

CITY DEVELOPMENT POWERS AND AUTHORIZATION TO ESTABLISH HOUSING AND REDEVELOPMENT AUTHORITIES AND ECONOMIC DEVELOPMENT AUTHORITIES

General Powers

State law permits cities to cooperatively plan, undertake, construct, or operate projects that contribute to the economic welfare and public benefit of the community, including housing projects and developments, redevelopment projects, interest rate reduction programs, or any combination of these. Cities use these activities to spur economic development, redevelop key areas or sites, and assist in the development of affordable or mixed-income housing. Cities can:

- Dedicate, sell, convey, or lease interests in any property or grant easements to a Housing and Redevelopment Authority (HRA) (see [Minn. Stat. 469.001-469.047](#) for more about HRAs).
- Create recreational amenities, provide community education, or construct infrastructure adjacent to or in connection with specific housing and redevelopment projects.
- Make loans for economic development or housing and redevelopment.

Cities are also empowered to establish public entities for these purposes, most typically in the form of a HRA or an Economic Development Authorities (EDAs) (see [Minn. Stat. 469.090-469.1081](#)). These types of entities each have their own statutory authorities, but are “in and for” the city government that establishes them. HRAs are the most common across the state and in the metropolitan area.

To establish a municipal HRA, a city council must, by resolution, determine that:

- Substandard or blighted areas exist that cannot be redeveloped without government assistance, or
- There is a shortage of decent, safe, and sanitary housing for low-income households at rents they can afford.

Why Establish a HRA or EDA?

While establishing and operating a separate entity for economic development and housing and redevelopment purposes takes time, energy, and political consensus, these entities can take primary responsibility for planning and implementing development and redevelopment projects and operating housing assistance programs. Specific powers of an HRA include the power to:

- Construct, reconstruct, improve, alter, or repair projects.
- Sell, buy, own, lease, or dispose of property.
- Access state and federal assistance programs.
- Issue bonds for projects backed by the pledge of revenues, grants or other contributions.
- Implement redevelopment programs using Tax Increment Financing (TIF).
- Designate redevelopment areas.
- Develop and administer an interest reduction program to help finance the construction, rehabilitation, or purchase of low- or moderate-income housing.



Special Assessment and Levy Authority: A Key Tool for HRAs and EDAs

Subject to a local city council resolution, an HRA can levy a tax upon all taxable property in its area of operation. These “special taxing districts” allow an HRA levy of up to **0.0185% of estimated market value**. Additionally, because the HRA is not itself considered a local government unit, the HRA levy is not subject to levy limits, though it is subject to the estimated market value limit as stated above. Under state law, an EDA is not automatically granted this special taxing authority; however, an EDA can by resolution adopt all the powers of an HRA and therefore access the power to levy.

HRAs & EDAs Provide Flexibility in Financing & Oversight of Projects

HRAs can use federal grants, revenue or general obligation bonds issued by the HRA or the city, revenue from tax increment financing districts, or levy proceeds to finance their operations, make capital improvements, or retire their debts.

EDAs can by resolution also use these tools and can also use a common bond reserve fund. Whereas each individual bond issue is typically unrelated to others, EDAs can create a pool where each project’s revenue goes into a common fund, thereby improving the security on the pooled bonds, leading to a more favorable rate and ultimately a reduced cost of borrowing.



Note: the information in this resource sheet is a general summary only; please consult the pertinent statutory provisions for more detail.

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