

# **Tax Increment Financing Plan**

## **for**

# **Tax Increment Financing (Housing) District No. 6-1**

# **(Suite Liv'n Housing Project)**

**Housing and Redevelopment Authority  
in and for the City of Marshall**

**City of Marshall, Minnesota**

Prepared by

Baker Tilly Municipal Advisors, LLC

Draft Dated: July 27, 2021

Anticipated Approval by City Council: July 27, 2021  
Anticipated Approval by HRA Board: July 27, 2021

## TABLE OF CONTENTS

<u>Section</u>	<u>Page(s)</u>
A. Definitions .....	1
B. Overview .....	1
C. Statutory Authorization.....	2
D. Statement of Need and Public Purpose .....	2
E. Statement of Objectives.....	2
F. Boundaries of the Project Area and TIF District.....	2
G. Designation of the TIF District as a Housing District.....	2
H. Duration of the TIF District .....	3
I. Property to be Included in the TIF District.....	3
J. Property to be Acquired in the TIF District .....	4
K. Specific Development Expected to Occur Within the TIF District .....	4
L. Findings and Need for Tax Increment Financing .....	4
M. Estimated Public Costs .....	5
N. Estimated Sources of Revenue.....	6
O. Estimated Amount of Bonded Indebtedness.....	6
P. Original Net Tax Capacity .....	6
Q. Original Tax Capacity Rate .....	7
R. Projected Retained Captured Net Tax Capacity and Projected Tax Increment .....	7
S. Use of Tax Increment.....	8
T. Excess Tax Increment.....	9
U. Tax Increment Pooling and the Five Year Rule .....	9
V. Limitation on Administrative Expenses .....	9
W. Limitation on Property Not Subject to Improvements - Four Year Rule .....	10
X. Estimated Impact on Other Taxing Jurisdictions.....	10
Y. Prior Planned Improvements.....	11
Z. Development Agreements.....	11
AA.Assessment Agreements .....	11
AB.Modifications of the Tax Increment Financing Plan .....	11
AC. Administration of the Tax Increment Financing Plan .....	12
AD.Filing Financial Reporting and Disclosure Requirements .....	13
Map of the Tax Increment Financing District and Project Area.....	EXHIBIT I
TIF District Assumptions Report .....	EXHIBIT II
Projected Tax Increment Report.....	EXHIBIT III
Estimated Impact on Other Taxing Jurisdictions Report.....	EXHIBIT IV

## **Section A    Definitions**

The terms defined in this section have the meanings given herein, unless the context in which they are used indicates a different meaning:

"Authority" means the Housing and Redevelopment Authority in and for the City of Marshall, Minnesota, a housing and redevelopment authority and a public body corporate and politic duly organized and existing under the Constitution and laws of the State.

"City" means the City of Marshall, Minnesota, a municipal corporation, and political subdivision of the State duly organized and existing under its Charter and the Constitution and laws of the State, also referred to as a "Municipality".

"City Council" means the City Council of the City.

"County" means Lyon County, Minnesota.

"Developer": means L2A LLC.

"Governing Body" means the Board of Commissioners of the Authority.

"HRA Act" means Minnesota Statutes, Sections 469.001 to 469.047, as amended.

"Project" means Project Area No. 6, as shown in the map attached as Exhibit I, which includes the property legally described in Exhibit I.

"Project Area" means Project Area No. 6 in the City, which is described in the corresponding Project Plan.

"Project Plan" means the Project Plan for the Project Area.

"School District" means Independent School District No. 413, Minnesota.

"State" means the State of Minnesota.

"TIF Act" means Minnesota Statutes, Sections 469.174 through 469.1794, as amended.

"TIF District" or "TIF District No. 6-1" means Tax Increment Financing (Housing) District No. 6-1.

"TIF Plan" means the tax increment financing plan for the TIF District (this document).

## **Section B    Overview**

The Authority will adopt the Project Plan for Project Area No. 6. The purpose of the Project Plan is to establish a framework and implementation plan for development of the area comprising the Project Area.

The establishment of the TIF District as set forth in this TIF Plan is for the purpose of the implementation of the objectives set forth in the Project Plan.

**Section C Statutory Authorization**

The HRA Act authorizes the Authority to exercise all the powers relating to a housing and redevelopment authority granted under the HRA Act, the TIF Act or other law.

It is the intention of the Board of Commissioners, notwithstanding the enumeration of specific goals and objectives in the Project Plan, that the Authority shall have and enjoy with respect to the Project Area and TIF District the full range of powers and duties conferred upon the Authority pursuant to the HRA Act, the TIF Act and such other legal authority as the Authority may have or enjoy from time to time.

**Section D Statement of Need and Public Purpose**

The Authority and the City concur that there is a need for development within the City and the Project Area in order to provide affordable, workforce and life cycle housing opportunities, to improve the local tax base, and to improve the general economy of the City and the State.

The Authority finds that the property within this TIF District cannot be developed, consistent with the Comprehensive Plan of the City, without public participation and financial assistance in various forms including assistance for property acquisition, financing of additional affordable housing costs, and the making of various other public and private improvements necessary for the project. In cases where the development of the property cannot be accomplished by private enterprise alone, the Authority believes it to be in the public interest to consider the exercise of its powers, to advance and spend available funds, and to provide the means and impetus for such redevelopment.

