

Department of Planning and Community & Economic Development
Community Development Division

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MEMO

TO: CDBG Committee Members
FROM: Michael Miller, CDD Office
DATE: July 23, 2013
SUBJECT: Madison Development Corporation Potential Conflict of Interest

Notice of a potential conflict of interest situation and request from Madison Development Corporation.

The Community Development 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 lenders 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 institutions.

A member of the MDC Loan and Investment Committee, Dana Hoffmann, works for Summit Credit Union. Both MDC and Summit are considering a co-loan to two business applicants. While this situation may present a conflict of interest situation 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.