

**Amended and Restated Spending Plan  
for**

**Tax Increment Financing (Redevelopment)  
District No. 1-1**

**Tax Increment Financing (Redevelopment)  
District No. 1-7**

**Tax Increment Financing (Redevelopment)  
District No. 2-1**

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

**City of Marshall, Minnesota**

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**Amended and Restated Spending Plan**

for

**Tax Increment Financing (Redevelopment) District No. 1-1,  
Tax Increment Financing (Redevelopment) District No. 1-7, and  
Tax Increment Financing (Redevelopment) District No. 2-1**

**Introduction**

The Minnesota Legislature amended the TIF law (the “Law”) in 2021 to provide flexibility to cities to utilize unobligated tax increment revenues in their districts to promote construction and job creation in their communities. Increments expended under the Law do not count against any pooling limitations of the districts. The TIF law was further amended in 2025 to allow for an extension of the timeline for cities to utilize unobligated tax increment revenues as authorized in an adopted spending plan. In accordance with Minnesota Statutes, Section 469.176, subd. 4n, as amended, and Minnesota Laws 2025, 1st Special Session, Chapter 13, Article 5, Section 14 (the “Special Law”), the city of Marshall may elect to spend, loan, or invest transferred increment, including any interest or investment earnings on such transferred increment, as authorized under Minnesota Statutes, section 469.176, subdivision 4n, through December 31, 2027.

The law allows cities, housing and redevelopment authorities (“authorities”), and economic development authorities to provide improvements, loans, interest rate subsidies, or assistance in any form to private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities if it will create or retain jobs in Minnesota, including construction jobs. In addition, authorities can make an equity or similar investment in a corporation, partnership, or limited liability company that they determine is necessary to make construction of private development financially feasible. The Law requires the City to have transferred unobligated tax increments to a segregated account by December 31, 2022, and to spend such increments by December 31, 2025, or by December 31, 2026, if authorized by an amended spending plan. Any unused tax increments must be returned to the applicable TIF district after the applicable date. The Special Law extended the timeline for spending of unobligated tax increments to December 31, 2027, under an amended spending plan.

The Housing and Redevelopment Authority in and for the City of Marshall, Minnesota (the “Authority”), established Tax Increment Financing (Redevelopment) District No. 1-1, Tax Increment Financing (Redevelopment) District No. 1-7 and Tax Increment Financing (Redevelopment) District No. 2-1 (collectively, the “TIF Districts”) to achieve certain development objectives of the City including redevelopment of substandard properties and areas within the City. The TIF Districts are administered by the Authority and have been identified as TIF Districts that contain unobligated tax increment revenues.

In accordance with the Special Law, the municipality may amend the spending plan prior to December 31, 2025, to extend the deadline for use of transferred increments from December 31, 2025, to December 31, 2027, and to authorize the use of interest earned on transferred increment. The amended spending plan must be approved after holding a public hearing. The City must have provided a copy of the original spending plan approved and signed by the municipality, as well as any approved and signed amended spending plan, to the Office of the State Auditor.

The following text represents the amended and restated spending plan (the “Amended Spending Plan”) for the TIF Districts.

**Section A Purpose**

The TIF Districts are administered by the Housing and Redevelopment Authority in and for the City of Marshall, Minnesota (the "Authority"). The Authority proposes to adopt the Amended Spending Plan for the TIF Districts in accordance with Minnesota Statutes, Section 469.176, subd. 4n, as amended ("Subd. 4n"), and Minnesota Laws 2025, 1st Special Session, Chapter 13, Article 5, Section 14 (the "Special Law"). Pursuant to the Special Law, the city of Marshall (the "City") may elect to spend, loan, or invest transferred increment, including any interest or investment earnings on such transferred increment, as authorized under Subd. 4n, through December 31, 2027.

The purpose of the Amended Spending Plan is to allow for the use of unobligated tax increment revenues from the TIF Districts that were transferred and held in a segregated fund as authorized under Subd. 4n to assist in the private development or redevelopment of sites or lands or areas within the City in conformity with the City's Comprehensive Plan or other City plans or objectives.

The transferred tax increments and any interest or investment earnings on such increment are to be utilized for one of the following purposes:

- 1) to provide improvements, loans, interest rate subsidies, or assistance in any form to the private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities if the following conditions exist:
  - a. it will create or retain jobs in the state, including construction jobs;
  - b. construction of the project and spending of the funds commences before December 31, 2027, and
  - c. the construction would not have commenced before that date without the assistance.
- 2) to make an equity or similar investment in a corporation, partnership, or limited liability company that the Authority determines is necessary to make construction of a development that meets the requirements of the law financially feasible.

