

EDA/EDC Joint Board Minutes
Thursday, February 13th, 2020 – 7:15 AM – 9:00 A.M.
Billings Library, Community Room
510 N Broadway, Billings, MT

BIG SKY ED Mission Statement: - Focused on sustaining and growing our region's vibrant economy and outstanding quality of life, **Big Sky Economic Development** provides leadership and resources for business creation, expansion, retention, new business recruitment and community development.

EDA Board Members Present: Bryce Terpstra, George Warmer, Greg McDonald, Jennifer Smith, Jennifer Owen, Ken Lutton, Paul Neutgens, Riley Bennett, Robin Rude, Shaun Brown (Ex-Officio), Nick Altonaga (Ex-Officio)

EDA Board Members Absent: Dana Pulis, Judi Powers, Don Jones (Ex-Officio), Greg Upham (Ex-Officio), John Brewer (Ex-Officio), Katy Easton (Ex-Officio)

EDC Board Members Present: Aaron Ramage, Andy Gott, Ann Kosempa, Bob Wilmouth, Dave Ballard, Eric Simonsen, Jon Stepanek, Mac Fogelsong, Mike Nelson, Mike Seppala, Nicole Bengé, Scott Chesarek, Spencer Frederick, Steve Loveless

EDC Board Members Absent: Craig Bartholomew, Dan Edelman, David Ellis, Denis Pitman, Doug Hansen, Kim Jakub, Mitch Goplen

Staff and Guests: Elaine Labach, Kevin Nelson, Steve Arveschoug, Deanna Langman, Brandon Berger, Shanna Zier, Dustin Frost, Kevin Scharfe, Becky Rogers, Lorene Hintz, Karen Miller, Dianne Lehm, Allison Corbyn

Call to Order:

Robin Rude, EDA Chair, called the meeting to order at 7:15 A.M.

Public Comment/Recognitions/Special Announcements and Introductions:

Public Comment

Kevin Nelson addressed data pieces from Big Sky Economic Development and asked for more community enthusiasm and support for the Recreation Center that has been proposed for the South Side.

Agenda Changes:

None

Consent Agenda

January 2020 Board Minutes

Motion: Mike Seppala, to approve the January, 2020 Board Minutes, as presented to the Board.

Second: Paul Neutgens

Discussion: None

Motion carried

December 2019 EDA/EDC Financials

Motion: Mike Seppala to approve the December 2019 EDA/EDC Financials, as presented to the Board.
Second: Ken Lutton
Discussion: Above
Motion carried

Program Level Reports and Action Items

Mid-Year Budget Report- Shanna

Shanna reviewed projected budgets that run through the end of the fiscal year. On the EDA, the bottom line reflects a negative net income. She then discussed the plan for making adjustments to address the shortfall and balance the budget.

Shanna then reviewed the projected EDC budget. We are on track with budgeted net income and expect no adjustments are necessary at this time.

Motion: Ken Lutton to approve the EDA/EDC Financials Review, as presented to the Board.
Second: Mike Seppala
Discussion: Above
Motion carried

Big Sky Finance – Brandon

SBA 504 Loan Requests

- I. Big Sky EDC is requesting approval to submit to the US Small Business Administration the following SBA 504 loan requests. The Big Sky EDC Loan Committee has reviewed the requests and recommends approval to the full EDC Board for submission to the SBA for final approval. The requests meet all the underwriting and eligibility requirements of the EDC.
 1. **Montana Linen Supply, LLC (Equipment loan)** – Request is for an increase in the amount of the SBA debenture from \$1,954,000 to \$2,107,000, for an increase of \$153,000. This loan was originally approved electronically by the Board on June 20, 2019. The increase is due to the Borrower electing to add a small amount of furniture, additional features/options and unforeseen expenses related to installing the equipment from the prior location into the new facility. The loan has been approved by SBA and is in the final closing process. No other changes to the loan as approved. Borrower demonstrates the ability to cover the additional debt service as a result of the increased project costs.

