

REHABILITATION OF VIRGINIA CITY'S DUDLEY BUILDING



MHPG Application
February 2024



Application Eligibility Screening Checklist

1. Is the applicant an eligible person, association, or governmental unit?	Yes <u>X</u> No ___
2. Is the applicant a resident or registered business in the State of Montana?	Yes <u>X</u> No ___
3. Is the project for a historical society or history museum?	Yes <u>X</u> No ___
4. Is your project a historic site/building as defined by being listed on National, State, or Local Historic Registry, contributes to a historic district, or more than 50 years old and has documented significance to the history of a Montana community or region?	Yes <u>X</u> No ___
5. Is your project a private residence only? Projects that confer only a private benefit and not open to the public are ineligible.	Yes ___ No <u>X</u>
6. Will the site/museum be open immediately after project completion?	Yes <u>X</u> No ___
7. Does the project address Internal or external “brick-and-mortar” improvements, infrastructure, building renovation, maintenance, building code issues; climate control, or fire protection?	Yes <u>X</u> No ___
8. What is the total project budget?	\$ <u>955,000</u>
9. What is the total project match?	\$ <u>455,000</u>
10. Completed <i>Environmental Review Process</i> demonstrating compliance with the Montana Environmental Policy Act, Title 75, Chapter 1, MCA.	Yes <u>X</u> No ___

MHPG Application Section I.

1. **Applicant:** Montana Heritage Commission

2. **Property Owner (if different from applicant):** _____

3. **Authorized Representative of Applicant:** Elijah Allen Title: Executive Director

Address: 300 W Wallace Street City: Virginia City Zip Code: 59755

Phone: 406-843-5247 E-mail: eallen@mt.gov

4. **Primary Contact:** (same as above) Title: _____

Address: _____ City: _____ Zip Code: _____

Phone: _____ E-mail: _____

5. **Project Type:** Please select one type under the appropriate eligible project type

Historic Site Historical Society History Museum:

<p>6. Grant Funding Request Information</p> <p>Amount Requested: \$ <u>500,000</u></p> <p>Total Amount of Match: \$ <u>455,000</u></p> <p>Total Project Cost: \$ <u>955,000</u></p>	<p>7. Project Address</p> <p>Physical Address: 224 West Wallace</p> <p>City: Virginia City</p>
---	---

8. Funding Sources – Total funding sources must match with total project costs. If the funding “pending” you must demonstrate that it will be secured by contract date.

Source	Type of Funds	Amount	Status of Commitment (Confirmed or Pending) (provide documentation i.e., letters of support, financials...)	Rates and Terms (if applicable)
Montana Historic Preservation Grant (MHPG)	Grant	500,000	Pending	
Montana Heritage Commission	Operating Funds	337,000	Confirmed	
EPA Abatement Funds	Grant	118,000	Pending	Rolling review, anticipate secured funds and abatement performed by spring 2025

9. Brief Description (60 words or less) of current project and proposed solution or activity to be completed

Rehabilitation of the Dudley Building will restore one of Virginia City’s prominent historic commercial buildings to highest and best use. The current project will repair the façade, abate and replace the roof, and rebuild and finish the building’s commercial interior – all essential for public use of this integral building on the primary streetscape of the Virginia City National Historic Landmark. [60]

a. Background and project (please provide narrative response):

Rehabilitation of Virginia City’s Dudley Building: In 1997, the State of Montana purchased and roughly 250 buildings and a vast collection of Americana artifacts in Virginia City and nearby Nevada City, and established the Montana Heritage Commission (MHC) to manage these town sites as irreplaceable historical and educational public assets. The MHC launched a formidable campaign to stabilize and preserve resources, interpret the history and sustainably protect all for decades to come.

The site of the largest gold strike in the Rocky Mountains in 1863, Virginia City was the most productive placer gold district outside of California and Alaska. It miraculously survives today as the Virginia City National Historic Landmark (NHL), a pivotal townsite during the era of gold mining and Territorial expansion in the American West. With over 200 primary buildings and an exceptional level of integrity, it is the most intact mid-19th century placer gold mining town remaining in the nation.

Over the past two decades much progress has been made to stabilizing the buildings of Virginia City. Still, there are dozens of buildings in a disrepair. The Dudley Building is one of those that has been at risk for decades. Privately owned until the building was acquired by the State of Montana along with its neighbor Stonewall Hall, the Dudley helps to structurally support Stonewall Hall, and plans are now underway to save both of these buildings which stand on a prominent corner on West Wallace Street, the main street within historic Virginia City.

Prior to the State acquiring the Dudley Building in 2022, it had suffered decades of neglect. The roof structure was leaking and moisture had damaged the building throughout resulting in numerous exterior wall cracks and an interior that is not currently occupiable. Portions of the back wall are collapsing but the front half of the building with its interior post and beam framing is still sound and can be restored to useful condition.

Since taking ownership, the MHC covered the building in 2023 with a temporary roof structure and developed plans for its rehabilitation. The Dudley Building is a contributing historic resource within the Virginia City NHL, and the MHC is determined to save it and restore it to active use, thus preserving it as a heritage property in useful condition for public benefit.

b. Description of proposed solution (please provide narrative response):

With the requested support from the Montana Historic Preservation Grant Program, the MHC is eager to return Virginia City’s Dudley Building to productive use. This project will transform the Dudley Building into a retail space and visitor center to serve the community and also support its public use as a rental building. The front façade and exterior are urgently in need of repair and restoration, along with a roof and improvements to meet International Existing Building Codes and seismic codes; additionally, interior work and mechanical updates will return the building back to active service. Once completed, these improvements will allow the building to be placed into seasonal use welcoming and serving the visiting public.

Major components of this project are directed to the front portion of the building, to repair and seismically stabilize the north and west walls, restore windows and doors, improve retail space in the front half of the building, and add ADA compliant restrooms and access. The back half will be carefully stabilized to be used as storage or rehabbed as gathering space in the future.

Rehabilitation is the level of preservation most appropriate to this early 20th century building, which helps to anchor the Virginia City streetscape. Once completed, the building will be managed by MHC along with dozens of others leased to concessionaires and rented by the public within the MHC’s historical building rental program.

The MHC is confident that the restored Dudley Building, in its prominent location between Content’s Corner and Stonewall Hall, will take its rightful place as a bustling retail and public space. Beyond its historic significance, another compelling justification for the project is to address its long neglected state in the heart of the community. Restoring vitality to this building and others will reverse a long-standing blight from the center of Virginia City, upgrade the quality of experience for the traveling public, and enhance the tourism potential of the entire community.

10. Certification to Submit:

The undersigned authorized representative hereby certifies that (a) the information set forth in this application is correct to the best of their knowledge; (b) they have received, read, and understood these guidelines and agrees to comply with all requirements; (c) the elected officials of the local government have formally authorized the submittal of this application, as applicable; (d) they have the authority to act on behalf of the applicant in submitting this application, and (e) agrees to comply with all applicable state or federal laws and statutes associated with carrying out the project.

_____	_____	Elijah Allen, Executive Director
Signature	Date	Printed Name and Title

MHPG Application Section II.

Statutory criteria below are associated with a maximum number of points per criterion question. To earn the maximum points, reviewers will consider the “Level” at which each question was answered. You may reference associated documents to answer questions but answers that narrate the associated documents content will score higher than those who just reference documents such as a “see Revitalization plan.”

STATUTORY CRITERIA - A	up to 100 in Possible Points
-------------------------------	-------------------------------------

The degree to which a project supports economic stimulus or economic activity, including job creation and work creation for Montana contractors and service workers.

- I. Describe how your project will have an IMMEDIATE ECONOMIC IMPACT for project related job creation for Montana Contractors, service workers, and other related jobs after completion.

The active preservation of historic buildings is widely recognized as an activity that generates more impact to local and state economies than the dollars invested. While Montana has not had a study of the economic impacts of historic preservation, the National Trust for Historic Preservation and Brookings Institute have many publications on this topic. From Donovan Rypkema’s *Economic Impacts of Historic Preservation* to the Brookings Institute’s study on *Economics and Historic Preservation*, the cumulative results from all states and studies are consistent. In analyzing “The Economics of Preservation in Local or Regional Economies,” the Brookings Institute’s Randall Mason looked at the impacts that historic preservation activity has on the economy of a particular region. Reviewing a significant number of these studies that have been undertaken across the U.S., their answer to this question was “a resounding “yes”—historic preservation yields significant benefits to the economy.” (Mason E&HP, p. 7) Because these economic stimulators are direct and local, they bring immediate economic benefits to the local economy, which in turn benefits the state through taxes and increased economic vibrancy.

