



CITY OF MARSHALL AGENDA ITEM REPORT

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| Presenter: | E.J. Moberg |
| Meeting Date: | Tuesday, November 25, 2025 |
| Category: | NEW BUSINESS |
| Type: | ACTION |
| Subject: | Resolution Approving Amended Spending Plan |
| Background Information: | <p>As part of the omnibus tax bill enacted in July 2021, state statute 469.176 was amended, giving Minnesota communities temporary flexibility to use unobligated increment from existing tax increment districts to help stimulate private development that would not otherwise commence without the assistance. The deadline for using those funds was December 31, 2025.</p> <p>The 2021 bill stated that municipalities may provide loans, interest rate subsidies, or assistance in any form (including an equity or similar investment in a private project) to private development, as long as it consists of new construction or substantial rehabilitation of buildings and ancillary facilities AND if doing so will create or retain jobs in the State (including construction jobs).</p> <p>Prior to approving the use of unobligated increment for the temporary transfer authority, cities and authorities were required to develop a written spending plan that details the use of the unobligated increment and authorized the transfer(s) (if a municipality does not have an authority, it can develop the plan), approve a resolution authorizing the transfer(s), and send a copy of the spending plan to the Office of the State Auditor. The municipality then had to approve the original spending plan after holding a public hearing. This required publishing the hearing notice in a newspaper of general circulation in the municipality AND placing it on the municipality's website at least 10 days, but not more than 30 days prior to the public hearing date.</p> <p>In 2025, Minn. Stat. § 469.176, subd. 4n, was amended and subd. 4n(c) had language added that "Prior to December 31, 2025, the municipality may amend a written spending plan to extend the date by which transferred increment may be used, and to authorize use of interest earned on transferred increment, after holding a public hearing as required in this section. A signed and approved copy of the amended plan must be filed with the state auditor."</p> <p>The Minnesota Legislature enacted and the Governor signed into law Minnesota Laws 2025, 1st Special Session, Chapter 13, Article 5, Section 14 (the "Special Law"), authorizing the City to elect to spend, loan or invest transferred increment collected from the TIF Districts, including any interest or investment earnings on such transferred increment as authorized under Subd. 4n, through December 31, 2027.</p> <p>How long is this option available? The City 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 the City's special legislation, and also to authorize the use of any interest earned on transferred increment. The amended spending plan must be approved after holding a public hearing. An</p> |

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| | <p>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. The temporary authority to transfer the unobligated increment expired on December 31, 2022 and the transferred increment must now be used by December 31, 2027.</p> <p>All transferred increments must be spent, loaned, invested, or otherwise irrevocably committed by December 31, 2027. Increment not spent, loaned, invested, or otherwise irrevocably committed by December 31, 2027, must be returned to the district. If the district has already been decertified, the increment will be treated as excess increment and distributed as provided by state statute.</p> <p>Notice of the public hearing was published in the official newspaper on Thursday, November 13th and on the City website on Friday, November 14th and the public hearing will be held on Tuesday, November 25th at 5:30 pm.</p> <p>City staff have been working with BakerTilly to assist with:</p> <ul style="list-style-type: none"> • Amending the original TIF spending plan required by the legislation • Consulting with our TIF attorney, Sofia Lykke, Kutak Rock LLP, on process implementation and drafting of supporting documentation <p>If approved, city staff will provide a copy of the amended spending plan to the Office of the State Auditor prior to December 31, 2025.</p> |
| Fiscal Impact: | |
| Alternative/ Variations: | Do not approve the amended spending plan or the resolution and the monies would be returned at year-end to the tax increment financing fund. |
| Recommendations: | Approve the resolution approving the adoption of an amended spending plan. |