritize these things. You know, it's important that we can have many number-one priorities, but we have a fixed resource pool. So going through this exercise hopefully will give us a better idea --

MR. SHOVE: I think like the attraction of the new businesses, one of the really truly fundamental

changes in the last 10 or 20 years, of course, is the Internet, and there's a lot of businesses that can operate from the Internet. So then it gets to be a quality-of-life issue, where do I want to live. And, you know, going back to my little town of White Sulphur Springs, we have a very, very successful entrepreneur there, incredibly successful, who chooses to live there, but they operate a national business and has had a great impact on the community.

And that's really what -- when we're trying to attract businesses, we're really after those small companies, talking about the quality-of-life issues relative to living in Los Angeles or relative to living in Nassau County, New York, or relative to living in Chicago. You know, so we're stressing that. But I -- Normally, attraction of businesses is normally a small percentage of total job growth, but in some cases it's got to be a major effort to have any kind of real significant job growth.

Helena is very different than I think a lot of the other places, and I've seen this in other state capitals: You've got state government. So retention and expansion of business for us is government, but that's controlled by the taxpayers. So, really, for Helena, we're really focused on trying to bring in new businesses, but also for the rest of the area. And maybe I'm just talking too much
about that. But I think, again, it's a geographic thing of where your local economy is and what's important for it.

MS. CONVERSE: Diversification other than state government.

Attraction of new business should be in the top four. Some areas of our state have amazing technology; I mean, the fiber to the home and some of that is really good. But some areas aren't. So I think that's big. But attraction of new business shouldn't be last on the list, it should be in the top four.

MR. GAUDIN: Well, this is the last of the first set.

MS. CONVERSE: Yeah.

MR. GAUDIN: The second set, I mean, look at this. The sentiment is all the way down here. I left other off because I was running out of space. But development of business parks, trade partnerships, provision of venture capital, these are like way down here. Now, what's wrong with this?

MR. SHOVE: I think, one, it depends where you're at, whoever did the survey and what they think is possible in their local economy. I think that's probably a big deal. But I think if you talk to the people in Missoula or Bozeman, they'll put that other stuff way up high there, equity capital, venture capital, because they're getting the spinoffs from the university and that kind of a thing. And it's possible in other areas -- And again, I think it's geography. In Helena's case, development of business parks, we really don't have any land available for industrial activity; some at the airport. So we're trying to encourage the development of a business park out in East Helena so we would have that asset available for industries to come into.

I think it's partially due to where you are.

MR. GAUDIN: Right. I think the first question on the survey is: Are you going to reference Missoula, Billings, Great Falls, or the remainder of the state? We isolated the entitlements.

MR. SHOVE: Oh, yeah, I remember that question.

It's kind of weird. I remember that.

MR. GAUDIN: That's why, because they're entitlement communities. So we will be able to separate your concern and get the non-entitlement areas, which in some, like the CDBG program, that's where the resources --

MR. SHOVE: I wondered why you did that. Now I realize they're entitlement cities.

MR. GAUDIN: Yes.

MS. CONVERSE: It will be interesting when you actually have more people take the survey.

MR. GAUDIN: Right.

MS. CONVERSE: And it will probably be sent out a couple more times before people will pay attention.

MR. GAUDIN: Well, we're not going to open it for two weeks and close it. I mean, we do these a lot, and 500 -- there's no limit on the number of responses we can get. We do track the IP address so if somebody were to stuff the ballot box, we can see that they did the same responses for all the questions. That's actually never happened, most people just do it once.

MR. SHOVE: And, you know, there -- I just saw, where did it go, international trade was low. Oh, it's the bottom. Yeah, establish and strengthen trade partnerships overseas. I don't know if people really realize that, you know, most of this coal is going to China from Montana, most of this timber is going someplace out of the country, and the oil is clearly leaving the area and soon it's going to start leaving the United States. So that international stuff is really important as potential buyers of the products and services out of Montana.

MS. CONVERSE: If they're thinking globally, locally, they're not thinking that big.

MR. GAUDIN: So what I'm kind of hearing you say, you would like to see the entitlements as a group of tables and the rest of the state as a group of tables.

MR. SHOVE: You probably ought to do that.

MR. GAUDIN: Because -- Well, with 94 and 42 skipping the question, I mean, it doesn't really have enough to go on.

MS. CONVERSE: That's crazy.

MR. GAUDIN: I know. But like I said, we haven't really had it out for a week yet. There's a lot of questions about housing, so maybe people got tired of it.

MS. CONVERSE: Well, and maybe the individuals that went out to look at this right away are within the housing industry, so they skipped over these to get to their piece of it.

MR. GAUDIN: That could be.

MS. CONVERSE: I could see that. Send it out to all of them to make sure you complete the housing portion of this and so -- But honestly, but people took it verbatim.

MR. GAUDIN: Right.

MS. CONVERSE: Because I would do same thing, send it out and say, Make sure you read the economic development questions thoroughly, and they may skip something else.