- a. How many jobs will this project create?

Job Creation Impact Dudley Building		
Description of Work	Cost	Workers Employed
Professional Services: 2024-25		
Architectural & Design Work	\$ 45,000	2 architects, 1 engineer
Construction Scope:		
Masonry: Façade and Wall Repairs	\$ 180,000	2 masons
Roof Replacement	\$ 118,000	3 abatement specialists, 2 carpenters
Interior Beam Bracing	\$ 23,000	2 carpenters
Interior Rebuild & Finish	\$ 312,000	1 painter
Sitework	\$ 34,000	2 earthwork contractors
Misc Requirements	<u>\$ 33,000</u>	4 companies
Total Construction Costs	\$700,000	
TOTAL JOB SUPPORTING COSTS \$745,000		
General Conditions, Site Manage	\$140,000	1 contractor
Contingency 10%	\$ 70,000	
TOTAL BUDGET	\$955,000	
Building Materials from 5 suppliers		20 workers + 5 suppliers = 25 skilled workers (part of \$700K total construction costs)

The estimated total budget of \$980,000, includes \$840,000 of brick & mortar construction costs; \$45,000 in professional services, and \$180,000 for general conditions and contingencies. The industry standard for the rehabilitation of older properties estimates labor costs at 60% (\$504,000) of the construction budget with materials at roughly 40% (\$336,000). Per the Project Budget, subtracting for material and supply costs, construction work of the Project will generate over \$500,000 of employment opportunities for Montana building contractors and professional consultants. By these calculations, the *Rehabilitation of the Dudley Building* will support 25 workers constituting the equivalent of 8-10 FTEs for one year, in the highly skilled field of rehabilitation work.

b. What types of jobs?

For projects of this complexity, the MHC has developed a short list of regional construction consultants and local building contractors familiar with the restoration challenges posed by historic properties. This well-vetted list primarily involves skilled, higher paying workers in the building trades, including restoration contractors, preservation carpenters, masons, roofing contractors, painters, plumbing, electrical and HVAC tradespeople, and professional services from historic architects and engineers. Specialized contractors for abatement of asbestos-bearing roofing materials will also be engaged in this project. Construction materials will come from local building supply companies, such things as lumber, beams, concrete, plasters, paint glazing, general carpentry supplies.

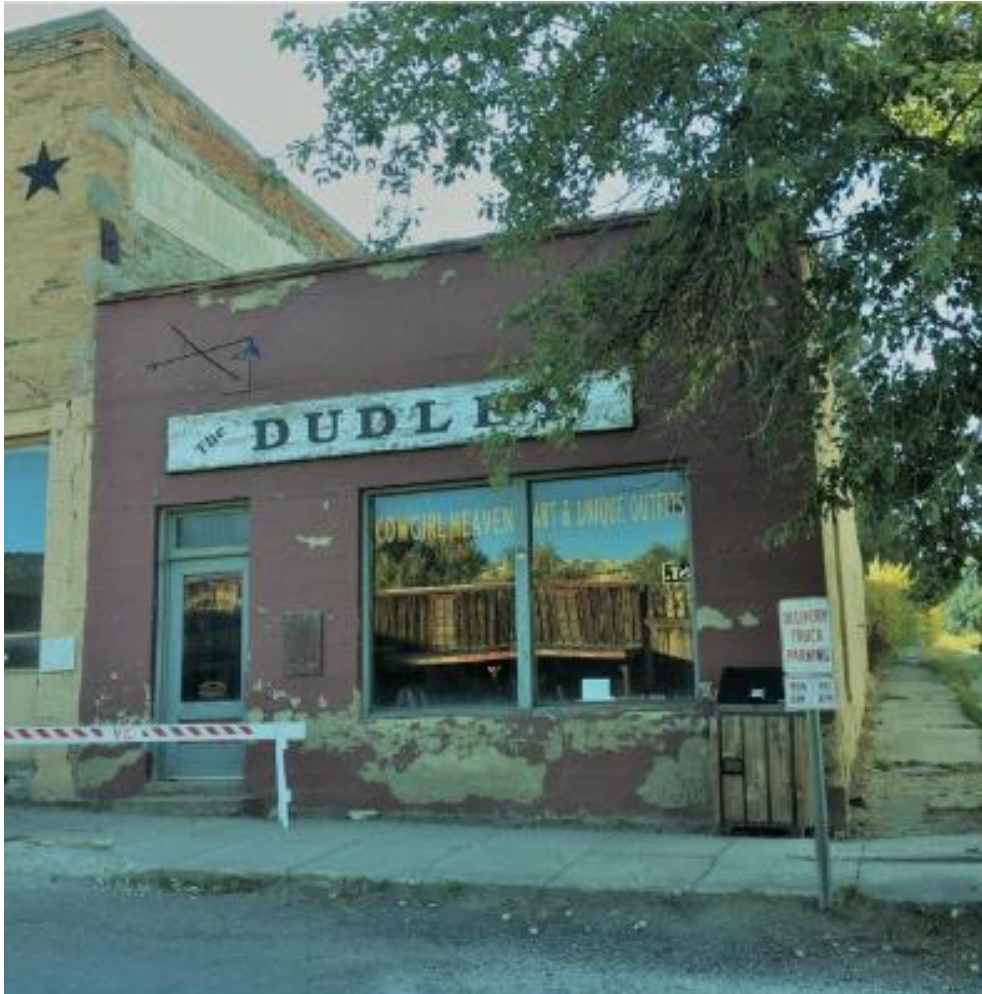
2. Describe the spillover benefits from project activities.

Restoration projects within the townsites of Virginia City and Nevada City have long benefitted the local economy by introducing non-resident workers to the town and through purchase of locally-sourced building materials. These activities introduce patrons for local businesses, material purchases that support the local economy and drive economic vitality for the region. Throughout the duration of the project, this holds a multiplier effect for local businesses, and the improvement to seriously blighted properties such as the Dudley Building affects the general ambiance of the community center. The results are generally powerful and long-lasting.

Added to these important local and regional benefits, the MHC and its management of Virginia City holds an anchoring role in the local economy of Madison County. The MHC's task to preserve the outstanding resources within Virginia and Nevada City rests on the platform of tourism as the cornerstone of the regional economy. And in fact, the 2014 Virginia City Growth Policy credited tourism as "the primary economic base for Virginia City in recent decades... Most residents rate tourism as being very important to the local economy."

The growth policy attributes marketing by the MHC for the increase of tourism and strengthening of the local economy, and for increasing the number of jobs and residents significantly during the summer months.

The degree to which the project activity can demonstrate the **PURPOSE AND NEED**. This includes the relevancy of whether the project activity provides features that establish or enhance climate control, or fire protection for museums or address infrastructure, maintenance, or building code issues for museums, historical societies, or historic sites.



View of The Dudley Building, 2021

I. Describe the current use and condition of the historic resource.

The Dudley Building currently stands vacant alongside its neighbor Stonewall Hall, on Virginia City's main thoroughfare, West Wallace Street. The original building on the site was a log building that held a bank and a saloon, with clapboard siding dating to the early 1860s. In 1921-22, this early building was replaced with a building of similar massing to offer auto repairs and a gas station in combination with Stonewall Hall next door. The one-story building extended back into the sloping hillside at the rear of the property and contained office and retail space. The exterior walls were built of board-formed concrete and it remains so to the present day.

The Dudley Garage was built by Lewis A. Dudley, an early-day auto salesman and mechanic. Dudley was elected mayor of Virginia City in 1937 and continued to operate the garage into the 1940s, following which the building was owned by Charlie and Sue Bovey who transformed the town into a western tourism attraction. It was transferred to a private owner in the 1990s, and remained in periodic use as a retail shop until 2020.

The building is currently vacant, in poor condition and has suffered major moisture damage; the rear wall is severely deteriorated and has collapsed in places.

2. Describe the deficiency the proposed project will address and how this has impacted the historic resource including the duration of time the deficiency has existed.

