

**EDA/EDC – Joint Board Meeting**  
**Thursday, October 13, 2022**  
**7:00 A.M. to 9:00 A.M.**  
**Rock31/BSED Building**  
**Zoot Training and Event Space (2nd Floor)**

**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.

Agenda items may be rearranged unless an item is listed as having a "time certain". Action may be taken on any item listed on the Board Agenda.

- 7:00 A.M.      Call to Order/Pledge of Allegiance/Roll Call – Ken Lutton, EDA Chair**
- 7:05 A.M.      Public Comment/Recognitions/Special Announcements and Introductions**
- Team Recognition/Anniversaries
  - Billings Works/Accelerate Montana—Marcell
  - Jess Peterson—Montana Producers Partnership
  - Parks Funding Opportunity or Challenge? —Thom
- 7:35 A.M.      Changes to Today's Agenda**
- 7:37 A.M.      Consent Items for Board Action** **(EDA/EDC Board Action)**
- Minutes – September 15, 2022 **(Attachment A)**
- 7:40 A.M.      Financials**
- Presentation of EDA and EDC July/August Financials—Steve **(Attachment B) (Action)**
  - Controller Search Update **(Info)**
  - Building Project Preliminary-Final Budget Update—Becky/Steve **(Info)**
- 7:55 A.M.      Action Items**
- Preliminary Legislative Priorities—Allison **(Attachment C) (Action)**
  - Brownfields RLF Program Application—Dianne **(Attachment D) (Action)**
  - Big Sky Finance—Steve/Nina
  - 504 Loans **(Attachment E) (EDC Action)**
  - SSBCI **(Attachment F) (EDA/EDC Action)**
- 8:25 A.M.      Executive Director Report- Steve** **(Attachment G)**
- Staffing/Re-Org Update **(Info)**
  - EDA Board Appointment Selection Process Update **(Info)**
  - Strategic Priority Update—Downtown Housing **(Attachment H)**
- 8:45 A.M.      Program Reports**
- MI Program Update—Patrick
  - Game Plan to Hit 160 Committee Members **(Info)**
  - '22 Impact Bus Tour—Update **(Info)**
- 8:55 A.M.      Public Comment**
- 9:00 A.M.      Adjourn**

**Next EDA/EDC Board Meeting: November 10 (7AM to 9AM), Zoot Training and Event Space, Rock31/BSED.** *Big Sky Economic Development Board of Directors will make reasonable accommodations for known disabilities that may interfere with an individual's ability to participate. Persons requiring such accommodations should make their requests to Big Sky Economic Development as soon as possible before the meeting day. Please call Big Sky ED at 256-6871.*



BIG SKY  
ECONOMIC DEVELOPMENT

EDA • EDC    CREATING MONTANA BUSINESS OPPORTUNITIES

# ATTACHMENT A

**EDA/EDC Joint Board Minutes  
Thursday, September 15, 2022 – 7:00 A.M. – 9:00 A.M.  
Big Sky Economic Development, Zoot Training Space and Conference Room**

**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:** Bryan Wood, Bryce Terpstra, Debbie Desjarlais, Jennifer Smith, Ken Lutton, Riley Bennett, Zack Dunn, John Brewer (Ex-Officio), Katy Easton (Ex-Officio)

**EDA Board Members Absent:** George Warmer, Judi Powers, Lucy Aspinwall, Paul Neutgens, Don Jones (Ex-Officio), Greg Upham (Ex-Officio), Pam Purinton (Ex-Officio)

**EDC Board Members Present:** Andy Gott, Ann Kosempa, Denis Pitman, DJ Clark, Jen Kobza, Jennifer Kondracki Weaver, Justin Martin, Kim Jakub, Mac Fogelsong, Michael Marsh, Mike Nelson, Mike Phillips, Nick Pancheau, Spencer Frederick, Stefani Hicswa

**EDC Board Members Absent:** Bob Wilmouth, Craig Bartholomew, Dave Ballard, Mike Seppala, Nicole Bengé,

**Staff and Guests:** Allison Corbyn, Brandon Berger, Dianne Lehm, Kevin Scharfe, Lorene Hintz, Patrick Klugman, Ryan Walla, Steve Arveschoug, Tereza Brownell, Thom MacLean

**Call to Order:**

Ann Kosempa, EDC Chair, called the meeting to order at 7:00 A.M. with the pledge of allegiance.

**Public Comment/Recognitions/Special Announcements and Introductions:**

Steve welcomed the Board Members to the new building. A highlight reel from the Rock 31-BSED Grand Opening was shown. Steve recognized Board Member Mike Nelson for purchasing the cigars that were distributed to attendants at the Grand Opening. Steve also recognized the Big Sky Economic Development team for their contribution to the Grand Opening.

**Changes to Today's Agenda**

The agenda was modified regarding the BSED Building Project Update due to team member, Becky Rogers' absence.

**Consent Items for Board Action**

Minutes – June 9, 2022 & July 14, 2022

Motion: Jen Kobza to approve the June 9, 2022 and July 14, 2022 Board Minutes

Second: Bryan Wood

Discussion: None

Motion: Carried

**Electronic Board Meeting - August 18, 2022**

Motion: Jen Kobza to approve August 18, 2022 Electronic Board Meeting as presented to the Board.

Second: Bryan Wood

Discussion: None  
Motion: Carried

### **Financials**

#### **Presentation of EDA/EDC May Financials- Steve**

Steve asked the Board to approve the previously presented May financials.

Motion: Jennifer Kobza to approve the EDA/EDC May Financials as presented to the Board.  
Second: Jennifer Smith  
Discussion: None  
Motion: Carried

**FY 23 EDA Budget Confirmation:** Steve presented the FY 23 final EDA Budget. The FY 23 EDA Budget had been operating as a preliminary budget. The Commissioners granted the full allowable Mill Levy which represents approximately 40% of the overall operating budget. Steve answered the Board Members' questions.

Motion: Ken Lutton to approve the FY 23 EDA Budget Confirmation as presented to the Board  
Second: Zach Dunn  
Discussion: None  
Motion: Carried

#### **Financial Management Transition Plan**

Steve discussed with the Board that the Controller position is currently open at Big Sky Economic Development and the interview process is under way. In the interim, Big Sky Economic Development team members will work to fulfill necessary requirements until the position is filled. Shanna will continue to remain as a temporary employee. Steve encouraged the Board to recommend any candidates they believe may be suitable for the role.

### **Action Items**

#### **SBA 504 Loan Requests**

**OBW 1 LLC / 313 N Broadway LLC** – Purpose of this request is for the purchase of an existing commercial real estate property, renovations, and equipment for OBW 1 LLC, dba Spitz. The project property is located at 313 N. Broadway in downtown Billings. Spitz will be a new fast-casual restaurant specializing in Mediterranean street food. This is a franchise restaurant and will be the first in Montana. The restaurant will be open seven days a week serving lunch and dinner. Jenna and Peter O'Brien and Lonny White will be the owners of both entities. Jenna and her spouse, Peter, will be the primary operators in charge of all day-to-day functions. Lonnie will provide additional management experience but will not be as involved in the daily operations.

The total SBA debenture will be \$461,000 on a 25-year note. Big Sky EDC and the SBA will be in a 2<sup>nd</sup> lien position on the real and personal property behind Stockman Bank of Montana. The project meets a Community Development goal for new income to the community. There are projected to be ten new jobs created because of this project.

Motion: Bryce Terpstra to approve the OBW 1 LLC/313 Broadway LLC loan as presented to the Board  
Second: Jen Kobza  
Discussion: None  
Motion: Carried  
Abstained: Spencer Frederick

## **Big Sky EDA-RLF Loan Request**

**Bulldog Towing, LLC**- Request is for \$180,000 for the purchase of a used heavy-haul tow truck and working capital for Bulldog Towing, LLC. Bulldog Towing is a new business being started by Owen Wood. Owen and his spouse will be 100% owners of this operating entity. Owen is a U.S. Marine Veteran with extensive experience in trucking as well as diesel and heavy equipment mechanics and maintenance. Owen has previously worked for other tow truck companies in Billings.

This financing will provide Owen and Bulldog Towing to purchase a used 1987 Peterbilt heavy-haul tow truck. Owen sees there as being a need for this service in the area. The company will provide 24/7 emergency response.

Financing will utilize the EDA-RLF fund in the amount of \$180,000. Owen will be contributing 10% personal equity into the project. Terms will be 7 years at 4.75% as permitted by the program. The EDA-RLF is being utilized as credit is not available elsewhere for this use of funds. Loan Committee has reviewed and approved the request.

Motion: Jen Smith to approve Bulldog Towing, LLC loan as presented to the Board.

Second: Spencer Frederick

Discussion: None

Motion: Carried

## **SSCBI 2.0 Loan Program Update/Application Confirmation**

Brandon shared the details of SSCBI 2.0 Loan Program with the Board. Brandon asked the Board to approve the Application Confirmation to participate in the Program. Brandon shared the highlights of the Program and answered the Board Members' questions.

Motion: Riley Bennett to approve the SSCBI 2.0 Loan Program Application

Confirmation as presented to the Board.

Second: Stefani Hicswa

Discussion: None

Motion: Carried

## **Executive Director Report – Steve**

### **Staffing Plan Update —First Steps**

Steve provided the Board with an updated staffing plan. Becky's last day is September 16<sup>th</sup> and she will remain as a contracted employee through the transition. Steve updated the Board on new organizational structure and new departmental responsibilities. The organization will seek external support for Financial and Human Resource roles. Steve shared the opportunities, the vulnerabilities, and the current staffing strategy steps with the Board. Discussion was held amongst the Board.

### **Beartooth RC&D MOU**

Steve reviewed with the Board the Beartooth RC&D Memorandum of Understanding (MOU). The RC&D MOU is executed yearly. The Beartooth RC&D represents five counties in Montana that access Federal Programs for rural regions in Yellowstone County. It is funded by Federal and State Funds. We have maintained a partnership for many years and are seeking approval to continue the partnership. Lorene of BSED serves on the RC&D Board of Directors. Brandon of BSED also serves on the RC&D Committee. There were no significant changes to the MOU this year. Steve answered the Board Members questions.

Motion: Jennifer Smith to approve the Beartooth RC&D MOU as presented to the Board.

Second: Ken Lutton

Discussion: None

Motion: Carried

#### EDC Election Results/EDA Board Process to Follow

Steve updated the Board on the EDC Election Results. Steve announced the five approved Board Members. There is currently one opening on the EDC Board and one opening on the EDA Board. Steve shared the details of the nominating process. The County will begin the application process to fill the EDA Board vacancy in the next few weeks. The Nominating Committee will meet to discuss the applications and schedule interviews. We will ask Billings Clinic for a recommendation to fill the EDC Board vacancy and the Nominating Committee will discuss the opening.

#### **Program Reports:**

##### TEDD Progress Report – Thom

Thom discussed updates on the TEDD Project Report with the Board. Thom provided a brief history, Lockwood TEDD provides an industrial space in Yellowstone County that has been lacking. In 2015, Yellowstone County BSED chose the Lockwood site because of characteristics such as road access to the site. The area between I94/I90 and the Yellowstone River constitutes 1,200 acres of the Lockwood TEDD project. This area does not currently have any infrastructure which has posed a challenge regarding development. In 2016, TEDD was created. We have 15 years from 2016 to bond. In 2019, a report was completed to identify some primary projects. The projects were to extend water, sewer, and road infrastructure. In 2020, an agreement was entered with the City regarding water and sewer district extension to that area. In 2021, we submitted an application to the American Rescue Plan Act for funding for infrastructure. We did not qualify as this did not fund creation of new infrastructure. In 2022, the County agreed to use a portion of ARPA funds for engineering and design for the priority projects. Our current increment is 100,000. Town and County provides a majority of the increment from their new facility. The bypass completion in 2025 should increase development. Without bonding, the TEDD will expire in 2031. With bonding, the project will extend to 2056. We have looked into some grants to increase the increment in order to fund the bond to extend the TEDD project. We are scheduled to meet with County Finance to ensure we have covered all possible revenue options.

##### Rock31/BSED Building Project Update—Kevin/Ryan

Kevin thanked the Board for all their work and support on the Building Project. Ryan, the Community Manager, shared important information about the building and gave an update on the Memberships. Ryan shared the Members' working experience in the new space with the Board. Ryan shared how to reserve the conference rooms and answered the Board's questions. Kevin updated the Board on Membership status and securing a barista for Rock31. Kevin announced that Rock31 will launch the Accelerator Program in January. Kevin shared the details of the program.

##### MI Program Update

##### Game Plan to Hit 160—Patrick

Patrick updated the Board on the Member Investor (MI) Program. As of right now we have 140 Member Investors. Patrick shared that within a year he added 19 new Member Investors. Patrick asked the Board Members for their help to achieve the goal of 160 Member Investors. Patrick would like to add 20 new Member Investors before the end of the year. Patrick shared with the Board that a Committee Meeting is coming up next week.

##### '22 Impact Bus Tour Update

Patrick reflected on last year's Bus Tour and its impact. Patrick shared that we will extend the Bus Tour to more businesses and partners this year. The Bus Tour is set for October 19<sup>th</sup> and we will have two tour busses. Patrick asked the Board to set a committee to help organize the tour. Several Board Members volunteered their help.

#### **Public Comment**

None

#### **Adjourn**

Ann Kosempa adjourned the meeting at 8:41 am

Next Meeting – Thursday, October 13, 2022

Respectfully submitted,

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Riley Bennett, EDA Secretary/Treasurer

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Andy Gott, EDC Secretary/Treasurer

When approved, minutes and meeting materials will be filed electronically in the Big Sky EDA office.

