



## **Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED**

Date: June 19, 2007

To: Council Member Lisa Goodman, Chair, Community Development Committee

**Subject:** Approval of provider of CPED mortgage and home improvement lending services

**Recommendation:** Approve entering into a three year term contract with Greater Metropolitan Housing Corporation to provide ongoing CPED lending services and give the CPED Director the authority to extend that contract for an additional three years if services meet CPED expectations

**Previous Directives:** In 2003 the MCDA Board approved a contract with Greater Metropolitan Housing Corporation to permit them to do direct lending for some of CPED's mortgage and home improvement programs. In April of 2007 the Council authorized the release of an RFP so that CPED may continue to engage an outside lender.

Prepared by: Mark S. Anderson, Senior Contract Management Specialist Approved by: Elizabeth Ryan, Director Housing Policy & Development _____ Presenters in Committee: Mark S. Anderson – 673-5289
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### **Reviews**

Permanent Review Committee (PRC): Approval X Date March 8, 2007

### **Financial Impact**

X Action is within the Business Plan

### **Community Impact**

City Goals – A Safe Place to Call Home – In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

### **Supporting Information**

In 2003 the MCDA/City made the business decision to outsource all of its mortgage and home improvement lending services to outside lenders. Staff sent out a request for proposal (RFP) and received back four responses from potential providers of lending

services. The responses were summarized and presented to the MCDA Board which approved a contract with the Greater Metropolitan Housing Corporation (GMHC). The term of the contract was for two years with the ability to extend the contract for another two years provided the CPED Director approved the extension.

The current lending contract with GMHC is scheduled to expire on July 31, 2007; however, the need for lending services is expected to continue in support of federal, state, and locally funded home improvement programs and the American Dream Downpayment Initiative program which uses federal HOME funds. Staff also anticipates that there will be other multifamily and single family homebuyer assistance and gap financing products that will be originated in connection with the various housing development projects. In anticipation of this continuing need for lending services, staff recommended that the City Council authorize the release of another RFP which it did in April of this year.

The RFP was released in mid-April and CPED received three responses. The respondents were:

Neighborhood Housing Services of Minneapolis (NHS)

Center for Energy and Environment (CEE)

Greater Metropolitan Housing Corporation (GMHC)

The responses were submitted to a committee to review in the context of selection criteria outlined in the RFP which were as follows:

1. The quality, thoroughness, and clarity of the Proposal and the extent to which it demonstrates an understanding of the Scope of Services.
2. The past performance of the Proposer in the delivery of services and meeting time deadlines while working with the City or any other entity will be an important consideration during the evaluation.
3. The past experience and current ability of the firm and proposed project staff in conducting similar home improvement lending services and in working with governmental agencies.
4. The ability to complete the Scope of Services within time parameters after Agreement execution.
5. Organization and management approach and involvement for a successful project. Although the proposed fee (and willingness to negotiate the fee) for the Scope of Services is important in this decision, primary consideration will be given to (b) and (c) above.
6. Compliance with the Small & Underutilized Business Program (SUBP), Affirmative Action Requirements, and all other requirements outlined in this RFP.

Based upon a review by a selection committee, it was decided that NHS should not be considered to provide these services. The RFP response document provided by NHS suggests that their lending capacity and staffing was not as substantial as either CEE or GMHC. More importantly, NHS has had a contract with CPED for over three years now to expend \$50,000 in CDBG funding and has not taken a single draw on the funds. Several communications with them failed to receive a response and has not brought about the desired expenditure of the funds for eligible home improvement loans.

Based upon those facts, the committee determined that the contract should be awarded to either GMHC or CEE. The decision as to who should be selected rested on the following considerations which are part of the selection criteria:

Which respondent was most able to deliver the services requested?

The committee felt that both firms had the knowledge and experience to deliver the services requested; however, it was felt that GMHC had a stronger delivery capability based upon the fact that they have three Minneapolis office locations and two additional locations in Roseville and St. Paul. They have adequate staffing in each location that is able to deliver the services requested and the locations make it more convenient to Minneapolis borrowers.

Which respondent has the best history of providing these services in terms of quality of work, timeliness of performance, accuracy in the preparation of materials, and responsiveness to staff concerns based upon past experience with CPED?

During the life of their lending contract GMHC has had issues that have come up, but in each and every case the GMHC staff has been responsive and timely in correcting any problems. In addition, during an audit of CPED's HUD financed programs GMHC proactively requested that HUD also review their programs and processes to ensure that all of HUD's concerns are being properly addressed and that their materials are fully compliant with HUD requirements. GMHC's lending contract is also very complex because of the number of funding sources and variety of services they are providing, yet every month their funding requests are clear, concise and accurate in all details. Their submissions are complete, well organized, and accurately done.

By contrast, staff interactions with CEE have not been as productive. The most recent example is a request for documents associated with a CPED-funded loan product for which they are the administrator. On October 6, 2006 staff requested that the loan packages be forwarded to our offices for safekeeping. Many inquiries occurred in the interim, but nothing was received until the end of January 2007. Staff reviewed the submission and in February sent out a deficiency notice identifying items that were missing. A month and a half later, CEE sent in additional items, but failed to submit the original promissory notes for those loan files. The promissory note is legally the most important document in the lending process. Staff has been in contact with CEE and has yet to receive the promissory notes.

Which respondent offers the best price for the services requested?

The RFP clearly states that pricing is a secondary consideration to the other two areas of consideration. Nevertheless, pricing is to be considered if all other factors remain relatively equal. CEE's charge for services is 10% of the overall contract amount whereas GMHC has requested an increase from their current contract charge of 10% to a new rate of 13%. GMHC has given clear reasons for the rise in the amount of their fee for services that considers their past expenses and cost of doing business under the existing lending contract. GMHC has indicated that they are willing to revisit the 13% figure, but the committee has used the 13% figure for evaluation purposes. Considering the comparison of charges CEE clearly would charge the least amount.

Considering the above comments from the committee evaluation, staff is recommending that GMHC again be approved as the CPED lender for mortgage assistance and home improvement programs. They have performed well under the current contract. The work of GMHC was instrumental in the City obtaining MHFA Community Revitalization Funds for home improvement programs last fall. They have been willing to go above and beyond the terms of the contract to accommodate the needs of the City. GMHC has shown a clear capacity to provide quality service and has demonstrated a strong willingness to assure that the service they do provide is done accurately and in a timely manner

While GMHC's stated fee for services is higher than CEE's fee, this fee is a secondary consideration to the overall service they provide based upon the selection criteria in the RFP. In addition, there is a cost of transitioning this business over to another lender. The new lender would be required to learn the programs, understand the business processes, and gain an understanding of the City's needs. This learning curve mitigates at least some of the cost difference.

Staff recommends that the Council approve GMHC for a three year contract and also recommends that the Council authorize the CPED Director to approve an extension for an additional three years provided GMHC continues to meet the City's lending expectation for accuracy in the preparation of documentation, timeliness in the delivery of service, cooperation in seeking new funding sources, and quality of the overall service.