The Dudley Building sat deteriorating for many decades before the MHC acquired it in 2022. By then, the building had suffered long-standing moisture issues and lack of maintenance for decades, leaving cracked and spalling concrete walls, failing paint, a degraded leaky roof, obsolete mechanical systems, and the entire structure reflecting decades of neglect. The building is a post and beam structure, with the primary north façade door and windows onto West Wallace Street. The long west wall fenestration also includes large window openings to illuminate the interior. The rear wall was collapsing when MHC assumed ownership and the City condemned this structure along with its neighbor Stonewall Hall, running hazard tape to protect pedestrians walking by.

When the MHC assumed ownership, contractors were hired to mothball the building in its current condition. This included covering the roof with a temporary wood structure covered by ice and water shield. We have accomplished our immediate goals to arrest the decline of the building and make the streetscape safe. Now, if underlying deficiencies, unstable soil conditions and moisture-induced rot are not addressed, they will eventually undermine the structure.

Instead, the MHC plans to revive this building, address those deficiencies and rehabilitate the interior to occupiable condition and active use. In order of severity, the Project will address the following deficiencies unique to the site.

1. Failed roof
2. Weakened structural framing
3. Deteriorated concrete exterior walls, windows, and doors
4. Deteriorated interior floor, wall, and ceiling surfaces
5. Outdated mechanical systems – electric, plumbing, HVAC

In addition, interior and exterior surfaces, windows and doors, fire safety and ADA access will all be upgraded, and installation of new efficient mechanical, electrical and plumbing systems per the International Existing Building Code (IEBC), as adopted by Madison County, Montana.

3. Describe how the proposed project will address the identified deficiency including why MHPG funding will enable proper completion of the resource.

Over the course of the 2025-27 biennium these deficiencies will be eliminated, or significantly mitigated, as the building is rehabilitated in accordance with the Secretary of the Interior's Standards for the Treatment of Historic Properties and applicable local, county and state building regulations.

4. Describe the financial need for MHPG grant funds to complete the project.

For almost 25 years, the MHC has methodically invested its limited budget to protect the historic resources of Virginia City and Nevada City and improve the community's overall heritage tourism experience. When the State of Montana agreed to acquire the Dudley Building, it was in an advanced stage of disrepair. The MHC responsibly mothballed the Dudley Building but to fully return it to use, significant funds must be invested. As an agency we are always seeking funds to leverage alongside our state funding, and our request to the MHPG grant program is no different. In a triage-like manner, the decision to invest in a given property is guided by three basic principles, available funds, historic significance and income producing potential, in effect - *return on investment*. In this case, the return to the community, to our agency and the general public will be meaningful and lasting.

5. Describe how the proposed project was selected and prioritized in relation to plans to preserve and maintain the historic resource.

The MHC is committed to restoring as many historic buildings in its portfolio as can be successfully rehabilitated. The Dudley, despite its poor condition, stands on one of the most prominent corners in the NHL. It has great potential for new use as a place to welcome visitors, offer retail goods to the public and provide supporting accessible rest room and kitchen facilities to adjacent Stonewall Hall surrounding venues. Therefore, we have prioritized the full rehabilitation to active use as the preferred scope of work for this building so that once completed, the building will generate income for the State and the community.

STATUTORY CRITERIA - C

up to 100 in Possible Points

The degree to which timing of the project can be completed without delay, including access to matching funds and approval of permits, if needed.

- I. Describe the organization's capacity and ability to complete the proposed project within the proposed timeline.

Restoration of the Dudley Building will be carried out in the same quality manner as so many other projects have been since the legislature approved acquisition of Virginia City and creation of the MHC in 1997. Comprehensive abatement and restoration projects are what we do. This extensive rehabilitation will be guided by consultants well-versed in the

challenges of restoring historic properties, and we have a team already in place to proceed that includes architects, engineers, historians, construction contractors, plumbers, electricians, laborers, etc. In this manner, we have, in consultation with the Montana SHPO, successfully completed several challenging restoration projects. We have an impressive track record which includes the Harding House, Meagher Cabin, Bonanza Inn in recent years. Elsewhere in Virginia City, the Hickman House, Coggswell-Taylor Cabins, and Stonewall Hall are all currently moving forward as well.

2. Describe the status and availability of all matching funds needed to complete the proposed project.

Each biennium, based on available or anticipated funding, the MHC prepares a list of preservation projects, and compiles a working budget. Beyond the availability of funding, these projects are prioritized based on historic significance, revenue generating potential, and the ability to complete them in a timely manner. The Dudley Building meets all of these criteria. To match the estimated total budget of \$980,000, the MHC will provide \$455,000: \$337,000 cash match from site-generated revenues and agency funding, and \$118,000 to via an EPA abatement grant for the roof. These funds are administered through the Montana Department of Environmental Quality and Snowy Mountain Development Corp. Our project qualifies once we complete the proper assessment, helping us match our \$500,000 MHPG request with a very strong \$455,000 commitment, or almost 1:1.

3. Describe how receipt of MHPG funding will enable the ability to leverage additional funding such as grants, loans, and Historic Tax Credits.

As a state agency loans and tax credits do not apply to this proposal. In any given year, the MHC relies on various sources of funding, including grants, legislative allocations, and site-generated revenues to advance active preservation projects based on the greatest need and likelihood of successful completion. Accordingly, the MHC has strategically allocated a significant portion of this limited funding to advance this important project.

4. Describe any potential timeline considerations that are related to permits, environmental considerations, or related activities to complete the proposed project.

We do not foresee any major permit or environmental review concerns associated with this project. The MHC is familiar with local, state, and federal construction-related permitting requirements that may apply to this project. The appropriate permits and consultation review will be requested from the Town of Virginia, Montana SHPO, and Montana DEQ as part of the planning, design, and permitting phase leading up to the actual commencement of construction activities.

The degree to which the project activity contributes historic or heritage value related to the state of Montana.



Dudley Building with gas pumps, late 1930s

- I. Describe the historical context and significance of the historic resource associated with the proposed project including:
 - heritage value related to the state of Montana;
 - the value of the resource to the local community; and
 - any relevant designations or listings.

The Dudley Building represents a later development within the arc of history that defines the Virginia City National Historic Landmark. The NHL takes in a period of significance from 1863-1942, and traces the period of boom and bust of this productive gold camp. The 1921-22 Dudley Building housed L.A. Dudley's auto repair shop and gas station. It falls well within this period and its history contributes to the overall heritage values of the Virginia City NHL.

Lewis A. Dudley was an early-day auto salesman and mechanic who purchased an early Virginia City auto business with a partner in 1912, then converted the Stonewall Hall in spring of 1914 to the Virginia City Garage auto sales room. Dudley became sole proprietor and in 1921-22, he built this concrete-walled auto repair shop and gas station next door, replacing an 1860s log building that was in bad condition. The 1920s one-story building was constructed of board-formed concrete extending back into the hillside at the rear of the property and contained a mechanic shop with gas pumps out front.

L.A. Dudley sold Plymouth and Dodge cars and offered repair services in the Virginia City Garage. He became a prominent citizen in this small town and was elected mayor of Virginia City in 1937. He continued to operate his businesses here through the 1940s until his death in February 1950.

As an auto service business, Dudley's gas station reflected the rise of automotive travel in southwestern Montana and the transition that the community made from one-time booming gold camp and Territorial Capital, to a quieter remote town that identified itself increasingly as a tourism attraction. In fact, beginning Sarah Bickford's promotion of the Hangman's Building in the 1920s, the improved roadway of Montana Highway 34 through town in the 1930s, the Bovey era 1940s-1990s, and the MHC's tourism promotion since then, heritage and tourism in Virginia City have been intertwined for 100 years.

2. Describe how the proposed project will sustain the character defining features and integrity of the historic resource.

Accurately preserving historic features is essential to understanding the history of the property and adds interpretive value to its public use. A key feature of the Dudley Building is the simple unadorned nature of its design and unassuming exterior. From a character-defining perspective, the utilitarian nature of the building will be respected, while still striving to balance rehabilitation of the building with a fitting new use, modern rest rooms and kitchen that meets IEBC codes, ADA access and seismic requirements.

3. Describe how the proposed project will help promote and interpret the heritage value of the historic resource for the public.

