
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: July 6, 2010

SUBJECT: Resolution - Revolving Loan Fund

- Name Change – From Small Business Revolving Loan Fund to Revolving Loan Fund
- Modify Loan Options
- Modify Current Criteria
- Evaluation Matrix, including point system

STAFF REPORT BY: Karen Halladay, Budget and Public Policy Analyst

AFFECTED COUNCIL DISTRICTS: All

ADMINISTRATIVE DEPT: COMMUNITY AND ECONOMIC DEVELOPMENT
AND CONTACT PERSON: BOB FARRINGTON, DIRECTOR, ECONOMIC DEVELOPMENT
MIKE AKERLOW, SMALL BUSINESS ECONOMIC DEVELOPMENT MANAGER

RECOMMENDATION FROM ADMINISTRATION

The Administration is recommending changes to the City's Small Business Revolving Loan Fund. The proposed resolution and related attachments would amend the following elements of the Small Business Revolving Loan Fund:

- Change Name from Small Business Revolving Loan Fund to Revolving Loan Fund
- Loan Options – Attachment A – The types of loans offered from the Revolving Loan Fund would increase from two main categories to twelve specific categories. Additionally these proposed loan categories would reflect how the loan funds will be used by businesses.
- Loan Criteria – Attachment B – Loan criteria for each of the proposed loan options has been recommended by the Administration. Suggestions for each of the loan options have been made regarding the following Revolving Loan Fund elements: loan purpose, dollar amounts available, loan term, interest rate, collateral, cash and other requirements, and, if applicable, loan incentives.
- Evaluation Matrix – Attachment C – The proposed evaluation matrix will be used to determine a loan application score. Questions related to ability to repay the loan and meet the City's economic development goals will be given higher emphasis during the loan approval process.

The transmittal indicates that the loan program has been an effective means to stimulate business development and expansion, encourage private investment, promote economic development and enhance neighborhood vitality in Salt Lake City. The Administration suggests that the proposed changes to the current program will: 1) help a business tailor their needs to a specific loan option and prevent over borrowing, 2) differentiate between real estate and day-to-day operating loans, 3) define businesses eligible for construction mitigation loans, and 4) allow the Economic Development Division to market loan options more effectively.

KEY ELEMENTS

In a recent meeting with SLC Administrators and Stacy Mitchell, expert on local and independent business trends, it was mentioned that a loan program such as the City's Revolving Loan Fund program, along with a business district program and small business liaison are needed to address the needs of small businesses. Salt Lake City has in place all of these programs to assist and support businesses as they grow in the City. The Administration indicates the Revolving Loan Fund is a key component to serve the City's economic development strategy.

The focus of the proposed resolution and this staff report is the loan program. This has been an initiative since August of 1988 when the City Council passed a legislative intent to establish a revolving loan program. In October of 1991 the Economic Development Revolving Loan Fund was implemented by the Council. A brief history of this Loan Fund is provided at the end of this report.

Name Change

Economic Development Revolving Loan Fund was the name of the original loan program. Resolution 31 of 2002, which changed the name to Small Business Revolving Loan Fund, was passed June of 2002 by the City Council. The Administration is proposing that the name be changed to Revolving Loan Fund. The Administration indicates that the loan program is an incentive and lending tool for businesses of various sizes. Additionally, they state that “small business” is defined and applied differently by various entities. For example, the Small Business Administration defines it as a business with 500 or fewer employees. Other entities may define a small business with employee counts ranging from 10 to 100 employees. The Administration recommends not using “Small Business” in the name of the City’s loan program, and would like the loan program to be based on a business’s financial need and contribution to the economic vitality of Salt Lake City rather than on the number of employees in a business.

Loan Options, Loan Criteria and Matrix Evaluation Changes

Currently, there are over forty outstanding loans of totaling \$2.7 million from the Small Business Revolving Loan Fund. Within the past eight years, loans to businesses, ranging from \$5,000 to \$700,000, have been issued for land and building acquisition, building renovation, construction mitigation, business establishment/startup, and business expansion. Currently the average loan is \$50,000 with a 6.5 year term and 5.5% interest rate. The Administration indicates that the survival rate for startups is 75% and 67% for existing businesses borrowing City loan funds.

According to the Administration, the proposed changes to the loan options, loan criteria, and evaluation matrix will give the borrower and City more flexibility in the loan purpose, amount, terms and incentives the Revolving Loan Fund can offer Salt Lake City startup and existing businesses. Loan options, criteria, and the evaluation matrix were developed and refined by the Administration based on conversations and feedback from loan applicants, business owners and associations (Salt Lake City Business Advisory Board, Vest Pocket Coalition, Sugar House Merchants Association), the Council’s Business and Finance Subcommittee, and Revolving Loan Fund Committee. These discussions resulted in the Administration considering opportunities to enhance and help City businesses with the Revolving Loan Fund program by offering microloans, loans to allow the refinancing of high cost debt, and offering loans to entice businesses to relocate to Salt Lake City.