**Section E Statement of Objectives**

The objectives outlined in Section D of the Project Plan are incorporated herein by reference.

**Section F Boundaries of the Project Area and TIF District**

The property within the City which constitutes the Project Area and TIF District includes the property contained within the boundaries described below and is illustrated in the map attached as Exhibit I.

The TIF District includes two tax parcels within the Project Area as shown on the attached map (Exhibit I). The Authority reserves the right to expand the boundaries of the Project Area in the future.

**Section G Designation of the TIF District as a Housing District**

Pursuant to the TIF Act, the City seeks to create Tax Increment Financing (Housing) District No. 6-1 and adopt a TIF Plan for the TIF District. The City will review this TIF Plan prior to City adoption. The TIF District is a housing district.

Housing districts are a type of tax increment financing district that consist of a project intended for occupancy, in part, by persons or families of low and moderate income. Low and moderate income is defined in federal, state, and municipal legislation. A project does not qualify if more than 20% of the square footage of buildings that receive assistance from tax increments consist of commercial, retail or other nonresidential use.

In addition, housing districts are subject to various income limitations and requirements for residential property. For owner occupied residential property, 95% of the housing units must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirements for qualified mortgage bond projects under section 143(f) of the Internal Revenue Code. For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code.

The TIF District meets the above qualifications for these reasons:

1. The planned improvements consist of the following:
  - a. Approximately 48 total units, for which the following will apply:
    - o at least 40% of the dwelling units shall be available for rent by persons whose incomes do not exceed 60% of areawide median family income, as adjusted for family size
2. No improvements are planned other than housing and therefore no more than 20% of the square footage of buildings included in the TIF District will consist of commercial, retail, or other nonresidential uses.
3. The Authority will require in the development agreement that the income limitations for the rental units in the apartment buildings will apply for the duration of the TIF District.

Tax increments derived from a housing district must be used solely to finance the cost of housing projects as defined in section 469.174, subd. 11 and 469.176, subd. 4d of the TIF Act. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the Authority may be included in the cost of a housing project. The Authority anticipates using tax increment revenues to finance the costs of TIF eligible and development costs related to construction of the new multifamily housing units within the TIF District.

## **Section H Duration of the TIF District**

Housing districts may remain in existence 25 years from the date of receipt of the first tax increment. Modifications of this TIF Plan (see Section AB) shall not extend beyond these limitations.

Pursuant to Minnesota Statutes section 469.175, subd. 1b(a)(4), the Authority specifies 2024 as the first year in which it elects to receive tax increment from the TIF District, which is no later than four years following the year of approval of the TIF District. Thus, the Authority may collect increment from the TIF District through December 31, 2049; however the Authority anticipates the TIF District remaining open for no more than 15 years and will decertify the TIF District as early as possible should the projected increment be received in a shorter time period than originally projected. All tax increments from taxes payable in the year the TIF District is decertified shall be paid to the Authority.

## **Section I Property to be Included in the TIF District**

The TIF District comprises two parcels that are currently owned by the development team. A map showing the location of the TIF District is shown in Exhibit I. The boundaries and area encompassed by the TIF District are described below:

Parcel Number	Legal Description
27-941005-2	THE VILLAGES 01010001 N'LY 160' OF S'LY 564.27' OUTLOT D
27-941001-0	THE VILLAGES 01010001 THE WLY 245' OF THE NLY

The area encompassed by the TIF District shall also include all street or utility right-of-ways located upon or adjacent to the property described above, as illustrated in the boundary map included in Exhibit I.

#### **Section J Property to be Acquired in the TIF District**

The Authority may acquire and sell any or all of the property located within the TIF District; however, the Authority does not anticipate acquiring property.

#### **Section K Specific Development Expected to Occur Within the TIF District**

The project will be comprised of new workforce apartments to be developed by L2A LLC. Each address would support a new 3-story apartment building. Each building would provide 24 dwelling units in a mix of one- and two-bedroom units for a total of 48 new units. The 24-unit apartment building proposed at 501 Village Drive would be an addition to 70 units in three buildings that are existing on the property. The 24-unit apartment building proposed at 406 Village Drive would be the only development on the property, replacing an existing single-family home (old church parsonage). In order to qualify as a housing district, at least 40% of the units will be occupied by persons or families at or below 60% of area median income. The City and Authority anticipate using tax increment revenues to finance eligible costs associated with development of the affordable housing project site, including site development and other affordable housing costs as well as related administrative expenses.

The project is expected to start construction in 2021 and continue construction through 2022 and be 100% complete as of January 2, 2023 for taxes payable 2024.

#### **Section L Findings and Need for Tax Increment Financing**

In establishing the TIF District, the City makes the following findings:

- (1) The TIF District qualifies as a housing district.  

See Section G of this TIF Plan for the reasons and facts supporting this finding.
- (2) The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.

