

EQUAL JUSTICE UNDER LAW



LEGAL PRECEDENT | STATE OF MINNESOTA

Country Joe v. City of Eagan

Housing Affordability Institute's Legal Precedents outlines influential, precedent-setting court decisions at the state and federal level and illustrates their impact on housing and development and their impact on housing and development.

CASE OVERVIEW

Country Joe, Inc. v. City of Eagan, C8-95-2289, addressed whether a Minnesota city could condition building permit approval on payment of a road unit connection charge. Country Joe, a homebuilder in the Twin Cities, sued the City of Eagan, a Twin cities suburb, over the required road unit connection charge (impact fee) in 1995. Eagan's imposition of a road unit connection charge had been in place since 1978.

In 1997, the Minnesota Supreme Court ruled that because road unit connection charges are not authorized under Minnesota law, a municipality cannot condition a building permit approval on the payment of the charge.

PRECEDENT

Country Joe has defined the parameters of municipal powers since 1997. First, *Country Joe* established Minnesota municipalities cannot condition approval of a building permit on payment of a road unit connection charge designed to fund major street improvements. Second, it ruled that any road unit connection charges attempting to raise revenues are taxes, and therefore bound by Minnesota law outlining municipal taxing authority.

Chief Justice Keith wrote:

"We conclude that the charge is a revenue measure, benefiting the public in general, and is not an authorized exercise of the city's police powers. In reaching this conclusion, we find it significant that revenues collected from the road unit connection charge are not earmarked in any way to fund projects necessitated by new development, but instead fund all major street construction, as well as

repairs of existing streets. Because it is not a purely regulatory or license fee but instead a revenue measure, the road unit connection charge is a tax which must draw its authorization, if at all, from the city's powers of taxation."

IMPACT ON HOUSING

Home builders saw *Country Joe* as a landmark decision. The declaration of this type of fee as an illegal tax gave some municipalities pause from implementing similar measures.

Some municipalities chose to continue seeking this illegal revenue stream by shifting the charge as a condition for subdivision approval. It would be another two decades before this shift was challenged and eventually invalidated by the Minnesota Supreme Court in *Harstad v. Woodbury*.

FURTHER READING

Harstad V Woodbury, A16-1937 (MN-2018)