Original Request – 06/20/2019: This request is for the acquisition of equipment for Montana Linen Supply LLC's new commercial laundry facility. This request for equipment financing coincides with the previous request for the real estate financing for Montana Linen Supply LLC. The equipment is new equipment needed as a result of the expansion. For the most part, this equipment will not be replacing their current equipment, which will also be moved to the new facility. All equipment has a useful life of at least 10-years. This will be commercial laundry equipment (washers, dryers, press/ironers). This operation provides no dry-cleaning services – strictly commercial laundry.

The total SBA debenture related to the equipment financing package will be \$1,954,000 on a projected 10-year note comprising 40% of the total project. Big Sky EDC may request a 20-year note from SBA as the overall weighted useful life of the equipment is closer to 20 year. Big Sky EDC and the SBA will be in a 2nd lien position being American Bank of Montana (same lender as for the real estate) on the personal property. A Public Policy goal for Rural Development will be achieved.

Motion: Andy Gott, to approve the Montana Linen Supply, LLC, Loan Request as presented to the Board.
Second: Jon Stepanek
Discussion: None
Motion: Carried

2. **Camelot Ranch LLC** – Request is for the refinance of existing debt associated with Camelot Ranch LLC located in Billings, MT. Stockman Bank (Billings) and MOFI (Missoula) provided financing to the borrower for the construction of the Camelot Ranch event venue back in 2016. MOFI provided three separate notes for the construction of just over \$1MM and Stockman one note for \$592k. The MOFI notes carry a high interest rate as well as a balloon payment. Borrower has requested use of the SBA 504 loan program to refinance all notes. Total refinance will be just over \$1.5MM. New structure will be the traditional 50/10/10% split between Stockman Bank (1st lien), SBA (2nd lien) and borrower equity. This refinance will improve the borrower’s annual debt service by nearly \$36k per year.

The total SBA debenture will be \$722,000 on a 25-year note comprising 40% of the total project costs. Big Sky EDC and the SBA will be in a 2nd lien position on the real property behind Stockman Bank Billings. No new jobs are expected to be created as a result of the refinance. However, a Public Policy goal for Woman-owned business is achieved.

Motion: Mike Nelson, to approve the Camelot Ranch, LLC, Loan Request as presented to the Board.
Second: Mike Seppala
Abstentions: Spencer Frederick, Aaron Ramage
Discussion: None
Motion: Carried

3. **Gautam Lodging, LLC (Days Inn by Wyndham Sheridan)** – Purpose of the request is for the acquisition of the real and personal property associated with the Days Inn by Wyndham hotel located in Sheridan, WY. This is a 47-room economy class hotel. The ownership group is comprised of four individuals in the Sheridan and Gillette area. They currently own another, similar size hotel in Sheridan. Project was referred to Big Sky Finance by the Wyoming CDC. We agreed to take the request as it has minimal impact on our concentration and Sheridan is in our relative service market.

The total SBA debenture will be \$701,000 on a 25-year note comprising 30% of the total project costs. Borrower is required to put in additional 10% equity as this is a special purpose property as well as being a new business to them. Big Sky EDC and the SBA will be in a 2nd lien position behind First Federal Bank & Trust of Sheridan, WY. There are expected to be three new jobs created as a result of this project. The project also meets a Public Policy goal for Rural Development.

Motion: Andy Gott, to approve the Gautam Lodging, LLC, Loan Request as presented to the Board.
Second: Jon Stepanek
Discussion: None
Motion: Carried

Updated RLF Loan Collection Procedures

Brandon discussed changes to the Revolving Loan Fund Collection Procedures. The impetus behind the changes is the recent default of two of those loans.

Motion: Ken Lutton, to approve the Updated RLF Loan Collection Procedures, as presented to the Board.
Second: Eric Simonsen
Discussion: None
Motion: Carried

Big Sky to Sky Point Project – Becky

Becky reviewed the transfer agreement, which dictates how the EDC will transfer the building to the EDA at closing. This process, while a bit complicated, was determined to be the best mechanism to capture the donation given by Zoot.

Motion: Mike Seppala, to approve the execution of the EDC to EDA Transaction paperwork, as presented to the Board.

Second: Paul Neutgens

Motion: Carried

Release of RFP for Architectural Services

Becky presented and walked through the draft RFQ. Becky is planning to release this document once it is approved by the US EDA in Denver and after we've closed on the building.

