



Topic: DMC Finances

Agenda

1. What are the public funding streams?
2. When do the public funds become available?
3. How can we leverage public funds for maximum public value?



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DMC Plan Scope Review

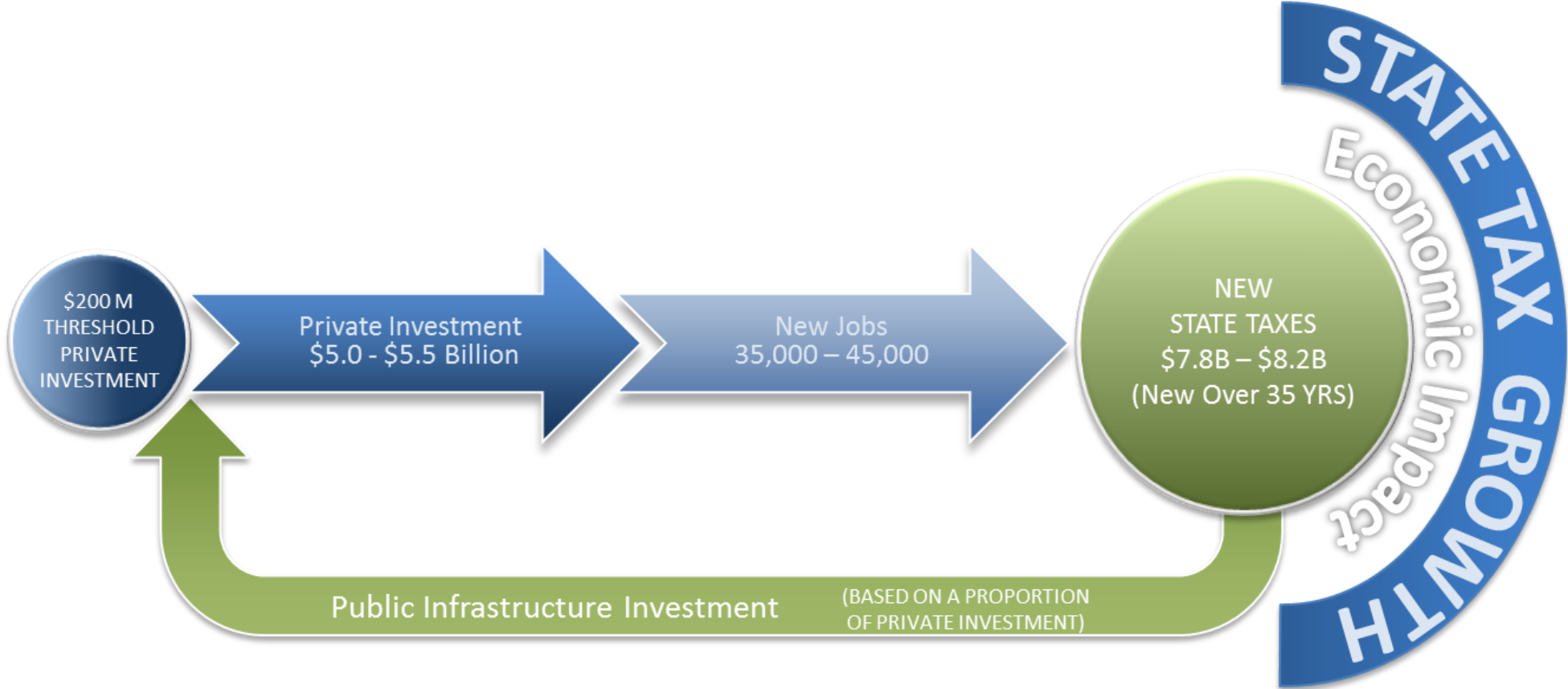
DMC Development Plan IS:

- Findings that meet the requirements and legislative intent of the DMC Act
- A **framework** to guide the policies and procedures for the DMC
- Establishment of the Development District Boundaries
- A tool to support the Economic Development efforts of the DMC
- A workplan to guide the ongoing efforts of the DMC and EDA
- Evaluation criteria for DMC Investment
- An outline of the planned public infrastructure and transportation programs for the DMC that will trigger a conceptual planning and engineering report for the DMC District

DMC Development Plan IS NOT:

- A definitive **block-by-block** Master Plan or Land Use Plan for Rochester
- A commitment for capital investment for any specific project(s)
- An appropriation of any funds by the City of Rochester
- An obligation to enact any specific tax by the City of Rochester

State's Commitment is an Investment



Understanding of Sources (1 of 2)

