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# SALT LAKE CITY COUNCIL STAFF REPORT

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**DATE:** January 6, 2006

**SUBJECT:** **Additional Grant to the Utah Microenterprise Loan Fund**

**AFFECTED COUNCIL DISTRICTS:** Citywide

**STAFF REPORT BY:** Gary Mumford

**ADMINISTRATIVE DEPT.  
AND CONTACT PERSON:** Mayor's Office  
Alison McFarlane

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## **KEY ELEMENTS:**

In May 2003, the City and the Utah Microenterprise Loan Fund entered into an agreement whereby the City provided \$250,000 to the Utah Microenterprise Loan Fund for a revolving loan fund program for entrepreneurs of start-up and existing businesses located within Salt Lake City who are unable to obtain conventional financing or qualify for a loan from the City's Small Business Revolving Loan Fund. Under the joint agreement, both entities participate in funding the loans.

In August 10, 2004, the City Council authorized additional funding of \$250,000 from the City's Small Business Revolving Loan Fund. The Utah Microenterprise Loan Fund has made 26 loans totaling \$609,400 under the joint-funded loan program. The average loan size was \$23,438. Twenty-four of the loan recipients are still in business. Salt Lake City's portion of the loan funding was \$357,150. The Administration is now proposing granting an additional \$250,000 to the Utah Microenterprise Loan Fund for a total of \$750,000. The funding source for the additional \$250,000 is from the \$2.5 million balance in the Small Business Revolving Loan Fund.

## **MATTERS AT ISSUE:**

1. The Utah Microenterprise Loan Fund is a private, non-profit entity whose mission is to provide financing and management support to entrepreneurs in start up and existing firms that do not have access to traditional funding sources.
2. Regular loans from the Utah Microenterprise Loan Fund are limited to a maximum loan amount of \$10,000 per business. In order to allow for somewhat larger loan amounts, the City provided grants to the Utah Microenterprise Loan Fund in 2003 and in 2004 to allow businesses within Salt Lake City to apply for loans of up to \$25,000.
3. Under the agreement, the Utah Microenterprise Loan Fund provides up to 50% of the loan amount up to \$10,000 and shares risks in the same ratio.
4. Criteria for reviewing applications are the same used by the Utah Microenterprise Loan Fund.

5. A nine-member credit committee, comprised of volunteer bankers and small business owners, makes the loan decision.
6. The interest rate is the prime rate plus 5%. Interest is considered revenue entirely for the Utah Microenterprise Loan Fund for programs and administration.
7. The loans are for a five-year term. Loans of more than \$10,000 can be amortized over ten years with a balloon payment due at the end of the five-year term.
8. Money from loan repayments revolves back to the appropriate loan account based on each party's pro-rated participation in the loan and is available to loan out again.
9. Some losses are expected since these applicants usually lack business history and have limited credit or insufficient collateral. One of the 26 loans has been charged off, although the Microenterprise Loan Fund is still negotiating for partial recovery of the \$24,374 loan balance.
10. The Utah Microenterprise Loan Fund endeavors to make successful loans by providing technical assistance to borrowers by partnering with business assistance organizations including professionals in the areas of accounting, marketing, graphic design, legal advising and computer technology. All applicants are required to participate in receiving the counseling and technical assistance. The Utah Microenterprise Loan Fund receives \$1,000 from the City's grant for each loan it makes to help offset the cost of providing the technical assistance.
11. A loan origination fee is collected from the loan proceeds to help fund programs and administration. The fee is 1% per year of the loan term for a total of 5% on a 5-year loan.
12. Since the joint program began in August 2003, the Utah Microenterprise Loan Fund has considered 56 applications. The Administration's transmittal provides a listing and summary of the 26 loans awarded as well as other information regarding the program.
13. There is \$188,000 of City funds remaining in the program, which could fund approximately 11 more loans. The additional \$250,000 requested together with the remaining balance will provide funding for approximately 27 more \$25,000 loans (\$15,000 from City plus \$1,000 for technical assistance per loan).

## **OPTIONS:**

Following the briefing, the Council may wish to consider several options including:

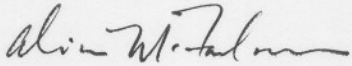
- a. Provide an additional \$250,000 grant to the Utah Microenterprise Loan Fund.
- b. Wait on any additional funding until the need is more pressing.
- c. Request additional information.
- d. Discontinue the program after existing funding is exhausted by not providing additional City funding. (Applicants can continue to apply for loans of up to \$10,000.)

cc: Rocky Fluhart, Sam Guevara, Alison McFarlane, Louis Zunguze, LuAnn Clark, DJ Baxter

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**COUNCIL TRANSMITTAL**

**TO:** Rocky Fluhart, Chief Administrative Officer  **DATE:** November 23, 2005

**FROM:** Alison McFarlane 

**RE:** Extension of grant to Utah MicroEnterprise Loan Fund

**STAFF CONTACT:** Alison McFarlane, Senior Advisor for Economic Development  
LuAnn Clark, HAND Director

**DOCUMENT TYPE:** Resolution

**BUDGET IMPACT:** The Small Business Revolving Loan Fund has a balance of \$1,748,900 million dollars. The proposed \$250,000 grant to the Utah Microenterprise Loan Fund will reduce the balance to \$ \$1,498,900. (An additional \$780,000 from loan payments will be deposited to the loan balance at the next budget opening.)

