



EDA - EDC CREATING MONTANA BUSINESS OPPORTUNITIES

**EDA/EDC Joint Board Minutes**  
**Thursday, January 10, 2019 – 7:00 AM – 9:00 A.M.**  
**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:** Cory Moore, Robin Rude, Paul Neutgens, Ken Lutton, Jennifer Owen, Judi Powers, Dana Pulis, Fred Sterhan, George Warmer, Shaun Brown (Ex-Officio), Greg Upham (Ex-Officio), John Brewer (Ex-Officio), Don Jones (Ex-Officio), Matt Lurker (Ex-Officio), Katy Easton (Ex-Officio)

**EDA Board Members Absent:** Jennifer Smith, Greg McDonald

**EDC Board Members Present:** Mike Nelson, Eric Simonsen, Molly Schwend, Nicole Bengé, Scott Chesarek, David Ellis, Mac Fogelsong, Spencer Frederick, Andy Gott, Doug Hansen, Ann Kosempa, Mike Phillips, Denis Pitman, Aaron Ramage, Jon Stepanek, Bob Wilmouth

**EDC Board Members Absent:** Mike Seppala, Steve Loveless, Dave Ballard, Craig Bartholomew, Dan Edelman, Mitch Goplen,

**Staff and Guests:** Steve Arveschoug, Austin Trunkle, Becky Rogers, Dianne Lehm, Karen Baumgart, Allison Corbyn, Dena Johnson, Melanie Schwarz, Lorene Hintz, Dustin Frost, Brandon Berger, Jim Tevlin, Russ Fagg, John Ostlund, Evelyn Pyburn, Haley Vannatta

**Call to Order:**

Cory Moore, EDA Chair, called the meeting to order at 7:00 A.M. with the Pledge of Allegiance.

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

With the new Board year upon us, Cory invited the Board Members and staff to introduce themselves.

Review Annual Board Member Information

Annual protocol is to have all Board Members sign a conflict of interest policy, EDC Board Members sign an annual Board Certification, and as well as update or add information to the Board Directory. Becky also circulated the 2019 Board Calendar and gave a brief overview of important dates and events.

Public Comment

John Ostlund, County Commissioner, expressed concern about the EDA using resources that are provided by the tax payer to lobby the legislature for a new project (One Big Sky District) that may end up competing with an entity (METRA Park) that is already payed for by the tax payer. Steve replied that Allison will give a One Big Sky District update today and the OBSD Partners will be presenting information surrounding this effort to the Commissioners on 1/17/2019.

Mike Phillips announced to the Board that there will be an Ag Appreciation Banquet on 1/19/19 at the METRA.

**Agenda Changes:**

In the Program Level Reports and Action Items, The EBURD Partnership and One Big Sky District updates will flip spots.

**Consent Agenda:**

Approval of the December 2018 Board Meeting Minutes and the November 2018 EDA/EDC Financials

Cory entertained a motion to approve the December Minutes and November EDA/EDC Financials.

**Motion:** Mike Nelson, to approve the December 2018 Board Meeting Minutes and the November 2018 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

**504/RLF Loan Approvals**

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

**1. Artcraft Burgers, LLC** – Request is for the purchase of an existing building for the operations of Artcraft Burgers, LLC dba Backcountry Burger Bar, located in Bozeman, MT. Artcraft Burgers, LLC currently leases space in the building and has since opening in January 2017. The building is located at 125 W. Main Street. Backcountry Burger Bar was started by Albert McDonald. Albert is very experienced in the restaurant industry there in Bozeman, currently operating two other restaurants in the area. Backcountry focuses on using Montana ag products – beef, wheat and potatoes. In addition to burgers, they offer creative salads, appetizers, other sandwiches, craft beer, wine, cider and kombucha. The location is excellent in the heart of downtown. There are projected to be six 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 \$758,000 on a 20-year note comprising 40% of the total project costs. Big Sky EDC and the SBA will be in a 2nd lien position on the real property behind First Montana Bank in Bozeman.

