

MINUTES

Lane Economic Committee

Lane Council of Governments (LCOG), Fifth Floor Conference Room

859 Willamette Street -- Eugene

November 19, 2018

11:30 a.m.

PRESENT: Robert Scoggin, Chair; Dan Betschart, Mike Eyster, Jessica McCormick, John Milandin, Matt Michel, Karen Hyatt, Paul Berger, Bob Ehler

GUESTS: Heidi Larwick, Jeff Gepper

1. Welcome/Introductions/Changes to the Agenda

Robert Scoggin convened the Lane Economic Committee (LEC) at 11:37 a.m. Those present introduced themselves.

2. Public Comment

Mr. Milandin invited everyone to the First Tech Challenge for grades 7-12, a robotics competition that organized by Lane ESD. It takes place December 15th, 9am-5pm in Junction City. Students teams will build a robot that simulates the landing on Mars in 2019. It helps students gain insights into the possibility of a technical career while designing, programming, and implementing a robot.

3. Comments from the Members, Chair & Staff

There were no comments.

4. Review minutes from October 15, 2018

Action item: Approve minutes

Mr. Scoggin announced that without a quorum present, the minutes could not be approved.

5. Discuss 2018 LEC membership and officer appointments

Action item: Appoint membership subcommittee

Mr. Scoggin reported that there are six Committee members whose membership is up at this time. The only ones currently present were Karen Hyatt and Paul Berger. Mr. Scoggin instructed that if those members would like to stay on for another term, they should let Dan Betschart know. Mike Eyster will be taking Susie Johnston's place, and the remaining three positions will be filled by someone from Cottage Grove, someone from the City of Eugene, and someone from the City of Springfield. The application deadline is December 14th, 2018. A committee is needed to select members. Mr. Berger and Mr. Eyster volunteered for the selection committee, and Mr. Scoggin reported that Mike Galvin had also volunteered to serve on that committee. Applications will be reviewed until the middle of January.

6. Elevate Lane County

Heidi Larwick, Director of Connected Lane County, gave a slide presentation about Elevate Lane County, which is program of Connected. CLC (Connected Lane County) is intended to create seamless transitions for kids in K-12 so that they are prepared for whatever they choose after high school graduation. Elevate focuses largely on the transitions from middle to high school and from high school to post-high school life, working with all 16 school districts in Lane County, as well as LCC, U of O, Lane Workforce Partnership, United Way, and the Early Learning Alliance.

Elevate stemmed from a work group focused on the transition from middle and high school to college and career. About two years ago, that group identified a need for providing relevance to students to connect classroom learning to what they would be doing after high school or college. Elevate was developed to help ensure a skilled workforce to support economic growth, by creating learning opportunities for students and educators and by building a technology portal.

Elevate was formed in January 2017, initially as a pilot program on a small scale, focusing on the tech sector. The goal is for every student to have explored 6-7 types of careers by the time they graduate. The strategy for students is as follows:

- Starting in 4th and 5th grade, students are paired with female coders to program Lego robots. The reason for pairing specifically with female coders is that 4th-5th grade is when girls start to de-identify as good at math and science.
- In middle school, students participate in a career expo, in which they get hands-on experience in different industries through approximately 40 different industry partners. The most recent expo was in October. Each industry had an activity relating to its relevant skill set. For example, Market of Choice let students experiment with flavoring popcorn, which exposed them to food sciences, and create a label to understand marketing.
- In high school, students are offered tours of industries, job shadows and internships, all of which help them learn about possible jobs in Lane County. Elevate also hosts a job fair for graduating seniors.

Elevate's strategy for educators includes placing teachers in paid summer externships with companies. For example, a high school chemistry teacher spent 3 weeks doing Quality Analysis with So Delicious and 3 weeks with Forest Technical Coatings. She can use what she learned to show students how chemistry is used in various careers. Most of the educator externships have been in tech, and those teachers have revamped computer science classes to be more relevant to the local economy's needs.