There is currently \$9.5 million in the Revolving Loan Fund. At the end of May, 2010, \$2.7 million was the outstanding loan balance. Not considering reserves and liquidity requirements, the amount of the fund available for new loans was \$6.8 million. In order to more effectively use the loan funds to support City businesses, the Administration is proposing to allocate the Revolving Loan Fund into various loan options or categories. Specifics about each of the loan options, including loan term, interest rate, collateral and other requirements, and loan documentation can be found on Attachments A and B of the transmittal.

►Note: The Administration has indicated that the allocation amounts to the various loan options/categories are a guide or target. Administrators also stated they wish to have flexibility within the Revolving Loan Fund in order to adjust loans and meet the needs of Salt Lake City businesses. Does the Council wish to provide input with regard to the amount and how variations from the proposed allocations are determined?

The following table presents the proposed loan options, amount of money and percentage of the total allocated to each option.

Salt Lake City - Proposed Allocation of Revolving Loan Fund		
Loan Option	Dollar Allocation	Percent Allocation
Operating/Working Capital Focused Loans:		
Utah Microenterprise Loan Fund		
Getting into Business Loan	\$ 500,000	5.3%
Grow Your Business Loan (\$25,000 to \$100,000)	\$ 500,000	5.3%
Existing Business Loan (\$101,000 to \$250,000)	\$ 700,000	7.4%
Business Opportunity Loan Fund	\$ 2,000,000	21.1%
Small Business Micro Loan	\$ 50,000	0.5%
Business Relocation Assistance Loan	\$ 300,000	3.2%
Subtotal - Operating/Working Capital	\$ 4,050,000	42.6%
Real Estate/Construction/Property Focused Loans:		
Energy Efficiency Renovation Loan	\$ 250,000	2.6%
Construction Mitigation Loan	\$ 400,000	4.2%
Real Estate and New Construction Loan	\$ 400,000	4.2%
Building Renovation Loan	\$ 250,000	2.6%
Storefront Micro Loan	\$ 50,000	0.5%
Subtotal - Real Estate/Construction, Property	\$ 1,350,000	14.2%
Reserve	\$ 700,000	7.4%
Cash Flow - Liquidity Requirement	\$ 700,000	7.4%
Loans Outstanding (5/31/10)	\$ 2,700,000	28.4%
Total - Revolving Loan Fund	\$ 9,500,000	100.0%

Additional changes to the loan program include:

- Businesses who are current on all payments on their City loan may qualify for one of these additional loans options: 1) Small Business Micro Loan, 2) Energy Efficiency Business Loan, 3) Construction Mitigation Loan, and 4) Storefront Micro Loan.
- Origination Fee increase from 1% to 1.5%.
- Payments on all loans to automatically be withdrawn from borrower's bank account.
- Collateral requirements vary by the different loan options:

Collateral Requirement	Loan Option	Amount of Loan
No Collateral	Storefront Micro Loan	Up to \$5,000
	Small Business Micro Loan	Up to \$10,000
Minimum of 25% of Loan Amount	Getting into Business Loan	\$25,000 to \$50,000
	Grow Your Business Loan	\$25,000 to \$100,000
	Business Relocation Assistance Loan	Up to \$100,000
	Energy Efficiency Renovation Loan	\$5,000 to \$100,000
	Construction Mitigation Loan	Up to \$20,000
	Real Estate and New Construction Loan	Up to \$100,000
	Building Renovation Loan	Up to \$50,000
Minimum of 50% of Loan Amount	Existing Business Loan	\$101,000 to \$250,000
City Council Determines Collateral Requirement on Case-by-Case Basis	Business Opportunity Loan Fund	Total Fund Allocation is \$2,000,000

- All loans require personal and business guarantees.
- Revolving Loan Funds - Uses that are not approved:
 - Purchasing land and/or buildings or constructing buildings for real estate investments.
 - Any other kind of investment opportunity.
 - To pay for other business's expenses.
 - To use to expand a Salt Lake City business into other cities.
 - Any use other than a commercial use.
 - Not-for-profit entities.
- See Attachment B for additional loan criteria and/or requirements.

Lastly, the Administration has proposed a new evaluation matrix to be used when considering loan applications and determining whether or not businesses seeking loan funds meet the City's criteria. Each question is given the same amount of points possible, but questions that are more critical to loan repayment and economic development are given a higher weight in the overall application score, which must be at least 70 points for approval.

