



City of Minneapolis Housing Improvement Area Policy

I. Purpose

This Housing Improvement Area (“HIA”) Policy (“Policy”) establishes the conditions under which HIAs may be approved by the Minneapolis City Council, and provides a framework within which requests for the establishment of HIAs will be considered.

Pursuant to Minnesota Statutes, Sections 428A.11 to 428A.21, the City of Minneapolis (“City”) is authorized to establish HIAs within its corporate limits. Within an HIA the City may lend funds to a homeowners association or similar entity (“Association”) for the purpose of funding the cost of improvements made to common elements of their property(s). The City will consider the establishment of an HIA only on a “last resort” basis, when the Association is unable to obtain other financing for the needed repairs and improvements.

The City may lend funds to the Association from either available City cash or proceeds from the City’s issuance of taxable bonds. Loan repayment is accomplished through the imposition of HIA fees on the owners of units included in the HIA. Existing housing units receiving HIA assistance are exempt from the affordable housing provisions contained in Section 2 of the Unified City of Minneapolis Housing Policy.

II. Goals and Objectives

In establishing an HIA, the City strives to achieve the following goals and objectives:

1. Stabilize or enhance the City’s property tax base.
2. Promote neighborhood stabilization and livability through the revitalization of existing housing stock.
3. Stabilize or increase the level of owner-occupied housing units within a neighborhood.
4. Eliminate blighting influences.
5. Correct housing or building code violations.
6. Promote energy conservation in order to reduce the overall impact of the built environment on human health and the natural environment.
7. Maintain or obtain FHA mortgage eligibility.

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III. Guidelines

1. The City will only consider establishing an HIA when the Association has demonstrated to the City's satisfaction that the project meets one or more of the goals and objectives listed in Section II of this Policy.
2. The property to be included in the HIA must be in compliance with the City's comprehensive plan, zoning ordinances, and any applicable redevelopment plans.
3. HIA financial assistance will only be provided to condominium and townhouse associations. Such assistance will not be available to other forms of ownership housing or rental housing.
4. HIA financial assistance will only be considered for a project when the Association has demonstrated to the City's satisfaction that there are no other feasible financing options. The Association must provide the City with any requested documentation needed to substantiate this conclusion.
5. The project must meet the minimum criteria listed in Section IV of this Policy. Additional requirements are also contained in separate documentation from this Policy. The process and procedures for HIA application, review, approval, and implementation are also contained in separate documentation from this Policy. The City Council is under no obligation to approve assistance with this tool even if the applicant meets all of the criteria listed in this Policy and other existing requirements for the program.
6. The Association must enter into a financing agreement with the City ("Financing Agreement") that spells out the rights and responsibilities of both parties.

IV. Minimum Criteria

1. The City will only consider establishing an HIA if all owners of 75 percent or more of the housing units that would be subject to fees in the proposed HIA file a petition requesting a public hearing on the matter.
2. The term of the HIA financing should be as short as practical while making the annual fees affordable to applicable members of the Association. The maximum financing term is 20 years, but in no case will it exceed the useful life of the assets or improvements being financed.
3. Only improvements and repairs to the common elements of the property(s) are eligible for HIA financing. Improvements and repairs to luxury assets, as determined by the City, are not eligible for HIA financing.
4. The minimum amount of HIA assistance the City will provide an Association is \$500,000.
5. A nonrefundable application fee of \$3,000 will be charged to any Association seeking HIA assistance. A one-time nonrefundable processing fee, in an amount not to exceed \$30,000, will be charged to any Association granted HIA assistance. An annual administrative fee, in an amount not to exceed \$7,500 per year, will be included as part

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of the HIA fees imposed on the owners of each unit included in the HIA. The processing and administrative fees will be determined based on the projected City staff time and other costs associated with the approval and implementation of the HIA financing.

6. The Association must provide the City with adequate financial guarantees to ensure the timely payment of all HIA fees and the performance of all other requirements of the Financing Agreement.
7. The Association must have adopted a reasonable financial plan prepared by an independent third party that provides for the Association to finance maintenance and operation of the common elements and a long-range plan to conduct and finance capital improvements. For the term of the HIA financing, the Association must annually provide to the City its audited financial statements and an updated long-term maintenance and capital improvement plan for the project.

V. Process and Procedures

Requests for the establishment of HIAs will be reviewed and approved or rejected in accordance with state law, this HIA Policy, and the administrative process and procedures contained in separate documentation from this Policy. Changes to this Policy require City Council approval. Changes to the documentation containing the administrative process and procedures may be approved by the City Finance Officer and Director of Community Planning and Economic Development.