



# DESTINATION MEDICAL CENTER CORPORATION (DMCC)

## BOARD OF DIRECTORS MEETING

9:30 A.M. THURSDAY, July 27, 2017

MAYO CIVIC CENTER - ROCHESTER



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DESTINATION MEDICAL CENTER CORPORATION(DMCC)

BOARD MEETING

Thursday, July 27, 2017

9:30 A.M.

AGENDA

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DESTINATION MEDICAL CENTER CORPORATION (DMCC)  
BOARD OF DIRECTORS

MINUTES

Thursday, April 27, 2017

- I. Call to Order. Chair Tina Smith called the meeting to order at 9:30 a.m. at the Mayo Civic Center, Suite 111, located at 30 Civic Center Drive SE, Rochester, MN 55904.
- II. Roll Call. In attendance were Chair Tina Smith, R.T. Rybak, Council Member Mark Hickey, Jim Campbell, Mayor Ardele Brede and Susan Park Rani.
- III. Approval of Agenda. Mr. Campbell moved approval of the Agenda. Mayor Brede seconded.

Ayes (6), Nays (0), Motion carried.

- IV. Approval of Minutes: February 8, 2017. Council Member Hickey moved approval of the Minutes of the meeting held on February 8, 2017. Mr. Rybak seconded.

Ayes (6), Nays (0), Motion carried.

- V. Public Comment Period. Chair Smith invited members of the public to comment.

Paula Hardin, a Rochester, MN resident, expressed concerns about the public investment in the DMC initiative and offered suggestions regarding how the community may benefit from future public investment.

Richard Olen, a Shoreview, MN resident, expressed support for elevated rail in Rochester.

- VI. Chair's Report

- A. Executive Committee Report. Chair Smith reported that on March 23, 2017, the Executive Committee, joined by Mayor Brede, met and approved extensions of the agreements with Risk Management Resources, Inc. and CliftonLarsonAllen. The Committee also authorized the submission of the 2016 certification of expenditures to the Minnesota Department of Employment and Economic Development (DEED).

- B. Transportation Work Session. Chair Smith reported that on April 18, Chair Smith, Mr. Rybak, Commissioner Bier, Mayor Brede, and Council Member Hickey joined colleagues from the City of Rochester, Mayo Clinic, the EDA and the DMC Integrated Transit Studies (ITS) team at an informal transportation work session.

Richard Freese, Public Works Director for the City, thanked the Board and noted that the comments made during the work session were shared with the ITS teams. He stated that the studies proceed on schedule, and that there will likely be a second work session in early June that includes the City Council, Olmsted County Board of Commissioners, DMCC and EDA Boards of Directors.

Mr. Rybak stated the intersection of Civic Center Drive and U.S. Highway 52 needs to be addressed to affect downtown traffic/transit demand and parking. He noted that some issues are more pressing than others and that phased solutions could be implemented as growth occurs.

Ms. Park Rani requested information regarding the costs of each option. Mr. Freese stated that cost analyses will be completed in September 2017.

- C. Project Matrix. Chair Smith presented the Board with a matrix of current projects in the DMC district and stated that she welcomes feedback on the provided information.
- D. Resolution A: Commending Stevan Kvenvold. Chair Smith thanked Mr. Kvenvold for his service on behalf of herself and Governor Mark Dayton. On behalf of the Board, Chair Smith expressed gratitude for Mr. Kvenvold's role in the stewardship and support of DMC.

Mayor Brede moved approval of the resolution. Council Member Hickey seconded.

Ayes (6), Nays (0), Motion carried.

VII. Project Approval Conditions.

- A. Resolution B: Requiring Additional Review of Projects upon Material Deviation from Approvals Granted. Chair Smith stated that the resolution was developed to ensure that projects that changed in a material way after DMCC approval still serve the goals and vision of the DMC initiative. She thanked Mr. Campbell, Mr. Dougherty and Mr. Rybak for their comments.

Chair Smith moved approval of the resolution. Mr. Campbell seconded.

Mr. Rybak moved to amend the resolution to provide that a change of 10% or greater of the approved number of hotel rooms be included in the criteria. Mayor Brede seconded. Ayes (6), Nays (0), Amendment carried.

Ayes (6), Nays (0), Motion carried.

VIII. Project Update.

- A. Public Realm Design Panel. Patrick Seeb, EDA Director of Economic Development and Placemaking, introduced the panel. The panel is intended to allow the Board to keep pace with public realm change and provide feedback and counsel. Mr. Seeb introduced Tom Fisher, an EDA board member and Director of the University of Minnesota's Metropolitan Design Center, to facilitate the presentation of progress on public realm initiatives. Professor Fisher stated that great cities have great public spaces and that Rochester has an opportunity to become America's City for Health.
  - a. DMC Design Guidelines. Terry Spaeth, City of Rochester Redevelopment Director, described the design guideline sections: downtown, public areas, and individual sites. The design guidelines were developed with support from the University of Minnesota's Metropolitan Design Center. Mr. Spaeth described the process, including community engagement, that created and refined the guidelines. Next steps include planning and zoning commission and city council review and implementation. Professor Fisher and Mr. Spaeth stated that the guidelines follow the best examples of effective design guidelines and are tailored to Rochester. Mr. Campbell requested Board members be made aware of cities that served as models for the design guidelines.
  - b. Heart of the City. Jon Buggy, of RSP Architects, began his presentation by noting that the Heart of the City public realm design has been crafted in accordance with the design guidelines and is authentic to Rochester. The design team's deliverables will include a

schematic design, cost estimates, and phasing and implementation plans. Next steps include a review of the plan with the community advisory committee, city and EDA staff, and property owners; refinement of the cost estimate; a design recommendation; an operations and maintenance plan (to include identified revenue-generation opportunities); and community presentations. A final design and report will be prepared in June 2017. Mr. Rybak asked the design team to consider how to activate Peace Plaza year-round, how changes to First Avenue might create more dramatic public space, and how to connect the skyway and subway system to ground-level space. Ms. Park Rani asked what legal matters exist, and Mr. Buggy cited street ownership as an example.

- c. Chateau Theatre. City Administrator Stevan Kvenvold began his presentation by thanking the Board for its commendation of his service to the City of Rochester. Mr. Kvenvold stated that it is his understanding that financing for the purchase and renovation of the theatre was to be accomplished through DMC sale tax revenue and state infrastructure funds. Operating expenses are to be a city responsibility. Mr. Kvenvold stated that the theatre should be renovated to provide a multi-purpose arts and meeting center but that the cost could exceed \$21 million.

Mayor Brede stated that the Chateau Theatre is a community asset. Mr. Rybak suggested that, prior to full investment and renovation, interim programming could be allowed to measure interest in the use of the theatre for various functions. Mr. Campbell stated that investment in the Chateau Theatre should be maximized by examining innovative ways to enhance or expand the building footprint and suggested considering a partnership with the owners of adjacent properties. Council Member Hickey asked the design team to consider if a renovated theatre would compete with other downtown venues. Mr. Rybak suggested that the renovated theatre could be a “loss leader” that encourages downtown visitation and asked the team to consider how tax-increment revenue or a not-for-profit trust could mitigate the potential for budget deficits resulting from theatre operations.

- d. Saint Marys Place. Andy Masterpole, of SEH, Inc., provided the Saint Marys Place update. Mr. Masterpole stated that the accelerated public realm design efforts are the result of development interest in the subdistrict, including Mayo Clinic’s announced \$218 million expansion to Mayo Clinic Hospital Saint Marys Campus. Protected street-level walkways, a pedestrian tunnel connecting the north and south sides of Second Street SW, public space on Twelfth Avenue, mid-block connections that shorten block lengths, functional alleys, and using Second Street SW as an entrance to downtown are being considered in the current concept. Next steps include community and City Council presentations and a demonstration of proposed design concepts. Mr. Campbell suggested that Second Street SW between the Mayo Building and Saint Marys campus should encourage pedestrian use. Mr. Rybak stated that transportation solutions could connect these unique places. Chair Smith suggested including the public realm design work in the next transportation work session.
- e. Discovery Square. Mr. Seeb noted that progress in Discovery Square has come quickly: the renovation of the Conley-Maass-Downs building, the selection of Mortenson Co., the opening of 501 First Ave, the approval of Urban on First, and the proposed Residences at Discovery Square all demonstrate the vibrant market activity. Next steps are to determine the scope of public realm design work, select a design team, and commence design work on pace with the upcoming Mortenson project.

Chair Smith thanked the panelists.



- B. Discovery Square Project. Jeremy Jacobs, of Mortenson Co. and Eli Hoisington, of HOK, offered an update on the Mortenson project. Progress to-date includes completion of the HR&A market study that identified successful building programs for innovation and the selection of Colliers International as a tenant recruitment partner. Mr. Hoisington noted that opportunities exist using this first building as an anchor for future development. Mr. Campbell asked if other research and development centers have served as models. Mr. Jacobs stated that Johns Hopkins and Cortex are examples of effective innovation spaces but declared that Mayo Clinic is a differentiator, and noted that access to Mayo Clinic staff, services, and technologies sets the development apart from others. Ms. Park Rani asked if overseas developments have been examined. Mr. Jacobs noted that while foreign developments have not been studied, other project team members, including the Medical Alley Association and DEED, have international relationships that may inform program development.
- C. Other Projects. Chair Smith noted an update on other projects is in the Board packet.
- IX. Mayo Clinic Five Year Facilities Update. Tim Siegfried and Gail Eadie of Mayo Clinic's facilities department presented the Mayo Clinic five-year facilities update. Ms. Eadie described the medical zoning districts that direct how Mayo Clinic constructs buildings and highlighted the list of projects Mayo Clinic may undertake in the next five years. Mr. Rybak noted employee distribution between downtown and the Saint Marys campus and suggested it could inform transit discussions. Chair Smith indicated the Board may request another presentation and Mr. Rybak requested that Mayo Clinic find ways to move employee vehicular traffic through portals other than the Civic Center Drive and U.S. Highway 52 interchange. Mr. Campbell complimented the Mayo Clinic team on the comprehensive update.
- X. EDA Report. Lisa Clarke, EDA Executive Director, directed the Board to the metrics report and marketing campaign metrics document found in the Board packet.
- A. Metrics Dashboard. Ms. Clarke presented the first review of the DMC metrics dashboard and noted that Wilder Research is a resource for DMC and many regional groups, providing stakeholders with a common data set. The metrics report is updated in the spring and fall of each year. By the end of 2017 EDA staff should have an early indication of which data are needed, missing, or not needed. Additionally, a summary dashboard will be created for Board use.
- B. Marketing Metrics. Ms. Clarke described the DMC state, national, and international awareness campaign that is underway.
- XI. DMCC 2017 Budget: Year to Date Update. Chair Smith noted that the DMCC financial statements are in the Board packet.
- XII. Meeting Schedule. Chair Smith stated that a DMCC Executive Committee meeting may be held on May 24 and that staff are examining options for scheduling a second transportation work session.
- A. Next Regular Meeting: July 27, 2017 at 9:30 A.M.
- XIII. Adjournment. Mr. Campbell moved to adjourn the meeting. Council Member Hickey seconded.
- Ayes (6), Nays (0), Motion carried.



# EMPLOYMENT AND ECONOMIC DEVELOPMENT

June 27, 2017

Ardell F. Brede, Mayor  
City of Rochester  
201 4<sup>th</sup> Street SE – Room 281  
Rochester, MN 55904-3782

Dear Mayor Brede:

Thank you for submitting the 2016 Certification of Contributions for Destination Medical Center (DMC). We are excited to assist with this initiative to make the Mayo Clinic, Rochester, and Minnesota a premier medical destination.

Your revised 2016 Certification listed \$3,586,223 in city contributions between July 1, 2013 and December 31, 2016. You provided a detailed listing of 946 expenditures. These expenditures consisted of direct DMC expenses paid by the city as well as DMC Corporation and DMC Economic Development Authority expenses paid for by the city. From that list, DEED randomly selected 29 expenses for review. We reviewed invoices, payments and city payroll files for accuracy and eligibility.

Additionally, the city provided DEED with an independent third party report from Clifton Larson Allen stating the law and procedures for certifying contributions are being followed properly.

The amount of your contributions qualifies you for \$34,143,763.05 million of general aid, however expenditures from Mayo Clinic and others were \$297,708,550. These expenditures reduced the amount of general aid to the city to \$2,686,985.13. Your excess contributions will be credited towards future years. We will be providing payment of \$2,686,985.13 to you prior to September 1 as mandated by statute.

Thank you again for your efforts on this groundbreaking economic development effort.

Regards,

  
Shawntera Hardy  
Commissioner

C: Tina Smith, Chair of Destination Medical Center Corporation  
Jeff Bolton, Chief Administrative Officer Mayo Clinic  
Patricia Simmons, Chair of Economic Development Agency Board of Directors  
Lisa Clarke, Economic Development Agency Executive Director

## Economic Development Division

1st National Bank Building ■ 332 Minnesota Street ■ E200 ■ Saint Paul, MN 55101-1351  
651-259-7432 PHONE ■ 800-657-3858 TOLL FREE ■ 651-296-5287 Fax ■ [www.mn.gov/deed](http://www.mn.gov/deed)

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## EMPLOYMENT AND ECONOMIC DEVELOPMENT

June 27, 2017

Tina Smith, Chair  
Destination Medical Center Corporation  
4720 West Lake Harriet Parkway  
Minneapolis, MN 55410

Jeff Bolton, Chief Administrative Officer  
Mayo Clinic  
200 First Street SW  
Rochester, MN 55905

Dear Ms. Smith and Mr. Bolton:

Thank you for submitting the 2016 Certification of Expenditures for Destination Medical Center (DMC). We are excited to assist with this initiative to make the Mayo Clinic, Rochester, and Minnesota a premier medical destination.