Since Elevate was launched in early 2017, the following has been achieved:

- over 4,000 students have had experience through Elevate
- 183 new businesses have participated in some capacity
- first ever middle school career event
- 6 new CTE programs launched in computer science
- 3 tech pathway guides developed
- over 3,032 paid hours for 17 educators
- 16/16 districts participating

Mr. Eyster asked if Elevate connects students to higher education, and Ms. Larwick answered that it does.

Ms. Larwick showed the Elevate website (elevatelanecounty.org). On the website, students can apply for

internships, and educators can apply for externships. Elevate has developed guides to help students with different pathways, and counselors have access to those guides. The guides were constructed from a high school counselor interviewing people from each industry. For example, the Food & Beverage Sector Guide gives families an overview of the Food & Beverage industry, types of jobs, types of skills needed, different pathways to get into this sector through 4-year university, 2-year college, or post-high school work. These guides also set out specific pathways that can be followed in Lane County in each industry (for example, post-high school through LCC, or U of O).

Mr. Milandin commented that Elevate is an excellent program. Ms. Larwick remarked that it has good successes so far. For example, in the first round they worked with students in an alternative high school and placed those students in internships. One student was not on track to graduate, and he found something he loved and was then placed with a company that gave him good mentorship. He graduated and got a paid internship with another company in summer. That company later hired him, and they are paying for him to go to LCC.

Mr. Berger mentioned that mentorship is key. He participates in the 4J middle school mentorship program. He wondered if there is a mentorship component to the Elevate programs. Ms. Larwick responded that mentorship comes into play mostly in internships and job shadows. Mr. Berger also inquired whether Elevate has any connection at UO with the Secondary School Transition Center at the School of Education? Ms. Larwick replied that they do not have those connections right now, but they would like them. Their connections now are through the Department of Education at UO, and they have a heavy focus on high school courses that offer LCC credits.

In response to a question from Mr. Eyster, Ms. Larwick noted that it is too early to tell if Elevate is having an impact on graduation rates in Lane County. However, they have received a Register-Guard Award, and Elevate will be featured as a success of education and industry together at the Oregon Business Council 2018 Summit on December 3rd in Portland.

Mr. Berger wondered how people get on the Elevate advisory committee. Ms. Larwick said that she can appoint members, and she explained that the expectations of the advisory committee include a work group and an industry advisory group.

Ms. Larwick highlighted some other successes of Elevate's programs. On National Manufacturing Day in October, Elevate organized student tours of 8 different companies for 250 students. This focused on food & beverage, advanced manufacturing, and wood products. It was spearheaded by the Eugene Chamber, the Springfield Chamber, Rain, OMEP, and Lane Workforce Partnership. Also, Elevate was awarded a federal grant to develop a pre-apprenticeship program in computer science that will lead to Apprenti or to LCC.

Mr. Milandin asked how students about learn about career development pathway programs. Ms. Larwick responded that Elevate regularly communicates with all the school districts.

Mr. Scoggin wondered which school districts are most active with Elevate and what could be done to get other school districts more involved. Ms. Larwick said that 4J, Bethel, Junction City, Creswell, and Elmira are the most active districts. It is slowly gaining momentum, and she goes around to talk to school boards as they do their budgeting. Some school districts have more barriers than others. They are trying to develop programs in Florence, Oakridge, and McKenzie so that people in those districts do not have to travel far for the programs.

Mr. Gepper asked about similar programs in other parts of Oregon. Ms. Larwick stated that Elevate looked at other programs as models, but they did not find one that would work here. In Oregon, there are

some that work through local Chambers but usually only benefit one school district. For example, Portland and Salem have strong programs, but only for one district at a time. They looked at the cost, and they recognized that it would be a heavy lift to ask industry to invest in this, not knowing if it was going to work. Hopefully Elevate will be a model for programs in other areas.

