



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

Date: July 23, 2013  
To: Council Member Lisa Goodman, Chair, Community Development Committee  
Subject: Approval to enter into contracts with Greater Metropolitan Housing Corporation and Center for Energy and Environment to become lenders for City loan programs

**Recommendation:**

- Approve entering into a contract with Greater Metropolitan Housing Corporation to do lending for both mortgage assistance and home improvement programs;
- Approve entering into a contract with Center for Energy and Environment to do lending under the City’s home improvement programs and to do lending for mortgage assistance programs if they become certified by the FHA as discussed in this report;
- Authorize the appropriate city officials to execute the contracts;
- Authorize the Director of Community Planning and Economic Development to approve a three year extension to these contracts at the end of the initial three year contract period, provided the costs and services remain consistent and acceptable
- Authorize the Director of Community Planning and Economic Development to approve modifications to adjust for changes in the market conditions.

**Previous Directives:** The City of Minneapolis has had a contract with an outside lender since 2003.

Prepared by: Mark S. Anderson, Senior Contract Management Specialist  
 Approved by: Thomas Streitz, Director of Housing Policy and Development \_\_\_\_\_  
                   Charles T. Lutz, Deputy Director \_\_\_\_\_  
 Presenter in Committee: Mark S. Anderson

**Reviews**

- Permanent Review Committee (PRC): Approval  X  Date  May 2, 2013
- Civil Rights Approval Approval  X  Date  April 22, 2013

**Financial Impact**

- No financial impact
- Action is within the Business Plan

## **Supporting Information**

In 2003, the Director of CPED made a business decision to go out with a Request for Proposal (RFP) for lending services to replace work that was previously done by the Residential Finance division of CPED. Since that time all programs for home mortgage assistance and home improvement loans, including home improvement loans funded through the Department of Health and Family Support have been originated through one outside lender. The current contract will is scheduled to expire at the end of July.

CPED staff has prepared an RFP which was released on April 26, 2013 and was due back May 24, 2013. Two companies responded and they were the Center for Energy and Environment and Greater Metropolitan Housing Corporation.

### Center for Energy and Environment (CEE)

CEE is a non-profit 501(c)(3) corporation started in 1979. CEE originated over \$8 million per year for over 750 home loans. They have invested over \$120 million in the Twin Cities metropolitan area. CEE has served as the NRP program administrator for 35 Minneapolis neighborhoods and they indicate that they have also been a program administrator for over seven suburban communities. CEE is also one of the largest lenders for the Minnesota Housing Finance Agency's home improvement programs.

While CEE is very experienced in this area of lending, one important part of the City's lending is the mortgage assistance programs. If a borrower seeks a mortgage that will be insured by the Federal Housing Administration (FHA), FHA requires that administrators such as CEE (and GMHC) go through a certification process every two years before they can administer loan programs for governmental bodies such as the City of Minneapolis. CEE is not presently certified by FHA and is not seeking that certification.

### Greater Metropolitan Housing Corporation (GMHC)

GMHC is a non-profit 501(c)(3) corporation started in 1970. In 1995, GMHC departed from their usual business of only developing housing when they created Housing Resource Centers to bring state and local housing programs and services to residents in the neighborhoods in the various communities they serve. GMHC has been the program administrator for 40 NRP programs in Minneapolis. They are also the program administrator for three counties and three suburban communities. They have originated more than 9,000 loans for over \$54,000,000. GMHC has been the City's designated lender since 2003 until present. GMHC has been through the FHA certification process and is actively pursuing the two-year certification renewal process.

### Pricing

Both GMHC and CEE agreed to base pricing for this contract as listed below:

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

### Staff Recommendation

The RFP evaluation group looked at the long history of both organizations and determined that they were relatively equivalent in their knowledge and experience working with government-funded programs. They also felt that engaging both organizations could benefit the City by providing greater access to the City's programs. However, while GMHC has sought and been certified by FHA to administer the City's mortgage assistance programs, CEE has advised staff that they will not be seeking FHA certification at the present time. Based on CEE's decision not to seek FHA certification, staff is recommending the following:

- That GMHC be approved to do lending for both mortgage assistance and home improvement programs, and
- That CEE be approved to do lending under the City's home improvement programs and to do lending for mortgage assistance programs if and when they become certified by FHA.

Staff is also recommending that the City Council authorize the Director of CPED to extend this contract an additional three years after the first three years are completed provided that both GMHC and CEE's costs and services remain consistent and acceptable, and that the Director also be authorized to approve modifications to adjust for changes in the market conditions.