The goal of the project is to rehabilitate the building in a respectful manner that allows its use as an interpretive visitor center, retail space, and supportive venue for nearby buildings. The MHC invests considerable effort to install interpretative materials and signage throughout its properties. These interpretative elements, including windows in time exhibits, help explain the significance of the property and allow the modern-day visitor an immersive experience, a dive back into Virginia City's remarkable history. Once reopened, we are confident the Dudley Building will offer that value to the public and assume an important role in promoting the heritage of the community.

4. Describe how the proposed project will adhere to the appropriate Secretary of the Interior's Standards for the Treatment of Historic Properties.

True to the MHC's mission and longstanding practices, the Dudley Building project will be conducted according to historic preservation standards for rehabilitation, and in consultation with Montana SHPO. The vision is to preserve exterior elements of the building while addressing the need to improve the interior and bring the building up to code. The goal of this rehabilitation is to repair the existing exterior, preserve surviving materials to the extent possible, and restore or replace missing or damaged elements. The simplicity of the building makes it possible for the building to serve modern functions while retaining its integrity.

Our project resists the urge to recreate an earlier period façade, and instead looks to make the most of what the building gives us. Carefully drawn plans by an experienced historic architect will conform to the Secretary of the Interior's Standards and retain the building's historic facade as it quietly occupies this important corner of the Virginia City NHL.

STATUTORY CRITERIA - E

up to 75 in Possible Points

The degree to which the applicant demonstrates successful track record or experience of the organization directing the project or similarly related projects.

1. Describe the organizational capacity and experience with similar projects of all project partners.

This comprehensive abatement and rehabilitation effort will be guided by the MHC's experienced preservation crew, augmented by consultants well-versed in the challenges of restoring historic properties. The MHC maintains a preservation crew of two full-time employees, each with over 20 years preservation training and hands-on experience. Over the years, the MHC has cultivated relationships with various cultural resource management professionals; including archeologists, architects, engineers, historians and project managers; and construction contractors, plumbers, electricians, laborers, etc. to round out their limited full-time staff. For example, in consultation with the Montana SHPO, in recent years, this team of staff members and consultants has successfully completed several challenging restoration projects, including the Harding House, Meagher Cabin, and Bonanza Inn. These historic properties have been restored, interpreted, and made available to the public as rental properties. We are confident of our ability to complete the Dudley Building project in a similar manner, once the building's major structural problems have been resolved.

2. Please identify the entity that will administer the grant.

The Montana Heritage Commission will administer the grant.

3. Describe your organization’s most recent project, specifically identifying:
 - any significant barriers or impediments and how your organization overcame them;
 - any project delays; and
 - any changes to the budget.

The MHC’s recent preservation efforts have centered on placing buildings back into active use. We took on the Dudley Building and its neighbor Stonewall Hall knowing there was urgency in carrying out all the necessary repairs to save them and place them back into service. Stonewall Hall is our most ambitious current project, and the Dudley stands alongside it with great location and potential for active use.

Elsewhere in Virginia City, MHC’s completed renovations of the Harding House, Thomas Meagher Cabin and Village Pump Information Center, represented over a million dollars in expenditures. Reconstructed at a defunct gas station, the Village Pump Information Center project alone cost over \$500,000 with complex environmental requirements, diverse funding sources (federal, state, earned revenues), and many partners including MHC staff, preservation specialists and independent contractors. All projects were managed in-house and completed on time. This is a reflection of the capabilities of our agency to successfully carry out projects in a range of settings. And our track record and creativity in seeking outside funds and placing buildings into revenue generating roles speaks for itself.

Since 2020, ongoing challenges in this period of inflation and shortage of skilled workers have presented their own challenges. Still, we succeeded in stabilizing efforts to date, and our request for Phase 2 funds will carry us the rest of the way to public use.

4. If available, please provide a copy of your organization’s most recent audit or financial documents. Please discuss if there were any unresolved audit or financial issues.

We have attached our most recent legislative audit, 18SP-19, a follow-up to 16P-05, as well as the MHC budget for the current biennium. The findings of these performance audits were positive, and we are working to address suggestions for improvement.

STATUTORY CRITERIA - F	up to 225 in Possible Points
-------------------------------	-------------------------------------

The degree to which the project has ONGOING ECONOMIC BENEFIT to the state as a result of project completion.

- I. Describe the ongoing economic impact (for example, on the local economy or tourism) of the proposed project to the local, regional, and Montana as a result of project completion.

The Dudley Building in its current uninhabitable condition represents an under-utilized historic resource – an asset that has significant educational and monetary value. For over seventy years Virginia City has contributed to the state’s tourism economy. Virginia City’s tourism appeal is based on the opportunity for our visitors to interact closely with

local history, be it an artifact or an entire building. Although the building's physical presence does contribute to the local historic setting, we are excited to restore the property and allow visitors to experience that story in a more intimate manner - by being able to enter and occupy an authentic local building. Properly restored as a commercial rental and interpretative site, the Dudley Building will add local appeal, and contribute to Montana's multi-million dollar heritage tourism economy.

The MHC commissioned an Economic Impact Study by Circle Analytics in 2017. Based upon the Montana Institute for Tourism Recreation Research (ITRR) findings and traffic counts, the report observed that Virginia City and Nevada City hold a prominent position as an economic driver in the state and region. The sister towns of Virginia and Nevada City are Montana's number one state-owned attraction with an estimated 582,304 visitors in 2017 alone. The analysis projected that 66% of those visitors (384,321) arrived from outside the market area, with half of those out-of-area visitors (192,160) spending at least one night in a hotel, and additional nights lodging for some visitors were a certainty.

ITRR in 2022 recorded that this visitation has risen dramatically to over 1,000,000 visitors annually, a multiplying effect as reflected in the Summary of Economic Impacts by the MHC over the first 30 years of the commission's existence. Those conclusions were highly impressive:

“The analysis shows that the combined impacts of the Montana Heritage Commission exceed \$74.6 million and include its annual operations, visitor spending for the year 2017 and improvements made by the Commission since 1997. Of these impacts, the majority of \$45.3 million are retained in the local county. The combined activities and related programs benefited a total of 1,226 jobs in the local economy and of these, 993 of the job benefits are ongoing.”

Montana ITRR tracks travel and spending by visitors for every county annually. Tourism fuels the economy of Madison County, and its annual level of non-resident spending in 2018 stood at 89,751,000. ITRR stated then “This 89.8 million in local spending directly supports \$68.8 million of economic activity in the region, and supports an additional \$24.9 million of economic activity, indirectly.” For the most recent year reported 2022, that figure had risen substantially to \$160,417,000.

In recent years, the MHC initiated a program to restore vacant buildings in their inventory and place them in active rental use. This has been highly successful and led to stabilization and restoration of such buildings as the Bonanza Inn, the Harding House, Thomas Meagher House, and rooms at the Fairweather Inn and in Nevada City. Guests are hosted during the Mid-May – mid Sept tourism season. Rehabilitation of the Dudley Building in service to heritage tourism and other venues in Virginia City will serve an important, ongoing role in the community and in turn, the economy of the state.

2. Describe how your project relates to community goals and previous or concurrent planning efforts (downtown revitalization plan, growth policy, historic preservation plan, economic development strategy, etc.).

The Town of Virginia City has the benefit of the presence of the MHC as well as participating in the Montana Main Street program and is a Certified Local Government for

Historic Preservation with the Montana State Historic Preservation Office. All of these programs reinforce the historic qualities of Virginia City, through their planning and commitment to preserving this remarkable “frozen in time” community.

The Virginia City Growth Policy, 2014 laid out the community vision for town planning efforts. “In order to broaden economic opportunities, the residents of Virginia City wish to encourage development sensitive to Virginia City’s continuing commitment to historic preservation and maintenance of its small-town quality of life.” It notes “The tourism industry is responsible for creating numerous full-time and part-time local positions with the State of Montana through the MT Heritage Commission,” and that “the future prosperity and vitality of the community are linked to local regional tourism.” Further, it outlines these policies and goals:

- Policy 2. Continue to Build on the Successes of the Historic Preservation Program
- Policy 3. Encourage Economic Development

Under Historic/Cultural Preservation, the following goals and objectives were stated:

Goal: That the growth policy will “encourage the preservation, protection and interpretation of those historic and cultural resources that define the unique character and quality of Virginia City and the surrounding environs.”