Mr. Milandin mentioned that the Oakridge school district has formed a CTE advisory committee which is in its second month. Mr. Milandin used a guide written for North Dakota, which he adapted. The advisory committee meets once per quarter and are starting a speakers' bureau using local industry. With that, students have an opportunity to get a 15-minute introduction to different industries and jobs, and in the afternoon the speakers can offer students a tour of their company. They have used Elevate Lane County, and he recognizes that it is excellent and is a perfect feeder program for the labor force in all our communities.

Mr. Milandin added that the governor has put \$300 million into the 2019 budget, some of which is for apprentice programs in Oregon. He wondered if Elevate will get a piece of that? Ms. Larwick replied that they will be competitive for some of those funds. Elevate has talked to the governor about their programs, and Colt Gill is also a big advocate for Elevate and is speaking with the governor about it.

Mr. Berger asked if Elevate has connections to the Makers Movement, and Ms. Larwick said that they have been a part of planning meetings with them. Additionally, they have a program regarding STEM opportunities for students. Mr. Berger mentioned STEM vs. STEAM, the importance of soft skills, and that there is a dearth of humanities and arts in schools. Ms. Larwick stated that Elevate partners with Lane Arts Council and are trying to incorporate arts into their programs.

Mr. Scoggin invited Ms. Larwick to present at a future CWEDD meeting.

7. Current Government Loan Programs

Heidi Larwick left at 12:17 pm.

Dan Betschart gave a presentation on Small Business Government Loan Programs. He provided two handouts, including "Key areas that lenders look at when reviewing a loan application," and a matrix of different loans available through LCOG.

Mr. Betschart started by explaining that the loan programs operate self-sufficiently, i.e. with no subsidy from government agencies and no local cost for economic benefits provided. LCOG pays fees to the SBA and other organizations, and if a loan goes bad, those funds cover it.

The key benefits of Government Loan Programs include the ability to do more deals or projects, attractive fixed interest rates, low cash equity down payments, and improved access to capital.

The main myth of Government Loan Programs is that you do not need more information to present to a loan program for your application. The information required includes personal tax returns, business tax returns, SBA forms, etc. In other words, it is the same information that banks require for loans.

There are two types of loan programs: Guaranty Program, which is guaranteed by the SBA; and Subordinate Program, in which the bank gives a first loan and a government entity gives a second loan.

Mr. Betschart reviewed the various loan programs offered through LCOG and each program's key features.

- SBA 504 Loan (subordinate loan program): This has a 50/40/10 loan structure; targets real property acquisition or construction; has low fixed interest rate; the project should create or save jobs; deals with owner-occupied properties; subordinate to bank debt, and can now refinance; \$200,000-\$5.5 million; \$5-5.5 million project is standard; no non-profits; no deals that don't make sense; CDC gets board approval 7-30 days; SBA approves loan in 3-7 days; CDC delivers SBA commitment letter to borrower and bank; bank funds interim or construction loan; SBA funds upon completion of construction - SBA sends wire directly to bank, usually 60-90 days
- SBA 7A Loan: Uses include working capital, equipment, real estate, business acquisition and refinance; finance up to 90% of project costs; bank sets interest rate up to prime + 2.75%; maximum loan amount: \$5 million; guarantees up to \$3,750,000; secondary market available; SBA provides 75-85% loan guaranty

Mr. Berger noted that Pacific Continental was major generator of these types of loans, and he wondered if it is the same with Columbia. Mr. Betschart replied that it is not the same, but there are many deals with Oregon Pacific Banking Company, where many people from Pacific Continental ended up.

- USDA Rural Business Development Fund: Targets rural communities (outside urban growth boundaries of Eugene and Springfield); loan amount \$50k-200k; low fixed interest rate; local and quick approval; 50/40/10; subordinate to bank

Mr. Michel asked if the Rural Business Development loans were the same as the USDA "Red Leg" loan program, and Mr. Betschart responded that this is different.