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ECONOMIC DEVELOPMENT

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# ATTACHMENT B



**Big Sky EDA**  
**Balance Sheet**  
As of August 31, 2022

7:23 AM  
09/30/2022  
Accrual Basis  
Aug 31, 22

**ASSETS**

**Current Assets**

**Checking/Savings**

Valley Federal Credit Union Sav	25.00
Valley Federal Credit Union Mon	300,809.76
Altana - Savings	25.00
Rocky Mountain Money Market	43,289.09
First Interstate Bank x1210	293,520.54
FIB x0436-Recovered Prop Taxes	626.05
FIB-Operating Reserve x6437	251,242.76
FIB x2005-SBDC Program Income	9,932.60
FIB x8987-BSTSP	172,980.58
Stockman x2136-Opportunity Fund	85,514.82
Opp Bank x5375-Opportunity Fund	628,390.07
Stockman x3935-GE MX	15,127.87
Yellowstone County Funds	325,335.76

**Total Checking/Savings** 2,126,819.90

**Accounts Receivable**

A/R	379,141.53
A/R - PTAC	142,285.00
A/R-SBDC	10,620.81
AR -VBOC	101,421.10

**Total Accounts Receivable** 633,468.44

**Other Current Assets**

Grants Receivable	50,000.00
Opp Fund CDs (current)	1,734,415.52
American Revenue Guarantee	6,887.28
Due To/Due From EDC	122,625.01
Tax Levy Receivable	4,427.39
Tax Levy Receivable - Protested	57.02
Allowance for Doubtful Accts	-57.02
Prepaid Expenses	9,948.11

**Total Other Current Assets** 1,928,303.31

**Total Current Assets** 4,688,591.65

**Fixed Assets**

Construction in Progress	4,354,178.09
Bank Building - Land	301,750.00
Bank Building - Building	1,473,250.00
Accumulated Depreciation	-57,257.12

**Total Fixed Assets** 6,071,920.97

**Other Assets**

Right of Use Asset	7,781.28
Barista Equipment	12,000.00
Deposit	5,181.09
Opp Fund - CDs (non current)	642,380.35
Cabelas Conduit x0603	319.17
Deferred Outflow of Resources	129,336.30

**Total Other Assets** 796,998.19

**TOTAL ASSETS** **11,557,510.81**

**Aug 31, 22**

**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Accounts Payable**

Accounts Payable 520,422.24

Total Accounts Payable 520,422.24

Credit Cards 15,168.17

**Other Current Liabilities**

Accrued Expenses 100,018.93

Payroll Liabilities -270.48

Compensated Absences 171,176.93

Deferred Revenues 36,000.00

Total Other Current Liabilities 306,925.38

Total Current Liabilities 842,515.79

**Long Term Liabilities**

Lease Liability 7,781.28

Deferred Inflow of Resources 386,724.00

Pension Liability 563,223.00

Total Long Term Liabilities 957,728.28

Total Liabilities 1,800,244.07

**Equity**

Net Assets 7,239,523.47

Contributed Capital 3,193,580.22

Prior Period Adjustment -482,469.85

Net Income -193,367.10

Total Equity 9,757,266.74

**TOTAL LIABILITIES & EQUITY 11,557,510.81**

Big Sky EDA  
**Profit & Loss Budget vs. Actual**  
 July through August 2022

7:15 AM  
 09/30/2022  
 Accrual Basis

TOTAL						
	Jul 22	Budget	Aug 22	Budget	Jul - Aug 22	Budget
Ordinary Income/Expense						
Income						
Department of Defense	73,285.00	54,400.75	45,000.00	54,400.75	118,285.00	108,801.50
EDC Reimbursement	63,206.38	60,077.00	60,391.94	60,077.00	123,598.32	120,154.00
EPA - Brownfields	400.00	13,888.89	0.00	13,888.89	400.00	27,777.78
Grant Administration	0.00	416.67	1,845.00	416.67	1,845.00	833.34
Health Levy Revenue	7,420.00	8,965.83	7,950.00	8,965.83	15,370.00	17,931.66
Mill Levy Revenue	771.05	0.00	124.36	0.00	895.41	0.00
Miscellaneous Revenue	0.00	0.00	0.00	0.00	0.00	0.00
Recovery of Protested Taxes	1,223.08	0.00	0.00	0.00	1,223.08	0.00
Rock31 Barista Rent Revenue	0.00	0.00	0.00	0.00	0.00	0.00
Rock31 Membership Revenue	0.00	0.00	0.00	0.00	0.00	0.00
SBA/MT Dept of Commerce	15,582.41	13,541.67	10,572.81	13,541.67	26,155.22	27,083.34
Uncategorized Income	0.00	0.00	2,000.00	0.00	2,000.00	0.00
VBOC	25,179.36	25,000.00	25,048.93	25,000.00	50,228.29	50,000.00
Total Income	187,067.28	176,290.81	152,933.04	176,290.81	340,000.32	352,581.62
Gross Profit	187,067.28	176,290.81	152,933.04	176,290.81	340,000.32	352,581.62
Expense						
BID Assessment	0.00	0.00	0.00	0.00	0.00	0.00
Strategic Priorities	0.00	1,250.00	0.00	1,250.00	0.00	2,500.00
Advertising	244.49	79.00	0.00	19.00	244.49	98.00
Amortization Expense	104.57	0.00	105.47	0.00	210.04	0.00
Property Tax Protests	0.00	0.00	0.00	0.00	0.00	0.00
Community Development Projects	0.00	0.00	200.00	0.00	200.00	0.00
Contingency	0.00	5,000.00	0.00	5,000.00	0.00	10,000.00
Dues and Subscriptions	8,769.69	8,687.46	5,575.75	23,293.70	14,345.44	31,981.16
Employer Contributions	44,319.20	47,384.90	44,385.56	47,384.90	88,704.76	94,769.80
Event Expense	0.00	833.33	0.00	833.33	0.00	1,666.66
Insurance	6,200.07	6,245.93	2,812.78	2,672.12	9,012.85	8,918.05
Interest Expense	68.66	0.00	67.76	0.00	136.42	0.00
Marketing	15,504.75	7,520.41	1,153.16	7,520.41	16,657.91	15,040.82
Miscellaneous	2,797.03	2,553.32	967.16	2,403.32	3,764.19	4,956.64
Office Equipment	95.99	4,500.00	799.98	0.00	895.97	4,500.00
Office Expense	9,472.39	2,242.67	2,934.79	2,041.67	12,407.18	4,284.34
Building Operations/Maintenance	560.43	9,490.44	1,929.04	9,490.44	2,489.47	18,980.88
Professional Fees	785.92	20,420.71	814.93	37,320.71	1,600.85	57,741.42
Property Taxes	0.00	0.00	0.00	0.00	0.00	0.00
PTAC Subcenter	34,769.69	37,233.00	32,000.00	37,233.00	66,769.69	74,466.00
Rent	11,855.21	500.00	6,127.61	0.00	17,982.82	500.00
Repairs	0.00	833.33	0.00	833.33	0.00	1,666.66
Salaries/Wages	146,664.35	148,898.14	135,653.44	148,898.14	282,317.79	297,796.28
Sponsorships	0.00	416.67	0.00	416.67	0.00	833.34
TEDD	0.00	0.00	0.00	0.00	0.00	0.00
Telecommunications	3,510.86	3,858.40	1,971.70	3,858.40	5,482.56	7,716.80
Travel/Training	5,043.28	13,236.74	3,316.04	11,247.74	8,359.32	24,484.48
Total Expense	290,766.58	321,184.45	240,815.17	341,716.88	531,581.75	662,901.33
Net Ordinary Income	-103,699.30	-144,893.64	-87,882.13	-165,426.07	-191,581.43	-310,319.71
Other Income/Expense						
Other Income						
Contribution Revenue	15,800.00	0.00	0.00	0.00	15,800.00	0.00
US EDA Reimbursement	0.00	0.00	0.00	0.00	0.00	0.00
Interest Income	195.24	1,022.40	731.45	1,022.40	926.69	2,044.80
Total Other Income	15,995.24	1,022.40	731.45	1,022.40	16,726.69	2,044.80
Other Expense						
Relocation/BSTSP Transformation	4,599.49	11,855.21	3,875.75	11,855.22	8,475.24	23,710.43
Depreciation Expense	0.00	18,819.58	10,037.12	18,819.58	10,037.12	37,639.16
Total Other Expense	4,599.49	30,674.79	13,912.87	30,674.80	18,512.36	61,349.59
Net Other Income	11,395.75	-29,652.39	-13,181.42	-29,652.40	-1,785.67	-59,304.79
Net Income	-92,303.55	-174,546.03	-101,063.55	-195,078.47	-193,367.10	-369,624.50

**Big Sky Economic Development Corporation**  
**Balance Sheet**  
As of August 31, 2022

6:34 PM

09/29/2022

Accrual Basis

Aug 31, 22

**ASSETS**

**Current Assets**

**Checking/Savings**

Charles Schwab Investment Accou	0.01
First Interstate Bank x7262	118,676.45
FIB x3762-Long Term Reserve	250,000.00
FIB x2242-Federal EDA RLF	458,887.17
Stockman x2114-SSBCI Clearing	236,692.12
FIB x3754-SSBCI Principal	189,839.85
FIB x0594-Coulson Park	76,530.43
FIB x0222-OF/406 Impact	60,897.61
FIB x3924-RLF	262,421.45

**Total Checking/Savings** 1,653,945.09

**Accounts Receivable**

Pledges Receivable	65,600.00
Accounts Receivable	43,000.00

**Total Accounts Receivable** 108,600.00

**Other Current Assets**

Fed EDA RLF Portfolio - Current	19,164.76
Stabilization Loans - Current	37,155.05
Prepaid Expenses	2,545.13
RLF Portfolio-Current	26,885.10
SSBCI Portfolio-Current	36,444.53

**Total Other Current Assets** 122,194.57

**Total Current Assets** 1,884,739.66

**Other Assets**

Fed EDA RLF - Non-Current	208,799.35
Stabilization Loans-Noncurrent	7,505.57
Allowance for Loan Losses	-23,855.70
RLF Portfolio-Non Current	200,948.84
SSBCI Portfolio-Non Current	795,368.25

**Total Other Assets** 1,188,766.31

**TOTAL ASSETS** **3,073,505.97**

**Aug 31, 22**

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**LIABILITIES & EQUITY**

**Liabilities**

**Current Liabilities**

**Accounts Payable**

Accounts Payable 4,948.95

Total Accounts Payable 4,948.95

Credit Cards 5,475.18

**Other Current Liabilities**

Deferred 504 Revenue 13,285.92

Accrued Expenses 43.92

Due to/Due From EDA 122,625.01

Total Other Current Liabilities 135,954.85

Total Current Liabilities 146,378.98

Total Liabilities 146,378.98

**Equity**

Retained Earnings 2,939,820.28

Net Income -12,693.29

Total Equity 2,927,126.99

**TOTAL LIABILITIES & EQUITY 3,073,505.97**

**Big Sky Economic Development Corporation**  
**Profit & Loss Budget vs. Actual**  
 July through August 2022

6:25 PM

09/29/2022

Accrual Basis

	TOTAL					
	Jul 22	Budget	Aug 22	Budget	Jul - Aug 22	Budget
Ordinary Income/Expense						
Income						
Federal EDA RLF	738.97	0.00	711.37	0.00	1,450.34	0.00
Grant Administration	0.00	4,166.67	0.00	4,166.67	0.00	8,333.34
BSTSP	1,000.00	0.00	2,500.00	0.00	3,500.00	0.00
Stabilization Loan Interest	86.68	86.68	80.60	80.59	167.28	167.27
Interest Income	29.11	1,500.00	169.48	1,500.00	198.59	3,000.00
Float Income	0.00	0.00	0.00	0.00	0.00	0.00
504 Loan Origination	5,088.16	19,166.67	41,770.64	19,166.67	46,858.80	38,333.34
504 Loan Servicing	32,297.99	33,050.45	31,882.07	33,050.45	64,180.06	66,100.90
Member Investment	28,000.00	70,500.00	0.00	0.00	28,000.00	70,500.00
Member Investment - Trades	447.02	0.00	0.00	0.00	447.02	0.00
Miscellaneous Income	120.42	1,968.99	66.40	1,968.99	186.82	3,937.98
RLF Business Loan Interest	1,653.65	1,300.00	1,093.84	1,300.00	2,747.49	2,600.00
SSBCI Revenue	2,347.20	1,500.00	2,439.88	1,500.00	4,787.08	3,000.00
Total Income	71,809.20	133,239.46	80,714.28	62,733.37	152,523.48	195,972.83
Gross Profit	71,809.20	133,239.46	80,714.28	62,733.37	152,523.48	195,972.83
Expense						
Business Accelerator	0.00	833.33	0.00	833.33	0.00	1,666.66
Contract Support	0.00	0.00	0.00	0.00	0.00	0.00
Legal Fees	0.00	4,333.34	0.00	4,333.34	0.00	8,666.68
R31 Outreach	0.00	0.00	0.00	0.00	0.00	0.00
Investment in Economic Activity	0.00	0.00	0.00	0.00	0.00	0.00
Contribution Expense	15,800.00	0.00	0.00	0.00	15,800.00	0.00
Business Incubation	0.00	0.00	0.00	0.00	0.00	0.00
Postage	402.44	70.00	164.83	70.00	567.27	140.00
Bank Fees	40.00	40.50	31.75	40.50	71.75	81.00
Business Recruitment	0.00	1,250.00	0.00	1,250.00	0.00	2,500.00
Contingency	0.00	833.33	0.00	833.33	0.00	1,666.66
Dues and Subscriptions	1,546.37	2,014.70	420.53	469.70	1,966.90	2,484.40
EDA Reimbursement	63,206.38	60,077.00	60,391.94	60,077.00	123,598.32	120,154.00
Event Expense	411.31	0.00	1,100.77	7,000.00	1,512.08	7,000.00
Insurance	881.00	2,321.00	881.00	881.00	1,762.00	3,202.00
Marketing	1,476.88	3,025.00	522.13	2,625.00	1,999.01	5,650.00
Membership Development	227.38	1,100.00	18.25	1,100.00	245.63	2,200.00
Miscellaneous	2,991.02	4,175.00	5,619.17	2,100.00	8,610.19	6,275.00
Office Supplies	789.22	200.00	17.97	200.00	807.19	400.00
Professional Fees	531.32	6,200.00	20.25	14,000.00	551.57	20,200.00
Rent	335.58	2,884.82	335.58	339.66	671.16	3,224.48
Sponsorships	1,500.00	0.00	550.00	0.00	2,050.00	0.00
Telephone	395.00	644.69	395.00	694.69	790.00	1,339.38
Travel & Training	4,281.99	6,930.00	-68.29	4,750.00	4,213.70	11,680.00
Total Expense	94,815.89	96,932.71	70,400.88	101,597.55	165,216.77	198,530.26
Net Ordinary Income	-23,006.69	36,306.75	10,313.40	-38,864.18	-12,693.29	-2,557.43
Net Income	-23,006.69	36,306.75	10,313.40	-38,864.18	-12,693.29	-2,557.43



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# ATTACHMENT C

## LEGISLATIVE PRIORITIES 2023

The topics in blue are the priorities we plan to lead, the orange are those that we will actively support.