The Housing and Redevelopment Authority in and for the City of Marshall, Minnesota (the "Authority") created the original Spending Plan for Tax Increment Financing (Redevelopment) District No. 1-1, Tax Increment Financing (Redevelopment) District No. 1-7 and Tax Increment Financing (Redevelopment) District No. 2-1 (collectively, the "TIF Districts"), which was approved by the City Council of the City on December 27, 2022, after a public hearing thereon. The original Spending Plan details the use of unobligated tax increments from the TIF Districts in accordance with Subd. 4n and provides the city with greater flexibility on the use of TIF funds to promote construction and job creation. The unobligated tax increments were transferred from TIF Districts 1-1, 1-7 and 2-1 and deposited into a segregated account prior to December 31, 2022.

In accordance with Subd. 4n and the Special Law, the City may elect to spend, loan, or invest transferred increment, including any interest or investment earnings on such transferred increment, as authorized under Subd. 4n, through December 31, 2027, provided that the transferred increment was collected from the TIF Districts, and the use of the transferred increment is detailed in the city's written spending plan adopted pursuant to paragraph (c) of Subd. 4n.

The City provided the Office of the State Auditor with a copy of the original Spending Plan approved and signed by the City following its approval. As provided in Subd. 4n, any tax increments authorized under the spending plan must be transferred out of the applicable TIF fund by December 31, 2022, and spent by December 31, 2025, or by December 31, 2026, if authorized by an amended spending plan. Any funds unspent shall be returned to the originating TIF District, and if the TIF District has been decertified, remitted to the County for redistribution.

The City has been working on several development and redevelopment initiatives in the City that further the City's strategic priorities of redeveloping underutilized areas within the City and implementing an established plan for growth and active development in certain areas within the City. Potential projects identified to meet these initiatives are anticipated to require public assistance to be financially feasible and have been identified as potential qualifying uses for which unobligated tax increments, as further described in the next section of the Amended Spending Plan, will be necessary to fill a financial gap and allow for construction to occur.

The assistance provided pursuant to this Amended Spending Plan shall be subject to Minnesota Statutes, Sections 116J.993 to 116J.995 (the "Business Subsidy Law"), if applicable, and shall be subject to the Authority's Business Subsidy Policy.

### **Section B Unobligated TIF Funds**

The Authority transferred \$500,000 of unobligated tax increments from the TIF Districts prior to December 31, 2022, and they have been held in a separate fund. It is anticipated the unobligated tax increments will be used on eligible costs of future eligible projects that may include acquisition, site improvements/preparation costs, public improvements, utilities, other qualifying improvements, and other related expenses associated with development of the projects. Such projects are further described in paragraph two in Section C as follows.

### **Section C Amended Spending Plan**

Under the Amended Spending Plan, the Authority is authorized to use unobligated tax increments from the TIF Districts to provide improvements, loans, interest rate subsidies, or assistance in any form to private development to further the Authority's redevelopment goals and objectives if doing so will create or retain jobs in the state, including construction jobs.

Financing assistance may be available for development and redevelopment projects that will create new housing, commercial, retail, industrial or open space, or any combination thereof, that are located within the City. For the purposes of this Amended Spending Plan, the areas considered as potential project locations where funds may be spent include 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. Eligible expenses related to such projects may include land acquisition, environmental rehabilitation, site preparation, public improvements, utilities, and other redevelopment costs. Such projects are expected to result in increased tax base and new job creation.

The projects shall commence before December 31, 2027 (unless a later commencement date is hereafter authorized by law) with the funds expended by that same date and shall include projects that would not commence by such date without the assistance provided pursuant to this Amended Spending Plan.

As related to the action of adopting the Amended Spending Plan for the TIF Districts, the City is authorized as follows:

1. To administratively amend the budget set forth in the Tax Increment Financing Plans for the TIF Districts as necessary to provide for the assistance authorized by this Spending Plan.

2. To take any other action necessary and authorized under the Law in connection with the construction or substantial rehabilitation of facilities of the type described in paragraph one above.
3. To authorize and direct staff to maintain a copy of this Amended Spending Plan with the Authority's records for the TIF District, and to file a copy of the Amended Spending Plan with the Office of the State Auditor.

