

REQUEST FOR COUNCIL ACTION

Date: Nov. 16, 2009

Item No.: 12.d

Department Approval

City Manager Approval



Item Description: **Housing Improvement Area (HIA) Policy (HF0087)**

REQUESTED ACTION

The Roseville HRA created and requests that the Roseville City Council to adopt the following Housing Improvement Area (HIA) policy.

BACKGROUND

Westwood Village I requested the creation of a HIA over three years ago. During that time the HRA staff worked to create the HIA. On June 8, 2009 City Council passed an ordinance and fee resolution for the Westwood Village I Townhome Association, and thereby created the first HIA in Roseville. As part of the overall process, the City Council requested that the HRA develop a formal HIA policy.

The City of Roseville has the authority to establish HIAs under Minnesota Statutes, Sections 429A.11 to 428.21. This authority expires on June 30, 2013, unless extended by future legislation.

POLICY OBJECTIVE

Under the proposed policy, all HIAs financed through the City of Roseville should meet the following minimum approval criteria.

- ✓ The project must be in accordance with the Comprehensive Plan and Zoning Ordinances.
- ✓ HIA financing shall be provided within applicable state law, municipal debt limit guidelines, and other appropriate financial requirements and policies.
- ✓ The project should meet one or more of the following goals related to neighborhood stabilization, correct housing code violations, maintain or qualify for FHA financing, increase or prevent loss of tax base, stabilize or increase owner occupied units with in the association, or to meet other uses of public policy.

- ✓ The application for the creation of the HIA shall be from the Home Owner's Association (HOA).
- ✓ The term of the HIA should be the shortest term possible while still making the annual fee affordable to the Association members. The term of any bonds will mature in 15 years or less. ***The maximum amount of time that the City has ever issued for any bond is 15 years.*** If the HIA is financed through a loan of other funds, the terms of the loan will be determined based on the facts of circumstances of that HIA.
- ✓ As part of its application the Association will be required to provide financial guarantees to ensure the repayment of the HIA financing.
- ✓ The proposed project, including the use of HIA financing, will need to be supported by a petition of at least 51% of the owners within the Association requesting the creation of the HIA. ***The law only requires that 25% of the owners sign the petition. However it is HRA's recommendation that a majority of the Association request in writing that the HIA be created.***
- ✓ The Association must have adopted a financial plan, prepared by an independent third party.
- ✓ HIA financial assistance will always be considered 'last resort financing' for the project.
- ✓ The Association will be required to enter into a development agreement and disbursement agreement.
- ✓ The improvements financed through the HIA should primarily be exterior improvements and other improvements integral to the operation of the overall project, e.g. boilers.
- ✓ Similar to other housing loan programs 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 2009, the metro amount is \$298,125).
- ✓ Options for financing the HIA can be City-issued bonds, existing City fund balances or Roseville Housing and Redevelopment Authority fund balances.
- ✓ The Association will pay the City an assessment fee of at least 2% of the total amount of project to cover administrative costs.
- ✓ The division of the costs for the proposed improvements (i.e., how the fee is spread to unit owners) shall follow the method utilized in the Association's bylaws and declarations. However if the Associations bylaws and declarations call for the fee to be imposed on a basis other than tax capacity or square footage,

78 then the City Council must make a finding that the alternative basis is more fair
79 and reasonable. ***This provision is needed because of 2009 legislation.***

- 80
- 81 ✓ If it is determined that RHRA funds will be used, the City Council will still be
82 required to make the findings of need regarding the creation of the HIA; adopt an
83 ordinance establishing the HIA; and designate the RHRA as the implementing
84 agency.
- 85

86

87 The attached policy has been reviewed by the RHRA attorney Steve Bubul to make sure that the
88 City will be in accordance with the state statute.

89 **REQUESTED COUNCIL ACTION**

90

91 Adopt the attached HIA policy.

92

Prepared by: Jeanne Kelsey, Housing Program Coordinator, 651-792-7086

Attachments: A: HIA Policy

**CITY OF ROSEVILLE
HOUSING IMPROVEMENT AREA POLICY**

1. PURPOSE

- 1.01 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. This policy shall be used as a guide in processing and reviewing applications requesting HIA financing.
- 1.02 The City shall have the option of amending or waiving sections of this policy when determined necessary or appropriate.

2. AUTHORITY

- 2.01 The City of Roseville has the authority to establish HIAs under Minnesota Statutes, Sections 429A.11 to 428.21. Such authority expires June 30, 2013, subject to extension by future legislation.
- 2.02 Within a HIA, the City has the authority to:
 - A. Define and assist in the financing of housing improvements for owner-occupied housing in the City.
 - B. Levy housing improvement fees.
 - C. Issue bonds or advance funds through an internal loan to pay for housing improvements
- 2.03 The City Council has the authority to review each HIA petition, which includes scope of improvements, association's finances, long term financial plan, and membership support.

3. ELIGIBLE USES OF HIA FINANCING

- 3.01 As a matter of adopted policy, the City of Roseville 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:
 - A. To promote neighborhood stabilization and revitalization by the removal of blight and/or the upgrading of the existing housing stock in a neighborhood.
 - B. To correct housing or building code violations as identified by the City Building Official.
 - C. To maintain or obtain FHA mortgage eligibility for a particular condominium or townhome association or single family home within the designated HIA.

