

CRA COMMERCIAL DEVELOPMENT LOAN PROGRAM (CDLP)

CRA Board of Directors
March 18, 2025



Image credit: Utah Stories

Requested Action

Adopt a resolution that repeals both the existing Loan Program Policy and Granary District Adaptive Reuse Policy and replaces them with the Commercial Development Loan Program Policy (CDLP).

Policy Purpose

The CDLP is intended to provide critical gap financing to support and incentivize the development of commercial and mixed-use projects that advance the CRA's core mission, values, and project area objectives.

Key Program Features

<u>Eligible Project Types // Activities</u>	Commercial or mixed-use development that is prepared to break ground within 12-15 months New construction, building preservation/rehabilitation, significant site work, and/or other improvements that will remain with and benefit the property long-term Mixed-use projects must include activated commercial space* on the ground floor.
<u>Eligible Costs</u>	Construction costs, or hard costs Use of funds for property acquisition, infrastructure improvements, environmental remediation, demolition, project-related soft costs, or tenant-specific improvements will be considered on a case-by-case basis, if part of a larger redevelopment project.
<u>Eligible Applicants</u>	Applicants must be the title owner, long-term ground lessee of the property, and/or current or prospective commercial tenant.

*Activated commercial space = minimum of 50% of length of all street-facing building facades must, on the ground floor level, contain a non-residential use that is open to the public, is not exclusive to tenants of the building, and encourages pedestrian activity and walk-in traffic.

Key Program Features

<p><u>Qualifying Livability Benchmarks</u></p>	<p>All projects must satisfy a minimum of two (2) of the following Qualifying Livability Benchmarks:</p> <ul style="list-style-type: none">• Leveraging – The project's funding request equals 10% or less of the total development cost.• Permanent Job Creation - The project attracts employers as tenants that create at least one full-time job per every 500 square feet of non-residential space that is paid above a living wage (at least 110% of the average Salt Lake County wage per the Governor's Office of Economic Opportunity), OR, incorporates a robust workforce development program offering internships, apprenticeships, or other job training opportunities.• Commercial Vitality - The project reserves at least 50% of its net leasable commercial space for one of the following tenant types:<ul style="list-style-type: none">◦ Local and independent businesses;◦ Minority and/or veteran-owned businesses;◦ Community-serving non-profits;◦ Childcare facilities or after-school programs; or◦ Entities that provide products or services that are underrepresented in the neighborhood.• Ownership - The project includes commercial space that will be made available for purchase by a tenant who will occupy the space. <p>Mixed-use developments that contain a residential use may supplant one of the QLBs with one of the adopted priorities of the CRA Housing Development Funding Strategy for the current fiscal year.</p>
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Key Program Features

<u>Maximum Loan Amount</u>	\$2 million
<u>Standard Loan Term</u>	5 years; can request extension to 10 years with interest rate increase in year 6
<u>Standard Interest Rate</u>	3% + Treasury Yield Curve Rate Interest rate can be reduced to minimum of 3% if additional Livability Benchmark requirements are met, beyond required Qualifying Livability Benchmarks.

Key Program Features

<p><u>Building Preservation or Rehabilitation</u></p>	<p>Projects that involve the preservation or rehabilitation of a chronically vacant, underutilized, and/or economically challenged building may be eligible for forgiveness of 20% or \$200,000 of the loan principal amount (whichever is greater) at the end of the loan term. The following conditions must be met:</p> <ul style="list-style-type: none">• Building Age - Existing building shall be a minimum of 50 years old• Building Condition - Buildings that are chronically vacant, underutilized, and/or economically challenged, preventing or limiting their productive use. This may occur for an array of reasons, including but not limited to, market conditions, economic hardship, the size of the building, a substantial degree of deterioration, environmental contamination, inability to meet modern building code requirements, etc.• Minimum Footprint of Eligible Building - The footprint of the eligible building covers a minimum of twenty-five percent (25%) of the total development area, which may be comprised of one or multiple abutting parcels. A lower percentage may be considered if the building has frontage on a public street or would be highly visible from publicly accessible spaces within the interior of the site.• Modifications to Existing Building - A maximum of twenty-five percent (25%) of each street facing building wall may be removed to accommodate modifications or additions. No more than fifty percent (50%) of the building's exterior walls may be removed. Portions of a building wall with character defining architectural features shall not be removed.• Restrictive Covenant Required - Projects shall be subject to a legally binding restrictive covenant that guarantees that the physical elements of the building shall remain in substantially the same form and exterior features important to the character of the building shall be preserved for 30 years.
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Feedback received at 1/21/25 Board Meeting

