213 S. Marquette St. Ironwood, MI 49938
Memorial Building, Conference Room #1, 2nd Floor

Economic Development Corporation Meeting Agenda

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1. Call to Order

2. Recording of the Roll

3. Approval of the Minutes of December 5, 2012

4. Approval of the Agenda

5. Citizens wishing to address the Corporation regarding Items on the Agenda (Three-minute limit)

6. Citizens wishing to address the Corporation regarding items not on Agenda Items (Three-minute limit)

7. Items for Discussion and Consideration

    a. Jim Huss Resignation/Interim President
    b. Revolving Loan Fund Defaults
    c. Revolving Loan Fund Regionalization

8. Other Business

9. Next Meeting: May 1, 2013

10. Adjournment

Wednesday April 3, 2013 ***10 a.m.***

Proceedings of the Economic Development Corporation Meeting

A Regular Meeting of the Economic Development Corporation was held on Wednesday, December 5, 2012 at 10:00 A.M. in the Conference Room #1, Second Floor of the Municipal Memorial Building in the City of Ironwood, Michigan.

1. Chair Huss called the meeting to Order at 10:00 a.m.

2. Recording of the Roll

	Present			
MEMBER	**YES**	**NO**	**EXCUSED**	**NOT EXCUSED**
Cayer, Joseph F.		X	X	
Huss, James - Chair	X			
Lemke, Joseph		X		X
Peterson, Jim	X			
Ramme, Dave	X			
Ruppe, Mark	X			
Schneller, Tom	X			
Schonberg, Bob	X			
Wyssling, John	X			

3. Approval of the November 7, 2012 Meeting Minutes. **Motion** by Peterson; **Second** by Wyssling to accept the meeting minutes as presented. **Motion Carried 7 - 0.**

4. Approval of the Agenda

   Motion was made by Wyssling, **Second** by Huss to accept the Agenda. **Motion Carried 7 - 0.**

5. Citizens wishing to address the Commission regarding Items on the Agenda (Three-minute limit)

   None

6. Items for Discussion and Consideration.

   Revolving Loan Fund Update: Director Brown gave out a spreadsheet showing who was delinquent and amounts:

   Black River: Letter sent. Ken McCauley called and indicated payments would begin in January 2013. Director Brown will call Dr. Gresham's office to verify that the business is being sold to him and to inquire about this indebtedness.

   Sears: Letter sent.

Old World Meats: Director Brown will call on him and get his job recertification information regarding the jobs created using these funds and find out his intentions regarding this debt.

Josephson Nursing Home: Attorneys will be receiving documentation soon. Two of three properties that Jim Cross has are in foreclosure. Winterization has not been done. Director Brown to call bank and foreclosure company to inquire about current status.

Entrée Companions: Attorneys will be receiving documentation soon for review. We are in possession of some of the equipment used to secure this loan. It is in storage sheds. Director Brown spoke with John Jilbert who sells kitchen equipment. He actually sold this equipment to Mr. Cross and Entrée Companions. He indicated that we may or may not receive $0.50 on the dollar.

Community Development to send demand letters, all certified, return receipt requested. Once Director Brown hears from the attorney, he will update this Committee as to the amounts we might be expected to receive and explain the options to this Committee.

7. Other Business:

   None

9. Next Meeting: January 2, 2013 10:00 a.m.

10. Adjournment. **Motion** to Adjourn by Jim Huss; **Second** by Ruppe. **Motion Carried 7 - 0.**

James Huss, Chair

Kim M. Coon
Community Development Assistant

MEMO

To: Economic Development Corporation Members

From: Michael J. D. Brown, Community Development Director

Date: March 26, 2013 **Meeting Date:** April 3, 2013

Re: Revolving Loan Fund Defaults

As you are aware there have been a number of businesses that have been recipients of the City's Revolving Loan Fund (RLF) program that have gone out of business. Staff has asked the City Attorney to review those files and make recommendations on how to proceed; the following is a summary of his analysis with his letters attached.

1. Black River Dental: The recommendation is to sue to in an attempt to recoup the money (approximately $16,686.42) still owed to the City. Attorney fees would be able to be recovered through the lawsuit.

2. Entrée & Companions: The recommendation is to sue to in an attempt to recoup the money (approximately $57,462.65) still owed to the City. The City is in the process of selling the surrendered equipment that was collateral for the loan of which we are hoping to recover $13,000.