**DISCUSSION:** The Small Business Revolving Loan Fund was established in 1991 from repayments from an Urban Development Action grand (UDAG). A total of 95 loans have been made to local businesses for development and expansion and to those impacted by light rail construction since then. (Sixty-one small business loans; 19 – 400 South construction loans; 15 – Main Street construction loans).

The loan program was established to stimulate business development and expansion, encourage private investment, promote economic development and enhance neighborhood vitality in the City.

The Utah Microenterprise Laon Fund has a proven record of making loans to start up and existing small businesses, many of which are socially and economically disadvantaged and do not have access to traditional funding sources. The UMLF provides financing as well as management support.

The City and UMLF entered into an agreement in 2003 whereby the City provided grant funds to the UMLF for a revolving loan fund program for entrepreneurs of start-up and existing businesses located within the corporate limits of Salt Lake City who are unable to qualify for a loan from the City's Small Business Revolving Loan Fund or obtain conventional financing.

Since the "Salt Lake City" Microenterprise loan program began in August 2003, the UMLF has considered 56 applications. Of these, 26 loans were approved funded totaling \$609,400 with an average loan size of \$23,438. Ninety two percent of the businesses are

encompassed by the service and retail industries ranging from a deli to a clothing retailer to a janitorial company. Half of the loans went to start-ups businesses, just under a third are home-based and 92% are still in business. Further, 50-60% of the businesses are women owned, 24% minority owned and 69% are owned by members of the low/moderate income community.

With an extension of the Salt Lake City and UMLF partnership, the UMLF projects lending to at least 20 more "Salt Lake City" businesses over the next year to 18 months. The program has been a wonderful compliment to the Utah Microenterprise Loan Fund's service to new and existing businesses who are unable to access traditional sources of funding. Having approved 28 loans, it has clearly been successful at filling a gap in the need and demand for loans of up to \$25,000 for people who do not qualify for the City's revolving loan fund.

A new technical assistance component has been integrated to the UMLF's program called the "Micro Business Assessment (MBA)" (see attached description) in which applicants work with a team of private consultants to identify key areas for development and a prioritized set of goals and actions. Clients receive a comprehensive written report with ideas and recommendations, as well as a resource guide to aid them achieving their goals. This process is now required of all applicants and has been offered to all past Salt Lake City Microloan recipients.

The City and UMLF recognize that these will be higher-risk loans and that some losses will occur. The UMLF acknowledges that it will endeavor to make successful loans by providing technical assistance to applicants, evaluating their credit history, taking into account their management ability and business experience, and estimating their likelihood of repaying the loans.

### **Budget / Administration**

The proposal is for the City to extend the UMLF grant program again granting \$250,000 to the UMLF for the above referenced revolving loan fund program. The loans will be made to businesses in Salt Lake City, particularly in areas of greatest commercial need, which are unable to qualify for loans from the City's Small Business Revolving Loan Fund or obtain conventional financing. The City further agrees that the UMLF shall receive \$1,000 from the fund for each loan it makes to provide technical assistance to borrowers located in Salt Lake City. Technical assistance shall include pre- and post-loan counseling and training from UMLF staff and outside consultants on how to write a business plan and on matters specific to individual businesses such as accounting, marketing and legal concerns.

The UMLF agrees to participate in each loan up to \$10,000. This is, any loan up to \$20,000 will be made as a 50/50 split between the UMLF and City grant funds. For example, a \$14,000 loan will be made with \$7,000 from the UMLF and \$7,000 from City grant funds. A \$25,000 loan will be made with \$10,000 from the UMLF and \$15,000

from City grant funds. Each loan will be executed by a single promissory note payable to the UMLF.

Loan principal payments will revolve back to the appropriate loan accounts based on each party's pro-rated participation in the loan and will be available to be loaned out again. Interest will go to the UMLF for loan administration.

The UMLF shall report to the City quarterly on the use of grant funds including the amount of funds remaining, the number of applications received, the number of loans approved, the dollar amount of loans issued, the status of outstanding loans including the number and dollar amount of loans written off and the number of loans and dollar amount that are more than 60 days delinquent.

**Eligible Applicants / Loan Amounts / Interest Rate / Loan Terms / Loan Origination Fee / Distribution of Losses**

Eligible applicants shall include entrepreneurs of start-up and existing businesses located within the corporate limits of Salt Lake City who are unable to qualify for a loan from the City's Small Business Revolving Loan Fund or obtain conventional financing.

Loan amounts and loan criteria will be determined by the UMLF, but loan amounts shall not exceed \$25,000.

The interest rate shall be the current prime rate plus 5%.

Loans of \$10,000 or less will be amortized for a maximum term of five years. Loans of more than \$10,000 will be amortized over 5-10 years with a maximum term of five years, and a balloon payment due at the end of the term. At that time, the UMLF can extend the term an additional 1-5 years.

