

Exhibit Number: 9

The following exhibit is several assorted documents that exceeds the 10-page limit therefore it cannot be scanned. A small portion has been scanned to aid in your research for information. The exhibit is on file at the Montana Historical Society and can be viewed there.

EXHIBIT 9
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Summary of Growth Report

March 8, 2005 – House Local Government Committee

Submitted by Dave Cole, Administrator, Community Development Division, Montana Department of Commerce.

The Department manages the federally-funded Community Development Block Grant Program and the HOME Program, both administered nationally by the U.S. Department of Housing and Urban Development (HUD). Under HUD regulations, we are required to prepare studies of the State's community development and housing needs.

I have provided copies of an excerpt from a report the Department of Commerce prepared in 2001, following the release of the 2000 Census data. To summarize:

- Montana's population increased about 30% for the period from 1970 to the 2000 Census. Table 2 on page 4 shows the 15 fastest growing counties and their percentages of change.
- Table 3 on pages 4 and 5 notes a significant trend that most of the population growth in the faster growing counties is taking place in unincorporated areas outside our larger cities. This is also shown on the colored map provided.
- Table 4 on pages 6 and 7 show that from 1990 to 2000, the majority of population growth occurred in unincorporated areas, outside of cities and towns, for 13 of the 15 fastest growing counties.

Why is so much of our population growth happening outside Montana cities?

Montana's Annexation Laws

In 2001, the American Planning Association published a report that evaluated Montana's laws. It said that our laws make it difficult for cities to annex new land because of the protest provisions they include. Many of the local officials they interviewed said the political obstacles to annexation discouraged cities from doing planning for the extension of infrastructure outside the cities.

Federal Water Quality Laws Drive Local Infrastructure Investment

Another factor is that communities are not always able to set their own priorities on how or where they invest in infrastructure. For over thirty years, since the passage of the Federal Water Pollution Control Act of 1972 and the Safe Drinking Water Act of 1974, Federal requirements have been the driving force for how communities invest their infrastructure dollars. Increasingly stringent standards for the treatment of drinking water and wastewater have dictated that communities spend a large proportion of their infrastructure budgets on expensive drinking water or wastewater treatment plants. Very few dollars, if any, are left over to extend water and sewer lines to serve new development in growth areas adjacent to the cities. If developers want to hook onto city water or sewer they typically must front all the costs of extending sewer, water, and streets. Of course, these costs will be passed onto the lot buyer.

Market Forces

The Commerce report notes that up to one-third of the purchase price of a new home can be the cost of basic infrastructure (water, sewer, and streets). As a result, homebuyers are often attracted by the lower cost of land in outlying areas where they think these costs will be lower. Often, they find are just substituting transportation and commuting costs for the lower lot price.

It is also typical for a landowner in an unincorporated area who wants to subdivide to break his property into one-acre parcels, the minimum size lot for a residence to be served by an individual well and septic tank and drainfield system. This is the easiest and lowest cost way to subdivide property. Providing a community water and wastewater treatment system can be very expensive, because of the cost of the engineering involved, the delays involved in getting local and state approvals, and the front-end costs for constructing a water and sewer system. With one-acre lots, the subdivider passes the cost of providing drinking water and sewage treatment on to the lot buyer.

Implications for Montana Communities

Our division administers both the CDBG program and the Treasure State Endowment Program (TSEP). Most of our grants for water and wastewater projects are intended to help communities comply with federal or state standards, rather than for extension of water or sewer service to serve new growth areas. A substantial number of grants also go to deal with older subdivisions that have developed problems with failing wells or septic systems.

