

## Testimony before United State House of Representatives

### Small Business Committee

June 20, 2018

My name is Greg Prestemon and I am the Chief Executive Officer for the Economic Development Council of St. Charles County, Missouri. I represent a 30-member Board of Directors that is a true public private partnership, with ten members from local governments and 20 members from the business and non-profit sectors.

We have a simple mission: to help businesses and communities grow. From its inception in 1992, the EDC has always focused most of its resources on helping small businesses. We do this through two main flagship programs, both of which are part of the Small Business Administration. We are a certified development company, and thus we offer the 504 Loan Program to borrowers throughout the state of Missouri. We have a current portfolio of over 260 loans valued at approximately 115 million.

We are also an important part of the Missouri Small Business Technology Development Center, or SBTDC. While our local impacts have been large, I think the statewide impact is stunning. From 2015 to 2017 the statewide network of SBTDC centers helped businesses generate over \$1 billion in sales increases and over \$1 billion in Procurement Awards.

But enough about the numbers. I want to spend the rest of my time talking about what we think is the EDC way of helping small business. We have been successful, I believe, because we have been very intentional about some core principles. First, we believe that all small businesses are important. We think the mom and pop retailer or the auto repair shop is just as important as the information technology startup. So, our approach is not to target a particular type of business, but instead to help the entrepreneur that is in front of us.

Second, we are striving for our programs to always be in alignment with each other. For example, whenever possible we try to have our 504 borrowers also be SBTDC clients. This only makes sense, as the 504 borrowers need to repay federally guaranteed loans. And, SBTDC clients, when they reach critical mass need a sound method of financing their growth. Unfortunately, I think that we are somewhat unique in our strategy to align these two programs.

Third, we strive always to be responsive to what our communities need as we help the businesses grow through the 504 and SBTDC programs. What does this mean? A couple years ago, an entrepreneur came to our SBTDC counselor with a dream of opening up a microbrewery in a part of the county that would not be seen as trendy or chic. I work in a generally prosperous county, but the location that this entrepreneur had in mind would definitely not have been seen as a likely spot by most observers of the local market. However, the entrepreneur had a dream and our SBTDC counseling team was impressed. Today this business, Good News Brewing, is thriving. It is thriving in part because of the technical and human support that our SBTDC program provided. Lately, this same entrepreneur has received approval on a 504 loan to open a high-end coffee shop, again in a location that would be far from trendy. While the job impacts are not huge, the community impacts may be game-changing.

Finally, I want to talk about partnerships. It took a bunch of organizations working in partnership to make projects like Good News Brewing Company happen. Obviously, the United States Small Business Administration played a gigantic role. Also, the University of Missouri, the City of O'Fallon, the Economic Development Council each provided key pieces of assistance. No one participant had everything needed to make this happen. The entrepreneur had the vision and the energy. The SBA had the capital source. The SBTDC had the knowledge. At the end of the process, an entrepreneur is making money, providing jobs and tax revenues and a community is improved. Not a bad day's work for any of the parties involved.

On behalf of the businesses and people of St. Charles County and the state of Missouri, I want to thank you for this opportunity. The programs that this committee oversees are important to real people and real businesses throughout the United States. I would be happy to answer any questions you may have.

## Economic Development Report

The St. Charles County economy has seen several significant economic development wins during 2017. Highlighted wins include:

- The recruitment of Fusion5, a healthcare-focused startup, to OPO Startups, a coworking space partially funded and staffed by the EDC Business & Community Partners. Fusion5 selected OPO Startups as its headquarters after touring several locations throughout the country, and has grown from 7 founders to more than 55 employees in less than 9 months.
- The securing of \$100,000 in additional funding for the expansion of the OPO Innovation District in the City of St. Charles. Since its founding the district has become home to more than 60 technology companies with more than 300 highly skilled workers.
- The opening of a 1.1 million square foot logistics center in Wentzville, further strengthening the County's growing reputation as a hub for the logistics industry.
- GCL Solar, a Chinese headquartered company, moved its R&D headquarters from California to St. Charles County, bringing more than forty hi-tech jobs to the County.

These wins continue to make St. Charles County the strongest and fastest growing economy in the State of Missouri. With an unemployment rate of less than 3% and the state's highest median household income, the County economy continues to be a shining star for the St. Louis region, Missouri, and the entire Midwest. The strong economy and high quality of life have been consistently recognized by the local and national media. In 2017 *Money* magazine recognized two St. Charles County communities (St. Peters and O'Fallon) in the top 50 places in the country to live. Additionally, *Entrepreneur* magazine named the county one of the three best places in the country to move your business.

The EDC Business and Community Partners continued investment in STEM education, entrepreneurship, and publicizing the county regionally and nationally has led to continued wins through the first 6 months of 2018, with additional employers continuing to find St. Charles County the best place in Missouri and the Midwest to start or locate their business.

### Small Business Finance

EDC Small Business Finance once again received the 2018 SBA #1 CDC in Eastern Missouri. Through the end of September 2017, the EDC submitted and the SBA approved 39 loans representing nearly \$21,442,000 million in SBA financing in MO and IL for the current 504 fiscal year.

