

# City of Bloomington

## Housing Improvement Area Policy

Approved August 4, 2014  
Revised December 20, 2021

### **1. PURPOSE**

- 1.01 The purpose of this policy is to establish City of Bloomington and Housing and Redevelopment Authority in and for the City of Bloomington (HRA) conditions for the use of Housing Improvement Area (HIA) financing for privately owned townhome and condominium housing improvement projects. This policy shall be used as a guide in processing and reviewing housing improvement project applications requesting HIA financing. The HRA will accept these applications for review and make a recommendation to the City Council. Requests for the establishments of HIA's will be reviewed in accordance with state law and this HIA Policy.

### **2. AUTHORITY**

- 2.01 The City/HRA has the authority to establish HIAs under Minnesota Statutes, Sections 428A.11 to 428.21, as amended. Such authority expires June 30, 2028, unless extended by the legislature.
- 2.02 Within a HIA, the City has the authority to:
- A. Make housing improvements.
  - B. Issue bonds or use other funds to pay for housing improvements.
  - C. Levy fees and assessments, including interest.

### **3. RESPONSIBILITY**

- 3.01 The HRA has the authority to review each HIA request through an application process, which includes a petition, scope of proposed housing improvements, association's finances, long term financial plan, and the support of at least 65% of the private property association members. The HRA Board of Commissioners will review applicant information, or an appropriate summary thereof, for each HIA proposed housing improvement project at a public meeting. If approved by the HRA Board, the applicant information, or an appropriate summary thereof, will be provided to the City Council for review prior to a public hearing before the City Council. If the HRA Board does not approve an HIA proposed housing improvement project, the applicant may appeal the decision of the HRA to the City Council by submitting a written appeal with supporting materials to the HRA within three business days of the HRA denial. If the HRA Board action results in a tie vote, the HIA proposed housing improvement project applicant information, or an appropriate summary thereof, is automatically sent to the City Council for final action, without an HRA recommendation.

#### **4. ELIGIBLE USES OF HIA FINANCING**

- 4.01 As a matter of adopted policy, the City/HRA will consider using HIA financing to assist private property association members only in circumstances in which the proposed privately owned housing improvement project will address one or more of the following goals:
- A. To promote neighborhood stabilization and revitalization by removing blight and/or upgrading the existing housing stock in a neighborhood.
  - B. To correct housing or building code violations and address health and safety violations as identified by the City code enforcement staff.
  - C. To maintain or obtain Federal Housing Administration (FHA) mortgage eligibility for a particular condominium or townhome association within the designated HIA.
  - D. To preserve or increase valuation and provide for the long-term maintenance of the property.
  - E. To preserve naturally occurring affordable housing.
  - F. To stabilize or increase the owner-occupancy level within a neighborhood or association.
  - G. To meet other goals of stated public policy as adopted by the City of Bloomington from time to time, including promotion of quality urban design, quality architectural design, energy conservation, or decreasing the capital and operating costs of local government.

#### **5. HIA APPROVAL CRITERIA**

- 5.01 In order to be eligible for HIA financing through the City, the association must submit a housing improvement project application and follow the HIA review process set forth in this Policy, along with an escrow payment as set from time to time by resolution of the City Council. All Housing Improvement Area loans financed through the City of Bloomington must meet the following minimum criteria. A proposed housing improvement project that meets these criteria is not automatically approved. Meeting these criteria creates no contractual rights on the part of an association.
- A. The proposed housing improvement 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 application.
  - B. The HIA financing shall be provided within applicable state legislative restrictions, debt limit guidelines, and City/HRA financial requirements and policies.
  - C. The proposed housing improvement project must meet one or more of the above adopted HIA Goals of the City of Bloomington, as noted in Section 4.
  - D. The association shall designate an administrator, a separate party with no other financial or legal interest in the proposed housing improvement project, who will be the City's point of contact throughout the process for HIA financing.
  - E. The term of the HIA should be the shortest term possible while still making the annual fee affordable, as to not cause an economic hardship, to the association members. The term of any bonds or other debt incurred for the HIA shall mature in 20 years or less. The City has the sole discretion to determine the source(s) of financing, and sources other than issuing bonds may be used.

