

Housing Improvement Area FAQ

What is a Housing Improvement Area?

A Housing Improvement Area (HIA) is a defined area of the City where housing improvements in a condominium or townhome association are made through a low-interest loan from the City. Minnesota Statutes 428A governs HIA establishment.

Why is the City involved in this program?

The quality of the City's housing stock is crucial to the overall vitality of the community, thus the City finds value in supporting a neighborhood's desires to reinvest and improve the condition of their properties so the City remains a beautiful place to live, work, and play.

How can my association get an HIA started?

The first step is to meet with City staff to discuss your planned improvement project and the general terms and process of HIA financing. The next step is to submit the initial application form and the submittal information required by the application. The City will then review the initial application and provide an estimate of the financing terms for the HIA loan.

After the association has made the initial application to the City and has received an estimate of the financing terms for an HIA loan, then the association must present to the City a petition signed by 65% of the owners in the association. This petition enables the continuation of the application process. The City Council still must approve the HIA and the owners will have an ability to veto the establishment of the HIA. Along with the petition, the association will be required to provide additional information in a final application submittal.

What role does the City play in this process?

The City simply plays the role of the bank. An association petitions the City for a low-interest loan, and the City performs due diligence and provides proper notification to owners of the pending request.

What improvements are eligible through an HIA?

Improvements must be made to common interest elements in the association. Examples include (but are not limited to) roofing, siding, roadways, driveways, walkways, and landscaping. Privately owned elements, such as kitchens and bathrooms, are not eligible.

How much will it cost?

The association determines the desired loan amount based on a number of factors, including which common-interest elements are in need of repair and how much they can afford to borrow. The City charges a minimal application fee, and the applicant is also responsible for third party costs incurred throughout the process (bond counsel fees etc.).

How will we pay for it? Will it increase my monthly association dues?

The cost of the improvements are divided amongst owners and paid bi-annually with a resident's property taxes. The costs are placed as a special assessment on the property tax statement.

What happens if someone doesn't pay?

Because HIA costs are treated similarly to a special assessment, nonpayment of the fees can lead to a foreclosure. If a property enters foreclosure, the money owed in connection with the HIA is paid first, along with any unpaid property taxes or assessments.

What if I oppose the formation of an HIA?

A public hearing will occur at the City Council to provide residents with an opportunity to comment on the HIA. Further, owners are able to veto the HIA with a petition signed by 45% of owners in the association. If no veto is received, all owners will be subject to repayment of the HIA funds.

**Standard Operating Policy
City of Oakdale**

Policy Number: EPB-021

Pages: 2

Subject: Housing Assistance – Housing Improvement Areas (HIA)

Date Approved: 2011

1.0 Purpose

- 1.1 The purpose of this policy is to establish the justification and administrative guidance for Housing Improvement Areas (HIA). This policy shall be used when reviewing and processing requests for HIA financing.
- 1.2 The City Council may, at any time and/or for any reason, amend or waive any part of this policy.
- 1.3 The City Council reserves the right to deny funding for specific improvements if it determines that the improvements are not in keeping with the intent of the policy.

2.0 Authority

- 2.1 Minnesota State Statutes 428A.11 to 428A.21 provides the city with the authority to establish a Housing Improvement Area.

3.0 Goals

- 3.1 HIA financing is available when one or more of the following goals is achieved:
 - a. Provide safe and adequate housing for Oakdale residents.
 - b. Maintain the integrity of existing residential structures.
 - c. Stabilize and enhance the tax base.
 - d. Eliminate blight.
 - e. Correct housing or building code deficiencies.
 - f. Maintain FHA mortgage eligibility.
 - g. Promote energy conservation.
 - h. Other public policy goals identified by the City Council.

4.0 Eligible Uses of HIA Financing

- 4.1 Improvements eligible for financing include all common elements. Examples of common elements include, but are not limited to, siding, windows, decks, roofs, sidewalks, lighting, roads, sanitary sewer, water service, and storm sewer and other improvements as approved by the City Council.

