REDEVELOPMENT AGENCY
OF SALT LAKE CITY

BUILDING RENOVATION LOAN CRITERIA

Building owners can receive low-interest loans for up to 50% of building renovation costs. All loans are subject to qualifications of the borrower(s) and availability of funds.

Eligible Properties:

1. Commercial, residential, or mixed-use properties located within a designated Redevelopment Agency (RDA) Project Area.
2. Proposed construction contributes to the RDA goals for the Project Area. RDA goals are available upon request.

Persons Eligible to Apply:

1. The applicant for a loan must be the title owner to the property.
2. Property taxes and special assessments must be current.
3. No judgments or liens are outstanding against the borrower(s).
4. Applicant's credit history shall demonstrate prompt payment of past obligations. Applicant shall have income adequate to repay the funds loaned.
5. The Agency shall not discriminate against any applicant for a loan because of race, handicap, age, color, religion, sex, or national origin.

Use of Loan Funds:

1. The Agency will loan a maximum of 50% of building renovation project costs. Approved uses of loan funds include:
    - Tenant improvements necessary to bring commercial space into a finished condition as required by an executed lease for a specific tenant
    - Restore the facades of buildings as closely as possible to their original appearance
    - Rehabilitate or convert upper floors of commercial buildings, which are vacant and unused or used as storage space, into a residential use
    - Bring major systems of the buildings or the building structure into compliance with current codes
    - Upgrade structural components for earthquake stresses
    - Repair or replace HVAC, electrical, mechanical, and plumbing systems
    - Meet ADA accessibility requirements
    - Upgrade industrial or commercial equipment that controls odors, emissions, and noise
    - Rehabilitate or convert warehouse buildings into a residential or mixed-use
    - Site Improvements that enhance the appearance and function of the building

    The Agency will consider owner's repairs/replacement, architectural and engineering costs, and actual construction costs as match for the loan. Once renovation is completed, the property owner/tenant is responsible for maintenance and upkeep.

2. The funds are not intended to be used for acquisition of land or soft costs including building permits, impact fees, surveys, appraisals, marketing fees, furnishings, refinancing of existing debt, luxury items, legal fees, insurance equipment, or bonds. Use of funds for environmental remediation or demolition will be considered on a case-by-case basis.

Terms of Loans:

1. The maximum amount of a loan from the Agency for one project shall be the lesser of one fifty percent (50%) of eligible hard costs or an amount, when combined with prior debt secured by the property, which is 95% or less of the post-construction appraised value of the property.
2. Loans shall be based on fixed price construction bids.
3. The loans shall be amortized for a maximum period of twenty (20) years but shall include a ten (10) year call which may be exercised at the option of the Agency.
4. The interest rate shall be 3%. The default rate shall be 14%. Interest shall begin to accrue with the first draw of funds.
5. Loans shall have safeguards satisfactory to the RDA to assure repayment and meet the RDA's underwriting criteria.
6. Repayment:
    - Investment - The first payment shall be due at the beginning of the fourth (4th) month after receiving a Certificate of Occupancy.
    - Condominium – The Agency shall be paid an amount equal to ninety-five percent (95%) of the net sales proceeds for each unit.
7. The Borrower shall provide a personal guaranty to the Agency guarantying full and unconditional completion of the proposed improvements and repayment of loan.
8. The Net Operating Income (NOI) shall be at least 110% of the debt service for occupied buildings. Unoccupied buildings will be evaluated based upon the expected NOI after rehabilitation and the marketing plan (Debt Service Coverage Ratio of 1:1.10).
9. Loans may be prepaid in whole or in part at any time without penalty.
10. Loans made under this program shall be non-assumable and due in full on sale.
11. Borrower is responsible for obtaining required City approvals and Building Permits.
12. Loan amount shall include a fee in an amount to cover legal and other expenses related to the Agency's origination, underwriting and loan documentation.
13. Borrower will be required to obtain a Performance and Payment Bond prior to the issuance of an Order to Proceed.
14. Closing costs associated with a loan shall be borne by the applicant including but not limited to the cost of title search and insurance, credit reports, attorney fees.
15. Once construction is complete, Borrower is responsible for maintenance and upkeep of the property as well as insurance.

