

COMPARISON OF HRA AND EDA ENTITIES IN MINNESOTA

Cities have authority to aid and cooperate in the planning, construction, or operation of economic development, redevelopment and affordable housing projects. These can be done through various government organizations. The predominant method of delivering and administering housing and redevelopment programs in Minnesota is through a legal public entity, accountable to city government. Since 1947 a city in Minnesota may establish this public agency, often a Housing and Redevelopment Authority (HRA) (MN Stat. 460.001 to 469.047), of which there are more than 230 in Minnesota. An HRA is a public corporation with power to undertake certain types of housing and redevelopment or renewal activities. While state legislation conveys authority for HRAs in each City, it is up to the City Council to formally establish an HRA before it can do business and use its powers. In addition to carrying out redevelopment efforts, HRAs are often the affordable housing entity that provides decent and safe rental housing for eligible low and moderate income families, the elderly and persons with disabilities. HRA activities can lead to reinvestment in commercial neighborhoods through acquisition, demolition and rehabilitation.

In 1986 the Minnesota Legislative passed legislation (MN Stat. 469.090 to 469.1082) authorizing cities to establish formal Economic Development Authorities (EDAs) to promote local economic growth. An EDA is a legal entity created by a City to facilitate a well-rounded development program by taking advantage of various powers granted to other development entities, including port authorities and HRAs. By combining these powers, community leaders are able to create flexible business assistance and development programs. EDAs are allowed to buy and sell property, make loans and grants to businesses, provide loan guarantees and to sell bonds, subject to various limitations and conditions.

Housing Redevelopment Authorities

HRAs have two missions: to identify, eliminate and prevent the emergence of blight; and to facilitate development of housing affordable to low and moderate income persons. A blighted area is one with buildings and areas that are detrimental to the health, safety and welfare of the community because of dilapidation, obsolescence, and certain other factors. The HRA may then provide for improvements or redevelopment of these areas through a redevelopment plan. Regarding, affordable housing, the HRA determines what income limits are “low and moderate” (though many state and federal programs also set limits). HRAs may then take any action to facilitate, or even construct and own, housing for income-eligible persons. The area of

Economic Development Authorities

The overall purpose of an EDA is to promote economic development, using some specific powers granted to EDAs (some of which are similar to port authority powers), as well as all the powers of an HRA and of a city under the municipal development district statute. EDAs may exercise powers in an “economic development district”, or may create redevelopment projects or housing development projects (acting as an HRA) or development districts (acting as a city). In other words, an EDA can act as an HRA as well as use broader powers to stimulate economic development that is not directly related to either blight or affordable housing.

operation of a city HRA is the corporate limits of the City.

Governing Body:

Activities are controlled by a board of commissioners. An HRA consists of five commissioners who are residents of the city. The Mayor appoints and the Council approves the members who serve five-year, staggered terms. City Councilmembers often serve on the HRA. The entire membership of an HRA may consist of councilmembers. The City Council must approve broad “redevelopment plans” for projects, but otherwise most HRA activities do not require council approval (unless that is required by some other statute, such as approval of TIF Plans under the TIF Act).

An HRA is a separate political subdivision; it is not just part of the City. The HRA does have the power to levy a tax (with a specified limit), which is separate from the City tax levy, though the City Council must approve that levy.

Activities:

1. May establish a redevelopment project for the elimination and prevention of blighted areas.
2. Acquire real or personal property for activities related to projects. May sell its lands and properties to private or public parties.
3. May provide for the administration of a commercial building loan program to preserve small-sized buildings in its district.
4. May sell real or personal property, including the use of eminent domain, for project-related purposes (though 2006 reform severely limits this power).
5. May act as federal government agent in carrying out provisions of Municipal Housing and Redevelopment Act.
6. May exercise the powers granted to

Governing Body:

EDA is created through an enabling resolution written and approved by City Council. The City Council can choose to serve as the EDA Board of Commissioners or create a board composed of a cross-section of the community. If non-council members sit on the Board, the size must be 3, 5, or 7 Commissioners appointed by the Mayor with the approval of City Council. If the Board has 3 members, at least one must be a City Council member; if the Board has 5 or 7 members, at least 2 must be City Council members. Board members serve for six-year terms, or their term as Councilmembers if they are on the City Council.

The City Council may control the activities of the EDA by limiting its powers under the enabling resolution and through the annual approval of the EDA budget.

Activities:

1. Acquire property for creation of economic development districts.
2. Sell or lease land whether by private or public means.
3. Carry out EDA law to develop and improve land within the district. The EDA may make any necessary arrangements to make land suitable for development.
4. Exercise eminent domain (subject to severe limits of 2006 reform).
5. Enter into contracts for the purpose of economic development.
6. Purchase all materials needed to carry out development.
7. May make loans to a business, a for-profit or nonprofit organization, or an individual. The loan must be for an authorized purpose (e.g., carry out economic development).

- redevelopment agencies under Minn. Stat. §§469.152 to 469.1651
7. Provide relocation payments and assistance in accordance with federal guidelines.
 8. May make loans to carry out redevelopment or affordable housing mission.
 9. May issue revenue bonds secured by specified revenues; may issue bonds secured by City's full faith and credit (and without election) only for certain HRA-owned affordable rental housing projects, with City Council approval and subject to certain limits.
 10. May become member or shareholder in LLP, LLC or corporation for purpose of carrying out housing and housing development projects.
 11. May levy tax for redevelopment or affordable housing programs, with Council approval, and not to exceed .0185 percent of market value in the City. This tax is outside City levy limits.
 12. May employ staff and an executive director.
 8. Engage in research to determine factors of specified development projects.
 9. May be a limited partner in a partnership whose purpose is consistent with the EDA's purpose.
 10. May invest in certain small businesses by providing equity and venture capital, subject to certain limits.
 11. May employ staff and an executive director.
 12. May request the City to levy tax for the EDA, not to exceed .01812 percent of market value in the City; this tax is *within* City levy limits (if any apply).
 13. EDA may also use its HRA powers, and levy the HRA tax for redevelopment and housing purposes, as described under the HRA summary; again, with Council approval. This tax is outside City levy limits.
 14. May issue revenue bonds secured by specified revenues. May issue GO bonds secured by City full faith and credit only with election, and with Council approval.