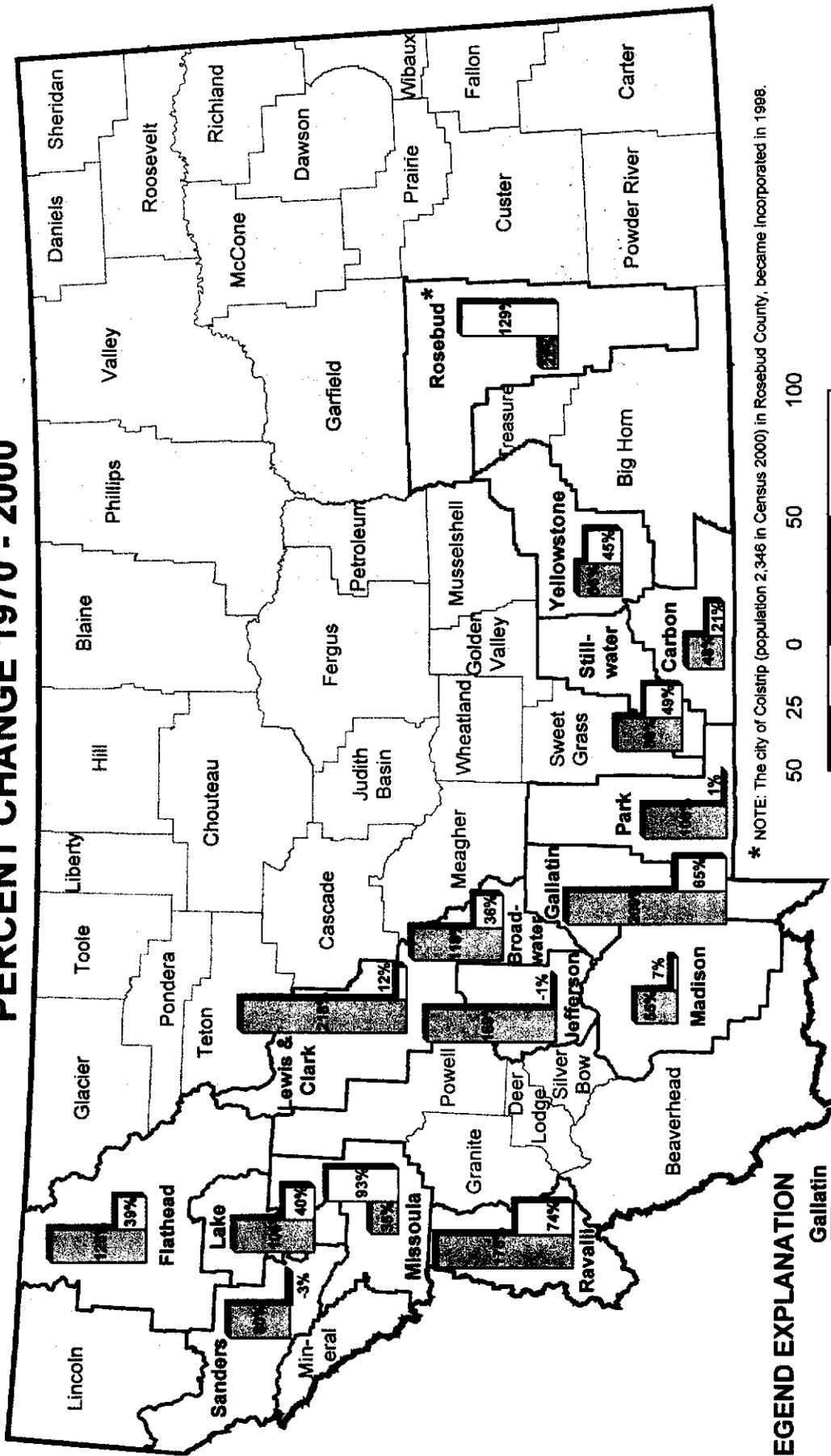
This development pattern does have serious implications for Montana communities. A few years ago, Lewis & Clark County did an engineering study of the costs of extending conventional sewer into the Helena Valley. The study concluded that the density would have to be at least four units per acre to have any possibility of being affordable for property owners.

Gradually, we are surrounding our larger cities with low-density residential development that we may not be able to affordably serve with community water and sewer systems, if those areas ever develop problems with their water wells or septic systems.

The Legislature has taken steps before to encourage communities to plan for their infrastructure needs. For example, several years ago, the Joint Long-Range Planning Subcommittee approved a policy that recipients of TSEP grants that do not already have a long-term capital improvements plan for their local infrastructure must prepare one during their TSEP project. The Department of Commerce adopted the same policy for recipients of federal Community Development Block Grants.

If you have questions regarding our report, I will try to answer them.

MONTANA COUNTIES WITH HIGH POPULATION GROWTH INCORPORATED VERSUS UNINCORPORATED AREAS PERCENT CHANGE 1970 - 2000



* NOTE: The city of Colstrip (population 2,346 in Census 2000) in Rosebud County, became incorporated in 1998.



