



- City Council
- City-Wide
- Department

Approved: 5/27/2021
Revised

HOUSING IMPROVEMENT AREA POLICY

1. PURPOSE

- 1.01 The purpose of this policy is to establish the City of Edina and its Housing and Redevelopment Authority's (HRA) position relating to the use of Housing Improvement Area (HIA) financing for private townhome and condominium housing improvements. This policy shall be used as a guide in processing and reviewing applications requesting HIA financing.
- 1.02 The City/HRA shall have the option of amending or waiving sections of this policy when determined necessary or appropriate.

2. AUTHORITY

- 2.01 The City/HRA has the authority to establish HIAs under 1994 Minnesota Laws, Chapter 587, Article 9, Section 22 through 31, and extended in 2000, M.S. Section 428A.11 to 428A.21. Such authority expires June 30, 2028, unless extended by the legislature.
- 2.02 Within a HIA, the City/HRA has the authority to:
 - A. Make housing improvements.
 - B. Levy fees and assessments, including interest.
 - C. Issue bonds or use other funds to pay for improvements.
- 2.03 The City/HRA has the authority to review each HIA request, which includes petition, scope of improvements, association's finances, long term financial plan, and membership support.

3. ELIGIBLE USES OF HIA FINANCING

- 3.01 As a matter of adopted policy, the City/HRA will consider using HIA financing to assist private property owners only in those circumstances in which the proposed private project addresses one or more of the following goals:
 - A. To promote neighborhood stabilization and revitalization by the removal of blight and/or the upgrading of the existing housing stock in a neighborhood.

- B. To correct housing or building code violations as identified by the City Building Official.
- C. To maintain or obtain FHA mortgage eligibility for a particular condominium or townhome association within the designated HIA.
- D. To increase or prevent the loss of the tax base of the City to ensure the long-term ability of the City to provide adequate services for its residents.
- E. To preserve naturally occurring affordable housing.
- F. To preserve a variety of housing styles and values within the community
- G. To stabilize or increase the owner-occupancy level within a neighborhood or association.
- H. To meet other uses of public policy, as adopted by the City from time to time, including promotion of quality urban design, quality architectural design, energy conservation, decreasing the capital and operating costs of local government, etc.

4. HIA APPROVAL CRITERIA

4.01 All HIA financed through the City/HRA shall meet the following minimum approval criteria. However, it should not be presumed that a project meeting these criteria would automatically be approved. Meeting these criteria creates no contractual rights on the part of the City/HRA or any association.

- A. The project must be in accordance with the Comprehensive Plan and Zoning Ordinances or required changes to the Plan and Ordinances must be under active consideration by the City/HRA at the time of approval.
- B. The HIA financing shall be provided within applicable state legislative restrictions, debt limit guidelines, and other appropriate financial requirements and policies.
- C. HIA financial assistance is last resort financing and should not be provided to projects that have the financial feasibility to proceed without the benefit of HIA financing. Evidence that the association has sought other financing for the project should be provided and should include an explanation and verification that an assessment by the association is not feasible along with at least two letters from private lenders or other evidence indicating a lack of financing options.

D. The project shall meet one or more of the above adopted HIA Goals of the City/HRA as noted in Section 3.01.

E. The association shall designate an administrator who will be the City's point of contact throughout the improvement project.

F. The term of the HIA should be the shortest term possible while still making the annual fee affordable to the association members. The term of any bonds or other debt incurred for the area should mature in 20 years or less, or the improvements useful lifespan, whichever is less. The par amount of any bonds shall not be less than \$250,000. The City/HRA may determine to provide other sources of financing in lieu of issuance of bonds.

G. Service charges (including, but not limited to, construction/improvement costs, cost of issuance of bonds and other pertinent costs associated with the project) will be imposed on the owners in the same ratio as common elements or other such uniform methods as proposed by the applicant.