Objectives

- A. Protect and promote the investment of all Montanans in Virginia City by protecting and promoting the state-owned historic buildings and the vendor-occupied facilities.
- B. Encourage development in a pattern that will respect natural resources and historic values of the Town of Virginia City and their contribution to the economic base including tourism.

An update to the Growth Plan drafted in 2022, notes that “As Montana’s oldest incorporated community, Virginia City is a remarkable combination of commercial architecture of the mid-19th century and a surrounding landscape that has been relatively undisturbed since the end of the mining era in 1942... preserving the historic character of the Town is a top priority for Virginia City.”

3. Please describe your long-term vision for the historic resource and explain how this project fits into organizational plans (strategic, interpretive, business, outreach, etc.)

Upon completion of this project, we will open the building for interpretive and rental use by the public so that it can immediately have a public benefit in service to Virginia City. Outreach for visitors is a primary focus of MHC, every year we draw hundreds of thousands of travelers through our corner of southwest Montana.

Next, we will fully refurbish the interior, in a long-term vision for Stonewall Hall to serve as an events center and public assembly hall for the community and visiting groups. This fits squarely with its original use during the period of its highest significance, and also falls under the MHC’s strategic plans to return historic buildings to active, rather than passive use; thus sharing history while bringing a strong return on investment to the State

through building and concessions rentals and fees. When created the MHC was charged to contribute back to the local and state economy. We are doing so through boosting visitation, building lease agreements, support for concessions, increasing gate fees and developing short-term rentals. All of which in turn revitalize the local economy and increase the tax base.

The Dudley Building project directly supports the goals expressed in the MHC's current Strategic Plan, 2020 Financial Report, and Business Plan (2021-26), especially the importance to improve existing facilities and construct needed tourism infrastructure.

MHC Mission: "Serve as stewards in managing, developing, and operating Heritage Commission properties by preserving, stabilizing, rehabilitating, interpreting and exhibiting buildings and artifacts; overseeing and encouraging profitable commercial enterprises while creating and maintaining credible relationships with all stakeholders and partners, and protecting these historic resources for the educational benefit and enjoyment of all."

Infrastructure Development: The MHC regularly commits a majority portion of its \$2.0+ million annual operating budget to preserving and maintaining the historic resources under their care with an emphasis on improving historic interpretation experiences, creating revenue generating business locations, and expanding local lodging capacity. The MHC has also been successful in receiving special project-based allocations from the State legislature to implement long-range planning goals to construct new, or expanded, visitor service and lodging facilities. (MHC FY2022 Financial Report).

Our project and our agency priorities support the goals outlined in the MHC's current Five-Year Business Plan (2021-26), "efforts to keep people in town longer and overnight, in particular, are likely the best ways to strengthen our brand." Our project represents a milestone on Virginia City's main street - a major investment in the development of an appealing, high-quality retail and visitor space that invites the public to shop and stay longer. (MHC Business Plan 2021-26)

a. Will this project decrease your operating costs, and, if applicable, how will those savings be reinvested?

No, our operating costs will not decrease by completing the repair and rehabilitation of the Dudley Building and placing it into a use that benefits the public. Rather, when full occupancy is achieved, adding this venue to our portfolio is anticipated to increase revenues. These dollars will be reinvested into preservation and agency budgets, along with revenues from other income-generating properties managed by MHC.

STATUTORY CRITERIA - G**up to 100 in Possible Points**

The degree to which the project shows local contribution (ie, monies and letters of support).

Describe your community's commitment to the project by showing various levels of local contribution.

- a. What degree of local cash has been committed?

The MHC, is owner of this property. As a state agency we have budgeted funds for preservation of buildings and are directing FY 2025-27 biennial funds to this project. Our commitment is to fully provide the match.

- b. If this is a phased project, please describe funds expended through previous phases.

This is not a phased project. We mothballed the building in 2023, and will rehabilitate it fully with MHPG funding and our commitment to matching funds.

- c. What local organizations support the project? (provide letters of support as applicable)

Restoration of the Dudley Building in the heart of Virginia City has strong support throughout the community. Those long concerned about restoration of this building include the Town Council of Virginia City, Virginia City Historic Preservation Program, Virginia City Preservation Alliance, and Preserve Montana. They all understand the importance of restoring this building which is currently an eyesore, to more appropriate use and condition that reflects the State's commitment to the preservation and well-being of the Virginia City NHL.

STATUTORY CRITERIA - H**up to 100 in Possible Points**

The degree to which the applicant demonstrates anticipated public benefit, including the extent the site or building will be open to the public and the degree of immediate facility use after project completion.

Describe the projects anticipated public benefit.

- a. Detail exactly when the facility will be open to the public after project completion.

Once this project is completed, MHC will place the Dudley Building into their historic property rental program for short-term public rental and pop-up retail use by concessionaires. In addition, the kitchen and restroom facilities provided will be available to support the use of Stonewall Hall and other nearby venues in Virginia City. Therefore we anticipate this building will be pressed into busy service as soon as it is made available.

- b. What is the public benefit of the project?

Rehabilitation of the Dudley Building holds multiple public benefits. From a heritage perspective, its retention as a contributing property within the Virginia City NHL is a tremendous benefit to the public and the community. Further, the planned role for the Dudley Building as an interpretive visitor center and retail space will share the heritage of Virginia

City widely while generating income to support its use and further the mission of the MHC. That income generation from rental of the property will help to support MHC tourism programming throughout the NHL and will offer the ability to extend the shoulder season of the tourism industry in Virginia City and by extension, the southwest Montana region.

c. What proportion of the building will be open to the public?

The Dudley Building is now owned by the State of Montana on behalf of the citizens of our state. We intend to fully open the front half of the building to public service once the project is completed. The rear of the building is in far worse condition and will be stabilized now, and improved in the future.

d. What efforts will be made to make the building accessible to the public?

Completion of this phase of the work will make the building safe for interpretation to the public, and as required by law, all design and construction work on this major project is being executed in compliance with ADA standards.

**Table A.
Project Budget**

Dudley Building: Rehabilitaion		
Requirements		\$ 33,000
Dumpster, toilet, lift, locates		
Roof		\$ 118,000
Demolition/Abatement/Replacement		
Dirtwork		\$ 34,000
Beam Bracing		\$ 23,000
Masonry		\$ 180,000
Interior Rebuild & Finish		\$ 312,000
Construction Sub Total		\$ 700,000
Professional Services: Architectural ~ Engineering		\$ 45,000
Site Management 5% & GC 15%		\$ 140,000
Subtotal		\$ 885,000
10% Contingency		\$ 70,000
Total - not to exceed		\$ 955,000