Your certification listed \$107,211,567 in Mayo Clinic expenditures and \$38,089,951 in other expenditures. The Mayo Clinic provided DEED with information on all invoices and payments to account for their certification amount. They also provided an independent third party report from RSM US LLP stating the law and procedures for certifying expenditures which are being followed properly. Additionally, DEED staff reviewed invoices and payments in your certification. We selected 96 of your listed expenditures totaling more than \$24.3 million. We selected one expenditure from each of the 72 projects listed. All invoices for the selected expenditures were on file and payments were made in a timely fashion. DEED staff also confirmed that projects had building permits after June 30, 2013. DEED acknowledges the expenses and payments met guidelines and the internal accounting and auditing system the Mayo Clinic has in place is sufficient.

Additionally, the DMCC and the City of Rochester provided DEED with a list of 32 completed projects for \$6,880,155 in expenditures. DEED randomly selected 16 permits and was provided the permit application, permit, project closeout, and map of projects. From this information, DEED confirmed the projects' values, dates, eligibility, and completion. The city also approved \$31,209,796 in expenditures on four projects that are partially completed. DMCC contracted with Clifton Larson Allen (CLA) to complete a review on its Certification to insure it is correct. CLA issued an opinion that the amount of the DMCC certification process was correct.

**Economic Development Division**

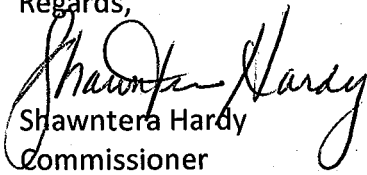
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As required by law, I have determined that the amount of 2016 Destination Medical Center expenditures is \$145,301,518 as you certified. DMC cumulative expenditures are now \$297,708,550. The \$200 million cumulative expenditure threshold has been met and Qualified Expenditures have been determined to be \$97,708,550. Based on this figure and adequate general aid contributions from the city, I have determined the City of Rochester has qualified for \$2,686,985.13 of General State Infrastructure Aid in 2016. As per state statute, this payment will be made prior to September 1.

Thank you again for your efforts on this groundbreaking economic development effort.

Regards,

  
Shawntera Hardy  
Commissioner

C: Patricia Simmons, Chair of Economic Development Agency Board of Directors  
Lisa Clarke, Economic Development Agency Executive Director  
Gary Neumann, City of Rochester



**DESTINATION MEDICAL CENTER (DMC)  
GENERAL STATE INFRASTRUCTURE AID (GSIA)  
DISBURSEMENT AGREEMENT**

This Disbursement Agreement is entered into this 27th day of June, 2017, by and between THE STATE OF MINNESOTA, acting by and through the Department of Employment and Economic Development (DEED), and THE CITY OF ROCHESTER, Minnesota.

DEED and the City of Rochester agree to the following terms:

1. For the fiscal year beginning July 1, 2017 and ending June 30, 2018 (FY18), DEED will pay the City of Rochester \$ 2,686,985.13 in GSIA in accordance with Minnesota Statutes, section 469.47, subdivision 3 and the terms of the DMC Administrative Agreement entered into by the parties on July 15, 2015. The payment of GSIA under this section is contingent on the Commissioner of Employment and Economic Development approving the Certification of Contributions submitted by the City of Rochester for calendar year 2016 and the Certification of Expenditures submitted by the Mayo Clinic and the Destination Medical Center Corporation (DMCC) for calendar year 2016.
2. The City of Rochester must spend all GSIA money received as described in section 1 of this agreement in a manner consistent with Minnesota Statutes, sections 469.40 to 469.47 and the terms of the DMC Administrative Agreement.
3. By April 1 of each year, the City of Rochester must provide DEED a table listing, in detail, what state GSIA has been expended. DEED will review this list and necessary documentation to confirm funds were spent appropriately.
4. DEED has the right to audit the books and records of the City of Rochester (and the DMCC and Mayo) that are necessary to certify that any payments or disbursements of GSIA comply with all state laws, administrative rules, and the terms of the DMC Administrative Agreement. If DEED finds through an audit or by any other means that GSIA funds paid under this agreement were used improperly or not in accordance with state law or the DMC Administrative Agreement, the City of Rochester must immediately repay those funds to DEED.

By signing this agreement, DEED and the City of Rochester fully understand and agree to the terms as set forth in this agreement.

**STATE ENCUMBRANCE**

*Individual certifies that funds have been encumbered as required by Minn. Stat. " 16A.15 and 16C.05.*

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

SWIFT Contract/PO No(s).\_\_\_\_\_

**DEPARTMENT OF EMPLOYMENT  
AND ECONOMIC DEVELOPMENT:**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**CITY OF ROCHESTER:**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**REQUEST FOR COUNCIL ACTION****MEETING DATE:**

5/15/2017

**AGENDA SECTION:**

Consent Agenda/Organizational Business

**ORIGINATING DEPT:**

City Administration

**ITEM DESCRIPTION:**

Resolution of Intent to Pay Back City Provided DMC Funding

**PREPARED BY:**

Stevan Kvenvold

Prior to the end of my tenure with the City of Rochester, I wish to recommend that the Mayor and City Council adopt a resolution of intent to reimburse the City funding accounts for the \$15,175,000 that the City of Rochester has advanced thru 12/31/16 to fund the start-up costs of the DMC initiative and the purchase of the Chateau Theatre building. (see attached listing)

These advance funds were needed for the start-up of the DMC initiatives since the DMC related expenditures started two years prior to the initiation of the DMC \$0.25% sales tax in 2016. The DMC \$0.25% sales tax revenues since January, 2016, are not sufficient to cover the accumulated DMC start-up expenditures and the first State DMC revenues will be received in September, 2017 in the amount of \$2.66 million. The \$15,175,000 has all been advanced from the flood control reserve account and it is essential that these funds be reimbursed to fund future flood control maintenance activities.

I offer the following repayment recommendations for your consideration:

1. The current \$0.25% DMC sales tax currently brings in \$5.7 million per year. I recommend that \$1.2 million of this current annual revenue be dedicated to repay  $\frac{1}{2}$  of the advance funding amount, which is approximately \$7.6 million. It will take 7 years to repay the \$7.6 million.
2. I recommend that the remaining \$7.6 million be repaid to the Flood Control account from the proceeds of the 2013 local sales tax authorization of \$20 million for DMC type of initiatives. It is further recommended that the Mayor and City Council declare their intention that future City Councils repay the 2013 local sales tax account the \$7.6 million from future \$0.25% DMC sales tax proceeds, when such revenues may be available.

The \$20 million authorization contained in the 2013 local sales tax initiative was originally intended to be used for DMC purposes. However, the subsequent approved DMC legislation required the local community to provide \$128 million, plus interest, to DMC initiatives and provided some financial tools to pay for the \$128 million, including a DMC sales tax of \$0.25%.

**COUNCIL ACTION REQUESTED:**

Request a motion requesting the City Attorney to prepare a resolution indicating that:

1. \$1.2 million of the current \$0.25% DMC sales tax revenue be allocated each year, starting in 2018, and continuing each year until the \$7.6 million in advance funds, plus interest, is paid back to the Flood Control Account. One-half of each yearly amount should be appropriated in June and December of each year.
2. Authorizing that \$7.6 million of the \$20 million authorized by the 2013 local sales tax be appropriated to the Flood Control Account at this time. The resolution should also contain the recommendation that future City Councils repay the \$7.6 million, plus interest, from the DMC

sales tax revenues to the 2013 sales tax account as new future DMC sales tax revenues become available.

## RESOLUTION

BE IT RESOLVED by the Common Council of the City of Rochester as follows:

1. \$1.2 million of the current \$0.25% DMC sales tax revenue shall be allocated each year, starting in 2018, and shall continue each year until the \$7.6 million in advance funds, plus interest, is paid back to the Flood Control Account. One-half of each yearly amount should be appropriated in June and December of each year.
2. \$7.6 million of the \$20 million authorized by the 2013 local sales tax shall be appropriated to the Flood Control Account at this time.

BE IT FURTHER RESOLVED that the City recommend future City Councils repay the \$7.6 million, plus interest, from the DMC sales tax revenues to the 2013 sales tax account as new future DMC sales tax revenues become available.

PASSED AND ADOPTED BY THE COMMON COUNCIL OF THE CITY OF  
ROCHESTER, MINNESOTA, THIS 15th DAY OF May, 2017.

ATTEST:

  
CITY CLERK

  
PRESIDENT OF SAID COMMON COUNCIL

APPROVED THIS 17th DAY OF May, 2017.



  
MAYOR OF SAID CITY

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**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2017**

**Approving the 2017 State of Minnesota Charitable  
Organization Annual Report and 2016 Form 990**

**BACKGROUND RECITALS**

A. On behalf of the Destination Medical Center Corporation (“DMCC”), CliftonLarsonAllen (“CLA”) prepared the 2017 State of Minnesota Charitable Organization Annual Report (the “Annual Report”) and 2016 Form 990 (the “Form 990”) and is recommending that the DMCC approve both items.

B. The Annual Report and Form 990 were presented to the DMCC on July 27, 2017, and are on file with the DMCC.

**RESOLUTION**

**NOW, THEREFORE, BE IT RESOLVED**, by the Destination Medical Center Corporation, that the 2017 State of Minnesota Charitable Organization Annual Report and 2016 Form 990 are approved.

**BE IT FURTHER RESOLVED**, that the Board authorizes the Chair or Treasurer to take any action or make any amendments necessary and to file the Annual Report and Form 990.

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# Destination Medical Center Corporation

July 27, 2017

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. | ©2017 CliftonLarsonAllen LLP



# IRS Form 990

- Financial information reconciles to DMCC's audited financial statements
- Part III (page 2) – statement of DMCC's organizational purpose
- Part VI (page 6) – governance
- Part VII (page 7) – board members



# IRS Form 990

- Schedule B (page 21) – contributors
- Schedule R (page 31) – related organizations
- No unrelated business income for 2016
- Filing deadline is November 15, 2017



# Charitable Organization Annual Report

- Filed with Minnesota Attorney General's Office Charities Division
- No changes in tax-exempt status (page 2)
- No changes in organizational purpose or programs (page 2)
- No changes in ability to solicit contributions (page 3)
- No compensation paid in excess of \$100,000 (page 3)
- Financial information (page 4) reconciles to DMCC's audited financial statements
- Filing deadline November 15, 2017



# Minnesota Non-profit Corporation Annual Registration

- Filed online with Minnesota Secretary of State
- In good standing through December 31, 2017
- Annual renewal to be filed (online) for 2018



# **Thank you for allowing us to serve you!**

## **Contact Information:**

**Craig Popenhagen, Principal**

**507-280-2327**

**[Craig.popenhagen@claconnect.com](mailto:Craig.popenhagen@claconnect.com)**



CLIFTONLARSONALLEN LLP  
P.O. BOX 217  
AUSTIN, MN 55912

DALE MARTINSON  
DESTINATION MEDICAL CENTER CORPORATION  
201 4TH STREET SE, NO. 204  
ROCHESTER, MN 55904

|||||

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CLIENT'S COPY

DRAFT





# CliftonLarsonAllen

CliftonLarsonAllen LLP  
109 North Main Street, PO Box 217  
Austin, MN 55912-0217  
507-434-7000 | fax 507-437-8997  
CLAconnect.com

TINA FLINT SMITH  
DESTINATION MEDICAL CENTER CORPORATION  
201 4TH STREET SE NO. 204  
ROCHESTER, MN 55904

TINA FLINT SMITH:

ENCLOSED IS THE ORGANIZATION'S 2016 EXEMPT ORGANIZATION RETURN. THE STATE EXEMPT ORGANIZATION ANNUAL REPORT IS ALSO ENCLOSED. THESE SHOULD BE SIGNED, DATED, AND MAILED, AS INDICATED.

SPECIFIC FILING INSTRUCTIONS ARE AS FOLLOWS.

FORM 990 RETURN:

THIS RETURN HAS QUALIFIED FOR ELECTRONIC FILING. AFTER YOU HAVE REVIEWED THE RETURN FOR COMPLETENESS AND ACCURACY, PLEASE SIGN, DATE AND RETURN FORM 8879-EO TO OUR OFFICE. WE WILL TRANSMIT THE RETURN ELECTRONICALLY TO THE IRS AND NO FURTHER ACTION IS REQUIRED. RETURN FORM 8879-EO TO US BY NOVEMBER 15, 2017.

