

**DESTINATION MEDICAL CENTER CORPORATION
BOARD OF DIRECTORS**

MINUTES
December 17, 2015

- I. Call to Order. Chair Tina Smith called the meeting to order at 9:30 a.m. at the Mayo Civic Center, McDonnell Suite, located at 30 Civic Center Drive SE, Rochester, MN 55904.
- II. Roll Call. In attendance were Chair Tina Smith, R.T. Rybak, Council Member Ed Hruska, Commissioner Jim Bier, Jim Campbell, Susan Park Rani, Mayor Ardell Brede and Bill George.
- III. Approval of Agenda. Commissioner Bier moved approval. Mr. Campbell seconded.

Ayes (6), Nays (0), Motion carried.
- IV. Approval of Minutes. Chair Smith requested approval of the Minutes from the meeting held on October 29, 2015. Mr. Campbell moved approval. Mr. Rybak seconded.

Ayes (6), Nays (0), Motion carried.
- V. Public Comment Period. Chair Smith invited members of the community to provide comments.

Barry Skolnick, Rochester resident, spoke about commercial diversity and quality of life in downtown Rochester, increased property tax rates, snow removal and the SEMVA Gallery closure.

Jesse Welsh, Rochester resident, spoke about the proposed 2nd Street Holiday Inn project, and raised concerns about planning and street-level urban design.

Leslie McGillivray-Rivas, Consultant/planner with WSB & Associates, read an email sent to the members of the DMCC Board of Directors on the evening of Wednesday, December 16, 2015 on behalf of Brutger Equities and the proposed 2nd Street Holiday Inn project. The email called attention to Brutger Equities' request for use of the DMC tax-increment financing and ongoing efforts to meet with City officials, EDA staff, and community members and associations.

Brian Childs, representing Peter Boosalis, who currently owns a portion of property identified for development as part of the 2nd Street Holiday Inn project, stated that the property was subject to a purchase agreement that was terminated by Brutger Equities, and no purchase agreement between the parties is currently in place.
- VI. Chair's Report. Chair Smith welcomed the public, Representative Kim Norton, Rochester City staff, Council Members and County Commissioners in attendance.
- VII. DMCC 2015 Budget: Year to Date Update. Commissioner Bier presented the 2015 Budget update.
- VIII. DMCC Insurance: LMCIT. Chair Smith asked general counsel Kathleen Lamb to comment. Ms. Lamb noted that the DMCC is insured by the League of Minnesota Cities Insurance Trust (LMCIT). The form provided by LMCIT directs the DMCC to make an election on whether or not to waive its statutory immunity. Commissioner Bier moved that the DMCC not waive statutory immunity. Mr. Rybak seconded. Council Member Hruska asked whether the City of Rochester is financially liable for any legal action brought

against the DMCC. Ms. Lamb explained that the insurance exists to protect the DMCC Board of Directors in a similar fashion to the insurance carried by the City of Rochester to protect the actions of the City Council.

Ayes (7), Nays (0), Motion carried.

- IX. DMCC 2016 Meeting Schedule. Chair Smith noted that the frequency of DMCC meetings has varied and that the proposed 2016 meeting schedule resolution provides for six meetings. The proposed meeting schedule aligns with the work of the EDA and the deliverables outlined in the 2016 EDA Workplan. Chair Smith noted that the less frequent meeting schedule creates opportunity for joint meetings with the EDA Board of Directors, the Rochester City Council, or both.

Resolution A: Approving the 2016 DMCC Board Meeting Schedule. Ms. Park Rani moved approval. Mayor Brede seconded.

Ayes (7), Nays (0), Motion carried.

- X. Resolution B: Approval of the Minnesota Annual Report. Chair Smith recognized Ms. Lamb, who noted that the form was previously reviewed by the DMCC Board during the review of the DMCC's IRS Form 990 by Craig Popenhagen of Clifton Larson Allen at the October 29, 2015 DMCC meeting. The annual report was approved by the Board via motion at the October 29, 2015 meeting but requires a written resolution. Council Member Hruska moved approval. Commissioner Bier seconded.

Ayes (7), Nays (0), Motion carried.

- XI. Center for Energy and the Environment Report. The Center for Energy and the Environment (CEE) report was presented by CEE President Sheldon Strom, Innovation Exchange Director Jenny Edwards and Evergreen Energy President Ken Smith. Mr. Strom thanked the McKnight Foundation for funding the report and the community of Rochester for its willingness to participate in CEE's project. Project goals included formulating options that advance DMC energy and climate goals; coordinating energy infrastructure, investing and operating principles; and identifying metrics and measurements. Initial recommendations focus on Discovery Square and Heart of the City, but may be scaled to the entire DMC district or City. Ms. Edwards noted that district energy plans are becoming more prevalent across the nation and world. Mayo Clinic is currently undergoing master utility planning. Rochester Public Utilities will draw twenty-five percent of its power from renewables by 2025. Mr. Strom noted the need for cost effective and practical, but aggressive, climate and sustainability goals.