Table B.
Implementation Schedule

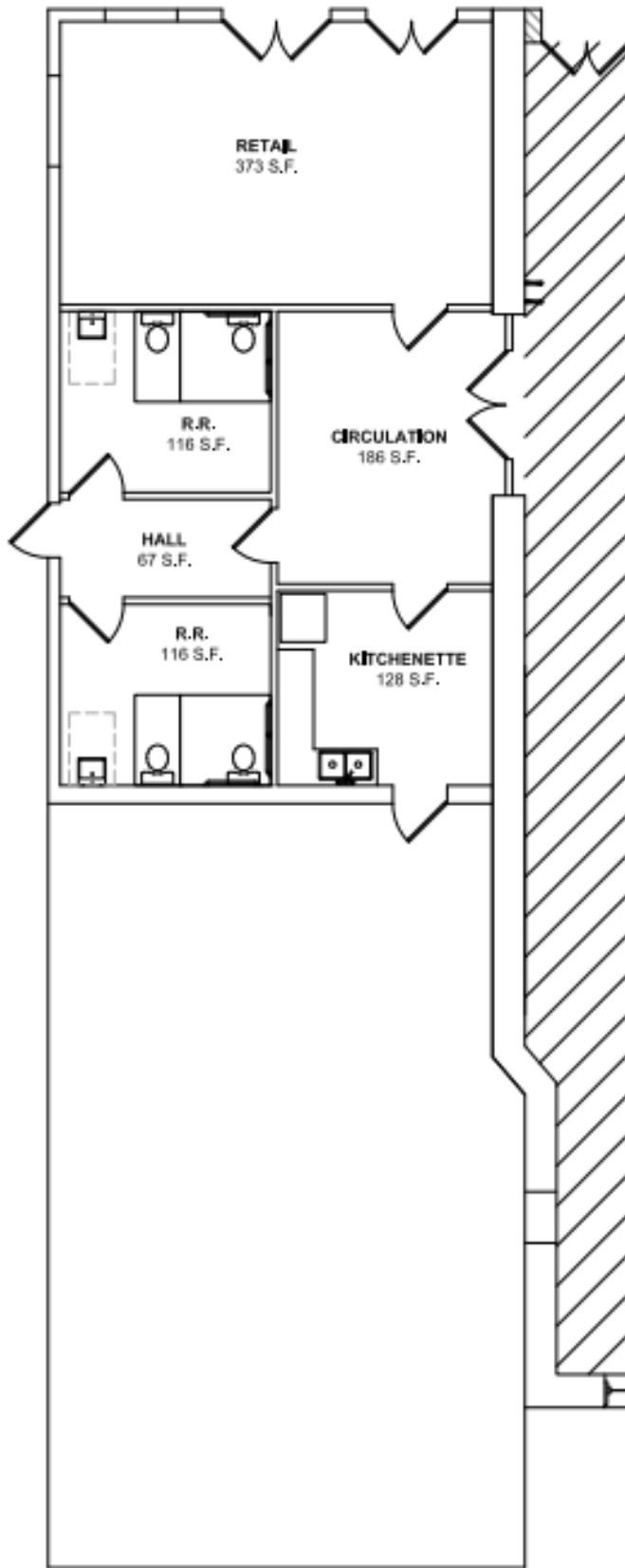
TASK	MONTH / YEAR
ADMINISTRATION MILESTONES	
Grant Awarded	May 2025
Procurement for Professional Services	May-June 2025
Select Firm	June 2025
Plans & Drawings Complete	July 2025
ACTIVITY MILESTONES	
Abatement Assessment	May 2024
Abatement Funding Secured (non-MHPG funding)	Aug 2024
Roof Abatement & Repair (non-MHPG funding)	Sept-Oct 2024
Procurement Process for MHPG Construction	July-Aug 2025
Select Contractor	Aug 2025
Construction (Year 1) Exterior Walls, Seismic Bracing, Windows, Doors	Sept 2025-Nov 2025
Construction (Year 2) Interior Improvements, Finish Out	Jan – Aug 2026
Project Closeout	Oct 2026
Other: Install Interpretive Displays	Jan-Apr 2027
Celebrate Dudley Restoration, Open in Full Use	May 2027

SUPPORTING DOCUMENTS

- Attachment 1** **Dudley Building Proposed
Rehabilitation Plans (2023)**
- Attachment 2** **Historic Photographs**
- Attachment 3** **Letters of Support**
- Attachment 4** **MEPA Documentation**
- Attachment 5** **MHC Biennial Report &
Legislative Audit**

Attachment I

Dudley Building Proposed Rehabilitation Plans (2023)



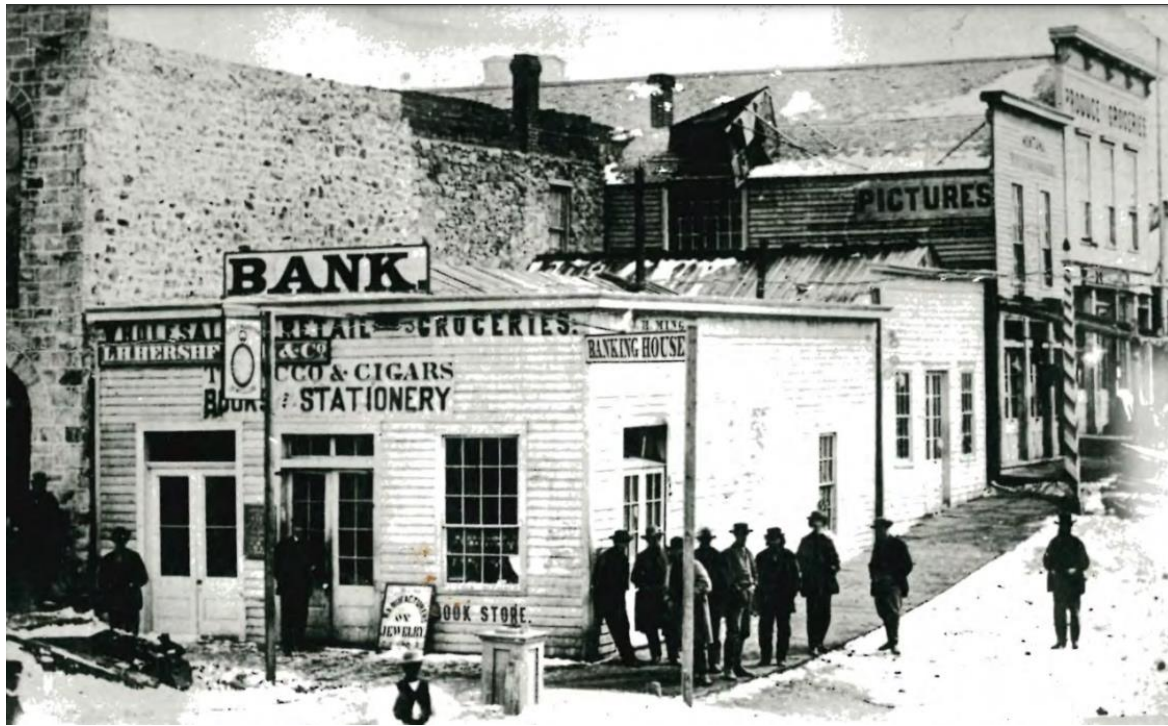
DUDLEY PROPOSED
 3/16" = 1'-0"
 FEBRUARY 9, 2024



DUDLEY PROPOSED
FACADE OPTION 1
1/4" = 1'-0"
FEBRUARY 9, 2024

Attachment 2

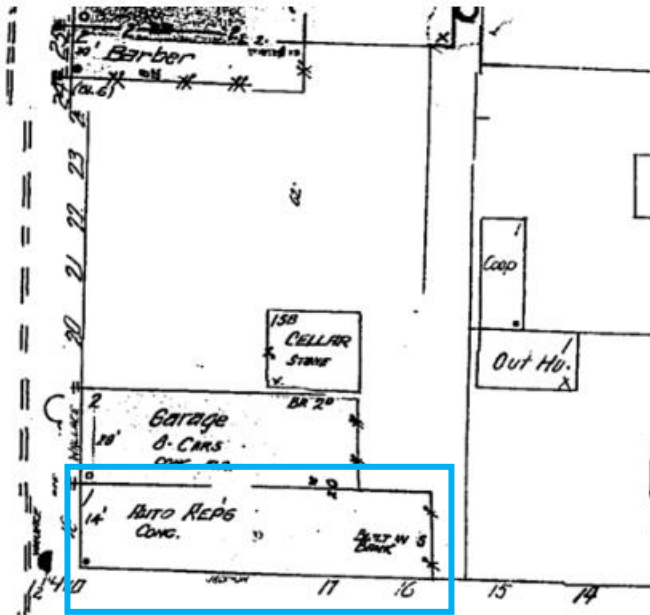
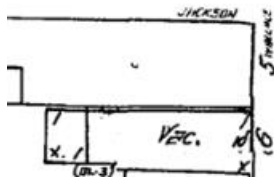
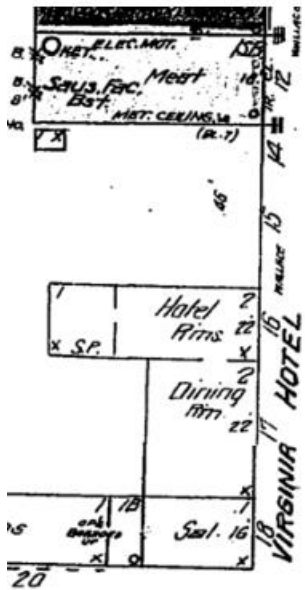
Historic Photographs & Maps



Above: 224 W Wallace ca. 1864

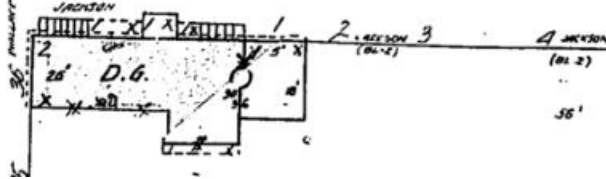
Below: L.A. Dudley's repair shop & gas station (right) and Virginia City garage (left)





JACKSON

25'
CE



Sanborn Map, Oct 1922

Attachment 3

Letters of Support

Attachment 4

MEPA Documentation

APPENDIX C

MHPG Environmental Review

The Montana Historic Preservation Grant (MHPG) Program is a state action subject to the Montana Environmental Policy Act (MEPA). All applicants must follow the environmental review process to determine a finding level, discuss the project and finding level at a public meeting, and make a final determination.