The UMLF will charge a loan origination fee of 1% per year of the loan amount (i.e., for a \$10,000 loan amortized for a five year term, the fee will be \$500). For loan amounts larger than \$10,000, the UMLF will charge 1% per year of the loan amount up to a 5% maximum (i.e., for \$25,000 loan amortized for a five year term, the fee will be \$1,250). The fee will not be greater than the 5% for loans that exceed a five year term. The loan origination fee will be collected from the loan proceeds, and will be used by the UMLF for programs and administration.

The UMLF and City will share any losses on a pro-rated basis, based on the structure of the loan (i.e., for a \$25,000 loan, any losses will be shared on a 40/60 basis; for a \$20,000 loan, any losses will be shared on a 50/50 basis).

## Salt Lake City Microenterprise Loan Program Program Update

Since the "Salt Lake City" Microenterprise loan program began in August 2003, the UMLF has considered 56 applications. Of these, 28 loans were approved and 28 loans were declined. Twenty six loans were closed and funded totaling \$609,400 with an average loan size of \$23,438. Of these 26 loans:

<b>Loans</b>			<b>Business Location:</b>		
Considered	56		Homebased	31%	
Declined	28		Commercial	69%	
Approved	28		<b>Industry:</b>		
Closed	26		Service	54%	
<b>Total amount loaned and source:</b>			Manufacturing	4%	
	\$ 609,400		Retail	38%	
Salt Lake City Pool	\$ 357,150	59%	Wholesale	4%	
UMLF General Pool	\$ 252,250	41%	Construction	0%	
<b>Average loan size:</b>			<b>Gender:</b>		
	\$ 23,438		Woman	50%	
<b>Loan Status as of 10/14/05:</b>			Male	38%	
Open Balance	21 loans	81%	Male/Female	12%	
Paid Off	4 loans	15%	<b>Ethnicity:</b>		
Charged Off*	1 loan	4%	White	77%	
<b>Status at time of loan:</b>			Black	4%	
Start up	14	50%	Hispanic	4%	
Existing	14	50%	Other	15%	
<b>Business Status: (as of 10/14/05)</b>			<b>Household Income Status:</b>		
Open and doing business	24	92%	Low	15%	
Sold business	1	4%	Moderate	54%	
Closed business	1	4%	Middle	31%	
			Upper	0%	

### FUTURE NEED

**Currently available to lend: (as of 10/14/05)** \$ 188,000 could fund approximately 11 more loans (up to \$25,000)  
(from Salt Lake City pool)

**\$ 250,000** to fund at least 20 more loans (up to \$25,000) over next 1-2 years.

\* One loan has been charged off. The total loan balance was \$24,374, with the loss to the Salt Lake City pool portion being \$14,625. (Although the borrower has tried to file bankruptcy, we are currently negotiating a 50% repayment which will reduce the Salt Lake City pool portion to \$7,312).

## Utah Microenterprise Loan Fund

### Salt Lake City Micro-Loan Program Activity October 12, 2005

#### APPROVED and FUNDED: 26 loans

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1. **H. Investments Corporation** received a loan for \$25,000 under the new Salt Lake City Microloan Program for the purpose of funding equipment, advertising, insurance, rent, and utilities for an ethnic grocery store. The loan was approved by a vote of 8-0. Collateral will be a UCC on all business assets including those purchased with the loan proceeds, and a deed of trust on the principals primary residence. The principal's sister will also act as co-signor.

Borrower Home: 337 East 700 South  
Business: 1735 So. Redwood Road

2. **The Beehive Tea Room and Wedding Library:** This was a request for \$25,000 under the new Salt Lake City Microloan Program to fund start-up costs of a tea-room and wedding library downtown. The loan was declined as presented by 7-1. The Committee did vote 8-0 to approve the loan if the applicant presented a strong and acceptable co-signor and obtained approval on the SBA loan she had applied for. Collateral will include a general lien on the assets of the business.

Business: 12 W. Broadway

#### UMLF FY 2003-04

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3. **Jessie Collette Merrill / Vivid Imagery:** This was a request for \$25,000.00 under the Salt Lake City Micro Loan Program to fund equipment, working capital and marketing costs of a new fine art photography business. The loan was approved by a vote of 5-0. Collateral on the loan will be all of the equipment financed with the loan and existing equipment (requiring model and serial numbers), accounts and inventory and a 7 foot Petrov Grand Piano.

Home Business: 1127 Alpine Place

4. **Catherine Luckette / Bag Lady Boutique:** This was a request for \$25,000.00 under the Salt Lake City Micro Loan Program to fund the purchase of an existing business (\$15,000), equipment and working capital. The loan was approved by a vote of 5-0 with an adequate co-maker. Co-maker to be approved by the Credit Committee Chair. Collateral on the loan will be the co-maker and a UCC on all business assets.

Business: 241 East 300 South

5. **Chris and Veronica Nelson / Child Time, Inc.:** This was a request for \$25,000.00 under the Salt Lake City microloan program to do improvements to their two preschool centers. The loan was approved by a vote of 6-0 with deed of trust on the company's Avenues location and the personal residence of the principals.