3. Josephson's Nursing Home: The recommendation is to write off the debt (approximately $89,279.62).

4. Sears: The recommendation is to sue to in an attempt to recoup the money (approximately $10,748.23) still owed to the City. Attorney fees would not be able to be recovered through the lawsuit.

The City can collect up to 18% of the principle and interest off of the payments on the loans to pay for administration fees; this includes staff time as well as any attorney fees. However, because only a couple loans are being paid back on a regular basis, there is not much to collect to use toward attorney fees if the City elects to sue. Staff has requested money be budgeted in the upcoming budget in the event the City elects to sue.

Staff must still talk with the State of Michigan Economic Development Corporation to determine what the City is liable for and what can be written off. Staff wanted to present the cases to the EDC and the City Commission first in order to give staff direction on how to proceed. The EDC should make a recommendation to the City Commission for action.

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March 7, 2013

Mr. Michael Brown
Community Development Director
Memorial Building
213 S. Marquette Street
Ironwood, MI 49938

VIA EMAIL ONLY

Re: Derrall/Janice BeBeau (RLF)
Our File No. IR 3846

Dear Mr. Brown:

At long last, I reviewed the RLF file concerning the loan to Derrall and Janice BeBeau. That loan pertained to operation of the former Sears outlet in the Kmart Plaza. Default under the loan documents has occurred. I recommend filing suit.

On 1/4/07, the Ironwood Economic Development Corporation (IEDC) lent Derrall G. BeBeau $30,000 pursuant to a promissory note. That note provided for interest at the rate of 7% per annum, required monthly payments of $594.04 and became due in full on 3/1/11. Mr. BeBeau and his wife Janice M. BeBeau also signed a personal guaranty. As such, both will be personally liable for the debt, which the City can collect by suing.

As of 11/28/12, it appears that $10,748.23 was due. **I need a spreadsheet showing the monthly debt balance and payments to date.** I do have the handwritten per diem note which seems to reflect the last payment received by the City was on 3/28/11.

The file references D&J Enterprises, Inc. as having some involvement. Unfortunately, the corporation did not sign the promissory note or personal guaranty. However, the $30,000 was made payable to it. I reviewed Michigan and Wisconsin corporate records. It appears that the BeBeaus never officially/legally established D&J Enterprises, Inc. Thus, the IEDC won't have a legal claim against the corporation.

There is a UCC lien that lists D&J as the principal debtor. It also lists the BeBeaus as debtors. That security interest pertains to all personal property. Since the lien was filed in Michigan, it pertains to any Michigan personal property. I suspect the BeBeaus don't have any personal property in Michigan since the store has long been closed.

Pursuant to financial information provided in 2006, Mr. BeBeau listed total assets in excess of $1.3 million. Liabilities at that time totaled slightly over $300,000. Some of the assets may no longer exist, such as the Taco John's in Ashland, which closed some time ago. However, other assets may prove valuable including the Ashland Sears outlet, a home, 4 investment properties and two income properties. Unfortunately, these assets are located in Wisconsin which tends to be a consumer/debtor friendly state. With a Michigan judgment, we'll be able to get it recognized in Wisconsin, which will put the judgment as a lien upon all real property owned by the BeBeaus. However, the City will be limited in actions that it can take to force payment or collection.

If the City elects to file suit, I estimate 20 hours of attorney services, or $2,000 in attorney fees. The above normal estimate relates to getting a Michigan judgment recognized in Ashland County, Wisconsin. In addition, expenses will likely be around $500; again, higher due to the need for Wisconsin proceedings. Unfortunately, the note and guaranty do not provide for the recovery of attorney fees or costs. Litigation will likely take anywhere from 3 to 6 months.

Please advise how you wish me to proceed.

Very truly yours,

DEAN & POPE, P.C.

By: Michael K. Pope
MICHAEL K. POPE

MKP:jab

cc: Paul Linn (via email only)
Scott Erickson (via email only)

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March 11, 2013

Mr. Michael Brown
Community Development Director
Memorial Building
213 S. Marquette Street
Ironwood, MI 49938

VIA EMAIL ONLY

Re: C.C. & S., Inc. (RLF)
Our File No. IR 3846

Dear Mr. Brown:

I reviewed the last of the revolving loan fund files you provided to me which pertained to the C.C.& S., Inc. debt for Josephson's Nursing Home. On 2/1/10, the City lent C.C. & S., Inc., a Michigan corporation, $100,000. Default has occurred. This debt should be written off and I recommend no further action. My analysis follows.

