



COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

TO: City Council Members
FROM: Allison Rowland
Budget & Policy Analyst

DATE: January 16, 2024

RE: ORDINANCE: ECONOMIC DEVELOPMENT LOAN FUND LOAN TO EATS, LLC, AT 159 WEST BROADWAY, SUITE #200

Item Schedule:

Briefing: January 16, 2024

Public Hearing: N/A

Potential Action: February 6, 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 Eats, LLC, a vegan bakery specializing in donuts, sweet rolls, and cookies. The City's Economic Development Loan Committee recommends the Council approve a \$100,000 loan at 7.75% fixed interest rate over seven years to this business for expansion, including a food trailer, equipment, buildout, contingency, and working capital. This loan will assist in the creation of three new jobs in the next year, and retention of two existing jobs. Equipment owned by the business would be used as collateral for the loan, including a food truck/trailer to be purchased with loan proceeds.

For context, the nationwide median small business commercial and industrial loan rates for the third quarter of 2023 (the most recent data available), were 7.71% for fixed-rate loans at urban banks, and 8.98% 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. Loan interest rates have ranged from 7.25% to 11.00% since the beginning of 2022, with most at 7.25%.

The application from Eats, LLC, meets the following EDLF program goals:

- Increases employment opportunities;
- Stimulates business development and expansion;
- Encourages private investment;
- Promotes economic development;
- Enhances neighborhood vitality; and,
- Boosts commercial enterprise.

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The EDLF is a program administered by the Department of Economic Development, which is charged with maintaining the corpus of the EDLF in a manner sufficient to perpetuate the goals of the program. 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.

Goal of the briefing: Consider a potential \$100,000 loan from the Economic Development Loan Fund to a business called Eats, LLC.

ADDITIONAL AND BACKGROUND INFORMATION

- A. **EDLF available balance and amount of outstanding loans.** The Finance Department reported that the Fund's cash on hand was \$8,633,216 on January 2, 2024. Outstanding loans totaled \$3,703,202 as of that date.
- B. **EDLF Committee Membership.** The Department of Economic Development lists nine members of the EDLF Committee as follows:

City Employees

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

Community Volunteers

1. Salt Lake City Business Advisory Board (BAB) member
2. Banker
3. Community lender
4. Business mentor

POLICY QUESTIONS

1. 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 re-evaluate how interest rates are determined for lenders, especially since the City typically offers loans as a lender-of-last-resort.
2. 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 with their own evaluations of how this application compares to others. For example, are there risk factors that are evaluated for each company, like outstanding loans, years in business, etc.?
3. 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?
4. 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 i} Source: *Small Business Lending Survey, Small Business Lending Demand Continues to Decline*. Consulted on January 3, 2024, at <https://www.kansascityfed.org/surveys/small-business-lending-survey/small-business-lending-demand-continues-to-decline-december-2023/>.