Applicants must submit a complete environmental review record with the MHPG application. A complete environmental review record must include:

- Environmental Review Form (See Appendix C-1),
- Resolution to Accept Determination,
- Documentation of public process including meeting minutes,
- Supporting environmental documentation and;
- Environmental Review Checklist (See Appendix C-2 on the Division's website) *
 - *If an environmental assessment is required.

More information on MEPA and the applicable environmental review process can be found on the Division's website and sample MEPA forms can be found on the Division's website as well.

For detailed information on MEPA, see *A Guide to the Montana Environmental Policy Act*, or *A Citizen's Guide to Public Participation in Environmental Decision Making* at:

<https://leg.mt.gov/committees/interim/past-interim-committees/2017-2018/eqc/montana-environmental-policy-act/>

Appendix C-1 Environmental Review Form

On a separate piece of paper, please answer the following as they apply to your proposed project:

1. Alternatives: Describe reasonable alternatives to the project.

No Action: Allow the building to continue to decline, and do not prevent its eventual collapse. Under this alternative, the property would continue to be condemned and fenced off for public safety, and remain as a blight on the town's main thoroughfare.

Demolition: Demolish this vacant, blighted building. This would have the detrimental effect of removing a contributing building within the National Historic Landmark and result in a vacant lot in the central core of the historic Virginia City community.

Replacement: Demolish this building and replace it with new construction. A new building would not be in character with the surrounding National Historic Landmark, and removal and replacement of the Dudley Building would not be in compliance with local preservation and design ordinances passed by the City.

2. Mitigation: Identify any enforceable measures necessary to reduce any impacts to an insignificant level.

The current design for this project has taken into account the historical design of the building, the current preservation ordinances and the guidelines for MEPA. The project meets the criteria for categorical exemption from further environmental review, for the reasons discussed below. Accordingly, no environmental impacts are anticipated and no measures are needed to reduce environmental impacts during the execution of this project.

3. Is an EA or Environmental Impact Statement (EIS) required? Describe whether an EA or EIS is required and explain in detail why or why not.

No further environmental assessment is required. This project is categorically exempt from EA or EIS according to the following MEPA criteria:

- Projects that involve only minor repairs or rehabilitation to an existing facility, including functional replacement of an existing facility or facility components;
- Projects where the footprint of the proposed structures, pipelines, or other infrastructure would be substantially unchanged from existing conditions, and there is no increase in the population served by the facility.

4. **Public Involvement:** Describe the process followed to involve the public in the proposed project and its potential environmental impacts. Identify the public meetings -- where and when -- the project was considered and discussed, and when the applicant approved the final environmental assessment.

The rescue of the Dudley Building has been underway for the past two years, and thanks to numerous news reports, it has been well publicized. There is high public interest in the project.

On February 22, the MHC hosted a Public Meeting in the Virginia City Meeting Hall, at 304 Idaho Street, 4:00 p.m. Legal notice was run in the newspaper of record, The Madisonian on February 14 and 21, and an email invitation was sent to the local government town officials, as well members of the interested community. Elijah Allen, MHC Executive Director, and the project architect/contractor team was present to present a power-point of the project to those attending. The meeting and project application were also posted on-line and the application was also available from the MHC to enable those unable to join the meeting in person to review the application and submit comments.

Minutes of the meeting were taken, they are included below. Following the meeting, and having received no substantive comments regarding the environmental impact of the project, the MHC director and chair approved a resolution stating that the project meets the criteria for a categorical exemption from MEPA requirements for further environmental evaluation.

5. **Person(s) Responsible for Preparing:** Identify the person(s) responsible for preparation of this checklist.

Elijah Allen, Executive Director, Montana Heritage Commission

6. **Other Agencies:** List any state, local, or federal agencies that have over-lapping or additional jurisdiction or environmental review responsibility for the proposed action and the permits, licenses, and other authorizations required; and list any agencies or groups that were contacted or contributed information to this Environmental Assessment (EA).

N/A

Elijah Allen, Executive Director
(I) Authorized Representative, Title

February 24, 2024
Date



A Resolution to Accept the Determination that Exempt is Appropriate for the Montana Heritage Commission's Dudley Building

DRAFT

WHEREAS, The Montana Heritage Commission has completed a review to identify potential environmental impacts to Virginia City's Dudley Building;

WHEREAS, The Montana Heritage Commission has held a public meeting to solicit public comments regarding the following: potential for causing a significant effect on the quality of the human environment; potential public controversy over the project's possible effect on the quality of the human environment; and potential to affect sensitive environmental or cultural resource areas or endangered or threatened species and their critical habitats;

WHEREAS, No substantive public comment was received;

WHEREAS, The Montana Heritage Commission has determined that the Rehabilitation of the Dudley Building will not significantly affect the quality of the human environment; a significant public controversy does not exist over the project's potential effect on the quality of the human environment; and the project will not affect sensitive environmental or cultural resource areas or endangered or threatened species and their critical habitats.

NOW, THEREFORE, BE IT RESOLVED by the Montana Heritage Commission as follows:

The Montana Heritage Commission adopts the determination that Exempt for the project proposed to rehabilitate the Dudley Building is appropriate in accordance with MEPA categorical exclusion regulations.

Passed and approved on this date of Feb 22, 2024

Signed: _____

Name: Elijah Allen

Title: Executive Director

Date: Feb 22, 2024

Attested: _____

Marilyn Ross, Chair, Montana Heritage Commission

MINUTES

To Be Added following Public Meeting

Supporting Environmental Documentation

Rehabilitation of the Dudley Building



The Dudley building is an existing facility built in 1921-22. It is currently in need of long-deferred repairs and improvements to meet IEBC code standards and place it back into use. That use will result in seasonal occupancy of the building for retail space, public rental and provide visitor center wayfinding and services.

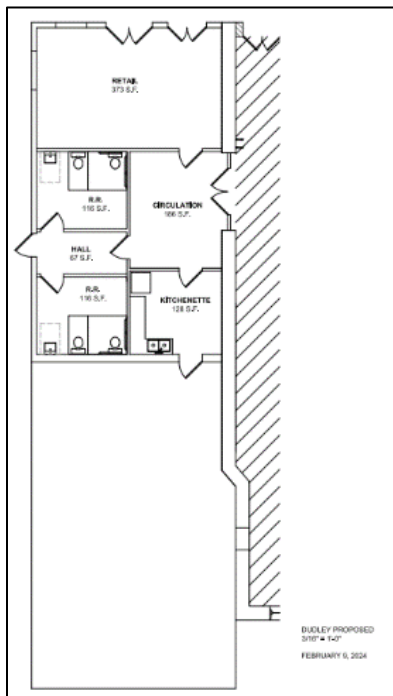
This project has been determined by the MHC to be categorically exempt from EA or EIS according to the following MEPA criteria:

- *Projects that involve only minor repairs or rehabilitation to an existing facility, including functional replacement of an existing facility or facility components;*



MHC Evaluation: The rehabilitation of the building involves repairs to the roof and exterior walls in kind with the existing design and materials. On the interior, within the building footprint, functional replacement of facility components will include new mechanical systems and ADA compliant rest rooms. As such, these repairs to the building meet the criteria for categorical exemption.

- *Projects where the footprint of the proposed structures, pipelines, or other infrastructure would be substantially unchanged from existing conditions, and there is no increase in the population served by the facility*



MHC Evaluation: Rehabilitation of the Dudley Building involves a project that stays within the footprint of the existing building, as demonstrated in the project concept plan at the left. There are no infrastructure improvements planned that would introduce substantial changes to this property.

As for population increase, placing this building into seasonal use as a retail and visitor center does not involve housing or any improvement that would lead to an increase in the population of the community.

