

HOUSING IMPROVEMENT AREA (HIA) – INNSBRUCK NORTH TOWNHOME ASSOCIATION (INTA)

CITY COUNCIL MEETING

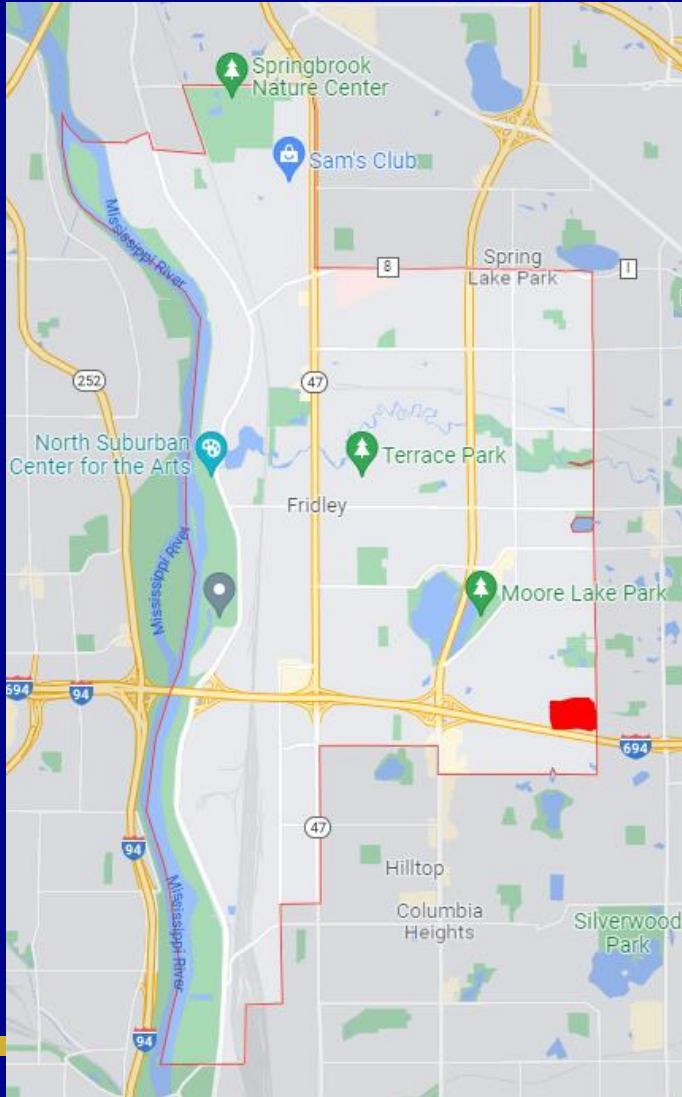
APRIL 24, 2023



OVERVIEW

- Role of the City
- Process/timeline
- Associations improvements, project costs and financing request
- City funding, repayment and risks
- Association presentation on process and engagement to date

282 units



ROLE OF THE CITY IN HIA PROCESS?

- HIA creation is a **grass roots process**
- **Initiated by the association/homeowners** to finance improvements
- City is **not mandating** the improvements nor saying what should be done
- City is simply the **financing mechanism** for the improvements
- If City receives the required percentage of petitions **it must start the process**
- **Association/homeowners ultimately decide** if the improvements proceed via veto power

PROCESS

- **March 3, 2023:** City received petition from **62%** of the homeowners (175)
 - Create HIA, hold public hearing and impose fees
- **April 4, 2023:** City mailed notice to homeowners regarding public hearing and fees
- **April 24, 2023:** Public hearing on the improvements and fees
- **April 24, 2023:** First reading of ordinance to create HIA
- **May 8, 2023:** Second reading of ordinance to create HIA
- **June 22, 2023:** Veto period ends
 - If **45%** of residents (127) file objection, HIA **NOT** established
- **June 23, 2023:** Prepayments due
- **July 10, 2023:** Bond sale to finance the improvements & approval of development agreement

PROPOSED CAPITAL IMPROVEMENTS

- INTA is seeking to improve:

- Replacement of all streets along with the replacement of all driveways and with the addition of new curbs and gutters
- Replacement of some sections of the sanitary sewer mains, and the installation of Cured-In-Place linings for the rest of the sanitary sewer mains
- Replacement of some storm sewer mains with upgrades to the rest of the storm sewer mains
- Correction of drainage across the entire site
- Replacement and renovation of common area elements:
 - Retaining walls
 - Paths, sidewalks and stairways along with handrails
 - Concrete pads for mailboxes
- Replacement of the tennis court with a green area

- Would like to start construction early **July**, complete in late **October**

PROJECT COSTS

Housing Improvement Area Budget
Innsbruck North Townhouses Association
City of Fridley, Minnesota

| Project Uses | |
|---------------------------------|------------------|
| Design and Engineering | 270,000 |
| Administration and Coordination | 16,600 |
| Demolition and Removals | 522,810 |
| Grading | 193,163 |
| Erosion Control | 127,275 |
| Sanitary Sewer | 795,310 |
| Storm Sewer | 221,077 |
| Street Reconstruction | 2,118,543 |
| Bid Alternates | 906,449 |
| Contingency Allowance | 329,712 |
| <i>Subtotal</i> | 5,500,938 |
| Cost of Issuance | 126,162 |
| Administrative Fee (1.0%) | 47,900 |
| Professional Services | 35,000 |
| <i>Subtotal</i> | 209,062 |
| Total Uses | 5,710,000 |

FUNDING

- Association using \$920,000 in cash
- City would sell \$4.79M bond July 10, 2023
 - Taxable Bond
 - 20-year term
 - Maximum interest rate of 7.25%
 - Actual will be 100 bps over true interest costs on the bonds

HOW IS LOAN/BOND REPAID?

•Fee to be charged/assessed to each homeowner

- If prepaid it is approximately **\$16,986**
 - Homeowner will have until **June 23, 2023**, to pay the amount in full
 - If actual prepay amount is less after bond sale, homeowners receive rebate for difference
- If not prepaid approximately **\$34,327** over term of bond
- **No option to pay in full after the resolution is in effect**
- Assessment **levied in 2023** (send to county by mid November)
 - Assessment **collection starts in 2024**
- Actual amount of fees (prepay and overtime) will be determined upon bond sale results

WHAT IS THE RISK TO THE CITY?

•Minimal

- Fee assessed to individual properties and paid with tax payments
- Interest charged is **100 bps** above True Interest Cost (TIC) on the bonds
- Fee is levied at **105%** of debt service on the bonds
 - Any **unused funds** in the debt service fund are **returned to the association** at the end
- Development agreement
 - Association required to **make any shortfall** payments by homeowners
 - Provided **reserve study** to show required increases to pay for future repairs/replacements

ROLE OF THE CITY IN HIA PROCESS?

- City is simply the **financing mechanism** for the improvements
- City is **not mandating** the improvements nor saying what should be done
- Holding the public hearing since you **received the required amount of petitions**
- Association/homeowners ultimately decide** if the improvements proceed via veto power

QUESTIONS!