In 2007, the City, Gogebic County EDC Brownfield Authority and other municipal entities went through a detailed process of providing funds to Josephson's Nursing Home. Those funds were for a proposed expansion of the home which would have created 40 new full-time positions. Since 2002, Josephson's has been owned by C.C. & S., Inc., a Michigan corporation. That corporation's principal players included James and Priscilla Cross and Teresa Stanfield. Due to the concerted action of the City and Authority, Josephson's received $100,000 on 10/11/07. Those funds came from the Brownfield Authority which acquired the funds from the City. I found no documents reflecting a loan from the City to the Authority nor did I find any documents concerning an Authority loan to Josephson's.

In 2009, issues began to surface about the viability of Josephson's. In response to that, the City obtained loan documents for the 2007 funds. On 2/1/10, C.C. & S., Inc., executed a promissory note in favor of the City. Per that note, the corporation acknowledged receipt of $100,000 to be financed at 5% per annum interest with monthly payments of $1,060.66 to commence immediately. The note would be due on 11/1/19, but default for non-payment has occurred. As of 11/28/12, the balance owed was $89,279.62.

The only security the City obtained for the debt consisted of a second mortgage on the land to the north of the current facility, i.e. where the proposed expansion would have occurred. That property is commonly known as the North 182.1 feet of Lot 9, Assessor's Plat No. 3 to the City of Ironwood. The property was owned by James and Priscilla Cross. The primary mortgage was held by Wells Fargo. As you know, Wells Fargo foreclosed on its mortgage. From the published notices, it appears that Wells Fargo was owed at least $83,973.88. Presumably, a sheriff's sale has occurred and Wells Fargo is awaiting expiration of the 6 month redemption period. Per MCL 600.3236 and *Senters v Ottawa Saving Bank*, 443 Mich 45 (1993), the City's second mortgage will be extinguished due to Wells Fargo's foreclosure.

Unfortunately, I found no personal guaranty or any other security for the loan. As such, the City currently has an unsecured loan. Although C.C. & S., Inc. remains an "active" Michigan corporation, it did not file an annual report for 2012. I think that is indicative of this corporation no longer being a viable entity. As such, it is likely to own no assets. **I recommend you review City personal property and real property tax rolls to determine if the corporation owns any property.** I found nothing in the file to suggest that the shareholders, directors or officers could be found personally liable for the debt. If the City obtained a money judgment it would likely be uncollectable. Assuming C.C. & S., Inc. has no significant assets. I recommend no further action on this debt. Please let me know if you agree.

Very truly yours,

DEAN & POPE, P.C.

By: Michael K. Pope
MICHAEL K. POPE

MKP:jab

cc: Paul Linn (via email only)
Scott Erickson (via email only)

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February 18, 2013

Mr. Michael Brown
Community Development Director
Memorial Building
213 S. Marquette Street
Ironwood, MI 49938

VIA EMAIL ONLY

Re: Entrée & Companions/Farney
Our File No. IR 3846

Dear Mr. Brown:

Quite some time ago, you asked me to review the City's Entrée & Companions, LLC/Michael L. Farney revolving loan fund file to offer my thoughts on suing to collect the debt. As you know, the City lent Entrée & Companions, LLC $60,000 and Michael L. Farney provided a personal guaranty for that loan. Default has occurred. The current balance owed is around $57,000. I recommend suing. My analysis follows.

In the litigation, we'll need to sue every liable party, including the borrower. Entrée & Companions, LLC is probably uncollectible. I assume the company was established to operate the business, which has closed. I also assume the only assets for the company were the items purchased for the business. It's my understanding those items have been surrendered to the City. In all likelihood, the company has no other assets.

Mr. Farney is 68 years old. Although he apparently made $150,000 as recently as 2008, he presently supports himself through social security, an IRA and unemployment. If sued by the City, he might file bankruptcy since the City would be an unsecured creditor. (The City had no equity in its second mortgage and has received all of the items subject to the UCC.) However, Mr. Farney has significant assets, which could be used by the bankruptcy court to pay his debts:

- Cash $20,000
- IRA $40,000
- Snowmobile/4 Wheeler $6,000
- 2007 JD 2305 Loader $15,000
- Vintage Artwork $15,000

- Antiques $40,000
- Sports memorabilia $25,000
- Silver collection $15,000
- Clock collection <u>$12,000</u>

TOTAL: $188,000

As you can see, Mr. Farney alleges assets sufficient to satisfy the City's debt. I would caution that many of these assets may have inflated values and might be difficult to liquidate.

