

HOUSING IMPROVEMENT AREA POLICY

I. PURPOSE AND NEED FOR POLICY

The purpose of this policy is to establish the City's position relating to the use of Housing Improvement Area (HIA) financing for private housing improvements. The City has worked through the Governance Process to develop this policy. This policy is the result of rigorous research, review, and thought by the City Council, city staff, and participating associations. This policy shall be used as a guide in processing and reviewing applications requesting HIA financing. The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate. The City shall have the right to approve or deny an HIA application for any reason, including but not limited to public policy considerations, financial considerations, previous HIA debt, or the extent or quality of a proposed project.

II. POLICY

A. ELIGIBLE USES OF HIA FINANCING

As a matter of adopted policy, the City of Burnsville will consider using HIA financing to assist private property owners only in those circumstances in which the proposed private projects address one or more of the following goals:

1. To promote neighborhood stabilization and revitalization by the removal of blight and/or the upgrading of the existing housing stock in a neighborhood.
2. To correct housing or building code violations as identified by the City Building Official.
3. To maintain or obtain FHA mortgage eligibility for a particular condominium or townhome association within the designated HIA.
4. To increase or prevent the loss of the tax base of the City.
5. To stabilize or increase the owner-occupancy level within a neighborhood or association.
6. To meet an objective of the Ends and Outcomes as adopted by the City of Burnsville.
7. HIA APPROVAL CRITERIA
8. All HIA financed through the City of Burnsville should 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 any association.
9. The HIA is established for a private townhome or condominium association.

10. 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 at the time of approval.
11. The HIA financing shall be provided within applicable state legislative restrictions, debt limit guidelines, and other appropriate financial requirements and policies.
12. The project should meet one or more of the above adopted HIA Goals of the City of Burnsville.
13. The term of the HIA shall 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 shall mature in 20 years or less.
14. The association in a HIA may be required to 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 are not limited to the pledge of the association's assets including reserves, operating funds and/or property.
15. The proposed project, including the use of HIA financing, must be supported by a majority of the owners within the association via a petition. The petition is to be approved by the City prior to circulation and shall include the project description, costs, timeline, and fees to be imposed on each owner. The association should include the results of a membership vote along with the petitions to create the area.
16. The Association must have adopted a financial plan that provides for the Association to finance maintenance, operation and depreciation 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.
17. HIA financial assistance is last resort financing and should not be provided to projects that have the financial ability 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 letters from private lenders or other evidence indicating a lack of financing options. Evidence from at least 2 sources (financial institutions) is required.
18. The association must be willing to enter into a development agreement, which may include, but is not limited to, the following terms:
 - a) amendment of by-laws, declaration or covenants
 - b) professional association management
 - c) maintenance schedule (Long Term Capital Plan)

- d) establishment of a reserve fund
 - e) annual reporting requirements
 - f) conditions of disbursement
 - g) required dues increases
 - h) notification to new owners of levied fees
 - i) third party professional assistance for preparation of construction bid documents and field verification of compliance with construction contracts
 - j) preparation of construction documents which include performance and payment bonds and three year warranties
 - k) maintenance of contractors performance guarantee for the work
19. The improvements financed through the HIA should primarily be exterior improvements and other improvements integral to the operation of the project, e.g. shared heating equipment, and other common elements. The improvements must be of a permanent nature. Improvements may include, but are not limited to: driveway and parking lots, curb, gutter, sidewalks, retaining walls, exterior light fixtures, roofs, siding, etc.
20. The association shall have construction estimates and bid documents prepared by a duly licensed architect to obtain a minimum of three construction bids from licensed contractors. A contract between the association and the contractor and a contract between association and the architect is required. The city shall review and approve the contracts. The selected construction contractor must provide performance and payment bonds to the association naming the City as co-obligee and furnish proof of insurance certificates naming the City as a co-insured with limits as specified in the construction bid documents.
21. A third party architect/engineer/inspector must be used to inspect the construction and provide updates to the city as to the progress of construction.
22. HIA financing should not be provided to those projects that fail to meet good public policy criteria as determined by the Council, including: poor project quality; projects that are not in accord with the Comprehensive Plan, zoning, redevelopment plans, and the City 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.
23. The financial structure of the project should receive a favorable review by the City. The review will include a review of existing debt and financial performance.

24. The average market value of units in the association should not exceed the maximum home purchase price for existing homes under the State's first time homebuyer program. (In 2004, the metro amount is \$204,183)
25. The County must verify acceptance of the City's resolution and agree to comply with MS 428.

III. PROCEDURE

- A. The potential applicant shall meet with appropriate City staff to discuss the HIA process, scope of the project, member participation, time schedule and other information as may be necessary. The HIA Process is detailed on the attached flow chart.
- B. The applicant shall complete the Application for the Establishment of Housing Improvement Area. The form should be submitted to the Planning Department along with the other required documents, including a detailed estimate of project costs prepared by a duly licensed architect, a copy of the contract with architect, and a fee payment in the amount established from time to time by city policy.
- C. The request shall be reviewed by City staff on a preliminary basis as to the feasibility of the project.
- D. Staff will prepare a report for the City Council and the applicant which will include a financial and legal analysis of the project.
- E. If the proposal receives a favorable review by City Council, the association must then submit the required petitions (minimum of 51% of owners must sign petition form.) The petition must include specific information about the proposed project, costs not to exceed amounts, timeline, and fees imposed on each owner. The city must approve the petition prior to circulation for signatures. At the time the petitions are received, the City must have the final Association Financial Plan which identifies how both maintenance and operation of the common elements will be paid for a long-range plan to conduct and finance capital improvements. The association must submit any remaining documents including bid documents prepared by a duly licensed architect, a minimum of three construction bids from licensed contractors, and a copy of the construction contract.
- F. Upon receipt of an adequate number of valid petitions, the City will have the Plan for the HIA and the proposed Development Agreement prepared.
- G. The City will schedule public hearings on the creation of the district and the setting of the fees (two separate public hearings may be required.)
- H. The City Council will approve or deny the creation of the HIA and the associated fees. If approved, the Development Agreement will be executed subject to the successful passage of the veto period. (If 35% or more of the owners file a written objection within the veto period, the City cannot provide financing through a Housing Improvement Area.)

- I. It is understood that City Staff or City Council may from time to time determine that a different process which is outlined is more appropriate, given the circumstances of each individual request.

IV. RESPONSIBILITY

The applicant shall be responsible for submitting a complete application with established fee in accordance with city policies and providing all of the required supplemental information. Staff will be responsible for reviewing the application and materials and preparing a background for City Council review. The City Council will be responsible for reviewing the background and subsequent materials and making a decision regarding the proposed HIA.

V. AUTHORITY

Administrative implementation of policy.

Minnesota Statutes, Chapter 428A.11 to 428A.21 establishes the City's authority to establish an HIA and within the HIA to make housing improvements, levy fees and assessments, and issue bonds to pay for improvements.

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