



CITY OF MARSHALL AGENDA ITEM REPORT

Meeting Date:	Tuesday, April 26, 2022
Category:	NEW BUSINESS
Type:	ACTION
Subject:	Block 11 Development Agreement for CBC Fischer Group and Resolution Adoption
Background Information:	<p>Project Details</p> <p>CBC Fischer Group has proposed a three-phase, \$12 million in-fill development on Block 11 located in Downtown Marshall. The project phases are as follows:</p> <p>Phase 1: Three-story building with 33 one-bedroom units and six two-bedroom units (Corner of Lyon St and 1st St)</p> <p>Phase 2: Three-story building with 18 one-bedroom units and four two-bedroom units plus 4,420 sq. ft of first floor commercial. (Corner of 1st and Main St)</p> <p>Phase 3: Three-story building with 18 one-bedroom units and four two-bedroom units plus 4,420 sq. ft of first floor commercial. (Corner of College and Lyon St)</p> <p>The project includes 83 parking units with anticipated additional on-street parking on Lyon Street. A conditional use permit was approved by Planning Commission in January for an apartment in the B-2 Central Business District for Phase 1 of the development.</p> <p>According to our recent Housing Study, Marshall has a need for 124 new market rate apartment units. In addition, there is a need for 665 general occupancy housing units within the city.</p> <p>The housing study also indicates that: <i>The strongest sources of demand for rental housing in Marshall will likely be young singles and couples without children in their late-20s and early-30s who work in Marshall or in nearby communities, who would desire new apartment units with modern amenities.</i></p> <p>The additional commercial space would also be beneficial to the Downtown District as vacancy rates are low and interest has been shown for retail and office space in the district.</p> <p>Construction of Phase I is expected to start Spring of 2022. Phase I will include 33 one-bedroom apartments and 6 two-bedroom apartments.</p> <p>TIF Background</p> <p>The Marshall EDA is requesting the establishment of a Tax Increment Financing (TIF) Redevelopment District to assist with financing a portion of the costs associated with redevelopment of the project site and construction of a three-phase housing and mixed-use commercial development on Block 11. The developer is requesting a 26-year, \$1.302 million pay-as-you-go TIF for all three phases of development. Through the terms of the TIF Assistance Agreement, the City would pledge 50% of annual increment to the developer and retain the remaining 50% to finance \$400,000 of land cost with 3% interest, administrative expenses and eligible redevelopment pooling expenses. The total estimated tax increments estimated to be generated by all three phases of development would be \$2.604 million.</p>

TIF districts are used to fund the revitalization of deteriorating or distressed areas.

"Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

- a. parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance;
- b. the property consists of vacant, unused, underused, inappropriately used, or infrequently used rail yards, rail storage facilities, or excessive or vacated railroad rights-of-way;
- c. tank facilities, or property whose immediately previous use was for tank facilities, as defined in section [115C.02, subdivision 15](#),
- d. a qualifying disaster area, as defined in subdivision 10b.

The EDA is requesting the use of tax increment revenue to finance eligible costs associated with redevelopment of the site including acquisition, site improvements, parking improvements (public and private), and public improvements, as well as related administrative expenses. Tax increment from a redevelopment TIF cannot be used to construct buildings.

Block 11 was first identified as a redevelopment priority back in 1997 in a study conducted by DSU under the guidance of the former Downtown Task Force. TIF was identified at that time as a long-term funding tool for the redevelopment of downtown, including the Block 11 area. The City purchased the first two properties in 2002 and continued to acquire the blighted and substandard properties through 2018.

The current City of Marshall Comprehensive Plan, states that the Central Business District (CBD) is a very important element in the City of Marshall. It also lays out the following goals under Downtown:

- 1) Create an atmosphere in the downtown area that is conducive and supportive of housing in the downtown area.
- 2) Identify and promote an appropriate mix of retail and service businesses in the downtown area.
- 3) Encourage appropriate redevelopment of the downtown area.
- 4) Promote the cooperation of the public and private sector in redevelopment consistent with the need to maintain a strong downtown area.
- 5) Encourage a positive, vital and unique image for the downtown area.

Kennedy and Graven prepared and submitted the Development Agreement for the proposed TIF project which was reviewed by the City Attorney. The proposed Development Agreement has also been approved by CBC Fischer Group. Within the agreement are specific conditions related to TIF Lookback, construction commencement and completion requirements, right of re-entry procedure, and the developer's responsibility to pay increment shortfalls.

In addition, Block 11 is currently divided into two parcels. Attorney Simpson has requested that the HRA consider replatting the parcels into three parcels for each phase of development. Exhibit A and B are highlighted to demonstrate where this change would be reflected in the Development Agreement.

Fiscal Impact:

Alternative/ Variations:	None
Recommendations:	<ol style="list-style-type: none">1. That the Housing and Redevelopment Authority approve the Contract for Private Development submitted by Kennedy and Graven2. That the Housing and Redevelopment Authority approve the Resolution approving the Contract for Private Development.