


City of
Gainesville

Inter-Office Communication

November 21, 2005

TO: Audit and Finance Committee
Mayor Pegeen Hanrahan, Chair
Mayor-Commissioner Pro Tem Chuck Chestnut, Member

FROM: 
Brent Godshalk, City Auditor

SUBJECT: United Gainesville Community Development Corporation (UGCDC) Loan Update

Recommendation

The Audit and Finance Committee receive the following UGCDC loan update and discuss the current status of outstanding loans.

Explanation

On August 30, 2005, the Audit and Finance Committee discussed the City Auditor's report on our Review of the Dissolution of United Gainesville Community Development Corporation. The Committee recommended the City Commission accept the City Auditor's report and instruct the City Auditor to conduct a follow-up review on recommendations made.

The Committee also requested additional information regarding the success or failure rate of the UGCDC loan program and the status of the loans assigned to the City as a result of UGCDC's dissolution.

UGCDC Small Business Loan Program

From 1984 until their dissolution, UGCDC issued 44 small business loans to 38 different clients ranging from \$4,000 to \$100,000 and totaling \$1,351,750. Four businesses received multiple loans. Based on our research, we have determined that 21 of the 38 businesses receiving loans, approximately 55%, are no longer registered with the State of Florida as active businesses. The remaining 17 businesses, approximately 45%, remain registered as active businesses. Because of limited data, we are unable to provide a historical summary on the percentage of loans defaulting under this program.

Existing Loans

The City currently has assignment of four small business loans made by UGCDC with principal balances, excluding accrued interest and penalties, totaling \$111,670. In March 2005, letters were sent by the Finance Department to the owners of these businesses notifying them of the transfer from UGCDC to the City of Gainesville and providing information where payments could be sent. However, no payments have been received on these four loans and no further actions have been taken to collect overdue payments. As shown on the following table, two of the four businesses are registered as active businesses and listed in the local telephone directory, while the other two are no longer registered with the State.

**UGCDC Small Business Loan Balances
November 2005**

Business Name	Business Status	Original Loan Amount	Balance as of Last Payment Date	Last Payment Date
R-Group, International	Active	\$ 100,000	\$ 58,733	Dec 2003
Gainesville Eye Works	Active	50,000	36,122	Aug 2004
Klix Foto, Inc	Inactive	50,000	3,575	Sep 2003
Cheryl & Company	Inactive	16,500	13,240	Jun 2004
Totals		\$ 216,500	\$ 111,670	

Porter's Oaks Mortgages

The City currently has assignment of 10 third mortgage notes related to Phase I of the Porter's Oaks development totaling \$12,526. These are non-interest-bearing notes with principal payments due totaling approximately \$900 per year. Collections during 2004 and 2005 totaled \$521 and \$213, respectively. In March 2005, letters were sent by the Finance Department to the borrowers notifying them of the transfer from UGCDC to the City of Gainesville and providing information where payments could be sent. No further actions have been taken to collect overdue payments.