The proposed development is expected to consist of approximately 48 newly constructed housing units. The City's finding that the proposed development would be unlikely to occur solely through private investment within the reasonably foreseeable future is based on an analysis of the

project pro forma and other materials submitted to the City by the developer. These documents have indicated that the costs of acquiring the property and construction of the new project, in addition to the reductions in annual revenues due to the lower rents associated with providing long-term affordable workforce housing units will result in returns that are not sufficient to support development, thereby making this housing development infeasible without public assistance. Therefore, the developer has indicated in communications with the City and submitted financial data that the development as proposed would not move forward without tax increment assistance.

- (3) The TIF Plan conforms to the general plan for development or redevelopment of the City as a whole.

The reasons and facts supporting this finding are that the Planning Commission of the City has found this TIF Plan consistent with the general plan for development of the City as a whole and will generally complement and serve to implement policies adopted in the City's comprehensive plan.

- (4) The TIF Plan will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Project Area by private enterprise.

Through the implementation of this TIF Plan, the City will provide an impetus for the construction of an apartment project, of which all or a portion of the units will be affordable for occupants at or less than 60% median income. The project will complement the overall housing needs of the City and helps support other private types of development by providing a range of housing opportunities for residents and workers within the City.

**Section M Estimated Public Costs**

The estimated public costs of the TIF District are listed below. Such costs are eligible for reimbursement from tax increments of the TIF District.

Estimated Project Costs	
Land/Building acquisition	0
Site Improvements/Preparation costs	0
Utilities	0
Other public improvements	0
Construction of Affordable Housing	\$572,054
Administrative expenses	\$63,563
Estimated Tax Increment Project Costs	\$635,617
Estimated Financing Costs	
Interest Payments	0
Total Estimated Project/Financing Costs to be Paid from Tax Increment	\$635,617

The Authority anticipates using tax increment to the extent available to finance affordable housing costs primarily including construction of affordable housing improvements, related

administrative expenses, and other TIF-eligible expenditures as deemed necessary and related to redevelopment of the Project Area.

The Authority reserves the right to administratively adjust the amount of any of the items listed above or to incorporate additional eligible items, so long as the total estimated public cost (\$635,617) is not increased. The Authority also reserves the right to fund any of the identified costs with any other legally available revenues, such as grants and/or loans, but anticipates that such costs will be primarily financed with tax increments.

**Section N Estimated Sources of Revenue**

Tax Increment revenue	\$635,617
Interest on invested funds	
Land Sale Proceeds	
Other	
Total	\$635,617

The Authority anticipates providing financial assistance through the terms of a pay-as-you go note in which the developer will finance costs upfront. As tax increments are collected from the TIF District in future years, a portion of these taxes will be used by the Authority to reimburse itself for public costs incurred (see Section M).

The Authority reserves the right to finance any or all public costs of the TIF District using pay-as-you-go assistance, internal funding, general obligation or revenue debt, or any other financing mechanism authorized by law. The Authority also reserves the right to use other sources of revenue legally applicable to the Project Area to pay for such costs including, but not limited to, special assessments, utility revenues, federal or state funds, and investment income.

**Section O Estimated Amount of Bonded Indebtedness**

The maximum principal amount of bonds (as defined in the TIF Act) secured in whole or part with tax increment from the TIF District is \$635,617. The Authority plans to finance the project through pay-as-you-go financing to finance housing development and other eligible costs associated with providing long-term affordable workforce housing within the TIF District. The Authority reserves the right to issue bonds in any form, including without limitation any interfund loan with interest not to exceed the maximum permitted under Section 469.178, subd. 7 of the TIF Act.

**Section P Original Net Tax Capacity**

The County Auditor shall certify the original net tax capacity of the TIF District. This value will be equal to the total net tax capacity of all property in the TIF District as certified by the State Commissioner of Revenue. For districts certified between January 1 and June 30, inclusive, this value is based on the previous assessment year. For districts certified between July 1 and December 31, inclusive, this value is based on the current assessment year.

The Estimated Market Value of all property within the TIF District as of January 2, 2020, for taxes payable in 2021, is \$863,500. Upon establishment of the TIF District and subsequent reclassification of property, the estimated original net tax capacity of the TIF District is expected to be \$10,794. This assumes the property is classified as residential rental.



Each year the County Auditor shall certify the amount that the original net tax capacity has increased or decreased as a result of:

- (1) changes in the tax-exempt status of property;
- (2) reductions or enlargements of the geographic area of the TIF District;
- (3) changes due to stipulation agreements or abatements; or
- (4) changes in property classification rates.

**Section Q Original Tax Capacity Rate**

The County Auditor shall also certify the original tax capacity rate of the TIF District. This rate shall be the sum of all local tax rates that apply to property in the TIF District. This rate shall be for the same taxes payable year as the original net tax capacity.

In future years, the amount of tax increment generated by the TIF District will be calculated using the lesser of (a) the sum of the current local tax rates at that time or (b) the original tax capacity rate of the TIF District.

The County Auditor shall certify the sum of all local tax rates that apply to property in the TIF District for taxes levied in 2021 and payable in 2022 as the original tax capacity rate of the TIF District. Because those rates are not yet available, for purposes of estimating the tax increment generated by the TIF District, the sum of the local tax rates for taxes levied in 2020 and payable in 2021 is 129.013% as shown below.