In 2017 EDC Small Business Finance saw a significant increase as compared to the loan activity in 2016. In 2017 we provided 21 projects in the amount of \$16,458,000. Total investment from these projects was \$41,730,534 and 761 jobs were created or retained. In 2016 we provided 23 projects in the amount of \$15,415,000. Total investment from these projects was \$31,880,405 and 375 jobs were created or retained. In 2015, we provided 15 projects in the amount of \$9,656,000 in funded 504 loans. Total investment from these projects was \$24,069,639 and 524 jobs were created or retained.



Seven business projects in St. Charles County used the EDC's 504 loan program in calendar year 2017. Local loan activity totaled \$7,244,000, reflecting total investment of \$18,942,992. Total local jobs created or retained was 143.5.

The local projects funded were located in St. Charles, St. Peters and Cottleville. They included Shannon Norman Law, LLC (\$190,000), Culver's Muegge Road (\$3,174,302), The White Hare, Inc. (\$1,460,000), Ole Tyme Produce, Inc. (\$10,510,190) McCauley Animal Clinic (\$1,270,000) Provenance Soapworks, LLC (\$460,000) and Great Beginnings Daycare & Preschool (\$1,878,500).

One of the small businesses that received an award during this year's Small Business Week included Melissa Smith who received the "Small Business Person of the Year". At the time of purchase, Smith and her six employees worked out of a 2,200-square-foot facility and generated annual revenue of \$380,000. In her first year of ownership, revenue increased by 44 percent. With guidance from SBA's SCORE and a \$2.5 million SBA 504 Loan, Smith grew the business to 31 employees who provide service from three locations and generate \$3.9 million in revenue. Over the last eight years, Smith also has worked to give back to the community. She has traveled to Honduras to provide free dental care to hundreds of Hondurans who lived in mountain regions and lacked access to dental care. Back home in Missouri, she holds "Free Dental Days" for a pregnancy assistance center, low-income veterans and others in need.

Several success stories that funded in 2017 are listed below:

Ole Tyme Produce - For over 40 years the Daleo Family has been providing the finest produce in the St Louis Region to customers that include restaurants, hospitals and schools. It all started with Joe Daleo, whose father, mother and uncle have all been involved in the produce operation. Today, Joe's daughter, Joan Daleo, President, runs the company. The company had been on Produce Row but with the companies continued growth, a new state-of-the-art facility was needed. With the help of the EDC and the 504 loan program, Ole Tyme Produce built a new 60,000+ office warehouse in St Charles off Elm Street enabling the company to continue to grow. The total project cost was \$10.5 million and the company employs well over 60 employees.

Bailey's Social Inc. - David Bailey received the "Small Business Person of the Year" award in 2016. David was approved for a 504 loan with the EDC for his new event space in downtown St. Louis. The new space hosts venues including wedding receptions, parties, etc. The space is able to accommodate up to 400 people. Total project cost was \$2.0 million. He has grown his staff from 50 to 325 in the last four years and serves more than 500,000 customers each year.

Boxes, Inc. - This company located in the City of St. Louis used the 504 loan program for a \$5.2 million equipment loan. The new equipment replaced old outdated and inefficient equipment. The company designs, does contract packaging, graphics and laminate products. The company also does warehousing of boxes for companies that do not have the space for inventory. In addition to commercial and industrial companies, Boxes Inc. also sells to large box companies such as Lowe's, Walmart, Sam's, Walgreens, etc...just to name a few. The company is expecting to create 22 jobs in the next two years.

McCauley Animal Hospital – Dr. McCauley used the 504 loan program to construct a new building in St. Peters for a total project amount of \$1,270,000. He originally leased space (2,500 sq ft) and wanted to build his ideal vet clinic within a 5 mile radius. The new building is 4,471 sq ft on one acre of land in a prime location on Mid Rivers Mall Drive. The company is expecting to create 7.5 jobs and retain 8 jobs in the next 2 years for a total of 15.5 job opportunities.

Car Craft Lemay Ferry – Jim Mason has been using the 504 loan program since 1997, with this location in St. Louis County being his fourth 504 project. This transaction also included a separate 504 equipment loan. The Car Craft locations employ over 100+ people.

In addition to the 504 Loan Program, the EDC offers Industrial Revenue Bonds. In 2017 two Bond Resolutions were approved for O’Fallon Retail Walk Community Improvement District Project in the amounts of \$3,920,134 and \$3,615,000.

### **Incubating Small Companies**

Helping entrepreneurs and small business owners start new companies has been at the core of the EDC’s services since our incubator facility opened on Mid Rivers Mall Drive in 1993. Our professional environment offers specialized resources, shared services, hands-on training and daily interaction with business peers and experts on staff.

In 2017 the EDC incubator welcomed ten new tenants and also had ten companies graduate from the facility. Congratulations to these expanding incubator companies: KB Data, Clarus Communications, Generations Counseling, SourceOne, Aspire, 4 Site Digital, Dave’s Guitar and American Band. Currently our 30 incubator companies’ employ over 100 employees.