Business: 410 Third Avenue

6. **Jake Wernett, Steven Nelson, Taylor Parkin, Jacob Packard/Sky Blue Communications:** This was a request for \$25,000.00 under the Salt Lake City Micro- Loan Program to fund the acquisition of a smaller company to enable the company to expand their geographic base. The loan was approved contingent on review of 2002 financial statements and YTD financial statements (only a summary was provided in the



business plan). Collateral on the loan will be a UCC on all business assets and a deed of trust on the personal residence of the Taylor Parkin.

Business: 155 North 400 West

7. **Walter Lee Nielsen / A Plus Massage and Bodyworks:** This was a request for \$25,000 to fund remodeling costs, working capital and equipment of a new home based massage therapy business under the Salt Lake City Micro-loan program. The loan was approved for only \$15,000 by a vote of 8-1. The Credit Committee felt the applicant was asking for much more than he needed to complete the required remodeling and equipment purchases, plus some working capital.

Home Business: 819 East 1300 South

8. **Patricia Happi and Frederick Mongue / Mr. Propre Cleaning Solutions:** This was a request for \$25,000 under the Salt Lake City Microloan program to an existing UMLF borrower to fund additional equipment and working capital to fund the company's continued growth. The loan was approved by a vote of 7-0. Collateral on the loan will be a UCC on all business assets.

Business: 455 East 400 South

9. **Kate Holland Design:** This was a request for \$20,000 under the Salt Lake City Microloan program to an existing business which designs and retails jewelry, picture frames, etc. The loan was approved by a vote of 5-1 with a UCC financing statement on all business assets.

Home Business: 1942 Berkeley St. (lives with parents)

10. **Senior Technology Showcase:** This was a request for \$25,000 to fund the costs of putting on the Senior Technology Showcase and to re-locate the business to SLC, website development and equipment. The loan was approved by a vote of 5-3 with a deed of trust on the personal residence of the principals as collateral.

Home Business: 1073 East 2100 South

11. **Ecomoto:** This was a request for \$25,000 under the Salt Lake City program for initial rent, equipment and inventory for a relatively new company which retails alternative transportation vehicles such as scooters, electric bicycles, etc. The loan was approved by a vote of 6-0 using the business assets as collateral.

Business: 358 South 700 East

12. **Lunas;Cynthia Osmun / Gorilla Chills:** This was a request for \$25,000 under the Salt Lake City Micro Loan Program to fund leasehold improvements, rent, supplies and working capital for a new business proposing to make and sell Italian Ice and other frozen deserts. The loan was approved by a vote of 8-0 using the business assets as collateral and the limited personal guaranty of the minority partner in the business.

Business: 2126 So. Highland Drive (now called "Luna's Italian Ice")

13. **Leilani Taholo / Child and Family Empowerment Services, LLC:** This was a request for \$25,000 under the Salt Lake City program to partially fund the start-up costs of a new company offering family mental health services. Funds will be used to cover initial rent, leasehold improvements, supplies and working capital. The loan was approved by a vote of 8-0 with collateral being a UCC on all business assets and a deed of trust on the personal residence of the principal.

Business: 1578 West 1700 South

14. **Nandra Courtwright / Marketing Strategies:** This was a request from an existing UMLF borrower for an additional \$16,000.00 under the Salt Lake City microloan program, to purchase a franchise/shares of Adventures in Advertising which is a national purchasing coop for small businesses such as this one, plus working capital for an additional employee and marketing costs. The loan was approved by a vote of 5-1. Collateral will be a UCC on all business assets.

Home Business: 829 E. 400 So. #114

UPDATE: Borrower has tried to file for bankruptcy. Currently negotiating to receive 50% (\$12,187.11) of the balance owed (\$24,374.22).

15. **John Prettyman and Scott Adair / the Coffee Mug, Inc.:** This was a request for \$25,000.00 under the Salt Lake City program to cover construction of a drive-thru kiosk, equipment and working capital to start up a drive-thru coffee facility in downtown Salt Lake City. The loan was approved for a lesser amount (\$12,500.00) by a vote of 6-0. The approval is subject to review of a revised cost breakdown and approval of the Credit Committee Chair of the revisions. Collateral will be a UCC filing on all business assets.

Business: 3642 W. 2100 So

16. **Anne Jensen / Coffee Lady Coffee Carts:** This was a request for \$25,000 to fund the balance of the purchase (applicant has put \$5m down from savings) of two existing coffee carts at Primary Children's Hospital and Brighton Ski Resort by a long time employee. The loan was approved by a vote of 7-0 (Hydee Willis arrived). Collateral will be a UCC on all equipment, carts, etc. purchased with the loan funds. Prior to closing pictures and serial numbers will be furnished.

Business: inside of Primary Children's Hospital

17. **Thermal Shield, Matt Lyman, Tim Lyman:** This was a request for a \$25,000 Salt Lake City Micro-Loan for start-up costs for a liquid siding company. The request was approved with the following conditions: 1.) obtain trust deeds on both residences of applicants.

Business: 1899 So. Redwood Rd.

18. **Abdirahman H. Farah / Keyr Grocery and Imports:** This was a request for \$15,000 under the Salt Lake City Program from a previous UMLF borrower for additional inventory and equipment to expand their existing operations. The loan was approved by a vote of 6-0 subject to a review of the company's interim financial statements by the Credit Committee Chair. Collateral will be a UCC on all business assets as well as a deed of trust on the personal residence of the principals.