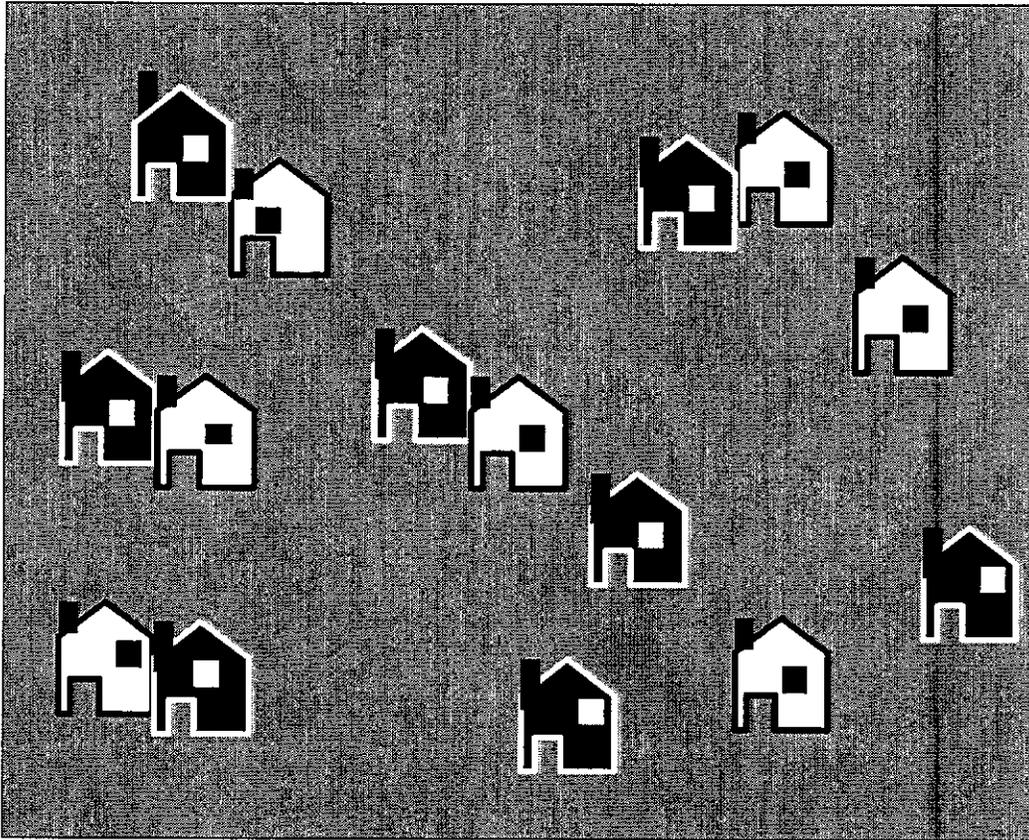
LEGEND EXPLANATION

The Percent of Change in the Unincorporated Population from 1970 - 2000 is shown in light blue. In this example, the number of people living in Unincorporated areas of the county grew by 209% in that 30 year window.

The Percent of Change in the Incorporated Population from 1970 - 2000 is shown in yellow. In this example, the number of people living in Incorporated areas of the county grew by 65% in that 30 year window.

Created by:
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“Growth in Montana Incorporated Municipalities Compared to Unincorporated Areas and Discussion of Implications for Providing Affordable Housing and Community Infrastructure”



An excerpt from the Montana Consolidated Plan – An Annual Action Planning Document Submitted to the U.S. Department of Housing and Urban Development (HUD) Addressing the Funding and Distribution of Grant Funds for the Community Development Block Grant (CDBG) Program, HOME, and Emergency Shelter Grants

MONTANA DEPARTMENT OF COMMERCE

MAY, 2001

“Growth in Montana Incorporated Municipalities Compared to Unincorporated Areas and Discussion of Implications for Providing Affordable Housing and Community Infrastructure”

Introduction

The availability of adequate infrastructure is crucial to the success of efforts to provide affordable housing and livable communities for all Montanans. Local governments traditionally provide safe drinking water, treat wastewater, accommodate storm water runoff, construct streets and sidewalks, and other public facilities, such as parks, to make their communities livable. In the case of new residential construction, the extent to which the cost of providing infrastructure must be borne by homebuyers rather than by the community at large plays a significant role in determining the sale price of a home.