MINNESOTA ANNUAL REPORT:

THE MINNESOTA ANNUAL REPORT SHOULD BE MAILED ON OR BEFORE NOVEMBER 15, 2017 TO:

OFFICE OF THE ATTORNEY GENERAL  
SUITE 1200, BREMER TOWER  
445 MINNESOTA STREET  
ST. PAUL, MN 55101-2130

ENCLOSE A CHECK OR MONEY ORDER FOR \$25.00, PAYABLE TO STATE OF MINNESOTA. INCLUDE THE ORGANIZATION'S FEDERAL EMPLOYER IDENTIFICATION NUMBER AND "2016 ANNUAL REPORT" ON THE REMITTANCE.

THE REPORT SHOULD BE SIGNED AND DATED BY THE AUTHORIZED INDIVIDUAL(S).

MINNESOTA NON-PROFIT CORPORATION ANNUAL REGISTRATION (ONLINE REGISTRATION REQUIRED);  
AS PART OF THE TAX RETURN PREPARATION SERVICES THAT CLA

PROVIDES TO YOU, WE HAVE CHECKED YOUR BUSINESS STANDING WITH THE MN SECRETARY OF STATE. ACCORDING TO THE MN SOS WEBSITE, YOUR BUSINESS IS IN GOOD STANDING THROUGH DECEMBER 31, 2017. HOWEVER, THE ANNUAL RENEWAL WILL NEED TO BE FILED TO MAINTAIN YOUR GOOD STANDING FOR 2018.

YOU CAN FILE THE RENEWAL ONLINE AT THE SECRETARY OF STATE'S WEBSITE - [HTTPS://MBLSPORTAL.SOS.STATE.MN.US/BUSINESS/SEARCH](https://mblsportal.sos.state.mn.us/business/search). PLEASE FILE THIS RENEWAL AS SOON AS POSSIBLE TO ENSURE A CONTINUED STATUS OF GOOD STANDING.

PUBLIC DISCLOSURE;  
UNDER RULES EFFECTIVE JUNE 8, 1999, ORGANIZATIONS ARE REQUIRED TO PROVIDE A COPY OF THEIR ANNUAL RETURNS (FORM 990) FOR THE LAST THREE YEARS AND THEIR EXEMPTION APPLICATION (FORM 1023 OR 1024) TO ANYONE WHO REQUESTS THEM. YOU MUST PROVIDE THE ENTIRE FORM 990 AND SCHEDULE A, IF APPLICABLE, EXCEPT FOR THOSE PAGES NOT NORMALLY OPEN TO PUBLIC INSPECTION (I.E., DONOR NAMES AND ADDRESSES).

AN ORGANIZATION CAN AVOID HAVING TO PROVIDE COPIES IF IT POSTS THESE DOCUMENTS ON A WORLD WIDE WEB PAGE (MAINTAINED BY ITSELF OR ANOTHER ENTITY WHERE SIMILAR DOCUMENTS ARE POSTED) AND TELLS ANYONE REQUESTING COPIES HOW TO LOCATE THE DOCUMENTS. YOU SHOULD CONTACT US IF YOU HAVE ANY QUESTIONS REGARDING THE SPECIFICS OF COMPLYING WITH THE NEW RULES, OR ON POSTING YOUR FORMS ON THE INTERNET.

COPIES OF ALL THE RETURNS ARE ENCLOSED FOR YOUR FILES. WE SUGGEST THAT YOU RETAIN THESE COPIES INDEFINITELY.

SINCERELY,

CRAIG POPENHAGEN

# TAX RETURN FILING INSTRUCTIONS

FORM 990

FOR THE YEAR ENDING  
DECEMBER 31, 2016

Prepared for	DESTINATION MEDICAL CENTER CORPORATION 201 4TH STREET SE NO. 204 ROCHESTER, MN 55904
Prepared by	CLIFTONLARSONALLEN LLP P.O. BOX 217 AUSTIN, MN 55912 507-434-7000
Amount due or refund	NOT APPLICABLE
Make check payable to	NOT APPLICABLE
Mail tax return and check (if applicable) to	NOT APPLICABLE
Return must be mailed on or before	NOT APPLICABLE
Special Instructions	THIS RETURN HAS QUALIFIED FOR ELECTRONIC FILING. AFTER YOU HAVE REVIEWED THE RETURN FOR COMPLETENESS AND ACCURACY, PLEASE SIGN, DATE AND RETURN FORM 8879-EO TO OUR OFFICE. WE WILL TRANSMIT THE RETURN ELECTRONICALLY TO THE IRS AND NO FURTHER ACTION IS REQUIRED. RETURN FORM 8879-EO TO US BY NOVEMBER 15, 2017.

Form **8879-EO****IRS e-file Signature Authorization  
for an Exempt Organization**

OMB No. 1545-1878

For calendar year 2016, or fiscal year beginning \_\_\_\_\_, 2016, and ending \_\_\_\_\_, 20\_\_\_\_

**2016**Department of the Treasury  
Internal Revenue Service▶ **Do not send to the IRS. Keep for your records.**▶ **Information about Form 8879-EO and its instructions is at [www.irs.gov/form8879eo](http://www.irs.gov/form8879eo).**

Name of exempt organization

Employer identification number

**DESTINATION MEDICAL CENTER CORPORATION****46-4959371**

Name and title of officer

**JAMES V BIER****TREASURER****Part I Type of Return and Return Information** (Whole Dollars Only)

Check the box for the return for which you are using this Form 8879-EO and enter the applicable amount, if any, from the return. If you check the box on line **1a, 2a, 3a, 4a, or 5a**, below, and the amount on that line for the return being filed with this form was blank, then leave line **1b, 2b, 3b, 4b, or 5b**, whichever is applicable, blank (do not enter -0-). But, if you entered -0- on the return, then enter -0- on the applicable line below. **Do not** complete more than 1 line in Part I.

<b>1a</b> Form 990 check here ▶ <input checked="" type="checkbox"/>	<b>b Total revenue</b> , if any (Form 990, Part VIII, column (A), line 12) .....	<b>1b</b> <b>2,288,340.</b>
<b>2a</b> Form 990-EZ check here ▶ <input type="checkbox"/>	<b>b Total revenue</b> , if any (Form 990-EZ, line 9) .....	<b>2b</b> .....
<b>3a</b> Form 1120-POL check here ▶ <input type="checkbox"/>	<b>b Total tax</b> (Form 1120-POL, line 22) .....	<b>3b</b> .....
<b>4a</b> Form 990-PF check here ▶ <input type="checkbox"/>	<b>b Tax based on investment income</b> (Form 990-PF, Part VI, line 5) .....	<b>4b</b> .....
<b>5a</b> Form 8868 check here ▶ <input type="checkbox"/>	<b>b Balance Due</b> (Form 8868, line 3c) .....	<b>5b</b> .....

**Part II Declaration and Signature Authorization of Officer**

Under penalties of perjury, I declare that I am an officer of the above organization and that I have examined a copy of the organization's 2016 electronic return and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amount in Part I above is the amount shown on the copy of the organization's electronic return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send the organization's return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of the organization's federal taxes owed on this return, and the financial institution to debit the entry to this account. To revoke a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537 no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I have selected a personal identification number (PIN) as my signature for the organization's electronic return and, if applicable, the organization's consent to electronic funds withdrawal.

Officer's PIN: check one box only

☒ I authorize **CLIFTONLARSONALLEN LLP** to enter my PIN **82924**  
 ERO firm name Enter five numbers, but do not enter all zeros

as my signature on the organization's tax year 2016 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I also authorize the aforementioned ERO to enter my PIN on the return's disclosure consent screen.

☐ As an officer of the organization, I will enter my PIN as my signature on the organization's tax year 2016 electronically filed return. If I have indicated within this return that a copy of the return is being filed with a state agency(ies) regulating charities as part of the IRS Fed/State program, I will enter my PIN on the return's disclosure consent screen.

Officer's signature ▶ \_\_\_\_\_ Date ▶ \_\_\_\_\_

**Part III Certification and Authentication**

**ERO's EFIN/PIN.** Enter your six-digit electronic filing identification number (EFIN) followed by your five-digit self-selected PIN.

**41312913129**

do not enter all zeros

I certify that the above numeric entry is my PIN, which is my signature on the 2016 electronically filed return for the organization indicated above. I confirm that I am submitting this return in accordance with the requirements of **Pub. 4163**, Modernized e-File (MeF) Information for Authorized IRS e-file Providers for Business Returns.

ERO's signature ▶ \_\_\_\_\_ Date ▶ **06/16/17**

**ERO Must Retain This Form - See Instructions**  
**Do Not Submit This Form To the IRS Unless Requested To Do So**

LHA For Paperwork Reduction Act Notice, see instructions.

Form **8879-EO** (2016)

623051 09-26-16

09590616 132902 094-08292400 2016.04000 DESTINATION MEDICAL CENTER 094-94G1

30

Form **990**Department of the Treasury  
Internal Revenue Service**Return of Organization Exempt From Income Tax**  
Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

- ▶ Do not enter social security numbers on this form as it may be made public.  
▶ Information about Form 990 and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2016**Open to Public  
Inspection**A For the 2016 calendar year, or tax year beginning and ending****B** Check if applicable:

- ☐ Address change  
☐ Name change  
☐ Initial return  
☐ Final return/terminated  
☐ Amended return  
☐ Application pending

**C** Name of organization**DESTINATION MEDICAL CENTER CORPORATION**

Doing business as

Number and street (or P.O. box if mail is not delivered to street address)

**201 4TH STREET SE**

Room/suite

**204**

City or town, state or province, country, and ZIP or foreign postal code

**ROCHESTER, MN 55904****F** Name and address of principal officer: **JAMES V. BIER****SAME AS C ABOVE****D** Employer identification number**46-4959371****E** Telephone number**507-328-2850****G** Gross receipts \$ **2,288,340.****H(a)** Is this a group returnfor subordinates? ☐ Yes ☒ No**H(b)** Are all subordinates included? ☐ Yes ☐ No

If "No," attach a list. (see instructions)

**H(c)** Group exemption number ▶**I** Tax-exempt status: ☒ 501(c)(3) ☐ 501(c) ( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527**J** Website: ▶ **WWW.DMC.MN****K** Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶**L** Year of formation: **2013** **M** State of legal domicile: **MN****Part I Summary**

<b>Activities &amp; Governance</b>	<b>1</b> Briefly describe the organization's mission or most significant activities: <b>PLANNING AND IMPLEMENTATION OF DESTINATION MEDICAL CENTER DEVELOPMENT IN DOWNTOWN ROCHESTER,</b>		
	<b>2</b> Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets.		
	<b>3</b> Number of voting members of the governing body (Part VI, line 1a) .....	<b>3</b>	<b>8</b>
	<b>4</b> Number of independent voting members of the governing body (Part VI, line 1b) .....	<b>4</b>	<b>8</b>
	<b>5</b> Total number of individuals employed in calendar year 2016 (Part V, line 2a) .....	<b>5</b>	<b>0</b>
	<b>6</b> Total number of volunteers (estimate if necessary) .....	<b>6</b>	<b>8</b>
	<b>7a</b> Total unrelated business revenue from Part VIII, column (C), line 12 .....	<b>7a</b>	<b>0.</b>
<b>b</b> Net unrelated business taxable income from Form 990-T, line 34 .....	<b>7b</b>	<b>0.</b>	
<b>Revenue</b>	<b>8</b> Contributions and grants (Part VIII, line 1h) .....	<b>Prior Year</b> <b>3,605,187.</b>	<b>Current Year</b> <b>2,288,339.</b>
	<b>9</b> Program service revenue (Part VIII, line 2g) .....	<b>0.</b>	<b>0.</b>
	<b>10</b> Investment income (Part VIII, column (A), lines 3, 4, and 7d) .....	<b>1.</b>	<b>1.</b>
	<b>11</b> Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e) .....	<b>0.</b>	<b>0.</b>
	<b>12</b> Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12) .....	<b>3,605,188.</b>	<b>2,288,340.</b>
<b>Expenses</b>	<b>13</b> Grants and similar amounts paid (Part IX, column (A), lines 1-3) .....	<b>0.</b>	<b>0.</b>
	<b>14</b> Benefits paid to or for members (Part IX, column (A), line 4) .....	<b>0.</b>	<b>0.</b>
	<b>15</b> Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10) .....	<b>0.</b>	<b>0.</b>
	<b>16a</b> Professional fundraising fees (Part IX, column (A), line 11e) .....	<b>0.</b>	<b>0.</b>
	<b>b</b> Total fundraising expenses (Part IX, column (D), line 25) ▶ <b>0.</b>		
	<b>17</b> Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e) .....	<b>3,605,188.</b>	<b>2,288,340.</b>
<b>18</b> Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25) .....	<b>3,605,188.</b>	<b>2,288,340.</b>	
<b>19</b> Revenue less expenses. Subtract line 18 from line 12 .....	<b>0.</b>	<b>0.</b>	
<b>Net Assets or Fund Balances</b>	<b>20</b> Total assets (Part X, line 16) .....	<b>Beginning of Current Year</b> <b>250,340.</b>	<b>End of Year</b> <b>362,410.</b>
	<b>21</b> Total liabilities (Part X, line 26) .....	<b>250,340.</b>	<b>362,410.</b>
	<b>22</b> Net assets or fund balances. Subtract line 21 from line 20 .....	<b>0.</b>	<b>0.</b>

**Part II Signature Block**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

<b>Sign Here</b>	Signature of officer	Date			
	<b>JAMES V. BIER, TREASURER</b> Type or print name and title				
<b>Paid Preparer Use Only</b>	Print/Type preparer's name <b>CRAIG POPENHAGEN</b>	Preparer's signature <b>CRAIG POPENHAGEN</b>	Date <b>06/16/17</b>	Check <input type="checkbox"/> if self-employed	PTIN <b>P01587689</b>
	Firm's name ▶ <b>CLIFTONLARSONALLEN LLP</b>	Firm's EIN ▶ <b>41-0746749</b>	Phone no. <b>507-434-7000</b>		
Firm's address ▶ <b>P.O. BOX 217</b>		<b>AUSTIN, MN 55912</b>			

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

**Part III Statement of Program Service Accomplishments**Check if Schedule O contains a response or note to any line in this Part III ☒ **X****1** Briefly describe the organization's mission:

WITH MAYO CLINIC AT ITS HEART, THE DESTINATION MEDICAL CENTER (DMC) INITIATIVE WILL BE THE CATALYST TO POSITION ROCHESTER, MINNESOTA AS THE WORLD'S PREMIER DESTINATION CENTER FOR HEALTH AND WELLNESS; ATTRACTING PEOPLE, INVESTMENT, AND JOBS TO AMERICA'S CITY FOR HEALTH

**2** Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ? ☐ Yes ☒ No

If "Yes," describe these new services on Schedule O.

