



CITY OF MARSHALL AGENDA ITEM REPORT

Presenter:	Lauren Deutz
Meeting Date:	Tuesday, December 19, 2023
Category:	PUBLIC HEARING
Type:	ACTION
Subject:	Consider Tax Abatement Application by Rebound Partners for Proposed Hotel Project
Background Information:	<p>The City of Marshall received a request for financial assistance through tax abatement to assist with financing a portion of the eligible costs related to the construction of an approximate 84-room Hampton Inn by Hilton hotel in the City. Total project costs are estimated at \$14,8850,164.</p> <p>Based on the Core Distinction Group Hotel Study, it was identified that 60-70 room, upper midscale hotel is needed in Marshall to accommodate the displaced lodging demand.</p> <p>In addition, past surveys of businesses, sports associations, visitors bureau have indicated that lack of rooms curtails business travel and prevents visitors from staying in the city.</p> <p>In a review of the scope and projected financial performance of the project, it was determined that the project meets public purpose and warrants public assistance to proceed as proposed.</p> <p>Based on financing assumptions and analysis, without financial assistance, the project would not be feasible due to the inability of the project to support total development costs with projected operating revenues and current market conditions.</p> <p>Rebound Partners is currently working to secure bank financing and equity for the project. The developer is requesting financial assistance to include in the sources of funds available for the project.</p> <p>A public hearing on this tax abatement application will be conducted prior to the recommended staff actions to further explain the project and provide considerations.</p> <p>In addition, if the Council would consider approval of the tax abatement, in the future, per MN Statutes: before granting a business subsidy that exceeds \$150,000 the city must provide public notice and conduct a business subsidy hearing on the subsidy.</p>
Fiscal Impact:	Proposed estimated market value of \$5.5 million based on projections. Up to \$211,000 tax abatement.
Alternative/Variations:	See below recommendations:
Recommendations:	<p>1). Approve tax abatement application by Rebound Partners with any abatement paid only following construction, completion and payment of the full property taxes, certification of meeting business subsidy agreement provisions and further direct staff to finalize the tax abatement consistent with the city's business subsidy policy and MN Statutes.</p> <p>OR</p>

2) Deny tax abatement application by Rebound Partners until further and additional financial commitments can be secured and that the City Council hereby would provide future support in a hotel development that increases the tax base, revitalizes the community, creates jobs and provides basic goods and services.

Further the city council directs staff to work with hotel development business subsidy applicant and any other applicant that may come forward with a proposed hotel development, and that any applicant must be justified by evidence that the project cannot proceed without the benefits of the subsidy.

The city recognizes that every proposal is unique. Nothing in these criteria shall be deemed to be an entitlement or shall establish a contractual right to a subsidy. The City reserves the right to modify these criteria from time to time and to evaluate each project as a whole. The following criteria recognize that the award of a business subsidy may serve a variety of public purposes of varying importance depending upon the specific project facilitated by the subsidy. The city may modify any criterion it determines to be unimportant in the case of a particular project, as permitted by the Act.

When considering projects, the city will consider all relevant factors and will base its decision on the merits of the project and its projected economic benefit to the community (i.e., the increased tax base and the jobs, which will result from the project). The city will also consider the contributions that the project makes to further the community's overall development plan and its impact on existing businesses.

That any public assistance related to hotel development would only be paid to developer following construction, completion, certification of meeting business subsidy agreement provisions and payment of the full property taxes.