

DISCUSSION ITEM

Notice of potential conflict of interest situation regarding Madison Development Corporation (MDC).

The Community Development Division program provides CDBG funds to the Madison Development Corporation to make loans to eligible businesses that meet City objectives and HUD eligibility rules. MDC has created a Loan and Investment Committee that includes MDC Board members and representatives of various community leaders to help analyze, screen and approve business loans. MDC has adopted operational policies to balance the goal of leveraging private funds with the goal of minimizing conflict of interest whereby community lenders rotate membership periodically and must excuse themselves from discussions of co-loans involving their institution.

A member of the MDC Loan and investment Committee, Mike Flynn, works for Monona State Bank. Both Monona State Bank and MDC have loans with Artterro, LLC. While this situation may present a conflict of interest as defined by HUD, HUD also provides a method for review and waiver of their conflict of interest prohibition on decisions where the activity serves the public interest, the relationship is publicly noticed, the City Attorney finds that no laws are broken, and where HUD determines that the merit of the public interest outweighs the potential impact on the apparent conflict.

The CDBG Committee has adopted a procedure whereby CDBG staff is authorized to seek HUD determination of the conflict of interest exception, unless the Committee votes to not seek such a waiver. In October 2010, an identical potential conflict of interest situation was brought to the CDBG Committee and staff requested a waiver from HUD. HUD granted the waiver provided Mr. Flynn discloses the nature of the conflict, provide adequate public notice of the conflict and have no contact with Artterro, LLC. In this recent 2011 situation, Mr. Flynn followed the same procedures that HUD outlined in granting the exception to the conflict situation in 2010. As a result Mr. Flynn met the threshold requirements of 570.611 and no further action is necessary.

No action needs to be taken.