**3** Did the organization cease conducting, or make significant changes in how it conducts, any program services? ☐ Yes ☒ No

If "Yes," describe these changes on Schedule O.

**4** Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

**4a** (Code: ) (Expenses \$ 2,015,029. including grants of \$ ) (Revenue \$ )  
 OVERSIGHT, PREPARATION AND IMPLEMENTATION OF THE DEVELOPMENT PLAN - AN IN DEPTH STUDY OF INFRASTRUCTURE, PLANNING, AND DEVELOPMENT OPPORTUNITIES, AND FRAMEWORK TO SUPPORT THE DEVELOPMENT OF ROCHESTER AS A DESTINATION MEDICAL CENTER.

**4b** (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4c** (Code: ) (Expenses \$ including grants of \$ ) (Revenue \$ )

**4d** Other program services (Describe in Schedule O.)

(Expenses \$ including grants of \$ ) (Revenue \$ )

**4e** Total program service expenses **2,015,029.**Form **990** (2016)

**Part IV Checklist of Required Schedules**

	Yes	No
<b>1</b> Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If "Yes," complete Schedule A</i>	<b>1</b> X	
<b>2</b> Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ?	<b>2</b> X	
<b>3</b> Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If "Yes," complete Schedule C, Part I</i>	<b>3</b>	X
<b>4</b> <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If "Yes," complete Schedule C, Part II</i>	<b>4</b>	X
<b>5</b> Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? <i>If "Yes," complete Schedule C, Part III</i>	<b>5</b>	X
<b>6</b> Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? <i>If "Yes," complete Schedule D, Part I</i>	<b>6</b>	X
<b>7</b> Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? <i>If "Yes," complete Schedule D, Part II</i>	<b>7</b>	X
<b>8</b> Did the organization maintain collections of works of art, historical treasures, or other similar assets? <i>If "Yes," complete Schedule D, Part III</i>	<b>8</b>	X
<b>9</b> Did the organization report an amount in Part X, line 21, for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? <i>If "Yes," complete Schedule D, Part IV</i>	<b>9</b>	X
<b>10</b> Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? <i>If "Yes," complete Schedule D, Part V</i>	<b>10</b>	X
<b>11</b> If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable.		
<b>a</b> Did the organization report an amount for land, buildings, and equipment in Part X, line 10? <i>If "Yes," complete Schedule D, Part VI</i>	<b>11a</b>	X
<b>b</b> Did the organization report an amount for investments - other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VII</i>	<b>11b</b>	X
<b>c</b> Did the organization report an amount for investments - program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part VIII</i>	<b>11c</b>	X
<b>d</b> Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? <i>If "Yes," complete Schedule D, Part IX</i>	<b>11d</b> X	
<b>e</b> Did the organization report an amount for other liabilities in Part X, line 25? <i>If "Yes," complete Schedule D, Part X</i>	<b>11e</b> X	
<b>f</b> Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? <i>If "Yes," complete Schedule D, Part X</i>	<b>11f</b>	X
<b>12a</b> Did the organization obtain separate, independent audited financial statements for the tax year? <i>If "Yes," complete Schedule D, Parts XI and XII</i>	<b>12a</b> X	
<b>b</b> Was the organization included in consolidated, independent audited financial statements for the tax year? <i>If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional</i>	<b>12b</b>	X
<b>13</b> Is the organization a school described in section 170(b)(1)(A)(ii)? <i>If "Yes," complete Schedule E</i>	<b>13</b>	X
<b>14a</b> Did the organization maintain an office, employees, or agents outside of the United States?	<b>14a</b>	X
<b>b</b> Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? <i>If "Yes," complete Schedule F, Parts I and IV</i>	<b>14b</b>	X
<b>15</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? <i>If "Yes," complete Schedule F, Parts II and IV</i>	<b>15</b>	X
<b>16</b> Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? <i>If "Yes," complete Schedule F, Parts III and IV</i>	<b>16</b>	X
<b>17</b> Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? <i>If "Yes," complete Schedule G, Part I</i>	<b>17</b>	X
<b>18</b> Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? <i>If "Yes," complete Schedule G, Part II</i>	<b>18</b>	X
<b>19</b> Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? <i>If "Yes," complete Schedule G, Part III</i>	<b>19</b>	X

Form 990 (2016)

**Part IV Checklist of Required Schedules** (continued)

	Yes	No
<b>20a</b> Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H		X
<b>b</b> If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?		
<b>21</b> Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? If "Yes," complete Schedule I, Parts I and II		X
<b>22</b> Did the organization report more than \$5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? If "Yes," complete Schedule I, Parts I and III		X
<b>23</b> Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? If "Yes," complete Schedule J		X
<b>24a</b> Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a		X
<b>b</b> Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?		
<b>c</b> Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?		
<b>d</b> Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?		
<b>25a</b> <b>Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? If "Yes," complete Schedule L, Part I		X
<b>b</b> Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? If "Yes," complete Schedule L, Part I		X
<b>26</b> Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? If "Yes," complete Schedule L, Part II		X
<b>27</b> Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? If "Yes," complete Schedule L, Part III		X
<b>28</b> Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
<b>a</b> A current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
<b>b</b> A family member of a current or former officer, director, trustee, or key employee? If "Yes," complete Schedule L, Part IV		X
<b>c</b> An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? If "Yes," complete Schedule L, Part IV		X
<b>29</b> Did the organization receive more than \$25,000 in non-cash contributions? If "Yes," complete Schedule M		X
<b>30</b> Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? If "Yes," complete Schedule M		X
<b>31</b> Did the organization liquidate, terminate, or dissolve and cease operations? If "Yes," complete Schedule N, Part I		X
<b>32</b> Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? If "Yes," complete Schedule N, Part II		X
<b>33</b> Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Schedule R, Part I		X
<b>34</b> Was the organization related to any tax-exempt or taxable entity? If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1	X	
<b>35a</b> Did the organization have a controlled entity within the meaning of section 512(b)(13)?		X
<b>b</b> If "Yes" to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? If "Yes," complete Schedule R, Part V, line 2		
<b>36</b> <b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? If "Yes," complete Schedule R, Part V, line 2		X
<b>37</b> Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? If "Yes," complete Schedule R, Part VI		X
<b>38</b> Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19?	X	

**Note.** All Form 990 filers are required to complete Schedule OForm **990** (2016)



**Part V Statements Regarding Other IRS Filings and Tax Compliance**Check if Schedule O contains a response or note to any line in this Part V ☐

		Yes	No
<b>1a</b> Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	<b>1a</b> 2		
<b>b</b> Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	<b>1b</b> 0		
<b>c</b> Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	<b>1c</b>		
<b>2a</b> Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	<b>2a</b> 0		
<b>b</b> If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	<b>2b</b>		
<b>3a</b> Did the organization have unrelated business gross income of \$1,000 or more during the year?	<b>3a</b>		X
<b>b</b> If "Yes," has it filed a Form 990-T for this year? If "No," to line 3b, provide an explanation in Schedule O	<b>3b</b>		
<b>4a</b> At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	<b>4a</b>		X
<b>b</b> If "Yes," enter the name of the foreign country: See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).			
<b>5a</b> Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	<b>5a</b>		X
<b>b</b> Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	<b>5b</b>		X
<b>c</b> If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	<b>5c</b>		
<b>6a</b> Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	<b>6a</b>		X
<b>b</b> If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	<b>6b</b>		
<b>7 Organizations that may receive deductible contributions under section 170(c).</b>			
<b>a</b> Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	<b>7a</b>		X
<b>b</b> If "Yes," did the organization notify the donor of the value of the goods or services provided?	<b>7b</b>		
<b>c</b> Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	<b>7c</b>		X
<b>d</b> If "Yes," indicate the number of Forms 8282 filed during the year	<b>7d</b>		
<b>e</b> Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	<b>7e</b>		X
<b>f</b> Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	<b>7f</b>		X
<b>g</b> If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	<b>7g</b>		
<b>h</b> If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	<b>7h</b>		
<b>8 Sponsoring organizations maintaining donor advised funds.</b> Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?	<b>8</b>		
<b>9 Sponsoring organizations maintaining donor advised funds.</b>			
<b>a</b> Did the sponsoring organization make any taxable distributions under section 4966?	<b>9a</b>		
<b>b</b> Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?	<b>9b</b>		
<b>10 Section 501(c)(7) organizations.</b> Enter:			
<b>a</b> Initiation fees and capital contributions included on Part VIII, line 12	<b>10a</b>		
<b>b</b> Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	<b>10b</b>		
<b>11 Section 501(c)(12) organizations.</b> Enter:			
<b>a</b> Gross income from members or shareholders	<b>11a</b>		
<b>b</b> Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.)	<b>11b</b>		
<b>12a Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	<b>12a</b>		
<b>b</b> If "Yes," enter the amount of tax-exempt interest received or accrued during the year	<b>12b</b>		
<b>13 Section 501(c)(29) qualified nonprofit health insurance issuers.</b>			
<b>a</b> Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	<b>13a</b>		
<b>b</b> Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	<b>13b</b>		
<b>c</b> Enter the amount of reserves on hand	<b>13c</b>		
<b>14a</b> Did the organization receive any payments for indoor tanning services during the tax year?	<b>14a</b>		X
<b>b</b> If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	<b>14b</b>		

Form 990 (2016)

**Part VI Governance, Management, and Disclosure** For each "Yes" response to lines 2 through 7b below, and for a "No" response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI

☒**Section A. Governing Body and Management**

	1a	1b	8	Yes	No
<b>1a</b> Enter the number of voting members of the governing body at the end of the tax year			8		
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O.					
<b>b</b> Enter the number of voting members included in line 1a, above, who are independent			8		
<b>2</b> Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?			2		X
<b>3</b> Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors, or trustees, or key employees to a management company or other person?			3		X
<b>4</b> Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?			4		X
<b>5</b> Did the organization become aware during the year of a significant diversion of the organization's assets?			5		X
<b>6</b> Did the organization have members or stockholders?			6		X
<b>7a</b> Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?			7a		X
<b>b</b> Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?			7b	X	
<b>8</b> Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:					
<b>a</b> The governing body?			8a	X	
<b>b</b> Each committee with authority to act on behalf of the governing body?			8b	X	
<b>9</b> Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O			9		X

**Section B. Policies** (This Section B requests information about policies not required by the Internal Revenue Code.)

	Yes	No
<b>10a</b> Did the organization have local chapters, branches, or affiliates?		X
<b>b</b> If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?		
<b>11a</b> Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	X	
<b>b</b> Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
<b>12a</b> Did the organization have a written conflict of interest policy? If "No," go to line 13	X	
<b>b</b> Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?		X
<b>c</b> Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	X	
<b>13</b> Did the organization have a written whistleblower policy?		X
<b>14</b> Did the organization have a written document retention and destruction policy?		X
<b>15</b> Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
<b>a</b> The organization's CEO, Executive Director, or top management official		X
<b>b</b> Other officers or key employees of the organization		X
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions).		
<b>16a</b> Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?		X
<b>b</b> If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?		
<b>16b</b>		

**Section C. Disclosure**

**17** List the states with which a copy of this Form 990 is required to be filed **MN**

**18** Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.  
☐ Own website ☐ Another's website ☒ Upon request ☐ Other (explain in Schedule O)

**19** Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year.

**20** State the name, address, and telephone number of the person who possesses the organization's books and records: **DALE MARTINSON - 507-328-2850**  
**201 4TH STREET SE ROOM 204, ROCHESTER, MN 55904**

Check if Schedule O contains a response or note to any line in this Part VII

☒ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

09590616	132902	094-08292400	2016.04000	DESTINATION MEDICAL CENTER	094-94G1
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**Part VIII Statement of Revenue**Check if Schedule O contains a response or note to any line in this Part VIII ☐