Business: 1735 So. Redwood Rd #120

#### **UMLF FY 2004-05**

19. **John Lascaris / Renewals Sugarhouse Resale:** This was a request for \$24,900.00 to fund start-up costs including working capital, inventory and equipment for a proposed second hand store in Sugarhouse. The loan was approved by a vote of 3-2 with one abstention. Collateral on the loan will be a UCC financing statement on all business assets and a deed of trust on the personal residence of the principal.

Business: 1088 So. 1100 E.

20. **Joni Sorenson / Joni's Deli:** This was a request from an existing borrower to increase her loan under the Salt Lake City loan program to the \$25,000 maximum to fund additional costs incurred to repair / remodel the facility. The loan was approved by a vote of 5-0.

Business: 52 E. 1700 So.

21. **Marcus Walker and Ronald Tucker / Foxtrot American Co.:** This was a request for \$25,000 under the Salt Lake City loan program from an applicant who had been conditionally approved and had not been able to meet required conditions. The proposed company was to set up a retail clothing operation. The request was declined by a vote of 5-0. The Credit Committee still felt the amount available from the UMLF was inadequate to insure success for the venture; (2) the principals have limited industry experience; (3) the principals have limited if any credit history; and (4) no secondary source of repayment.

Business: 2132 So. Highland Dr

22. **Joni Sorenson / Joni's Deli:** This was a request from an existing borrower to increase her loan under the Salt Lake City loan program to the \$25,000 maximum to fund additional costs incurred to repair / remodel the facility. The loan was approved by a vote of 5-0.

Business: 52 E. 1700 So.

23. **Universal Junk Removal (1-800-Got-Junk)** received a loan for \$25,000 under the Salt Lake City loan program to purchase an additional territory for the junk removal company.

Home Business: 901 University Village

24. **Gonzalo Lastra and Ayriana Lastra / V2GA, LLC:** This was a request for \$25,000 to fund additional equipment, supplies and working capital for a relatively new contract housekeeping firm owned by a brother and sister team. The request was approved by a vote of 5-0 with a UCC financing statement on all business assets and a deed of trust on the personal residence of the principal.

Business: 180 So. 300 West 215-B

25. **Loretta Gale/Infobytes:** This request was for \$25,000 under the Salt Lake City loan program. Funds are to be used to solve cash flow problems with her existing business and obtain protection for her intellectual property rights. Infobytes has developed and sells website design and management services to municipal service providers. The MBA program identified several areas where Loretta can improve her operations through the use of UMLF loan proceeds. The committee approved \$15,000 to be used to help eliminate excessive bank charges by injecting working capital. An additional \$10,000 was approved to help secure her intellectual rights and hire additional sales and support personnel contingent on obtaining a satisfactory co-maker. The loan was approved with these parameters by a vote of 8-0.

Business: 1115 3<sup>rd</sup> Ave.

26. **Mary Deiss Brown and Gerald Brown/Ciscothirteen LLC -** Ciscothirteen LLC is a business located at 362 West Pierpont Avenue that leases virtual office services. They lease the use of a receptionist, mail service, office space, conference room and other office products on a contract or hourly basis. Mary & Gerald purchased the building and used their personal funds and an SBA loan to furnish the building and get the business open. It was determined that additional funding was not available from other sources due to the SBA lien and high leverage. They need these funds to purchase additional office equipment, marketing and advertising services and provide additional working capital. This loan was approved by a vote of 7 to 0. Collateral will be a 2<sup>nd</sup> trust deed on the business property.

Business: 362 W. Pierpont Ave.

## **APPROVED but NOT FUNDED: 2 loans**

27. **Kokopellis Inc., Jessica Brown:** This request was for a \$25,000 SLC Micro-Loan for the purchase of the assets of an existing private club. This request was approved with the following conditions: 1.) Trust deed on condominium of owner, 2.) owner obtaining proof of additional capital (loan from family member), 3.) lien on specific equipment. THIS LOAN DID NOT CLOSE.
28. **Karen Thomas Weeks and Sally Kadleck / Alpha Beta Child's Success:** This was a request for \$25,000 under the Providian Childcare Program for playground and facility improvements for an existing childcare facility trying to move to a new location. The loan was conditionally approved by a vote of 6-0. Conditions of approve are: (1) subject to the approval and closing of the SBA 504 loan to purchase the new facility. THIS LOAN NEVER CLOSED.

