



## Request for City Council Committee Action from the Department of

**Date:** June 3, 2014

**To:** Lisa Goodman, Chair, Community Development and Regulatory Services Committee

**Subject:** Approve an extension of contract and new funding for Minnesota Home Ownership Center

**Recommendation:** Approve the following:

1. An exception to the procurement policy to allow the City to contract with the Minnesota Home Ownership Center without following an RFP process;
2. Enter into a contract with the Minnesota Home Ownership Center in the amount of \$250,000 for the following:
  - a) homeownership counseling (\$75,000);
  - b) foreclosure prevention counseling (\$175,000);
  - c) approve the extension of the use of any unspent funds from the prior contract to the end of the term of the extended contract;
3. Authorize the appropriate City staff to enter into a new contract or contract extension with Minnesota Home Ownership Center and authorize appropriate staff to sign the necessary documents.

**Previous Directives:** The City has had an annual contract with the Home Ownership Center (HOC) for home ownership counseling services since 1992. It has also provided funding for foreclosure prevention through HOC since 1999.

### Department Information

Prepared by: Mark S. Anderson, Senior Contract Management Specialist

Approved by: Charles T. Lutz, Deputy Director \_\_\_\_\_

Cathy Polasky, Director, Economic Policy and Development \_\_\_\_\_

Presenter in Committee: Mark S. Anderson, x5289

### Reviews

- Permanent Review Committee (PRC): Approval X Date April 17, 2014

### Financial Impact

- The required funding of \$250,000 is contained in the appropriation for Mortgage Foreclosure Prevention Program in the 2014 CPED Adopted Budget.

### Community Impact

- This action is consistent with the City Goal: "High quality, affordable housing for all ages and stages in every community."

## Supporting Information

The Minnesota Home Ownership Center (HOC) is a unique organization that was created in 1992 by the Cities of Minneapolis and St. Paul, the Family Housing Fund, and area lenders. The HOC was created to develop and maintain a pre-purchase home ownership counseling curriculum which is now known as Home Stretch. The experience of the HOC in this area is well recognized and HOC now oversee services statewide.

Subsequent to HOC's development of the Home Stretch counseling curriculum and services, the HOC expanded its services to include counseling for homeowners who are at risk of or are now experiencing a home foreclosure.

Both the pre-purchase counseling and the foreclosure prevention counseling services are offered by the HOC through a network of counseling agencies whose knowledge and expertise is well recognized by the lending and real estate communities.

### General operating and pre-purchase counseling

The 2013 budget for these services was approved at \$95,000 and the HOC recommends decreasing this amount to \$75,000 for 2014 to maintain a funding balance between homebuyer and foreclosure prevention services. The HOC will continue to seek and is hoping to locate other grant funding to help maintain the overall level of service to Minneapolis which will help to maintain the progress made to reduce the number of foreclosures in the city.

The benefit to the City of providing resources for pre-purchase education and counseling is that it proves to be the best tool for ultimately preventing foreclosures. As an example of the value of the pre-purchase counseling, borrowers using the City's *CityLiving* home program are required to attend a Home Stretch educational workshop and some subsequently choose to attend personal financial counseling through the Home Stretch counseling agencies. Those who attend Home Stretch workshops have default and foreclosure rates that are approximately half of the national average.

In 2013, 827 homeowners living in Minneapolis completed a Home Stretch workshop. In addition, 381 homeowners participated in pre-purchase personal counseling.

Since 2004 the HOC has offered the Home Stretch workshops not only in English, but they have expanded the training to include Spanish and Hmong.

### Foreclosure Prevention Counseling

In 2013 the city provided \$265,000 to go toward these services through the HOC. The new funds recommended in this report would reduce that amount to \$175,000 for 2014 in recognition of the fact that foreclosures have dropped significantly for prior years. The HOC contracted network of counseling agencies for foreclosure prevention counseling includes:

Habitat for Humanity – English speaking

PRG, Inc. – African immigrants and African Americans

NeDA – Spanish speaking

In 2013, Minneapolis had 499 clients who participated in foreclosure prevention counseling which is a 23% decrease over 2012. The household breakdown is as follows:

Area Median Income Range	Percent of Households
0-50%	54%
51-80%	28%
81-100%	7%
Over 100%	7%
Income unknown	4%

Attached to this report is a map for 2012 showing foreclosures prevented in Minneapolis.

Planned usage for this new funding

The HOC plans to use the new funds and any funds carried forward to accomplish the following tasks as part of the 2014 contract.

- Continue to provide foreclosure counseling to owner-occupied households experiencing a housing crisis.
- Continue to monitor federal, investor and servicer programs providing alternatives to foreclosure so homeowners are aware of all available options.
- Continue and create new partnerships with leaders in cultural communities to establish the HOC as the trusted resource for homebuyers and homeowners.

General comments

To expand exposure to all HOC services, outreach is conducted through social media, traditional media, and to industry professionals to continue to raise awareness about the availability of homeownership services. Outreach is important to continue to reach out to consumers impacted by foreclosure, to continue to raise awareness about scams, and to ensure that consumers pursuing homeownership are prepared and empowered to make sound decisions.

In addition, HOC partners with Down Payment Resource to provide online access to information about down payment programs homebuyers may qualify for.

Carryforward of funding

There is a small amount of funding remaining from the 2013 contract year. Staff requests authorization to carry any remaining funds forward to allow it to be spent as part of the 2014 contract or contract extension.

Request for not issuing an RFP

The City normally requires that a request for proposal be issued for the purposes of establishing services to Minneapolis residents. The City Council previously requested that staff research this issue to determine if other organizations would compete for providing the services on behalf of the City. As we acknowledged in prior reports a survey of the counseling agencies that provide these services clearly demonstrates that none of them have the capacity to do this work. All of the organizations unanimously supported continuing to provide the services through the HOC. Therefore, staff is recommending that the City waive the required RFP process in this case.