				(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512 - 514
<b>Contributions, Gifts, Grants and Other Similar Amounts</b>	<b>1 a</b> Federated campaigns .....	<b>1a</b>					
	<b>b</b> Membership dues .....	<b>1b</b>					
	<b>c</b> Fundraising events .....	<b>1c</b>					
	<b>d</b> Related organizations .....	<b>1d</b>					
	<b>e</b> Government grants (contributions) .....	<b>1e</b>	2,288,339.				
	<b>f</b> All other contributions, gifts, grants, and similar amounts not included above .....	<b>1f</b>					
	<b>g</b> Noncash contributions included in lines 1a-1f: \$ .....						
	<b>h Total.</b> Add lines 1a-1f .....			2,288,339.			
<b>Program Service Revenue</b>			<b>Business Code</b>				
	<b>2 a</b> .....						
	<b>b</b> .....						
	<b>c</b> .....						
	<b>d</b> .....						
	<b>e</b> .....						
	<b>f</b> All other program service revenue .....						
	<b>g Total.</b> Add lines 2a-2f .....						
<b>Other Revenue</b>	<b>3</b> Investment income (including dividends, interest, and other similar amounts) .....			1.			1.
	<b>4</b> Income from investment of tax-exempt bond proceeds .....						
	<b>5</b> Royalties .....						
	<b>6 a</b> Gross rents .....	(i) Real	(ii) Personal				
	<b>b</b> Less: rental expenses .....						
	<b>c</b> Rental income or (loss) .....						
	<b>d</b> Net rental income or (loss) .....						
	<b>7 a</b> Gross amount from sales of assets other than inventory .....	(i) Securities	(ii) Other				
	<b>b</b> Less: cost or other basis and sales expenses .....						
	<b>c</b> Gain or (loss) .....						
	<b>d</b> Net gain or (loss) .....						
	<b>8 a</b> Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c). See Part IV, line 18 .....	<b>a</b>					
	<b>b</b> Less: direct expenses .....	<b>b</b>					
	<b>c</b> Net income or (loss) from fundraising events .....						
	<b>9 a</b> Gross income from gaming activities. See Part IV, line 19 .....	<b>a</b>					
	<b>b</b> Less: direct expenses .....	<b>b</b>					
	<b>c</b> Net income or (loss) from gaming activities .....						
	<b>10 a</b> Gross sales of inventory, less returns and allowances .....	<b>a</b>					
	<b>b</b> Less: cost of goods sold .....	<b>b</b>					
	<b>c</b> Net income or (loss) from sales of inventory .....						
<b>Miscellaneous Revenue</b>			<b>Business Code</b>				
<b>11 a</b> .....							
<b>b</b> .....							
<b>c</b> .....							
<b>d</b> All other revenue .....							
<b>e Total.</b> Add lines 11a-11d .....							
<b>12 Total revenue.</b> See instructions. ....			2,288,340.	0.	0.	1.	

**Part IX Statement of Functional Expenses**

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX ☐

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
<b>1</b> Grants and other assistance to domestic organizations and domestic governments. See Part IV, line 21				
<b>2</b> Grants and other assistance to domestic individuals. See Part IV, line 22				
<b>3</b> Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
<b>4</b> Benefits paid to or for members				
<b>5</b> Compensation of current officers, directors, trustees, and key employees				
<b>6</b> Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)				
<b>7</b> Other salaries and wages				
<b>8</b> Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)				
<b>9</b> Other employee benefits				
<b>10</b> Payroll taxes				
<b>11</b> Fees for services (non-employees):				
<b>a</b> Management				
<b>b</b> Legal	217,195.		217,195.	
<b>c</b> Accounting	4,000.		4,000.	
<b>d</b> Lobbying				
<b>e</b> Professional fundraising services. See Part IV, line 17				
<b>f</b> Investment management fees				
<b>g</b> Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	17,333.		17,333.	
<b>12</b> Advertising and promotion				
<b>13</b> Office expenses				
<b>14</b> Information technology				
<b>15</b> Royalties				
<b>16</b> Occupancy	18,907.		18,907.	
<b>17</b> Travel	573.		573.	
<b>18</b> Payments of travel or entertainment expenses for any federal, state, or local public officials				
<b>19</b> Conferences, conventions, and meetings				
<b>20</b> Interest	682.	682.		
<b>21</b> Payments to affiliates				
<b>22</b> Depreciation, depletion, and amortization				
<b>23</b> Insurance	15,303.		15,303.	
<b>24</b> Other expenses. Itemize expenses not covered above. (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O.)				
<b>a</b> PROGRAM COSTS	2,014,347.	2,014,347.		
<b>b</b>				
<b>c</b>				
<b>d</b>				
<b>e</b> All other expenses				
<b>25</b> Total functional expenses. Add lines 1 through 24e	2,288,340.	2,015,029.	273,311.	0.
<b>26</b> Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation.				

Check here ☐ if following SOP 98-2 (ASC 958-720)

**Part X Balance Sheet**Check if Schedule O contains a response or note to any line in this Part X ☐

		(A) Beginning of year		(B) End of year
<b>Assets</b>	<b>1</b> Cash - non-interest-bearing .....		<b>1</b>	
	<b>2</b> Savings and temporary cash investments .....	1,000.	<b>2</b>	905.
	<b>3</b> Pledges and grants receivable, net .....		<b>3</b>	
	<b>4</b> Accounts receivable, net .....	2,868.	<b>4</b>	0.
	<b>5</b> Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L .....		<b>5</b>	
	<b>6</b> Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instr). Complete Part II of Sch L .....		<b>6</b>	
	<b>7</b> Notes and loans receivable, net .....		<b>7</b>	
	<b>8</b> Inventories for sale or use .....		<b>8</b>	
	<b>9</b> Prepaid expenses and deferred charges .....	12,620.	<b>9</b>	12,998.
	<b>10a</b> Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D .....	<b>10a</b>		
	<b>b</b> Less: accumulated depreciation .....	<b>10b</b>	<b>10c</b>	
	<b>11</b> Investments - publicly traded securities .....		<b>11</b>	
	<b>12</b> Investments - other securities. See Part IV, line 11 .....		<b>12</b>	
	<b>13</b> Investments - program-related. See Part IV, line 11 .....		<b>13</b>	
	<b>14</b> Intangible assets .....		<b>14</b>	
	<b>15</b> Other assets. See Part IV, line 11 .....	233,852.	<b>15</b>	348,507.
<b>16</b> <b>Total assets.</b> Add lines 1 through 15 (must equal line 34) .....	250,340.	<b>16</b>	362,410.	
<b>Liabilities</b>	<b>17</b> Accounts payable and accrued expenses .....	186,720.	<b>17</b>	298,412.
	<b>18</b> Grants payable .....		<b>18</b>	
	<b>19</b> Deferred revenue .....	12,620.	<b>19</b>	12,998.
	<b>20</b> Tax-exempt bond liabilities .....		<b>20</b>	
	<b>21</b> Escrow or custodial account liability. Complete Part IV of Schedule D .....		<b>21</b>	
	<b>22</b> Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L .....		<b>22</b>	
	<b>23</b> Secured mortgages and notes payable to unrelated third parties .....		<b>23</b>	
	<b>24</b> Unsecured notes and loans payable to unrelated third parties .....		<b>24</b>	
	<b>25</b> Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D .....	51,000.	<b>25</b>	51,000.
	<b>26</b> <b>Total liabilities.</b> Add lines 17 through 25 .....	250,340.	<b>26</b>	362,410.
<b>Net Assets or Fund Balances</b>	<b>Organizations that follow SFAS 117 (ASC 958), check here</b> <input checked="" type="checkbox"/> <b>and complete lines 27 through 29, and lines 33 and 34.</b>			
	<b>27</b> Unrestricted net assets .....	0.	<b>27</b>	0.
	<b>28</b> Temporarily restricted net assets .....		<b>28</b>	
	<b>29</b> Permanently restricted net assets .....		<b>29</b>	
	<b>Organizations that do not follow SFAS 117 (ASC 958), check here</b> <input type="checkbox"/> <b>and complete lines 30 through 34.</b>			
	<b>30</b> Capital stock or trust principal, or current funds .....		<b>30</b>	
	<b>31</b> Paid-in or capital surplus, or land, building, or equipment fund .....		<b>31</b>	
	<b>32</b> Retained earnings, endowment, accumulated income, or other funds .....		<b>32</b>	
	<b>33</b> Total net assets or fund balances .....	0.	<b>33</b>	0.
	<b>34</b> Total liabilities and net assets/fund balances .....	250,340.	<b>34</b>	362,410.

Form 990 (2016)

**Part XI Reconciliation of Net Assets**Check if Schedule O contains a response or note to any line in this Part XI ☐

<b>1</b>	Total revenue (must equal Part VIII, column (A), line 12)	<b>1</b>	2,288,340.
<b>2</b>	Total expenses (must equal Part IX, column (A), line 25)	<b>2</b>	2,288,340.
<b>3</b>	Revenue less expenses. Subtract line 2 from line 1	<b>3</b>	0.
<b>4</b>	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	<b>4</b>	0.
<b>5</b>	Net unrealized gains (losses) on investments	<b>5</b>	
<b>6</b>	Donated services and use of facilities	<b>6</b>	
<b>7</b>	Investment expenses	<b>7</b>	
<b>8</b>	Prior period adjustments	<b>8</b>	
<b>9</b>	Other changes in net assets or fund balances (explain in Schedule O)	<b>9</b>	0.
<b>10</b>	Net assets or fund balances at end of year. Combine lines 3 through 9 (must equal Part X, line 33, column (B))	<b>10</b>	0.

**Part XII Financial Statements and Reporting**Check if Schedule O contains a response or note to any line in this Part XII ☒

	Yes	No
<b>1</b> Accounting method used to prepare the Form 990: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O.		
<b>2a</b> Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both: <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		X
<b>b</b> Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both: <input checked="" type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	X	
<b>c</b> If "Yes" to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.	X	
<b>3a</b> As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?		X
<b>b</b> If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits		

Form 990 (2016)



Department of the Treasury  
Internal Revenue Service

## Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ Attach to Form 990 or Form 990-EZ.

OMB No. 1545-0047

# 2016

**Open to Public Inspection**

► Information about Schedule A (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

Name of the organization

DESTINATION MEDICAL CENTER CORPORATION

Employer identification number

46-4959371

<b>Part I</b>	<b>Reason for Public Charity Status</b> (All organizations must complete this part.) See instructions.
---------------	--

The organization is not a private foundation because it is: (For lines 1 through 12, check only one box.)

- 1 ☐ A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**

2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E (Form 990 or 990-EZ).)

3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**

4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: \_\_\_\_\_

5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)

6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**

7 ☒ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)

9 ☐ An agricultural research organization described in **section 170(b)(1)(A)(ix)** operated in conjunction with a land-grant college or university or a non-land-grant college of agriculture (see instructions). Enter the name, city, and state of the college or university: \_\_\_\_\_

10 ☐ An organization that normally receives: (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)

11 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**

12 ☐ An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box in lines 12a through 12d that describes the type of supporting organization and complete lines 12e, 12f, and 12g.

a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**

b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**

c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**

d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**

e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization.

f Enter the number of supported organizations .....

g Provide the following information about the supported organization(s).

9 Provide the following information about the supported organization(s).						
(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-10 above (see instructions))	(iv) Is the organization listed in your governing document?		(v) Amount of monetary support (see instructions)	(vi) Amount of other support (see instructions)
			Yes	No		
<b>Total</b>						

**Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)**

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2012	(b) 2013	(c) 2014	(d) 2015	(e) 2016	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") .....			5,416,446.	3,605,187.	2,288,339.	11,309,972.
<b>2</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf .....						
<b>3</b> The value of services or facilities furnished by a governmental unit to the organization without charge .....						
<b>4 Total.</b> Add lines 1 through 3 .....			5,416,446.	3,605,187.	2,288,339.	11,309,972.
<b>5</b> The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f) .....						
<b>6 Public support.</b> Subtract line 5 from line 4.						11,309,972.

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2012	(b) 2013	(c) 2014	(d) 2015	(e) 2016	(f) Total
<b>7</b> Amounts from line 4 .....			5,416,446.	3,605,187.	2,288,339.	11,309,972.
<b>8</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources .....			1.	1.	1.	3.
<b>9</b> Net income from unrelated business activities, whether or not the business is regularly carried on .....						
<b>10</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) .....						
<b>11 Total support.</b> Add lines 7 through 10						11,309,975.
<b>12</b> Gross receipts from related activities, etc. (see instructions) .....					12	
<b>13 First five years.</b> If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and <b>stop here</b> .....						<input checked="" type="checkbox"/>

**Section C. Computation of Public Support Percentage**

<b>14</b> Public support percentage for 2016 (line 6, column (f) divided by line 11, column (f)) .....	<b>14</b>	%
<b>15</b> Public support percentage from 2015 Schedule A, Part II, line 14 .....	<b>15</b>	%
<b>16a 33 1/3% support test - 2016.</b> If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization .....		
<b>b 33 1/3% support test - 2015.</b> If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and <b>stop here.</b> The organization qualifies as a publicly supported organization .....		
<b>17a 10% -facts-and-circumstances test - 2016.</b> If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization .....		
<b>b 10% -facts-and-circumstances test - 2015.</b> If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and <b>stop here.</b> Explain in Part VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization .....		
<b>18 Private foundation.</b> If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions .....		