MR. GAUDIN: Right. That's why I hope that the allocation question is answered by everyone.
Remember that? That was also at the end, but there
were not 42 missing from that question.
You know, just to summarize, we will continue to have
some fairly strong population growth. From everything
you've characterized here, the future looks brighter than
the last few years. We've got recovery. We have problems
with our persistent lower wage rates, the poverty
remaining. I like to see the fact that we've had some
growth in our higher income households.
Now maybe we need to talk about these. I think we
have addressed what we see. If you have additional
insights that you can share, I'm really interested in
hearing that. But what I am hearing is that, you know,
the lack of resources constrains us tremendously.
Everybody has the same problem: So how can we do more
with what we have? That's really the kind of ultimate
choice.

MS. GILBERT: Pardon me.
MS. FOSTER THROUGH MS. GILBERT: I am in Ravalli
County. In the last six months we have had 80 jobs
created in a town of 1,809, in the last six months. These
will occur over the next 24 months. We have been planning
using all resources available to us since 2006 to get to
this point.
We had a business with 19 employees on outhouses; did
not have funds due to severe infrastructure deficit. We
put tax increment financing in place. We now have a good
town government. We have infrastructure projects
underway. The resources included DOC planning, loans, and
infrastructure funds as well as USDOC EDA. We needed it
all and we needed it to be somewhat flexible. We had no
trouble with low to moderate income. There was retention
and expansion. The jobs in these areas pay from $12.50 to
$25 per hour.

MR. GAUDIN: I would like to ask Ms. Foster a
couple of questions. That is: How long did it take you
to put this together, and is this an approach that might
be successful for others?

MS. FOSTER THROUGH MS. GILBERT: I'm here, but I
can't speak -- or, rather, you hear can't me.

MS. GILBERT: Julie, could you type in your
comment?

MS. FOSTER THROUGH MS. GILBERT: Yes.
I imagine they would work for others. As you can see,
it took eight years; way too long if we want to compete.

MR. GAUDIN: Well, Julie, I'm actually delighted
to hear that. As a graduate of Hamilton High School, I'm
happy to hear this from Ravalli County.

MS. CONVERSE: That's awesome. Julie, what was
it? Which business was it?
We wouldn't be able to do a lot of programs; other state programs as well as federal. It's producing a good, educated workforce, but they're leaving the state for the jobs. And then hopefully, you know, like you, you're coming back here from Oregon. But it's that kind of a situation where there has to be more job formation in those emerging businesses of the 21st Century.

| 1 | MS. CONVERSE: Those opportunities for those that go elsewhere who have the education to gain the skills then and the development of what they're able to do to come back and be incredibly successful, to raise their families and things like that, which is what you hear: I wanted my kids to go to school; we needed a slower pace of life where I could still make a great living.
| 2 | MR. GAUDIN: What I did like hearing was the Ravalli County example about how -- through partnership and blending of several resources to develop a team approach seems to be a way to break down some of the barriers that low resource constraints give one.
| 3 | MS. CONVERSE: Which is really great and why CDBG is so wonderful, because we can use it to match other programs; other state programs as well as federal. It's kind of a neutral funding source, and that's wonderful. Because the only way to complete great packaging and do true business development is to tap into all those different resources, package it together, and you get this really amazing product when you're done with that. So...
| 4 | MS. FOSTER THROUGH MS. GILBERT: Dittos there.
| 5 | MS. CONVERSE: Well, it's awesome. And Billie Lee can attest, too, that -- I mean, if we weren't able to use EDA to match CRDC and Big Sky Trust and CDBG and Growth through Ag, we wouldn't be able to do a lot of the projects that we do.

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

MS. CONVERSE: Did you use DNRC?

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

MS. CONVERSE: You're missing one.

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

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

MS. LEE THROUGH MS. GILBERT: I attest.

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

MR. SHOVE: Yeah.

MR. GAUDIN: Now, I would tend to think that having so many players at the party, if you will, makes the process slow or slower. Is there a way to make it more crisp?

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

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

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

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

MR. SHOVE: I think maybe it's a little bit of
the time. On some really good projects that I'm really
trying to push, I go to private foundations because
they'll tell you quick, two weeks or a month, this is
going to happen or not. And I'd rather have a no quickly
than wait several months for a no or a yes. So I don't
know if somehow processes could be organized in such a way
as they can occur a little bit faster. I'm talking about
Commer.

MR. GAUDIN: Right.

MS. CONVERSE: I think it's the conversations.

And Commerce has done a much better job, from quarterly
submissions on some projects to monthly and having those
committees meet monthly. It has just speeded up the
process immensely. I mean, you're not working towards a
deadline all the time, you can get that whole thing
together and submit it and know within a shorter time
frame. And that makes a huge difference, too, those
open-ended project deadlines. Not that you can do a lot
with CDBG because once those dollars hit, everyone is
jumping all over them.

MR. GAUDIN: So that comes back to the original
question of allocation. With economic development getting
15 percent of the overall set, but really some larger
percentage of CDBG, is that going to work? I'm not saying
that this is going to make the decision for Commerce,
because Commerce makes the decision, but this is part of
the decision process.