5.0 Improvement financing

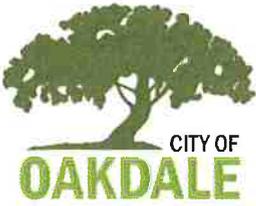
- 5.1 Housing Improvement Area financing is the financing of last resort and will only be provided when private financing is not possible. Evidence, in the form of a letter or other evidence from a lender acceptable to the city that the association has pursued and is unable to secure private financing shall be provided to the city.
- 5.2 Methods of providing funding for improvements include:
 - a. Bonds issued by the city.
 - b. Cash provided by the city.
 - c. A combination of bonds issued and cash provided by the city.
- 5.3 The term of the financing shall be the shortest term possible, but not longer than 20 years, while still ensuring the annual fee is affordable. The preferred term is 10 years or less.

- 5.4 The city prefers that the aggregate amount of all requests be \$500,000 before the city considers bond financing.
- 5.5 Financing Interest Rate:
 - a. If the city finances the improvements with bonds the interest rate charged to the association shall be the bond rate plus 1.5%.
 - b. If the city finances the improvements with cash the interest rate charged to the association shall be the approximate rate currently received on the City's investment portfolio plus 1.5%.
- 5.6 The financing structure shall receive a favorable review by the city's financial advisor and bond counsel.
- 5.7 The Association shall pay the total amount of all third party costs. Costs include staff time to prepare, review, and administer the application by the city's staff, financial advisor, and bond counsel. If the Housing Improvement Area is not implemented for any reason, the Association must still pay all costs related to the preparation and review of the application.
- 5.8 The Association shall provide satisfactory 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 an agreement to assess charges upon individual units.
- 6.0 Approval Criteria
- 6.1 The application for HIA financing must be from the Association. The application must be accompanied by a fee, as set by resolution by the City Council.
- 6.2 Applications will only be accepted annually and must be submitted before March 1.
- 6.3 Priority will be given to applications that best meet the program goals.
- 6.4 The project must be in accordance with the Comprehensive Plan and Zoning Ordinances, or required changes to either of the former must first be approved by the City Council.
- 6.5 The Association must adopt a financial plan, prepared by an independent third party that complies with Minnesota Statutes 515B.3-114 through 515B.3-1141.
- 6.6 The Association must enter into a development agreement with the City. The agreement includes, but is not limited to the following elements:
 - a. Establishment of a reserve fund.
 - b. Staffing requirements.
 - c. Annual reporting requirements.
 - d. Conditions of disbursement.
 - e. Required dues increases.
 - f. Notification to new owners of levied fees.
- 6.7 The proposed project should be supported by a petition of at least 65% of the owners within the Association requesting the creation of the HIA.
- 6.8 All taxes, fees and charges must be current on common areas.
- 6.9 A fee is required at the time of application, as established by the City Council.



HIA ADMINISTRATIVE CHECKLIST

| Date | Complete | Requirement |
|-----------------|--------------------------|--|
| _____ | <input type="checkbox"/> | Petition received by City signed by at least 65% of the Association membership. |
| _____ | <input type="checkbox"/> | Council adopts resolution to accept petition, initiate process, and call public hearing regarding Ordinance and Fee Resolution. |
| _____ | <input type="checkbox"/> | Public Hearing Notice published in local newspaper regarding Ordinance and Fee Resolution. (7 days prior to hearing) |
| _____ | <input type="checkbox"/> | Notice regarding Ordinance and Fee Resolution mailed to each owner. (10 days before hearing) |
| _____ | <input type="checkbox"/> | Public Hearing held at City Council regarding Ordinance and Fee Resolution. Ordinance may be adopted at this meeting, but must be adopted within 6 months of the hearing. Fee may not exceed amount listed in published and mailed notice. |
| _____ | <input type="checkbox"/> | Summary of Ordinance and Fee Resolution mailed to each owner within 5 days of adoption. |
| _____ | <input type="checkbox"/> | Ordinance filed with Commission of MN Dept. of Revenue within 30 days of adoption. |
| _____ | <input type="checkbox"/> | Ordinance and Fee Resolution become effective 45 days after adoption, assuming no veto is received. |
| _____ | <input type="checkbox"/> | Development Agreement approved by City Council. (After 45-day veto period or before veto period with approval contingent on a lack of veto.) |
| May 15, 20__ | <input type="checkbox"/> | First HIA payment due |
| | | Fund Disbursement Schedule if financed by G.O. Bonds |
| _____ | <input type="checkbox"/> | Prepayment period expires (60 – 90 days after effective date of Fee Resolution). |
| _____ | <input type="checkbox"/> | City Council authorizes Sale of Bonds (after effective date of Ordinance and Fee Resolution and execution of Development Agreement). |
| _____ | <input type="checkbox"/> | Bond closing; proceeds available for disbursement in accordance with Development Agreement. |
| | | Fund Disbursement Schedule if financed with City funds |
| _____ | <input type="checkbox"/> | Funds available for disbursement in accordance with Development Agreement any time after effective date of Ordinance and Fee Resolution and execution of Development Agreement. |