The DMC Development Plan includes a vision for what these goals may include, such as carbon neutrality across the DMC as well as the implementation of a progressive, responsive and resilient district energy network. Mr. Strom reported on the other recommendations, including a twenty percent energy reduction in existing buildings by 2020 and the adoption of Architecture 2030. Ms. Edwards noted the useful community input gained through the energy commission workshops. Commissioner Bier called attention to the extensive use of the Olmsted County Waste-to-Energy facility.

Mr. Rybak suggested that CEE and its partners collaborate with the EDA to achieve energy and sustainability goals. Mayor Brede noted that community support is necessary to achieve these goals. Chair Smith expressed her thanks and excitement for the work that was done, as well as noting the economic and competitive advantages that could be achieved by the adoption of the energy and sustainability goals.

Chair Smith also called on Board members to volunteer to work with EDA and CEE to draft a resolution for presentation at the next DMCC Board meeting. Commissioner Bier,

Chair Smith, Mayor Brede, and Mr. Rybak volunteered to participate on behalf of the DMCC. Mr. Campbell noted the unique and innovative role the McKnight Foundation played in funding the report, suggesting that this type of private-public partnership could be a useful model moving forward. Mayor Brede announced that the McKnight Foundation has also volunteered to provide two graduate students in the coming year to advance the work surrounding district energy in Rochester.

XII. Economic Development Agency

- A. Update. Lisa Clarke, DMC EDA Executive Director, initiated the EDA update.
- B. Discovery Square: Update. Traci Downs, a local business owner and developer of Conley Maass building, Xavier Frigola, a manager with the Mayo Clinic Business Accelerator, and Dr. Clark Otley, Medical Director of Mayo Clinic Ventures and Vice President of the EDA Board of Directors, presented an update on Discovery Square. Ms. Clarke also noted that several City, EDA, Mayo Clinic, and business community leaders recently completed a Discovery Square focused site visit to Madison, WI.

Ms. Downs described her move from Honolulu, HI to Rochester and her purchase of the Conley Maass property. Conley Maass will include restaurant, bio business, and entrepreneurial space. Mr. Frigola stated that the Mayo Clinic Business Accelerator would allow companies to execute and grow a business concept over three months with available mentors and funding. The Mayo Clinic Business Accelerator started as a partnership between the City of Rochester, Mayo Clinic, and Rochester Area Economic Development, Inc.

Council Member Hruska noted the high level of innovation occurring within Rochester, including a large number of patents per capita. Mr. Rybak expressed his enthusiasm for start-up companies like GoRout, which is not a medical device company, but has found success in Rochester.

Dr. Otley spoke on behalf of the Mayo Clinic Discovery Square Advisory Group, which formed following the approval of the DMC Development Plan to design and plan the Discovery Square bioscience research campus. Planning for Discovery Square included an examination of Mayo Clinic's scientific priorities, industry partners, and potential tenants, as well as national profiles of bioscience campuses and markets.

Ms. Clarke outlined the recent trip to Madison, WI and the bioscience cluster anchored by UW-Madison, noting that the trip largely affirmed the strategic direction pursued in Discovery Square. Mr. Rybak pointed out several opportunities created by Discovery Square, including the possible creation of low-cost housing for low-revenue start-up company staff. Dr. Otley also noted the success Mayo Clinic has had in commercializing its intellectual property.

- C. Heart of the City: Request for Qualifications. Patrick Seeb, EDA Director of Economic Development and Placemaking, and Ms. Clarke reported on the proposed Heart of the City Request for Qualifications. Mr. Seeb noted the progress that has already been made, including the City's soon-to-be-completed purchase of the Chateau Theatre, new retail outlets, the exploration of the MN Nice Ride program and the engagement with local property owners. The RFQ for Heart of the City would identify an urban design team to conduct pre-design and schematic design. A community advisory committee would have co-chairs and nine to twelve members. The RFQ would be released in January, with a team selected in March and final work completed by the end of the year. The DMCC

Board expressed a consensus to move forward with the RFQ and present it to the City Council.

- D. DMC Dashboard: Update. Mitchell Abeln, EDA Finance Director, and Ms. Clarke provided an update on the measurement and metrics efforts on which the EDA and Wilder Research are collaborating. The various measurement and reporting formats, as well as the monitored indicators, will be customized to meet the needs of DMCC.

Council Member Hruska noted that there were a number of terms used throughout the meeting to refer to DMC ("Healthiest City in America", "America's City for Health", etc.) and wondered how all of the efforts falling under DMC will incorporate one strategy and brand. Ms. Clarke stated that the DMC Marketing RFQ will address these concerns and create the comprehensive strategy that will elevate and differentiate DMC. Mr. George noted that the opportunities available in Rochester to effect multiple measures of health are unique. Mr. Rybak questioned who leads the "City for Health" initiative, and Ms. Clarke agreed the EDA will create a collaborative effort and involve multiple partners.