**Motion:** Mike Phillips, to approve the Artcraft Burgers, LLC loan request, as presented to the Board.

**Second:** Andy Gott

**Discussion:** None

**Motion carried**

**2. DJ&A, P.C.** – Request is for the purchase of land and new construction for the offices of DJ&A's corporate headquarters located in Missoula, MT. DJ&A, P.C. has outgrown its existing facility on Russell Street. This new facility will be located on West Broadway and will consist of a 24,000 s.f. office building and will be 100% occupied by DJ&A. DJ&A is an engineering company which has been in existence since 1973 and has been incorporated in Missoula as DJ&A, P.C. since 1999. They currently employ over 50 employees. The business provides a variety of civil engineering services including environmental, surveying, transportation, municipalities, land use planning and development and structural engineering. They work on projects all over the northwestern United States. There are projected to be nine new jobs created resulting from this project. They will meet a Public Policy goal as they will be located in a HUBZone. The total SBA debenture will be \$2,899,000 on a 25-year note comprising 36.44% of the total project costs. Big Sky EDC and the SBA will be in a 2nd lien position on

the real and personal property behind Missoula Federal Credit Union.

**Motion:** Aaron Ramage, to approve the DJ&A, P.C. loan request as presented to the Board.

**Second:** John Stepanek

**Discussion:** None

**Motion carried**

**3. CKA Partners LLC / Excel Physical Therapy** – Request is for an increase in the amount of the debenture from \$972,000 to \$1,287,000. This loan was previously approved by the Board at the June 8, 2017, meeting. This was a new construction project. At the time of our initial approval, the borrowers were not planning on finishing the entire building, only the first floor. Since that time, business has increased enough where they now need to finish off the remainder of the building for their growth. Cash flow is sufficient to cover the additional costs.

**Motion:** Eric Simonsen, to approve the CKA Partners LLC / Excel Physical Therapy loan request as presented to the Board.

**Second:** Mike Phillips

**Discussion:** None

**Abstentions:** Andy Gott

**Motion carried**

**Original request – 6/8/2017:** Request is for the purchase of land and new construction of a commercial building to house Excel Physical Therapy located in Bozeman, MT. They have seen strong growth over the past couple years and have outgrown their current facility. This new location is at the corner of 19th and College and will provide them with additional space to expand in the future. Excel Physical Therapy specializes in orthopedic and sports physical therapy practices. They have been in business serving customers in the Gallatin Valley since 2001. Excel Physical Therapy currently has ten employees. There are projected to be three new jobs created as a result of this project. The project meets an SBA Public Policy goal for Rural Development. The total SBA debenture will be \$972,000 on a 20-year note comprising 40% of the total project costs. Big Sky EDC and the SBA will be in a 2nd lien position to First Interstate Bank – Bozeman, on the real property.

#### **File Audit Review**

Brandon mentioned that they have had a strong year thus far and that the rates have remained low. With the Government in a shutdown, Brandon reminded the Board that the SBA is completely shut-down which hampers Big Sky Finance's ability to submit new loans.

Sent via email attachment, Brandon presented his File Audit Review. The review went quite well, and 25 loans were chosen at random. Four of the loans had originated within the last 12 months and 21 from beyond 12 months.

#### **Findings:**

**1. Internal controls and procedures are deficient for performing timely site visits within 15 calendar days of a loan being placed into liquidation status because of a non-payment default as required by SBA SOP 50 55, Chapter 16(A)(2).**

**Response:** Finance Department has updated its policies and procedures adding the following language.

#### **Post Default Site Visits:**

- Payment Default – within 60 calendar days of an uncured payment default or sooner if the collateral could be removed, lost or dissipated.
- Non-payment Default – within 15 calendar days of the occurrence of an adverse event that caused the loan to be classified in liquidation status or sooner if the collateral could be removed, lost or dissipated.

The following items were identified as non-systemic, and no further action is required. Practices are in place to alleviate these exceptions going forward.

**1. Credit Standards & Borrower Equity Contribution** – One deficiency/exception was noted regarding the inadequate assessment of financial ratio trend analysis.

a. Response – It is within our practice to analyze the financial ratios within each credit. Within this loan, there was a section in the P&L discussion pertaining to the industry, however, the no ratio analysis was completed.

**2. Loan Authorization, Closing, and Disbursement** – Four deficiencies/exceptions related to not requiring other loan appropriate insurance, general liability insurance, in the SBA Loan Authorization.

a. Response – CDC has within its Loan Policy and Procedures the requirement for other loan appropriate insurance, when deemed necessary. It is currently not a practice of the CDC to require general liability insurance on each credit. This will continue to be monitored and required on an individual credit basis.