Sources not directly controlled by Board(s)/Council: \$6.0B+

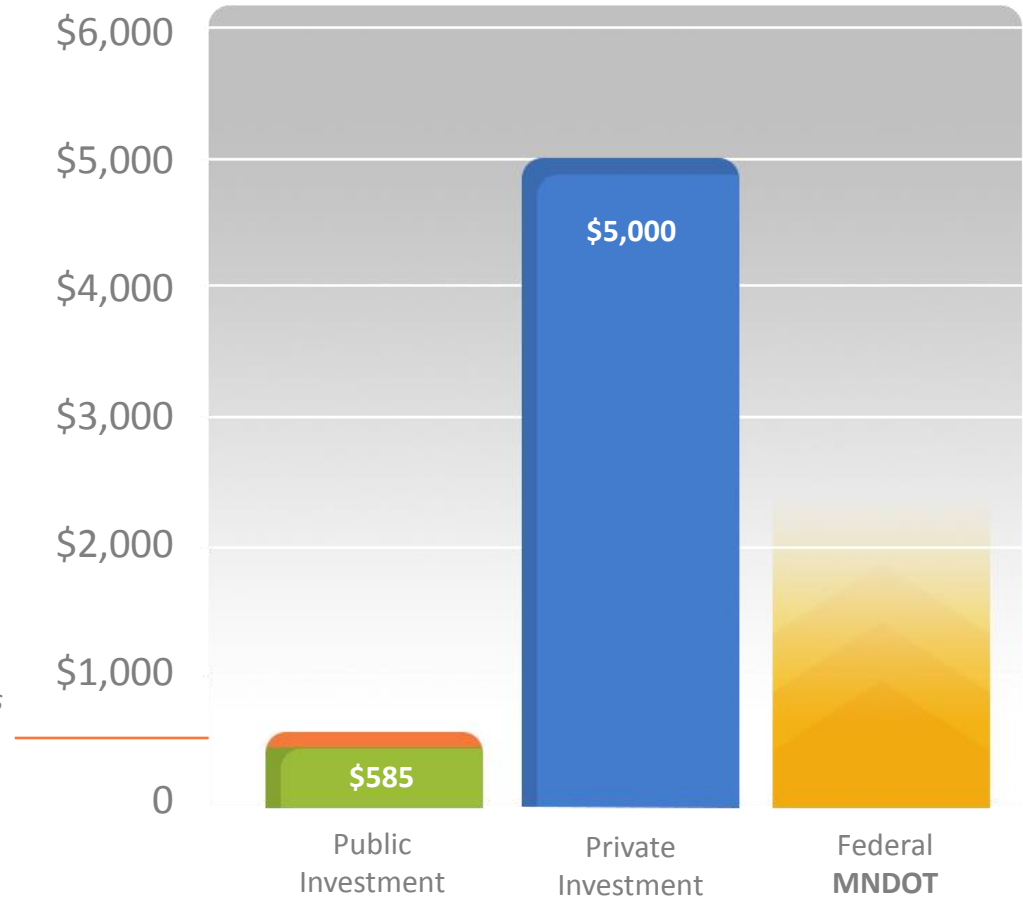
1. Mayo Clinic: \$3.0B+
2. Other Private Investment: \$2.0B+
3. Other Public (Fed/MNDOT Grant Dollars): TBD
4. Other Private (donations/sponsorships): TBD

Sources available for DMC Investments:

1. DMC Public Sources: \$585.0M

**Orange slice represents total estimated Admin Budget for 20 year initiative*

DMC Investment (millions)



Understanding of Sources (2 of 2)

Total public sources: \$585.0M

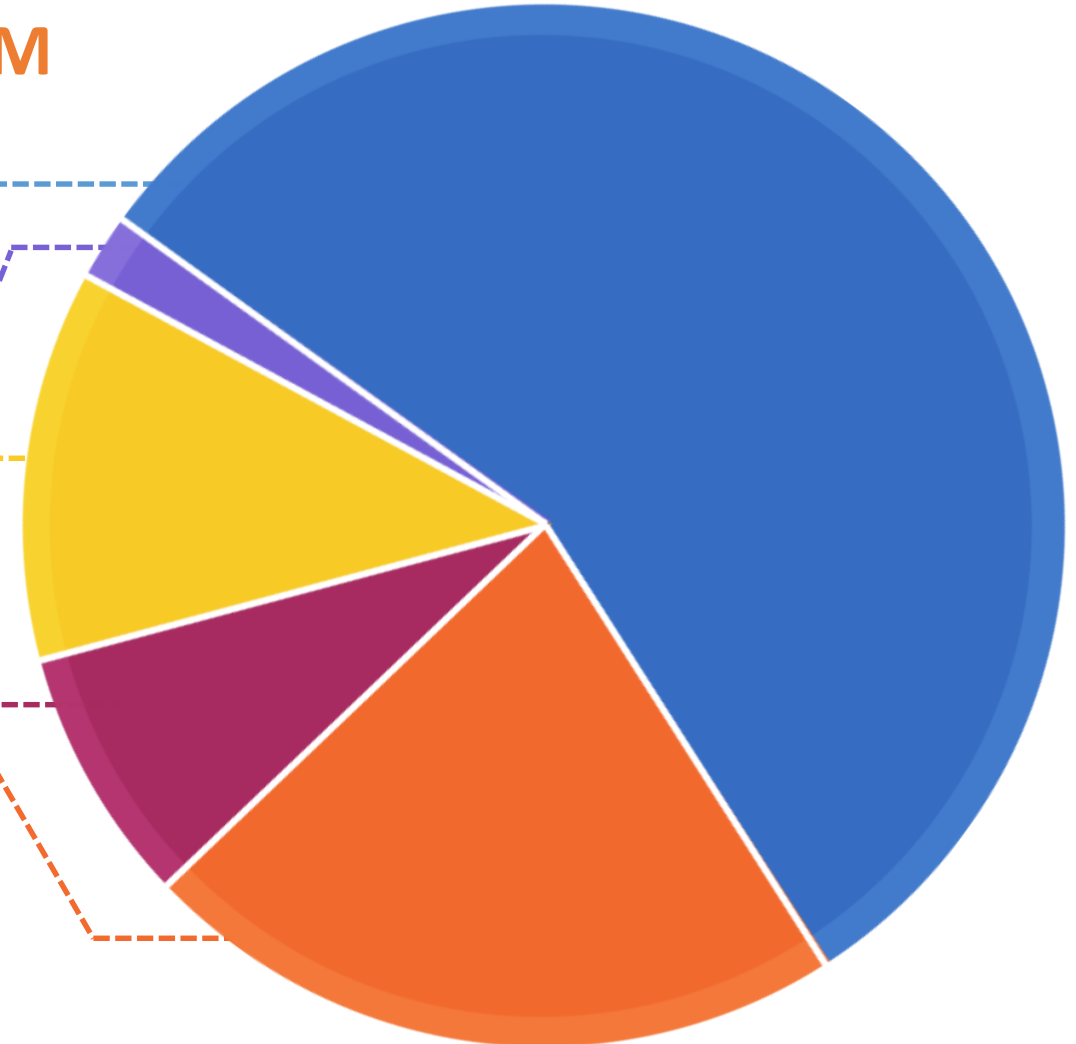
State General Aid, **\$327.0**

State Tax Exemption, **\$14.0**

State Transit Aid, **\$69.6**

County Transit Aid, **\$46.4**

City of Rochester Aid, **\$128.0**



Understanding of Sources (2 of 2)

Total public sources: \$585.0M

1. City of Rochester Aid: \$128.0M

1. Funded via city 0.25% sales tax, estimated at \$5.6M annually.
2. Tax Increment Financing (TIF) projects may count towards this total.
 1. The two above sources are projected to cover the \$128.0M commitment.