Legislative Topic	Desired Outcome	Strategies	Next Steps
Workforce	<ul style="list-style-type: none"> <li>• Increase our active workforce to meet existing and future business needs</li> <li>• Enhance the skills of existing workforce</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminate tax on veteran retirement pensions</li> <li>• Career and technical education expansion</li> <li>• Partnership approach between state and local communities for talent attraction marketing expansion (commerce budget)</li> <li>• Defend incumbent worker training program and support streamlining efforts</li> </ul>	<ul style="list-style-type: none"> <li>• Seek legislature to put in LC for veteran tax credits</li> <li>• Understand partner organization's workforce strategies and priorities</li> <li>• Communicate with the department of commerce about the value of flexible workforce training programs</li> </ul>
Pro-Business Climate	<ul style="list-style-type: none"> <li>• Make Montana more attractive for private investment</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminate business equipment tax</li> <li>• Support reduction of personal income tax</li> </ul>	<ul style="list-style-type: none"> <li>• Follow bill requests</li> <li>• Determine municipal funding impacts and how those can be mitigated</li> </ul>
Accelerate Entrepreneurship	<ul style="list-style-type: none"> <li>• Expand the pool of available capital for pre-seed stage</li> <li>• Build the entrepreneurial ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>• Support SSBCI Venture Capital initiatives</li> <li>• Facilitate loan program gaps dialogue at the state level</li> </ul>	<ul style="list-style-type: none"> <li>• Continued conversations with Director Osterman</li> <li>• More due diligence on SSBCI funds</li> <li>• Set funding gap round table date</li> </ul>



Business Attraction	<ul style="list-style-type: none"> <li>• Position Yellowstone County to secure greater private investment</li> <li>• Additional state investment and partnership in business attraction</li> </ul>	<ul style="list-style-type: none"> <li>• Basic infrastructure low interest loans/grants/incentives</li> <li>• Defend value of BSTF and provide advantageous revisions</li> <li>• Defend Targeted Economic Development Districts</li> <li>• Advocate for MEDIA Film Credit cap increase</li> </ul>	<ul style="list-style-type: none"> <li>• Follow up with legislators with LCs that are in this topic area</li> <li>• Articulate value of BSTF and route to greater ROI – provide to commerce</li> </ul>
Housing	<ul style="list-style-type: none"> <li>• Increase housing availability</li> <li>• Keep housing affordable</li> </ul>	<ul style="list-style-type: none"> <li>• Follow Governor's Housing Task Force</li> <li>• Defend TIFF as critical tool to close housing funding gap</li> </ul>	<ul style="list-style-type: none"> <li>• Connect with task force members (Sue Vinton and Don Sterhan)</li> </ul>
Education	<ul style="list-style-type: none"> <li>• Education alignment with industry needs</li> <li>• Support the success of RVU</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage investment at MSUB</li> <li>• Secure osteopathic school incentive for RVU-MCOM (that aligns with the incentive received by Boise D.O. school)</li> </ul>	<ul style="list-style-type: none"> <li>• Continue Board of Regent's connection</li> <li>• Follow up with Higher Ed office on Osteopathic medicine college student incentive</li> </ul>



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# ATTACHMENT D

## US Environmental Protection Agency (EPA) Brownfields Revolving Loan Fund Grant Application

Big Sky Economic Development, Community Development requests Board approval to apply to the US EPA RLF program for funding to create a revolving loan fund to assist with cleanup of eligible Brownfield sites in Yellowstone County. Application due November 22, 2022

BSED has a proven track record of successfully managing over \$1.5 million in Brownfield Assessment Grants. In past funding rounds, entities that have an established EPA RLF received most of the available funding. ARPA funding increased the amount of funds available to recipients and the EPA has designated a portion of the funds go to establish new RLF programs. This makes it an ideal time for BSED to apply for RLF funding. Yellowstone County property owners currently have no access to EPA RLF clean up funds. The addition of a Brownfield RLF would add a much-needed resource for redevelopment of our downtown core.

### Summary of EPA RLF Program

EPA Revolving Loan Fund (RLF) Grants provide funding for a grant recipient to capitalize a revolving loan fund and to provide loans and subgrants to carry out cleanup activities at brownfield sites. Through these grants, EPA strengthens the marketplace and encourages stakeholders to leverage resources to clean up and redevelop brownfields. When loans are repaid, the loan amount is returned to the fund and re-lent to other borrowers, providing an ongoing source of capital within a community.

An eligible RLF Grant applicant may apply for up to \$1,000,000 to address brownfield sites contaminated by hazardous substances, pollutants, contaminants and petroleum. The period of grant performance is up to five years.

The purpose of an RLF Grant is to:

- Create Redevelopment Opportunities
- Clean Up Sites
- Leverage Resources
- Market and Fund Loans and Subgrants
- Revolve using Program Income

Grant funds are used to capitalize a revolving loan fund for cleanup

- Can use the funds for Loans/Subgrants
- Must use on eligible sites
- Contaminants can be hazardous/petroleum or combined
- Up to \$1,000,000
- At least 50% of the award amount must be used for loans and associated eligible programmatic costs
- Remainder can be spent on subgrants and associated eligible programmatic costs, with max of \$350,000 subgrant per site
- 5 Year grant performance period

#### RLF- More Basic Facts - Loans and Subgrants

- For Cleanup NOT Assessment
- Loans are Generally Low or No-Interest
- Funds Meant to “Revolve” (use Program Income for new loans/subgrants)
- No Subgrants to Cooperative Agreement Recipients (CARs) or private owners
- Cost Share 20%-*waived this round of funding*

#### Borrowers and Subgrantees

- Responsible for complying with the terms and conditions of loan agreements or subgrantee agreements
- Subgrantees must be “eligible entities” (units of governments or nonprofits)
- Participates in the development and execution of the environmental cleanup
- Documents all funds are used as required by the RLF program
- Contractually responsible to the CAR

#### Examples of Current RLFs and Projects in Montana

In May 2022 Montana received nearly \$10 million in EPA funds for cleanup efforts.

- Great Falls Development: \$2.65 million
- Snowy Mountain Development: \$3.9 million in new clean up funds
- Bear Paw Development: \$2.15 million
- Headwaters Resource Conservation & Development (Butte): \$1 million

Missoula has utilized EPA RLF grant funds for cleanup & redevelopment efforts in Milltown and Piltzville. Affordable housing projects in Great Falls

Great Falls used funding for Rescue Mission Women’s Shelter, West Bank Landing, True Brew Coffee Shop, Miracle Mile, Aron Block and the Great Falls Food Bank.

Bear Paw Development: Bullhook Community Health Center in Havre, building in Havre for restaurant, clean up a former car dealership and fueling station in Chester for redevelopment in to a agricultural grain merchandiser, Boys and Girls Club of the Hi-Line in Havre, Kaste Building in Big Sandy, Chester Vets Club in Chester.

Headwaters: former gas stations, auto repair shops, former hotel, former junkyard located in a floodplain.



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# ATTACHMENT E

**SBA 504 Loan Requests**

- I. Big Sky EDC is requesting approval to submit to the US Small Business Administration the following SBA 504 loan request. 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. **Meadowlark Brewing LLC** – Purpose of this request is for an increase to the previously approved SBA 504 loan for Meadowlark Brewing LLC. Previous request was approved on September 9, 2021, in the amount of \$1,232,000. New SBA 504 debenture amount is \$1,251,000. Construction has been completed and brewery is open and operational. Increase due to a slight increase in construction costs from original approval. No other changes to the request. Projections continue to support the increased loan amount.

Original request (09/09/2021) – Purpose of the request is for the acquisition of land and new construction for Meadowlark Brewing LLC's new brewery located in Billings, MT. This new brewery and tap room will be a second location for Meadowlark Brewery and will be their primary manufacturing and distribution facility. The brewery is under construction and located off Zoo Drive, just east of Zoo Montana. They currently have a location in Sidney, MT, which is where the brewery was started by Travis Peterson in 2014. Travis is 100% owner of the brewery. This new location will provide Meadowlark with expanded production, canning and distribution capabilities. They will continue to have the tap room in Sidney, but almost all production will be moved to this new location in Billings.

The total SBA debenture is estimated to be \$1,232,000 on a 25-year note comprising approximately 34% of the total project costs. Big Sky EDC and the SBA will be in a 2<sup>nd</sup> lien position on the real property behind Stockman Bank of Montana. There are projected to be 11 new jobs created as a result of this project. The project meets Community Development goals for business revitalization, new income to the community and assisting a small manufacturer.



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# ATTACHMENT F

## **MT SSBCI 2.0 LOAN PARTICIPATION PROGRAM**

### **Overview**

#### **Structure**

- Loans will be participated with a financial institution “Lender” on a 50/50 participation. Structure may vary from 50/50 participation, but SSBCI portion will not exceed Lender portion.
- Shared lien position
- Lender will collect all payments – provide BSED with monthly P&I funds
- SSBCI funds must be kept in separate, restricted account
- Principal will be restricted and held in the restricted account
- Interest will be treated as income by BSED and held in an operational, non-restricted account
- The servicing CDFI/RLF will be assessed an annualized 25 basis points (0.25%) service fee by MT SSBCI 2.0 LPP. The fee will be assessed on the calendar quarter on the balances of all outstanding loans – to be paid from interest account
- Quarterly reporting to the State will be required

#### **Use of Funds / Eligibility**

- Real estate and equipment acquisition, working capital and non-speculative start up businesses.
- Passive businesses not eligible – must occupy 60%+ new construction and 51% existing building acquisition
- See MT SSBCI Loan Policy for more information and ineligible use/borrowers

#### **Process**

- Request received from borrower or Lender
- Lender will provide its loan approval to BSED
- BSED will do its own credit analysis, but primarily rely on Lender approval
- BSED will present to internal Loan Committee (EDA/RLF Loan Committee) for approval
- BSED submits application to State for approval and disbursement of funds
- Upon State’s approval, funds provided to BSED
- BSED sends funds to the Lender
- Monthly reporting by Big Sky Finance to BSED Board of Directors

#### **Funds**

- \$18.6MM initially available to be lent amongst 17 participants
- BSED will retain 50% of the funds participated upon the end of the MT SSBCI 2.0 Loan Participation Program. Final determination will be made based on compliance with all program requirements.
- Upon determining satisfactory performance, 50% of the funds managed by BSED over the life of the program will become unrestricted Revolving Loan Funds of BSED, at which time the funds will no longer carry any federal identity or reporting requirements

#### **Borrower and Loan Size Requirements:**

- Eligible borrowers must have fewer than 500 employees
- The MT SSBCI 2.0 LPP is targeting an average loan participation principal amount of \$1 million or less
- The MT SSBCI 2.0 LPP will not provide credit if a given transaction exceeds \$20 million



**Interest Rates**

- Up to 3-year term with monthly payments – 50 basis points (0.50%)
- 3-year up to 5-year term with monthly payments – 100 basis points (1.00%)
- 5-year up to 7-year term with monthly payments – 150 basis points (1.50%)
- 7-year up to 10-year term with monthly payments – 200 basis points (2.00%)
- 10-year up to 15-year term with monthly payments – 250 basis points (2.50%)
- 15-year to 20-year term with monthly payments – 300 basis points (3.00%)
- Lender service fee cannot exceed 50 basis points (0.50%)



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# ATTACHMENT G

**October 2022**  
**Executive Director's Report**  
**to the Board of Directors**

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***Strategic Priorities (FY 2023-24)***

**Strategic Objectives**

- 1. Build out the Billings entrepreneurship ecosystem to support new, innovative, diverse business startups** (Leads: Business Advising & Lending Programs)

**Strategies**

- a. Complete the Rock31/BSED facility development project to its full vision
- b. Execute the Rock31 program plan, build Rock31 membership and roll out acceleration programming
- c. Build awareness of all business advising and lending programs and tools

- 2. Act Now to redevelop downtown, building essential workforce housing and connection/complementing medical corridor investment** (Leads: Executive Director, Community Development, and Recruitment)

**Strategies**

- a. Partner to create a Development Action Fund (pool of tools and resources) to attract and incent downtown housing/mix-use development
- b. Develop a marketing/outreach strategy and solicit developer proposals
- c. Update the 2017 downtown housing study to guide decision making for City/BSED and private developers--**COMPLETED**
- d. Seek a more development-friendly approach from the City

- 3. Invest in the quality of our community through a comprehensive parks and trails development and funding plan** (Leads: Community Development)

**Strategies**

- a. Facilitate working groups that feed the policy-making process
- b. Provide research and data that articulates the value in parks and trails development
- c. Build public awareness regarding parks and trails investment
- d. Complete \$1.0 million in phase-one Coulson Park development

- 4. Grow, retain and attract a qualified workforce** (Leads: BillingsWorks)

**Strategies**

- a. Curate & share quarterly job market/industry data reports and solutions for employers to help them make data informed decisions related to talent attraction and retention
- b. Collaborate with Think Billings to advance talent attraction and retention resource with targeted marketing campaigns that align business recruitment efforts and talent attraction efforts

- c. Sustain partnerships and focus on education and industry alignment and collaboration through participation in STEM Yellowstone, internships, Yellowstone County Summer Jobs Program, the Summer Intern Leadership Institute, and continued convening (quarterly) of the BillingsWorks Steering Committee

### **Important Updates Regarding our Strategic Priorities**

1. Our new facility, including the Rock31 entrepreneur co-working space is meeting our expectations in a big way. Checkout the Rock31 section of the Program Updates below for details, but know here that we are building Rock31 membership daily and we have accelerated our training programs as well through our Small Business Development Center (SBDC). The building itself functions very well for BSED services (3<sup>rd</sup> floor) and our Zoot Training Space is busy. Our investment is moving BSED and Rock31 toward to vision we have been working on for four years.
2. The Downtown Housing Working Group continues to meet to coordinate efforts around the goal of developing more housing and mix-use development in our downtown core. Attached to your Board packet is a Housing Report that provides an overview of the housing needs and gaps in downtown. We will use this report as a springboard for conversations with community leaders and developers. One important takeaway (obvious to see)—nearly all of the new housing development in our community has been on the west end. In the last ten years only 12 new housing units were development in the Central Business District downtown. In the last 6 months plans were launch for over 100 new units downtown—building momentum, but not close to the growth need for workforce housing in downtown. You will learn more about the findings of the report during the luncheon that is planned at the end of our BSED Impact Bus Tour—October 19<sup>th</sup>. In the meantime, conversations continue with key development interests. We’re hopeful that one or two of these key projects can move from conversation to groundbreaking later this fall. Stay tuned.

Additionally, I am a member of a Billings team participating in the Housing Solutions Workshop. This project involves 5 selected communities in the US to learn and collaborate on the development of housing plans for our respective communities. As work product comes out of this Workshop, I will share the details with the Board.

3. City leaders continue their planning toward a proposed parks funding plan. No definite plan from the City yet, but they are considering a bond-issue and mill levy next year to fund rec center development in the South Billings Urban Renewal District as well as some measure of new parks development in key areas of the community (hopefully including Coulson Park). More details of the plan will begin to surface later this year. We will have a parks funding update for you at the October Board meeting.
4. BillingsWorks hosted its Q4 Steering Committee meeting last week. See the BillingsWorks section of the Program Updates for details.

## ***Program Updates***

### **Community Development Program Report**

#### **Tax Abatements:**

We received one new application for a business in Yellowstone County that is currently under review. These applications will go through an eligibility review process and then will be submitted to Yellowstone County for review and consideration.

#### **Brownfields Program:**

BSED was awarded a \$500,000 Brownfield Assessment grant. We are working with the EPA on preliminary paperwork in preparation for the award start date in October. We will publish an RFP for consultants. We are working to close out our 2017 Assessment grant. The EPA RLF grant application is open and we are requesting approval to submit an application on behalf of BSED. This would provide a tool for property owners should they need to complete clean up work.

#### **Coulson Park:**

The City of Billings has a firm updating the 100-year floodplain designation mapping. Upon completion, a preliminary review will take place with the city and a draft joint permit application will be prepared.

#### **Downtown Housing:**

The updated housing study was release at the end of September.

#### **Lockwood Targeted Economic Development District (TEDD):**

We have explored several possible resources for funding of the initial infrastructure project to extend water, sewer, and roads into that area ahead of the completion of the Billings Bypass. We have a meeting scheduled for a conversation with County finance to examine other options.

#### **Space2Place:**

Two of the six awarded projects have been completed. The Billings Symphony Orchestra and Chorale's project, Feather Mural by Ellie Swan, was completed in May. That mural is on the south wall of Sassy Biscuit facing 1<sup>st</sup> Avenue North. The Laurel Chamber of Commerce recently completed their project, Laurel Courtyard in downtown Laurel. They held a grand opening event on July 28. Healthy by Designs Beets on the Street project is now in place – look for it downtown and in the hospital corridor.

#### **Parks and Trails:**

We continue our work with Councilperson Tom Rupsis, the City, and other local partners to explore funding options for parks and trails in the greater Billings area. The goal is to determine the feasibility

and structure of a possible ballot measure that could fund development of new parks and trails development as well as a better method to fund parks department.