<u>Taxing Jurisdiction</u>	<u>2020/2021 Local Tax Rate</u>
City of Marshall	59.012%
Lyon County	37.514%
ISD #413	32.334%
Other	<u>0.153%</u>
Total	129.013%

**Section R Projected Retained Captured Net Tax Capacity and Projected Tax Increment**

Each year the County Auditor shall determine the current net tax capacity of all property in the TIF District. To the extent that this total exceeds the original net tax capacity, the difference shall be known as the captured net tax capacity of the TIF District.

The County Auditor shall certify to the City the amount of captured net tax capacity each year. The City may choose to retain any or all of this amount. It is the City's intention to retain 100% of the captured net tax capacity of the TIF District. Such amount shall be known as the retained captured net tax capacity of the TIF District.

Exhibit II gives a listing of the various information and assumptions used in preparing a number of the exhibits contained in this TIF Plan, including Exhibit III which shows the projected tax increment generated over the anticipated life of the TIF District.

**Section S Use of Tax Increment**

Each year the County Treasurer shall deduct 0.36% of the annual tax increment generated by the TIF District and pay such amount to the State's General Fund. Such amounts will be appropriated to the State Auditor for the cost of financial reporting and auditing of tax increment financing information throughout the State. Exhibit III shows the projected deduction for this purpose over the anticipated life of the TIF District.

The City has determined that it will use 100% of the remaining tax increment generated by the TIF District for any of the following purposes:

- (1) Pay for the estimated public costs of the TIF District (see Section M) and County administrative costs associated with the TIF District (see Section V);
- (2) pay principal and interest on one or more pay-as-you-go notes, tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (3) accumulate a reserve securing the payment of tax increment bonds or other bonds issued to finance the estimated public costs of the TIF District;
- (4) pay all or a portion of the county road costs as may be required by the County Board under Minnesota Statutes section 469.175, Subd.1a; or
- (5) return excess tax increments to the County Auditor for redistribution to the City, County and School District.

Tax increment from property located in one county must be expended for the direct and primary benefit of a project located within that county, unless the county board involved waives this requirement. Tax increment shall not be used to circumvent levy limitations applicable to the City.

Tax increment derived from the TIF District must be used solely to finance the cost of housing projects (including administrative expenses and public improvement costs) as defined in Section 469.174, Subdivision 11 of the TIF Act and subject to the requirements set forth in Section 469.1761 of the TIF Act.

Tax increment shall not be used to finance the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the State or federal government. Further, tax increment may not be used to finance: a commons area used as a public park; facilities used for social or recreational purposes (whether public or private); or publicly-owned facilities used for conference purposes; provided that tax increment may be used for a privately owned conference facility, and for parking structures whether public or privately owned and whether or not they are ancillary to one of the otherwise prohibited uses described above.

If there exists any type of agreement or arrangement providing for the developer, or other beneficiary of assistance, to repay all or a portion of the assistance that was paid or financed with tax increments, such payments shall be subject to all of the restrictions imposed on the use of tax increments. Assistance includes sale of property at less than the cost of acquisition or fair market value, grants, ground or other leases at less than fair market rent, interest rate subsidies, utility service connections, roads, or other similar assistance that would otherwise be paid for by the developer or beneficiary.

**Section T Excess Tax Increment**

Beginning with the sixth year after certification of the TIF District, any year in which the tax increments from the TIF District exceed the amount necessary to pay the estimated public costs authorized by the TIF Plan, the City shall use the excess tax increments to:

- (1) prepay any outstanding tax increment bonds;
- (2) discharge the pledge of tax increments thereof;
- (3) pay amounts into an escrow account dedicated to the payment of any outstanding tax increment bonds; or
- (4) return excess tax increments to the County Auditor for redistribution to the City, County and School District. The County Auditor must report to the Commissioner of Education the amount of any excess tax increment redistributed to the School District within 30 days of such redistribution.

**Section U Tax Increment Pooling and the Five-Year Rule**

As permitted under Minnesota Statutes section 469.1763, subd. 2(b) and subd. 3(a)(5), any expenditures of increment from the TIF District to pay the cost of a “housing project” as defined in Minnesota Statutes section 469.174, subd. 11 will be treated as an expenditure within the district for the purposes of the “pooling rules” and the “five-year rule”. The City anticipates that tax increments will be spent outside the TIF District (including allowable administrative expenses), and such expenditures are expressly authorized in this TIF Plan.

The Authority does not anticipate that allowable pooling expenditures will be made outside of the TIF District, but such expenditures are expressly authorized in this TIF Plan.

**Section V Limitation on Administrative Expenses**

Administrative expenses are defined as all costs of the Authority other than:

- (1) amounts paid for the purchase of land;
- (2) amounts paid for materials and services, including architectural and engineering services directly connected with the proposed development within the TIF District;
- (3) relocation benefits paid to, or services provided for, persons or businesses residing or located within the TIF District; or
- (4) amounts used to pay interest on, fund a reserve for, or sell at a discount, tax increment bonds.

