



# BIG SKY ECONOMIC DEVELOPMENT

EDA · EDC CREATING MONTANA BUSINESS OPPORTUNITIES

## EDA/EDC Joint Board Minutes Thursday, June 14, 2018 – 7:00 AM – 9:00 AM Yellowstone Room, 1<sup>st</sup> Floor - Granite Tower

**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:** Chuck Tooley, Cory Moore, Fred Sterhan, Greg McDonald, Jennifer Smith, Ken Lutton, Robin Rude, Sheri Nicholson, Robyn Driscoll (ex-officio), Shaun Brown (ex-officio)

**EDA Board Members Absent:** Dana Pulis, Mitch Goplen, Paul Neutgens, John Brewer (ex-officio), Terry Bouck (ex-officio), Laurel Representative (ex-officio)

**EDC Board Members Present:** Aaron Ramage, Andy Gott, Craig Bartholomew, David Trost, Debbie Singer, Duncan Peete, Eric Simonsen, John Ostlund, Jon Stepanek, Mike Nelson, Mike Seppala, Molly Schwend, Steve Loveless

**EDC Board Members Absent:** Bob Wilmouth, David Ellis, Doug Hansen, Mac Fogelsong, Mike Phillips, Molly Schwend, Dan Edelman, Scott Chesarek, Steve Loveless, Ty Elkin, Wayne Nelson

**Staff and Guests:** Steve Arveschoug, Austin Trunkle, Dianne Lehm, Melanie Schwarz, Dena Johnson, Jim Tevlin, Allison Corbyn, Brandon Berger, Hailey McDonald, Wyeth Friday, Christina Henderson, Jack Nickels, Krista Hertz

### **Call to Order:**

Eric Simonsen, EDC Chair, called the meeting to order at 7:10 am with the Pledge of Allegiance.

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

Melanie introduced our new summer intern, Hailey McDonald. Hailey is a sophomore at Gonzaga University studying marketing and finance. She will be working in the Marketing Department three days a week with Melanie and working with Brandon and Ben in Finance two days a week.

Aaron Ramage introduced his guest, Christina Henderson, Executive Director of the Montana Hi Tech Business Alliance. They represent Montana Hi Tech Manufacturing Company focusing on networking and bringing together the tech community across Montana. Last year they found out Montana's Hi Tech Industry is growing nine times the overall Montana economy.

**Changes to Today's Agenda:** None

### **Consent Agenda:**

#### **Approval of the May 2018 Board Meeting Minutes**

**Motion:** Greg McDonald, to approve the May 2018 Board Meeting Minutes, as presented to the Board.

**Second:** Robin Rude

**Discussion:** None

**Motion carried**

**Approval of the April 2018 EDA and EDC Financials**

Motion: Sheri Nicholson, to approve the April 2018 EDA and EDC Financials, as presented to the Board.  
Second: Jennifer Smith  
Discussion: None  
Motion carried

**FY2019 Budget Hearing and Strategic Plan**

**Review of Strategic Plan for FY 2019 and FY 2020 – Steve**

Steve spoke to the Board regarding the Strategic Plan Outline. The document outlines areas of focus from Career and Technical Education to Entryway Beautification efforts and many opportunities in between. Jon Stepanek had asked for an update on the efforts being made with respect to Coulson Park. Dianne explained where the funding was coming from and where the monies were to be allocated. To date, an additional \$13,000 will be needed to begin the Master Planning Phase.

**Proposed Preliminary Budgets and Narrative – Steve/Jim**

Jim explained how BSED goes about determining the budget and what funds are used to reimburse particular programs. The list of assumptions Jim has laid out give detailed look at how BSED arrives at the final numbers. Greg McDonald had a question about how a BizUp line item was named. Jim went on to explain that tax protests, totaling some \$70,000, will have a significant impact on the opening budget. Jim also mentioned that it is difficult to determine what strategic priorities take precedence since each one is a worthy cause. Further, we are still determining what our future facility will be and with that, a significant amount of work will be needed to fund the endeavor. Greg asked that if operating income were to continue to trend downward, what consequences and next-steps of that situation would be. Steve reiterated that we will continue to be completely transparent as we determine our budgets and would keep the Board abreast of any issues that could potentially arise.

**Review of Management Services Agreement – Jim**

The Management Service agreement was explained by Jim and the changes have been dictated to the Board.

**Board Consideration**

Motion: Mike Seppala, to approve the Strategic Plan, Budgets and Management Services Agreement, as presented to the Board.  
Second: Sheri Nicholson  
Discussion: None  
Motion carried

**Program-Level Reports and Action Items**

**Big Sky Finance – Brandon**

Big Sky EDC is requesting approval to submit to the US Small Business Administration the following SBA 504 loan requests. The Big Sky EDC Loan Committee has reviewed the requests and recommends approval to the full EDC Board for submission to the SBA for final approval. The requests meet all the underwriting and eligibility requirements of the EDC.

**Magic City Auto Reconditioning Services, Inc. – Update** to request originally approved at the July 13, 2017, Board meeting. Updated request is for the increase in the amount of the SBA debenture from \$999,000 to \$1,355,000. The increase is to enable borrower to fully utilize SBA financing at 40% of total project costs. Total financing is not increasing, but rather is actually decreasing as total project costs have been finalized and came in below budget. We are reallocating financing from Rocky Mountain Bank to SBA in order to maximize SBA's portion. Borrowers have determined their job creation will exceed that which was initially

projected. Total job creation forecast to be 26 new FTE after two years (initial projection was 15 thus limited SBA financing). Financing structure was initially 62.32% Rocky Mountain Bank, 27.68% SBA and 10% borrower equity. New structure will be 50/40/10 based on reduced project costs.

