



# TOWN OF APPLE VALLEY

## TOWN COUNCIL STAFF REPORT

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**To:** Honorable Mayor and Town Council **Date:** April 9, 2013

**From:** Christopher Moore **Item No:** 14  
Housing and Community Development Specialist  
Community Development

**Subject:** REHAB FINANCIAL CORPORATION SETTLEMENT - A REQUEST  
FOR COUNCIL APPROVAL OF A PROPOSED SETTLEMENT  
AGREEMENT REGARDING REHAB FINANCIAL CORPORATION

**T.M. Approval:** \_\_\_\_\_ **Budgeted Item:**  Yes  No  N/A

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### RECOMMENDED ACTION:

That the Town Council approve the settlement agreement proposed by Evanston Insurance, the carrier for Rehab Financial Corporation in the amount of \$8,516.86 and authorize and direct the Town Manager to execute any necessary settlement related documents on behalf of the Town.

### SUMMARY:

The Town suffered monetary losses as a result of the closing of a contract provider of escrow services for one of the Housing Departments federally funded programs. A settlement has been proposed, which has been approved by Best, Best and Krieger (Town Attorney). Council approval is requested.

### BACKGROUND:

Rehab Financial Corporation was the escrow company that retained and disbursed monies for the Town's Residential Rehabilitation Loan Program. Rehab Financial also contracted with numerous other agencies for similar programs. In early 2010, Rehab Financial closed its doors without notice, leaving all affected agencies without access to monies in Rehab Financial's accounts. Legal and criminal actions were initiated against Rehab Financial, its officers and employees. Mediation proceedings were conducted in 2011 to determine settlements to the various agencies that suffered losses. At the time (2011), Emily Wong ( former Assistant Director of Economic Development) conferred

with the Town Attorney and it was decided that Ms. Wong would represent the Town during the mediation hearings. An agreement in concept was reached by the agencies regarding settlement claims. The settlement process resulted in contact recently by the mediators with a proposed final settlement. The proposal was reviewed by the Town Attorney on March 27, 2013 and approval of the settlement agreement was recommended.

**FISCAL IMPACT:**

Revenue of \$8,516.86 to the General Fund