- E. Saint Marys Place: Update. Rochester City Council President Randy Staver and Patrick Seeb joined the Saint Mary's Place discussion. Ms. Clarke stated that the discussion would include a recap of efforts to this point, the EDA's involvement, and a look at the collaborative nature of development within the Saint Marys Place sub-district. Mr. Seeb noted that Saint Mary's Place will serve as the gateway to downtown Rochester from the west and is the subject of much private development interest. Retail shopping, housing, healthcare facilities, hotels, and transit stops are all slated in the DMC Development Plan to be a part of Saint Mary's Place. Mr. Seeb noted the ongoing expansion of Mayo Clinic Hospital – Saint Mary's Campus and the renovation of portions of Second Street. Two public infrastructure elements, a pedestrian subway tunnel and a public shared parking space, are under consideration in Saint Mary's Place. Additionally, Mr. Seeb stated that EDA would ensure that surrounding neighborhoods are heard from and benefited by the development of Saint Mary's Place.

President Staver called attention to a letter from the City Council and City Redevelopment Director Terry Spaeth requesting approval of DMC tax increment financing (DMC TIF) for the 2nd Street Holiday Inn project. President Staver noted that while not all questions related to the project have been answered to the satisfaction of the City Council, the project's parking and healthcare-related amenities make it a worthwhile expenditure. He noted the project was announced in the early summer of 2015 and has proceeded through the City processes since that time. He also noted that the proposed subway could connect to other existing hotels and upcoming developments.

Mr. Rybak expressed concerns with the DMC TIF request, including whether the project fits the overall development plan envisioned for Saint Mary's Place, and noted that DMC TIF should only be used for extraordinary projects. Mr. Rybak then commented on the extent to which DMC TIF should be used for an infrastructure project that may divert pedestrian traffic away from the street level. He noted that skyways and subways have a place in public transportation, but questioned whether they are appropriate in this instance, and noted that the transit planning in Saint Mary's Place has not been concluded. Mr. Campbell said that while the DMCC does not want to appear to be an obstacle to development, the Board does need to keep the goals and vision of the DMC Development Plan in mind at all times, and asked for increased dialogue between the Board, the EDA and the City.

Commissioner Bier and Ms. Park Rani expressed their hesitancy at approving the use of DMC TIF without more information, while Council Member Hruska voiced his approval of the provisional use of DMC TIF. Mr. Rybak stated that he believes that DMC projects must establish a sense of place and create experiences within the public realm. He further noted that as the project approval process becomes better understood, the City, EDA, and private developers will gain an understanding of the vision the DMCC has in mind and will be able to tailor development to create a sense of destination.

Council Member Hruska expressed the view that no Board members appeared to be opposed to the project but noted that the applicability of DMC TIF in this instance was still in question. In his estimation, it would be likely that the 2nd Street Holiday Inn project would not move forward following a vote disapproving the provisional use of DMC TIF. Commissioner Bier moved to postpone a decision regarding the use of DMC TIF for the 2nd Street Holiday Inn project, suggesting an ad-hoc work group consider the questions that remain regarding the development and prepare recommendations on the proposed use of DMC TIF for the next regularly scheduled DMCC Board Meeting, or at special meeting that could be scheduled upon receipt of the work group's recommendations. Mr. Campbell seconded the motion.

Ayes (5), Nays (1), Motion carried.

XIII. Point of Personal Privilege.

Mr. George announced his departure from the DMCC Board and thanked the Chair and Board for their service on the Board. Chair Smith thanked Mr. George and stated that Governor Dayton wrote a commendation thanking him for his service.

IVX. City of Rochester.

President Staver offered an update on the City's Comprehensive Planning efforts. He demonstrated the necessity of the plan by noting that the City of Rochester's projected population by 2040 will be more than 165,000 residents, with 50,000 new residents, 23,000 new housing units and 50,000 new jobs. Public sessions are currently being held. The draft comprehensive plan will be completed by the end of the first quarter of 2016, with plan review, public hearings, and adoption by the end of the second quarter of 2016. President Staver noted the ongoing business and economic development within the City, including the Conley Maass, Stencil-Buckeye, and Lofts at Mayo Park projects. He also stated the City's support of the Heart of the City Public Spaces RFQ and informed the DMCC Board that the City Council wishes to have some oversight of the RFQ drafting, committee selection, and process.

XV. Meeting Schedule. The next regular meeting of the DMCC is Thursday, March 24, 2016, at 9:30 a.m.

XVI. Adjournment. Chair Smith announced that the meeting was adjourned.