The ability of Montana's local governments to provide infrastructure for new developments affects citizens' decisions as to where new housing growth will occur, whether occurring within the boundaries of Montana's incorporated cities and towns or in outlying areas. A new state law provides encouragement for Montana local governments to develop policies related to community growth, including residential development. The 1999 Montana Legislature updated an old tool for community development and land use planning – the *comprehensive plan* or *master plan*. Counties, cities, and towns have been authorized to adopt master plans, but under the new law (often referred to as Senate Bill 97), community plans, now termed “growth policies”, must meet certain minimum requirements. The specific requirements for a community growth policy are set forth in section 76-1-601 of the Montana Code Annotated. One of the required elements of a “growth policy” is the preparation of a strategy for development, maintenance, and replacement of public infrastructure.

New Housing Constructed in Unincorporated Areas – The Effect on Housing Costs and Infrastructure

One factor that complicates the provision of infrastructure is that many Montanans have chosen to build their homes outside the boundaries of incorporated cities and towns which have, in the past, historically supplied the infrastructure and accompanying services for new homes built within the state. In many counties, for a variety of reasons, a significant percentage of newer housing is now located outside the limits of cities and towns in unincorporated areas, usually within commuting distance of an existing city or town. In some cases, the only vacant lots available for housing development that are affordable to low and moderate income families are located in these outlying, unincorporated areas.

Montana county governments and special districts are being thrust into new roles dealing with provision of infrastructure for residential development that were earlier reserved for cities and towns, with all the accompanying financial challenges that go along with paying for the necessary public works. How will this trend of new residential growth in unincorporated areas affect the ability to provide a wide variety of housing at an affordable price for all Montanans?

Quite often infrastructure can cost up to one-third of the purchase price of a home building site or lot. In some cases, when development occurs in outlying areas where land is initially cheaper and little community infrastructure is provided, homebuyers end up paying much higher transportation and commuting costs that end up, in effect, being a hidden, but long term housing cost in addition to the on-going, monthly mortgage payment.

Montana local governments that attempt to provide the infrastructure for new residences contiguous to existing development or by encouraging the “in-fill” of existing, vacant lots within existing, incorporated areas are faced with the financial challenge of replacing aging infrastructure or sharing in

infrastructure costs with developers in order to attempt to keep housing prices affordable. To assist local governments attempting to grapple with these complex issues, the Department of Commerce offers the following overview of data showing the extent to which growth has occurred within the boundaries of Montana's incorporated cities and towns compared to unincorporated areas. County residents and the inhabitants of our cities and towns, acting through their elected officials will be increasingly called upon to make the development decisions that will shape the character of our state for many decades to come.

Where Growth is Occurring

According to U.S. Census information, Montana's population increased 30% in the last 30 years, increasing from 694,409 in 1970 to 902,195 in 2000. However, population growth patterns have not been distributed evenly over the state. Population statistics, separated into incorporated municipalities versus remaining unincorporated areas, are exhibiting different trends, with incorporated municipal areas increasing 13% and unincorporated areas increasing 57% in population between 1970 and 2000, as shown in **Table 1** below.

TABLE 1

MONTANA POPULATION REPORTED BY U.S. CENSUS BUREAU

GEOGRAPHIC AREA	1970	1980	1990	2000	1970-2000 % Change
Incorporated Cities and Towns	427,850	437,273	453,884	484,384	13%
Unincorporated Areas	266,559	349,417	345,181	417,811	57%
Total Montana	694,409	786,690	799,065	902,195	30%

The unincorporated areas' growth rates would be even larger if there had not been annexations and related changes in city and town boundaries. A key example would be Missoula County where, with the City of Missoula's annexations, the unincorporated area population declined from 42,665 in 1980 to 38,749 in 2000.

There are other patterns evident in the population growth trends. Many rural areas of eastern Montana have seen significant population declines, with more urbanized areas in the eastern portion of the state growing. On the other hand, many of the formerly rural western portions of the state have gained significant population. Together, these statistics paint a complicated picture of the effects of growth for policy makers.

This report examines population figures not only to determine overall future trends, but to present information to local policy makers regarding population growth that has already occurred, especially within unincorporated areas that may likely require major infrastructure improvements in the upcoming decades. For instance, in the Evergreen area northeast of Kalispell, increasing development densities in unincorporated areas have necessitated the connection of residential and commercial development to the City of Kalispell's municipal central wastewater system to protect local groundwater supplies that have become threatened by increasing septic tank discharges to the local aquifer. As a consequence, the local wastewater district within the unincorporated area had to finance revenue bonds, supplemented by federal and state grant funds, to finance the construction of new wastewater lines. Each month residents pay a portion of the debt service for these revenue bonds in addition to regular operation and maintenance costs incorporated in their monthly wastewater bill.