Schedule A (Form 990 or 990-EZ) 2016

**Part III Support Schedule for Organizations Described in Section 509(a)(2)**

(Complete only if you checked the box on line 10 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

**Section A. Public Support**

Calendar year (or fiscal year beginning in) ►	(a) 2012	(b) 2013	(c) 2014	(d) 2015	(e) 2016	(f) Total
<b>1</b> Gifts, grants, contributions, and membership fees received. (Do not include any "unusual grants.") .....						
<b>2</b> Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose .....						
<b>3</b> Gross receipts from activities that are not an unrelated trade or business under section 513 .....						
<b>4</b> Tax revenues levied for the organization's benefit and either paid to or expended on its behalf .....						
<b>5</b> The value of services or facilities furnished by a governmental unit to the organization without charge .....						
<b>6 Total.</b> Add lines 1 through 5 .....						
<b>7a</b> Amounts included on lines 1, 2, and 3 received from disqualified persons .....						
<b>b</b> Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year .....						
<b>c</b> Add lines 7a and 7b .....						
<b>8 Public support.</b> (Subtract line 7c from line 6.)						

**Section B. Total Support**

Calendar year (or fiscal year beginning in) ►	(a) 2012	(b) 2013	(c) 2014	(d) 2015	(e) 2016	(f) Total
<b>9</b> Amounts from line 6 .....						
<b>10a</b> Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources .....						
<b>b</b> Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975 .....						
<b>c</b> Add lines 10a and 10b .....						
<b>11</b> Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on .....						
<b>12</b> Other income. Do not include gain or loss from the sale of capital assets (Explain in Part VI.) .....						
<b>13 Total support.</b> (Add lines 9, 10c, 11, and 12.)						

**14 First five years.** If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and **stop here** ☐**Section C. Computation of Public Support Percentage**

<b>15</b> Public support percentage for 2016 (line 8, column (f) divided by line 13, column (f)) .....	<b>15</b>	%
<b>16</b> Public support percentage from 2015 Schedule A, Part III, line 15 .....	<b>16</b>	%

**Section D. Computation of Investment Income Percentage**

<b>17</b> Investment income percentage for 2016 (line 10c, column (f) divided by line 13, column (f)) .....	<b>17</b>	%
<b>18</b> Investment income percentage from 2015 Schedule A, Part III, line 17 .....	<b>18</b>	%

**19a 33 1/3% support tests - 2016.** If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization ☐**b 33 1/3% support tests - 2015.** If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3%, and line 18 is not more than 33 1/3%, check this box and **stop here**. The organization qualifies as a publicly supported organization ☐**20 Private foundation.** If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ☐

**Part IV Supporting Organizations**

(Complete only if you checked a box in line 12 on Part I. If you checked 12a of Part I, complete Sections A and B. If you checked 12b of Part I, complete Sections A and C. If you checked 12c of Part I, complete Sections A, D, and E. If you checked 12d of Part I, complete Sections A and D, and complete Part V.)

**Section A. All Supporting Organizations**

	Yes	No
<b>1</b> Are all of the organization's supported organizations listed by name in the organization's governing documents? If "No," describe in <b>Part VI</b> how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.		
<b>2</b> Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? If "Yes," explain in <b>Part VI</b> how the organization determined that the supported organization was described in section 509(a)(1) or (2).		
<b>3a</b> Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? If "Yes," answer (b) and (c) below.		
<b>b</b> Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? If "Yes," describe in <b>Part VI</b> when and how the organization made the determination.		
<b>c</b> Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? If "Yes," explain in <b>Part VI</b> what controls the organization put in place to ensure such use.		
<b>4a</b> Was any supported organization not organized in the United States ("foreign supported organization")? If "Yes," and if you checked 12a or 12b in Part I, answer (b) and (c) below.		
<b>b</b> Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? If "Yes," describe in <b>Part VI</b> how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.		
<b>c</b> Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? If "Yes," explain in <b>Part VI</b> what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.		
<b>5a</b> Did the organization add, substitute, or remove any supported organizations during the tax year? If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in <b>Part VI</b> , including (i) the names and EIN numbers of the supported organizations added, substituted, or removed; (ii) the reasons for each such action; (iii) the authority under the organization's organizing document authorizing such action; and (iv) how the action was accomplished (such as by amendment to the organizing document).		
<b>b Type I or Type II only.</b> Was any added or substituted supported organization part of a class already designated in the organization's organizing document?		
<b>c Substitutions only.</b> Was the substitution the result of an event beyond the organization's control?		
<b>6</b> Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (i) its supported organizations, (ii) individuals that are part of the charitable class benefited by one or more of its supported organizations, or (iii) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? If "Yes," provide detail in <b>Part VI</b> .		
<b>7</b> Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in section 4958(c)(3)(C)), a family member of a substantial contributor, or a 35% controlled entity with regard to a substantial contributor? If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).		
<b>8</b> Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? If "Yes," complete Part I of Schedule L (Form 990 or 990-EZ).		
<b>9a</b> Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? If "Yes," provide detail in <b>Part VI</b> .		
<b>b</b> Did one or more disqualified persons (as defined in line 9a) hold a controlling interest in any entity in which the supporting organization had an interest? If "Yes," provide detail in <b>Part VI</b> .		
<b>c</b> Did a disqualified person (as defined in line 9a) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? If "Yes," provide detail in <b>Part VI</b> .		
<b>10a</b> Was the organization subject to the excess business holdings rules of section 4943 because of section 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? If "Yes," answer 10b below.		
<b>b</b> Did the organization have any excess business holdings in the tax year? (Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)		

**Part IV Supporting Organizations** (continued)

	Yes	No
<b>11</b> Has the organization accepted a gift or contribution from any of the following persons?		
<b>a</b> A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?		
<b>11a</b>		
<b>b</b> A family member of a person described in (a) above?		
<b>11b</b>		
<b>c</b> A 35% controlled entity of a person described in (a) or (b) above? If "Yes" to a, b, or c, provide detail in <b>Part VI</b> .		
<b>11c</b>		

**Section B. Type I Supporting Organizations**

	Yes	No
<b>1</b> Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? If "No," describe in <b>Part VI</b> how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.		
<b>1</b>		
<b>2</b> Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? If "Yes," explain in <b>Part VI</b> how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization.		
<b>2</b>		

**Section C. Type II Supporting Organizations**

	Yes	No
<b>1</b> Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? If "No," describe in <b>Part VI</b> how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).		
<b>1</b>		

**Section D. All Type III Supporting Organizations**

	Yes	No
<b>1</b> Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (i) a written notice describing the type and amount of support provided during the prior tax year, (ii) a copy of the Form 990 that was most recently filed as of the date of notification, and (iii) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?		
<b>1</b>		
<b>2</b> Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? If "No," explain in <b>Part VI</b> how the organization maintained a close and continuous working relationship with the supported organization(s).		
<b>2</b>		
<b>3</b> By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? If "Yes," describe in <b>Part VI</b> the role the organization's supported organizations played in this regard.		
<b>3</b>		

**Section E. Type III Functionally Integrated Supporting Organizations**

<b>1</b> Check the box next to the method that the organization used to satisfy the Integral Part Test during the year (see instructions).			
<b>a</b> <input type="checkbox"/> The organization satisfied the Activities Test. Complete <b>line 2</b> below.			
<b>b</b> <input type="checkbox"/> The organization is the parent of each of its supported organizations. Complete <b>line 3</b> below.			
<b>c</b> <input type="checkbox"/> The organization supported a governmental entity. Describe in <b>Part VI</b> how you supported a government entity (see instructions).			
<b>2</b> Activities Test. Answer (a) and (b) below.		Yes	No
<b>a</b> Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? If "Yes," then in <b>Part VI</b> identify those supported organizations and explain how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.			
<b>2a</b>			
<b>b</b> Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? If "Yes," explain in <b>Part VI</b> the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.			
<b>2b</b>			
<b>3</b> Parent of Supported Organizations. Answer (a) and (b) below.			
<b>a</b> Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in <b>Part VI</b> .			
<b>3a</b>			
<b>b</b> Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in <b>Part VI</b> the role played by the organization in this regard.			
<b>3b</b>			

**Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations**

- 1** ☐ Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970 (explain in Part VI.) **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

<b>Section A - Adjusted Net Income</b>		(A) Prior Year	(B) Current Year (optional)
<b>1</b> Net short-term capital gain	<b>1</b>		
<b>2</b> Recoveries of prior-year distributions	<b>2</b>		
<b>3</b> Other gross income (see instructions)	<b>3</b>		
<b>4</b> Add lines 1 through 3	<b>4</b>		
<b>5</b> Depreciation and depletion	<b>5</b>		
<b>6</b> Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	<b>6</b>		
<b>7</b> Other expenses (see instructions)	<b>7</b>		
<b>8 Adjusted Net Income</b> (subtract lines 5, 6, and 7 from line 4)	<b>8</b>		

<b>Section B - Minimum Asset Amount</b>		(A) Prior Year	(B) Current Year (optional)
<b>1</b> Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year):			
<b>a</b> Average monthly value of securities	<b>1a</b>		
<b>b</b> Average monthly cash balances	<b>1b</b>		
<b>c</b> Fair market value of other non-exempt-use assets	<b>1c</b>		
<b>d Total</b> (add lines 1a, 1b, and 1c)	<b>1d</b>		
<b>e Discount</b> claimed for blockage or other factors (explain in detail in <b>Part VI</b> ):			
<b>2</b> Acquisition indebtedness applicable to non-exempt-use assets	<b>2</b>		
<b>3</b> Subtract line 2 from line 1d	<b>3</b>		
<b>4</b> Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions)	<b>4</b>		
<b>5</b> Net value of non-exempt-use assets (subtract line 4 from line 3)	<b>5</b>		
<b>6</b> Multiply line 5 by .035	<b>6</b>		
<b>7</b> Recoveries of prior-year distributions	<b>7</b>		
<b>8 Minimum Asset Amount</b> (add line 7 to line 6)	<b>8</b>		

<b>Section C - Distributable Amount</b>			Current Year
<b>1</b> Adjusted net income for prior year (from Section A, line 8, Column A)	<b>1</b>		
<b>2</b> Enter 85% of line 1	<b>2</b>		
<b>3</b> Minimum asset amount for prior year (from Section B, line 8, Column A)	<b>3</b>		
<b>4</b> Enter greater of line 2 or line 3	<b>4</b>		
<b>5</b> Income tax imposed in prior year	<b>5</b>		
<b>6 Distributable Amount.</b> Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions)	<b>6</b>		
<b>7</b> <input type="checkbox"/> Check here if the current year is the organization's first as a non-functionally integrated Type III supporting organization (see instructions).			

Schedule A (Form 990 or 990-EZ) 2016

**Part V** Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations (continued)

Section D - Distributions			Current Year
<b>1</b>	Amounts paid to supported organizations to accomplish exempt purposes		
<b>2</b>	Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity		
<b>3</b>	Administrative expenses paid to accomplish exempt purposes of supported organizations		
<b>4</b>	Amounts paid to acquire exempt-use assets		
<b>5</b>	Qualified set-aside amounts (prior IRS approval required)		
<b>6</b>	Other distributions (describe in <b>Part VI</b> ). See instructions		
<b>7</b>	<b>Total annual distributions.</b> Add lines 1 through 6		
<b>8</b>	Distributions to attentive supported organizations to which the organization is responsive (provide details in <b>Part VI</b> ). See instructions		
<b>9</b>	Distributable amount for 2016 from Section C, line 6		
<b>10</b>	Line 8 amount divided by Line 9 amount		

Section E - Distribution Allocations (see instructions)		(i) Excess Distributions	(ii) Underdistributions Pre-2016	(iii) Distributable Amount for 2016
<b>1</b>	Distributable amount for 2016 from Section C, line 6			
<b>2</b>	Underdistributions, if any, for years prior to 2016 (reasonable cause required- explain in Part VI). See instructions			
<b>3</b>	Excess distributions carryover, if any, to 2016:			
<b>a</b>				
<b>b</b>				
<b>c</b>	From 2013			
<b>d</b>	From 2014			
<b>e</b>	From 2015			
<b>f</b>	<b>Total</b> of lines 3a through e			
<b>g</b>	Applied to underdistributions of prior years			
<b>h</b>	Applied to 2016 distributable amount			
<b>i</b>	Carryover from 2011 not applied (see instructions)			
<b>j</b>	Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
<b>4</b>	Distributions for 2016 from Section D, line 7: \$			
<b>a</b>	Applied to underdistributions of prior years			
<b>b</b>	Applied to 2016 distributable amount			
<b>c</b>	Remainder. Subtract lines 4a and 4b from 4			
<b>5</b>	Remaining underdistributions for years prior to 2016, if any. Subtract lines 3g and 4a from line 2. For result greater than zero, explain in Part VI. See instructions			
<b>6</b>	Remaining underdistributions for 2016. Subtract lines 3h and 4b from line 1. For result greater than zero, explain in Part VI. See instructions			
<b>7</b>	<b>Excess distributions carryover to 2017.</b> Add lines 3j and 4c			
<b>8</b>	Breakdown of line 7:			
<b>a</b>				
<b>b</b>	Excess from 2013			
<b>c</b>	Excess from 2014			
<b>d</b>	Excess from 2015			
<b>e</b>	Excess from 2016			

Schedule A (Form 990 or 990-EZ) 2016

**Part VI** **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; Part III, line 12; Part IV, Section A, lines 1, 2, 3b, 3c, 4b, 4c, 5a, 6, 9a, 9b, 9c, 11a, 11b, and 11c; Part IV, Section B, lines 1 and 2; Part IV, Section C, line 1; Part IV, Section D, lines 2 and 3; Part IV, Section E, lines 1c, 2a, 2b, 3a, and 3b; Part V, line 1; Part V, Section B, line 1e; Part V, Section D, lines 5, 6, and 8; and Part V, Section E, lines 2, 5, and 6. Also complete this part for any additional information.  
(See instructions.)