2. State General Aid \$327.0M

1. These funds are available after \$200.0M of Private Investment at a rate of 2.75% for every dollar over the \$200.0M threshold. These funds are advanced annually.
2. These funds are also subject to a local match, at a rate of 1:2.55 of Rochester Aid to State General Aid.

3. County Transit Aid \$46.4M (40% of \$116M of Transit funds)

1. Funded via a portion of the county's 0.25% sales tax.
2. The County's contribution is estimated at \$3.0M annually.

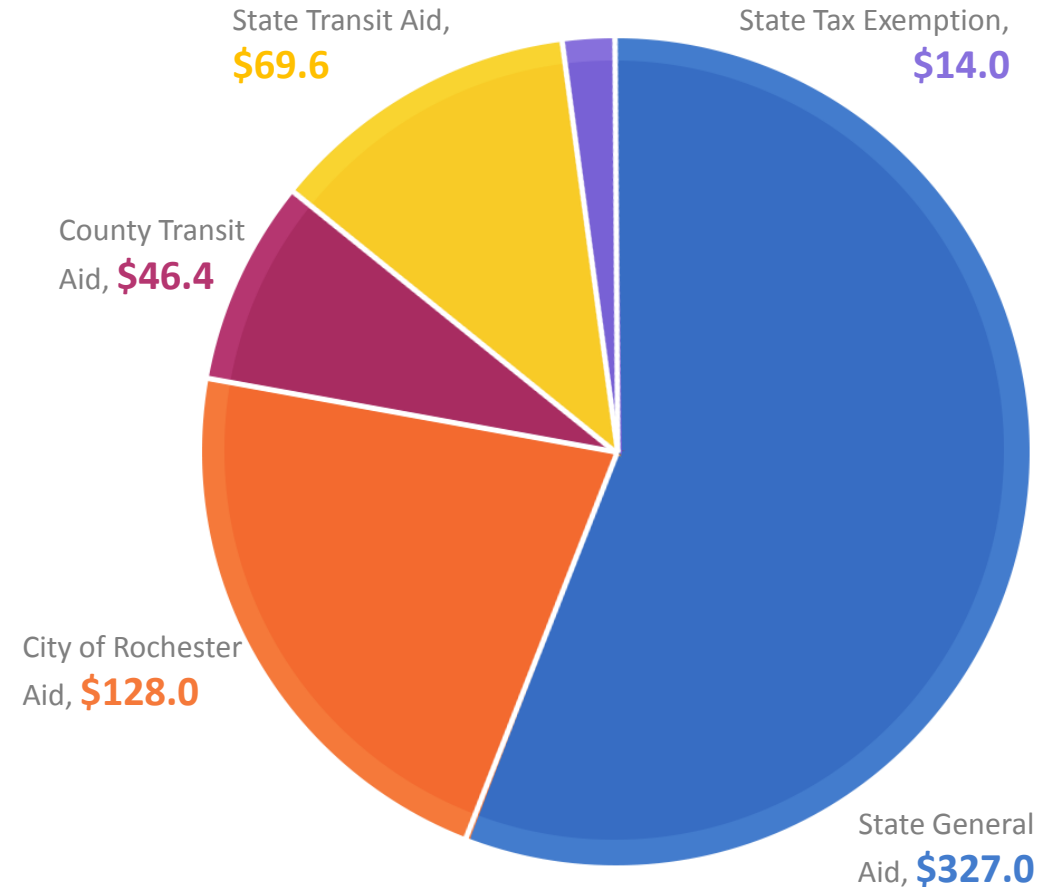
4. State Transit Aid: \$69.6M (60% of \$116M of Transit funds)

1. These funds are available after \$200.0M of Private Investment at a rate of 60% of 0.75% for every dollar over the \$200.0M threshold. These funds are advanced annually.

5. Sales Tax Exemption: \$14.0M

1. Projection of exemption over 20 years.
 1. Materials, supplies, equipment in construction of publicly owned buildings & infrastructure are exempt.

\$585M Breakout:



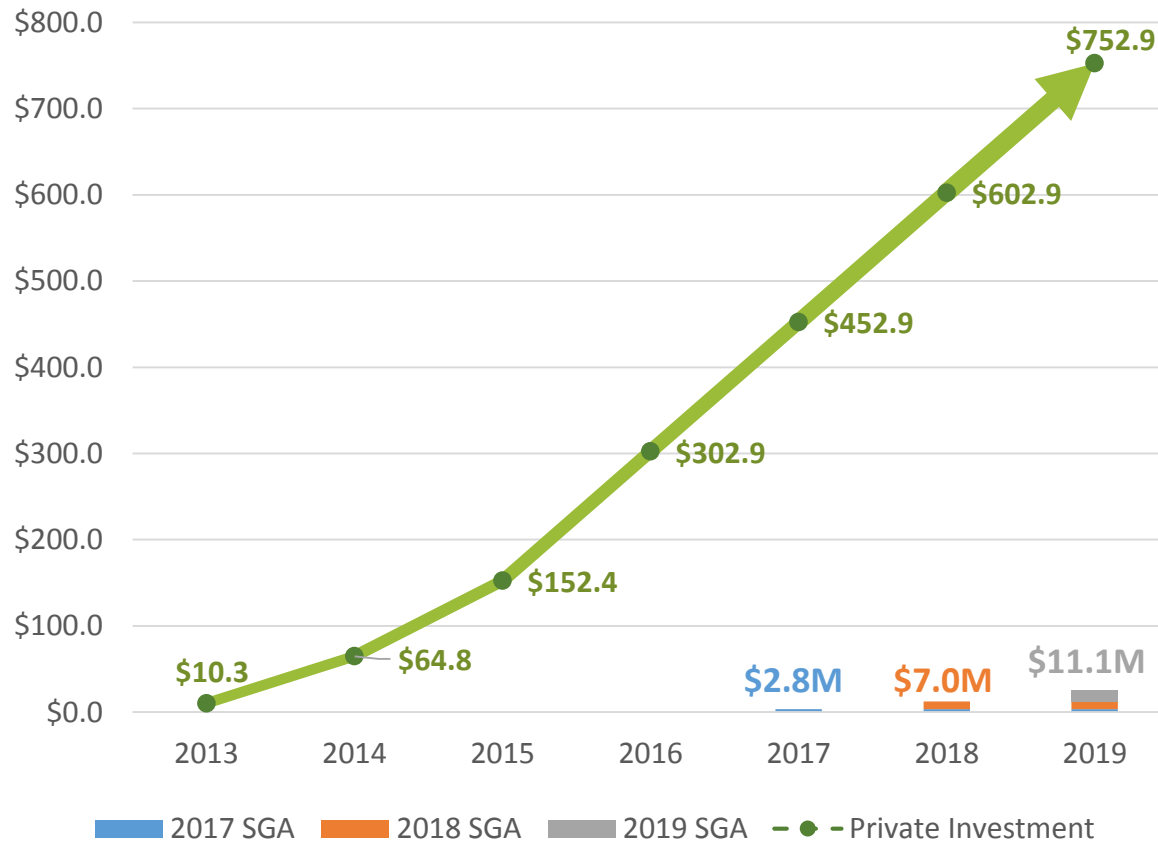
Estimated Private Investment Pipeline:

