



CITY OF MARSHALL

Temporary Transfer Authority TIF Request for Extension

FACT SHEET

Background

In 2021, the Legislature enacted expanded, temporary authority to transfer unobligated tax increments for purposes of assisting private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities, if doing so will create or retain jobs in the state.

Parameters and Limitations

The authority to transfer increments under this provision expired on December 31, 2022. Amounts being transferred under this provision must have been transferred from the fund or account in which tax increments are segregated and into a separate fund or account by December 31, 2022. Amounts must not be expended directly from the transferring TIF fund or account, and may not be spent after December 31, 2022, if they remain in the TIF district's fund or account at that time. All transfers must be spent by December 31, 2025.

City of Marshall Temporary Transfer

At the December 27, 2022, City Council meeting, the City of Marshall identified an estimated total of up to \$500,000 of unobligated tax increments and a spending plan. Both were adopted via Resolution by the City Council unanimously. The adopted spending plan included projects that may include economic development in existing commercial corridors within the City, East College and surrounding area, underutilized and/or vacant properties, expanded downtown area, and infrastructure improvements that would allow for additional industrial and residential growth.

City of Marshall Planned Use-Residential Growth

In early 2023, the City of Marshall began working with established developer Tapestry Companies on the potential development of a 60-unit affordable family apartment complex and a 65-unit affordable senior independent living complex. City Council approved a Predevelopment Agreement at the June 27, 2023 meeting committing the transferred pooled tax increment revenues to pay costs associated with the infrastructure improvements, in an amount not to exceed \$500,000, in accordance with the Contract. This same Agreement was updated by City Council on June 25, 2024. The developer applied for the MN Housing Tax Credit funding to support project costs which would allow the units to be at or below 50% AMI. The City's most recent Housing Study, completed in 2021, indicated a need for 75 shallow-subsidy units, and 128 deep-subsidy units through 2030. Applications for funds by the developer were made in 2023 and 2024 through the Low-Income Housing Tax Credit program.

Transferred TIF Current Status

MN Housing Finance did not select the Marshall housing project in 2023, and we were notified in January 2025 that the project was not selected for grant funds in 2024. This has meant planned use of these specific TIF funds is possibly at risk for planned uses as stipulated in the adopted spending plan due to the deadline of December 31, 2025. While other economic development projects are being considered for these specific TIF funds, the city may not be able to achieve a successful, on-the-ready project due to uncertain economic conditions, other financing constraints and the prudent measure of not making a rush decision on the best economic development project for these funds. In addition, the housing developer whose project was not funded by MN Housing Finance, anticipates applying again for funding with notification at/near or after the deadline of December 31, 2025.

Request for Extension

The City of Marshall is requesting an extension to December 31, 2027 to allow for careful consideration of the best use of the transferred TIF funds. It is anticipated that an additional time will allow for several potential projects to be at or near the stage of initiating construction. Further, additional time would facilitate additional grant cycle opportunities for the potential housing project or other economic development projects.