## **DECLINED: 28 loans**

1. **Jerome Cliff Moody / Jerome Cliff Moody's Record World II:** This was a request for \$25,000.00 under the Salt Lake City Micro Loan Program for funding of start-up costs of a new retail music and clothing store in Trolley Square. The loan was declined by a vote of 5-0. The reasons for the adverse action were (1) derogatory credit of the principal; (2) inadequate secondary source of repayment; and (3) the Credit Committee was not convinced of the viability of the project.
2. **Nicole Weinberger / The Haight Company, LLC:** This was a request for \$25,000.00 under the Salt Lake City Microloan program to start-up a specialty ladies accessories store in Sugarhouse. The loan was approved by a vote of 7-0 with a qualified co-maker who would pledge adequate collateral to secure the loan and the suggestion that she might want to reduce the loan amount. However, if she obtains a co-maker and the co-maker pledges adequate collateral and she justifies the need for the full amount we will go ahead at \$25m.
3. **Malcom Waters / The Waters Group, LLC:** This was a request for \$25,000.00 under the Salt Lake City Micro-Loan program for additional working capital to expand a relatively new venture of three businesses. The applicant had not determined his SLC location yet but indicated it would be in SLC proper. The request was declined by a vote of 6-0 due to: derogatory credit of the principal including a recent bankruptcy.
4. **Karon Greene & Troy Young / Java Connection:** This was a request for \$25,000 to fund additional inventory and operating expenses to keep open a relatively new coffee shop and internet café in SLC. The request was declined by a vote of 6-0 due to: (1) the derogatory credit of the principals; (2) losses shown; (3) uses of funds was to pay back rent plus; (4) the Credit Committee was not convinced of the viability of the project to continue.
5. **Kim McGary / Caffè di Gelato:** This was a request for \$25,000 under the Salt Lake City Micro-Loan Program to purchase additional equipment for an existing Italian Ice Cream store in Crossroads Mall Food Court. The request was declined by a vote of 5-1 due to: (1) the Committee was not convinced of the continued viability of the project; (2) the Committee questioned the management ability of the applicant.
6. **Julie Maughan / Pajies, Inc.:** This was a request for \$25,000 under the Salt Lake City Micro-Loan Program for equipment, working capital and capital for product development and marketing for an existing company which designs, manufactures and sells women's fashions (primarily jackets and vests). The loan was declined by a vote of 9-0. The reasons for the adverse action were (1) limited credit history of the principal; (2) no secondary source of repayment available; (3) the company has been in business since 1981 and has not produced and real income during that period; and (4) the Credit Committee felt the company needed venture or equity capital rather than debt funding at this stage.

- 7. Troy Bailey Palmer/Achieve Mortgage Solutions:** This was a request for \$25,000.00 under the Salt Lake Micro- Loan Program to fund start-up costs for a new mortgage brokerage. The loan was declined due to lack of experience in the industry, no marketing plan, and being unlicensed.
- 8. Audith Sisouvong/Imaji Photo Studio:** This was a request for \$25,000 to fund start-up costs for a new photo studio under the Salt Lake City Micro-loan program. The loan was declined due to: poor credit, under-capitalization, and lack of viable marketing plan.
- 9. Sarinda Jones: Sarinda Jones / Reflective Art:** This was a request for \$25,000.00 under the Salt Lake City Microloan Program to fund equipment and inventory purchases for a relatively new company which does decorative glass art and jewelry. The loan was declined by a vote of 5-0 due to: (1) delinquent credit obligations; (2) Unsatisfactory past debt payment; (3) inadequate collateral/secondary source of repayment; and (4) the Credit Committee was not convinced of the project's viability.
- 10. Chubba Enterprises Inc.: Ed Schultz / Chubba Enterprises:** This was a request for \$25,000 under the Salt Lake City program to fund additional equipment and inventory for a company that has been in business for four years selling environmentally safe parts and equipment washing machines and cleansers. The loan was declined by a vote of 7-0 due to: (1) derogatory credit of the principal; (2) inadequate secondary source of repayment / collateral; and (3) the Credit Committee was not convinced of the project's viability due to the lack of sales since inception.
- 11. Darlene Johnson-Colbert / OYM Publishing:** This was a request for \$25,000.00 under the Salt Lake City program to fund rent, office equipment, supplies and working capital for a new company which proposed to publish and distribute a minority weekly newspaper aimed at the African-American Community. The loan was declined by a vote of 6-0 due to: (1) derogatory credit history of the principal including bankruptcy; (2) lack of adequate industry experience; (3) limited market; (4) inadequate/no secondary source of repayment.
- 12. Oliver and Dannika Valenzuela / Nueve Media LLC:** This was a request for \$25,000 under the Salt Lake City Program to fund the start-up expenses of equipment, working capital and marketing expense for a new multimedia advertising services company. The request was declined by a vote of 6-0 (CeCe Mitchell was excused) due to: (1) delinquent credit obligations of the principals (including their personal residence); (2) inadequate or no secondary source of repayment; and (3) the committee was concerned that the new company would produce adequate income to support the applicant's personal needs as well as debt service.
- 13. Adam and Athena Champneys / Blackout Entertainment LLC dba Frontline:** This was a request for \$25,000 under the Salt Lake City program for initial supplies, rent and equipment to fund the start-up costs of a proposed mobile paint ball and airsoft facility and retailing of equipment for the two sports. The request was declined by a vote of 8-0 due to the derogatory credit of the principals including a pending foreclosure; inadequate secondary source of repayment / collateral; limited market for this service; and inadequate management experience.
- 14. Daniel Beck / Heritage Video Services:** This was a request for \$25,000 under the Salt Lake City Micro Loan Program to fund equipment, rent and working capital for a new company proposing to offer video transfer services converting VHS tapes, etc. to DVDs. The request was declined by a vote of 6-0 due to (1) the Credit Committee was not convince the \$25m was adequate funding; and (2) the Credit Committee felt the company needed equity financing instead of debt at this point.
- 15. Michael & Robyn Dahlgren / Relativity Digital Marketing:** This was a request for \$25,000 under the Salt Lake City program for equipment, supplies, owner's draws and working capital for a new firm proposing to set up digital and e-mail marketing for health care industry professionals beginning with chiropractors. The loan was declined by a vote of 6-0 due to (1) previous delinquent credit of the principals; (2) the Credit Committee was not convinced of the viability of the project.
- 16. Patrick Greenhalgh / Bur-Bois:** This was a request for \$25,000 under the Salt Lake City Micro Loan Program to fund rent, equipment, supplies and other start-up costs for a proposed coffee shop and internet café in downtown Salt Lake. The loan was declined by a vote of 6-0 due to: (1) derogatory credit history of

