



# BIG SKY ECONOMIC DEVELOPMENT

EDA • EDC CREATING MONTANA BUSINESS OPPORTUNITIES

## EDA/EDC Joint Board Minutes

Thursday, March 14, 2019 – 7:00 AM – 9:00 A.M.

Big Sky Economic Development, 1<sup>st</sup> Floor 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:** Cory Moore, Robin Rude, Ken Lutton, Fred Sterhan, George Warmer, Jennifer Owen, Paul Neutgens, Don Jones (Ex-Officio), Matt Lurker (Ex Officio)

**EDA Board Members Absent:** Dana Pulis, Greg McDonald, Jennifer Smith, Judi Powers, John Brewer (Ex-Officio), Katy Easton (Ex-Officio), Greg Upham (Ex-Officio), Shaun Brown (Ex-Officio)

**EDC Board Members Present:** Mike Nelson, Eric Simonsen, Nicole Bengé, David Ellis, Andy Gott, Ann Kosempa, Mike Phillips, Jon Stepanek, Mike Seppala, Mitch Goplen, Craig Bartholomew, Dave Ballard, Denis Pitman, Doug Hansen, Mac Fogelsong, Molly Schwend

**EDC Board Members Absent:** Steve Loveless, Aaron Ramage, Bob Wilmouth, Dan Edelman, Scott Chesarek, Spencer Frederick

**Staff and Guests:** Steve Arveschoug, Austin Trunkle, Becky Rogers, Dianne Lehm, Allison Corbyn, Dena Johnson, Melanie Schwarz, Lorene Hintz, Dustin Frost, Brandon Berger, Jim Tevlin, Johnna Jablonski, Kevin Scharfe, Karen Baumgart, Patrick Klugman, Steve Hackmann

### **Call to Order:**

Cory Moore, EDA Chair, called the meeting to order at 7:03 A.M. with the Pledge of Allegiance.

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

#### Public Comment

Cory announced that it is Patrick Klugman's 30<sup>th</sup> Birthday.

#### VBOC Event – "Turn the Ship Around" - Dustin

Dustin made the Board aware of the upcoming VBOC event, "Turn the Ship Around" which features Veteran, Author, and Motivational Speaker, David Marquet. The event is on March 29<sup>th</sup> at MSUB and will begin at 8:30am. The registration for the event can be found at Big Sky Economic Development's website. You can expect the keynote to last about two hours.

#### FY Budget Process/Schedule Update – Jim/Becky

Becky and Jim then provided an update on the budget process and their projected schedule. The internal budget process is already underway and there will be a workshop in April that Jim will facilitate. At the workshop, Board Members can ask questions about the process and give their input. At the Executive Committee Meeting in May, the preliminary budget will be discussed and then the following month, the final budget will be up for Board consideration.

**Agenda Changes:**

Cory Moore is chairing the meeting instead of Mike Nelson. Becky's Future Facility update will only include info instead of a handout, and no action will be needed at this time.

**Consent Agenda:**

**Approval of the February 2019 Board Meeting Minutes**

Motion: Eric Simonsen, to approve the February 2019 Board Meeting Minutes as presented to the Board.

Second: Mike Seppala

Discussion: None

Motion carried

**Approval of the January 2019 EDA/EDC Financials**

Motion: Craig Bartholomew, to approve the January 2019 EDA/EDC Financials as presented to the Board.

Second: Ken Lutton

Discussion: None

Motion carried

**Program Level Reports and Action Items**

**Big Sky Finance – Brandon**

Brandon introduced our new Loan Specialist, Johnna Jablonski. Brandon recommends, per our by-laws, that Johnna be appointed as Assistant Secretary of the EDC for the purpose of attesting loan documents.

Motion: Mike Seppala, to approve the appointment of Johnna Jablonski as Assistant Secretary to the EDC.