Administrative expenses include amounts paid for services provided by bond and other legal counsel, fiscal consultants, planning or economic development consultants, and actual costs incurred by the County in administering the TIF District. Tax increment may be used to pay administrative expenses of the TIF District up to the lesser of (a) 10% of the total tax increment expenditures authorized by the TIF Plan or (b) 10% of the total tax increments received by the TIF District.

**Section W    Limitation on Property Not Subject to Improvements - Four Year Rule**

If after four years from certification of the TIF District no demolition, rehabilitation, renovation, or qualified improvement of an adjacent street has commenced on a parcel located within the TIF District, then that parcel shall be excluded from the TIF District and the original net tax capacity shall be adjusted accordingly. Qualified improvements of a street are limited to construction or opening of a new street, relocation of a street, or substantial reconstruction or rebuilding of an existing street. The City must submit to the County Auditor, by February 1 of the fifth year, evidence that the required activity has taken place for each parcel in the TIF District.

If a parcel is excluded from the TIF District and the City or owner of the parcel subsequently commences any of the above activities, the City shall certify to the County Auditor that such activity has commenced and the parcel shall once again be included in the TIF District. The County Auditor shall certify the net tax capacity of the parcel, as most recently certified by the Commissioner of Revenue, and add such amount to the original net tax capacity of the TIF District.

**Section X    Estimated Impact on Other Taxing Jurisdictions**

Exhibit IV shows the estimated impact on other taxing jurisdictions if the maximum projected retained captured net tax capacity of the TIF District was hypothetically available to the other taxing jurisdictions. The City believes that there will be no adverse impact on other taxing jurisdictions during the life of the TIF District, since the proposed development would not have occurred without the establishment of the TIF District and the provision of public assistance. A positive impact on other taxing jurisdictions will occur when the TIF District is decertified and the development therein becomes part of the general tax base.

The fiscal and economic implications of the proposed tax increment financing district, as pursuant to Minnesota Statutes section 469.175, subd. 2, are listed below.

1. The total amount of tax increment that will be generated over the life of the TIF district is estimated to be \$637,913.
2. To the extent the project in the TIF District generates any public cost impacts on City-provided services such as police and fire protection, public infrastructure, and the impact of any general obligation tax increment bonds attributable to the TIF District upon the ability to issue other debt for general fund purposes, such costs will be levied upon the taxable net tax capacity of the City, excluding that portion captured by the TIF District. The City anticipates financing the project through the issuance of a tax increment financing note supported by future tax increments. The City also reserves the right to use internal financing or bonding, as necessary, to finance a portion of the project costs attributable to the TIF District. Tax increment project revenues from the TIF District and project will repay any issued obligations.
3. The amount of tax increment over the life of the TIF District that would be attributable to school district levies, assuming the School District's share of the total local tax rate for all taxing jurisdictions remained the same, is estimated to be \$159,878.
4. The amount of tax increment over the life of the TIF District that would be attributable to county levies, assuming the County's share of the total local tax rate for all taxing jurisdictions remained the same is estimated to be \$185,490.

5. No additional information has been requested by the County or School District that would enable it to determine additional costs that will accrue to it due to the development proposed for the TIF District.

### **Section Y Prior Planned Improvements**

The Authority shall accompany its request for certification to the County Auditor (or notice of district enlargement), with a listing of all properties within the TIF District for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan. The County Auditor shall increase the original net tax capacity of the TIF District by the net tax capacity of each improvement for which a building permit was issued.

There have been no building permits issued in the last 18 months in conjunction with any of the properties within the TIF District.

### **Section Z Development Agreements**

If within a project containing a housing district, more than 10% of the acreage of the property to be acquired by the Authority is purchased with tax increment bonds proceeds (to which tax increment from the property is pledged), then prior to such acquisition, the Authority must enter into an agreement for the development of the property. Such agreement must provide recourse for the Authority should the development not be completed.

The Authority anticipates entering into an agreement for development.

### **Section AA Assessment Agreements**

The Authority may, upon entering into a development agreement, also enter into an assessment agreement with any person, which establishes a minimum market value of the land and improvements for each year during the life of the TIF District.

The assessment agreement shall be presented to the County or City Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land and so long as the minimum market value contained in the assessment agreement appears to be an accurate estimate, shall certify the assessment agreement as reasonable. The assessment agreement shall be filed for record in the office of the County Recorder and/or Registrar of Titles of each county where the property is located. Any modification or premature termination of this agreement must first be approved by the City, County and School District.

The Authority anticipates entering into an assessment agreement with the developer.

### **Section AB Modifications of the Tax Increment Financing Plan**

Any reduction or enlargement in the geographic area of the Project Area or the TIF District; increase in the amount of bonded indebtedness to be incurred; a determination to capitalize interest if that determination was not part of the original TIF Plan; increase in that portion of the captured net tax capacity to be retained by the City; increase in the total estimated capital and administrative costs; or designation of additional property to be acquired by the City shall be approved only after satisfying all the necessary requirements for approval of the original TIF Plan.

