

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 8/15/2016
From: Community Planning & Economic Development
Lead Staff: Mark S. Anderson, Senior Contract Management Specialist
Presented by: Mark S. Anderson
File Type: Action
Subcategory: Contract/Agreement

Subject:

Approval to enter into a contract with Greater Metropolitan Housing Corporation to provide lender/administrator services for City loan programs

Description:

Approving the following:

1. Authorizing a contract with Greater Metropolitan Housing Corporation (GMHC) to serve as the City's lender and administrator for mortgage assistance and home improvement programs, for the period from August 1, 2016 through July 31, 2017.
2. Authorizing staff to bring back to the City Council a report to extend the contract for up to an additional two years without issuing a new request for proposal.
3. Authorizing an extension of a \$750,000 loan between GMHC and the City of Minneapolis through July 31, 2017.

Previous Actions:

The City has executed contracts for these services with GMHC since 2003. The last City Council approval occurred on August 2, 2013.

Ward/Address:

All Wards

Background/Analysis:

Lender Approval

In 2003 the City outsourced all of its lending and loan administration services in an effort to reduce costs for its various mortgage assistance and home improvement loan programs. The contracts have generally been for a term of three years, at which time a new Request for Proposal (RFP) is released to seek new proposals and to offer opportunities for other organizations to competitively bid to provide these services.

On May 26, 2016, the City released a new RFP and received only one response which came from GMHC. Their proposal was as follows:

Category	Pricing
Mortgage assistance loans	\$1,200 per loan
Non-federally funded home improvement loans	Per loan – 10% of loan amount with \$1,000 minimum charge and \$1,500 maximum charge

Federally funded home improvement loans	\$4,200 per loan
Lead testing	\$595 per test
Fees normally charged to the borrower:	
◦ Credit report – single person	\$15
◦ Credit report – married couple	\$20
◦ Recording fees	\$46
◦ Owners & Encumbrance Report	\$100

GMHC has been the lender providing these services for the City since they were first outsourced in 2003. Staff has been pleased with the quality of their work and has found them to be very responsive in the delivery of the services and when their assistance is needed beyond the basic scope of the contract.

The costs outlined above are higher than in their last contract, and they have indicated that this is due to the fact that their costs for administration and overhead have increased over time. They have not previously increased these costs in RFPs, but they indicated that they now must do so in order to continue to provide these services.

With this approval, the City will enter into a master contract with GMHC to serve as the City's primary lender for the City's mortgage assistance and home improvement programs. The City Council will subsequently be requested to approve separate sub-contracts for each program as it is made available to the public. These program contracts will identify the amount of program dollars available and the amount of administrative dollars that are being set aside to pay the administrative costs identified above.

The original language in the RFP indicated that this would be a three year contract. Staff is requesting that the City award this contract to GMHC with a term of one year ending July 31, 2017 and that the approval allow for an extension of the contract for a period up to two additional years without releasing a new RFP provided that the City Council gives its consent to the extension.

Loan Extension

Staff is also recommending approval of a one year extension of a \$750,000 loan that the City made to GMHC. This \$750,000 has been deposited by GMHC into a dedicated "line-of-credit" account, which provides interim financing for GMHC to close the program loans. After the program loan closes, GMHC then invoices the City to be reimbursed for the amount of the closed loan. The City uses the actual program funds to pay the invoice and GMHC then deposits those funds back into the line-of-credit account. This line-of-credit loan is at zero percent interest which helps to keep the lending costs as low as possible.

Financial Review:

Select financial statement.

Approved by the Permanent Review Committee.