**Original Presentation:** Request is for the purchase of land, new construction and equipment purchases for M.A.R.S. of Billings new location. This will be a relocation as they have outgrown their existing facility of Moore Lane. The new project will be located at the intersection of South 29<sup>th</sup> Street West and Gabel Road. This will be the second SBA 504 loan Big Sky EDC has done for M.A.R.S., as we participated on their current location.

There are projected to be 15 new jobs created as a result of this project. The total SBA debenture is projected to be \$999,000 on a 20-year note comprising 27.68% of the total project costs. We are limited to the 28% versus the usual 40% due to the number of jobs to be created. Big Sky EDC and the SBA will be in a 2<sup>nd</sup> lien position behind Rocky Mountain Bank on the real and personal property.

**Motion:** Andy Gott, to approve the Magic City Auto Reconditioning Services, Inc. loan request, as presented to the Board.

**Second:** Debbie Singer

**Discussion:** None

**Motion carried**

**Glacier Hardwood LLC/Dayley Development LLC** – Request is for the purchase of land and new construction for Glacier Hardwoods LLC located in Kalispell, MT. This will be a relocation for this existing business. Glacier Hardwoods is an exclusive local retail/wholesale supply house that sells quality hardwood products such as lumber, decking, trim, flooring and cabinets in the greater Flathead Valley as well as in Lake and Lincoln counties. The business has been operating in the Flathead Valley since 2003, and under the current ownership since 2017.

There are projected to be two new jobs created as a result of this project. A Public Policy goal will be met for Rural Development. The total SBA debenture will be \$252,000 on a 25-year note comprising 35% of the total project costs. Big Sky EDC and the SBA will be in a 2<sup>nd</sup> lien position behind Stockman Bank of Montana on the real property.

**Motion:** Duncan Peete, to approve the Glacier Hardwoods LLC/Dayley Development LLC loan request, as presented to the Board.

**Second:** Ken Lutton

**Discussion:** David Trost asked if the rate for an SBA 504 Loan and if the borrower was due to pay that difference. The loan has not yet funded and consequently, the rate has not been locked. Therefore, there is no difference owed by the borrower.

**Motion carried**

**One Big Sky District Development Plan Agreement Consideration** – Allison/Steve

Allison broke down the Development Plan Agreement BSED has negotiated with Landmark. In the agreement, BSED reassured Landmark that they will be granted exclusivity, through the term of the contract, on any private sector component of development. Additionally, the Strategy Partners will have full license to share and utilize the planning document without royalties due. David asked if BSED would be compensated for their stewardship of the Strategy Partners' funding. Steve said they would be reimbursed if we were to seek outside help but if it is to stay internal, that would be a contribution to the overall effort on our behalf. Important to note, either party may terminate the contract with 30 days' notice. Additionally, they may extend the agreement if an agreement is reached by all parties involved. The \$675,000 will be used exclusively to pay subconsultants, not the Hammes group. Invoices will be included for the Strategy Partners' review. The developer expects to spend \$1.34m of their own money on the scope of work planning and would like some reassurances that this will be a worthwhile endeavor. If the Hammes group is involved in any identified catalyst projects, there will be no liability to repay

their \$1.34m. However, if the Hammes group has no involvement in development, they will be due their capital costs of \$1.34m.

Motion: David Trost, to approve the One Big Sky District Development Plan Agreement discussion, as presented to the Board.

Second: Mike Nelson

Discussion: Jack Nickels asked how the accelerated timeline was arrived at. The driving force behind that determination was getting the plan in place before the 2019 Legislative Session.

Motion carried.

BillingsWorks – CTE Investment – Melanie/Karen

Melanie presented in Karen's stead to lobby for an investment from the Board with regard to Career and Technical Education. We are positioned to make a significant contribution to the Career Center where they are constructing two simulated operating rooms for students to learn in. The total to be donated will not exceed \$10,000. The money comes from a provision in the Buy/Sell Agreement that makes BSED liable for up to \$100,000 to make improvements to the former GE property. The total is expected to be around \$90,000 and the remainder will be donated, pending Board approval. It should be noted that School District 2 will match whatever contribution BSED makes. Further, this environment will enable students to gain a CNA certification and with respect to surgical technicians, they will be able to gain dual credit, should they pursue that degree.

Motion: Cory Moore, to approve a donation up to \$10,000 to the Career Center where they are constructing two simulated operating rooms for students to learn in, as presented to the Board.

Second: Fred Sterhan

Discussion: None

Motion carried

Future Facilities RFP Final DRAFT – Steve

Steve was up to round out the Board Meeting. The first item was to speak about the draft RFP for BSED's future facility. There will be additional legal review before this document is final. Both from our legal counsel and County's as well.

Motion: Cory Moore, to approve pending further review and corrections, as presented to the Board.

Second: Duncan Peete

Discussion: None

Motion carried

Update: EDC Board Member Special Election Vacancy – Steve

Steve updated the Board on the special election of new MSUB Chancellor, Dr. Edelman to our EDC Board.

**Executive Directors' Report**

Lastly, Steve was willing to entertain questions regarding his Executive Director's report. Steve thanked the Board for their support and endorsement of our mission.

**Public Comment:** None


**Meeting adjourned:** 8:54 am.

Next Meeting – July 12, 2018

Respectfully submitted,



Robin Rude, EDA Secretary/Treasurer



Mike Seppala, EDC Secretary/Treasurer