MATTERS THE COUNCIL MAY WISH TO CONSIDER:

1. The Administration indicates that the allocation amounts to the various loan options/categories are a guide or target. Administrators also stated they wish to have flexibility within the Revolving Loan Fund in order to meet the needs of Salt Lake City businesses. Does the Council wish to provide input with regard to the amount and how variations from the proposed allocations are determined?
2. The Administration has proposed various types of loan options and an allocation of the City's Revolving Loan Fund. The Council may wish to discuss the categories and amount allocated to each of the loan types and determine if these match the Council's priorities for the City?
3. Does the Council wish to provide further input on the proposed changes in order to maximize the City's economic development and business opportunities for Salt Lake City businesses?
4. Does the Council wish to receive regular updates, either written or Council briefings, on the Revolving Loan Fund program?
5. Does the Council wish to provide input to the Administration about plans to market and advertise the loan program to the City's new and existing businesses?

HISTORY – REVOLVING LOAN FUND:

The following is a history, including establishment and program changes, of the City's Revolving Loan Fund. It is provided for your reference.

Date	Resolution Number Legislative Action	Purpose
February 1991	2/2/91 – Work Session Briefing – Item 5 (Meeting Minutes refer to legislative intent to establish an Economic Development Revolving Loan Fund)	The City's Economic Development Director, Lee King, presented ED policy issues, including revolving loan fund to the Council. He indicated that the source of the revolving loans would be UDAG (Urban Development Action Grants) repayments, specifically City Center and Parkview projects would be applied to economic development.
October 1991	10/8/91 – Work Session Briefing (Meeting Minutes)	Community and Economic Development Staff Member, Bob Buchanan, reported on the Revolving Loan Fund's history. The loan fund's criteria included not using the funds for consumptive uses, so the money would continue to flow back into the City and the City would see measurable benefits. According to the information and Mr. Buchanan, the revolving loan fund had become a neighborhood revitalization program. In order to secure loan funds, applicants had to show a revitalization benefit to the neighborhood, and other monies should not be available. Each calendar quarter there would be \$75,000

		available. Additionally, it was stated that applicants who received RDA funds would still be eligible to receive revolving loans funds and the application process was reviewed by Mr. Buchanan. The process included receipt of applications in Capital Planning, preliminary analysis by Grants and Incentive Review Committee, and then an independent, community Advisory Board reviewed the applications for financial soundness. The Council had final approval of the Board's recommendations.
October 1991	Resolution #93	The Council adopted a resolution authorizing the implementation of the Salt Lake City Economic Development Revolving Loan Fund.
March 2000	3/14/00 – Work Session Briefing (Meeting Minutes)	The Council was briefed on the Revolving Loan Fund by Alison Gregersen-Weyher. The Council discussed policy issues related to the loan fund, including having proper collateralization, use of the funds, marketing of the loan program, goals of the loan program, using funds to meet City goals, and interest rates.
February 2001	2/6/01 – Resolution #5	Modifications - Short Term Loan Program for SLC businesses experiencing adverse financial impacts during the construction of the light rail system. <ul style="list-style-type: none"> • Allocation \$500,000 from Small Business Revolving Loan Fund to make loans to businesses adjacent to the light rail construction until April 2, 2002 – based on need, ability to repay, and availability of funds. • Terms and Conditions – set by Mayor: 1) not to exceed \$15,000 or have a term longer than 60 months, 2) repayment may be deferred until three months after light rail begins operation, and 3) interest will be 5% and not be accrued until date of first loan payment. • The City's loan requirements. • Council acknowledgement of risk of taking on unsecured and substantially more risky loans, but need to assist impacted businesses.
June 2002	6/13/02 – Resolution #31	Change the name from Economic Development Revolving Loan Fund to Small Business Revolving Loan Fund. In addition, the Mayor is authorized to execute and administer Fund as provided in attached loan criteria and evaluation matrix.
May 2003	5/27/03 – Resolution #21 (Amendment to Resolution #31 of 2002)	The Council approved a grant of \$250,000 from the Small Business Revolving Loan Fund to Utah Microenterprise Loan Fund for start-up and existing businesses in Salt Lake City.
June 2004	6/17/04 – Resolution 34 of 2004	The Council accepted a study prepared by the City's Department of Management Services, approved an appropriation for FY 2004-05 of \$900,000, amended loan criteria, loan criteria will be met so that the City will obtain adequate consideration, or equivalent value, for the benefit being provided in making such a loan.

