



COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

TO: City Council Members

FROM: Austin Kimmel
Public Policy Analyst

DATE: October 8, 2024

**RE: ORDINANCE: ECONOMIC DEVELOPMENT LOAN FUND LOAN TO SKI TRUCKS, LLC,
AT 1260 W NORTH TEMPLE ST.**

Item Schedule:

Briefing: October 8, 2024

Public Hearing: N/A

Potential Action: October 15, 2024

ISSUE AT-A-GLANCE

The Council will consider approving a loan from the City's Economic Development Loan Fund (EDLF) to a business called Ski Trucks, LLC, at 1260 W North Temple St, for a full-service ski and snowboard shop. The City's Economic Development Loan Committee recommends the Council approve a \$300,000 loan at a 6.75% fixed interest rate over seven years. This loan will assist in the creation of two new jobs in the next year and the retention of 12 existing jobs. Funds will pay for working capital.

The interest rate reflects the 4.75% prime rate at the time of the application in 2022, plus the standard EDLF four percentage points, and a two-percentage-point reduction based on its location within a priority area (North Temple Project Area) and low income.

As noted above, the application for this loan was submitted in 2022. Ownership of the business switched hands, and it took additional time to get its financial records up to acceptable standards to underwrite the loan. In accordance with EDLF internal procedures at the time, the Department kept the 2022 prime interest rate as it worked with the applicant through the application process. This rate is significantly lower than the current prime interest rate, which is used for others who completed their applications recently (8.25 to 8.50%). Economic Development explained that they have since updated internal procedures to prevent situations like this from occurring and to ensure current prime interest rates are applied to future EDLF loans.

Goal of the briefing: Consider a potential \$300,000 loan from the Economic Development Loan Fund to a business called Ski Trucks, LLC.

ADDITIONAL AND BACKGROUND INFORMATION

CITY COUNCIL OF SALT LAKE CITY

451 SOUTH STATE STREET, ROOM 304
P.O. BOX 145476, SALT LAKE CITY, UTAH 84114-5476

SLCCOUNCIL.COM

TEL 801-535-7600 FAX 801-535-7651



A. **Interest Rates.** For context, the nationwide median small business commercial and industrial loan rates for the first quarter of 2024 (the most recent data available) were 7.85% for fixed-rate loans at urban banks and 8.79% for variable rate loans, according to the most recent U.S. Federal Reserve *Small Business Lending Survey*.ⁱ In the second quarter of 2022, these rates were 4.50% and 5.55% respectively. Interest rates for EDLF loans consider an assessment of the risk level of different applicants, among other factors, and include potential interest rate reductions. Interest rates have ranged from 7.25% for nearly all 2022 EDLF loans to an average of 9.55% in 2023 and 2024.

B. **Interest Rate Reductions.** The bases for potential reductions are as follows:

1. **Location within a priority area:** RDA Project Area; Opportunity Zone; West of I-15; or Neighborhood Business Improvement Program (NBIP, previously known as Façade Improvement) target area.
2. **Socially and Economically Disadvantaged Individuals (SEDI)-Owned Businesses:** 51% of the business is owned by at least one SEDI individual.
3. **Low Income Business Owner:** Income does not exceed 80% of Salt Lake County average median income (AMI) as defined by the U.S. Department of Housing and Urban Development (HUD).
4. **Sustainability:** Either,
 - a. Membership in SLC Green's [E2 Business Program](#); or
 - b. Loan proceeds will be used for the purchase of electric vehicles, electric vehicle charging stations and infrastructure, renewable energy including but not limited to wind and solar, heat pumps, high efficiency equipment, and/or energy efficiency.

The interest rate reductions applied to this application are detailed below:

Ski Trucks, LLC

4.75% prime rate

+ 4% ELDF charge

– 1% for location within a priority area (North Temple Project Area)

– 1% for low to moderate income

6.75% final interest rate

C. **Program.** The EDLF is administered by the Department of Economic Development, which is charged with maintaining the corpus of the EDLF in a manner sufficient to perpetuate the program's goals. Each loan application is pre-screened, and an underwriting analysis and economic impact statement are completed before an application may be recommended for Loan Committee (see below) review. Information on successful applications is transmitted to the Council to consider for final approval.

D. **Available balance and amount of outstanding loans.** The Department reported that the Fund's available balance was \$8,800,000 in June 2024, and outstanding loans totaled \$3,233,641.53 on June 1, 2024.

E. **EDLF Committee Membership.** The Department of Economic Development lists nine members of the EDLF Committee as follows:

City Employees

Finance Director, Community and
Neighborhoods Department
Representative of the Mayor's Office
Salt Lake City employee at large
Representative of the Division of Housing
Stability
Director, Department of Economic
Development

Community Volunteers

Salt Lake City Business Advisory Board (BAB)
member
Banker
Community lender
Business mentor

POLICY QUESTIONS

1. The Council may wish to inquire with the Department of Economic Development about its updated application procedures mentioned above and how prime interest rates are applied today.
2. The Council may wish to give staff direction on the lower interest rate that is proposed. The Council may discuss how to balance the competing factors in this situation: the applicant proceeded with a certain understanding of the interest rate; loans secured through a banking institution lock in interest rates for a limited time; and other applications are currently being processed at higher rates. If the Council approves moving ahead as proposed, the item can be scheduled for action on October 15. If the Council requests a change to the interest rate, staff can work together to notify the applicant, update paperwork and schedule as soon as possible.
3. The Council may wish to have a policy discussion with the Administration about interest rates charged by the City from this and other loan funds and whether it makes sense to reevaluate how interest rates are determined for lenders, especially since the City typically offers loans as a lender-of-last-resort.
4. The Council may wish to ask the Administration whether the EDLF Committee considered any other unique information about this business that would help Council Members evaluate how this application compares to others. For example, are risk factors evaluated for each company, like outstanding loans, years in business, etc.?
5. What outreach does the Department do to ensure a diverse pool of businesses successfully applies to the EDLF? Are applications from diverse owners, particularly those whose businesses are located on the Westside, offered additional support through the application process? Does EDLF staff have ideas for improving access that would benefit from program changes or additional funding?
6. The Council may wish to request a more general update on EDLF use and processes. This could include the number of applications, review criteria used, loan program goals, etc.

ⁱ Source: *Small Business Lending Survey, New Small Business Lending Declines as Credit Standards Continue to Tighten*. Consulted on July 1, 2024, at <https://www.kansascityfed.org/surveys/small-business-lending-survey/new-small-business-lending-declines-as-credit-standards-continue-to-tighten/>.