Table 2 illustrates the growth rates between 1970 and 2000 for the fifteen fastest growing counties in Montana for this time period. Note that Ravalli County has experienced the greatest percent of

change, increasing by 150% in population since 1970. Gallatin County has experienced a rate of 109% population growth since 1970. Jefferson County almost doubled in population between 1970 and 2000, growing 92% for this time period. Broadwater, Flathead, Lake, and Stillwater counties grew over 70% during this time. Lewis and Clark, Missoula, and Rosebud counties grew over 50%. Finally, Carbon, Madison, Park, Sanders, and Yellowstone counties all exceeded the overall state growth rate of 30% for the three decades, 1970-2000.

TABLE 2
15 FASTEST GROWING COUNTIES (1970 – 2000)
MONTANA COUNTIES WITH HIGHEST POPULATION GROWTH

COUNTY	POPULATION 1970	POPULATION 2000	% OF CHANGE
Ravalli County	14,409	36,070	150%
Gallatin County	32,505	67,831	109%
Jefferson County	5,238	10,049	92%
Flathead County	39,460	74,471	89%
Lake County	14,445	26,507	84%
Stillwater County	4,632	8,195	77%
Broadwater County	2,526	4,385	74%
Lewis and Clark County	33,281	55,716	67%
Missoula County	58,263	95,802	64%
Rosebud County	6,032	9,383	56%
Yellowstone County	87,367	129,352	48%
Park County	11,197	15,694	40%
Sanders County	7,093	10,227	44%
Madison County	5,014	6,851	37%
Carbon County	7,080	9,552	35%

Table 3 provides a picture where this growth has occurred within these fifteen counties, presenting statistics for the population growth that has occurred within incorporated cities and towns versus unincorporated areas.

TABLE 3
YEARS 1970 - 2000
MONTANA COUNTIES WITH HIGH POPULATION GROWTH -
INCORPORATED VERSUS UNINCORPORATED AREAS

AREA	POPULATION		POPULATION		% OF CHANGE 1970 - 2000
	1970	Incorp. * vs. Unincorp.	2000	Incorp. * vs. Unincorp.	
Ravalli County - Incorporated	3,866	(27%)	6,710	(19%)	74%
Ravalli County - Unincorporated	10,543	(73%)	29,360	(81%)	178%
Gallatin County - Incorporated	22,737	(70%)	37,538	(55%)	65%
Gallatin County Unincorporated	9,794	(30%)	30,293	(45%)	209%
Jefferson County - Incorporated	2,377	(45%)	2,344	(23%)	-1%
Jefferson County - Unincorporated	2,861	(55%)	7,705	(77%)	169%
Flathead County - Incorporated	16,527	(42%)	22,900	(31%)	39%
Flathead County - Unincorporated	22,933	(58%)	51,571	(69%)	125%
Lake County - Incorporated	4,736	(33%)	6,641	(25%)	40%

AREA	POPULATION		POPULATION		% OF CHANGE 1970 - 2000
	1970	Incorp. * vs. Unincorp.	2000	Incorp. * vs. Unincorp.	
Lake County - Unincorporated	9,709	(67%)	19,866	(75%)	105%
Stillwater County - Incorporated	1,173	(25%)	1,748	(21%)	49%
Stillwater County - Unincorporated	3,459	(75%)	6,447	(79%)	86%
Broadwater County - Incorporated	1,371	(54%)	1,867	(43%)	36%
Broadwater County - Unincorporated	1,155	(46%)	2,518	(57%)	118%
Lewis and Clark County- Incorporated	24,381	(73%)	27,422	(49%)	12%
Lewis and Clark County - Unincorporated	8,900	(27%)	28,294	(51%)	218%
Missoula County - Incorporated	29,497	(51%)	57,053	(60%)	93%
Missoula County - Unincorporated	28,766	(49%)	38,749	(40%)	35%
Rosebud County - Incorporated	1,873	(31%)	1,944	(21%)	4%
Rosebud County - Unincorporated	4,159	(69%)	7,439	(79%)	79%
Yellowstone County - Incorporated	66,158	(76%)	96,252	(74%)	45%
Yellowstone County - Unincorporated	21,209	(24%)	33,100	(26%)	56%
Park County - Incorporated	7,127	(63%)	7,161	(46%)	1%
Park County - Unincorporated	4,108	(37%)	8,533	(54%)	108%
Sanders County - Incorporated	3,066	(43%)	2,978	(29%)	-3%
Sanders County - Unincorporated	4,027	(57%)	7,249	(71%)	80%
Madison County - Incorporated	1,899	(38%)	2,029	(30%)	69%
Madison County - Unincorporated	3,115	(62%)	4,822	(70%)	55%
Carbon County - Incorporated	3,368	(48%)	4,066	(43%)	21%
Carbon County - Unincorporated	3,712	(52%)	5,486	(57%)	48%