FRANK B. GRAY
DIRECTOR

MARY DE LA MARE-SCHAEFER
DEPUTY DIRECTOR

ROBERT FARRINGTON, JR.
DEPUTY DIRECTOR

SALT LAKE CITY CORPORATION
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT
OFFICE OF THE DIRECTOR

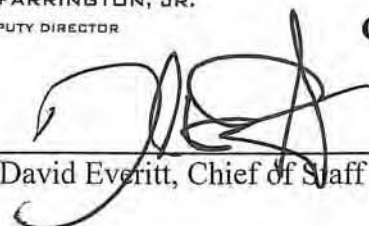
RALPH BECKER
MAYOR

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Salt Lake City Mayor

CITY COUNCIL TRANSMITTAL


David Everitt, Chief of Staff

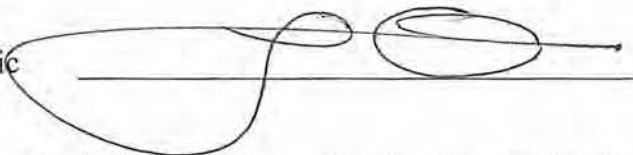
Date Received: 06/02/2010

Date Sent to City Council: 06/04/2010

TO: Salt Lake City Council
JT Martin, Chair

DATE: May 27, 2010

FROM: Frank Gray, Community & Economic
Development Department Director



SUBJECT: Resolution modifying the current criteria, loan options, and evaluation matrix of the Revolving Loan Fund.

STAFF CONTACT: Bob Farrington, Director, Economic Development at 801-535-7945 or bob.farrington@slcgov.com
Mike Akerlow, Small Business Economic Development Manager at 801-575-7941 or mike.akerlow@slcgov.com

ACTION REQUIRED: That the City Council adopt the attached resolution.

DOCUMENT TYPE: Resolution

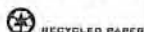
BUDGET IMPACT: None: the City will use existing revolving loan funds to provide loans to new and existing businesses in Salt Lake City and use the funds in conjunction with State economic development funding to retain or attract larger companies.

DISCUSSION:

Issue Origin: The Revolving Loan Fund is capitalized at approximately \$6,800,000 and currently has 37 loans. The proposed changes are expected to increase the demand for the available funds.

Since its inception in 1991, the Revolving Loan Fund has made over 120 loans to small business throughout Salt Lake City. The average loan amount is \$50,000 with an average term of 6.5 years and average interest rate of 5.5%. Of these loans, over \$2,000,000 has been loaned to start-up businesses which comprise

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SCANNED TO: MAYOR, HOLLY
SCANNED BY: HOLLY
DATE: 06/02/2010 5 PM

approximately 13% of the loan portfolio. The survival rate for the start-up businesses who have borrowed money from the city's loan fund is 75%, compared to a national average of 50%, and a 67% survival rate for existing businesses who have borrowed from the city's loan fund.

Currently, loan funds may be used for the following: acquisition of land and buildings, new construction, façade and building renovation, landscape and property improvements, machinery and equipment, and working capital. Refinancing of existing debt will only be considered as a part of business expansion.

Applicants are required to submit a completed application, business plan, required financial documents, and pro formas. The Revolving Loan Fund Committee reviews each application and ranks them on a loan evaluation matrix based on an applicant's credit history, ability to repay the loan, available collateral, management ability and business experience, neighborhood impacts of the business, and fiscal impacts of the loan relating to job creation and retention, leverage of public to private funds, and impact on the City's tax structure. A loan application must receive a minimum of 70 out of 100 points to be recommended to the Mayor for final approval.

Loan terms are typically 5 years, but can be up to 7 years for equipment and 20 years for acquisition of land and building construction. Loans may be prepaid, in part or in whole, at any time without penalty.

Loans shall be guaranteed by the business and personally by the Borrower. In addition, the Borrower shall agree to subordinate all officer debt and defer monthly payments to all officers to the City's loan.

The City encourages applicants to seek participation from private lending institutions and looks favorably at providing funds to fill the gaps between the owner's equity and the conventional financing. The City may subordinate its security interest to the private lender.

Analysis: The City's Revolving Loan Fund has been an effective means to stimulate business development and expansion, encourage private investment, promote economic development and enhance neighborhood vitality in Salt Lake City. The proposed changes make the program more useful to small businesses by:

- Helping a business tailor their needs to a specific loan program and prevent overborrowing;
- Differentiate real estate loans from operating loans;
- Eliminate ambiguity as to who is eligible for construction mitigation loans.

The proposed changes also enable the Economic Development Division to more effectively market the different loan products.

The new criteria, loan options (see Attachments A and B), and evaluation matrix (see Attachment C) being proposed give more flexibility to both the borrower and the City. In contrast to the existing program where there are two categories of criteria, the proposed loan program gives borrowers more options and varying criteria for those options. In effect, this will give businesses the ability to borrow what they need for their specific purpose.