- F. Service charges (including, but not limited to, construction/housing improvement project costs, cost of issuance of bonds and other pertinent costs associated with the proposed housing improvement project) will be imposed on the association members in the same ratio as common elements or other such uniform method as proposed by the applicant.
- G. The association applying for HIA must provide adequate financial guarantees to ensure the repayment of potential 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.
- H. The proposed housing improvement project, including the use of HIA financing, must be supported, in writing, by at least sixty-five percent (65%) of the association members. The association must include with its HIA proposed housing improvement project application, the results of a vote of support by a minimum of 65% of association members along with the petitions to create the area.
- I. The minimum housing improvement project cost is \$250,000.
- J. The association must have a replacement reserve study (the "Reserve Study") prepared by an independent third party, with designation as a Community Associations Institute (CAI) certified reserve specialist. The Reserve Study must conform to CAI Reserve Study standards. The components of the Reserve Study must include a thirty-year replacement reserve plan (the "Reserve Plan"), and the Reserve Study and Reserve Plan must be submitted with the proposed housing improvement project application and will be reviewed by the City's financial advisor. The association must also have an independent third party prepare a thirty-year reserve plan (the "HIA Reserve Plan") with the components of the proposed project for housing improvements removed from the Reserve Plan. The independent third party must also prepare a thirty-year financial plan (the "Financial Plan") that reflects the annual replacement reserve contributions based on the HIA Reserve Plan. The Financial Plan will provide a plan for the association's operating budget with cost increases over time to finance maintenance and operation of the common elements within the association and a long range plan to conduct and finance capital improvements therein, that does not rely upon the subsequent use of the HIA tool. The HIA Reserve Plan and the Financial Plan must be submitted with the proposed housing improvement project application and will be reviewed by the City's financial advisor.
- K. HIA financial assistance is last resort financing and will not be provided to proposed housing improvement projects that have the financial stability to proceed without the benefit of HIA financing. Evidence that the association has sought other permanent financing for the proposed housing improvement project must be provided at time of application and should include an explanation and verification that an assessment by the association is not feasible, along with rejection letters from at least two private lenders or other evidence indicating a lack of financing options.
- L. The association shall obtain temporary construction financing from a private lender and the City shall provide a take-out commitment to the lender, detailing the terms for the payoff of the construction financing. Upon final approval of the housing improvement project and issuance of a certificate of completion, the City will issue bonds or notes to satisfy the temporary construction loan.
- M. The association must be willing to enter into a development agreement, prepared by the City/HRA, which may include, but is not limited to, the following terms:

- i. Establishment of a reserve fund
  - ii. Staffing requirements for the proposed housing improvement project
  - iii. Submission of annual financial statements and other annual reports
  - iv. Conditions of disbursements
  - v. Required dues increases
  - vi. Notification to new association members of levied fees by specified party
  - vii. Requirement of multiple bids for proposed housing improvement project construction
  - viii. Assessments, including interest and City/HRA fees
- N. Any project for housing improvements financed through the HIA shall address all items not in compliance with the HIA Property Standards. Items defined within the governing documents of the association as common elements are eligible for HIA financing. Limited Common Elements may be eligible for HIA financing if the costs of proposed project for housing improvements are prorated among association members in the same ratio as common elements or such other uniform method as proposed by the applicant. The proposed components for housing improvement projects must be of a permanent nature and must normally be reflected in the Reserve Study.
- O. HIA financing will not be provided to a proposed housing improvement project that is not in the public interest, as determined by the City, including but not limited to: poor project quality; a project that is not in accordance with the Comprehensive Plan, zoning, redevelopment plans, and City policies; projects that provide no significant improvement to the neighborhood and/or the City; and projects that do not provide a significant increase in the tax base and/or prevent the loss of tax base.
- P. The financial structure of the proposed housing improvement project must receive a favorable review by the City's Chief Financial Officer, Financial Advisor and the legal components reviewed by City/HRA legal counsel. If applicable, the review will include analysis of performance and amount of outstanding debt related to any previously approved HIA project.
- Q. If bonds are to be issued, legal components will be reviewed by the City/HRA bond counsel.
- R. All rental units within the HIA must be licensed according to Bloomington ordinance.
- S. The City/HRA reserves the right to deny funding for specific components of proposed housing improvement projects if any are determined not to be in accordance with the intent of this Policy.

Adopted by the City of Bloomington City Council December 20, 2021

Adopted by the Housing and Redevelopment Authority in and for the City of Bloomington November 23, 2021