

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

CITY COUNCIL MEETING

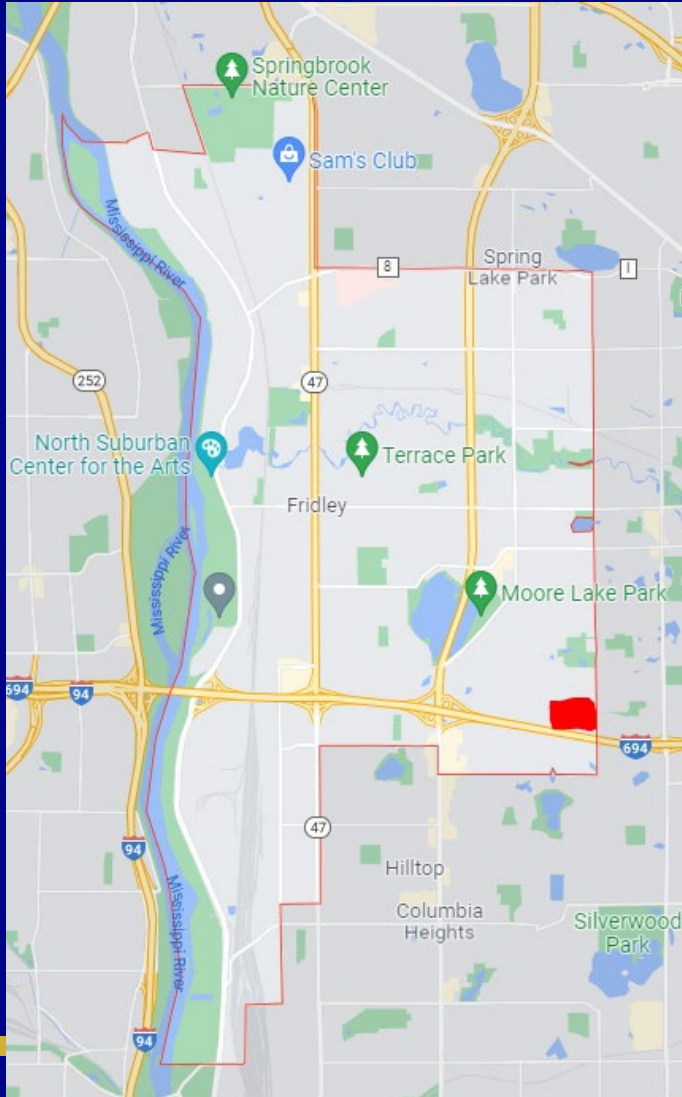
MAY 8, 2023



OVERVIEW

- Role of the City
- Process/timeline
- Associations improvements, project costs and financing request
- City funding, repayment and risks
- Staff Recommendations

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
 - 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 file objection, HIA **NOT** established
- **July 10, 2023:** Approval of development agreement
- **July 28, 2023:** Prepayments due (previously June 23, 2023)
- **August 14, 2023:** Bond sale to finance the improvements & approval of development agreement (previously July 10, 2023)

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
Subtotal	5,500,938
Cost of Issuance	126,162
Administrative Fee (1.0%)	47,900
Professional Services	35,000
Subtotal	209,062
Total Uses	5,710,000

FUNDING

- Association using \$920,000 in cash
- City would sell \$4.79M bond August 14, 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 **July 28, 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

STAFF RECOMMENDATION

- Staff recommend approval of the second reading of Ordinance No. 1407
- Staff recommend approval of Summary Ordinance No. 1407 for publication
- Staff recommend approval of Resolution No. 2023-49

QUESTIONS!