H. The association in a HIA shall provide adequate financial guarantees to ensure the repayment of the HIA financing and the performance of the administrative requirements of the development agreement. Financial guarantees may include but not limited to the pledge of the association's assets including reserves, operating funds and/or property.

I. The proposed project, including the use of HIA financing, shall be supported by at least 70% of the owners within the association. The association should include the results of a membership vote along with the petitions to create the area.

J. The association must have adopted a financial plan that provides for the Association to finance maintenance and operation of the common elements within the Association and a long-range plan to conduct and finance capital improvements therein, which does not rely upon the subsequent use of the HIA tool.

K. The association must have a replacement reserve study (the "Reserve Study") conducted by an independent third party with designation as a Community Associations Institute (CAI) certified reserve specialist. The Reserve Study must conform to CAI Reserve Study standards. The components of the proposed improvements must normally come from the Reserve Study. The Reserve Study must include a thirty-year replacement reserve plan (the "Reserve Plan"), and the Reserve Study and Reserve Plan must be submitted with the application and will be reviewed by the City's

Financial Advisor. The association must also have an independent third party prepare a thirty-year reserve plan (the “HIA Reserve Plan”) with the proposed components removed from the Reserve Plan. The independent third party must also prepare a thirty-year financial plan (the “Financial Plan”) that reflects the annual replacement reserve contributions based on the HIA Reserve Plan. The Financial Plan will provide a plan for the association’s operating budget with cost increases over time. The HIA Reserve Plan and the Financial Plan must be submitted with the application and will be reviewed by the City’s Financial Advisor.

L. The association shall obtain temporary construction financing from a private lender, and the City/HRA shall provide a take-out commitment to the lender, detailing the terms for the payoff of the construction financing. Upon project approval and issuance of certificate of completion, the City will issue bonds or notes to satisfy the temporary construction loan.

M. The homeowner’s association must be willing to enter into a development agreement, drafted by the City/HRA, which may include, but not limited to, the following terms:

- establishment of a reserve fund
- staffing requirements
- annual reporting requirements
- conditions of disbursement
- required dues increases
- notification to new owners of levied fees
- assessments, including interest and City/HRA fees

N. The improvements financed through the HIA should primarily be exterior improvements and other improvements integral to the operation of the project, e.g., boilers. In the case of a homeowner’s association, the improvements should be restricted to common areas and must be of a permanent nature. The association must have a third party conduct a facility needs assessment to determine and prioritize the scope of improvements.

O. HIA financing should not be provided to those projects that fail to meet good public policy criteria as determined by the City/HRA, including: poor project quality; projects that are not in accord with the Comprehensive Plan, zoning, redevelopment plans, and the City/HRA policies; projects that provide no significant improvement to the neighborhood and/or the City; and projects that do not provide a significant increase in the tax base and/or prevent the loss of tax base.

P. The financial structure of the project must receive a favorable review by the

City's Director of Finance, Financial Advisor and legal components will include a review by the City/HRA's legal counsel. The review will include a review of performance and level of outstanding debt of previous HIAs.

Q. If bonds are to be issued, legal components will be reviewed by the City/HRA bond counsel.

R. All rental units within the HIA must be licensed according to Edina ordinance.

S. The association is to submit an application along with a \$500.00 non-refundable application fee, as set from time to time by resolution of the City Council.

T. The City/HRA will charge an administrative fee of 1% of the total project amount, or \$7,500, whichever is greater. In addition, the Association is responsible for all City/HRA out of pocket expenses with an initial escrow deposit of \$10,000. [This amount can be financed with the project costs.] Any unused portion of the escrow shall be refundable to the Association.

U. The City Council/HRA reserves the rights to deny funding for specific improvements if they are determined not to be in keeping with the intent of the policy.

Adopted by the Edina Housing and Redevelopment Authority on the _____ day of _____ 2021.

Adopted by the City of Edina City Council on the _____ day of _____ 2021.