In light of the above, I recommend the City sue the company and Mr. Farney for the debt. As a part of the litigation, the City will be obligated to sell the recovered equipment. That will offset a portion of what is owed. This is a case where the potential recovery significantly outweighs the City's potential expenses. Please contact me to discuss further.

Very truly yours,

DEAN & POPE, P.C.

By: Michael K. Pope
MICHAEL K. POPE

MKP:jab

cc: Paul Linn (via email only)
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March 6, 2013

Mr. Michael Brown
Community Development Director
Memorial Building
213 S. Marquette Street
Ironwood, MI 49938

VIA EMAIL ONLY

Re: Kenneth G. McCauley/Black River Dental (RLF)
Our File No. IR 3846

Dear Mr. Brown:

At the first of the year, you asked me to review the City's Kenneth G. McCauley (Black River Dental) revolving loan fund file. On 10/22/09, the City lent Mr. McCauley $25,000 to be used in his sole proprietorship "Black River Dental", which made false teeth. That loan paid off a prior RLF debt and the remainder ($16,686.42) was provided to Mr. McCauley for working capital. Mr. McCauley was to create an additional FTE by 10/1/11. Default has occurred. I don't know enough about Mr. McCauley's current situation to offer a recommendation. My input is as follows.

Per the loan documents, Mr. McCauley signed a promissory note for $25,000. As such, he will be personally liable for same. Per a spreadsheet prepared by Paul Linn, it appears that the debt as of 11/28/12 stood at $19,160.16. **I need a spreadsheet showing the monthly debt balance and payments.** The only way to collect on the note will be to sue Mr. McCauley.

The loan agreement grants the City a security interest (UCC lien) on Mr. McCauley's personal property. Per exhibit B-2, that personal property had an estimated value of $49,768, but consisted solely of equipment used for making false teeth. I don't think there will be much of a market for sale of that. Also, this valuation of property is at odds with Mr. McCauley's financial statements in exhibit C-1 through C-4. Those documents reflect net assets of $4,635 and liabilities of $32,586. I suspect there will be nothing of value in the property used for "Black River Dental". Any recovery would then have to come from Mr. McCauley's other assets, which we don't have any information on.

A check of UCC liens showed no liens for Kenneth McCauley or Black River Dental. That means the City never perfected its security interest. A bankruptcy filing check showed that Mr. McCauley filed bankruptcy in 2003 and the case was closed in 2007.

Thus, he is familiar with the bankruptcy process. Depending on his current financial situation, there is a higher risk that he file bankruptcy to discharge the City's claim.

If the City elects to file suit, I estimate 15 hours of attorney services, or $1,500 in attorney fees. In addition, expenses would be around $200. The loan agreement and promissory note requirer Mr. McCauley's payment of attorney fees and costs if the City has to pursue collection of the debt. That means we'll be able to get those amounts included in a money judgment, but doesn't necessarily mean the City will be able to collect that from Mr. McCauley. Litigation will likely take anywhere from 3 to 6 months.

Before a final decision, I recommend you obtain additional information on Mr. McCauley. That should include information on his current whereabouts. Does he still reside at 334 E. Aurora Street, or somewhere else in the City? Is he still renting 220 Suffolk Street? Does he own any property in the City or Gogebic County? Is he employed? Does he still have bank accounts in the area? Once you have this additional information, please contact me to discuss further.

I look forward to hearing from you.

Very truly yours,

DEAN & POPE, P.C.

By: Michael K. Pope

MICHAEL K. POPE

MKP:jab

cc: Paul Linn (via email only)
Scott Erickson (via email only)

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April 2, 2013

Mr. Michael Brown
Community Development Director
Memorial Building
213 S. Marquette Street
Ironwood, MI 49938

VIA EMAIL and MAIL

Re: Old World Meats, LLC (RLF)
Our File No. IR 3846

Dear Mr. Brown:

Per your request last week, I reviewed the RLF file concerning the loan to Old World Meats, LLC. (I'll return the file at the 4/3/13 meeting.) At the outset, I note the file did not contain 2 significant documents: guarantor signature page to loan agreement and signed promissory note. Please immediately search for same as these signatures will be vital to any further proceedings. In any event, this loan pertained to equipment purchased for the retail meat market. Apparently, default has occurred. **(I need a more detailed history of payments and amount owed.)** I recommend sending default notices to the company and the 3 personal guarantors.