1

Some Boardmembers expressed a desire to prioritize certain project elements (for example, daycares, after school programs, grocery stores) by giving them a higher scoring/incentive weight. Others said that the program shouldn't be too prescriptive and should serve as a flexible economic development tool that supports the establishment of diverse types of local businesses.

The proposed policy advances CRA priorities in the following ways:

Program Requirements:

- Eligible project types, costs, applicants
- Timeliness requirement
- Requirement to satisfy two (2) Qualifying Livability Benchmarks:
 - Leveraging
 - Permanent Job Creation
 - Commercial Vitality
 - Ownership
 - Adopted priorities of the Housing Development Funding Strategy
- Compliance with CRA's Sustainable Development Policy

Program Incentives:

- Incentivized Livability Benchmarks (potential interest rate reductions)
- Building Preservation or Rehabilitation Incentive

Feedback received at 1/21/25 Board Meeting

2

The CDLP includes a requirement to satisfy two (2) Qualifying Livability Benchmarks. One option is to reserve at least fifty percent (50%) of the project's net leasable commercial space for one of the following tenant types:

- Local and independent businesses;
- Minority and/or veteran-owned businesses;
- Community-serving non-profits;
- Childcare facilities or after-school programs; or
- Entities that provide products or services that are underrepresented in the neighborhood.

Boardmembers encouraged staff to define certain terms to avoid issues if an applicant or project's eligibility is questioned.

Staff have revised the policy to include the following definitions:

Local and independent businesses are defined as those that originated in the State of Utah, are not owned by another company, are not associated with a franchise corporation, and operate autonomously.

Minority and/or veteran-owned businesses are defined as businesses that are >50% owned, controlled, and managed by one or more individuals who identify as a minority race, ethnicity, and/or gender, veteran, and/or other socially and/or economically disadvantaged group.

Community-serving non-profits are defined as those that primarily focus on providing services, programs, or advocacy efforts that are aimed at addressing the needs and improving the well-being of the local community and its residents.

Feedback received at 1/21/25 Board Meeting

3

Staff were asked to consider ways to incentivize developers to be proactive in the tenanting of commercial spaces, i.e., coordinating space needs with prospective tenants in advance and/or filling the spaces in a timely manner.

Staff propose to incorporate into the CDLP scoring criteria a preference for applicants who provide Letters of Interest from prospective tenants and/or have demonstrated clear efforts to engage with and design spaces for a targeted business type.

Feedback received at 1/21/25 Board Meeting

There were multiple comments related to the proposed Building Preservation and Rehabilitation incentive:

4.a. Boardmembers requested that staff narrow the incentive's eligibility criteria to prioritize buildings most worthy of preservation/rehabilitation, as well as circumstances warranting a subsidy.

Some Boardmembers want to ensure that the incentive is utilized to overcome an economic hardship associated with reuse of the building, and others asked staff to consider long-time business owners who may need assistance rehabbing their buildings but do not intend to change their use.

The policy has been revised to include a set of eligibility criteria that encompasses:

- *Building age*
- *Building condition*
- *Minimum footprint of eligible building in relation to development area*
- *Permitted level of modification*
- *Requirement for restrictive covenant*

Feedback received at 1/21/25 Board Meeting

There were multiple comments related to the proposed Building Preservation and Rehabilitation incentive:

4.b.

There was a question whether the \$200,000 incentive is adequate given the upfront capital required for projects that preserve/rehab existing structures. It was proposed that the program could include forgiveness of up to XX% of project costs up to \$XXX,XXX, to provide a larger subsidy for bigger, more expensive projects.