Phase One Projection

Private Investment	Project Name	Public Assistance	Est. Project Cost in Calendar Year
July 2013 – Dec 2015	Various	Various	\$152.4M
2016 Projection:			
	501 Building	City TIF	\$25.0M
	Stencil Apartments	City TIF	\$10.0M
	Lofts at Mayo Park	City TIF	\$7.5M
	1 st Ave Flats	City TIF / Housing Tax Credits	\$5.0M
	Conley Maass	City TIF / Historical Credits	\$3.0M
	BroadWay @ Center	DMC TIF	\$20.0M
	Associated Bank	None	\$5.0M
	Mayo Projects	None	\$75.0M
Total 2016:			\$150.5M
2017 High Level Projection	Various	TBD	\$150.0M
2018 High Level Projection	Various	TBD	\$150.0M
2019 High Level Projection	Various	TBD	\$150.0M
Total Phase One Projection			\$752.9M

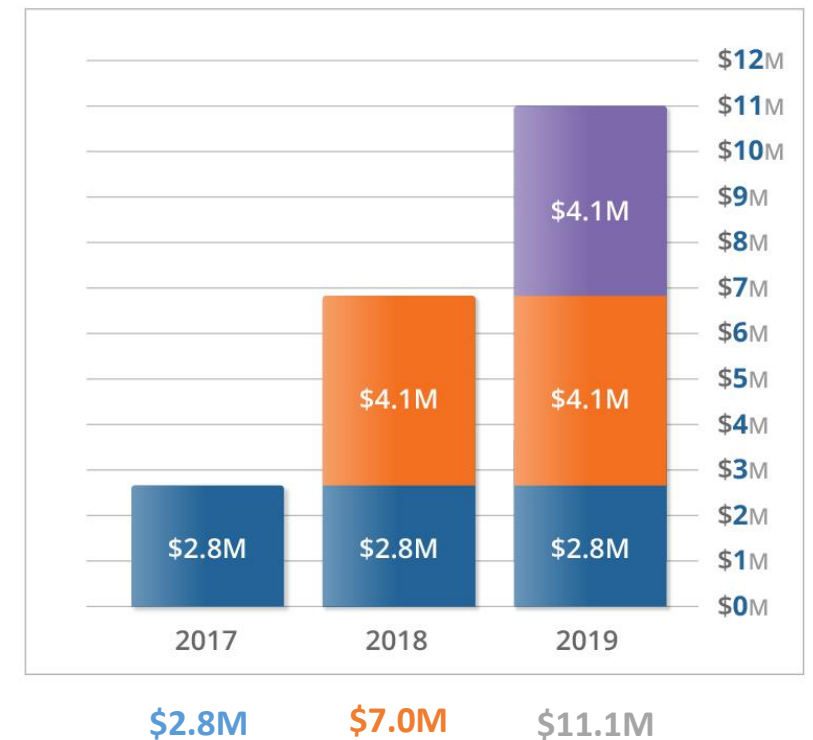
State General Aid Illustration

Private Investment Projection with resulting State General Aid (Millions)