Attachment 5

MHC Legislative Audit & Biennial Report

LEGISLATIVE AUDIT DIVISION

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
Joe Murray

MEMORANDUM

TO: Legislative Audit Committee Members
FROM: Sarah Carlson, Senior Performance Auditor
CC: Marilyn Ross, Chairperson, Montana Heritage Commission
Elijah Allen, Executive Director, Montana Heritage Commission
DATE: November 2018
RE: Performance Audit Follow-Up (18SP-19) of Montana Heritage Commission:
Managing Virginia City, Nevada City, and Reeder’s Alley Historic Properties
(orig. 16P-05)
ATTACHMENTS: Original Performance Audit Summary

Introduction

The *Montana Heritage Commission: Managing Virginia City, Nevada City, and Reeder’s Alley Historic Properties* (16P-05) report was issued to the Legislative Audit Committee in June 2017. The audit included three recommendations to the Montana Heritage Commission (MHC). We conducted follow-up work to assess implementation of the report recommendations. This memorandum summarizes the results of our follow-up work.

Overview

Our original audit found MHC manages its historic properties in a manner that both preserves the properties and encourages economic stability as required by law. However, our work identified opportunities for MHC to adopt a more business-oriented approach by engaging commissioners more fully, improving organizational planning processes, and gathering additional information. We made three recommendations related to these issues. Our follow-up work indicates one recommendation has been implemented and two are not implemented. MHC has implemented work to increase commissioner engagement, but follow-up work found MHC has more changes to make to its organizational planning and information gathering processes as recommended in the audit and has not made clear how they are going to continue and make the necessary changes.

Background

The buildings and artifacts making up the attractions in Virginia and Nevada Cities were purchased by the state for \$6.5 million in 1997. The purchase included 148 buildings, 160 acres of land near Alder Gulch in Madison County, and 1 million artifacts currently estimated at a value of nearly \$50 million. Virginia and Nevada Cities include displays depicting life in the 1860s, and MHC offers a variety of activities such as panning for gold or riding a tour train. Other venues such as historic lodging, live theater shows, gift and specialty shops, fine dining, and old-fashioned ice cream and candy shops are operated by concessionaires

Room 160 · State Capitol Building · P.O. Box 201705 · Helena, MT · 59620-1705
Phone (406) 444-3122 · FAX (406) 444-9784 · E-Mail lad@mt.gov
<http://leg.mt.gov/audit>

in buildings owned by MHC. Other stores and eateries are owned and operated by private owners. Some businesses are open year-round, but most are open only in the summer months. MHC properties expanded in 2000 with the addition of Reeder's Alley, including the Pioneer Cabin, in Helena. This location is also a mix of public and private ownership, with concessionaires running businesses out of the historic buildings. To manage the properties, the legislature also established the Montana Heritage Commission in 1997, tasking it with hiring staff and running day-to-day operations. MHC is responsible for managing its properties in a manner that protects the properties and encourages economic stability. This 14-member commission sets the direction of the MHC, with staff responsible for carrying it out. The details are largely at the discretion of an executive director hired by MHC to implement work related to MHC priorities. Membership of the commission is detailed in state law and includes three state agency directors, two members appointed by legislative leadership, and nine members with various historical and tourism-related experience appointed by the governor.

Audit Follow-up Results

Our follow-up work included traveling to Virginia City and attending the most recent MHC commission meeting. We reviewed newly developed commissioner's job description and other governance documents distributed to commissioners and interviewed the executive director and commission members. We also reviewed the organization's most recent meeting notes, as well as strategic and business plans. The following sections summarize information relating to follow-up work and the implementation status of recommendations.

RECOMMENDATION #1

We recommend the Montana Heritage Commission improve commission engagement by:

- A. Developing a commissioner's job description.
- B. Developing a specific packet of governance materials for distribution to each new commissioner, such as Montana Heritage Commission most recent by-laws, strategic plan, business plan, and commissioner's job description.
- C. Developing and implementing a training plan for all commission members.

Implementation Status – Implemented

Best practices of organizations managing historic sites indicate an oversight body such as the commission should clearly understand its responsibilities and receive information to fulfill those responsibilities. Our audit work found that some commission members were not able to provide their expertise or impartial evaluation to the commission's work because they had a limited understanding of their role as a commissioner. To provide oversight, commissioners needed to know their role more clearly, so our first recommendation focused on improving commissioner engagement by developing a commissioner member job description, distributing MHC governance materials to all commissioners, and providing training for all commissioners related to their MHC duties. We found this recommendation has been implemented. Our review of commission meeting notes and interviews with commissioners and staff indicate a commissioner's job description has been developed and was reviewed and approved by the commission in December 2017. The job description highlights areas for which commissioners are responsible, including budgetary oversight and policy consideration. Also, governance packets are provided to each new commissioner as part of initial orientation and all commissioners receive updated materials each June. The packet contains the organization's most recent by-laws, strategic plan, and the commissioner's job description. It also includes state law and administrative rules related to MHC, and the Montana Appointee Handbook, produced by the governor's office. Interviews with a commissioner and MHC staff describe the packets as helping ensure commissioners have the information they need to fully participate

on the commission. In addition, two training sessions, organized by the Montana State University Local Government Center, were held for commissioners prior to the convening of the December 2017 and March 2018 commission meetings. MHC staff stated at least one training session per year will continue to be planned for commissioners. The next training session is anticipated to be held in December 2018.

RECOMMENDATION #2

We recommend the Montana Heritage Commission expand its information collection practice to include:

- A. Identifying and documenting assumptions and other background data used to develop business plans, and
- B. Gathering demographic and other detailed data regarding visitors, their activities at the historic properties, and using this data for future resource allocation planning.

Implementation Status – Not Implemented

This recommendation relates to MHC's need to expand its information collection activities. Audit work found MHC was not documenting the underlying assumptions upon which its business plan is based. By not doing this, MHC cannot be certain it has accurately assessed the success of items in the plan. In addition, we found the organization was not collecting data about visitors and their preferences regarding historic properties and other attractions. This is essential information needed to determine future resource allocation. Overall, we found MHC performed some work related to this recommendation, but this work has stalled with limited progress. Our review of the most recent business plans and interviews regarding visitor data collection indicates there has been few changes to these processes. The most recent version of the MHC business plan incorporated projected cost estimates and anticipated revenues of their business ideas, but MHC staff indicated the underlying assumptions upon which the estimates are based are still not currently being documented nor included in the plan. Further discussion with the staff determined it is their intention to implement all recommendations but have not yet done so because of a lack of knowledge regarding how to proceed with implementing this recommendation fully. However, there is no indication how the organization plans to do this. Additionally, our follow-up work found that MHC is currently using the same informal data collection approach found in the audit: pen and paper. However, MHC staff reports that there are plans to update data collection process via touchscreen kiosk systems in several locations. This new method is intended to save time in collecting visitor demographic information during the peak summer tourist season. In addition, the electronic interface is anticipated to better incentivize visitors to voluntarily provide their information. However, it was not clear from interviewing staff how the newly acquired data will ultimately be used or the timeline for implementing this change.

RECOMMENDATION #3

We recommend the Montana Heritage Commission strengthen its organizational planning processes by expanding its:

- A. Business plans to include a timeline for completion, an evaluation of resources needed, and an assessment of staff time required for each proposed project.
- B. Strategic plans to include an assessment of current resources, and a strategic analysis indicating how those resources will be distributed among activities identified in the plan.

Implementation Status – Not Implemented

This recommendation relates to MHC's need to plan in a more business-like fashion by estimating how many resources new projects proposed in MHC business plans would need, and how those needs intersect with the goals of the strategic plan. We found MHC began work on this recommendation, but work has

also stalled due to a lack of knowledge in how to proceed in getting it fully implemented. The most recent version of the MHC business plan incorporates projected cost estimates and anticipated revenues of business ideas. However, when reviewing the most recent MHC strategic plan completed September 2018, we found limited changes have been made when compared to the 2016 strategic plan reviewed during the audit, and none related to the resources needed to reach strategic goals. While MHC indicated they intend to implement this recommendation, we do not know how this will be accomplished because they could not provide evidence on how they would do this or an estimated timeline for completion.

S:\Admin\Performance\Follow-up\18SP-19-MT-Heritage-Commission-orig-16P-05.docx/dfr