On 2/10/10, the City lent Old World Meats, LLC $30,000 pursuant to a loan agreement and promissory note. (I note the 2/10/10 disbursement check was only for $29,850; do you know why it was $150 short?) These documents provided for interest at the rate of 5% per annum (11% per annum upon default), $425 monthly payments commencing 4/1/10, and payment in full by 3/1/17 (7year loan). The loan agreement also granted the City a security interest in the company's after acquired business related real property and personal property of the business, which included the items purchased with the RLF funds.

The company leased its space in Ironwood. I don't think there is any real property, but you should verify with the company, especially in light of its Bessemer operations. There is a City UCC lien that was filed on 3/2/10. That includes property purchased with the RLF funds: refrigerator, freezer, deli counter, 2 door freezer, 2 door cooler and grinder. It also includes all other personal property for the company, which would include any owned personal property at its Bessemer operations. However, there is a subsequent UCC filing made by Northern Economic Initiatives Corporation.

The City also obtained 3 personal guaranties for the debt from Matthew H. Weber, Donald D. Moore and David O. Weber. Their spouses consented to the guaranties. Based on the financial disclosures, it appears these individuals have more than enough assets to satisfy the debt. However, Matt Weber and Donald Moore have bankruptcy experience. (Bankruptcy could discharge their responsibility for the debt.) Also, the Webers bought Donald Moore out on 3/3/11 and agreed to indemnify him from any liability for company debt. (This does not affect the City's rights.)

Based on the above, I recommend sending default notices to the company and the 3 guarantors. Also, I recommend beginning conversations to obtain surrender of the equipment purchased with RLF funds. We'll have to liquidate that, but we'll need to provide notice to the company, guarantors and the other lender North Economic Initiatives Corporation. Once we do that, we'll be in a position to determine any deficiency and proceed with litigation.

Please confirm you will proceed as advised.

Very truly yours,

DEAN & POPE, P.C.

By:
MICHAEL K. POPE

MKP:jab

cc: Paul Linn (via email only)
Scott Erickson (via email only)

REVOLVING LOAN FUND
Status Update as of 3/25/13

	Top Notch	Spec Bldg	Dr. Toohey	Sears	Black River	Old World Meats	Josephson's	EC	Total
Original Loan Amount	40,000.00	300,000.00	25,000.00	30,000.00	25,000.00	30,000.00	100,000.00	60,000.00	610,000.00
Current Balance	4,762.31	300,000.00	18,613.42	10,748.23	19,160.16	21,580.10	89,279.62	56,586.51	520,730.35
Status	Not Current - Making Payments	Deferred	Current	Default - Out of Business	Default - Out of Business	Default Out of Business	Default - Out of Business	Default - Out of Business	

MEMO

To: Economic Development Corporation Members

From: Michael J. D. Brown, Community Development Director

Date: March 26, 2013 **Meeting Date:** April 3, 2013

Re: Revolving Loan Fund Regionalization

As you are aware the Revolving Loan Fund (RLF) program is being regionalized. Paul Linn, Finance Director, and I attended a meeting with the State of Michigan Economic Development Corporation (MEDC) and other Upper Peninsula communities in Marquette, MI on Thursday March 21, 2013 to discuss the regionalization. The following is a summary of that meeting and how the regionalization will affect the City.

The MEDC started out by explaining that the U.S Department of Housing and Urban Development (HUD) will be completing a compliance audit on all RLF funds throughout the State of Michigan. Because there have been unofficial compliance issues throughout the State and local communities, new rules and regulations will be implemented by HUD. HUD's findings will determine if each RLF fund was properly issued and administered. Those RLF funds that are found to be in compliance but have loans that have defaulted, for reasons uncontrollable by the business, may be forgiven/written off. If HUD finds compliance issues related to how the RLF fund was issued or administered and loans have defaulted, the loans may still be required to be paid back, which means the City could be responsible for the payments.

The remainder of the meeting discussed the regionalization process. The City has two options regarding the regionalization which has been broken down below.

Option 1 is to participate in the regionalization of the RLF.

Option 2 is to keep the RLF funds within the City.

Option 1 Summary

- If the City chooses to participate in the regional fund it would sign an agreement with the regional fund manager (Northern Initiatives out of Marquette) to manage future projects.
- The City's existing RLF fund balance would be transferred to the regional fund manager upon execution of the agreement.
- The City's RLF fund balance would be required to be used completely in Ironwood until it has been exhausted. So if we have a current fund balance of $125,000 that entire amount would have to be spent on projects in Ironwood and nowhere else; a separate fund would be set up for each community so that Ironwood's funds would be separate from everyone else. These projects will still be required to comply with HUD rules and regulations which include job hiring requirements, income

verifications of employees and other rules and regulations HUD will be instituting.