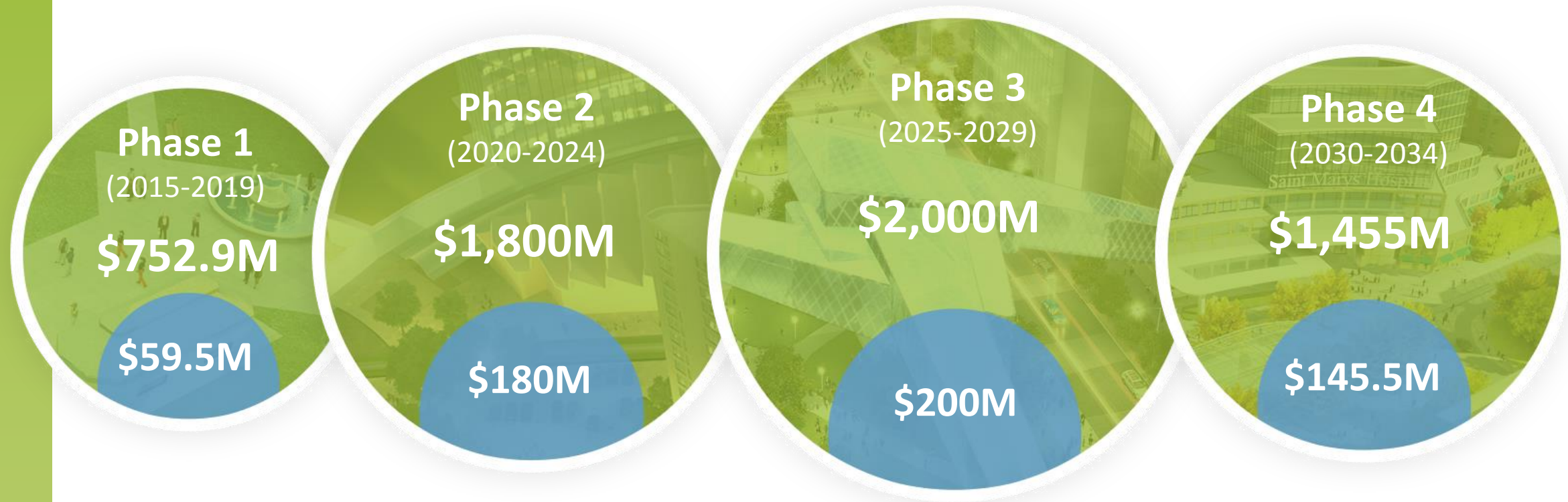
SGA = State General Aid

State General Aid Projection: Phase One (2015-2019) Total: \$20.9M



Availability of Public Funds

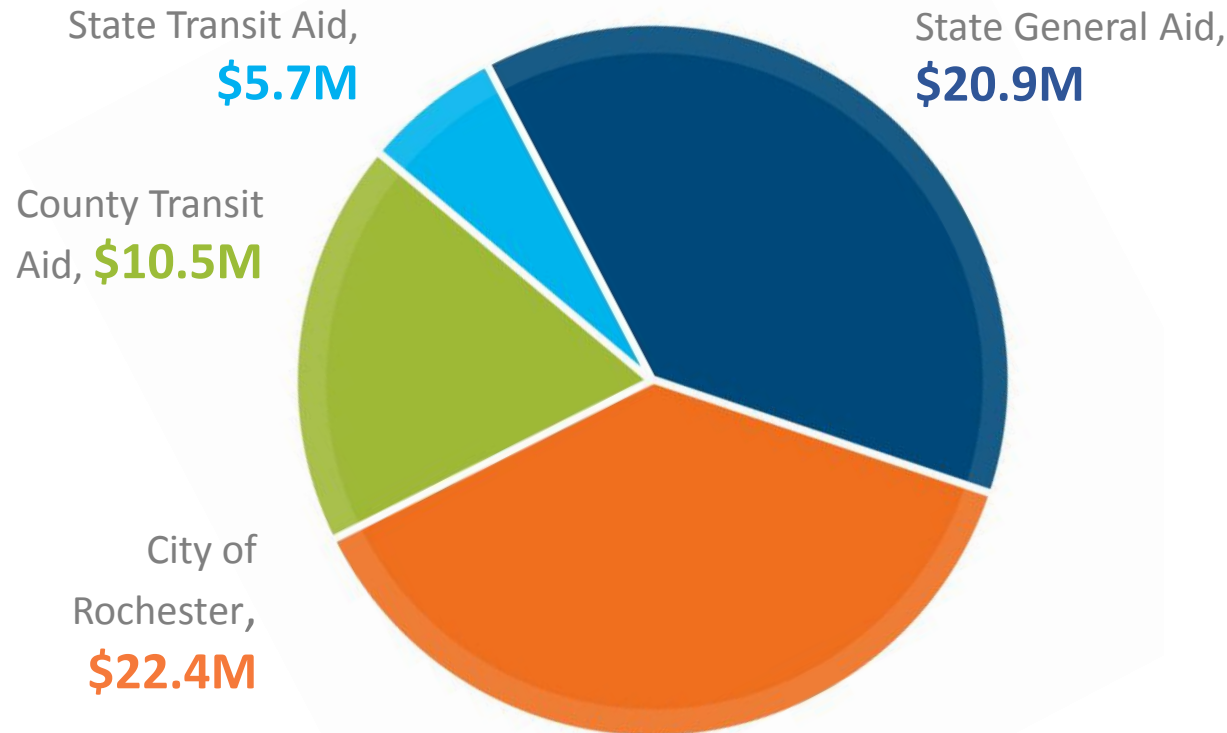
- Projected Private Investment = \$5.0B
- Projected Public Funding = \$585M