**3. Regular Loan Servicing** – There were two deficiencies/exceptions identified relating to missing current financial statements, one exception regarding the timely collection of documentation to support the borrower's jobs created or retained at the two-year anniversary of loan funding, and one exception regarding the current risk rating accurately reflecting the current financial status and credit risk profile of borrower.

a. Response – CDC's Loan Policy and Procedures has been updated for rating of loans where current financials are not received. Every attempt is made to obtain on an annual basis the borrower's financial statements. The two loans identified had not yet provided their 2017 taxes at the time of the review, however the extension was provided. CDC continues to work to obtain the financials.

b. Response – The time receipt of the two-year job creation data was an oversight on this loan. CDC has an updated policy in place for the timely collection of this information utilizing our new loan software.

c. Response – This credit had recently been placed on Watch and in deferment. Loan officer subsequently downgraded the loan to Substandard based on Reviewer's recommendation. Loan has always been paid as agreed. Current Policies and Procedures include accurate risk rating schedule.

Commissioner Pitman asked what happens if a borrow does not meet the job creation criteria. Brandon mentioned that no action is taken against the borrower but then the total pool of jobs created within the portfolio would help to offset the shortfall. There must be a job created for every \$75,000 lent.

Mike Phillips asked if there were an advisory committee that had gone through this audit with a fine-tooth comb. Brandon and Steve mentioned there was not but that going forward, the Loan Committee will be used to fulfill that recommendation.

**Motion: Mike Phillips, to accept the File Audit Review Results, as presented to the Board.**

**Second: Mac Fogelsong**

**Discussion: None**

**Motion Carried**

#### **Future Facilities RFP Update – Becky**

Becky opened by thanking the Future Facility Taskforce for their dedication and work. She reminded the Board for the reasons we started this process one year ago. She then walked through the steps of due diligence that have been conducted over the past year. She gave an update that on December 21<sup>st</sup>, we learned the preliminary grant was approved and we are now eligible to submit a full grant application. One January 3<sup>rd</sup>, the future Facility Taskforce met to give final counsel. They asked us to secure an independent cost estimate for the build out of the Paint Facility. Mark Qualman is going to provide that work and a final report is expected on Friday, January 18<sup>th</sup>. And as requested at the last Board meeting, an additional tour of the Paint Building was arranged for Interest Board Members. She then presented the Future Facility Taskforce's recommendation to close the RFP and continue the EDA grant process with the Montana Paint Building as the designated facility.

Becky then presented a Cost Analysis, Space Needs Analysis, and Location Analysis on the Paint Building to the Board. Ken and Don requested seeing the analysis of the Paint Building vs. the Granite Tower's lease proposal rather than the current rates, which were being presented. Becky committed to emailing a spreadsheet with the requested data after the meeting. Becky also discussed the immediate due diligence that would be conducted next and how the purchase of the Paint Building would be contingent on the outcomes. Those steps include reviewing the buildout cost estimate, consideration of the reasonableness of the purchase price, results of an appraisal, results of a preliminary engineering report, and the negotiation of a buy/sell agreement. Should one of those steps trigger a no-go scenario, we will have a new RFP prepared for immediate release.

Mike Phillips asked the Future Facility Committee to weigh in on the risk factors concerning the Paint Building. Eric spoke about how the safety has improved since St. Vincent DePaul moved and that the state of the building allows to plan a remodel efficiently and effectively. Aaron spoke to how the building can be designed to suit BSED and that it offers a street-front presence. Steve chimed in that from a budget standpoint, he's cautious about overcommitting operational dollars. The EDA grant changed that calculus significantly and presents an opportunity to gain significant square footage without overextending ourselves.

Scott shared his experience of owning space on Montana Avenue and mentioned that they've had no safety concerns. He also wanted to see historical data on the rail-owned land to see how the lease pricing changes. Further, Scott wanted to just raise awareness about the low ceiling heights in the basement and that he city may not be keen to approve that for occupancy.

Becky then made the ask of the Board to 1. authorize closing out the RFP, 2. continue the EDA Grant Application process with the Montana Paint Building as the designated facility, 3. conduct immediate due diligence steps as outlined, and 4. to enter into a letter of intent with the Montana Paint Building owners, as guided by our due diligence process.

Motion: Scott Chesarek, to approve the four-part ask, as presented to the Board.  
Second: Eric Simonsen  
Discussion: Included above  
Abstentions: Mike Nelson  
Motion carried

#### One Big Sky District – Development Plan Overview – Allison

Allison presented the One Big Sky District Budget Overview and Update. With respect to Phase I of the project, Landmark Development invested \$1.1M to complete a Development Concept Plan which they had presented to Council in December of 2017. In Phase II, The Development Plan, Landmark invested \$1.3M and the Strategy Partners invested \$675,000. The Phase II Analysis is nearing completion with the final product being delivered to Council this month. Phase III is focused on Advocacy and Implementation. Landmark anticipates investing between \$780,000 and \$1,104,000 and the Strategy Partner Investment is \$578,000.