Second: Craig Bartholomew

Discussion: None

Motion carried

**SBA 504 Loan Requests**

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 request and recommends approval to the full EDC Board for submission to the SBA for final approval. The request meets all the underwriting and eligibility requirements of the EDC.

1. **Montana Center for Somatic Psychotherapy PLLC** – Request is for the purchase and renovations of an existing duplex for the operations of MT Center for Somatic Psychotherapy PLLC, located in Missoula, MT. This will be a relocation for this business from their currently leased space. The duplex is an up/down duplex and the borrower will occupy just over 64% of the building consisting of the main floor as well as the half story second floor. The basement is a one-bedroom apartment which will be sublet. Renovation costs are needed in order to convert the duplex from residential space to professional office space for this borrower.

MT Center for Somatic Psychotherapy PLLC is owned 100% by Hillary Welzenbach. She is a Licensed Clinical Professional Counselor and has been practicing since 2006. The business provides body-oriented psychotherapy to families, teens, adults and couples. They specialize in providing services to clients in need of treatment for anxiety, depression and/or PTSD.

There are projected to be two new jobs created as a result of this project. A Public Policy goal will be met as this will be a woman owned business. The total SBA debenture will be \$135,000 on a 25-year note comprising 40% 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 Missoula.

**Motion: Andy Gott, to approve the Montana Center for Somatic Psychotherapy PLLC loan request as presented to the Board.**

**Second: Mike Seppala**

**Discussion: None**

**Abstentions: None**

**Motion carried**

**SBA 504 Loan Portfolio – Semi-annual Review:**

Brandon presented to the Board a semi-annual overview of the Big Sky Finance SBA 504 Loan Portfolio. The current portfolio sits at 184 loans with outstanding principal balance of \$85M. All loans are current. The SBA 504 active loan portfolio status as of 02/28/19 was provided. Data from the last two calendar years, 2017 and 2018, was provided. This included for each year, total loans approved, funded, paid off and total number of jobs created each year. The Lender Portal Report for the period ending 12/31/2018 was provided to the Board. Brandon reviewed the scoring from the report. LPR rating of 1 and SMART score of 24. Metrics rated as Medium or High risk were discussed and highlighted for the Board. Information pertaining to industry concentration was also highlighted. The highest percentage industry concentration per the 12/31/18 Lender Portal Report was in the Accommodations industry, at 26.10%. An updated figure as of 02/28/19 showing Accommodation Industry concentration down to 24.60% was provided. Brandon indicated that the team would look very closely at any new hotel prospect and its impact on the concentration to not increase this percentage. Working to reduce this exposure as new loans within other industries are booked. Overall, Brandon indicated there are no concerns with the loan portfolio at this time.

**Motion: Mike Seppala to approve the results of the SBA Portfolio Review**

**Second: Jon Stepanek**

**Discussion: Above**

**Motion carried**

**Future Facilities Taskforce Update – Becky**

Becky gave an update on the Future Facility RFP process. We received three proposals which included the Fratt Memorial Building, the Behner Building, and the Montana National Bank Building. Each property was visited by the Taskforce and it was concluded after evaluation, that the Bank Building and the Fratt Building will be moved forward for further due diligence work. Mitch Goplen will lead a team of industry experts to further analyze the cost and redevelopment of these facilities against our budget. Becky will keep the Board updated as the process continues.

**Recruitment/Rock31 Prospect Request – Allison and Kevin**

Kevin and Allison presented on an innovative start-up that would like to set up the manufacturing of their product in Billings. Allison and Kevin believe that offering an incentive will help them further their work while attracting them to Billings. The name of the start-up is Stix Fresh and their product is an all-natural sticker that increases the shelf life of fresh fruits and vegetables. The product also holds promise in further application to the medical field and agricultural. Their ask of the Opportunity Fund is to provide up to \$25,000 to the company, \$5,000 for each employee they hire, up to five employees. We will also help Stix Fresh pursue a grant through the Big Sky Trust Fund that would secure an additional \$5,000/employee. If the grant application is unsuccessful, we will match the additional \$25,000 (\$5,000/each employee hired) for a total potential investment of \$50,000. It is important to note that we will only be providing them dollars when jobs are created. Allison mentioned that this proposal hasn't been presented to Stix Fresh as they wanted to present it to the Board first.