Public Investment Detail

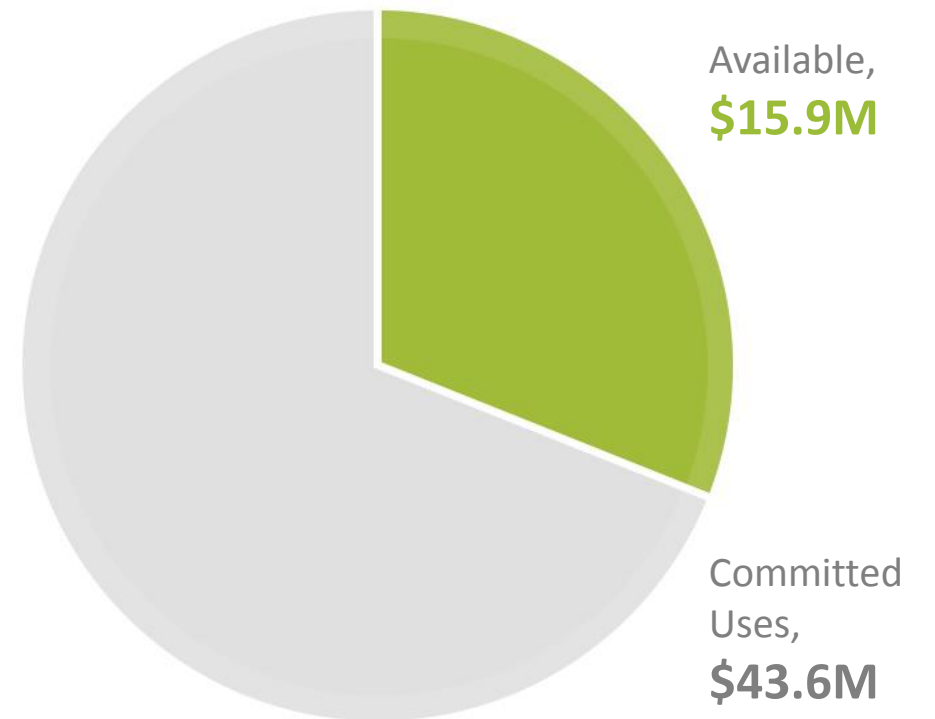
Phase 1 - \$59.5M

(2015 – 2019)
Sources*



Phase 1 - \$59.5M

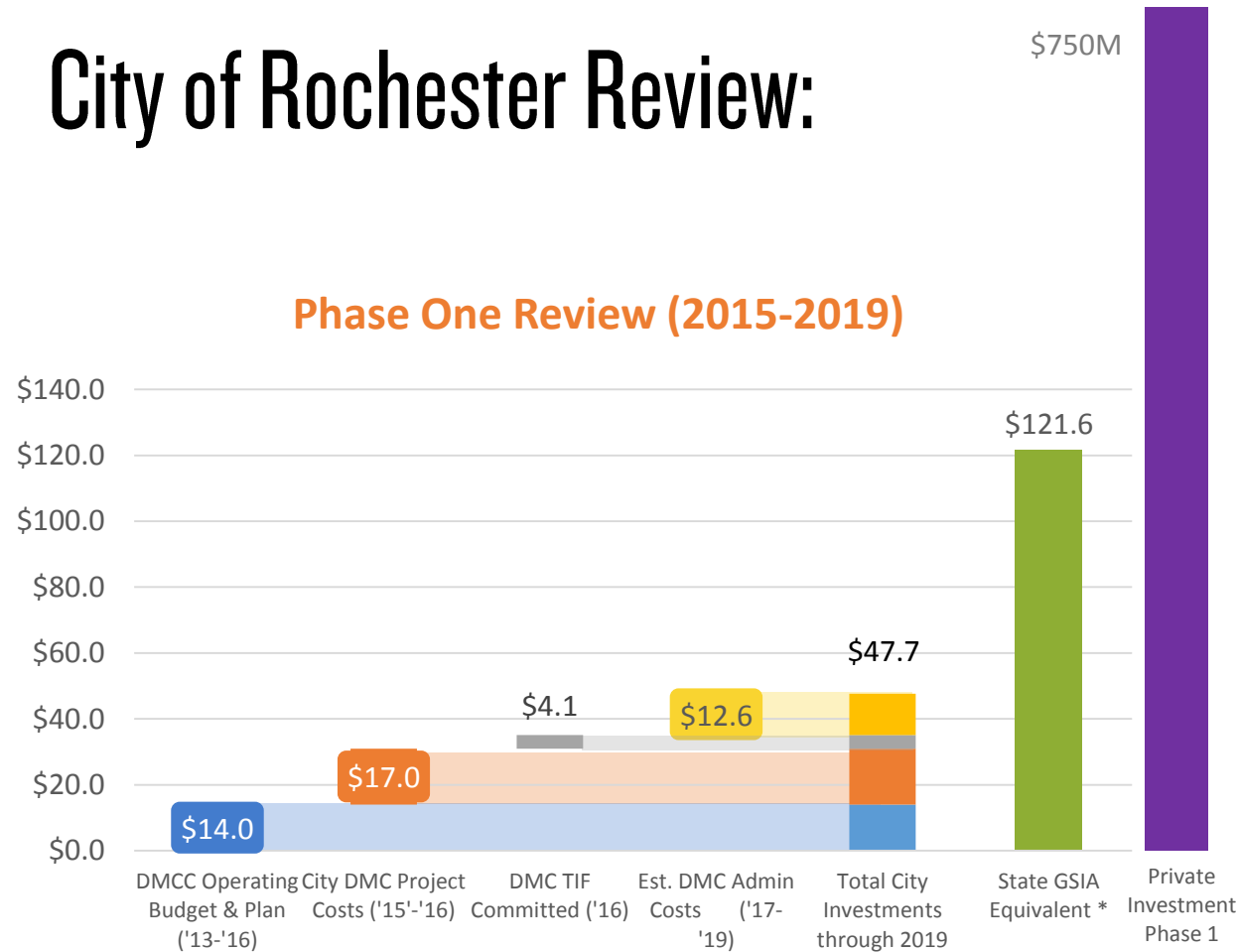
Committed vs Available
Sources*



* *Cash Basis. PAYGO TIF can increase funds available.*

City of Rochester Review:

Phase One Review (2015-2019)



1. Phase I Revenue: 0.25% Sales Tax, estimated at \$5.6M a year from 2016 – 2019
2. Zero State General Aid received through 2016.
3. City has fronted investments in advance of City DMC Sales Tax Revenue in amount of \$15.8M. This advance will need to be repaid (possibly via Bonding).
4. City of Rochester's \$128.0M commitment does not include any potential bond interest payments.
5. \$47.7M projection does not include 2017-2019 capital costs yet to be determined.

Estimated City Project Cost Detail:

- | | |
|--|--------------|
| 1. Transit Studies & Program Management: | \$825,000 |
| 2. Chateau Theatre: | \$5,500,000 |
| 3. Parking Ramps (B&C): | \$10,700,000 |