## Temporary Transfer Authority

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. Such enacted law is narrower than initially proposed and is similar to 2010 legislation that temporarily expanded the use of TIF with the aim of stimulating economic recovery after the Great Recession. This temporary authority was amended in 2025.

## Authority and Purposes

The law temporarily permits a development authority to elect, by resolution, to transfer unobligated increment for certain specified purposes. The new law does not, however, override requirements to pay bonds to which increments are pledged.

Any transfer under this provision must be for the purpose of assisting private development that meets all of the following criteria:

1. it consists of the construction or substantial rehabilitation of buildings and ancillary facilities;
2. it creates or retains jobs in the state, including construction jobs; and
3. construction commences before December 31, 2027 (pursuant to Special Law), and would not have commenced before that date without the assistance.

Transfers must provide assistance in one or both of the following ways:

1. by providing improvements, loans, interest rate subsidies, or assistance in any form to the private development; or
2. by making an equity or similar investment in a corporation, partnership, or limited liability company that the authority determines is necessary to make construction of a development financially feasible.

In order to demonstrate compliance with Subd. 4n and the Special Law, it is recommended the Authority include affirmation of the qualifications in the written resolution electing to make the transfer. The Authority will also document that the development created or retained jobs in the state and that commencement of construction by December 31, 2027, had depended on the transfer.

## Approvals and Spending Plans

Prior to approving the use of this temporary transfer authority by resolution, the Authority must have created a written spending plan that authorized the Authority to provide the assistance or make the investment that makes the development qualify. The plan must detail the use of transferred increment, including the use of interest earned on transferred increment. The OSA recommended identifying planned expenditures using the same categories identified in TIF plans and TIF reporting (e.g., acquisition, site preparation, financing costs, etc.), except for a category for administrative expenses, because administrative expenses are not included in the permissible uses of the transferred increment.

The municipality (which may or not be the same as the development authority) must have approved the authority's spending plan after holding a public hearing. The municipality must have published notice of the hearing in a newspaper of general circulation in the municipality and on the municipality's public website at least ten days, but not more than 30 days, prior to the date of the hearing.

The municipality may amend the spending plan prior to December 31, 2025, to extend the deadline for use of transferred increments from December 31, 2025, to December 31, 2027 (pursuant to Special

Law), and to authorize the use of interest earned on transferred increment. The amendment to the spending plan must be approved after holding a public hearing. An authority making a transfer under this authority must have provided a copy of the original spending plan approved and signed by the municipality, as well as any approved and signed amended spending plans, to the Office of the State Auditor.

## **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, loaned, invested or otherwise irrevocably committed by December 31, 2025, or December 31, 2027, if authorized by an amended spending plan.

Transfers from a TIF district in calendar years 2021 and 2022 were limited to a maximum transfer equal to the excess of the district's unobligated increment. Under the provision, unobligated increment included any increment not required for payment of obligations due during the six months following the transfer on outstanding bonds, binding contracts, and other outstanding financial obligations of the district to which the district's increment is pledged. Unobligated increment may have included either in-district or out district shares of tax increment.

This provision does not provide any exception to pay those obligations to which tax increment is pledged, and an authority should not have transferred amounts that might impair their ability to make payments on those obligations.

Increment that is improperly retained, received, spent, or transferred was not eligible for transfer under this authority. Therefore, balances of tax increment should have been carefully evaluated prior to making transfers. For example, excess increment calculated for 2019 that might remain in the TIF fund after it should have been returned by September 30, 2020, would not have been eligible for transfer. Likewise, if a district received tax increment after it should have been decertified under the Six-Year Rule, such amounts of increment would also not have been eligible for transfer.

## **Unspent Transfers**

Unspent transferred increment not spent, loaned, invested or otherwise irrevocably committed by December 31, 2027, as authorized by the Amended Spending Plan, must be returned to the fund(s) of the contributing TIF district(s). The requirement to return increment to the district includes any proceeds, principal, and interest received on loans of transferred increment; interest or investment earnings on transferred increment; or other repayments or returns of transferred increment defined as tax increment that remain in the funds or accounts of the authority or municipality on the applicable deadline, or that are subsequently received by the authority or municipality. If multiple districts transferred increment, the distribution of returned amounts need not be proportional to the amounts contributed, but the amount returned to each TIF district must not exceed the amount transferred from the district plus any interest on the transferred amount.