**Motion: Mike Phillips to approve the Opportunity Fund request of up to \$50,000 in employment-based incentives to Stix Fresh.**

**Second: Ken Lutton**

**Discussion: There was discussion related to Stix Fresh's business plan, background, other funding sources, the structure of the incentive pay-out, and if their product was proprietary.**

**Motion carried**

Allison and Kevin also need Board approval to submit an application to the Big Sky Trust Fund on behalf of Stix Fresh.

Motion: Andy Gott to approve BSED assisting Stix Fresh in applying for State Funds  
Second: Ken Lutton  
Discussion: None  
Motion carried

**One Big Sky District/406 Impact Districts Update – Allison**

Allison presented the OBSD Legislative effort update. The hearing is set for March 21<sup>st</sup> at 9am. They are working hard to get State support for the bill since this tool can be utilized by many communities, not just Billings. Allison shared a short video that was developed in partnership with Payne West that illustrates the benefit of the Impact Districts and how that couples with significant tax-base growth. Allison then gave a financial review of the OBSD budget. We are closing out work with Landmark as they have completed their scope of work. The original budget from the community was \$578,000. That budget was modified after the City Council voted to not approve the amendment agreement and work with Landmark ceased. The budget is now \$275,000. Of that budget, \$45,000 is remaining to be spent. Those remaining dollars will be contributed to paying the lobbyist and holding education events and marketing for the advocacy of the legislative bill. Steve gave context to the dollars our organization spent and why he believes our commitment of resources will be to Billings' benefit. Steve told the Board that he met with the Council Members who voted against the contract amendments with Landmark and listened to their perspective. Discussion was held concerning specifics of the legislative bill, the City Council decision, and what our next steps will be to get the bill passed. Allison announced there is a community coffee conversation tomorrow at Valley Federal Credit Union at 7:30am.

**BIRD/City/BSED MOU Consideration – Patrick**

Patrick was up next to present a renewal of the MOU we hold with the Billings Industrial Revitalization District. This renewal will be for the next three years. Steve mentioned that the city has yet to adopt the MOU so we are acting in advance of their deliberation. This is EDA action only.

Motion: Ken Lutton to approve the continuation of our agreement with the Billings Industrial Revitalization District and the City of Billings.  
Second: Robin Rude  
Discussion: None  
Motion Carried

**Executive Director's Report**

Steve presented his Executive Director's report but first thanked his BSED team for all of the hard work they have put in on a day to day basis. House Bill 52, which consists of the existing Economic Development tools due to sunset, is waiting for executive action. Steve testified at its hearing and said they had a great showing. Steve expects there will be a reconvening of the Ad Hoc Legislative Committee within the next few weeks to discuss the bills we have been monitoring. The Board asked how they can be helpful with the 406 Impact Districts hearing. Steve said to just be there would be important. He encouraged Board Members to testify as representatives of their own businesses. He said the room should be filled with people who think Montana needs a fresh look at its Economic Development tools.

**Public Comment**

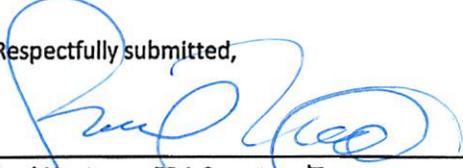
None

Cory adjourned the meeting.

Meeting adjourned: 8:50 A.M.

Next Meeting – April 11<sup>th</sup>, 2019

Respectfully submitted,



---

Paul Neutgens, EDA Secretary/Treasurer



---

Steve Loveless, EDC Secretary/Treasurer

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

*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.*