



COUNCIL STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

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

DATE: April 2, 2024

**RE: ORDINANCE: ECONOMIC DEVELOPMENT LOAN FUND LOAN TO PAREA, LLC, AT
320 EAST 900 SOUTH**

Item Schedule:

Briefing: April 2, 2024

Public Hearing: N/A

Potential Action: April 2, 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 Parea, LLC, a restaurant and market for Greek food owned by Chef Manoli Katsanevas. The City's Economic Development Loan Committee recommends the Council approve a \$350,000 loan at an 11.50% fixed interest rate over seven years to this business in the start-up category. This loan will assist in the creation of 15 new jobs in the next year, and retention of 30 existing jobs.

The loan amount is larger than most EDLP start-up loans—more than triple the standard \$100,000 limit. Program rules allow this threshold to be exceeded by business owners who can demonstrate three or more years of experience in a comparable industry, and the EDLP Loan Committee agreed this was the case for Mr. Katsanevas. In addition, he owns the property where the business will be located and will provide \$550,000 of his own funds to the project. The relatively high interest rate reflects the 8.5% prime rate at the time of the application plus the standard EDLF four percentage points, though the project did qualify for a 1% reduction (see section B below).

Goal of the briefing: Consider a potential \$350,000 loan from the Economic Development Loan Fund to a business called Parea, LLC.

ADDITIONAL AND BACKGROUND INFORMATION

A. **Interest Rates.** 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%.

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 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.

C. **Goals:** The application from Parea, 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.

D. **Program.** 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.

E. **Available balance and amount of outstanding loans.** The Finance Department reported that the Fund’s cash on hand was \$8,700,000 on March 19, 2024. Outstanding loans totaled \$3,754,305 as of that date.

F. **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

Community Volunteers

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

Representative of the Division of Housing
Stability
Director, Department of Economic
Development

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.
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ⁱ Source: *Small Business Lending Survey, Small Business Lending Demand Continues to Decline*.
Consulted on March 26, 2024, at <https://www.kansascityfed.org/surveys/small-business-lending-survey/small-business-lending-demand-continues-to-decline-december-2023/>.