

MEMORANDUM

TO: County Board and School District
FROM: Schane Rudlang & Stacie Kvilvang – Ehlers
DATE: February 10, 2026
SUBJECT: Riverchase II Multifamily Development – TIF District

The City of Faribault (the “City”) is considering the use of Tax Increment Financing (“TIF”) to support development of the Riverchase II project. Riverchase II is a 76-unit, market-rate multifamily housing project intended to help address ongoing local housing shortages and provide needed housing for local workers and their families. Riverchase I, built in 2023, is similar in size and scope; approximately 12% of the households in Riverchase I have children. The Project is proposed by Hamilton Real Estate (the “Developer”) and would be located at 105 Riverchase Ct. The City is evaluating the establishment of an Economic Development TIF District to facilitate the Project. The unit mix for the project is shown in the table below.

Unit Type	Unit Count	Size Sq. Ft.
Studio	11	530
1BR	27	700
1BR+Den	12	773
2BR	12	900
2BR-2BA	14	1,040
	76	

Economic Development Workforce Housing TIF District

Riverchase II qualifies as a workforce housing project under MN Statutes Section 469.176, Subdivision 4c, paragraph (d). As required by statute, a third-party market study completed by Maxfield Research confirms that vacancy rates within 15 miles of the City have remained below 3% for at least the past two years. The City will hold a public hearing on March 24 to establish the TIF District and consider approval of a TIF Agreement with the Developer.

The TIF Plan is a document that outlines the objectives and policies of the district, delineates district boundaries, and establishes the maximum budget authority. Approval of the TIF Plan allows the City to create a new district but does not itself grant financial assistance (this occurs only through a separate TIF Agreement with the Developer).

The TIF Plan will also include the standard 10% allowance for City administrative costs. This amount may be used to cover ongoing expenses related to monitoring and administering the district. The Plan will further authorize the use of an interfund loan to reimburse the City for eligible expenditures incurred before increment is received. The TIF District would have a maximum duration of 9 years. The total budgetary authority listed in the TIF Plan reflects the maximum 9-year period and provides flexibility for inflation and administrative costs, as allowed by statute, but is not the amount committed to the developer.

Ehlers conducted the statutorily required “but for” test to verify that the assistance level is the minimum necessary for the Project to achieve financially feasible performance. In essence, the test ensures that without the assistance, the Project and the related tax base, households, and future students would not exist. This structure is consistent with standard City practice for similar housing projects.

County and School Approval

Economic Development TIF Districts established for workforce housing require formal approval from both the county and school district. The City has submitted the required materials to Rice County and the Faribault School District. Each body must adopt a resolution supporting the creation of the district before the City may proceed with final approval.