## **PTAC**

MT PTAC began its new performance period on August 1<sup>st</sup>. During the previous performance period of August 2021-July 2022, companies that were assisted by one of our six PTAC locations secured **\$119 million** in federal, state and local contracts. Of that, contracts valued at **\$37 million were awarded** to PTAC clients/companies within the Billings service area.

On September 15th, MT PTAC Billings hosted a virtual roundtable with Northrop Grumman and other primes to discuss federal business opportunities and the Sentinel project. The Sentinel project is to replace/upgrade the aging Minute Man III Missiles in MT, ND and Wyoming. The Sentinel project is the largest federal contract ever awarded in the history of the United States. \$13.3 billion over a multitude of years. A large portion of the work will be in the Lewistown and Great Falls area but there will be business opportunities for companies across the state and region. Eighty companies were in attendance. Another roundtable is planned for December 15th.

## **VBOC**

### **Training: 10 attendees at 2 events in the month of September**

- In Person Boots to Business at Malmstrom AFB, MT- 4 attendees. Delivered in partnership with the Montana SBA and Great Falls SBDC.
  - Training goal 1 is 100% B2B coverage: **GOAL MET** \*attendance has been dropping at this base. We are working with TAP program to understand why and hopefully improve
- Virtual Montana Veterans Startup Roadmap Class w/ Rock 31 and Billings SBDC (marketed to veterans statewide) – 6 attendees. We do this class in person in Billings every month and then virtually each quarter to allow us to cast a wider net across the state.

**Outreach highlights: 2 outreach meeting in August (23 so far this program year).** Our goal is 80 outreach meetings per year. **UNDER GOAL so far this year.**

**Counseling – 42 counseling sessions with 19 veteran or military spouse clients in the month of August.** Goal is 33 sessions per month- **ABOVE goal.** Nearing the end of the 5<sup>th</sup> month in our program year, we are at 221 counseling sessions to date (55%% of the way toward our goal of 400 sessions per year). Other counseling goals:

1. ≥115 referrals to local resource partners in the year: Currently at 44 referrals (38% of our goal at this early stage in our program year)
2. 5 new business “starts”: this is a new goal requested by SBA as an increased effort to track our impact. With a large part of our counseling involving referrals to other partners, this will be difficult to comprehensively track, so view this year as a “baseline” measurement. At the end of this month of our program year, we have tracked 1 new business start from a veteran here in Billings.
3. 100% of new veteran e-center sign ups each month have at least 1 counseling session: December rate is 80% as we wait for contact with 2 clients. Rate for the year to date is 85% as we work to connect with clients.

## **Member Investor Program**

2 new Member Investor have been added to the Member Investor Program: 1. Action Electric 2. Black Hills Federal Credit Union. We continue to meet with additional companies as prospect Member Investors and have three in the “queue” for potential commitment. In addition to adding new Members, we continue to work towards invoicing, administration, and follow-up. I have recently spent additional effort in partnership with Steve and Marcell regarding the October 19<sup>th</sup> Bus Tour. Member Investors will be invited in addition to the full board. October 1<sup>st</sup> is the start of the second quarter and new invoices for FY’23 Q2 will be initiated. Connect with me regarding new perspective Member Investor referrals or communications with current Member Investors at [patrick@bigskyeda.org](mailto:patrick@bigskyeda.org), 869-8419.

## **Marketing/BillingsWorks**

### **Marketing:**

- Attended TKI Grand Opening Celebration
- Coordinated the installation of artwork in the BSED Building
  - 1<sup>st</sup> floor and Mezzanine
  - Donor wall and BSED/Rock31 branded pieces throughout building
- Coordinated and hosted BSED Annual Meeting and BSED/Rock31 Grand Opening Celebration
- Coordinated professional photoshoot of BSED building
- Coordinated and Hosted ABC Clinic
- Assisted SBDC in marketing Expert Week
- Provided sponsorship and marketing assistance to the Veterans Career and Resource Fair Event

### **BillingsWorks:**

- Planned the Q4 BillingsWorks Steering Committee meeting for October
- Hosted the End of Summer Celebration for the Yellowstone County Summer Jobs Program at ZooMontana
- Presentation to MSUB Career & Employment Committee
- Attended the MCOM Student Welcoming Strategy Meeting
- Partnered with Visit Billings to host a booth at the RMC Jobs & Club Fair
- Rock31 meeting with Kinetic
- Attended MTYPS Billings Meeting
- Attended monthly MEDA Workforce Call
- Attended Billings Chamber Annual Meeting
- Met with Accelerate Montana
  - Planning October Event, hosting Accelerate Montana

## **SBDC / Rock31**

### **Noteworthy:**

- We are LOVING our new space in the Rock31 building
- All of our ten private offices on the first floor and lower level are taken. All eight dedicated desk memberships on the first floor and two (of the four) dedicated desk memberships on the lower level are taken. We now have five shared workspace members.

### **Team Activity:**

- Monthly training courses in the Entrepreneurial Academy series:
  - Expert Week in October
    - Attorney Expert Day Oct 4
    - Marketing Expert Day Oct 5
    - Accounting Expert Day Oct 6
    - Resource Partner Trade Show Oct 7
- Meet with the Founder on Wed's in the lower lever
- Team members attended or participated in:
  - Media Training – August 16
  - Outreach to Hardin/Crow Agency – August 19
  - Outreach to Big Timber – August 26
  - Onboarded BSTF Wild Roots Therapy – August 29
  - Monitored BSTF Rebel River Creative – August 30
  - Monitored BSTF Reciprocity – August 31
  - Monitored BSTF MT Custom Millworks – August 31
  - Outreach to Roundup – Sept 2
  - Team attended National Conference in San Diego Sept 6-9
  - Member attended Leadership Montana in Big Sky Sept 12-14
  - Member attended Beartooth Board meeting in Red Lodge Sept 15
  - Team attended ABC Clinic in Billings
  - Outreach to Harlowton – Sept 23
  - KTVQ interview for Expert Week - June 28
- Monthly training:
  - Start-up Roadmap, monthly recurring training for all start-ups – Sept 15
  - Business Model Canvas workshop to help businesses identify their customers, relationships, value proposition, channels, key activities, key resources, key partners, cost structure and revenue streams. – Sept 29

## **New Business Recruitment**

The lead pipeline for recruitment has certainly filled over the last few months. There have been five requests for information from the state, we have hosted five C-level visits, and an active site location analysis underway - pulling in some architectural support to help the business and property owner see the opportunity. The industries we are working with range vastly as do organizational structures. Interestingly, over the last year we've worked with two different private equity projects where they were planning to acquire and grow a business - I have never seen that type of activity before.



Many of the Big Sky Trust Fund Planning grants that I manage are completing reimbursement draws meaning work has been completed, from the 1111 Presents architecture to the data analysis on a medical procedure it will be great to see these projects wrap up the planning phase.

I am co-charging the MEDA legislative committee and that group is close to completing their policy statements, the majority of which align with our BSED focus. We will be hosting an all Yellowstone County legislators event on the 17th. Once the BSED board approves the legislative priorities we will begin aligning desired outcomes with existing supporters and bill placeholders that have already been requested

### **Big Sky Finance**

The following loan activity, all pertaining to the SBA 504 Loan program, has occurred July – September 2022:

LC 504 loan presentations:	3 loans presented to and approved by Loan Committee
SBA 504 Loan Approvals:	4 loans for \$3,781,000
SBA 504 Loan Closings:	1 loan for \$1,172,000
SBA 504 Loan Funding:	5 loans for \$3,673,000
EDA-RLF Loan Approvals:	1 loan for \$180,000

The following show our results of FYE 2022 for SBA 504 lending:

SBA 504 Loan Approvals:	13 loans for \$12,453,000
SBA 504 Loan Funding:	13 loans for \$8,314,000

SBA 504 loan activity has continued to be positive. We continue to underwrite new credits and taking inquiries. Interest rates are having an impact on the lending environment, and most importantly I don't see the debt refinance coming into play for the time being. However, rates on the SBA 504 loans are still priced at or below the market and fixed for the term of the loan.

Big Sky EDC is participating in the MT SSBCI 2.0 lending program just launched. We are one of 17 organizations across the state participating. Using these funds, Big Sky EDC can participate with a private lender providing financing of up to 50% of the total financing required. Rates on the SSBCI portion range from 0.50% to 3.00%, fixed. Contact Brandon Berger (406-869-8403) for more information. We are getting the word out to our lending partners.

Interest rates on SBA 504 loans have seen a slight increase due to the interest rate hikes and inflation, yet remain competitive. Our rates provide a great opportunity for long-term, fixed rate financing. The effective rates for loans funded in September were:

- 25-year debenture = 5.44%
- 20-year debenture = 5.34%
- 10-year debenture = 5.33%

## ***Organizational/Policy Matters***

1. Staffing Plans – We have filled the Executive Assistant position (Sarah Myhre) and handed off responsibilities from Tereza to Sarah for office operations, Board management, and Executive Director support. Tereza is now full time PTAC Advisor.

We now have an active search for the controller position. We have interviewed five candidates to date, with potential for one or two other first interviews next week. We will likely have second-round interviews late next week, with the goal to have a decision made by mid-October.

I continue to work with a Board Taskforce and my internal leadership team on a concept that would strengthen the leadership structure of the organization. This concept—creating four senior leadership roles with the scope of authority over four functional elements of the organization—will influence the hiring decision for the controller and what future plans are for operations director role. More information will be provided to the Board at the November Board meeting.

These changes are being considered to 1) eliminate the challenge of having all program leaders report to the executive director; 2) empower a core group of leaders to take on greater responsibilities and authority; and 3) build our internal bench so that future successions create opportunities for growth instead of leaving gaps in executing our mission with continuity. As with all strategic changes there will be some financial considerations and changing roles, all of these details will be shared with the Board.

Excuse me from providing a cryptic overview of these concepts. I do promise clarity as we move forward.

2. Closeout the Building Project Budget—We will provide the Board an update on the building project budget when we meet next week. Recall at our July meeting the Board approved \$750,000 toward completion of the project. We are about \$60,000 north of that number, with a few change orders and deducts factored in to the bottom-line. We have overestimated in some areas so the \$60k number will hopefully move in a positive direction as estimates are confirmed. We'll provide you a preliminary-final budget update at the October meeting, and we should be able to close out the project and have actual numbers at the November Board meeting. I will also provide the Board a close-out funding recommendation at that time.
3. Legislative Priorities for the 2023 Session –Attached to your Board packet is a draft outlined of our proposed legislative priorities for the 2023 State legislative session. Allison will present these to the Board next week. We still have work to do with our partners to determine how our priorities may complement or compete with the expectations they have for the session. That work

is on-going. We will provide the Board updates throughout the fall. We are planning a briefing session for legislators October 20<sup>th</sup>. More details to follow.

**Respectfully submitted,  
October 13, 2022**

A handwritten signature in black ink, appearing to read 'SA', with a stylized flourish extending to the right.

**Steve Arveschoug  
Executive Director**



BIG SKY  
ECONOMIC DEVELOPMENT

EDA • EDC    CREATING MONTANA BUSINESS OPPORTUNITIES

# ATTACHMENT H

## **MEMORANDUM**

To: Big Sky Economic Development  
Downtown Billings Alliance  
East Billings Urban Renewal District

From: Brian Duffany and Carson Bryant, Economic & Planning Systems

Subject: Downtown Billings Housing Study Update, EPS #213178

Date: September 26, 2022

*The Economics of Land Use*



This memorandum provides research and analysis on the housing market in Downtown Billings and identifies strategies that can be used to catalyze residential development in the Downtown core.

While Billings has experienced recent increases in housing prices and significant residential building activity that indicate strong demand, the Downtown core has seen relatively little new housing development. Residential development in Billings has primarily occurred on the edges of the city, with single family homes remaining the most common form of new housing delivered by the market. While a few residential infill projects are in the development pipeline, development in the Downtown core has been constrained by high land costs, low rents, and a perceived high level of risk relative to other parts of the city.

*Economic & Planning Systems, Inc.  
730 17th Street, Suite 630  
Denver, CO 80202-3511  
303 623 3557 tel  
303 623 9049 fax*

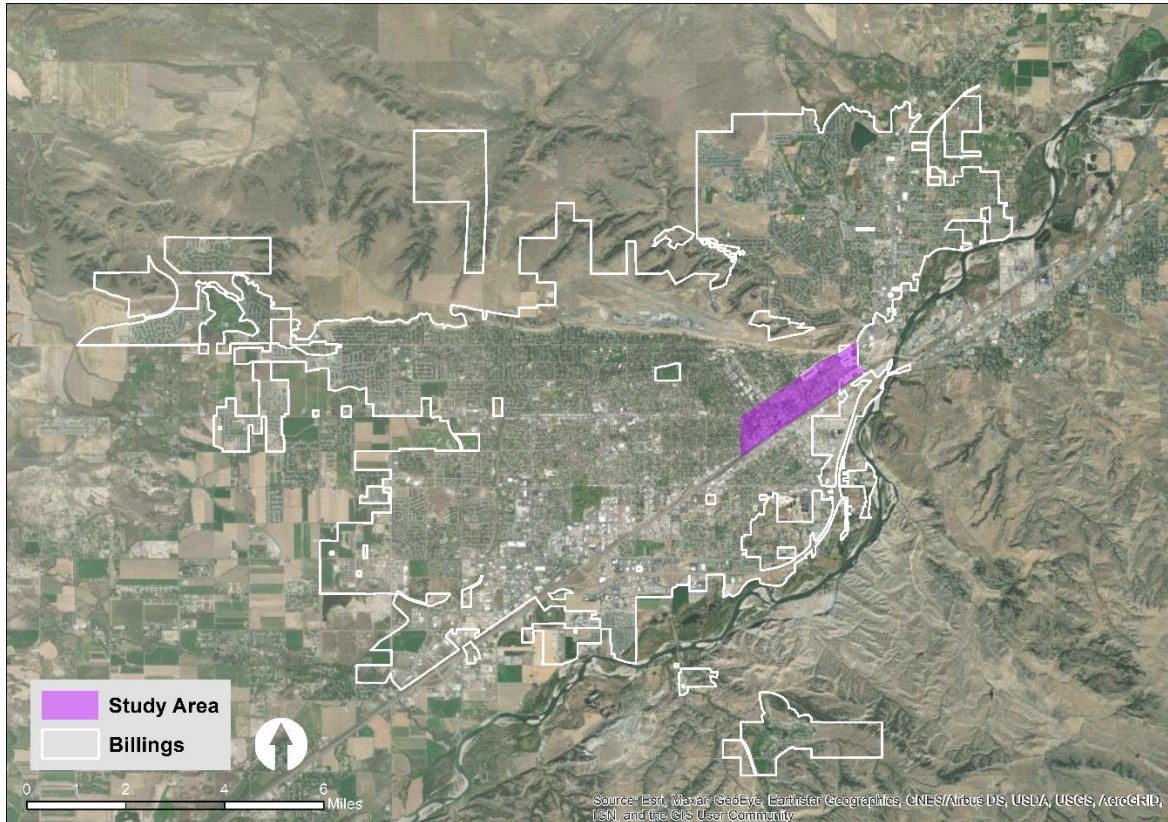
*Denver  
Los Angeles  
Oakland  
Sacramento*

**[www.epsys.com](http://www.epsys.com)**

## Study Area

The study area for this project, shown in **Figure 1**, contains the Downtown Billings central business district (CBD) and the East Billings Urban Renewal District (EBURD). It is bounded by Division Street to the west, 6<sup>th</sup> Avenue to the north, the BNSF railroad to the south, and Main Street (U.S. Highway 87) to the northeast.