*** Incorporated versus Unincorporated.**

In Ravalli County incorporated communities (Darby, Hamilton, Pinesdale, and Stevensville) grew 74% between 1970 and 2000. Unincorporated areas grew 178% during the same time. Table 3 also includes the percent of population within incorporated areas versus unincorporated areas for the decade being reviewed. For instance, in 1970 27% of Ravalli County's population resided in incorporated areas versus 73% in unincorporated areas. By 2000, the percent residing in incorporated areas had dropped to 19% and the percent residing in unincorporated areas had risen to 81%. In Gallatin County in 1970, 70% of the county population resided in incorporated areas (Belgrade, Bozeman, Manhattan, Three Forks, and West Yellowstone) versus 30% in unincorporated areas. By 2000, the percent residing in incorporated areas had dropped to 55% and the percent residing in unincorporated areas had risen to 45%. A similar shift occurred in Jefferson County.

In Lewis and Clark County, incorporated places increased 12% from 1970 to 2000; the population within the unincorporated area of the county increased 218%. Note also that in 1970, 73% of the county population resided within an incorporated municipality, while 27% of the population resided in unincorporated areas. By 2000, population residing within the incorporated communities of Lewis and Clark County was 49%, while population within the unincorporated area was 51%, an increase from 27% in 1970.

With some exceptions, most of the fastest growing counties from 1970 to 2000 in Montana showed significant population increases within their unincorporated areas. One exception is Missoula County where the population within the incorporated area increased from 51% to 60%, while the unincorporated area decreased from 49% to 40%. A key factor in the case of Missoula County has been the aggressive annexation policy that the City of Missoula has pursued during the last decade. The Missoula Valley has a sole source aquifer designation. It is a high priority of the community to eliminate improperly performing septic tanks contiguous to the community that may be contributing to

degradation of the aquifer and connect these homes to the city's central water and wastewater system. To facilitate annexation, the City of Missoula utilized the Montana Community Development Block Grant (CDBG) program to pay the hook-up costs and special improvement district assessment costs for low and moderate-income households to reduce the cost burdens placed on households as a result of annexation.

The City of Missoula also aggressively sought out other local government grant and low interest loan programs to make the costs of infrastructure extensions more affordable, in particular, utilizing Treasure State Endowment Program (TSEP) grants administered by the Montana Department of Commerce, State Revolving Fund low interest loans administered by the Montana Department of Environmental Quality (MDEQ), and low interest loans and grants administered by the U.S. Department of Agriculture, Rural Development. In addition, Missoula sought to increase its population to the 50,000 level that would make it eligible for an automatic allocation of CDBG funds from the U.S. Department of Housing and Urban Development as an "Entitlement" community. Missoula successfully achieved this designation in 1998.

Table 4 presents the same categories of information for the fifteen faster growing counties depicted in **Table 3**, except population data is presented only for the last decade from 1990 to 2000. Note that the trend of major increases in growth in unincorporated areas is the trend in most counties. Of the 15 counties reviewed, 13 experienced more growth in unincorporated areas versus incorporated areas during the decade. The exception of Missoula County has already been noted. In Rosebud County, both incorporated and unincorporated areas declined by 12% during the decade.