This paragraph does not apply if:

- (1) the only modification is elimination of parcels from the TIF District; and
- (2) the current net tax capacity of the parcels eliminated equals or exceeds the net tax capacity of those parcels in the TIF District's original net tax capacity, or the Authority agrees that the TIF District's original net tax capacity will be reduced by no more than the current net tax capacity of the parcels eliminated.

The City must notify the County Auditor of any modification that reduces or enlarges the geographic area of the TIF District. The geographic area of the TIF District may be reduced but not enlarged after five years following the date of certification.

### **Section AC Administration of the Tax Increment Financing Plan**

Upon adoption of the TIF Plan, the City shall submit a copy of such plan to the Minnesota Department of Revenue and the Office of the State Auditor. The City shall also request that the County Auditor certify the original net tax capacity and net tax capacity rate of the TIF District. To assist the County Auditor in this process, the City shall submit copies of the TIF Plan, the resolution establishing the TIF District and adopting the TIF Plan, and a listing of any prior planned improvements. The City shall also send the County or City Assessor any assessment agreement establishing the minimum market value of land and improvements in the TIF District and shall request that the County or City Assessor review and certify this assessment agreement as reasonable.

The County shall distribute to the City the amount of tax increment as it becomes available. The amount of tax increment in any year represents the applicable property taxes generated by the retained captured net tax capacity of the TIF District. The amount of tax increment may change due to development anticipated by the TIF Plan, other development, inflation of property values, or changes in property classification rates or formulas. In administering and implementing this TIF Plan, the following actions should occur on an annual basis:

- (1) prior to July 1, the City shall notify the County Assessor of any new development that has occurred in the TIF District during the past year to ensure that the new value will be recorded in a timely manner.
- (2) if the County Auditor receives the request for certification of a new TIF District, or for modification of an existing TIF District, before July 1, the request shall be recognized in determining local tax rates for the current and subsequent levy years. Requests received on or after July 1 shall be used to determine local tax rates in subsequent years.
- (3) each year the County Auditor shall certify the amount of the original net tax capacity of the TIF District. The amount certified shall reflect any changes that occur as a result of the following:
  - (a) the value of property that changes from tax-exempt to taxable shall be added to the original net tax capacity of the TIF District. The reverse shall also apply;
  - (b) the original net tax capacity may be modified by any approved enlargement or reduction of the TIF District;

- (c) if the TIF District is classified as an economic development district, then the original net tax capacity shall be increased by the amount of the annual adjustment factor; and
- (d) if laws governing the classification of real property cause changes to the percentage of estimated market value to be applied for property tax purposes, then the resulting increase or decrease in net tax capacity shall be applied proportionately to the original net tax capacity and the retained captured net tax capacity of the TIF District.

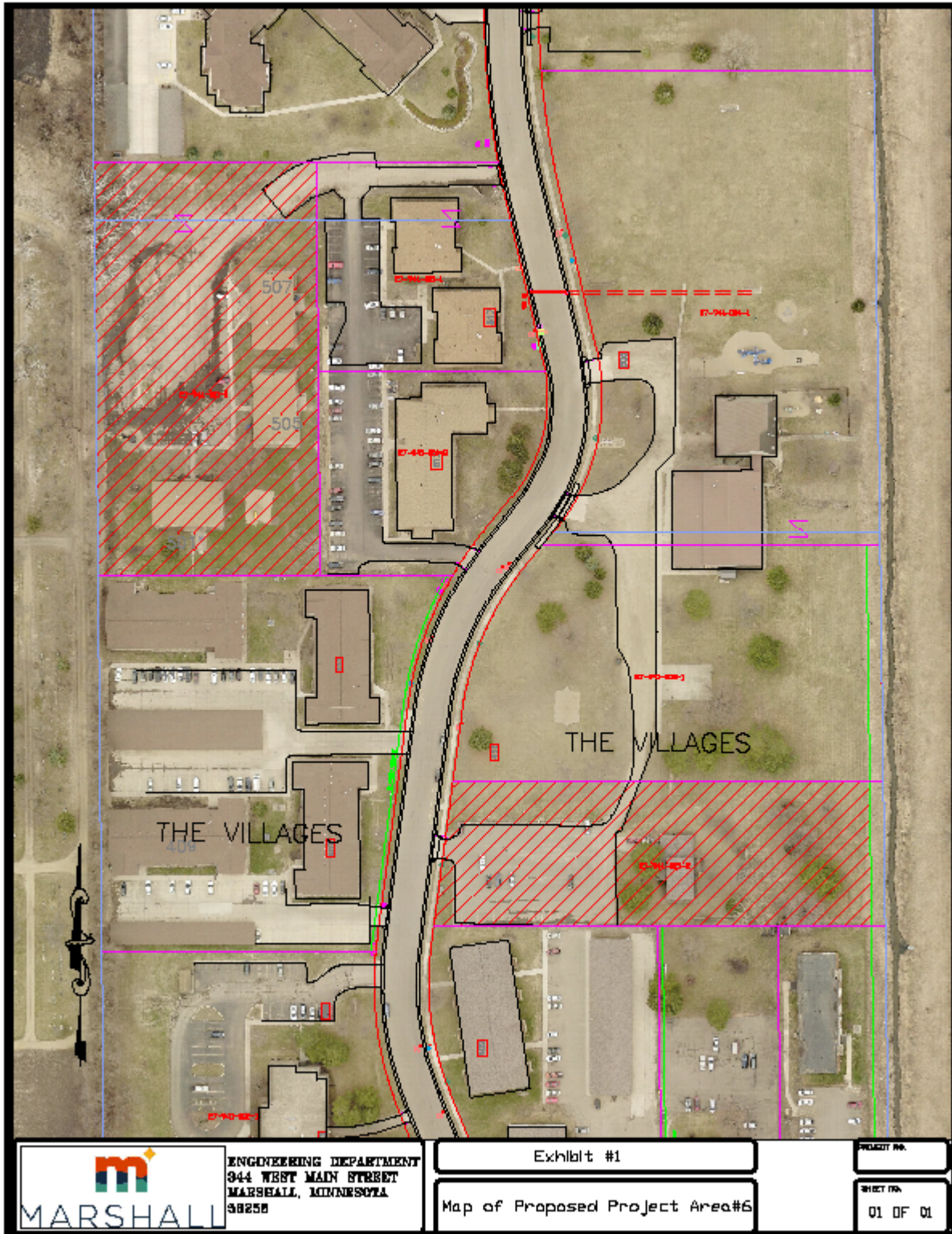
The County Auditor shall notify the City of all changes made to the original net tax capacity of the TIF District.