Total: \$17,025,000

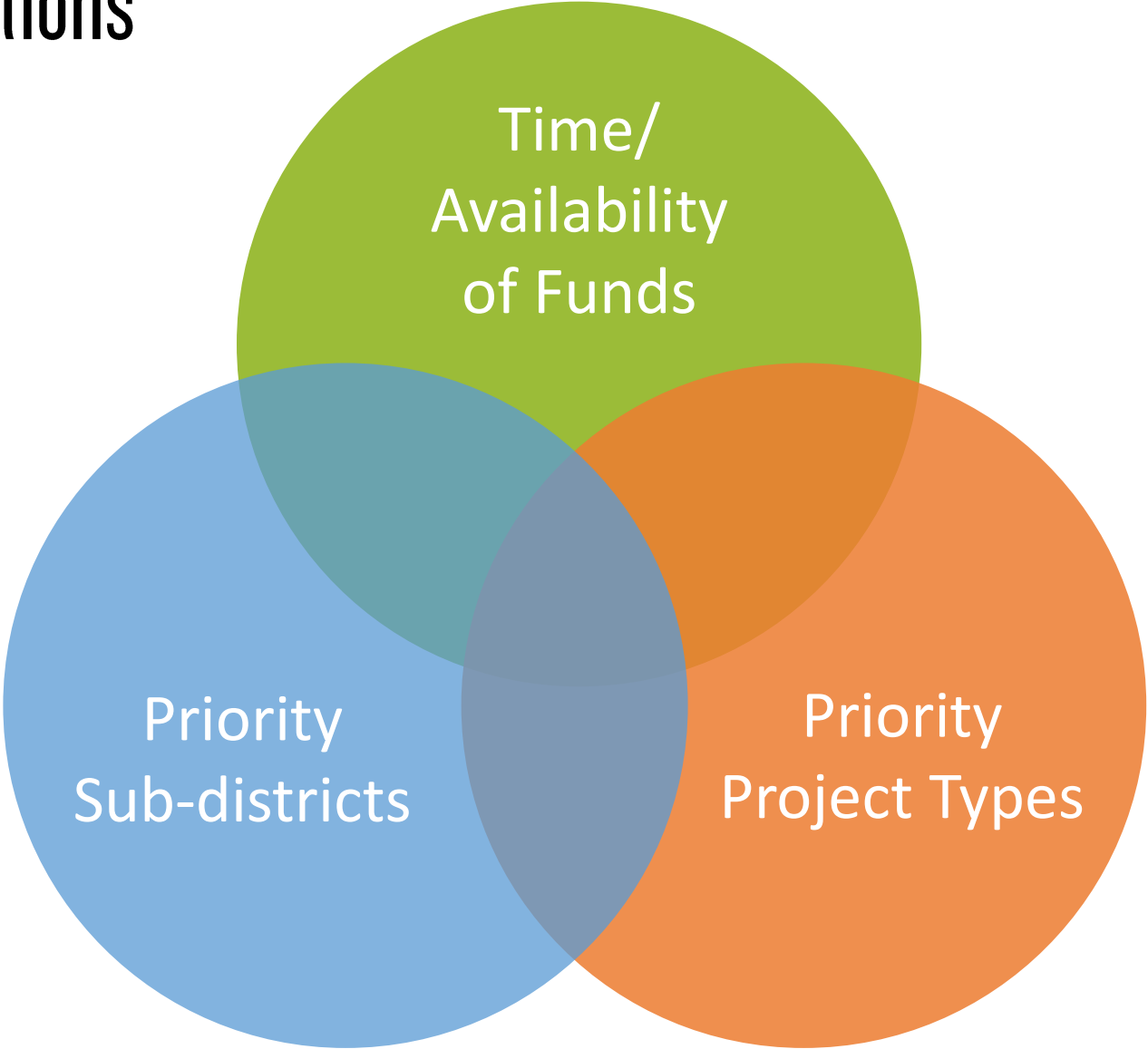
Estimated DMC TIF Funding:

- | | |
|---|-------------|
| 1. Broadway @ Center: | \$3,735,000 |
| 2. 3 rd Street Design Project: | \$365,000 |

Total: \$4,100,000

**While the City's projected investment of \$47.7M in phase I unlocks \$121.6M of State General Aid, the projected Private Investment unlocks \$25.6M of State General Aid. This shows that the City is out in front of the state.*

Considerations



Understanding Cash Flow and Bonding Issues

1. Overall City revenue available for the DMC
2. Annual Revenues to provide bonding match for \$455.0M GSIA
3. Alternatives to provide more bonding capacity
4. Transit Project Funding – State and County Match total \$116M
5. City up-front funding of \$15.8M needs to be repaid
6. Credit for City Tax Increment used for DMC projects

Understanding Cash Flow and Bonding Issues

1. **Overall City revenues available for the DMC.**
 - 0.25% sales tax \$5.6M/yr. with est. growth increasing to \$8.0M/yr. by 2035 = \$136.0M
 - \$1.0M/yr. in tax abatement from 2020 to 2035 = \$15.0M (City staff proposed)
 - TIF/Parking and CIP funds as solely determined by the Mayor and Council.

2. **Annual Revenues To Provide Bonding Match for \$455.0M GSIA:**
 - Legislation requires the City to issue all the bonds.
 - Current available annual revenues = \$1.4M/yr. with State Match = \$50.0M in bonds (2035)
 - Additional revenues proposed – Abatement 2020 \$1 M/yr. with State Match + est. sales tax growth \$0.5 M = \$47 M in bonds (2035).

3. **Alternatives to provide more bonding capacity:**
 - Some reduction in the DMC annual operating budget.
 - Additional Revenues – for 2020-2035 allocate \$1.0 M in abatement funds (City staff recommends)
 - Additional Revenues - impose one or more of remaining DMC taxing alternatives in addition to 0.25% DMC sales tax (City staff does not recommend).
 - Alternatives in DMC Legislation (lodging tax, food and beverage tax, admissions tax)

4. **Transit Project funding - State and County match totals \$116 M. Transit costs may exceed this.**
 1. County annual pledge of \$3 M/yr. needed starting in 2017 for transit costs/bonding.
 2. County funding will be in advance of State Transit funding (similar to the City \$)
 3. Additional funding from GSIA funding may be needed for transit improvements.
 4. Some bonding capacity may need to be reserved for transit solutions.

5. **City up-front funding of \$15.8 M needs to be repaid within 3 to 5 years.**

6. **Credit for City tax increment used for DMC projects**
 - Legislation provides opportunity for City local contribution credit for TIF/CIP contributions made for DMC.
 - TIF credit has only applied to the Broadway at Center Project thus far, was requested for the Brutger project, and will be requested by the City for the Bloom project.
 - For many other smaller TIF projects the City has undertaken the projects as City TIF projects only that do not receive credit towards the required local contribution, preserving a higher cash contribution from the 0.25% sales tax.
 - TIF for a few larger projects increase the City match available in Phase II and III when higher State Matching funds are needed.
 - City TIF or DMC TIF funding allows projects to proceed without reducing city cash contribution or requiring DMC sales tax bonding.
 - The DMC legislation TIF provisions do provide an opportunity for financial assistance to allow more projects, such as those on bare land, to proceed.