**Figure 1. Study Area**



## County and City Trends

EPS examined population trends in the greater Billings area. Yellowstone County added almost 19,000 people from 2010 through 2021, an increase of 13 percent as shown in **Table 1**. Approximately 60 percent of the population growth was in the City of Billings, which added over 11,000 people during this time. The remaining 40 percent of growth was in Laurel, Lockwood, and unincorporated Yellowstone County.

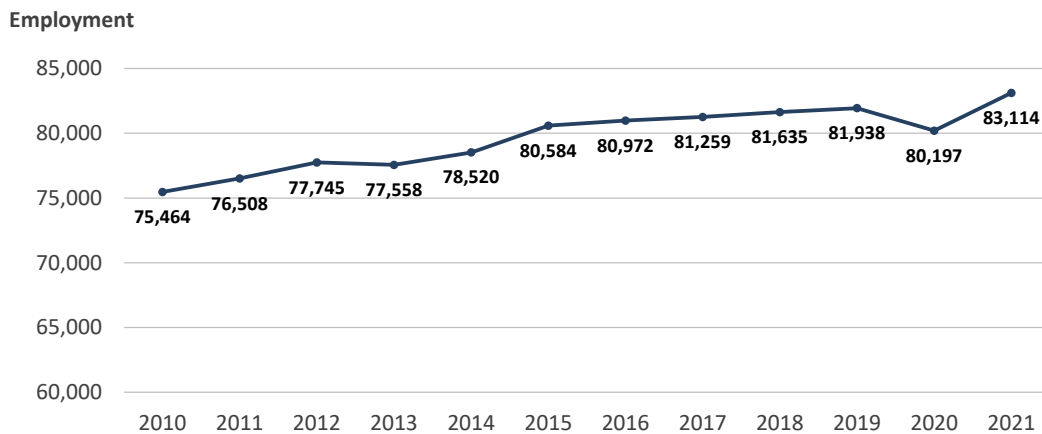
**Table 1. Population by Place, Yellowstone County, 2010-2020**

Population Trends	2010	2021	2010-2021			
			Total	% Change	Ann. %	% Capture
Billings	106,876	118,517	11,641	11%	0.9%	61%
Laurel	6,814	7,388	574	8%	0.7%	3%
Lockwood	6,823	7,258	435	6%	0.6%	2%
Remainder of County	27,459	33,778	6,319	23%	1.9%	33%
<b>Total Yellowstone County</b>	<b>147,972</b>	<b>166,940</b>	<b>18,968</b>	<b>13%</b>	<b>1.1%</b>	<b>100%</b>

Source: U.S. Census; Economic & Planning Systems

Yellowstone County added 7,650 wage and salary jobs between 2010 and 2021 at a rate of just under 700 jobs per year and a 0.9 percent annual growth rate as shown in **Figure 2**. There was steady growth through 2019 followed by a loss of approximately 1,700 jobs through 2020 during the pandemic. By the end of 2021, the economy had bounced back and exceeded 2019 job levels, reaching 83,000 jobs. The largest industry sectors in Yellowstone County include Health Care, Construction, Accommodation and Food Services, and Transportation and Warehousing.

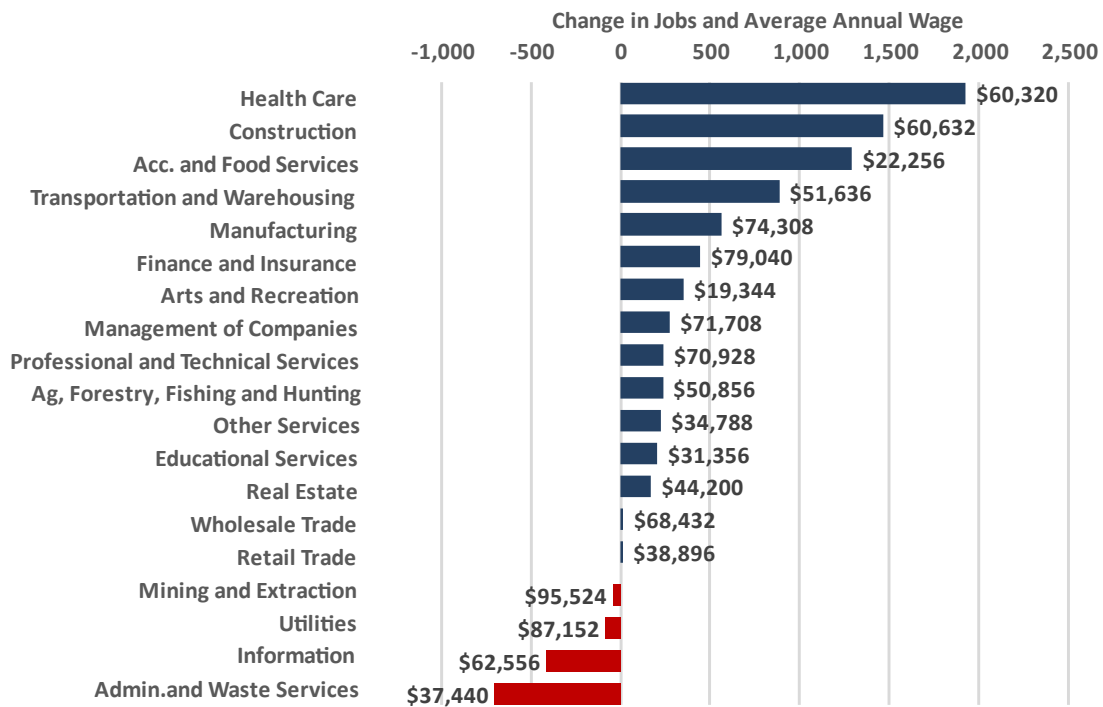
**Figure 2. Employment Trends, Yellowstone County, 2010-2021**



Source: BLS; Economic & Planning Systems

The largest growth industry in Yellowstone County was Health Care which added approximately 2,000 jobs since 2010, with an average annual wage of \$60,300 as shown in **Figure 3**. Additionally, Construction added almost 1,500 jobs also at about \$60,600 per year. Accommodations and Food Services (restaurants, hotels) had the third largest growth with about 1,300 jobs at an average annual pay of just over \$22,000 (not including gratuities).

**Figure 3. Job Growth by Industry and Wages, Yellowstone County, 2010-2021**





## Demographics

The Downtown area comprised of the CBD and EBURD has about 1,600 residents with no appreciable change over the past 10 years based on available data as shown un **Table 2**. While the data show a small decline in population, it should be noted that the data are estimated and have margins of error. In comparison, the City’s population grew by 11 percent. Household incomes are lower in the Downtown area, but this is skewed by affordable and senior housing in Downtown. The household size in the Downtown area is much smaller than the citywide average, at 1.6 compared to 2.3. This indicates a larger percentage of smaller households and single person households.

**Table 2. Population, Age, Income, and Household Size**

Area	2010	2021	2010-2021
			Change
<b>CBD &amp; EBURD</b>			
Total Population	1,643	1,614	-1.8%
Median Age	36.7	38.9	6.0%
Median Household Income	\$26,006	\$33,870	30.2%
Average Household Size	1.6	1.6	—
<b>Billings</b>			
Total Population	106,876	118,517	10.9%
Median Age	37.4	39.3	5.1%
Median Household Income	\$45,941	\$60,032	30.7%
Average Household Size	2.3	2.3	—

Source: U.S. Census

In the Downtown area, most households are nonfamily (roommates, single person) households, making up 62 percent of the total as shown in **Table 3**. Renters are the most common household tenure in Downtown, with 87 percent of households compared to 37 percent citywide. Household demographics stand in contrast to those citywide, where family households are 58 percent of the total. However, family households (related by blood or marriage) have decreased from 76 to 58 percent citywide since 2010. This trend indicates that more people are delaying marriage and also pairing up as roommates to reduce per-person housing costs.

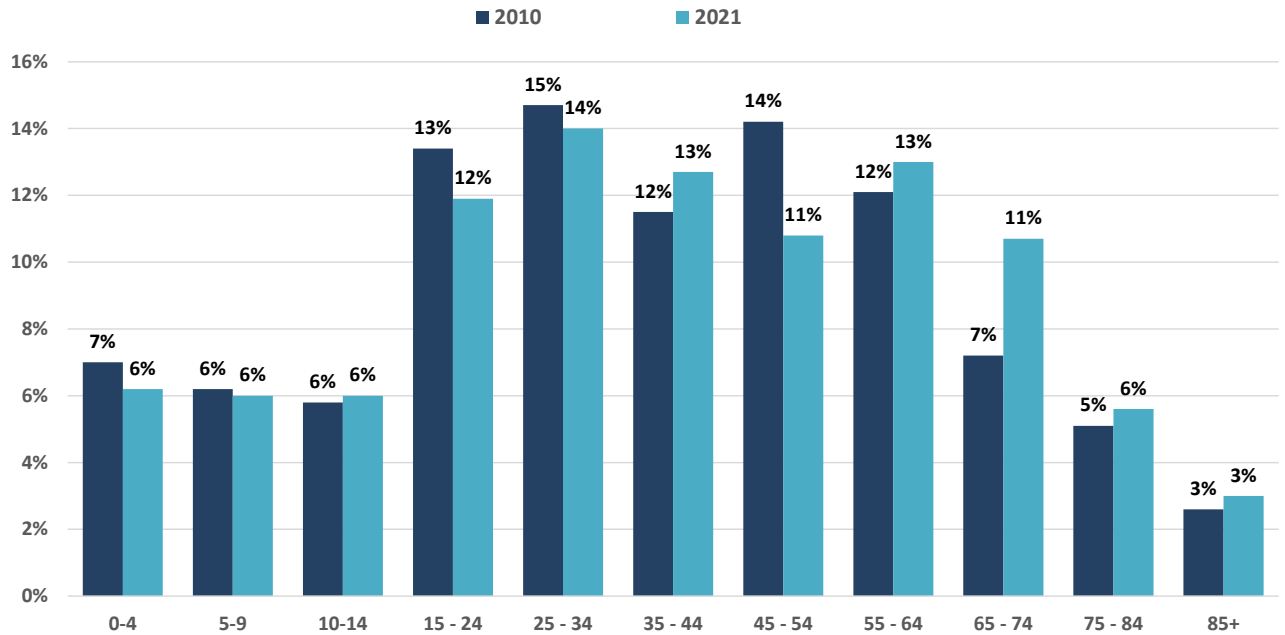
**Table 3. Household Characteristics**

Description	Billings		CBD & EBURD	
	2010	2021	2010	2021
<b>Households</b>				
Family Households	76%	58%	41%	38%
Nonfamily Households	24%	42%	59%	62%
<i>Living alone</i>	67%	81%	39%	79%
<i>With Roommates</i>	33%	19%	61%	21%
<b>Total Housing Units</b>				
Owner Occupied	62.9%	63.2%	16.6%	12.9%
Renter Occupied	37.1%	36.8%	83.4%	87.1%

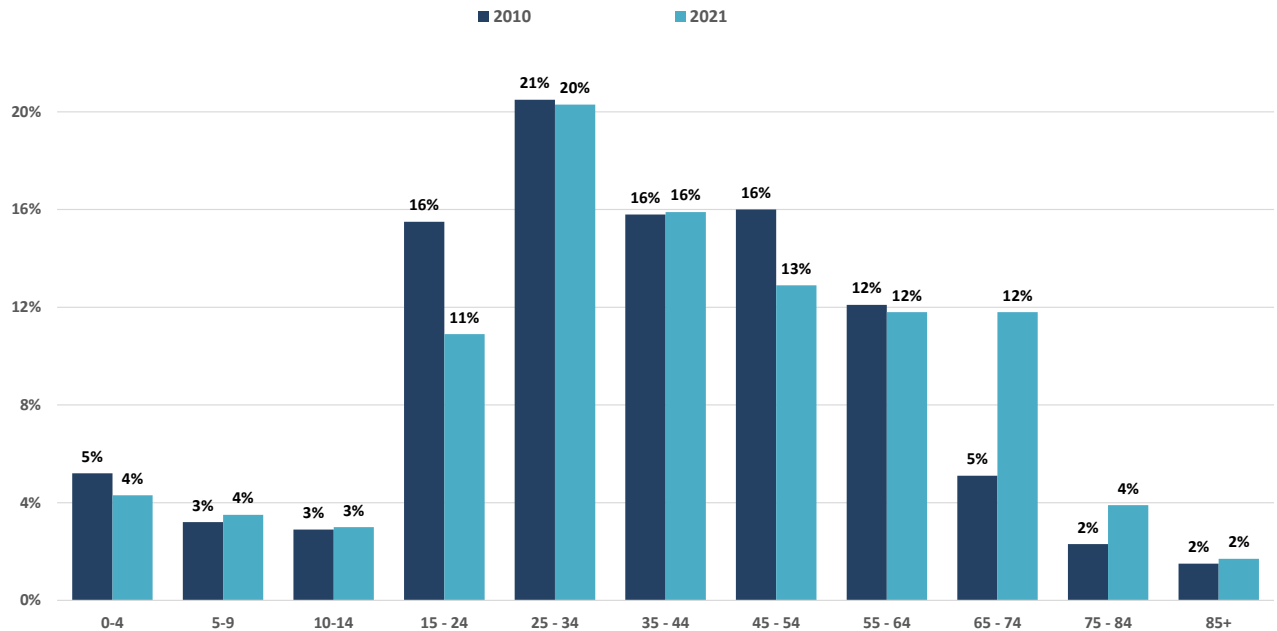
Source: Economic & Planning Systems; US Census

The population of Billings as a whole has gotten older over the past decade, as the median age has increased from 37.4 to 39.3, and the age cohort to grow the most was 65 to 74, as shown in **Figure 4**. In contrast, residents in the Downtown area are younger on average than the city as a whole. The largest age group in Downtown is 25- to 34-year-olds with 20 percent of the total population as shown in **Figure 5**.

