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## SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** September 12, 2003

**SUBJECT:** **Proposed Loan to Facilitate the Expansion of L-3 Communications**

**AFFECTED COUNCIL DISTRICTS:** Council District 1

**STAFF REPORT BY:** Gary Mumford

**ADMINISTRATIVE DEPT:** Department of Community & Economic Development

**AND CONTACT PERSON:** Alison Weyher

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### **KEY ELEMENTS:**

In May 2003, the Council adopted a resolution amending the criteria and evaluation matrix for the Small Business Revolving Loan Fund and authorizing the Mayor to administer the loan program. Any extraordinary loans (outside of the loan criteria) would be developed if unique opportunities are presented after working with the Council to see if the Council believes it would be worthwhile.

At this time, the Administration desires to brief the Council on a proposed \$750,000 loan to allow L-3 Communications Systems-West, a division of L-3 Communications Corporation, to expand in Salt Lake City. L-3 Communications Systems-West offers products and services relating to satellite communication data links and other communication systems. L-3 Communications Systems-West is experiencing significant growth with 225 additional employees so far in 2003 for a total of 1,746 employees in Salt Lake City. Another 90 positions are scheduled to be hired in 2003 and 100 additional positions in 2004. Many of these positions will be engineers with salaries of over \$75,000 according to the Administration's transmittal.

In July the company issued a request for proposal for 50,000 square feet of additional office space to relocate its executive and administrative offices. The company is considering options outside the City limits. The City's Community & Economic Development staff has been holding discussions with representatives of L-3 Communications to encourage them to select additional office space within Salt Lake City. The Administration committed to using its best efforts to secure a \$750,000 loan from the Revolving Loan Fund to help L-3 Communications Systems-West remain entirely within Salt Lake City. The Administration will provide specific information during the Tuesday evening briefing about the specific benefits to the City that will result from the granting of this loan. Retaining the organization within the City limits, job growth and the annual salary levels paid by the organization are some examples.

### **RECOMMENDED MOTION:**

The following motion is appropriate if the Council desires to consider the proposed loan.

["I move that the Council"] **Adopt a resolution authorizing a loan from Salt Lake City to facilitate the expansion of L-3 Communications Systems -West.**

**OPTIONS:**

L-3 Communications needs to make commitments very soon. The Council may wish to make an exception to its usual protocol by considering the resolution on the same evening as the briefing. Other options include requesting additional information or scheduling consideration of the resolution at a subsequent Council Meeting.

The Department of Community & Economic Development encourages the formation of an Economic Development Council Subcommittee so that the Department could work closer with Council representatives regarding unique economic development opportunities. The Council may wish to consider this request.

**MATTERS AT ISSUE:**

L-3 Communications Systems-West is located at 640 North 2200 West. The Department of Community & Economic Development encouraged Communications Systems-West to expand to downtown Salt Lake City or other locations within Salt Lake City. With the possible incentive of an interest-free loan, L-3 Communications Systems-West is seeking to expand near its present location.

Office space at 420 North 2200 West is available from John R. Stockman and Mark S Whiting. The proposed loan will be to these joint owners of the building to assist in approximately \$1.3 million of building improvements. The owners will contribute the remaining amount. The loan will be repaid from the property owners in annual installments with the first payment due 12 months from the date the loan funds are disbursed. The loan will be secured by personal guarantees from John R. Stockman and Mark S. Whiting. If L-3 Communications Systems-West moves out of the building, the balance of the loan will be immediately due and payable.

According to the Director, the Department of Community & Economic Development will prepare a welcome packet for new employees of L-3 Communication that will include information on the City's first-time home buyers program and other information about Salt Lake City.

cc: Alison Weyher, JD Baxter

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