- Any loan payments made after regionalization occurs would be put into the regional fund for all U.P. communities to use. It will take some time to build up the regional fund because it is only funded with loan payments. The repaid funds will be defederalized money and will not be required to comply with HUD requirements such as job hiring requirements, income level verifications of employees and other rules and requirements HUD will be instituting; the program will be more flexible.

- The regional fund manager will be paid through the 18% administration fee the fund is allowed to collect on principle and interest payments. The City will not be required to pay the regional fund manager to administer new projects.

- The City and the regional fund manager can negotiate for the regional fund manager to administer existing projects, many of which are out of business and in default, however, the regional fund manager may require additional fees on top of the 18% allowed to collect, which would cost the City.

- In addition, in June of 2012 a new rule was created that stated a new RLF loan must be issued every twelve (12) months otherwise the City and/or regional fund risks its fund balance being recaptured and being used in other Community Development Block Grant (CDBG) programs.

- Review of new projects in Ironwood using the regional fund would be handled by a regional board which would include MEDC staff, regional fund manager staff and a City representative such as a staff person and possibly an elected/appointed official (presumable someone from the EDC) as well as concurrence by the Ironwood EDC and a resolution of support by the City Commission.

Option 1 Pros/Cons

Pros

- Because of existing and new rules and regulations being implemented by HUD, the regional fund manager has the capacity, knowledge and experience in underwriting federal loans. City staff is not trained or qualified to underwrite federal loans nor has the capacity to do so. The regional fund manager would handle the underwriting and financial analysis as well as the administration of the loans (collection, income verifications etc.). The EDC and City would still make a recommendation to the regional fund board on all projects in Ironwood.

- There is no cost to the City.

- Existing City RLF fund balance would be used only in Ironwood.

- Once the regional fund is built up through repayments the money is defederalized and there will be less stringent rules and regulations on how the money can be used. There will be more flexibility. Currently, the City is bound by HUD rules on how we can use the money and is limited on what it can give a loan for.

- The City can negotiate to have the regional fund manager take on administration of its existing RLF loans, except there may be additional fees associated with this.

- The regional fund manager only collects fees on repayments of loans, so if they work on a deal and it doesn't go through or a loan defaults or doesn't pay, they are responsible for compliance. This also means, if a loan defaults, the regional fund manager is responsible for costs associated with trying to collect.

- There will be a larger fund of money to draw from to complete projects.

Cons

- There would be no City representation for review of new projects using regional funds not in Ironwood. A concern that was brought up at the meeting was that bigger communities that have bigger projects (such as Marquette) will get all the money. The MEDC assured the group that a set of standards will be implemented to review applications and that the size/amount of money for a project will not be one of them. Issuance of RLF loans will be based on the feasibility of the project not how much money is being requested.

Option 2 Summary

- If the City decides to keep the funds within the City it continues to manage the RLF but will be required to comply with new stricter rules and regulations by HUD regarding the underwriting and administration of the loans.

- The City can contract with a financial institution to administer the RLF loans, similar to how the regional fund manager option would work.

Option 2 Pros/Cons

Pros

- The City maintains control of the RLF program.

- The City can contract with a financial institution to administer the program.

Cons

- Because staff doesn't have the capacity to complete the underwriting and administration of the RLF the City would need to contract with a financial institution to perform these duties and it may charge more than the 18% allowed to be collected through the program. These fees would either have to be paid for by the City or future RLF applicants.

- The City would have access to less money.

- The City would be required to comply with HUD rules and regulations which are stricter than the defederalized money available through the regional fund. There is less flexibility in how and what the City can use the money for.

The EDC should discuss these options. There are still a lot of details to be ironed out with the MEDC, the regional fund manager and HUD. Staff will eventually be receiving agreements from the MEDC to be reviewed by the City and its council prior to making a decision and moving forward. However, a recommendation from the EDC will need to be made to the City Commission on how to move forward.

While the pros/cons of Option 1 appear to outweigh the pros/cons of Option 2, if the City decides to select Option 2 it will need to seriously consider contracting with a financial institution to underwrite and administer the loans. Contracting this may well cost the City additional funds that it doesn't have readily available.