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# SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** April 5, 2002  
**SUBJECT:** Short-Term Loans to Businesses Impacted by the South Temple Street Reconstruction  
**STAFF REPORT BY:** Gary Mumford

Document Type	Budget-Related Facts	Policy-Related Facts	Miscellaneous Facts
Resolution authorizing a short-term loan program for businesses impacted by the South Temple reconstruction	The proposed resolution authorizes \$500,000 to be set aside from the City Small Business Revolving Loan Fund for this program.	Since the South Temple Street reconstruction may adversely affect adjacent businesses, the Administration desires to assist the businesses by offering short-term loans.	The City Council authorized similar loan programs for businesses that were impacted by light rail construction on Main Street and 400 South.

The Administration is requesting that the Council adopt a resolution that authorizes the Department of Community and Economic Development to implement a loan program for businesses impacted by the South Temple Street reconstruction between Main Street and Virginia Street.

## KEY ELEMENTS:

Loan terms:

- Loans up to \$15,000
- 60-month repayment period to start after a six-month deferral period from the date of disbursement of funds
- 5% interest rate
- No penalty for prepayment

Eligibility criteria:

- Collateral required
- Financial viability of business as determined by a review of: (1) last three years of business tax returns, (2) statements of monthly revenue and expenses for the preceding year and current year to date, and (3) projected monthly statements of revenue and expenses for the current year and coming year
- Credit report must demonstrate payment of past obligations (credit score of 660 or greater)

## OPTIONS:

Following the briefing, the Council may wish to consider the following options:

1. Schedule consideration of the resolution in a future Council Meeting.
2. Request that the Administration revise the loan program or eligibility criteria.

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3. Request additional information from the Administration.

### ANALYSIS:

The Federal Highway Surface Transportation Program has provided \$10,500,000 for reconstruction of South Temple Street. The City has budgeted \$869,849 as the local match, and the Department of Public Utilities plans to spend \$1,300,000 to upgrade and replace utility lines under South Temple. The project will involve reconstruction of pavement, curb and gutter, and installation of improved storm drainage, traffic signals, and streetscape landscaping. Bid opening for this project is scheduled for April 23, 2002. Construction is to be completed by the fall of 2003.

Previously, the City offered loans to businesses on Main Street or on 400 South that were adversely affected by light rail construction. These two other loan programs didn't require collateral, a credit check, or a review to determine financial viability.

Main Street loans - The City issued 15 loans of \$10,000 each to businesses on Main Street for a total of \$150,000. Ten of these businesses are current with loan repayments. Three businesses have gone out of business. One business has moved. The City has written off one loan, and another loan is 18 months past due.

400 South Street loans - The City issued 19 loans to businesses on 400 South for a total of \$260,000. All loans are current or show only one month past due. Two businesses are no longer open for business.

(See attached list of loan status for both programs.)

The only criteria for the previous two construction impacted loan programs was that the business be located adjacent to the light rail construction. The Administration is suggesting that South Temple loans be secured with collateral, that a credit check be made to determine that the business has been current on past loan payments, and that a review be made to determine that the business is financially viable. These requirements will help guarantee repayment of the loan and will help prevent a business that is about to close (unrelated to the construction) from receiving a City loan.

The proposed resolution authorizes up to \$500,000 from the City's Small Business Revolving Loan Fund for the South Temple loan program. As of March 31, 2002, there was \$3,972,000 available in the Small Business Revolving Loan Fund. Although the resolution doesn't specify the date the loan program ends, the Department will stop issuing loans under this program once construction is completed or sooner if funds are no longer available.

cc: Rocky Fluhart, Jay Magure, Margaret Hunt, LuAnn Clark