the applicant including two bankruptcies; (2) the viability of the project was questioned; (3) no secondary source of repayment; and (4) the available funding appeared inadequate for the proposed project.

- 17. Darlene Johnson-Colbert / OYM Publishing:** This was a request for \$25,000.00 under the Salt Lake City program to fund rent, office equipment, supplies and working capital for a new company which proposed to publish and distribute a minority weekly newspaper aimed at the African-American Community. The loan was declined by a vote of 6-0 due to: (1) derogatory credit history of the principal including bankruptcy; (2) lack of adequate industry experience; (3) limited market; (4) inadequate/no secondary source of repayment.
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- 19. AirDome Events LLC Air Dome Events/Anthony Mogollon, Kassey Fowler:** This request was for \$25,000 under the Salt Lake City Program to purchase an inflatable events tent and associated marketing materials. The request was declined by a vote of 2-6 due to (1) insufficient capitalization to start up. (2) Competitive threats posed significant risks. (3) Lack of a secondary source of repayment (we would have a lien on the tent behind an SBA loan).
- 20. Jeanne's Pizza LLC, David and Jeanne Lott:** This was a request for a \$25,000 Salt Lake County/Utah Business Lending loan for marketing, equipment upgrades, and debt repayment for an existing business. The loan was declined for the following reasons: 1.) Lack of viable business plan, 2.) consecutive losses, 3.) questionable use of funds.
- 21. Modified Alternative Music Inc.:** This was a request for a \$25,000.00 Salt Lake City Micro Loan to fund inventory and marketing for an existing retail/consignment music store. This applicant is currently in Ch. 13 bankruptcy. The request was declined based on: 1.) poor credit/bankruptcy of applicant 2.) lack of secondary source of repayment.
- 22. Richard Dansie / Rick "The Computer Guy" Inc.:** This was a request for \$25,000 under the Salt Lake City Program to fund additional inventory and working capital to expand an existing network consulting and computer sales business. Under the UMLF's pre-screening process, the request was declined due to: (1) derogatory credit of the principal; (2) inadequate historical cash flow; and (3) inadequate secondary source of repayment.
- 23. Andrew L. Bradford / OPTICTOOLS, LLC:** This was a request for \$25,000 to fund the start-up costs of a proposed new business to sell optometric products. The request was declined under the UMLF's pre-screening process due to: (1) derogatory credit of the principal; (2) lack of actual industry experience; and (3) no secondary source of repayment.
- 24. Cole Christensen / INFOsolutions & Marketing dba Celestial Apples:** This was a request for \$25,000 under the Salt Lake City Program to fund inventory, equipment and working capital including bringing payroll current for a relative new company which manufactures candied/caramel apples and candy. The request was declined by a vote of 5-0 due to: (1) principal is not running company (on mission since prior to company forming and father and consultant is managing); (2) losses shown to date; (3) principal has limited business experience; (4) no secondary source of repayment; (5) negative net worth.
- 25. Evan Walker Anderton / W Models / Icon Agency:** This was a request for \$25,000 under the Salt Lake City loan program to fund advertising and working capital in connection with the expansion and move of the company's facility. The company is a model/talent agency and was proposing to expand into vocal and acting training; a salon; and a VIP only ultra lounge. The loan was declined by a vote of 7-0 due to (1) no secondary source of repayment; (2) the Credit Committee was concerned about the proposed large increase

**26. Shannon Chrysler / Dynamic Catalyst:** This was a request for \$25,000.00 under the Salt Lake City loan program to fund equipment and working capital needs for a new business being set up to offer "wellness care". The loan was declined by a vote of 5-0 due to (1) extremely high debt load of principal; (2) no real industry or management experience and (3) the Credit Committee was not convinced of the project's viability.

**27. William Shaw / AJ's Mobile Go-Karts:** This was a request for \$25,000 under the Salt Lake City loan program for start-up cost for a proposed mobile go-kart company which would set up a track and furnish go-karts for private parties. The loan was declined as a pre-screen due to (1) derogatory credit history of the principal including two bankruptcies; (2) we were not convinced of the viability of the project and (3) the potential liability seemed a major threat to the business.