As indicated before, the Loan Committee reviews each application and scores it based on a questionnaire that is directly related to the loan evaluation matrix. A new evaluation matrix will be used that will more effectively consider whether the application meets the city's criteria. This evaluation gives each question the same amount of points possible, but gives weight to those that are more critical to repayment of the loan and to economic development. There is also an opportunity to receive additional points for being in targeted areas or a registered e2 Business, but applicants are not penalized if they don't meet these incentives (see Attachment C). Applicants must receive 70 points for approval.

The benefits to Salt Lake City include increasing the number of small businesses, strengthening those in existence, and attracting larger employers. Other benefits include a potential increase in sales tax revenue as new businesses enter the market and as established businesses expand, and a potential increase in property tax revenue as a result of increased property values.

Recommendation: That the City Council approve the resolution modifying the current criteria, loan options, and evaluation matrix.

PUBLIC PROCESS: The new criteria have been discussed with various business owners and associations over the past several months. Those include the Salt Lake City Business Advisory Board, Vest Pocket Business Coalition, Sugar House Merchants Association, City Council Finance Committee, and the Revolving Loan Fund Committee.

RESOLUTION NO. ____ OF 2010

AUTHORIZING A CHANGE TO THE SMALL BUSINESS REVOLVING LOAN FUND

WHEREAS, Salt Lake City Corporation (the City) has a Small Business Revolving Loan Fund; and

WHEREAS, the City's Small Business Revolving Loan Fund has been an effective means to stimulate business development and expansion, encourage private investment, promote economic development and enhance neighborhood vitality in Salt Lake City; and

WHEREAS, the Small Business Revolving Loan Fund has evolved over time with several adjustments to loan criteria options made by the Council; and

WHEREAS, the City's Economic Development Division is recommending new criteria, loan options, and evaluation matrix for this loan program to increase the benefits to the City and the program's recipients;

WHEREAS, the City's Economic Development Division is also recommending the fund be renamed the Revolving Loan Fund to better reflect the purpose of the fund as set forth in the proposed revisions to the criteria, loan options and evaluation matrix.

THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Utah:

1. To change the name of the Small Business Revolving Loan Fund to the Revolving Loan Fund;
2. To adopt the attached amended loan criteria, loan options, and evaluation matrix of the Revolving Loan Fund;
3. Ralph Becker, Mayor of Salt Lake City, Utah, following approval of the City Attorney, is hereby authorized to execute the requisite agreement documents on behalf of Salt Lake City Corporation and to act in accordance with their terms.

Passed by the City Council of Salt Lake City, Utah, this _____ day of _____, 2010.

SALT LAKE CITY COUNCIL

By: _____
CHAIR

ATTEST:

CITY RECORDER

APPROVED AS TO FORM
SALT LAKE CITY ATTORNEY'S OFFICE
BY: [Signature]
DATE: 6/30/10

ATTACHMENT A: REVOLVING LOAN FUND LOAN OPTIONS

Loan Name	Purpose	Amount	Term	Interest Rate	Collateral	Cash Requirement	Other Requirements*	Incentives	Rationale	Target
REAL ESTATE, CONSTRUCTION, PROPERTY IMPROVEMENTS FOCUSED LOANS										
Energy Efficiency Renovation Loan	To encourage businesses with over 2 years of operating history in Salt Lake City to make energy efficiency and conservation improvements to their location.	\$5,000 minimum up to \$100,000	3 years	Fixed Rate Prime	minimum 25% of loan amount	None	Personal and business guarantees. This loan assumes a match by the Federal Government. Must become e2 Business.		Improve a current building in a number of approved or proposed ways. Must meet outlined criteria for conservation improvements. Options might include window replacement, insulation, light fixtures, new hvac equipment.	250,000
Construction Mitigation Loan	A loan for businesses in an area being adversely impacted by road or transit construction.	Up to \$20,000	5 years	3%	minimum 25% of loan amount	None required.	Must have current business license; must be located on street or within one-half block of construction. In addition to tax returns and financial statements, business must provide one year of bank statements, monthly profit and loss statements, and most current balance sheet. Businesses must show they would be profitable without the construction disruption. The Loan Committee may elect to delay disbursement or disburse the funds incrementally based on the timing of the construction and the financial viability of the company. Borrower must attend a business class at the Zions Bank Resource Center or the Pete Suazo Resource Center.	Loan payments are deferred until three months after construction.		400,000
Real Estate and New Construction Loan	Financing available to purchase land and/or construct a new building, or tenant improvements.	Up to \$100,000	Maximum 20-year amortized loan with balloon payment at 10 years maximum	Fixed Rate Prime + between -4 and +3	minimum 25% of loan amount	Minimum of 10% equity either in cash or land	Must provide additional funding. Real estate loans to fill the "gap" between loan amounts. Loan cannot be more than 25% or \$100,000 of total land and/or construction costs. Personal and business guarantees.		To serve as gap financing for real estate related purposes.	400,000
Building Renovation Loan	Funds available for a business to improve and renovate a current building. Might coincide with RDA financing options.	Up to \$50,000	10 years	Fixed Rate Prime + between -4 and +3	minimum 25% of loan amount	10% cash or equivalent injection	Three-years operating history showing growth and profitabilty and three years tax returns. Personal and business guarantees.		A real estate loan used to renovate a business owner's property.	250,000
Storefront Micro Loan	Retail presentation, signage, store front enhancements	Up to \$5,000	No longer than 3 years.	Fixed Rate Prime + between -4 and +3	None required	None required.	Personal and business guarantees.			50,000
* Other Requirements include, in addition to above, submittal of a completed application, financial statement, financial documents, and other items as requested by the loan committee.										
									Total Amount for New Loan Options	5,400,000
									Total Amount in Reserves	700,000
									Total Amount in Cash Flow	700,000
									Total Outstanding Balance	2,700,000
									RLF TOTAL	9,500,000

