

Housing Improvement Areas

What are housing improvement areas?

A housing improvement area (HIA) is a defined area in a city in which housing improvements in condominium or townhome complexes may be financed with the assistance of the city, or the city's economic development authority (EDA) or housing and redevelopment authority (HRA).

Prior to 1996, cities needed special legislation to establish an HIA. In 1996, cities were granted the authority under general law. The general law, codified in [Minnesota Statutes, sections 428A.11 to 428A.21](#), sunsets June 30, 2028.

What improvements can be made in an HIA?

The improvements that can be made under this law include improvements to the common elements in a condominium complex or townhome development. Examples include roofing, siding, landscaping, roadways, and walkways.

How is an HIA established?

At property owners' request. An HIA can only be established at the request (petition) of at least 50 percent of the owners of the housing units in the proposed area. If the petition is filed, then the city prepares an ordinance that:

- describes the area specifically;
- states the basis for imposing fees and the number of years the fees will be imposed;
- makes a finding that without the HIA, the proposed improvements could not be made; and
- specifies if the city, the EDA, or HRA will implement the ordinance.

In addition, the city must fully disclose the public expenditures and financing for the projects, and determine whether the association or the implementing agency will contract for the work.

Notice, public hearing, ordinance. Before adopting the ordinance, the city must hold a public hearing at which the proposed improvements, affected housing units, and the exempt units are listed. Potentially affected property owners may testify at the hearing.

Objection and appeal. Prior to the adoption of the ordinance or at the hearing, a property owner may file a written objection with the city clerk to the imposition of a fee for the reason that the property will not benefit from the improvements. The city must make a determination regarding the exclusion of the property in the HIA within 60 days. Within 30 days after that determination is made, a property owner may appeal the city's decision to the district court.

The ordinance may be adopted within six months after the conclusion of the public hearing. If 45 percent or more of the affected residents file an objection, the HIA is not established.

How are the improvements financed?

The city may finance the housing improvements by:

- (1) advancing funds available to the city and then recovering the costs by charging the property owners fees; or
- (2) issuing bonds and then imposing fees to repay the bonds. The bonds are not included in the city's net debt and no election is required for their issuance.

In addition to adopting the ordinance establishing an HIA, the city must adopt a resolution imposing the fees, and must provide public notice and hold a public hearing on the proposed resolution. Within six months of the conclusion of the public hearing, the city may adopt the resolution.

Fees can be imposed on the basis of the tax capacity (value) of the housing unit, total square footage of the housing unit, or a method determined by the city and specified in the resolution. Before a city uses an alternative method to set fees, it must make a finding that the alternative basis is more fair and reasonable.

The city, HRA, or EDA may collect the fees in the same manner as provided for the collection of property taxes. The due dates, penalties, and interest applicable to property taxes apply to fees collected under this authority.

What plans or reports are required?

Before the city imposes and collects the fee, the condominium or townhome association must develop a long-term plan to maintain the complex. The plan must address operations, maintenance, and necessary capital improvements of the common elements. It must identify financing for the projects. The association must also submit its audited financial report to the city annually.

For more information: Contact legislative analyst Christopher Kleman at Christopher.Kleman@house.mn.