**Section AD Filing TIF Plan, Financial Reporting and Disclosure Requirements**

The Authority will comply with all reporting requirements for the TIF District under Minnesota Statutes section 469.175, subds. 5 and 6.



**MAP OF PROPOSED  
TAX INCREMENT FINANCING (HOUSING) DISTRICT NO. 6-1  
AND  
PROJECT AREA NO. 6**





**Assumptions Report**

**City of Marshall**  
**Tax Increment Financing (Housing) District No. 6-1**  
**Suite Liv'n Proposed 48-Unit Housing Project**  
**Draft TIF Plan Exhibits: \$2.457M incremental value**

Type of Tax Increment Financing District	Housing
Maximum Duration of TIF District	25 years from 1st increment Assume 1st Increment is 2023
Projected Certification Request Date	06/30/22
Decertification Date	12/31/38 (15 Years of Increment)

	<u>2022/2023</u>
Base Estimated Market Value*	863,500
Parcel ID: 27-941005-2/0	
27-941001-0/0	

\* Values provided by County

Original Net Tax Capacity	10,794
---------------------------	--------

	Assessment/Collection Year			
	<u>2022/2023</u>	<u>2023/2024</u>	<u>2024/2025</u>	<u>2025/2026</u>
Base Estimated Market Value	\$863,500	\$863,500	\$863,500	\$863,500
Estimated Increase in Value - New Construction	0	2,457,400	2,481,974	2,506,794
<b>Total Estimated Market Value</b>	<b>863,500</b>	<b>3,320,900</b>	<b>3,345,474</b>	<b>3,370,294</b>
<b>Total Net Tax Capacity</b>	<b>\$10,794</b>	<b>\$41,511</b>	<b>\$41,818</b>	<b>\$42,129</b>

	Payable 2021
City of Marshall	59.012%
Lyon County	37.514%
ISD #413	32.334%
Other	0.153%

Local Tax Capacity Rate	129.0130%
-------------------------	-----------

Estimated Frozen Tax Capacity Rate	129.013%
------------------------------------	----------

	<u>2023/2024</u>
Fiscal Disparities Contribution From TIF District	NA
Administrative Retainage Percent (maximum = 10%)	10.00%
Pooling Percent	0.00%

<u>Bonds</u>			<u>Projected Pay-as-you-go Note</u>	
Bonds Dated	NA		Note Dated	02/01/22
Bond Issue @ 0.00% (NIC)	NA		Note Rate	4.00%
Eligible Project Costs	NA		Note Amount	\$1,800,000
Present Value Date & Rate	02/01/22	4.00%	PV Amount	\$390,471

**Notes**

Assumes no changes to future class rates and tax rates  
Includes 1% annual market value inflator to allow for future growth  
Total taxable value based on \$2.457M incremental value for 48 new units,  
as provided by City Assessing department

**Projected Tax Increment Report**

**City of Marshall  
Tax Increment Financing (Housing) District No. 6-1  
Suite Liv'n Proposed 48-Unit Housing Project  
TIF Revenues - 15 Years**