* Other Requirements include, in addition to above, submittal of a completed application, financial statement, financial documents, and other items as requested by the loan committee.

ATTACHMENT A: REVOLVING LOAN FUND LOAN OPTIONS

Loan Name	Purpose	Amount	Term	Interest Rate	Collateral	Cash Requirement	Other Requirements*	Incentives	Rationale	Target
OPERATING/WORKING CAPITAL FOCUSED LOANS										
Utah Microenterprise Loan Fund	Start-up and small business loans	Up to \$25,000	5 years	Prime + 5-7	No specific requirement, but will look at home, business equipment	No cash requirement				n/a
Getting Into Business Loan	Loans for the creation of a new business. Funds can be used for working capital, construction, marketing, machinery and equipment, landscape and property improvements.	\$25,000-\$50,000	5 years 7 years	Fixed Rate Prime + between -4 and +3	minimum 25% of loan amount	10% cash or equivalent injection	Additional points received for using an outside lender or own equity; must show that borrower has tried one other source of outside financing. Personal and corporate guarantees. Must show job creation.	5% deduction in principal owing after three years of making payments on time.		500,000
Grow Your Business Loan (\$25,000-\$100,000)	Loan for the expansion and growth of existing businesses. Funds may be used for working capital, construction for business expansion, marketing, machinery and equipment, landscape and property improvements. Funds can be used for refinancing debt as a part of business expansion.	\$25,000-\$100,000	5 years 7 years	Fixed Rate Prime + between -4 and +3	minimum 25% of loan amount	10% cash or equivalent injection	Three-years operating history showing growth and profitability and three years tax returns. Personal and business guarantees. Must show job creation and/or retention.	5% deduction in principal owing after three years of making payments on time.		500,000
Existing Business Loan (\$101,000-\$250,000)	Existing business loan program for businesses in need of more than \$100,000. Funds may be used for working capital, construction for business expansion, marketing, machinery and equipment, landscape and property improvements. Funds can be used for refinancing debt as a part of business expansion.	\$101,000-\$250,000	5 years 7 years	Fixed Rate Prime + between -4 and +3	minimum 50% of loan amount		Three-years operating history showing growth and profitability and three years tax returns. Must provide additional financing or show sufficient equity in the business. City's loan should not exceed 50% of total funds borrowed. Must provide one new job for every \$50,000 borrowed from the City. Personal and business guarantees.			700,000
Business Opportunity Loan Fund	Incentives for larger businesses considering a relocation to or expansion in Salt Lake City.	\$2,000,000 allocated to fund	Determined by the City Council.				For every \$25,000 loaned, the company must create or retain one job.	Determined by the City Council.	This loan gives flexibility in creating a positive circumstance for a larger business to either locate or expand in Salt Lake City.	2,000,000
Small Business Micro Loan	A loan for businesses in need of a small amount of cash to be used for stabilizing cash flow, marketing, reduction of business debt, etc.	Up to \$10,000	No longer than 3 years	Fixed Rate Prime + between -4 and +3	None required	None required	Three-years operating history showing growth and profitability and three years tax returns. Half of money is loaned during first six months; disbursement of remainder based on performance of first six months. Must provide quarterly reports showing how the money was used and how it has impacted the business. Can only apply for and receive loan once every three years. Personal and business guarantees.		Funds available for varying circumstances or needs. This loan is a smaller amount with a smaller term, low interest rate and no collateral or cash requirements. However, borrower must prove that the business has benefitted from the portion of funds disbursed during the first six months to receive the balance of the loan during the second six months.	50,000
Business Relocation Assistance Loan	Funds available for established businesses to move to a new location within the city or those from outside of the city who are locating within the city.	Up to \$100,000	5 years 7 years	Fixed Rate Prime + between -4 and +3	minimum 25% of loan amount	10% cash or equivalent injection	Three-years operating history showing growth and profitability and three years tax returns. Must show Salt Lake City business license, lease of new location and evidence of City actions. Personal and business guarantees. Must operate within the city boundaries or loan becomes due and payable.			300,000