**28. Juniper Press/Mark Taylor:** This was a request for \$25,000 under the Salt Lake City loan program to be used to open a printing and publishing business. Funds were to be used to purchase computer equipment, finance advertising, lease payments and operating capital. The borrower completed the MBA program which provided valuable insight into the challenges that opening a business of this type. Mr. Taylor said that the MBA program was very beneficial. Due to material weaknesses in the marketing plan, insufficient capital, insufficient secondary source of repayment, and poor credit, This request was declined by a vote of 5-0.

For clients: the MBA will be an essential tool for clients to get help from a seasoned business advisor. Using the UMLF's team of business advisors with entrepreneurial expertise covering all aspects of business, clients will receive a comprehensive report tailored to their specific needs. They'll start with a business advisor who will identify key areas for development and a prioritized set of goals and objectives. The client will receive a comprehensive written report with ideas and recommendations, along with a business plan, financial reports, as well as a resource guide to aid them achieving their goals.

For the UMLF: the MBA program will be a key component of the UMLF program in a number of ways. First and foremost, the objective is to reduce the risk of loan default, thus resulting in reduced delinquencies and loan loss rates. The incorporation of the MBA process will give the UMLF a much deeper understanding of the applicant, as well as the applicant's level of commitment and ability to effectively manage their business. The incorporation of the MBA process will:

- Increase the dollar impact of assets on the UMLF program by using a tool used for stronger credit analysis with a high potential of reducing delinquencies and loan loss rates.
- Increase scope and depth of business plan and financial resources offered by the UMLF. Both the MBA I and MBA II programs will provide a comprehensive report. The potential exists for the UMLF to eventually provide this service to the so-called first borrowers.
- Increase clients' use of technical assistance and training resources. Applicants will be asked to speak to the specific program and the UMLF's implementation in their loan applications. Addressing these issues during the assessment may become part of a loan agreement.

## **Grant Agreement Utah Microenterprise Loan Fund**

### **Guidelines**

#### **Eligible Applicants / Loan Amounts / Interest Rate / Loan Terms / Loan Origination Fee / Distribution of Losses**

Eligible applicants shall include entrepreneurs of start-up and existing businesses located within the corporate limits of Salt Lake City who are unable to qualify for a loan from the City's Small Business Revolving Loan Fund or obtain conventional financing.

Loan amounts and loan criteria will be determined by the UMLF, but loan amounts shall not exceed \$25,000.

The interest rate shall be the current prime rate plus 5%.

Loans of \$10,000 or less will be amortized for a maximum term of five years. Loans of more than \$10,000 will be amortized over 5-10 years with a maximum term of five years, and a balloon payment due at the end of the term. At that time, the UMLF can extend the term an additional 1-5 years.

The UMLF will charge a loan origination fee of 1% per year of the loan amount (i.e., for a \$10,000 loan amortized for a five year term, the fee will be \$500). For loan amounts larger than \$10,000, the UMLF will charge 1% per year of the loan amount up to a 5% maximum (i.e., for \$25,000 loan amortized for a five year term, the fee will be \$1,250). The fee will not be greater than the 5% for loans that exceed a five year term. The loan origination fee will be collected from the loan proceeds, and will be used by the UMLF for programs and administration.

The UMLF and City will share any losses on a pro-rated basis, based on the structure of the loan (i.e., for a \$25,000 loan, any losses will be shared on a 40/60 basis; for a \$20,000 loan, any losses will be shared on a 50/50 basis).



RESOLUTION No. \_\_\_ of 2005

APPROVING A GRANT TO THE UTAH MICROENTERPRISE LOAN FUND

WHEREAS, Salt Lake City established an Economic Development Revolving Loan Fund in 1991 (Resolution No. 93 of 1991) to "promote development which will enhance the vitality of the City"; and

WHEREAS, the City renamed the program the Salt Lake City Small Business Revolving Loan Fund and adopted Loan Criteria and Evaluation Matrix in 2002 (Resolution No. 31 of 2002); and

WHEREAS, the City approved grants to the Utah Microenterprise Loan Fund of \$250,000 in 2003 (Resolution No. 21 of 2003) and of \$250,000 in 2004 (Resolution No. 44 of 2004); and

WHEREAS, the City desires to make an additional grant of \$250,000 to the Utah Microenterprise Loan Fund to stimulate business development and expansion, encourage private investment, promote economic development and enhance neighborhood vitality in the City, said grant to be administered in accordance with the *Grant Agreement Utah Microenterprise Loan Fund* guidelines attached hereto;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Utah:

It hereby approves a grant of \$250,000 from the Small Business Revolving Loan Fund to the Utah Microenterprise Loan Fund as provided herein and to execute the necessary documents to make said grant to the Utah Microenterprise Loan Fund in accordance with the *Grant Agreement Utah Microenterprise Loan Fund* guidelines attached hereto.

Passed by the City Council of Salt Lake City, Utah, this \_\_\_ day of \_\_\_\_\_, 2005.

SALT LAKE CITY COUNCIL

By: \_\_\_\_\_

CHAIR

ATTEST:

\_\_\_\_\_  
Chief Deputy City Recorder

G:\Resoluti\Utah Microenterprise Loan Fund 12-05-05 clean

APPROVED AS TO FORM  
Salt Lake City Attorneys Office  
Date 12/5/2005  
By TK Spendlove

## **Grant Agreement Utah Microenterprise Loan Fund**

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