COMMUNITY DEVELOPMENT
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1584 Hadley Avenue N
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| | |
|------------------------|---------------|
| APPLICATION FEE | ESCROW |
| \$500 | |

Contact: Linnea Graffunder-Bartels
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Phone: 651-730-2721

HOUSING IMPROVEMENT AREA INITIAL APPLICATION

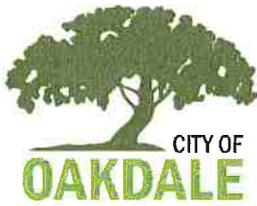
| APPLICANT INFORMATION | |
|-----------------------|------------------|
| Association Name: | |
| Contact Person: | |
| Address: | |
| City: | State: |
| Business Phone: | Alternate Phone: |
| Email: | |

| PROJECT INFORMATION |
|-----------------------------------|
| Project Description: |
| Project Estimated Start/End Date: |

| FINANCIAL INFORMATION | |
|-------------------------------|-----------|
| Association Funds for Project | \$ |
| Loan Amount Requested | \$ |
| TOTAL PROJECT COST | \$ |

| SUBMITTAL MATERIALS | |
|--|-----------|
| The following materials must be submitted with this initial application. Additional information will be required for submission after the initial application is reviewed. | |
| Application fee of \$500 | Check box |
| List of improvements to be completed and associated cost for each improvement | |
| Petition signed by at least 65% of the units subject to the proposed fee (to be submitted after applicant receives estimate of financing costs from the City) | |

| REVIEW AND DECISION BY CITY COUNCIL | |
|---|-------|
| The City Council shall review the application and make a final determination of whether to approve or deny the application. Upon receiving final determination from City Council, and before any funds are disbursed, the City and the Association must enter in to a Development Agreement. <i>We, the undersigned, have read and understand the above.</i> | |
| Signature of Association Representative: | Date: |



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Phone: 651-730-2721
Fax: 651-730-2820

HIA Submittal Requirements and Schedule

The following list identifies the submittal items and meeting schedule required by the HIA program.

| # | Submittal Items and Events | Date |
|----|---|-------|
| 1. | Pre-application meeting with staff | _____ |
| 2. | Initial Application Submittal: | _____ |
| | a. Application and fee | _____ |
| | b. List of improvements to be completed, and the associated cost for each improvement | _____ |
| | c. City provides estimate of financing term, interest rate, and cost for each unit, to include 3rd party costs. | _____ |
| 3. | Association membership meeting with staff to explain the HIA process | _____ |
| 4. | Final Application Submittal: | _____ |
| | a. Petition signed by at least 65% of the housing units subject to the proposed fee. | _____ |
| | b. Evidence that proposed improvements could not be made by the association. | _____ |
| | c. 2-years audited financial statements | _____ |
| | d. Association Declaration and By-Laws | _____ |
| | e. Financial plan that provides for the maintenance and operation of the common-area elements. | _____ |
| | f. Long range plan to conduct and finance capital improvements | _____ |
| | g. Excel file of all unit owners complete with unit numbers and contact information. | _____ |
| 5. | City Council work session | _____ |
| 6. | Public hearing to establish the HIA area and the fee | _____ |
| 7. | Development agreement | _____ |
| 8. | 45 Day veto period (from the date of public hearing). If not vetoed, funds may be distributed according to disbursement procedure. | _____ |