



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

Date: September 24, 2013

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

Subject: Approval of a loan to Greater Metropolitan Housing Corporation

Recommendation: Approve an extension of the \$750,000 line-of-credit with Greater Metropolitan Housing Corporation to July 31, 2016.

Previous Directives: In 2009 the City Council approved a \$750,000 loan to Greater Metropolitan Housing Corporation to be used as a line of credit for interim financing to originate mortgage assistance and home improvement loans.

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

Financial Impact

X No financial impact

Neighborhood Notification: Not required

City Goals: High-quality, affordable housing for all ages and stages in every neighborhood.

Supporting Information

The City Council approved entering into a new agreement with Greater Metropolitan Housing Corporation (GMHC) to allow them to continue to provide mortgage and home improvement lending services. Under the terms of our lending agreement, GMHC is required to originate loans and then the City reimburses them out of program funds that are specific to the program under which the loan was originated.

Unfortunately, all of these lending and development efforts along with the difficult economy have continued to place financial stress on GMHC that has kept them within their liquidity limits. GMHC simply does not have the cash freed up to be able to continue to front the funds for the mortgage assistance and home improvement loans they originate and then have to hold onto those loans until they get reimbursed by the City out of the program dollars.

One solution for GMHC has considered was to enter into a line-of-credit through a bank, but current lending rates range anywhere from 5% to 8% depending upon many considerations of the bank. This also places greater financial burden on GMHC who would then have to increase its charges to the City to cover the bank's interest charges.

The solution offered by the City beginning in 2009 was to provide GMHC with a loan that served as a line-of-credit. GMHC in essence borrowed from that line of credit until the loans were purchased with program dollars at which point the money was returned to the line of credit.

This solution has worked well since 2009 and the loan has never been in default. As part of any extension of this loan GMHC would continue to accept the following terms:

- The loan funds may only be used to close mortgage or home improvement loans for the City of Minneapolis;
- GMHC would maintain the \$750,000 in a separate "Loan Account";
- Funds may be drawn from the Loan Account to finance the closing of a mortgage assistance or home improvement loan under a City of Minneapolis program;
- At the request of staff, GMHC must supply copies of the monthly statements for the Loan Account so maintain oversight of the use and repayment of funds;
- The \$750,000 would be returned to the City when it matures unless it is formally extended by the City.

Staff is recommending that the term of the agreement extend to July 31, 2016 which is the end date of the current lending agreement with GMHC.