TABLE 4
YEARS 1990 – 2000
MONTANA COUNTIES WITH HIGH POPULATION GROWTH -
INCORPORATED VERSUS UNINCORPORATED AREAS

AREA	POPULATION		POPULATION		% OF CHANGE 1990 - 2000
	1990	Incorp. * vs. Unincorp.	2000	Incorp. * vs. Unincorp.	
Ravalli County – Incorporated	5,253	(21%)	6,710	(19%)	28%
Ravalli County - Unincorporated	19,757	(79%)	29,360	(81%)	49%
Gallatin County – Incorporated	29,232	(58%)	37,538	(55%)	28%
Gallatin County Unincorporated	21,231	(42%)	30,293	(45%)	43%
Jefferson County – Incorporated	2,383	(30%)	2,344	(23%)	-2%
Jefferson County - Unincorporated	5,556	(70%)	7,705	(77%)	39%
Flathead County – Incorporated	19,206	(32%)	22,900	(31%)	19%
Flathead County – Unincorporated	40,012	(68%)	51,571	(69%)	29%
Lake County – Incorporated	5,616	(27%)	6,641	(25%)	18%
Lake County – Unincorporated	15,425	(73%)	19,866	(75%)	28%
Stillwater County – Incorporated	1,573	(24%)	1,748	(21%)	11%
Stillwater County – Unincorporated	4,963	(76%)	6,447	(79%)	30%
Broadwater County - Incorporated	1,635	(49%)	1,867	(43%)	14%
Broadwater County - Unincorporated	1,683	(51%)	2,518	(57%)	50%
Lewis and Clark – Incorporated	26,568	(56%)	27,422	(49%)	3%
Lewis and Clark – Unincorporated	20,927	(44%)	28,294	(51%)	35%
Missoula County – Incorporated	42,918	(55%)	57,053	(60%)	33%
Missoula County - Unincorporated	35,769	(45%)	38,749	(40%)	8%
Rosebud County – Incorporated	2,178	(21%)	1,944	(21%)	-12%
Rosebud County – Unincorporated	8,327	(79%)	7,439	(79%)	-12%

AREA	POPULATION		POPULATION		% OF CHANGE 1990 - 2000
	1990	Incorp. * vs. Unincorp.	2000	Incorp. * vs. Unincorp.	
Yellowstone County – Incorporated	87,462	(77%)	96,252	(74%)	10%
Yellowstone County – Unincorporated	25,957	(23%)	33,100	(26%)	28%
Park County – Incorporated	7186	(50%)	7,161	(46%)	-1%
Park County – Unincorporated	7329	(50%)	8,533	(54%)	16%
Sanders County – Incorporated	2,722	(31%)	2,978	(29%)	9%
Sanders County – Unincorporated	5,947	(69%)	7,249	(71%)	22%
Madison County – Incorporated	1,963	(33%)	2,029	(30%)	3%
Madison County – Unincorporated	4,026	(67%)	4,822	(70%)	20%
Carbon County – Incorporated	3,579	(44%)	4,066	(43%)	14%
Carbon County – Unincorporated	4,501	(56%)	5,486	(57%)	22%

* Incorporated versus Unincorporated.

Table 1 found in the Appendix provides population statistics for every county, incorporated city and town, and remaining unincorporated population within the state.

Some Observations on Annexation

In January, 2001 the American Planning Association in cooperation with the Montana Smart Growth Coalition issued a report entitled A Critical Analysis of Planning and Land Use Laws in Montana. Part of the report evaluated the effects of existing state statutes governing annexation of contiguous areas by Montana municipalities and identified options to the current statutory approaches. The report noted that several participants who cooperated in the preparation of the report commented that Montana's existing annexation statutes create a disincentive for municipalities to plan for urban services that would be contiguous to already urbanized areas. Montana's annexation statutes, in general, require municipalities to obtain landowner or voter approval of proposed annexations. Some argued that the effect of these provisions is to discourage municipalities from attempting annexation because of the political obstacles involved. The report states, "If the annexation is blocked by protesting property owners, then there is no good reason for the municipality to plan to extend services in a comprehensive fashion."

The report goes on to state that, "Further development at urban intensities is limited because, while existing lots may be less than one acre and have onsite systems, new lots must be at least one acre in order to use septic tanks under state DEQ rules. Thus urban type development that surrounds municipalities is never properly provided with urban services, and infill development in these areas cannot occur because water and/or sewer are not available."¹

Conclusion

According to the U.S. Census, Montana's population expanded 30% since 1970, rising to 902,195 persons by 2000. In 1970 according to the Census, 427,850 Montanans resided within an incorporated city or town, or 62% of the state total (694,409). At the same time 266,559 Montanans lived outside an incorporated city or town, 38% of the state total.

¹A Critical Analysis of Planning and Land-Use Laws in Montana: A Report of the American Planning Association Research Department Prepared for the Montana Smart Growth Coalition, American Planning Association, Chicago, Illinois, Montana Smart Growth Coalition, Helena, Montana, - January, 2001.