



Request for City Council Committee Action from the Department of

Date: August 19, 2014
To: Lisa Goodman, Chair, Community Development and Regulatory Services Committee
Subject: Approval of change to fee for Greater Metropolitan Housing Corporation lending contract

Recommendation: For City of Minneapolis mortgage assistance and home improvement program lending services, approve the modified compensation proposed by Greater Metropolitan Housing Corporation which is outlined in this report.

Previous Directives: The City Council approved the compensation for both Greater Metropolitan Housing Corporation and Center for Energy and Environment lending services in July of 2013.

Department Information

Prepared by: Mark S. Anderson, Senior Contract Management Specialist
Approved by: Charles T. Lutz, Interim CPED Director _____
Cathy Polasky, Director, Economic Policy and Development _____
Presenter in Committee: Mark S. Anderson, x5289

Financial Impact

- Sufficient funding of \$810,000 is available in the appropriation for the Senior Housing Initiative and of \$305,000 for the Owner Occupied Housing in the 2014 CPED Adopted Budget.

Community Impact

This action is consistent with the City Goal: "High quality, affordable housing choices exist for all ages, incomes and circumstances."

Supporting Information

In July of 2013 the City Council approved both Greater Metropolitan Housing Corporation (GMHC) and Center for Energy and Environment (CEE) to serve as lenders on behalf of the City of Minneapolis for mortgage assistance and home improvement programs. Their selection was based upon the response of both organizations to an RFP released by the City.

CEE proposed a substantially lower compensation rate than was initially proposed by GMHC, despite only being able to originate home improvement loans. The evaluation committee recommended the acceptance of both service providers if they could agree on a mutual fee schedule. GMHC advised that they were willing to reduce their fees so that they could continue lending under these programs. Staff presented a report to the City

Council that approved both service providers and summarized the fee schedule that was mutually agreed upon.

When the final contracts were sent to these organizations, CEE advised staff that, due to changes to their business plan, they were withdrawing as a lender. GMHC has signed their contract and remains the sole lender for City mortgage assistance and home improvement programs.

GMHC is requesting that the current fees for these services be reconsidered citing two primary reasons. The first is that CEE withdrew their services prior to entering into a contract, thereby eliminating the impetus for GMHC to lower its fee to match CEE's. Secondly, GMHC has been the City's lender since 2004 and their proposed new fees, which are identified below, are lower than under previous contracts.

The fees for these services as previously approved were as follows:

Administrative charge for **all** programs:

- \$650 per closed loan

Additional charges for home improvement loans

- Certified property inspection \$400 per visit
- Post-install inspection \$70 per visit
- Property advisor visit \$225 per visit

The following are the proposed fees:

Administrative charge for mortgage assistance programs:

- \$1,000
- \$100 for each additional loan (if more than one loan is issued)

Administrative charge for home improvement loans (not federal funds)

- 10% of principal amount of loan; \$1,000 minimum with a maximum charge of \$1,500

Administrative charge for home improvement loans (federal funds)

- \$3,500
- \$350 charge for each additional loan(s) processed concurrently with the first loan to the same borrower

Federally funded home improvement loans are charged higher rates because they involve more staff time and extra steps in the process due primarily to lead and asbestos hazard mitigation requirements.

One additional point in favor of this change is that under the new fee schedule proposed by GMHC, they have established standard charges based upon the average cost of processing and closing these loans rather than imposing the more complicated set of additional charges identified under the current approved schedule. This will avoid any problems with monitoring and reporting on the individual staff charges.

At this time there are no other respondents to the RFP that could be considered to perform these services on behalf of the City. It is staff's opinion that the new fee schedule GMHC is proposing more closely represent the costs associated with performing these services and recommends that the City accept the proposed change in fees to better assure that GMHC will be able to continue to perform these services on behalf of the City.