DRAFT



**Schedule B**(Form 990, 990-EZ,  
or 990-PF)Department of the Treasury  
Internal Revenue Service**Schedule of Contributors**

▶ Attach to Form 990, Form 990-EZ, or Form 990-PF.  
▶ Information about Schedule B (Form 990, 990-EZ, or 990-PF) and  
its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2016**

Name of the organization

DESTINATION MEDICAL CENTER CORPORATION

Employer identification number

46-4959371

Organization type (check one):

Filers of:

Section:

Form 990 or 990-EZ

☒ 501(c)( 3 ) (enter number) organization☐ 4947(a)(1) nonexempt charitable trust **not** treated as a private foundation☐ 527 political organization

Form 990-PF

☐ 501(c)(3) exempt private foundation☐ 4947(a)(1) nonexempt charitable trust treated as a private foundation☐ 501(c)(3) taxable private foundationCheck if your organization is covered by the **General Rule** or a **Special Rule**.**Note:** Only a section 501(c)(7), (8), or (10) organization can check boxes for both the General Rule and a Special Rule. See instructions.**General Rule**

- ☒ For an organization filing Form 990, 990-EZ, or 990-PF that received, during the year, contributions totaling \$5,000 or more (in money or property) from any one contributor. Complete Parts I and II. See instructions for determining a contributor's total contributions.

**Special Rules**

- ☐ For an organization described in section 501(c)(3) filing Form 990 or 990-EZ that met the 33 1/3% support test of the regulations under sections 509(a)(1) and 170(b)(1)(A)(vi), that checked Schedule A (Form 990 or 990-EZ), Part II, line 13, 16a, or 16b, and that received from any one contributor, during the year, total contributions of the greater of (1) \$5,000 or (2) 2% of the amount on (i) Form 990, Part VIII, line 1h, or (ii) Form 990-EZ, line 1. Complete Parts I and II.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, total contributions of more than \$1,000 *exclusively* for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals. Complete Parts I, II, and III.
- ☐ For an organization described in section 501(c)(7), (8), or (10) filing Form 990 or 990-EZ that received from any one contributor, during the year, contributions *exclusively* for religious, charitable, etc., purposes, but no such contributions totaled more than \$1,000. If this box is checked, enter here the total contributions that were received during the year for an *exclusively* religious, charitable, etc., purpose. Don't complete any of the parts unless the **General Rule** applies to this organization because it received *nonexclusively* religious, charitable, etc., contributions totaling \$5,000 or more during the year ..... ▶ \$ \_\_\_\_\_

**Caution:** An organization that isn't covered by the General Rule and/or the Special Rules doesn't file Schedule B (Form 990, 990-EZ, or 990-PF), but it **must** answer "No" on Part IV, line 2, of its Form 990; or check the box on line H of its Form 990-EZ or on its Form 990-PF, Part I, line 2, to certify that it doesn't meet the filing requirements of Schedule B (Form 990, 990-EZ, or 990-PF).

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990, 990-EZ, or 990-PF. Schedule B (Form 990, 990-EZ, or 990-PF) (2016)

Name of organization	Employer identification number
DESTINATION MEDICAL CENTER CORPORATION	46-4959371

**Part I Contributors** (See instructions). Use duplicate copies of Part I if additional space is needed.

(a) No.	(b) Name, address, and ZIP + 4	(c) Total contributions	(d) Type of contribution
1	CITY OF ROCHESTER 201 4TH STREET SE ROCHESTER, MN 55904	\$ 2,288,339.	Person <input checked="" type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)
		\$	Person <input type="checkbox"/> Payroll <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II for noncash contributions.)

Employer identification number

46-4959371

## Part II

[illegible]

Name of organization	Employer identification number
DESTINATION MEDICAL CENTER CORPORATION	46-4959371

**Part III** Exclusively religious, charitable, etc., contributions to organizations described in section 501(c)(7), (8), or (10) that total more than \$1,000 for the year from any one contributor. Complete columns (a) through (e) and the following line entry. For organizations completing Part III, enter the total of exclusively religious, charitable, etc., contributions of \$1,000 or less for the year. (Enter this info. once.) ▶ \$

Use duplicate copies of Part III if additional space is needed.

(a) No. from Part I	(b) Purpose of gift	(c) Use of gift	(d) Description of how gift is held
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee
	(e) Transfer of gift		
	Transferee's name, address, and ZIP + 4		Relationship of transferor to transferee

**SCHEDULE D**  
**(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Financial Statements**

▶ **Complete if the organization answered "Yes" on Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.**  
▶ **Attach to Form 990.**

▶ **Information about Schedule D (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).**

OMB No. 1545-0047

**2016**

**Open to Public Inspection**

**Name of the organization**

DESTINATION MEDICAL CENTER CORPORATION

**Employer identification number**

46-4959371

**Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts.** Complete if the organization answered "Yes" on Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year .....		
2 Aggregate value of contributions to (during year) .....		
3 Aggregate value of grants from (during year) .....		
4 Aggregate value at end of year .....		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**Part II Conservation Easements.** Complete if the organization answered "Yes" on Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply).  
☐ Preservation of land for public use (e.g., recreation or education) ☐ Preservation of a historically important land area  
☐ Protection of natural habitat ☐ Preservation of a certified historic structure  
☐ Preservation of open space

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year.

	Held at the End of the Tax Year
a Total number of conservation easements .....	2a
b Total acreage restricted by conservation easements .....	2b
c Number of conservation easements on a certified historic structure included in (a) .....	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register .....	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ .....

4 Number of states where property subject to conservation easement is located ▶ .....

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? .....

☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ▶ .....

7 Amount of expenses incurred in monitoring, inspecting, handling of violations, and enforcing conservation easements during the year ▶ \$ .....

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? .....

☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements.

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenue included on Form 990, Part VIII, line 1 .....

(ii) Assets included in Form 990, Part X .....

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenue included on Form 990, Part VIII, line 1 .....

b Assets included in Form 990, Part X .....

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule D (Form 990) 2016

632051 08-29-16

**Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets** (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a ☐ Public exhibition  
 b ☐ Scholarly research  
 c ☐ Preservation for future generations  
 d ☐ Loan or exchange programs  
 e ☐ Other \_\_\_\_\_

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII.

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

**Part IV Escrow and Custodial Arrangements.** Complete if the organization answered "Yes" on Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII and complete the following table:

	Amount
c Beginning balance	1c
d Additions during the year	1d
e Distributions during the year	1e
f Ending balance	1f

2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? ☐ Yes ☐ No

b If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided on Part XIII ☐

**Part V Endowment Funds.** Complete if the organization answered "Yes" on Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance					
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance					

2 Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as:

- a Board designated or quasi-endowment  %  
 b Permanent endowment  %  
 c Temporarily restricted endowment  %

The percentages on lines 2a, 2b, and 2c should equal 100%.

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

	Yes	No
(i) unrelated organizations	3a(i)	
(ii) related organizations	3a(ii)	
b If "Yes" on line 3a(ii), are the related organizations listed as required on Schedule R?	3b	

4 Describe in Part XIII the intended uses of the organization's endowment funds.

**Part VI Land, Buildings, and Equipment.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment				
e Other				
Total. Add lines 1a through 1e. (Column (d) must equal Form 990, Part X, column (B), line 10c.)				0.

Schedule D (Form 990) 2016

**Part VII Investments - Other Securities.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives .....		
(2) Closely-held equity interests .....		
(3) Other .....		
(A) .....		
(B) .....		
(C) .....		
(D) .....		
(E) .....		
(F) .....		
(G) .....		
(H) .....		
<b>Total.</b> (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ►		

**Part VIII Investments - Program Related.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11c. See Form 990, Part X, line 13.

(a) Description of investment	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) .....		
(2) .....		
(3) .....		
(4) .....		
(5) .....		
(6) .....		
(7) .....		
(8) .....		
(9) .....		
<b>Total.</b> (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ►		

**Part IX Other Assets.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

(a) Description	(b) Book value
(1) ADVANCE TO DMC EDA	50,000.
(2) DUE FROM OTHER GOVERNMENTS	298,507.
(3) .....	
(4) .....	
(5) .....	
(6) .....	
(7) .....	
(8) .....	
(9) .....	
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 15.) ►	348,507.

**Part X Other Liabilities.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1. (a) Description of liability	(b) Book value	
(1) Federal income taxes		
(2) DUE TO OTHER GOVERNMENTS	51,000.	
(3) .....		
(4) .....		
(5) .....		
(6) .....		
(7) .....		
(8) .....		
(9) .....		
<b>Total.</b> (Column (b) must equal Form 990, Part X, col. (B) line 25.) ►	51,000.	

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII ☐

<b>Part XI</b>	<b>Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.</b>
----------------	--

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1		Total revenue, gains, and other support per audited financial statements	1	2,288,340.
2		Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	2a	Net unrealized gains (losses) on investments		
b	2b	Donated services and use of facilities		
c	2c	Recoveries of prior year grants		
d	2d	Other (Describe in Part XIII.)		
e		Add lines 2a through 2d	2e	0.
3		Subtract line 2e from line 1	3	2,288,340.
4		Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	4a	Investment expenses not included on Form 990, Part VIII, line 7b		
b	4b	Other (Describe in Part XIII.)		
c		Add lines 4a and 4b	4c	0.
5		Total revenue. Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	2,288,340.

<b>Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.</b>	
---	--

Complete if the organization answered "Yes" on Form 990, Part IV, line 12a.

1		Total expenses and losses per audited financial statements	1	2,288,340.
2		Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	2a	Donated services and use of facilities		
b	2b	Prior year adjustments		
c	2c	Other losses		
d	2d	Other (Describe in Part XIII.)		
e		Add lines 2a through 2d	2e	0.
3		Subtract line 2e from line 1	3	2,288,340.
4		Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	4a	Investment expenses not included on Form 990, Part VIII, line 7b		
b	4b	Other (Describe in Part XIII.)		
c		Add lines 4a and 4b	4c	0.
5		Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	2,288,340.

**Part XIII Supplemental Information.**

Provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, lines 2d and 4b; and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.



**SCHEDULE O**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Supplemental Information to Form 990 or 990-EZ**

Complete to provide information for responses to specific questions on  
Form 990 or 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2016**

Open to Public  
Inspection

Name of the organization

DESTINATION MEDICAL CENTER CORPORATION

Employer identification number  
46-4959371

FORM 990, PART I, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

MINNESOTA.

FORM 990, PART III, LINE 1, DESCRIPTION OF ORGANIZATION MISSION:

AND SUPPORTING THE ECONOMIC GROWTH OF MINNESOTA AND ITS BIOSCIENCES  
SECTOR.

FORM 990, PART VI, SECTION A, LINE 7B:

ANNUAL FUNDING REQUESTS ARE SUBJECT TO FINAL APPROVAL BY THE CITY OF  
ROCHESTER CITY COUNCIL.

FORM 990, PART VI, SECTION B, LINE 11B:

THE 990 WILL BE PRESENTED AT A BOARD MEETING PRIOR TO FILING.

FORM 990, PART VI, SECTION B, LINE 12C:

THE DMCC MUST FOLLOW THE CONFLICT OF INTEREST REQUIREMENTS OF MINNESOTA  
STATUTES, SECTION 469.41, SUBD. 9. IN ADDITION, THE DMCC DIRECTORS ARE  
PUBLIC OFFICIALS UNDER MINNESOTA STATUTES SECTION 10A.01, SUBD. 35. SEE  
MINN. STAT. SECTION 469.41, SUBD. 10. PUBLIC OFFICIALS ARE SUBJECT TO  
STATUTORY CONFLICT OF INTEREST REQUIREMENTS. MINN. STAT. SECTION 10A.07.

FORM 990, PART VI, SECTION B, LINE 15:

DESTINATION MEDICAL CENTER CORPORATION DOES NOT HAVE ANY EMPLOYEES.

FORM 990, PART VI, SECTION C, LINE 19:

THE DESTINATION MEDICAL CENTER CORPORATION IS SUBJECT TO THE MINNESOTA

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule O (Form 990 or 990-EZ) (2016)

Name of the organization

DESTINATION MEDICAL CENTER CORPORATION

Employer identification number

46-4959371

GOVERNMENT DATA PRACTICES ACT AND OPEN MEETING LAW, AND THEREFORE MAKES ITS GOVERNING DOCUMENTS, CONFLICT OF INTEREST POLICY, AND FINANCIAL STATEMENTS AVAILABLE UPON REQUEST.

FORM 990, PART XII, LINE 2C

THE CORPORATION'S BOARD OF DIRECTORS ASSUMES RESPONSIBILITY FOR OVERSIGHT OF THE AUDIT OF ITS FINANCIAL STATEMENTS AND THE SELECTION OF ITS INDEPENDENT ACCOUNTANT.

DRAFT

**SCHEDULE R  
(Form 990)**

Department of the Treasury  
Internal Revenue Service

**Related Organizations and Unrelated Partnerships**

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.

▶ Attach to Form 990.

