



Board:
Agenda Date:
Presenter:

City Commission

March 9, 2026

Patricia West

Staff Report

Agenda Item Title:

Alger Delta Façade Grant | Modification to Subsequent Liens

Background:

The City of Gladstone Downtown Development Authority (DDA) has approved a facade grant for Alger-Delta Coop Elect Assn. in the form of a \$7,461.42 deferred payment loan. To secure this loan, there exists a prepared standard DDA Facade Rehabilitation Program Mortgage and Note.

Paragraph seven of the drafted mortgage, titled "Subsequent Liens," specifically prohibits the borrower from permitting any subsequent superior liens on the property, with the sole exception of improving the interest rate or term of a pre-existing loan. Alger Delta's General Manager, Mike Furmanski, indicated in his recent memo that this clause conflicts with their standard operations.

Existing Mortgage Language:

7. Subsequent Liens. Repayment of this loan is deferred because the source of the funds used to make the loan is City of Gladstone's Downtown Development Authority Façade Program. The Borrower acknowledges that because of the source of funds for the loan, the Lender will not permit any subsequent superior liens on the Property, except for the purpose of improving the interest rate or term of a loan connected to a pre-existing superior lien. Any subordination of this Mortgage to additional liens or encumbrances of the assignee or successor to the Borrower shall be effective only with the written consent of the Lender. Such additional liens and encumbrances shall extend to and include any land contract, or other agreement between the Borrower and his successor or assignee. Consent to subordinate shall not be unreasonably withheld if the Lender has assurance, reasonable to the Lender; the provisions of this Mortgage remain enforceable and are adequately secured by the project.

To resolve this conflict and move forward with the closing, Alger Delta's legal counsel presented three distinct proposals.

- Proposal 1: Adds a clause to the end of Paragraph seven explicitly allowing the borrower to renew, extend, and increase the existing debt limits of mortgages held specifically by FFB, CFC, and CoBank, recorded in Delta, Menominee, Schoolcraft, Alger, Marquette, and Dickinson Counties. This increased debt limit would constitute a superior lien to the City's security interest.
- Proposal 2: Broadly amends the second sentence of Paragraph seven by allowing the borrower to extend or renew "any existing debt, which shall include increasing existing debt limits".
- Proposal 3: Bypasses the lien priority issue entirely by potentially having Alger Delta provide a letter of credit to secure the City's \$7,461.42 share of the project.

Recommendation:

Motion to proceed with proposal 1, adding clause to the end of Paragraph seven explicitly allowing the borrower to renew, extend, and increase the existing debt limits of mortgages held specifically by FFB, CFC, and CoBank, recorded in Delta, Menominee, Schoolcraft, Alger, Marquette, and Dickinson Counties. This increased debt limit would constitute a superior lien to the City's security interest.