

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

Date: March 22, 2010

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

Subject: Approval to enter into a 2011 Minnesota Home Ownership Center contract and to extend any remaining funds from 2010

Recommendation:

Approve the following:

1. An exception to the procurement policy to allow the City to extend the contract with the Minnesota Home Ownership Center without following an RFP process;
2. Extending a contract with the Minnesota Home Ownership Center to add \$415,000 for the following:
 - a) homeownership counseling (\$98,000);
 - b) foreclosure prevention counseling (\$317,000);
3. Authorize the extension of the contract together with the carryforward of remaining funds, if any, covered under the 2010 contract.

Previous Directives: The City has had an annual contract with the Home Ownership Center (HOC) for home ownership counseling services since 1992. It has also provided funding for foreclosure prevention through HOC since 1999.

Prepared by: Mark 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 Anderson

Financial Impact

 X Action is within the Business Plan

Supporting Information

Maintaining services with the HOC

Last year, when the staff presented the City Council report at the Community Development Committee, concerns were expressed by some Council Members that staff should consider going out with a Request for Proposal for these services. Attached to this report as Exhibit A is a detailed list provided by the HOC at the request of staff which offers greater details regarding the services they provide.

At the request of the Council Members and to provide greater assurance that the City is, in fact, getting the most benefit for the funds provided, staff sought input from other counseling entities to determine their capacity to provide the same services. Questions that were asked covered the following:

1. Their staffing capacity to handle these services.

2. Their relationship with other counseling agencies and ability to enter into contracts to maintain the current level of service to Minneapolis homeowners and home buyers.
3. The steps they would need to take to perform these services.
4. Their ability to deliver the services in the same manner and at the same level as HOC.
5. The methods they use to stay current on the laws and practices of the lending industry and counseling services in general.
6. Would they respond to an RFP.
7. Finally, the degree of opinion they have about pursuing an RFP when the HOC already exists to provide these services.

The following is a summary of the results from that survey:

- There is no other entity that currently has the capacity to provide these services and none of them indicated that they would even respond if an RFP was released.
- If the City were to require that this contract be given to another entity, it would likely increase the cost of the services because the organization would be performing dual reporting; one for the services provided exclusively to Minneapolis and the other for services provided outside of Minneapolis.
- The counselors would still be using the curriculum set up and maintained by the HOC who provides this on a statewide basis. They also use the HOC's services to stay up to date about the laws and practices of the industry.
- All the counseling entities currently work cooperatively with the HOC and have active reporting and monitoring systems established through that organization.
- Any new organization taking over these functions would have to gear up to do so, increasing their staff and developing administrative systems to assure compliance with the City's monitoring and reporting requirements.
- The HOC uses not only the funds from the City, but also leverages funds from other sources to support the counseling that now serves the Minneapolis home owners and home buyers. Splitting these services up is significantly less efficient and will likely reduce the benefits Minneapolis currently realizes.
- When responding to questions above, the representative from NeDA (Neighborhood Development Alliance) felt strongly that it would be a huge mistake to move away from the HOC stating, "I think Minneapolis would be hard pressed to find an organization that can take over the coordination and administration of counseling services for Minneapolis. I think it should be reinforced that HOC is a state-wide agency and any attempts to break off one municipality will probably result in increasing administrative costs."

The HOC is a unique organization created by the Cities of Minneapolis and St. Paul, the Family Housing Fund, and area lenders in 1992 for the exclusive purpose they now serve. Over the years of working with the HOC staff has been aware of no other organization in the state or nationally that manages the training curriculum, the educational services, and provides the oversight now provided through the HOC. The current network of counseling agencies is well established and is recognized by the lending and real estate communities and any action taken would be duplicative and would very likely increase the cost of services. Unlike the typical experience with for-

profit companies, the counseling agencies work cooperatively and support the overall goal of home ownership training and foreclosure prevention with the HOC as the central organization.

Staff feels that it is in the best interest of the City to maintain the current arrangement with the HOC and does not recommend moving these services away from them as a method of expanding services or reducing costs.

General operating and pre-purchase counseling

The 2010 budget for these services was approved at \$125,000. The amount identified in the 2011 budget for foreclosure prevention services has been reduced and as a result the HOC requested to reduce the amount designated for general operating and pre-purchase counseling to \$98,000 in order to allow as much of the total funding as possible to go toward foreclosure prevention counseling which is the greatest need at this time. The HOC will continue to seek and is hoping to locate other grant funding to help maintain the overall level of service to Minneapolis.

The benefit to the City of providing resources for pre-purchase education and counseling is that it proves to be the best tool for ultimately preventing foreclosures. As an example of the value of the pre-purchase counseling, borrowers using the City's *CityLiving* home program who have received this counseling have default and foreclosure rates that are approximately half of the national average.

In 2010, 1151 homeowners living in Minneapolis completed a Home Stretch workshop which is an increase of 17% over the prior year. In addition, 281 homeowners participated in pre-purchase personal counseling which is an increase of 29% over the prior year.

Since 2004 the HOC has offered the Home Stretch workshops not only in English, but they have expanded the training to include Spanish and Hmong.

Foreclosure Prevention Counseling

In 1992, the Cities worked with the HOC expanded their services to include foreclosure prevention counseling services. These services eventually expanded so they provide State funded services throughout greater Minnesota. The services are provided through a network of HOC's partners and for Minneapolis the partners are:

Habitat for Humanity – English speaking

NHS of Minneapolis – Hmong speaking

PRG, Inc. – African immigrants and African Americans

NeDA – Spanish speaking

In 2010, Minneapolis had 892 clients who participated in foreclosure prevention counseling. The household breakdown is as follows:

Area Median Income Range	#	Percent of Households
0-50%	576	65%
51-80%	227	25%
81-100%	52	6%
Over 100%	37	4%

Attached to this report are maps for 2009 and 2010 showing foreclosures prevented in Minneapolis.

The HOC plans to use the new funds and any funds carried forward to accomplish the following tasks as part of the 2011 contract.

- Continue to provide foreclosure counseling to owner-occupied households experiencing a housing crisis.
- Continue and create new partnerships with leaders in cultural communities to establish the HOC as the trusted resource for homebuyers and homeowners.
- Funding for foreclosure counseling from the City of Minneapolis has and will help leverage “re-housing” grant sources that will be used to provide relocation cost assistance to owner-occupied households that experienced foreclosure. The goal of this program is to prevent homelessness and the costs homeowners and communities incur due to homelessness.
- City funding is also leveraging support for an outreach campaign to warn homeowners about a variety of scams, including for-profit loan modification companies. This campaign will target the hardest hit communities including immigrant and other communities of color.

On the pre-purchase side HOC is developing a “triage” model that will route potential homebuyers to the most appropriate services given their unique circumstances, whether it is the Home Stretch workshop, one-on-one counseling or more in-depth financial literacy.

- The Center is also exploring opportunities to utilize technology more for pre-purchase services including additional online resources (like the recently added entry-cost assistance matrix), and interactive education tools.

Finally, the HOC expects to fully expend all of the funds remaining in the 2010 contract, however, if any funds remain unspent staff requests authorization to carry any remaining funds forward to allow it to be spent as part of the 2011 contract. The 2011 funds for this contract have already been appropriated as part of the 2011 budget process.