- EDA Revolving Loan Fund: EDA (Economic Development Administration) is another federal entity similar to USDA; loans throughout Lane County but primarily Eugene and Springfield; loan amount from \$50,000-150,000; low fixed interest rate; 50/40/10
- USDA Business and Industry Guaranty Program: Targets rural communities; starts at \$2 million and goes up
- State of Oregon Credit Enhancement Fund: Alternative to SBA 7A program; guaranty program through the state; more flexible and can accommodate non-profits, unlike SBA 7A
- State of Oregon Business Development Fund: Targets manufacturing, distribution, and tourism industries; loan up to \$1 million; low fixed interest rate; 50/40/10; subordinate to bank debt; each new project resets availability
- Targeted Oregon Business Development Fund: Similar to OBDF; prime minus 4% interest rate (floor of 4%)
- City of Eugene Business Development Fund: Business Growth Loan (city limits); Downtown loans (downtown area); river loans (next to river along Franklin); Art loans (gap financing for art/music); loan amount \$5,000-\$500,000; low fixed interest rate; subordinate to bank

Mr. Betschart described some projects that have been funded by government loans through LCOG:

Midtown, LLC purchased and renovated the Meridian building using a 504 loan.

Tri-Quality Business Forms, Inc. in Eugene is a forms manufacturer that purchased a building using an

OBDF loan.

Aesthetic Surgical Arts (plastic surgeon) constructed a new medical building when they needed a larger facility using a 504 loan.

Central Coast Watersports in Florence purchased and upgraded a building with equity in the building and no cash down.

Ninkasi Brewing started in 2005 using the old Spencer brewery on Gateway, but they wanted to move to Eugene. They purchased and renovated an existing building with a bank loan, an SBA 504 loan, and borrower cash. The project cost was \$700,000. They had only been in business for 1.5 years, so they had to put in 15%. In 2009, they did a big expansion by purchasing and renovating an existing building and purchasing equipment with two 504 loans (one for real property and one for equipment), plus an OBDF loan. In the end, the project involved the bank, State of Oregon OBDF, SBA 504, and borrower "in kind" contribution. Mr. Scoggin asked about another big renovation that Ninkasi did, and Mr. Betschart replied that LCOG was not involved in that project.

Willamette Pass Ski Resort purchased and installed a high-speed, 6 passenger chairlift. This project was financed by a bank, an SBA 504 loan, and borrower cash. SBA has four rules for collateral: (1) Business has been going well; (2) seasoned management; (3) logical expansion of the business; (4) existing business. All of those requirements were met.

Mr. Betschart continued by reviewing some key identifiers for loans, including shortage of cash for down payment, volatile or short earnings history, limited collateral and debt coverage. Some types of businesses to look for are manufacturing, businesses in rural areas, and expansion with job creation. A key benefit of Government Loans is the ability to move forward with different types of projects.

Mr. Gepper wondered which loans generate the most interest from the public, and Mr. Betschart replied that would be the Revolving Loan Fund. These loans are smaller deals, and they almost always partner with the city. People get a working capital loan with the City of Eugene.

Mr. Berger asked for clarification about the size of the deals dropping, and Mr. Betschart explained that he has observed that trend just in the last six months.

Mr. Gepper inquired whether the volume of smaller loans is making up for big dollar loans, and Mr. Betschart responded that they are still processing the same number of loans. With SBA 504 loans, LCOG contracts with a certified development company. Their contract with Cascades West ended, and LCOG had to build up the 504's again. Now LCOG is working with a certified development company in Roseburg. Mr. Betschart believes LCOG will be able to keep loan programs going so they can continue to support economic development and small business.

Mr. Betschart mentioned that Lane County contributed \$500,000 in grant funds and got a \$500,000 match from EDA to expand the Revolving Loan Fund program.

8. Set next meeting date: December 17, 2018

Mr. Scoggin said the next LEC meeting will tentatively be on December 17, 2018.

Mr. Scoggin adjourned the meeting at 12:48 pm.

(Recorded by Rachel Burstein)