

Housing Improvement Area Policy

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POLICY OVERVIEW

Policy Description

This policy is to establish the City's and HRA's position relating to the use of Housing Improvement Area (HIA) financing for private housing improvements.

Purpose & Scope

This Housing Improvement Area Policy ("Policy") establishes the conditions under which HIAs may be approved by the Golden Valley City Council or Housing and Redevelopment Authority (HRA) and provides a framework within which requests for the establishment of HIAs will be considered.

Definitions

- **Association** means a homeowners association or similar entity.
- **Blight or Blighted Area** has the meaning given to it in Minn. Stat. § 469.002, as may be amended from time to time.
- **Enabling Ordinance** means the ordinance adopted by the City Council or HRA establishing the Housing Improvement Area.
- **Housing Improvement Area (HIA)** means a defined area within the city where housing improvements are made or constructed and the costs of the improvements are paid in whole or in part from fees imposed within the area.
- **Housing Improvements** has the meaning given in the City's enabling ordinance. Housing improvements may include improvements to common elements of a condominium or other common interest community or to a manufactured home park.
- **Housing Unit** means real property and improvements thereon consisting of a one-dwelling unit, or an apartment or unit as described in chapter 515, 515A, or 515B, respectively, or a manufactured home in a manufactured home park that is occupied by a person or family for use as a residence.
- **Naturally Occurring Affordable Housing (NOAH)** means existing owner-occupied or rental residential housing: (a) where at least 20 percent of the units are affordable to 60 percent AMI; (b) that is classified in the Class B or C real estate categories; or (c) was constructed between 1940 and 1990.

Related Documents, Materials & Resources

- HIA Procedure and Instructions
- HIA Application
- Minnesota Statutes, [Chapter 148A](#)

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POLICY**I. Authority**

Pursuant to Minnesota Statutes, Sections 428A.11 to 428A.21, the City of Golden Valley (“City”) and the Housing and Redevelopment Authority (“HRA”) are authorized to establish HIAs within its corporate limits. Within an HIA the City or HRA may lend funds to an Association for the purpose of funding the cost of improvements made to common elements of their property(s). The City or HRA may lend funds to the Association from either available City or HRA cash or proceeds from the City or HRA’s issuance of taxable bonds. Loan repayment is accomplished through the imposition of HIA fees on the owners of units included in the HIA.

It is the judgement of the Council and HRA that HIAs shall be created on a selective basis. The City or HRA will consider the establishment of a HIA only when the applicant can demonstrate a benefit to the public and only on a last resort basis, when the Association is unable to obtain other financing for needed repairs or improvements. The Council and HRA consider the creation of a HIA to be a privilege, not a right. Although approval for another HIA may have been granted previously by the City or HRA for a similar project, the Council and HRA are not bound to approve subsequent requests based on earlier approvals. Each application will be considered separately based on the criteria in this Policy and the City or HRA’s financial position.

II. HIA Goals and Eligible Uses

The City and 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:

- To promote neighborhood stability and revitalization removal or remediation of blight or the upgrading of the existing Housing Units in the city.
- HIA Financing shall not be used to remove, displace or disenfranchise communities, including, but not limited to communities of color, low socio-economic status, immigrant, and those at the intersection of these or similar identities.
- To correct housing or building code violations.
- To maintain or obtain FHA mortgage eligibility for an Association within the designated HIA.
- To increase or 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 resident.
- To preserve Naturally Occurring Affordable Housing (NOAH).
- To preserve a variety of housing styles and values within the community.
- To stabilize or increase the number of owner-occupied Housing Units within a neighborhood or association.
- To meet other public policy goals of the City Council as adopted from time to time, including but not limited to the promotion of quality urban design, quality architectural design, energy efficiency or conservation, or decreasing the capital or operating costs of the City.

III. Evaluation Criteria

The City and HRA will only consider establishing a HIA if all of the following criteria are met:

- The project is compliant with the City’s Comprehensive Plan, zoning ordinances, City code and state and federal laws, regulations and policies.
- The project meets one or more of the HIA goals listed in section II herein.
- The HIA financing complies with all applicable City financial policies.