Annual Period Ending	Total Market Value <sup>(1)</sup>	Total Net Tax Capacity <sup>(2)</sup>	Less: Original Net Tax Capacity <sup>(3)</sup>	Retained Captured Net Tax Capacity	Times: Tax Capacity Rate <sup>(4)</sup>	Annual Gross Tax Increment	Less: State Aud. Deduction 0.360%	Subtotal Net Tax Increment	Less: Admin. Retainage 10.00%	Annual Net Revenue	P.V. Annual Net Rev. To 02/01/22 4.00%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
12/31/22	863,500	10,794	10,794	0	129.013%	0	0	0	0	0	0
12/31/23	863,500	10,794	10,794	0	129.013%	0	0	0	0	0	0
12/31/24	3,320,900	41,511	10,794	30,718	129.013%	39,630	143	39,487	3,949	35,538	31,697
12/31/25	3,345,474	41,818	10,794	31,025	129.013%	40,026	144	39,882	3,988	35,894	30,783
12/31/26	3,370,294	42,129	10,794	31,335	129.013%	40,426	146	40,280	4,028	36,252	29,894
12/31/27	3,395,362	42,442	10,794	31,648	129.013%	40,830	147	40,683	4,068	36,615	29,032
12/31/28	3,420,680	42,759	10,794	31,965	129.013%	41,239	148	41,091	4,109	36,982	28,195
12/31/29	3,446,252	43,078	10,794	32,284	129.013%	41,651	150	41,501	4,150	37,351	27,381
12/31/30	3,472,080	43,401	10,794	32,607	129.013%	42,068	151	41,917	4,192	37,725	26,592
12/31/31	3,498,165	43,727	10,794	32,933	129.013%	42,488	153	42,335	4,234	38,101	25,824
12/31/32	3,524,512	44,056	10,794	33,263	129.013%	42,913	154	42,759	4,276	38,483	25,080
12/31/33	3,551,122	44,389	10,794	33,595	129.013%	43,342	156	43,186	4,319	38,867	24,356
12/31/34	3,577,998	44,725	10,794	33,931	129.013%	43,776	158	43,618	4,362	39,256	23,653
12/31/35	3,605,143	45,064	10,794	34,271	129.013%	44,213	159	44,054	4,405	39,649	22,971
12/31/36	3,632,560	45,407	10,794	34,613	129.013%	44,656	161	44,495	4,450	40,045	22,308
12/31/37	3,660,250	45,753	10,794	34,959	129.013%	45,102	162	44,940	4,494	40,446	21,665
12/31/38	3,688,218	46,103	10,794	35,309	129.013%	45,553	164	45,389	4,539	40,850	21,040
12/31/39	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/40	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/41	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/42	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/43	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/44	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/45	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/46	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/47	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/48	863,500	0	0	0	129.013%	0	0	0	0	0	0
12/31/49	863,500	0	0	0	129.013%	0	0	0	0	0	0
						\$637,913	\$2,296	\$635,617	\$63,563	\$572,054	\$390,471

\* election to delay receipt of first increment until up to 2024 (up to 4 years from approval date)  
 (1) Total estimated market value based on information provided by City Assessor (\$51,196/unit incremental value)  
**preliminary and subject to further review. Includes 1% annual market value inflator**  
 (2) Total net tax capacity based on residential rental class rate of 1.25%  
 (3) Original net tax capacity based on 2020/2021 existing property value  
 (4) Total local combined tax rate available for taxes payable 2021

**Estimated Impact on Other Taxing Jurisdictions Report**

**City of Marshall  
 Tax Increment Financing (Housing) District No. 6-1  
 Suite Liv'n Proposed 48-Unit Housing Project  
 Draft TIF Plan Exhibits: \$2.457M incremental value**

Taxing Jurisdiction	Without Project or TIF District		With Project and TIF District					
	2020/2021 Taxable Net Tax Capacity (1)	2020/2021 Local Tax Rate	2020/2021 Taxable Net Tax Capacity (1)	Projected Retained Captured Net Tax Capacity +	New Taxable Net Tax Capacity =	Hypothetical Adjusted Local Tax Rate (*)	Hypothetical Decrease In Local Tax Rate (*)	Hypothetical Tax Generated by Retained Captured N.T.C. (*)
City of Marshall	12,317,601	59.012%	12,317,601	\$39,393	12,356,994	58.824%	0.188%	23,173
Lyon County	39,640,163	37.514%	39,640,163	39,393	39,679,556	37.477%	0.037%	14,763
ISD #413	19,021,259	32.334%	19,021,259	39,393	19,060,652	32.267%	0.067%	12,711
Other (2)	---	0.153%	---	39,393	---	0.153%	---	---
<b>Totals</b>		<b>129.013%</b>				<b>128.721%</b>	<b>0.292%</b>	

**\* Statement 1:** If the projected Retained Captured Net Tax Capacity of the TIF District was hypothetically available to each of the taxing jurisdictions above, the result would be a lower local tax rate (see Hypothetical Adjusted Tax Rate above) which would produce the same amount of taxes for each taxing jurisdiction. In such a case, the total local tax rate would decrease by 0.292% (see Hypothetical Decrease in Local Tax Rate above). The hypothetical tax that the Retained Captured Net Tax Capacity of the TIF District would generate is also shown above.

**Statement 2:** Since the projected Retained Captured Net Tax Capacity of the TIF District is not available to the taxing jurisdictions, then there is no impact on taxes levied or local tax rates.

(1) Taxable net tax capacity = total net tax capacity - captured TIF - fiscal disparity contribution, if applicable.  
 (2) The impact on these taxing jurisdictions has not been calculated. They represent 0.12% of the total tax rate.