**Figure 4. Population by Age, 2010-2021**



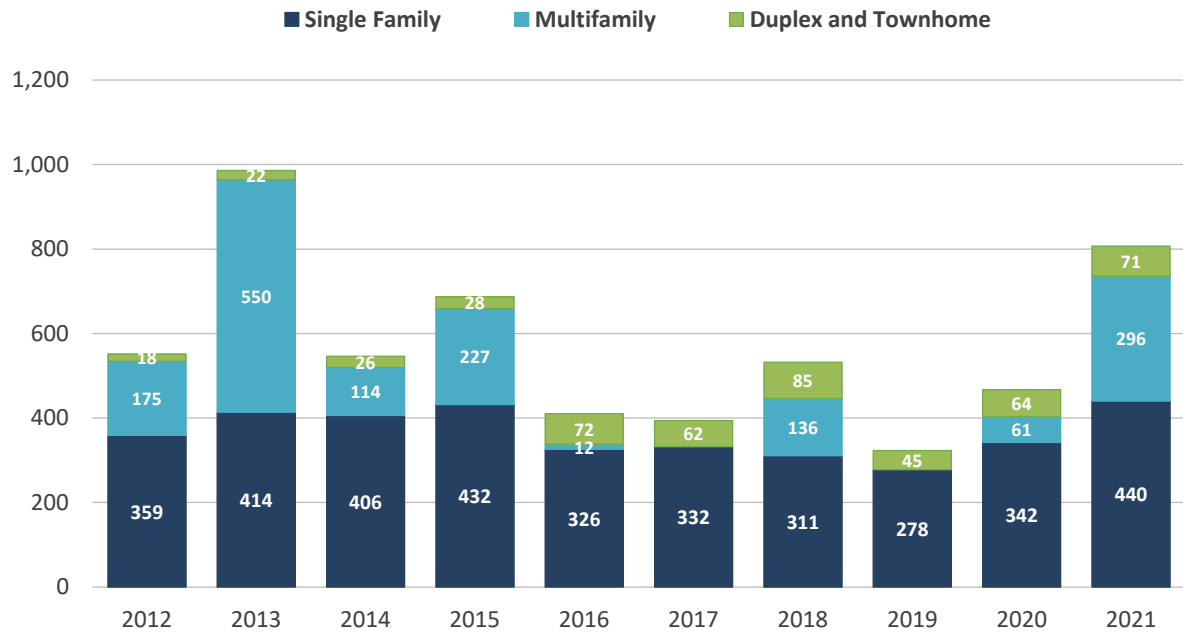
**Figure 5. Downtown Population by Age**



## Building Permits

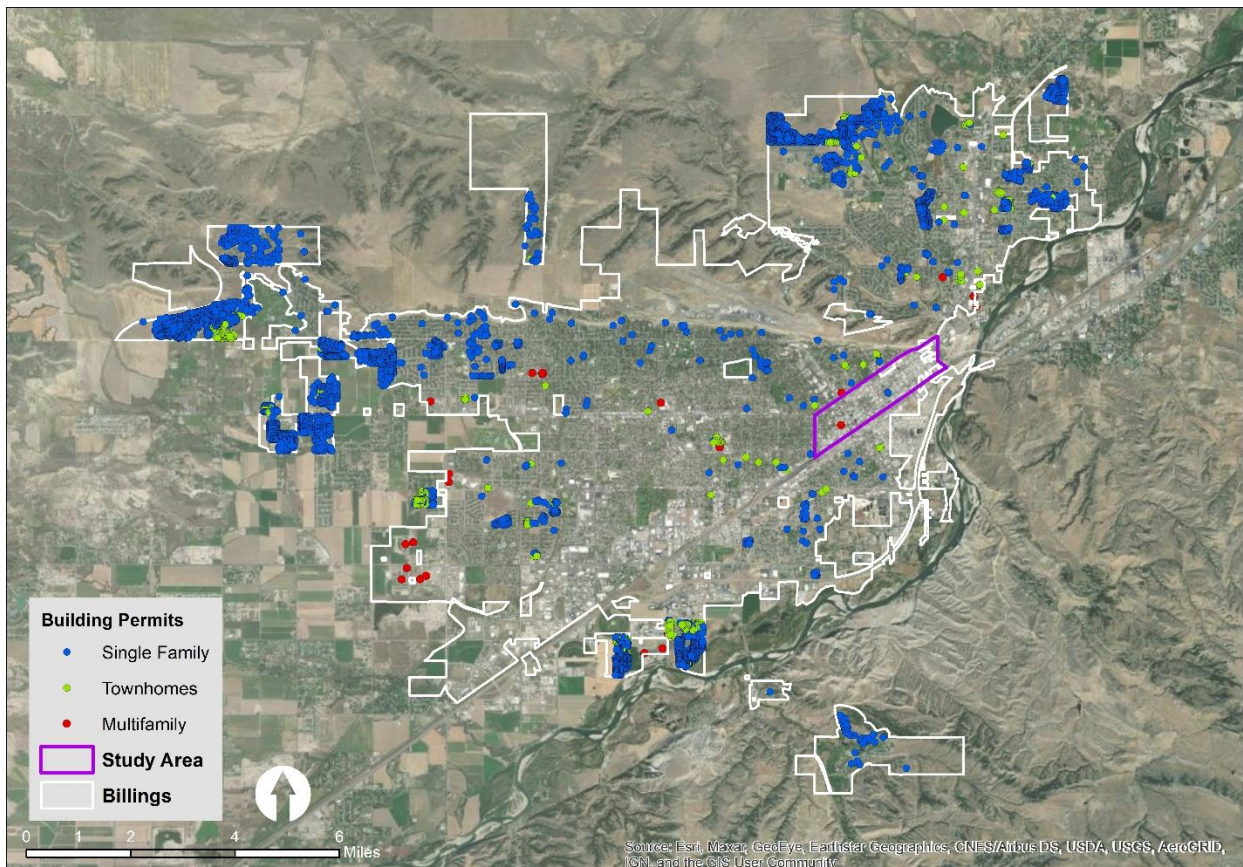
Between 2012 and 2021, Billings issued new construction building permits for an average of 545 residential units per year, approximately 65 percent of which were for single family homes, 26 percent for multifamily projects, and 9 percent for duplex/townhome projects. Development activity was relatively consistent through the years, with the highest level of activity in 2013, when 986 units were permitted as shown in **Figure 6**. This residential development was concentrated on the western, northwestern, northeastern, and southern edges of the city, with comparatively minimal development activity in the central part of the study and in the Downtown core and Study Area as shown in **Figure 7**.

**Figure 6. New Construction Building Permits, 2012-2021**



Source: City of Billings; Economic & Planning Systems

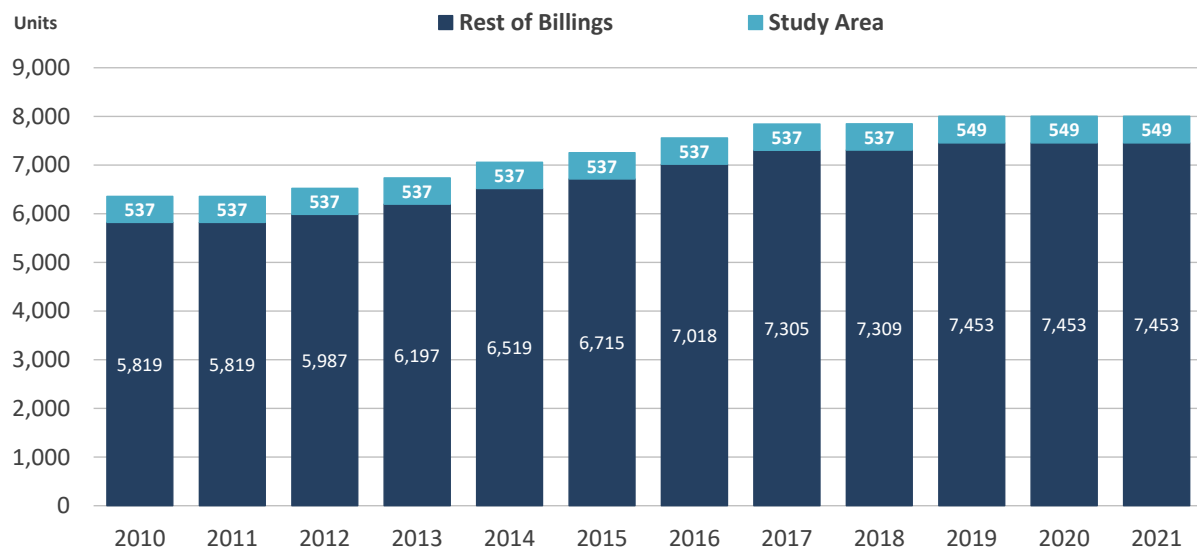
**Figure 7. Permit Activity, 2012-2021**



## Rental Housing Market

Multifamily development activity was strong in Billings over the past decade. Between 2010 and 2021, the inventory of multifamily rental housing expanded by 1,646 units, or 25 percent, as shown in **Figure 8**. The Study Area experienced a more limited amount of growth in multifamily inventory, increasing by 12 units between 2010 and 2021.

**Figure 8. Multifamily Inventory, 2010-2021**



Source: Costar; Economic & Planning Systems

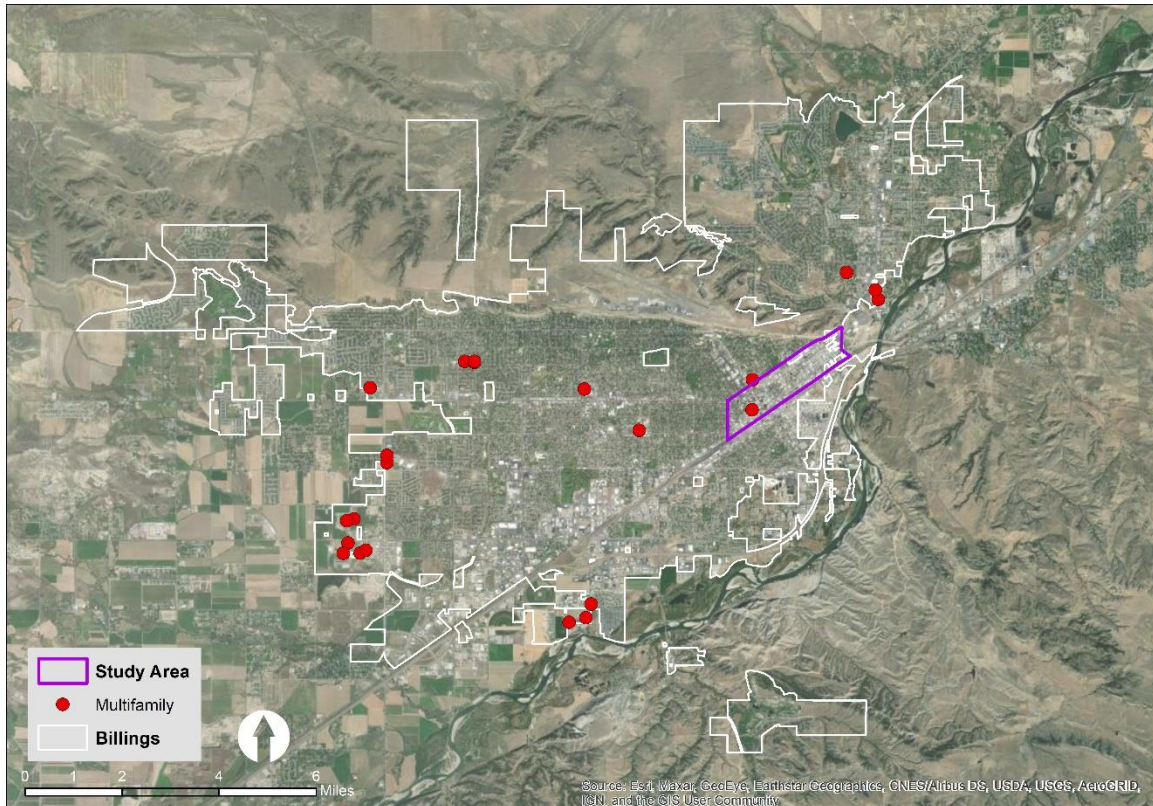
Much of the new multifamily inventory delivered over the past decade is located on the west side of the city, including the major projects Shiloh Commons, Hoop Dreams Apartments, Granite Peak Apartments, Affinity at Billings, and the Interurban Apartments, as shown in **Table 4** and **Figure 9**. By comparison, the Study Area saw limited development activity, as the 12-unit McDonald Lofts built in 2019 was the only rental project delivered between 2010 and 2021.



**Table 4. Key Multifamily Projects, 2010-2022**

Market	Address	Year Built	Type	Units	Rent/Sf
Downtown Billings	124 N 29th St	2019	Apartments	12	\$1.43
Billings	1607 17th St W	2017	Apartments	126	\$2.16
Billings	501 S 44th St W	2014	Apartments	160	\$1.49
Billings	610 S 44th St W	2016	Apartments	216	\$1.54
Billings	4402 Blue Devils Way	2013	Apartments	198	\$1.21
Billings	3110 Boulder Ave	2018	Apartments	4	--
Billings	4110 Clippers Way	2016	Apartments	87	--
Billings	4510 Gators Way	2015	Apartments	196	\$1.79
Billings	4300 King Ave W	2012	Apartments	168	\$1.89
Billings	325-327 Lincoln Ln	2013	Apartments	12	\$0.81
Billings	1094 Lincoln Ln	2010	Apartments	36	\$1.10
Billings	4215 Montana Sapphire Dr	2014	Apartments	154	\$2.52
Billings	5629 Reds Way	2017	Apartments	106	--
Billings	115 Shiloh Rd	2019	Apartments	144	\$1.54
Billings	223 Shiloh Rd	2017	Apartments	41	\$1.69
Billings	1010 Wyoming Ave	2017	Apartments	12	--

**Figure 9. Key Multifamily Projects, 2010-2022**



Current multifamily listings, shown in **Table 5**, show a relatively wide range of price points. Monthly rents for 1-bedroom units range from \$1,150 at Western One to \$1,845 at Avenue C, with most other 1-bedroom units renting below \$1,400. Monthly rents for 2-bedroom units at Shiloh Commons are \$2,995, although most 2-bedroom unit rents are between \$1,400 and \$1,700.

**Table 5. Select Current Multifamily Listings**

Name	Address	1 Bed	2 Bed	3 Bed
McDonald Lofts	124 N 29th Street	\$1,150	\$1,400	\$1,600
Avenue C	1607 17th St W	\$1,845	\$2,600	
InterPoint Apts	501 S 44th St W	\$1,195	\$1,550	\$1,775
InterUrban Apts	610 S 44th St W	\$1,295	\$1,650	\$1,925
Western One Apts	4402 Blue Devils Way	\$1,150	\$1,350	
Shiloh Commons	115 Shiloh Rd	\$1,400	\$2,995	

Source: Economic & Planning Systems

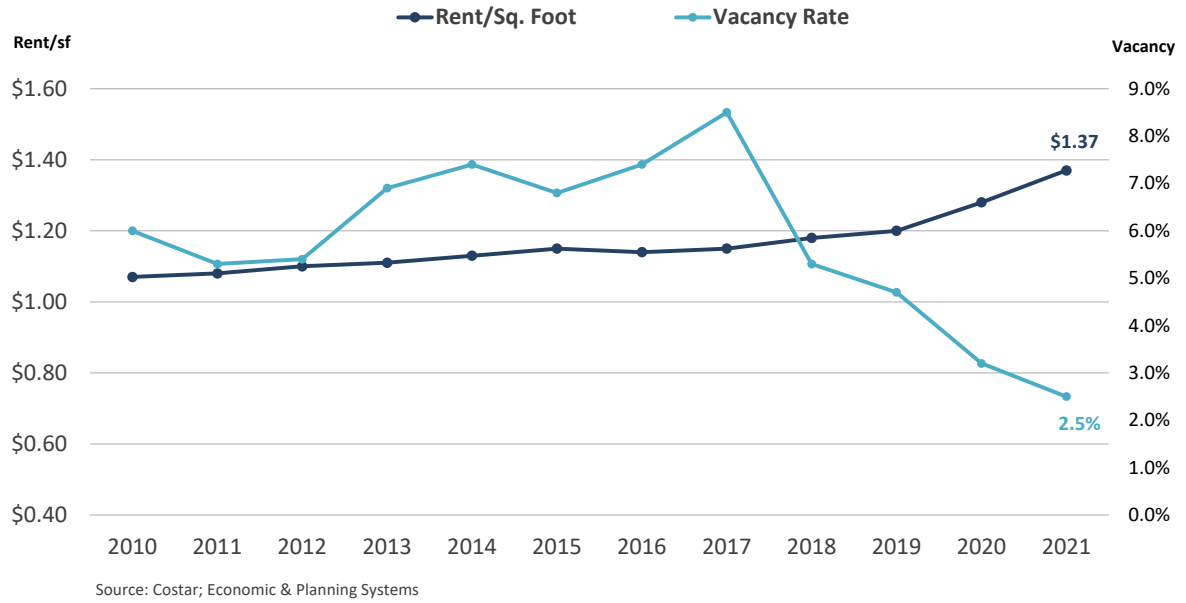
Over the past decade, multifamily rents have increased while vacancy rates have generally declined as shown in **Table 6** and **Figure 10**. From 2010 to 2021, the average rent per square foot in Billings rose by \$0.30 or 28 percent, with the most significant year-over-year increases occurring between 2019 and 2020, and 2020 and 2021. Since reaching a 10-year peak of 8.5 percent in 2017, the vacancy rate for multifamily has declined sharply, reaching 2.5 percent in 2021, below what is commonly understood as market equilibrium at 5 percent. Rising rents and a decreasing vacancy rate point to a tight rental market with strong demand.