- The HIA funds will not provide 100 percent of the funding for the Association's long range replacement schedule and the Association is also contributing its own current and future funds to the project.
- The association must have a third party conduct a facility needs assessment to determine and prioritize the scope of improvements. The association may be required to make changes to its bylaws to ensure adequate enforcement authority to protect common area improvements financed through the HIA from substandard building components for which the homeowner is responsible.
- The association must adopt a financial plan that has been prepared by an independent third party with designation as a Community Associations Institute ("CAI") certified reserve specialist which must conform to CAI reserve study standards and comply with Minnesota Statutes 515B.3-114 through 515B.3-1141.
- The Association has explored all other funding sources and has provided evidence that none are feasible. HIA financing is last resort financing and shall not be provided to projects unless no other financing options are available. The Association must provide at least the following to show that no other financing options are available:
 - verification that the Association has completed an assessment showing that no other financing options are available
 - letters from at least two private lenders confirming a lack of financing options
- The term of any bonds or other debt incurred for the HIA mature in 20 years or less. The term shall be determined by the City or HRA in its sole discretion.
- The HIA financing is structured so that it is paid in the shortest term possible while remaining affordable for Association members.
- The Association enters into an agreement with the City or HRA (the "Development Agreement") that requires, at a minimum, the following terms:
 - establishment of a reserve fund
 - staffing requirements
 - annual reporting and financial auditing requirements with regular updates to the financial plan not less than once every five years
 - conditions of disbursement
 - required dues increases
 - notification to new owners of levied fees, including the individuals that purchase property after the initial development
 - limitations on prepayment of fees, if any
 - minimum number of bids to be submitted for the project work
 - development and construction plans relating to the project
 - hiring of a construction manager and/or owner's representative to monitor performance of the general contractor
- The Association provides the City or HRA adequate financial guarantees to ensure the repayment of the HIA financing and its performance of all its obligations in the Development Agreement. Financial guarantees may include, but are not limited to, the pledge of the Association's assets, including its reserves, operating funds, or property.
- The project, including the use of HIA financing, is supported by a majority of the owners within the Association. The Association shall provide official verification of the results of a vote of the Association's membership.

- The Association has adopted a financial plan that provides sufficient financing for the continued maintenance and operation of the Association's common elements and a long-range plan to complete and finance capital improvements therein. Said financial plan shall not rely on HIA financing.
- All improvements financed by the HIA are solely to the Association's common elements, as that term is defined in Minnesota Statutes, Chapter 515B, and are primarily exterior improvements and other improvements integral to the habitability of the building, for example, boilers, HVAC, structural improvements and the like. All improvements must be permanent in nature and the scope of improvements must be determined and documented by a facility needs assessment conducted by a third party.
- The project must:
 - provide significant improvement to the HIA
 - comply with all applicable federal, state and local laws, regulations, and policies
 - provide a significant increase to the tax base or prevent the loss of tax base
 - not be of poor quality
- The financial structure of the project must receive a favorable review by the City's Finance Director, or their designee, the City's Municipal Advisor, and the City's Bond Counsel. The review must include a review of the performance and level of outstanding debt of previous HIAs.
- The association shall provide adequate financial guarantees to ensure repayment of the 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 homeowner association's assets including reserves, operating funds and/or property.
- The Association must be current on all charges, fees, taxes, special assessments and other debts and obligations payable to the City and HRA.

IV. Other Provisions

- The Association shall submit the required application, along with all required supporting documentation, including a petition signed by at least 60 percent of the property owners of the Association, prior to any City or HRA review. Coordination and partnering with other lending agencies to finance the Improvements is allowed and encouraged.
- The City Council will establish an application fee, which shall be included in the City's fee schedule.
- HIA is responsible to pay all City third party consulting costs, including but not limited to Municipal Advisor and Bond Counsel relating to the review of the feasibility of the HIA and drafting of all legal documents related to establishment of the HIA.



This document is available in alternate formats upon a 72-hour request. Please call 763-593-8006 (TTY: 763-593-3968) to make a request. Examples of alternate formats may include large print, electronic, Braille, audiocassette, etc.

