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**Policy Number 2.15**  
**Housing Improvement Areas**

**Purpose of Policy:** This policy establishes evaluation criteria that guide the city council in consideration of a housing improvement area

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### **Introduction**

Under the Minnesota Statutes Chapter 428A, cities are given authority to create Housing Improvement Areas (HIA). A HIA is a defined area where private housing improvements are made, including common elements in a common interest community or condominium, and where costs associated with the improvements are paid for by fees imposed on property owners. Within a HIA, the city has the authority to finance housing improvements through levying fees and assessments, and may issue bonds to pay for improvements.

Consideration of a HIA must come from a petition of the owners of at least 60 percent of the housing units where the HIA fee would be imposed. If the city approves a HIA, and if more than 45 percent of the owners file an objection after the approval, then the HIA is not effective.

The council is aware that creation of a HIA may be of benefit to the city and will consider requests subject to this council policy. The council considers the creation of a HIA to be a privilege, not a right.

It is the judgment of the council that the creation of a HIA be used on a selective basis. It is the applicant's responsibility to demonstrate the benefit to the city, and that they should understand that although approval for another HIA may have been granted previously by the city for a similar project, the council is not bound by that earlier approval.

### **Eligible Uses of HIA Financing**

The City of Minnetonka 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:

- To promote neighborhood stabilization and revitalization by the removal or prevention of blight and/or the upgrading of the existing housing stock in a neighborhood.
- To correct housing or building code violations as identified by the city's Building Official, to meet compliance on other regulatory matters, or to improve the livability of the housing stock. Roofs and siding are eligible in order prevent further and/or future deterioration. Improvements done solely for aesthetic purposes are ineligible.

- To maintain or obtain FHA mortgage eligibility for a particular condominium or townhouse association.
- To prevent the loss of the tax base of the City in order to ensure the long-term ability of the City to provide adequate services for its residents.
- To stabilize or increase the owner-occupied level within an association or neighborhood.
- To meet other uses of public policy, as adopted by the City of Minnetonka from time to time, including energy conservation, preservation of affordable units, decreasing the capital and operating costs of local government, etc.

### **Evaluation Criteria**

The city will use the following criteria when evaluating a HIA request:

- The HIA funding resolves current capital improvements for the association and the association must show that it has taken measures to remedy the costs of future improvements. The association must submit an adopted financial plan for both the capital and operating budgets, prepared by an independent third party that provides for the maintenance and operation of the common elements within the association and a long-range plan to conduct and finance capital improvements. Compliance with Minnesota Statutes 515B.3-1141 should be maintained.
- The improvements financed by the HIA will help to meet the goals identified in the comprehensive plan and ULI study of preserving existing owner-occupied housing stock and neighborhood character.
- Weight will be given when the values of the housing units are in the affordable to mid-priced range (approximately \$350,000 or less).
- Emphasis will be placed on improvements needed to remedy life, safety or other regulatory compliance issues or to prevent future life and safety issues.
- The HIA funds are not intended to provide 100% of the funding for the association's long range replacement schedule, and that the association's own current and future funds are being contributed, in addition to the HIA funding.
- All other funding sources have been explored and are not feasible. Evidence that the association has sought other financing must 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. Coordination and partnering among other lending agencies for financing the improvements is allowed and encouraged.

**Other Provisions**

- The petition with at least 60 percent of the property owners from the proposed housing improvement area must first be received prior to any city review.
- Applications and petitions will be reviewed annually and are due to the city by March 1.
- An administrative fee of \$5,000 will be required at the time of application and is non-refundable.
- A fee of one-half percent of a bond issuance will be charged to cover the consulting expenses if a bond is issued. The city will determine if and when a bond may be issued to finance the improvements. Therefore, this fee may not be collected upfront, but would be added to the assessment at the time of bond issuance.
- A surcharge will be assessed with the project assessment to cover day to day costs associated with managing the assessment.
- The commonly owned areas must be current on all fees, charges, taxes, special assessments and other debts or obligations that are payable to the city regarding any matter.
- The applicant will be required to enter into a development agreement with the city outlining the terms of the HIA, which may include, but is not limited to, the following terms:
  - Staffing requirements related to third party involvement on annual reporting requirements
  - Annual reporting requirements, including annual financial audits
  - Conditions of disbursement
  - Required dues increases
  - Notification to new owners levied fees
  - Minimum number of bids to be submitted for the construction work
  - Development and construction of plans relating to the improvements
- The maximum financing term will be for 20 years, unless otherwise approved by the council.

Adopted by Resolution No. 2011-110  
Council Meeting of November 14, 2011