MR. SHOVE: Well, I think that more funding
available in economic development projects has a higher
impact value, economically and also demographically, than
things related to housing. We have a very strong housing
industry in Montana and the United States; we have all
these banks providing mortgages, all these loans. And so
I think, you know, just looking at the small amount of
money that HUD can provide to the housing market in the
United States is really not significant unless it's
focused on one particular aspect of housing, like senior
housing or something like that.

But, really, the other funding is in the area of
community development and economic development. That's
where -- Banks do not make loans for economic development,
especially if it's a high-technology business. I
mentioned this before. We have a business that I oversaw,
19 of them, and they have intellectual property, they're
doing really well, but they don't own real estate as
collateral for a bank loan, so they don't get a bank
interested in them. They say, This is a really exciting
business, but we don't do that kind of thing.

And so funding that is available more in the economic
development area I think would have much greater impact

than you would see in trying to affect the housing
industry and the banking industry.

MS. CONVERSE: A couple of years ago, Commerce
had moved all of the ED funds into CDBG community
facilities and housing. And I believe -- And then they
reopened it up last year when I came through, and I think
they've used up all their allocation for ED. I know the
planning grants went incredibly fast. So when they're
using their allocation that they had set aside for
economic development, and they have used and allocated
most of it by midway through the year, that shows a
greater need.

So I think it's something -- They've done a really
good job about communicating with economic development
organizations and public entities to find out what their
plans are regarding projects, if they're going to submit.

And I think that would be a good way for them to gauge how
much they may need and where the best, quote/unquote, bang
for their buck can be.

MR. SHOVE: Yeah.

MS. CONVERSE: But it was very difficult when
they moved those funds a couple years ago. I was on my
second public hearing to submit an application when those
funds were moved back into community development. It was
difficult to deal with. But we funded the project last

year.

MR. SHOVE: And there was the one item, like
infrastructure: Does that go into economic development or
does that go into housing? You know, it has a big impact
on both, and it's a very important issue -- you know,
waterlines, sewer lines, roads -- out there.

MR. GAUDIN: Well, often an infrastructure
project will facilitate economic development or housing,
so...

MR. SHOVE: Yes.

MS. CONVERSE: Yep. If you don't have the
infrastructure to that site, no one is going to build
there and the ability to get it there. That same thing is
going on in Valier right now. They want to put a business
there, but there's no infrastructure. And the cost for
that small community to run it there, they're looking at
trying to package differently to try to get there.

MR. SHOVE: Now, an interesting story, I was
talking with the director of the SBA, the U.S. SBA, and he
was talking about the Bakkens and that there were
businesses that wanted to move into that area, some hotels
and other things, but they couldn't because there isn't
enough water; there isn't enough infrastructure for them,
so they just can't do it.

MS. CONVERSE: Uh-huh. It's a huge issue in that
area. And right now you may be seeing a lot of infrastructure because TSEP applications are due, so that's kind of on the forefront of everyone's minds.

MR. GAUDIN: Well, these are really the issues I wanted to hear from you and, you know, kind of where we go from here. This is the first of three focus groups, just really appealing to your expertise, you know, so Commerce can get some better idea about how to maybe be more crisp than they are or more crisp as might be -- as they could be, but as well as see about what ideas really are working and if there's something we can do more to have the best ideas rise to the top. There are two more focus groups tomorrow. One is community and public facilities and another is housing.

But there will be public input meetings and various types of meetings throughout the development process. The consolidated plan will be completed late this year, you know, so this is really kind of just the beginning of the process, so there may be more opportunities.

If you have had the e-mail, please forward it to your friends and family. You know, anybody who can take it is welcome to take it. There is no size limit, so the more the merrier.

MS. CONVERSE: So I'm guessing, because it's never safe to assume, that you'll look at the updated sets of a lot of the ED groups and the Main Street report that the Governor's Office had just done regarding business and all of that type of thing?

MR. GAUDIN: The idea is to draw it all together.

MS. CONVERSE: Sure. Vibrant Futures information will be good, for those 11 counties, and then, of course, we're using CDBG funds on our regional impact assessment, so they'll have that data, too, in four months.

MR. GAUDIN: Just a curiosity, you two cover separate geographic areas. How many of your brethren are out there?

MS. CONVERSE: Billie Lee has one. Luke Walander, that was on, has another. Paul Tuss, Kathie Bailey, Barbie. I think Paul is from Bozeman. Kalispell doesn't. Jason Rittal, Jim Atchison, Martin DeWitt. They'll all be at the MEDA conference next week, so I'm sure -- Some of the people from Commerce will be there.

MR. GAUDIN: Please have them do that. Make sure --

MS. CONVERSE: Nick Rich will be there from CDBG next week, so I'm sure he'll be talking to everyone, too.

MR. GAUDIN: Very good.

Well, listen, I want to thank you all very much for taking some time out of your day. I know you're busy, you have things you want to be doing besides participating in this, but I do thank you very much.

MR. SHOVE: Thank you. Appreciate it. It's important.

MR. GAUDIN: Yeah. Thank you.

(The meeting concluded at 3:11 p.m.)
COURT REPORTER'S CERTIFICATE

STATE OF MONTANA )
COUNTY OF LEWIS AND CLARK )

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