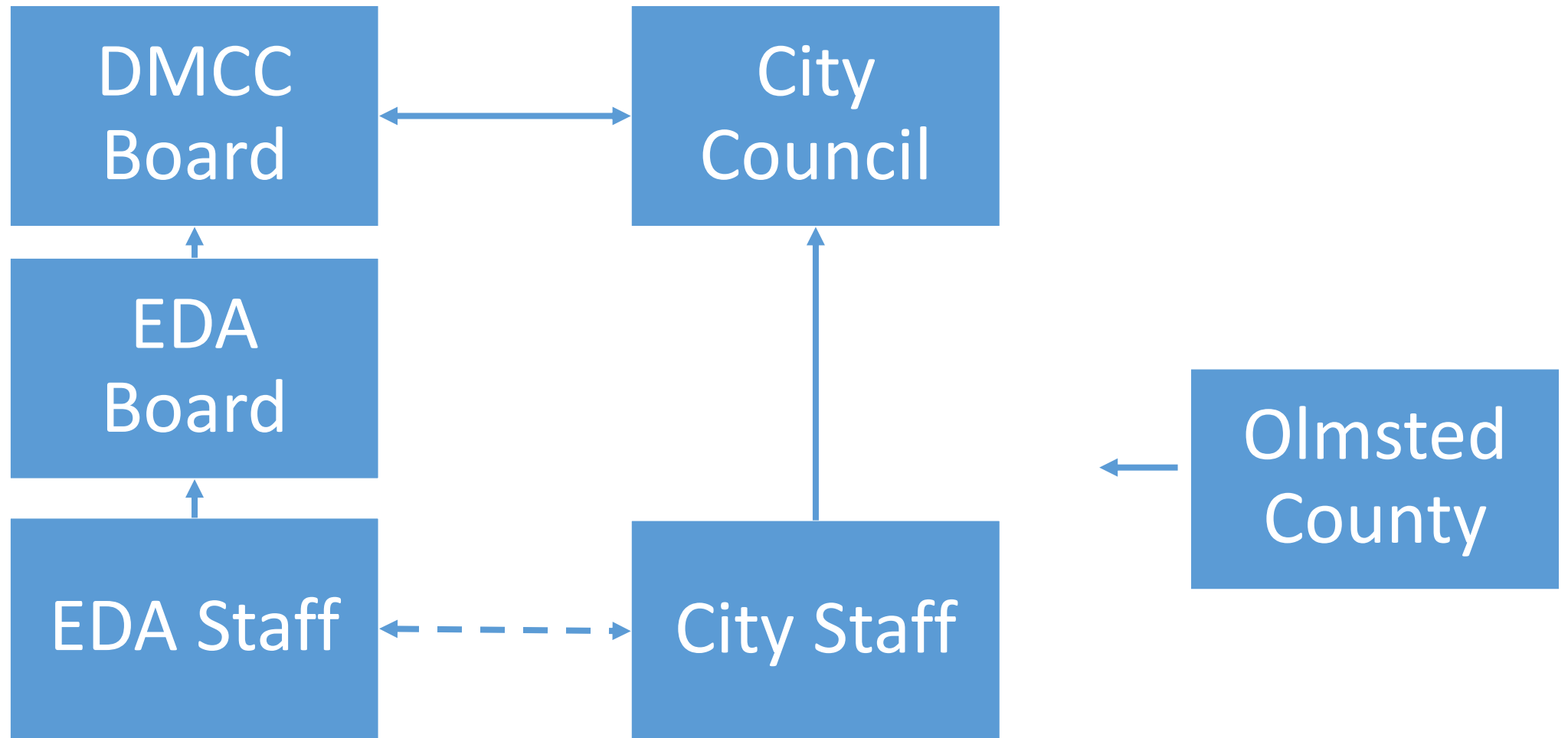
Key Takeaways

- DMC leadership needs to continue to be prudent with the allocation of the public funds
- We have confidence in the initiative, evidenced by the high levels of private investment to date and in the pipeline
- We are fortunate to have the city and county in a position that they can lead the public investment to date
- Private investment leads to Public investment



Appendix

Organizational Relationships



Roles & Responsibilities

DMCC Board:

- Approval of the DMC Development Plan, after action by the City Council
- Public non-profit corporation, appointed by the Governor of MN, Olmsted County, Rochester City Council, and Mayo Clinic
- Approval of projects, annual budget and 5 year CIP, prior to action by the City
- Provides public oversight and expertise to shape strategy
- Retains services of DMC EDA to assist with DMC implementation
- Retains services of the City for financial and administrative support
- Retains firm for legal and administrative services



DMC EDA (Staff for DMCC):

- Private non-profit corporation formed by Mayo Clinic
- Assists DMCC in DMC implementation
- Works with City staff on all projects in the DMC Boundary
- Leadership role for Discovery Square
- Co-Leadership role on Heart of the City
- Co-leadership role on Chateau Theater

City of Rochester (City Council):

- Approval of the DMC Development Plan, after submittal by DMCC
- Approval of projects, annual budget and 5 year CIP, after action by the DMCC Board
- Provides financial and administrative support to the DMCC
- Assists the DMCC with DMC implementation
- Constructs public infrastructure projects for DMCC
- Agreement with MN DEED for receipt and management of State funds
- Agreement with Olmsted County for receipt of County Transit funding



City Staff

- Assists with DMC implementation and construction
- Works with DMC EDA staff on all projects in the DMC Boundary
- Leadership role in Transit/Transportation planning and construction
- Co-Leadership role on Heart of the City
- Co-leadership role on Chateau Theater

Olmsted County

- Member of DMCC Board
- Provides transit matching funds to city
- Membership on Transit/Transportation work group



County Staff

- Planning Staff works with City staff on all aspects of transit and project planning
- Engineering staff works on Transit/Transportation work group

Development Review Process