D. 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 residents.

E. To stabilize or increase the owner-occupancy level within a neighborhood or association.

F. To meet other uses of public policy, as adopted by the City of Roseville from time to time, including promotion of quality urban design, quality architectural design, energy conservation, decreasing the capital and operating costs of local government, etc.

4. HIA APPROVAL

4.01 All HIA financed through the City of Roseville 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 with the City.

A. 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.

B. The HIA financing shall be provided within applicable state legislative restrictions, debt limit guidelines, and other appropriate financial requirements and policies.

C. The project should meet one or more of the above adopted HIA Goals as stated in Section 3 of this policy.

D. The application for the creation of the HIA shall be from the Home Owner's Association (HOA).

E. The term of the HIA should be the shortest term possible while still making the annual fee affordable to the Association members. If the HIA is financed through issuance of bonds, the bonds will mature in no later than 15 years. If the HIA is financed through a loan of other funds, the terms of the loan will be determined based on the facts of circumstances of that HIA.

F. The Association in a HIA should 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.

G. The proposed project, including the use of HIA financing, should be supported by a petition of at least 51% of the owners within the Association requesting the creation of the HIA. The Association should include the results of any membership votes along with the petitions to create the area.

H. The Association must have adopted a financial plan, prepared by an independent third party mutually acceptable to the Association, the City Finance Director and HRA staff, that provides for the Association to finance maintenance and operation 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.

I. HIA financial assistance is considered 'last resort financing' and should not be provided to projects that have the financial feasibility to proceed without the benefit of HIA financing. Evidence that the Association has sought other financing for the project will be required and should include an explanation and verification that an assessment by the Association is not feasible along with at least two letters from private lenders or other evidence indicating a lack of financing options.

J. The Association will be required to enter into a development agreement and disbursement agreement, which may include, but is not limited to, the following terms:

- Establishment of a reserve fund
- Conditions of disbursement
- Required dues increases
- Notification to new owners of levied fees
- Staffing requirements for the Association related to third party involvement annual reporting requirements

K. The improvements financed through the HIA should primarily be exterior improvements and internal improvements integral to the operation of the project, e.g. boilers. The improvements must be of a permanent nature. The Association must have a third party conduct a facility needs assessment to determine and prioritize the scope of improvements.

L. HIA financing will not be provided to those projects that fail to meet the goals and criteria set forth in this policy, as amended from time to time.

M. The financial structure of the project must receive a favorable review by the City's Financial Advisor and Bond Counsel. The review will include a review of performance and level of outstanding debt of previous HIAs.

N. 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 2009, the metro amount is \$298,125)

- 4.02 The Association will be required to pay all third party costs incurred by the City of Roseville in connection with the HIA if the HIA does not go forward for any reason. If the HIA does go forward, the City will pay its third-party costs from the administrative charge described in Section 5.02.
- 4.03. The Association will be required to enter into contracts for construction of the housing improvements, subject to review and approval of designs and specifications by the City or RHRA as the implementing entity. The Association will be required to demonstrate that it obtained at least three bids for work on the housing improvements, and all contracts must be with contractors who are licensed and insured.

5.0 HIA FINANCING

- 5.01 Appropriate methods for funding the improvements in an HIA include:
 - A. City-issued bond
 - B. Existing City fund balances
 - C. Roseville Housing and Redevelopment Authority fund balances
- 5.02 The Association will pay the city an assessment fee of 2% of the total amount of project or the total amount of all third party costs, which is ever greater to cover administrative costs. This amount may be financed over time by adding to the fee, or the City may elect to finance the administrative charge through proceeds of bonds or an internal loan.
- 5.03 The division of the costs for the proposed improvements (i.e., how the fee is spread to unit owners) shall follow the method utilized in the Association's by-laws and declarations, except that if the Associations by laws and declarations call for the fee to be imposed on a basis other than tax capacity or square footage, the City Council must make a finding that the alternative basis is more fair and reasonable.

5.0 ROSEVILLE HOUSING AND REDEVELOPMENT AUTHORITY

- 5.01 Staff from the Roseville Housing and Redevelopment Authority (RHRA) along with the City of Roseville Finance Director will be the primary staff persons working on HIA requests.
- 5.02 RHRA funds may be utilized to fund the improvements to take place in a HIA if both the City Council and RHRA Boards authorizes the use of such funds.
- 5.03 If it is determined that RHRA funds will be used, the City Council will still be required to make the findings of need regarding the creation of the HIA; adopt an ordinance establishing the HIA; and designate the RHRA as the implementing agency.

- 5.04 If the RHRA is designated as the implementing agency, and once the appeal period expires, the RHRA Board shall hold a public hearing and consider the adoption of a fee resolution that divides the costs of the improvements to the individual owners, except that if the fee is imposed on a basis other than tax capacity or square footage, the City Council must make the finding described in Section 5.03 of this policy.

Adopted by the City of Roseville on the ____ day of ____ 2009.