* Other Requirements include, in addition to above, submittal of a completed application, financial statement, financial documents, and other items as requested by the loan committee.

ATTACHMENT B

REVOLVING LOAN FUND ADDITIONAL CRITERIA

Eligibility

Businesses eligible for the loan program must be a for-profit entity located in Salt Lake City.

Businesses that have a loan with the city cannot apply for a new loan until the current loan is paid in full.

Businesses who have a loan with the city and have been current on all payments may apply once for one of the following in addition to their existing loan:

- Small Business Micro Loan
- Energy Efficiency Business Loan
- Construction Mitigation Loan
- Storefront Micro Loan

Loans will not be given to different entities that are related in the same business location and business purpose. For example, when one entity owns a building and another entity owns the business and the principals of the entities are the same or related to the business purpose, only one loan will be considered.

Business Plans

The following loan options must include a full business plan as outlined in the loan application:

- Getting Into Business Loan
- Grow Your Business Loan
- Existing Business Loan
- Business Relocation Assistance Loan

The following loan options must include an executive summary, but may be asked for a complete business plan if determined by the Loan Committee:

- Small Business Micro Loan
- Energy Efficiency Business Loan
- Construction Mitigation Loan
- Real Estate and New Construction Loan
- Building Renovation Loan
- Storefront Micro Loan

Interest Rates

Interest rates will be determined by the RLF Committee based on the current prime rate. Flexibility in the rate allows the program to offer low-interest loans.

Origination Fee

The origination fee would be increased from 1% to up to 1.5%.

Payments

Payments on all loans will be automatically withdrawn from the borrowers' bank accounts.

Other Fees

The borrower is responsible for all third party costs. An applicant is responsible for the full amount of any expenses incurred by the city in preparation of a loan.

Collateral

The Loan Committee does not require collateral on the following loans:

- Storefront Micro Loan
- Small Business Micro Loan

The following loans require collateral sufficient to secure at least a minimum of 25% of the loan amount:

- Getting Into Business Loan
- Grow Your Business Loan
- Business Relocation Assistance Loan
- Energy Efficiency Renovation Loan
- Construction Mitigation Loan
- Real Estate and New Construction Loan
- Building Renovation Loan

The following loan requires collateral sufficient to secure at least a minimum of 50% of the loan amount:

- Existing Business Loan

The City Council will determine the collateral required for the Business Opportunity Loan Fund on a case-by-case basis.

Cash Injection

To meet the 10% Cash Injection requirement, a Borrower must prove that they have invested a minimum of 10% (of the City's loan amount) using their own funds or equivalent in materials in the business. Any funds used for the cash injection cannot be borrowed funds.

Personal and Business Guarantees

All loans require personal and business guarantees. Those businesses who receive funds from the Business Opportunity Loan Fund may be required to provide personal and business guarantees as determined by the City Council.

Financial Documents

Applicants must also include financial documents that include personal federal and state income tax returns for the previous three years including all schedules and W-2 forms; for businesses established three years or more, corporate federal and state income tax returns; for businesses established for less than three years, corporate federal and state income tax returns for the years of operation. In addition, for businesses established three years or more, historical financial statements for the previous three years including balance sheets and income statements; and for businesses in operation less than three years, historical financial statements for the years of operation including balance sheets and income statements.

For all businesses except start-ups, a current interim statement less than 60 days old is required. Three years of business projections is also required for review.

Use of Funds

Approved uses of the various loan options include:

- Acquisition of land and buildings
- New construction
- Façade and building renovation
- Landscape and property improvements
- Machinery and equipment
- Working capital
- Marketing
- Business stabilization
- Others as outlined in the Revolving Loan Fund Loan Options matrix

Uses that are not approved include:

- Purchasing land and/or buildings or constructing buildings for real estate investments
- Any other kind of investment opportunity
- To pay for other business's expenses
- To use to expand a Salt Lake City business into other cities
- Any use other than a commercial use
- Not-for-profit entities

Delinquency and Default

In the event of delinquent payments, the RLF Committee may elect to negotiate with the Borrower a lower payment temporarily or permanently. If a Borrower is non-responsive and/or continues to be delinquent, the City will proceed with its remedies as outlined in the Loan Agreement.