**Table 6. Apartment Market Trends, 2010-2021**

Yellowstone County Multifamily Trends				2010-2021	
	2010	2015	2021	Change	Ann. %
Inventory (Units)					
CBD & EBURD	537	537	549	12	0.2%
Billings	6,356	7,252	8,002	1,646	2.1%
Rental Rates per Sf.					
CBD & EBURD	\$0.95	\$1.01	\$1.20	\$0.25	2.1%
Billings	\$1.07	\$1.15	\$1.37	\$0.30	2.3%
Vacancy Rates					
CBD & EBURD	6.5%	5.5%	3.1%	-3.4%	
Billings	6.0%	6.8%	2.5%	-3.5%	

Source: CoStar

**Figure 10. Multifamily Rents and Vacancy Rates, 2010-2021**



### ***Development Pipeline***

Recently there has been a notable increase in planned Downtown development. If these projects are completed, they will add at least 100 units to Downtown, more than 10 times what has been built in the last 10 years.

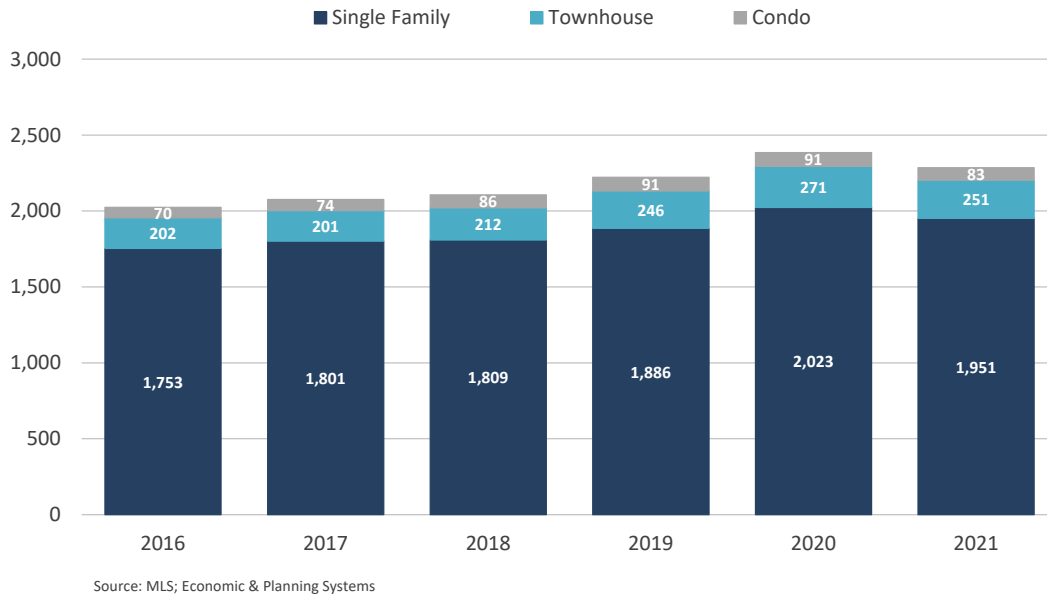
- 2520 1<sup>st</sup> Avenue N was recently purchased and is planned for 28 residential units by the end of 2022.
- 2316 1<sup>st</sup> Avenue N is a larger project planned for 36 market rate units in phase one and another 36 market rate units in phase 2.
- 2802 Montana Avenue is also planned to be redeveloped within the next 18 months into 24 market rate units.
- A 16-unit project on N. 20<sup>th</sup> Street is expected to be completed by the end of 2023.



## For-Sale Market Conditions

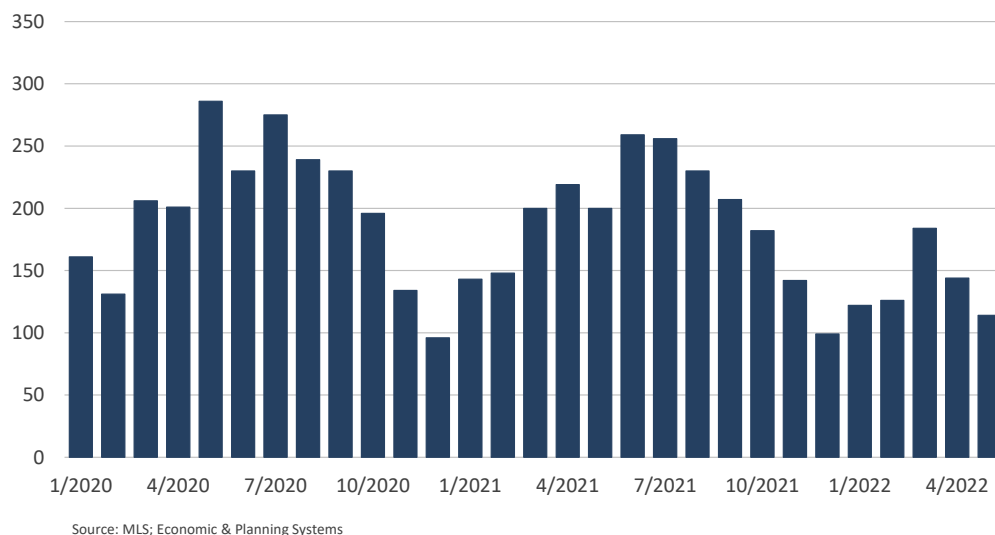
Residential sales activity in Billings has increased in recent years. In 2016, the Billings market had 2,025 sales and by 2020 had 2,385 sales, an increase of 360. As shown in **Figure 11**, approximately 85 percent of sales in Billings are single family homes, while 11 percent are townhouses and 4 percent are condos.

**Figure 11. Sale Volume by Type, 2016-2022**



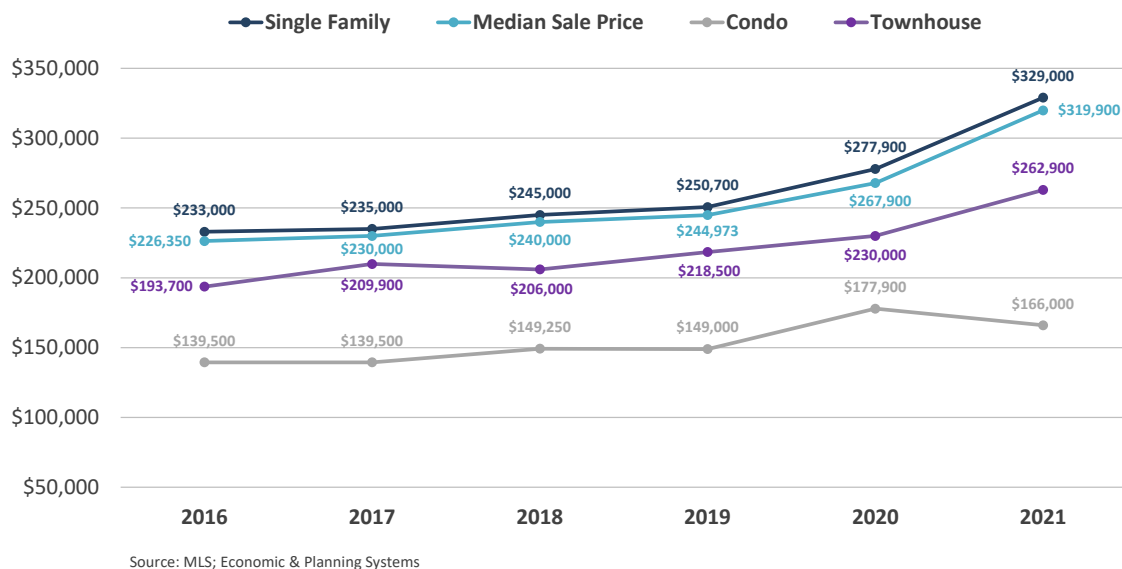
While overall sales volume has been trending upward over the past five years, monthly sales show a slight cooldown in activity in early 2022 as compared to 2020 and 2021, as shown in **Figure 12**. In the first five months of 2022, there have been 690 home sales, as compared to 910 in the first five months of 2021 and 985 in the first five months of 2020.

**Figure 12. Monthly Home Sales, 2020-2022**

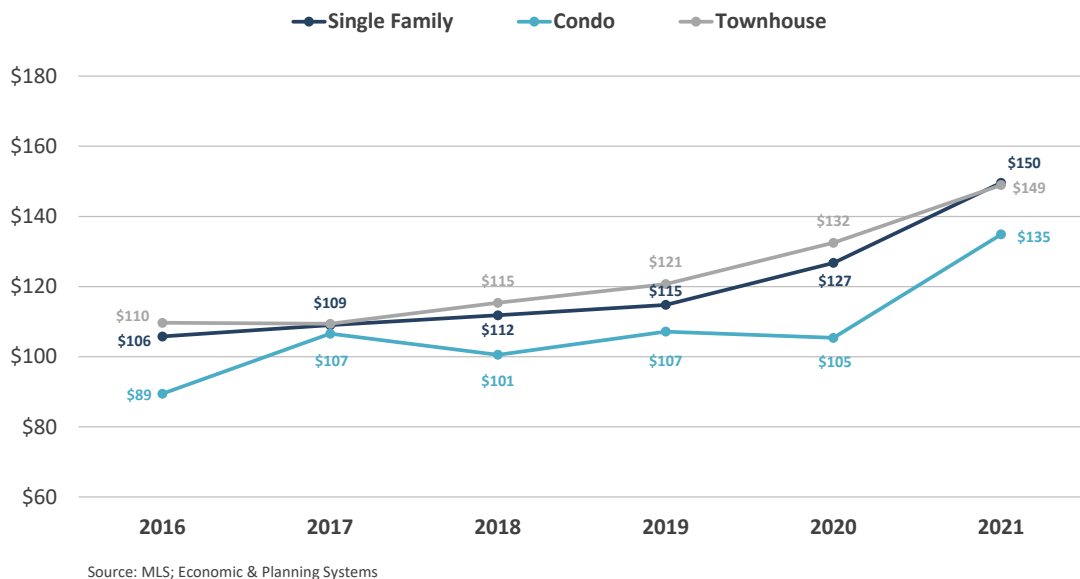


Home prices have escalated significantly in Billings over the past five years. The overall median sale price rose from \$226,350 to \$319,900, an increase of 41 percent, as shown in **Figure 13**. The median price for single family homes, which comprise 85 percent of home sales, rose from \$233,000 in 2016 to \$329,000 in 2021. Over the same period, the median sale price for townhomes increased by 41 percent and the median sale price for condos increased by 19 percent. On a per square foot basis, median home prices between 2016 and 2021 rose to \$150 for single family, \$149 for townhomes, and \$135 for condos, which equates to increases of 41 percent, 51 percent, and 36 percent, respectively, as shown in **Figure 14**. The overall median sale price in 2021 was \$149 per square foot, while newer builds (built within five years of sale) had a significantly higher median sale price in 2021 of \$211 per square foot.

**Figure 13. Median Sale Price by Type, 2016-2021**

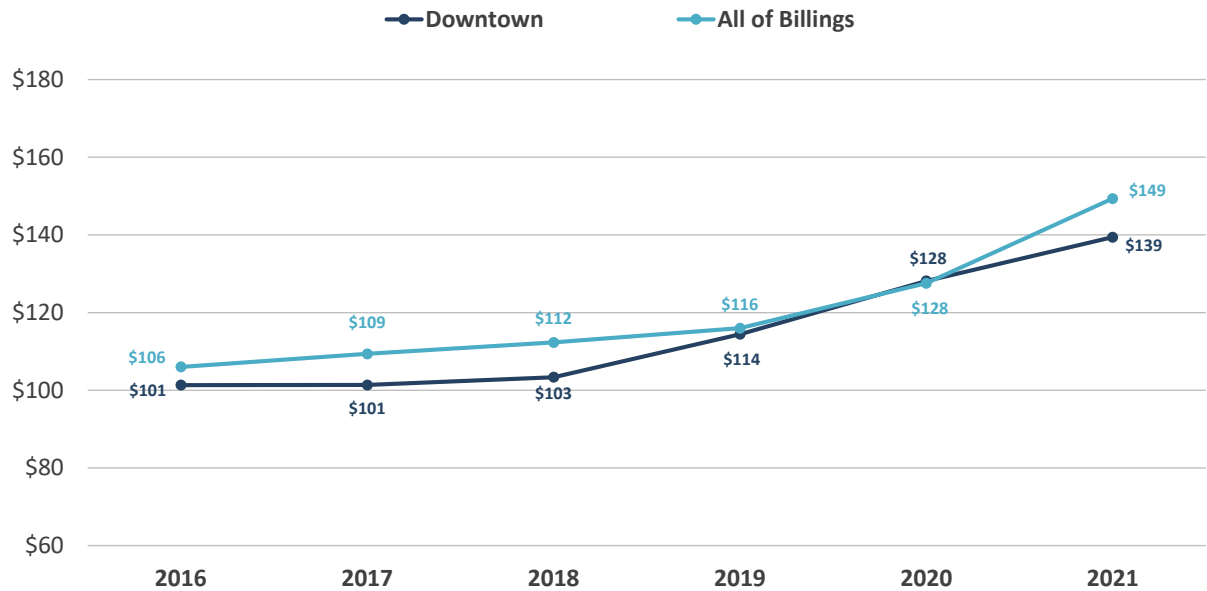


**Figure 14. Median Sale Price per Sq. Ft. by Type, 2016-2021**



Overall, median sale price per square foot Downtown is slightly lower than for all of Billings, reaching \$139 per square foot in 2021 compared to \$149 for Billings as a whole, as shown in **Figure 15**. In 2021, the Downtown area had 124 sales, 109 of which were single family homes and the remaining 15 of which were condos.

**Figure 15. Median Sale Price per Sq. Ft. by Area, 2016-2021**



Source: MLS; Economic & Planning Systems

In terms of sale price distribution, a majority (56 percent) of home sales in Billings in 2021 were above \$300,000, while one-quarter were above \$400,000, as shown in **Table 7**. By contrast, only 21 percent of home sales in Billings in 2016 were above \$300,000. On a per square foot basis, 89 percent of sales in 2016 were below \$150 per square foot, compared to only 52 percent of sales in 2021, as shown in **Table 8**. In 2021, approximately 18 percent of sales were above \$200 per square foot, compared to less than 1 percent of sales in 2016. In Downtown, the distribution is similar but slightly less expensive than Billings as a whole, with 60 percent of sales below \$150 per square foot.