Collateral:

All loans will be secured by the property under construction with a standard form RDA Trust Deed in either first or second position. Appraisals must be conducted in conformance with the adopted policy of the Agency. In addition, an "after rehabilitation" value shall be determined using an income appraisal to value adjusting rental income to reflect the improved marketability of the leased space after rehabilitation. In the case where there is no outstanding debt on the property and the current year Salt Lake County Assessed value is adequate to meet the Agency's 80% loan-to-value ratio requirement, no commercial appraisal will be required. Other acceptable forms of collateral include:

- Standby Letter of Credit. Borrower provides a letter of credit from an approved financial institution. Prior written notice is required for any cancellation or non-renewal.
- Other Real Estate. Borrower provides the Agency with a first or second trust deed priority on property located in Salt Lake County.
- Pledge Account. Borrower enters into an agreement with the Agency to pledge an approved account for the term of the loan. The Agency would require written consent for all fund withdrawals. (Approved types of pledge accounts include: Certificates of deposit, savings accounts, Bonds).

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Requirement of Shower and Locker Facilities:

In an effort to provide the Salt Lake City workforce more opportunities to walk, run or bike to and from work, as well as exercise during the workday, the Agency is requiring the installation of shower and locker facilities in all RDA-funded renovation projects that do or will house 25 or more employees. The design of such shower and locker facilities shall be considered by the Agency's Loan Committee for approval. For projects that will house between 25-50 employees, Applicants who believe they cannot provide such a facility as part of the project may request a waiver of this requirement for review by the Agency's Loan Committee. Those requesting a waiver of this requirement must submit to the Agency's Loan Committee documentation to demonstrate why the shower and locker facilities are infeasible or unreasonable for this particular project. Projects that will house more than 50 employees are not eligible for a waiver. The Agency's Loan Committee shall approve or deny all such waivers. If the Agency's Loan Committee does not approve the Applicant's waiver request, the Applicant may appeal to the Board of Directors, who shall render a final decision.

Exceptions to Loan Criteria:

The Board of Directors, by a majority vote of those present, provided that a quorum is present, may waive requirements or make exceptions to the foregoing criteria and procedures with a finding that the goals of this program will be furthered by such waiver or exception. Agency staff will prepare a written statement regarding the waiver or exception and shall place the original statement and a copy of the minutes of the Board of Directors in the loan file.

Loan Document Confidentiality:

While private information will be protected to the greatest extent possible under the law. Any documents or records submitted to the Agency may be subject to disclosure pursuant to the Governmental Records Access and Management Act, U.C.A. § 63-2-101. If the Applicant believes the information provided to Agency constitutes trade secrets or confidential commercial information, please provide a written claim of business confidentiality and a concise statement of the reasons supporting the claim of business confidentiality in letter form.

SAMPLE LETTER

Re: Business Confidentiality Claim

Ladies and Gentlemen:

The undersigned intends to enter into negotiations with the Redevelopment Agency of Salt Lake City (the "RDA") regarding a possible business transaction (the "Transaction"). The undersigned may be required to disclose certain confidential business information to the RDA as part of the Transaction, including without limitation, tax returns, financial statements, business or project plans and similar materials. Because the RDA is a governmental agency which may be subject to the provisions of the Utah Government Records Access and Management Act, Utah Code Ann. §63-2-101, et seq. ("GRAMA"), information received by the RDA may be subject to public disclosure.

This letter is sent pursuant to Utah Code Ann. §63-2-305 and notifies the RDA that the undersigned considers the information accompanying this cover letter to be protected records pursuant to Utah Code Ann. §63-2-304 (1) and (2). The undersigned considers this information to be confidential to the undersigned's business operations and a trade secret and the undersigned would consider disclosure of this information to potentially result in unfair competitive injury to the undersigned. Therefore, the undersigned would request that the RDA maintain such information in a confidential nature and that the RDA not disclose such information pursuant to GRAMA or otherwise.

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