

TESTIMONY ON SB 195 – “THE QUALITY GROWTH ACT”

January 18, 2005 – Senate Local Government Committee

Mister Chairman and Members of the Committee:

For the record, my name is Dave Cole. I am the Administrator of the Community Development Division in the Montana Department of Commerce.

I was asked to be an informational witness for SB 195. The Department has not taken a position on the bill.

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 distributed copies of an excerpt from a report the Department of Commerce prepared in 2001. To summarize, the report states that:

- 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 percent 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 outside our larger cities.**

Table 4 on pages 6 and 7 shows that from 1990 to 2000, the majority of growth occurred in unincorporated areas for 13 of the 15 fastest growing counties.

Why is the growth happening outside Montana cities? Probably for several reasons.

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In January, 2001 the American Planning Association published a report which evaluated Montana's laws. It said that our laws make it very 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.

Another factor is that communities are not always able to set their own priorities on how they invest in infrastructure. For almost thirty years, since the passage of the federal Safe Drinking Water Act and the Water Pollution Control Act, federal EPA 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.

Our division administers both the CDBG program and the Treasure State Endowment Program. 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.

There are probably market forces at work, too.

- The Commerce report notes that up to one-third of the purchase price of a new home can be the cost of infrastructure (water, sewer, and streets).**
- As a result, homebuyers are often attracted by the lower cost of land in outlying areas.**

Until last fall, I served for six years as a member of the planning board for the City of Helena and Lewis & Clark County. It is quite typical for a landowner 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.

We were told that 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 property owner.

This development pattern does have serious implications for Montana communities and taxpayers. A few years ago, Lewis & Clark County did a 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.

In a sense, we are gradually painting ourselves into a corner. Subdivision by subdivision, we are surrounding our larger cities with low-density residential development that we could never affordably serve with community water and sewer systems.

As I mentioned, the Community Development Division administers both the Community Development Block Grant Program and the Treasure State Endowment Program. Both programs have been involved in providing grants for local projects to construct water or sewer systems to deal with failing individual wells or septic systems. We've learned that constructing a new water or sewer system in an existing low-density residential subdivision can be very expensive for homeowners, even with the participation of federal or state grant funds.

So without getting into the merits of the bill, we think it is very important that we take steps to encourage cities and counties to jointly plan for the growth that we know is coming and give them the financial support they need to accomplish that planning.

Thank you for your time.

David Cole, Administrator
Community Development Division
Montana Department of Commerce