Motion: Jennifer Smith, to approve the RFP for Architectural Services, contingent upon further legal review and EDA Approval, as presented to the Board.

Second: Aaron Ramage

Motion: Carried

Mid-Year Progress Report and Q&A

Big Sky Finance – Brandon

Brandon reviewed some of the portfolio and highlighted success stories out of the revolving loan fund. BSF has changed over to a new software to help increase productivity. BSF will remain vigilant as new CDC have come to Montana adding competition in the space. Brandon also highlighted a project from this year, Mountain Hot Tub in Bozeman.

BillingsWorks – Karen

Karen highlighted collaboration on their end with workforce councils in Helena and Lewistown, as well as the State Workforce Innovation Board of which Karen is a member. She also touted the hiring of Bo Bruinsma as the Career Outreach Director for SD2. With the 2020 State of the Workforce around the corner, Karen is staying busy. In the talent and attraction realm, the Better Off in Billings campaign is providing their recruiter toolkit to businesses around town. Karen also highlighted the BOIB Ambassadors group.

PTAC – Deanna

Deanna presented client success stories and commended the work done by our temporary employee, Phillip Luebke. In the Billings area, the PTAC has 277 active clients who have been awarded more than \$64,000,000 in the past 6 months. Statewide, there are 1202 active clients having been awarded more than \$120,000,000.

Rock31 – Kevin

Kevin highlighted the Rock31 Startup weekend, Early Stage Montana Showcase, 1 Million Cups Meetups, Youth Entrepreneurship, Kitchen Incubator, and one on one consulting.

One of Kevin's success stories is Monsoon Beverages and is one of the largest Kava suppliers in the USA. Kevin connected the owner with a mentor that started a consumer-packaged goods company, helps refine and review his pitch deck, and assists him with business valuation.

SBDC – Lorene

Lorene filled in for Dena and shared the Sassy Biscuit success story. As the Board may be aware, Sassy Biscuit was visited by Second Lady, Mrs. Pence last year. Jilan was the recipient of mentoring at the SBDC and it has been our privilege helping her succeed.

Lorene also highlighted the work they have done with Marketplace 3301, the largest antique store in Montana.

VBOC – Dustin

Dustin highlighted the difficulties Service Members experience as they transition out of military life. The VBOC has put on multiple trainings in Montana, Wyoming, and Utah and has reached over 1,000 individuals through these trainings.

Dustin’s success story was the Montana Beauty Institute that has enjoyed success through their perseverance and hard work. Dustin helped connect MBI with Brandon’s team for financing.

Community Development – Dianne

Dianne reiterated CD’s program responsibilities, the impact of their work and in particular, the tax abatement program in Yellowstone County.

Dianne highlighted the Fuego Fire Station which received a \$135,080 Montana Coal Board Grant to build a fire station in rural Yellowstone County.

New Business Recruitment – Allison

Think Billings has undergone a rebranding and boasts an updated logo. Allison also highlighted ROI solutions who have brought 340 jobs to town. Alison said she is working with five active prospects looking to expand or relocate to Billings. Allison also went on to highlight the work she does with Lorene and the Big Sky Trust Fund.

Marketing/Member Investor Program – Allison

Allison, on behalf of Melanie, highlighted the Member Investor Breakfasts, the weekly newsletter, industry specific forums and the Board Member Challenge to bring on new Member Investors.

The help from the Board has helped BSED added \$30,000 in revenue.

Finally, Allison shared a note from a Member Investor that thanked BSED for the work we do and the scope of our work.

Executive Director’s Focus – Steve

Steve thanked and acknowledged the BSED team and the impact of their work. Steve reviewed his areas of focus which include our Strategic Priorities, Community/Partnership Engagement, Organizational Leadership, and Economic Development Leadership.

Finally, the Board asked questions regarding legislative priorities, community development, and relationships with key partners, among others.

Public Comment

None

Adjourn

Mike Seppala Adjourned the meeting at 9:06 AM

Next Meeting – March 12th, 2020

Respectfully submitted,

APPROVED ELECTRONICALLY
Ken Lutton, EDA Secretary/Treasurer

APPROVED ELECTRONICALLY
Ann Kosempa, EDC Secretary/Treasurer

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