### **Business Counseling**

The EDC of St. Charles County has many resources for entrepreneurs thinking about starting a new business or expanding a business to the next level.

Through our long-term partnership with the Missouri Small Business Development Center, over 620 unique entrepreneurs asked the questions on how to start a business, find financing or how to grow their business.

In 2017 we provided counseling to 167 entrepreneurs which resulted in 12 business startups and \$4,555,200 in funding.

Several of the success stories are listed below:

Amanda and Megan Boccardi were Creve Coeur Police Officers who branched off in order to start their own Biological Remediation Services Company. They now own Bio One St. Charles which specializes in contract cleaning for anything that requires remediation due to any biological contamination.

Dan Tripp founded Good News Brewing Company in O'Fallon MO. As a result of the cooperation between the SBDC and EDC he was able to get a loan, and now has a successful brewing company.

Ron Goodwin, a longtime bowling alley manager received assistance in putting together a loan package and business plan for the purpose of purchasing Frontier Lanes. He was able to secure funding and now operates his own bowling alley.

In addition to the SBDC, entrepreneurs have access to SCORE business counselors that have had an office within our facility since 2004.

### **Business Development**

#### **Seyer Industries; St. Peters, St. Charles County, Missouri**

Seyer Industries is a locally-owned aerospace and defense contractor that has required continued assistance from the EDC Business and Community Partners through our SBA 504 loan program since 2012 for expansions and equipment.

The EDC Business and Community Partners was contacted by McGuire Sponsel, a site selector company, on behalf of Seyer Industries. They were expanding again and this time their expansion was due to new contracts with a commercial airplane manufacturer located in the Southeast United States. Through data points, McGuire Sponsel identified four communities: two in Southeast United States, one in the Midwest as well as St. Charles County, Missouri.

The EDC Business and Community Partners moved quickly to respond to the request for information and to set a meeting with local and state officials to create an incentives package which included Chapter 100, Missouri Works, St. Charles County support on infrastructure needs and Customized Training. Because of this current effort with Seyer Industries, St. Charles County will benefit from a \$16.5 million investment and an additional 85 quality full time positions for our residents.

#### **J-Bloom; St. Peters, St. Charles County, Missouri**

In 2006, Jennifer Bonacorsi moved her once jewelry making hobby now turned into a business into the EDC Business and Community Partners Small Business Synergy Incubator.

Throughout the past 11 years they have turned to the staff at the EDC Business and Community Partners when her business faltered and almost went bankrupt. It wasn't until January 2014, they began experiencing true growth in J-Bloom.

In January 2017, they employed six full-time and 8 part-time employees, have over 700 representatives (now called "Designers") in 40 states, and they are on track to have a 70-80% increase of revenue in 2016 over 2015 when they had tripled their revenues over 2013.

They graduated from the EDC incubator in October 2016 and moved into a 11,700 square foot jewelry manufacturing facility in St. Peters. The EDC Business and Community Partners was also able to help them secure Missouri Works as they continue to grow the number of full time employees in the company.

According to Jennifer Bonacorsi, "We would not be where we are today without the EDC. We could not have made it through the downturn in the economy without their support and mentorship."



### **GCL Solar Materials; St. Charles County, Missouri**

The EDC Business and Community Partners' Business Development team received a call from Jim Mallinak, Sr Director of Strategic Projects, for GCL Solar US in August 2017. They had a small office in a neighboring county and were considering purchasing a building in St. Charles County to accommodate their growth in research and development. Their capital investment was going to be \$12 million in equipment and once established they are going to move 40 jobs from Portland to St. Charles and add an additional 10 jobs.

They contacted the EDC Business and Community Partners because they were also considering the option of moving the operation to Portland.

After evaluating their needs, we set a meeting among our regional partners and the company so that they could have all their questions asked and answered at one time.

Because of this meeting, they received incentives for workforce and training from the State of Missouri, were informed on how to start the appeal process to reassessment of taxes on the building they are considering for purchase, and determined that the expansion of the building was within code and covenants of the Missouri Research Park where the building is located.

Although this is still an on-going project, GCL Solar Materials US is finalizing the purchase of the building which will be completed by December 2017 and St. Charles County will gain 80 high paying jobs.

### **ACT Certified Work Ready Communities; St. Charles County, Missouri**

A 20-something year old father of two children was working in a convenient store in St. Charles County. He and his wife were unable to pay bills and couldn't see another path.

He learned about the Work Keys Assessment from a friend of an EDC Business and Community Partners' employee. It was explained how it could help him show local employers what applied skills he has since he did not have any formal higher education. After taking the assessment and earning an National Career Readiness Certificate, he visited the St. Charles County Career Center where they helped him build a resume and guided him towards open manufacturing positions.

This father of two currently works for TRUE Manufacturing and the family has an income that can pay their bills. TRUE Manufacturing has one less open position.

As the United States continues to face a skilled workforce shortage, the EDC Business and Community Partners is pursuing this certification as a stop gap measure to match potentially qualified employees to the current 1000 unfilled manufacturing positions in St. Charles County.