Business Opportunity Loan Fund

Up to \$2,000,000 has been allocated towards incentives for larger businesses in Salt Lake City. The required information and terms of the loan can be negotiated as is deemed appropriate on a case-by-case scenario and are approved by the City Council.

Real Estate and New Construction Loan

The purpose of the Real Estate and Construction Loan is to assist in the purchase of land, the acquisition of a building, or the construction of a new building to be used by the Borrower as the primary location of their business. The Loan may not be used for real estate investments, which include a commercial center comprised of numerous pads, unless the Borrower intends to occupy a substantial portion of the space.

The maximum term on the loan is a 20-year amortization with a maximum balloon payment of 10 years.

The City will loan up to 25% or \$100,000 of the total land or construction costs, whichever is less. Borrower must have a minimum of 10% equity either in direct funds or in land.

Energy Efficiency Renovation Loan

The Energy Efficiency Business Loan will be focused on business and property owners who desire to make energy efficiency improvements to their buildings. The city intends to explore current Rocky Mountain Power and Questar Gas programs to determine how those would function in determining the effectiveness of proposed renovations.

Construction Mitigation Loan

Businesses affected by road construction, regardless of whether it is a city-sponsored project, may apply for the Construction Mitigation Loan. Businesses must be located on the street or within one-half block of construction to be eligible. Funds are to serve as a bridge for shortfall due to construction. Payments are deferred until 3 months after construction is complete. Applicants must provide three years of operating history including tax returns, profit and loss statements, and balance sheet. Businesses must show they would be profitable without the construction disruption. The Loan Committee may elect to delay disbursement or disburse the funds incrementally based on the timing of the construction and the financial viability of the company. Borrower must attend a business class at the Zions Bank Resource Center or the Pete Suazo Resource Center.

Training

The Loan Committee may elect to require an applicant, as condition of a loan approval, to attend one or more business classes at any business resource center.

Reporting

The Loan Committee may elect to require a borrower to submit reports on the effectiveness of the loan and the business' financial status.

ATTACHMENT C

REVOLVING LOAN FUND EVALUATION MATRIX

Applicant: _____
 Individual Applicant: _____
 Amount Requested: _____
 Date of Meeting: _____

Scoring: Poor=1; Fair=2; Average=3; Good=4; Superior=5

Applicant's Score	Multiplier (weighting factor)	Total
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ABILITY TO REPAY THE LOAN/LOAN SECURITY (Total points available: 40)

1	Existing Business: Based on the past and current tax returns and income statements, does the business have the ability to cover its business obligations including a loan from the City?	5	2	10
	OR			
	New Business: Based on the personal tax returns and income statements, does the applicant have the ability to cover its financial obligations including a loan from the City?	5	2	10
2	Are the financial projections reasonable based on past and current tax returns and income statements or the business plan for a start-up business?	5	2	10
3	Is collateral sufficient to secure at least a minimum of the required amount as outlined in the criteria?	5	2	10
4	Credit Score:			
	681 and above	5	1	5
	641-680	3	1	3
	621-640	2	1	2
	620-below	Loan Denied		
5	Does the applicant's credit history demonstrate payment of past obligations?	5	1	5

BUSINESS PLAN (Total points available: 25)

1	Does the business plan clearly outline the applicant's business, marketing strategy, understanding of the target market, competition, management and business operations, financial situation and forecast, and future plans?	5	3	15
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ATTACHMENT C

2 What management ability and operational experience does the applicant have in terms of this type of business?	5	2	10
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ECONOMIC DEVELOPMENT (Total points available: 35)

1 Does the business contribute to neighborhood revitalization or preservation? Does the business meet a need or provide a service that is not currently available? Does the business have any negative community impacts?	5	2	10
2 How many jobs are projected to be created? Are the wages comparable to market wages for similar jobs? Does the loan facilitate retention of existing jobs?	5	2	10
3 Does the ratio of public to private financing demonstrate that the City's loan funds are being matched by at least 10% private investment?	5	1	5
4 Does projected property and sales tax revenue demonstrate that the City's loan funds are positively contributing to the City's tax base?	5	2	10

EXTRA INCENTIVES

1 Is the business located in a target area for business development or a Community Development Block Grant or Redevelopment Agency area?	2	1	2
2 Is the business located in a Neighborhood Business District?	2	1	2
3 Is the business a registered Salt Lake City e2 Business?	2	1	2
4 Does the applicant provide additional financing or adequate equity?	2	1	2

	TOTAL	100
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