**Table 7. Sale Price Distribution, 2016 and 2021**

Sale Price	2016		2021	
	Amount	% of Total	Amount	% of Total
Less than \$100,000	84	3.9%	94	3.9%
\$100,000-\$200,000	672	31.4%	243	10.0%
\$200,000-\$250,000	580	27.1%	311	12.8%
\$250,000-\$300,000	344	16.1%	414	17.0%
\$300,000-\$350,000	187	8.7%	438	18.0%
\$350,000-\$400,000	104	4.9%	303	12.5%
\$400,000-\$500,000	92	4.3%	326	13.4%
\$500,000-\$600,000	36	1.7%	130	5.4%
\$600,000-\$800,000	24	1.1%	122	5.0%
\$800,000-\$1,000,000	13	0.6%	20	0.8%
Over \$1 Million	2	0.1%	28	1.2%
<b>Total</b>	<b>2,138</b>	<b>100%</b>	<b>2,429</b>	<b>100%</b>

Source: MLS; Economic & Planning Systems

**Table 8. Sale Price per Square Foot Distribution, 2016 and 2021**

Sale Price	2016		2021	
	Amount	% of Total	Amount	% of Total
Less than \$100	898	42.0%	211	8.7%
\$100-\$150	995	46.5%	1,043	42.9%
\$150-\$200	226	10.6%	729	30.0%
\$200-\$250	16	0.7%	287	11.8%
\$250-\$300	3	0.1%	136	5.6%
\$300-\$400	0	0.0%	19	0.8%
\$400-\$500	0	0.0%	2	0.1%
\$500-\$700	0	0.0%	1	0.0%
Over \$700	0	0.0%	1	0.0%
<b>Total</b>	<b>2,138</b>	<b>100%</b>	<b>2,429</b>	<b>100%</b>

Source: MLS; Economic & Planning Systems

### **Development Pipeline**

The most recent for-sale development in Downtown Billings is the Fratt Condominiums, located at 235 N. 32<sup>nd</sup> Street. The building is historic, originally built in 1918 as a Catholic school, and was remodeled in 2020 into 13 condominium units. Most units sold in the upper \$200,000 range, depending on size, and for a price ranging from \$240 to \$270 per square foot. The units were desirable and sold quickly.

## Housing Affordability for the Workforce

EPS analyzed data on median wages of occupations in Billings to determine the affordability of for-sale housing to the workforce. The top five largest occupations in Billings are Office and Administrative Support, Sales and Related Occupations, Food Preparation and Serving Related Occupations, Transportation and Material Moving Occupations, and Healthcare Practitioners and Technical Occupations. The highest earning occupation is Management Occupations with a median wage of \$85,570. Using the overall median sale price of \$319,900 in Billings, EPS identified affordability gaps in home ownership based on occupation. Other assumptions included household size with 1.5 earners, a 30-year fixed rate mortgage with a 4.0% interest rate, and a 5.0% down payment.

The affordability gaps are summarized in **Table 9**. Four of the five largest occupations do not have a high enough income to afford a home at median sale price. Food service-related occupations have the largest affordability gap, with an affordable unit price of \$124,100 based on median household income, falling \$195,800 short of the median priced home. The largest occupation by count, Office and Administrative Support, has a gap of \$82,200 between affordable and median home price. The overall median income, which in this case is \$58,335, has an affordability gap of -\$72,400.

Based on current incomes of key occupations, target sale prices and rents should be around:

- \$250,000-\$300,000 for new home sales
- \$900-\$1,200 per month for rents

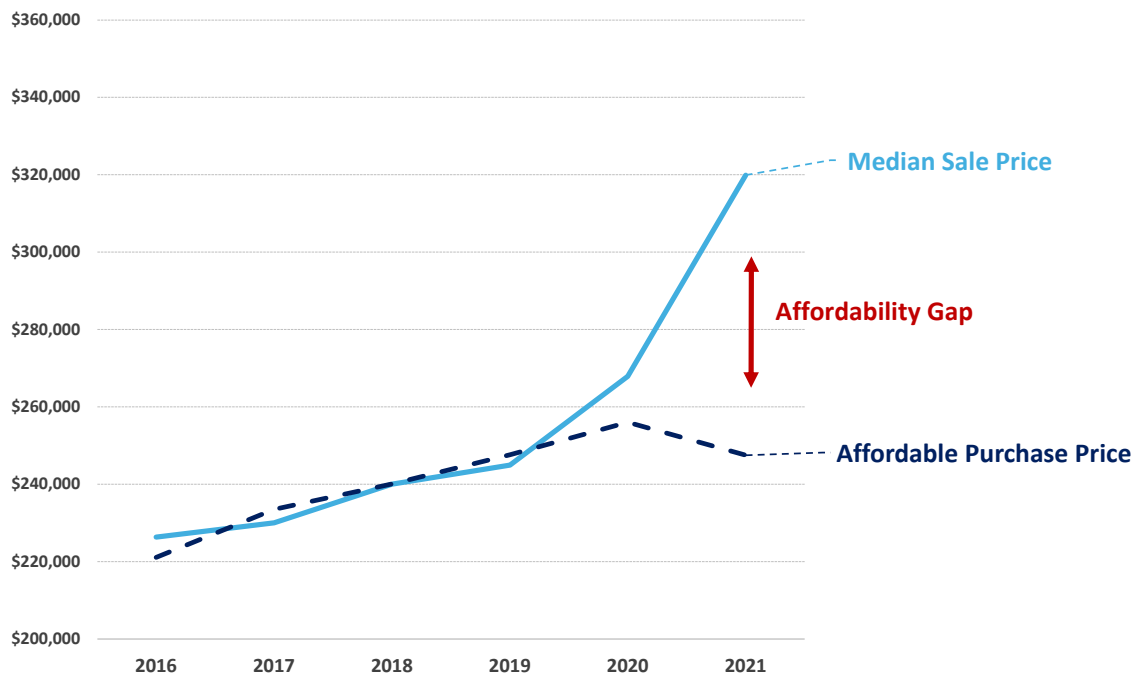
**Table 9. Affordable Sale Prices and Affordability Gaps by Occupation**

Affordability Gaps by Occupation	Employment Count	Median Wage	Earners per HH	Median HH Income	Affordable Sale Price	Median Sale Price	Affordability Gap
Overall Median Income	N/A	\$38,890	1.5	\$58,335	\$247,500	\$319,900	-\$72,400
Office and Administrative Support Occupations	10,230	\$37,700	1.5	\$56,550	\$237,700	\$319,900	-\$82,200
Sales and Related Occupations	9,670	\$30,480	1.5	\$45,720	\$178,000	\$319,900	-\$141,900
Food Preparation and Serving Related Occupations	8,610	\$23,970	1.5	\$35,955	\$124,100	\$319,900	-\$195,800
Transportation and Material Moving Occupations	7,570	\$37,920	1.5	\$56,880	\$239,500	\$319,900	-\$80,400
Healthcare Practitioners and Technical Occupations	6,680	\$75,000	1.5	\$112,500	\$546,100	\$319,900	\$226,200
Construction and Extraction Occupations	4,830	\$48,610	1.5	\$72,915	\$327,900	\$319,900	\$8,000
Installation, Maintenance, and Repair Occupations	4,380	\$48,510	1.5	\$72,765	\$327,100	\$319,900	\$7,200
Business and Financial Operations Occupations	4,270	\$63,510	1.5	\$95,265	\$451,100	\$319,900	\$131,200
Educational Instruction and Library Occupations	3,840	\$60,040	1.5	\$90,060	\$422,400	\$319,900	\$102,500
Management Occupations	3,670	\$85,570	1.5	\$128,355	\$633,500	\$319,900	\$313,600
Healthcare Support Occupations	3,520	\$29,780	1.5	\$44,670	\$172,200	\$319,900	-\$147,700
Building and Grounds Cleaning and Maintenance Occupat	3,250	\$30,260	1.5	\$45,390	\$176,100	\$319,900	-\$143,800
Production Occupations	3,040	\$44,860	1.5	\$67,290	\$296,800	\$319,900	-\$23,100
Personal Care and Service Occupations	1,950	\$28,350	1.5	\$42,525	\$160,300	\$319,900	-\$159,600
Community and Social Service Occupations	1,860	\$45,850	1.5	\$68,775	\$305,100	\$319,900	-\$14,800
Architecture and Engineering Occupations	1,770	\$76,650	1.5	\$114,975	\$559,700	\$319,900	\$239,800
Computer and Mathematical Occupations	1,230	\$65,090	1.5	\$97,635	\$464,100	\$319,900	\$144,200
Protective Service Occupations	1,190	\$49,840	1.5	\$74,760	\$338,000	\$319,900	\$18,100
Arts, Design, Entertainment, Sports, and Media Occupatior	1,040	\$38,820	1.5	\$58,230	\$246,900	\$319,900	-\$73,000
Life, Physical, and Social Science Occupations	820	\$67,660	1.5	\$101,490	\$485,400	\$319,900	\$165,500
Legal Occupations	690	\$63,330	1.5	\$94,995	\$449,600	\$319,900	\$129,700
Farming, Fishing, and Forestry Occupations	250	\$35,840	1.5	\$53,760	\$222,300	\$319,900	-\$97,600

Source: U.S. Bureau of Labor Statistics, Economic & Planning Systems

Significant price appreciation over the past two years in Billings has led to a widening affordability gap. As shown in **Figure 16**, the affordable purchase price for a household earning a median income was on par with the median purchase price citywide from 2016 through 2019. Starting in 2020, the median sale price rose significantly and outpaced growth in income. In 2021, the affordability gap grew even more, reaching \$72,000. This means that the median sale price is \$72,000 higher than the affordable purchase price. This signals that the housing market pressure has recently been notably strong in Billings, and home prices may continue to diverge from incomes, leading to greater affordability issues.

**Figure 16. Affordability Gap, 2016-2021**



Source: MLS; Economic & Planning Systems

## **Developer Interviews**

EPS interviewed several residential developers in Billings and gleaned the following initial takeaways on current opportunities and constraints around residential development in Downtown Billings.

### ***Rents and Development Feasibility***

- Achievable rents were cited as a barrier to new development. Given recent increases in construction costs, the market in Downtown Billings struggles to support rents that are high enough to justify new residential construction.
- Infill development in Downtown is seen as risky, with potential returns of residential development often not high enough to take on the risk associated with it. As a result, Downtown has experienced relatively little residential development over the past decade, although a few new residential projects are currently in the development pipeline and are expected to be completed in the next few years.

### ***Market Demand and Interest***

- Generally, the market for residential product in Downtown Billings is strong and demand is adequate to fill units in new projects. Developers expressed confidence about finding tenants, a sentiment which aligns with low vacancy rates in the current multifamily market. However, there are concerns about the price points of rental units being high enough to make projects feasible.
- Additionally, there is growing investor interest in the Billings market, which has made the land market more competitive, pushing prices of parcels up and making developable land less available for prospective housing developers.

### ***Incentives***

- Developers expressed the importance of incentives, such as tax increment financing, in driving new residential development. A general sentiment was that without incentives, it is challenging for multifamily projects to be financially feasible Downtown, given current rents, construction costs, and land costs.
- It is worth noting that the cost of developing on-site parking was not cited as a major concern or impediment to residential development, owing to the relatively high amount of off-site parking (street and public garage) in Downtown Billings.

## **Recommendations and Strategies**

There is reason to be optimistic that development will increase in Downtown. There are over 100 new residential units in the development pipeline as of this writing, more than any time in recent years.

### ***Key Development Project***

One limitation in Downtown is that most projects have been small and are not able to achieve some of the cost efficiencies of scale that larger projects can. Information gathered from interviews suggests that developers are timid in doing downtown projects because they feel the market is unproven and therefore riskier. Lastly, institutional capital drives multifamily housing investment in urban markets and those investors look for larger projects (more than 100 to 150 units) to invest in.

Executing a key development project could help address these three issues. A successful larger development would help prove the market in Downtown and attract additional investment. The 10,500 square foot site at the YesterYears building owned by the Downtown Billings Partnership should be a priority to develop under a partnership with a developer. If the Downtown Billings Partnership contributes the land at below market value, it can be in a position to negotiate a percentage of the units to be set aside at specific income levels.

### ***Leveraging City Property***

In interviews, developers cited the higher land costs in Downtown as a barrier. The City of Billings owns several properties in and around Downtown that do not have any current or future use planned to the best of our understanding. The DBA and EBURD could work with the City to identify additional key sites that could be used in a public-private partnership to develop housing, with the City contributing land at a cost sufficient to incentivize housing development, ideally with an affordable component.

This approach could be an effective way to incentivize new residential projects in Downtown, while also expanding the tax base by driving more valuable uses on currently vacant land. This approach would also help advance the resolution adopted by Billings City Council in 2011 that expressed support and provided implementation strategies for infill development.

The City may need to revise its procurement policies to implement this strategy. The City needs to be able to engage in an RFP or RFQ process to select and negotiate with a developer, and not just sell the property to the highest bidder. The development agreement should include provisions for public benefits, namely allocating a percentage of the project as affordable.



### ***Financial Tools and Incentives***

The City, DBA, and EBURD should continue using their existing tools in tax increment financing (TIF) and explore other tools to incentivize residential development.

- **Tax Increment Financing** – TIF can be used for utilities, demolition, sidewalk and street improvements, environmental remediation, or land assemblage. The DBA and EBURD should continue to promote and use this tool to incentivize projects.
- **Historic tax credits** – Tax credits can lower the equity investment needed and therefore the cost of a project by roughly up to 20 percent. However, it is a complicated process that deters many developers who are not familiar with it. The DBA, EBURD, and City could consider creating a resource guide or developing staff expertise (or having a consultant on retainer) to guide developers through the process. Historic tax credits have been used successfully in several existing Downtown projects.
- **Fee waivers and deferrals** – The City, DBA, and EBURD could explore a policy of using TIF to backfill waived impact fees on affordable units. Another option is to allow impact fees to be paid at a later date after the project has received a certificate of occupancy and is leased up or sold. While not transformational as an incentive, it does help projects with initial cash flow early in the project when cash needs are highest.
- **Parking reductions** – Downtown zoning already has no on-site parking requirements for residential development, which is a significant cost savings. This should be recognized and promoted as an important incentive.
- **Low-income housing tax credits** – This is an existing federal program that is used to provide equity to subsidize the development of affordable rental housing. The program is widely used in Billings, and the DBA should continue to promote its use to incentivize affordable residential development.
- **New markets tax credits** – This program offers a federal tax credit to investors who place capital into qualified business and real estate projects in particular communities. It is a program to consider for future projects.
- **Opportunity zones** – The opportunity zone program provides federal tax incentives to taxpayers who invest in qualified opportunity funds, which invest in particular business and/or real estate projects within the geographic boundaries of an opportunity zone. Downtown Billings is in an opportunity zone. The DBA and the City should continue to make this known as an option for investors.
- **Tax abatements** – Tax abatements reduce the property tax burden associated with a project, making it more financially attractive. While Montana law limits their application on residential development in Downtown Billings, tax abatements should be considered as a possible incentive for commercial development.