Following the completion of the development plan (Phase II), there is significant work ahead to make the plan actionable. To do so, we will need to renew our agreement with Landmark and there will be additional costs associated with the next steps. Allison then presented a scope of work for the next phase and associated costs. The ask of the Board today is to use \$300,000 from the Opportunity Fund to renew our agreement with Landmark. Steve mentioned that both the Executive Committee and Opportunity Fund Committee confirmed they are comfortable with this expenditure because we see this as a significant economic development opportunity for our community's future. The funds will be managed on an as-needed, month-by-month basis rather than a lump sum check. This investment is also meant to illustrate our commitment and partnership with Landmark. Mike Phillips asked if this is considered a big risk on our part. Steve said that when the dust settles, we will have spent \$350,000 and the result will be, at very least, some very sound fiscal and developmental analysis. That game plan can be implemented with a concerted effort by our community partners. John and Katy said that their organizations are well invested in this effort and will be taking similar asks to their Boards.

The Board asked how much of our \$300,000 commitment will be spent on lobbying. The estimate, according to the projected budget, is \$94,000. Our legal counsel has provided an opinion that as a Tradeport Authority, we are able to use our funds for purposes of lobbying. The funds spent will not be BSED's alone because all funds contributed will be pooled together to pay expenses. Dana expressed that a company like Landmark making such a significant contribution to our community shows that we have a great deal of potential. Dana thinks that this project is well thought-out and comprehensive, so it makes sense to increase our investment. Jennifer Owen asked if there is a coalition of the willing ready to back this legislation we are trying to pass. Steve said that rallying support is an ongoing effort and that there is a need to revisit our legislation as Montana is operating on 20-year-old economic development policies. Don asked if there was a lobbyist being hired. Steve said yes and that it would be a Montana lobbyist. Mike brought attention to the fact that there are some significant asks of the Opportunity Fund and to remain mindful of our liquidity. Steve said the Opportunity Fund committee had the same conversation and will provide an accounting of the funds to the Board. The ask of the Board is to authorize \$300,000 from the Opportunity Fund to contribute to Phase III of the OBSD Project.

**Motion:** Mike Nelson, to approve the contribution of \$300,000 from the Opportunity Fund to Phase III: Advocacy and Implementation, as presented to the Board.

**Second:** Ken Lutton

**Discussion:** Above

**Abstentions:** Mac Fogelsong, Dana Pullis, Scott Chesarek

**Motion Carried**

#### **EBURD Partnership MOU – Dianne**

Dianne provided some context for the EBURD Partnership MOU that will be proposed to our Board next month as it undergoes revisions. The MOU would be a 5-year extension of the agreement we are already in. Some of the BSED obligations include Brownfield Assessments and implementation of the masterplan.

#### **Executive Director' Report – Steve**

Steve brought the Board's attention to the Board Committees list and encouraged them to fill any vacancies that may interest them. There are two new committees and those are the Rock31 Advisory Council and the VBOC Advisory Council.

Next month is the mid-year programs update for the Board Members. As another reminder, Steve provided the Board with the 2019 Legislative Priorities and mentioned that he will be working in two capacities as both the Executive Director of BSED and the Chair of the Montana Economic Developers Association. Steve closed by thanking the Board for all they do to help BSED execute its Mission. Cory echoed Steve's sentiments and asked for public comment.

#### **Public Comment:**

Jon Stepanek asked if we have any idea of when the legislation will be before the State Legislature. Don Jones mentioned that there will need to be work by the drafter and that he would guess it is a couple weeks away from ending up in the bill hopper.

Russ Fagg commended Becky's work but wanted to bring to the forefront the fact that the Montana Paint Building sits on leased land and a \$2M commitment is potentially risky as Montana Rail Link has the ability to not renew the land lease. Russ also listed a number of potential buildings that are available for purchase.

Cory entertained a motion to adjourn.

**Motion:** Eric Simonsen

**Second:** Denis Pitman

**Discussion:** None

**Motion Carried**

**Meeting adjourned: 9:14 A.M.**

**Next Meeting – February 14<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.***