The policy has been revised from providing forgiveness of \$200,000 to all qualifying projects to providing forgiveness of twenty percent (20%) or \$200,000 of the loan principal amount, whichever is greater, at the end of the loan term. This structure will result in a larger forgivable amount to larger projects while maintaining a minimum level of forgiveness for smaller projects, which are more likely to be undertaken by tenants, business owners, or smaller developers.

Feedback received at 1/21/25 Board Meeting

5

Regarding program administration, Boardmembers felt that CDLP funds should be offered more than once a year to accommodate the less predictable timelines of business/commercial development. The Reinvestment Advisory Committee (RAC) recommended a quarterly funding schedule, which would provide multiple opportunities to apply in a year and introduce a level of competitiveness with applications received in each period being evaluated against one another. Boardmembers seemed to agree that this would be a good approach.

It is staff's intent to identify four (4) quarterly deadlines throughout each year, upon which applications will be reviewed by staff, the Finance Committee, and the Board. The CDLP policy, administrative guidelines, and application form will be made available to the public on the CRA's website. Staff will determine a set amount of funding to offer in each quarter and if any funds are left unused, roll them into the next quarter's offering.

Feedback received at 1/21/25 Board Meeting

6

CRA staff are proposing that the Finance Committee have the authority to review and approve/deny loan requests in the amount of \$500,000 or less. Boardmembers acknowledged that, as the City Council, they currently have decision-making authority on every application to the Economic Development Loan Fund (EDLF), which is administered by the Department of Economic Development, and that if they grant the CRA request, they may want to consider granting similar allowances in EDLF administration.

Staff defers to Boardmembers on how they would like to handle this request. Authorizing language has been maintained in the policy. Boardmembers may request that staff hold off on implementation of this provision until they fully consider forthcoming revisions to the EDLF policy, or request removal of the provision entirely.

Next Steps

- If CDLP policy is adopted, beginning with FY26 budget, the CRA will request that funding appropriations are made to the CDLP.
- Staff will develop CDLP administrative guidelines and an application form, which will be made available on the CRA's website.
- Funds will be offered and applications reviewed on a quarterly basis, with deadlines listed online.

Questions?

Policy Intent

1. Incentivize the creation of **new commercial spaces** and formation of **unique business districts** throughout CRA project areas.
2. Encourage the provision of **attainable rental or ownership opportunities** for local and independent businesses and community-serving non profits.
3. Provide opportunities to establish **new services, amenities, or underrepresented business types** within a neighborhood, such as childcare facilities and after-school programs.
4. Invest in **mixed-use projects with residential components that advance adopted priorities** of the CRA Housing Development Funding Strategy.
5. Support the **preservation or rehabilitation of existing building stock**.
6. Incorporate **green-building elements** to lower operating expenses, conserve resources, and promote resiliency.
7. **Maximize CRA impact** by leveraging other, private funding sources as part of a project's capital stack.
8. Promote **neighborhoods with balanced economies** that produce **quality jobs** through employment opportunities and workforce development programs.
9. **Enhance the capacity for non-traditional applicants to apply for and utilize CRA funds.**



Internal Coordination

The Department of Economic Development, Community and Neighborhoods, and the Redevelopment Agency are working together to ensure that the City's business and commercial funding programs are transparent, complementary, equitable, and effectively address the challenges that our local business, non-profit, and creative communities are facing.



DEPARTMENT of
**ECONOMIC
DEVELOPMENT**

Economic Development Loan Fund (EDLF).

- Stimulates business development & expansion; creates employment opportunities; encourages private investment
- Open to businesses in any location in Salt Lake City
- Max loan amount of \$350,000
- Eligible costs: tenant improvements, working capital, inventory



**HOUSING
STABILITY**

Neighborhood Business Improvement Program

(Façade Grant).

- Increases street appeal of properties
- Open to property owners in NBIP Target Areas
- Grants up to \$50,000
- Eligible costs: exterior improvements and signage visible from street

CRA COMMERCIAL ASSISTANCE PROGRAMS

Commercial Development Loan Program (CDLP)

- amendment of existing loan policy
- integration of adaptive reuse incentive

Community & Cultural Grants

- new grant program

Commercial Acquisition & Leasing Strategy

- added CRA functions
- potential for minor policy amendments to accommodate