▶ Information about Schedule R (Form 990) and its instructions is at [www.irs.gov/form990](http://www.irs.gov/form990).

OMB No. 1545-0047

**2016**

Open to Public  
Inspection

Name of the organization

DESTINATION MEDICAL CENTER CORPORATION

Employer identification number

46-4959371

**Part I Identification of Disregarded Entities.** Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

**Part II Identification of Related Tax-Exempt Organizations.** Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
DESTINATION MEDICAL CENTER ECONOMIC DEVELOPMENT AGENCY - 46-4893585, 200 1ST STREET SW, ROCHESTER, MN 55905	PROVIDE SERVICES TO THE DMCC	MINNESOTA	501(C)(3)	LINE 12A, I	N/A		X

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule R (Form 990) 2016

**Part III Identification of Related Organizations Taxable as a Partnership.** Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	

**Part IV Identification of Related Organizations Taxable as a Corporation or Trust.** Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No

**Part V Transactions With Related Organizations.** Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.**Note:** Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

	Yes	No
<b>1</b> During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?		
<b>a</b> Receipt of (i) interest, (ii) annuities, (iii) royalties, or (iv) rent from a controlled entity .....	<b>1a</b>	X
<b>b</b> Gift, grant, or capital contribution to related organization(s) .....	<b>1b</b>	X
<b>c</b> Gift, grant, or capital contribution from related organization(s) .....	<b>1c</b>	X
<b>d</b> Loans or loan guarantees to or for related organization(s) .....	<b>1d</b>	X
<b>e</b> Loans or loan guarantees by related organization(s) .....	<b>1e</b>	X
<b>f</b> Dividends from related organization(s) .....	<b>1f</b>	X
<b>g</b> Sale of assets to related organization(s) .....	<b>1g</b>	X
<b>h</b> Purchase of assets from related organization(s) .....	<b>1h</b>	X
<b>i</b> Exchange of assets with related organization(s) .....	<b>1i</b>	X
<b>j</b> Lease of facilities, equipment, or other assets to related organization(s) .....	<b>1j</b>	X
<b>k</b> Lease of facilities, equipment, or other assets from related organization(s) .....	<b>1k</b>	X
<b>l</b> Performance of services or membership or fundraising solicitations for related organization(s) .....	<b>1l</b>	X
<b>m</b> Performance of services or membership or fundraising solicitations by related organization(s) .....	<b>1m</b>	X
<b>n</b> Sharing of facilities, equipment, mailing lists, or other assets with related organization(s) .....	<b>1n</b>	X
<b>o</b> Sharing of paid employees with related organization(s) .....	<b>1o</b>	X
<b>p</b> Reimbursement paid to related organization(s) for expenses .....	<b>1p</b>	X
<b>q</b> Reimbursement paid by related organization(s) for expenses .....	<b>1q</b>	X
<b>r</b> Other transfer of cash or property to related organization(s) .....	<b>1r</b>	X
<b>s</b> Other transfer of cash or property from related organization(s) .....	<b>1s</b>	X
<b>2</b> If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.		

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1)			
(2)			
(3)			
(4)			
(5)			
(6)			

**Part VI** **Unrelated Organizations Taxable as a Partnership.** Complete if the organization answered "Yes" on Form 990, Part IV, line 37.

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

**Part VII** Supplemental Information.

Provide additional information for responses to questions on Schedule R. See instructions.

DRAFT

# TAX RETURN FILING INSTRUCTIONS

## MINNESOTA ANNUAL REPORT

FOR THE YEAR ENDING

DECEMBER 31, 2016

Prepared for	DESTINATION MEDICAL CENTER CORPORATION 201 4TH STREET SE NO. 204 ROCHESTER, MN 55904
Prepared by	CLIFTONLARSONALLEN LLP P.O. BOX 217 AUSTIN, MN 55912 507-434-7000
Amount due or refund	BALANCE DUE OF \$25.00
Make check payable to	STATE OF MINNESOTA
Mail tax return and check (if applicable) to	OFFICE OF THE ATTORNEY GENERAL SUITE 1200, BREMER TOWER 445 MINNESOTA STREET ST. PAUL, MN 55101-2130
Return must be mailed on or before	NOVEMBER 15, 2017
Special Instructions	THE REPORT SHOULD BE SIGNED AND DATED BY THE AUTHORIZED INDIVIDUAL(S).  INCLUDE THE ORGANIZATION'S FEDERAL EMPLOYER IDENTIFICATION NUMBER AND "2016 ANNUAL REPORT" ON THE REMITTANCE.



**Mail To:**

Minnesota Attorney General's Office  
Charities Division  
445 Minnesota Street, Suite 1200  
St. Paul, MN 55101-2130

**STATE OF MINNESOTA**  
**CHARITABLE ORGANIZATION**  
**ANNUAL REPORT FORM**

C2

**Website Address:**

[www.ag.state.mn.us/charity](http://www.ag.state.mn.us/charity)

(Pursuant to Minn. Stat. ch. 309)

**SECTION A: Organization Information**

**Legal Name of Organization** DESTINATION MEDICAL CENTER CORPORATION

**Federal EIN:** 46-4959371

**Fiscal Year-End:** 12/31/2016

mm/dd/yyyy

Did the organization's fiscal year-end change? ☐ Yes ☒ No

<b>Mailing Address:</b> <b>DALE MARTINSON</b>	<b>Physical Address:</b> <b>DALE MARTINSON</b>
Contact Person <b>201 4TH STREET SE</b>	Contact Person <b>201 4TH STREET SE</b>
Street Address <b>ROCHESTER, MN 55904</b>	Street Address <b>ROCHESTER, MN 55904</b>
City, State, and ZIP Code <b>507-328-2850</b>	City, State, and ZIP Code <b>507-328-2850</b>
Phone Number <b>DMARTINSON@ROCHESTERMN.GOV</b>	Phone Number <b>DMARTINSON@ROCHESTERMN.GOV</b>
Email Address	Email Address

1. Organization's website: WWW.DMC.MN

2. List all of the organization's alternate and former names (attach list if more space is needed).

☐ Alternate ☐ Former  
☐ Alternate ☐ Former

3. List all names under which the organization solicits contributions (attach list if more space is needed).

DESTINATION MEDICAL CENTER CORPORATION

4. Is the organization incorporated pursuant to Minn. Stat. ch. 317A? ☒ Yes ☐ No

5. Total amount of contributions the organization received from Minnesota donors: \$ 2,288,339.

6. Has the organization's tax-exempt status with the IRS changed?

☐ Yes ☒ No If yes, attach explanation.

7. Has the organization significantly changed its purpose(s) or program(s)?

☐ Yes ☒ No If yes, attach explanation.

**CHARITABLE ORGANIZATION ANNUAL REPORT FORM**  
**(Continued)**

8. Has the organization been denied the right to solicit contributions by any court or government agency?  
☐ Yes ☒ No If yes, attach explanation.

9. Does the organization use the services of a professional fundraiser (outside solicitor or consultant) to solicit contributions in Minnesota? ☐ Yes ☒ No  
 If yes, provide the following information for each (attach list if more space is needed):

Name of Professional Fundraiser

Compensation

Street Address

City, State, and ZIP Code

10. Is the organization a food shelf? ☐ Yes ☒ No  
 If yes, is the organization required to file an audit? ☐ Yes, audit attached ☐ No

**Note:** An organization that has total revenue of more than \$750,000 is required to file an audit prepared in accordance with generally accepted accounting principles by an independent CPA or LPA. The value of donated food to a nonprofit food shelf may be excluded from the total revenue if the food is donated for subsequent distribution at no charge and is not resold.

11. Do any directors, officers, or employees of the organization or its related organization(s) receive total compensation\* of more than \$100,000? ☐ Yes ☒ No  
 If yes, provide the following information for the five highest paid individuals:

Name and title	Compensation*	Other compensation

\*Compensation is defined as the total amount reported on Form W-2 (Box 5) or Form 1099-MISC (Box 7) issued by the organization and its related organizations to the individual. See Minn. Stat. § 309.53, subd. 3(i) and Minn. Stat. § 317A.011 for definitions.

**CHARITABLE ORGANIZATION ANNUAL REPORT FORM**  
(Continued)

**SECTION B: Financial Information**

This section must be completed by organizations that file an IRS Form 990-EZ, 990-PF, or 990-N.

Organizations that file an IRS Form 990 may skip Section B and go directly to Section C.

**INCOME**

1. Contributions Received	\$		1
2. Government Grants	\$	2,288,339.	2
3. Program Service Revenue	\$		3
4. Other Revenue	\$	1.	4
5. <b>TOTAL INCOME</b>	\$	2,288,340.	5

**EXPENSES**

6. Program Expenses	\$	2,015,029.	6
7. Management & General Expenses	\$	273,311.	7
8. Fund-raising Expenses	\$		8
9. <b>TOTAL EXPENSES</b>	\$	2,288,340.	9
10. <b>EXCESS or DEFICIT</b>	\$		10
(Line 5 minus Line 9)			

**ASSETS**

11. Cash	\$	905.	11
12. Land, Buildings & Equipment	\$		12
13. Other Assets	\$	361,505.	13
14. <b>TOTAL ASSETS</b>	\$	362,410.	14

**LIABILITIES**

15. Accounts Payable	\$	298,412.	15
16. Grants Payable	\$		16
17. Other Liabilities	\$	63,998.	17
18. <b>TOTAL LIABILITIES</b>	\$	362,410.	18

**FUND BALANCE/NET WORTH**

(Line 14 minus Line 18)

\$ \_\_\_\_\_

**CHARITABLE ORGANIZATION ANNUAL REPORT FORM**  
(Continued)

**Section B (continued): Statement of Functional Expenses**

This expense statement must be prepared in accordance with generally accepted accounting principles. Each column must be completed, and Columns B, C, and D must equal Column A. The amount on Line 25, Column A must match Line 17 of IRS Form 990-EZ or Line 26 of IRS Form 990-PF.

	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1. Grants and other assistance to governments and organizations in the U.S.				
2. Grants and other assistance to individuals in the U.S.				
3. Grants and other assistance to governments, organizations, and individuals outside the U.S.				
4. Benefits paid to or for members				
5. Compensation of current officers, directors, trustees, and key employees				
6. Compensation not included above, to disqualified persons (as defined under section 4958(f)(1) and persons described in section 4958(c)(3)(B))				
7. Other salaries and wages				
8. Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9. Other employee benefits				
10. Payroll taxes				
11. Fees for services (non-employees):				
a. Management				
b. Legal	217,195.		217,195.	
c. Accounting	4,000.		4,000.	
d. Lobbying				
e. Professional fundraising services				
f. Investment management fees				
g. Other	17,333.		17,333.	
12. Advertising and promotion				
13. Office expenses				
14. Information technology				
15. Royalties				
16. Occupancy	18,907.		18,907.	
17. Travel	573.		573.	
18. Payments of travel or entertainment expenses for any federal, state, or local public officials				
19. Conferences, conventions, and meetings				
20. Interest	682.	682.		
21. Payments to affiliates				
22. Depreciation, depletion, and amortization				
23. Insurance	15,303.		15,303.	
24. Other expenses. Itemize expenses not covered above. Expenses labeled miscellaneous may not exceed 5% of total expenses (Line 25).				
a. <b>PROGRAM COSTS</b>	2,014,347.	2,014,347.		
b.				
c.				
d.				
25. <b>Total functional expenses.</b> Add lines 1 through 24d	2,288,340.	2,015,029.	273,311.	
26. <b>Joint costs.</b> Check here <input type="checkbox"/> if following SOP 98-2. Complete this line only if the organization reported in Column B joint costs from a combined educational campaign and fundraising solicitation				

**CHARITABLE ORGANIZATION ANNUAL REPORT FORM  
(Continued)**

**Section C: Board of Directors Signatures and Acknowledgment**

The form must be executed pursuant to a resolution of the board of directors, trustees, or managing group and must be signed by two officers of the organization. See Minn. Stat. § 309.52, subd. 3.

We, the undersigned, state and acknowledge that we are duly constituted officers of this organization, being the

**TREASURER** \_\_\_\_\_ (Title) and **CHAIR** \_\_\_\_\_ (Title) respectively, and

that we execute this document on behalf of the organization pursuant to the resolution of the

**BOARD OF DIRECTORS** \_\_\_\_\_ (Board of Directors, Trustees, or Managing Group) adopted on the \_\_\_\_\_

day of \_\_\_\_\_, 20\_\_\_\_, approving the contents of the document, and do hereby certify that the

**BOARD OF DIRECTORS** \_\_\_\_\_ (Board of Directors, Trustees, or Managing Group) has assumed, and will continue

to assume, responsibility for determining matters of policy, and have supervised, and will continue to supervise, the operations and finances of the

organization. We further state that the information supplied is true, correct and complete to the best of our knowledge.

**JAMES V. BIER**

Name (Print)

Signature

**TREASURER**

Title

Date

**TINA FLINT SMITH**

Name (Print)

Signature

**CHAIR**

Title

Date

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**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2017**

**Approving the Mortenson Phase 1 Discovery Square Development Project,  
Contingent Upon Evidence of Financing**

**BACKGROUND RECITALS**

A. Under Minnesota Statutes, Section 469.41 Subdivision 13, a project must be approved by the Destination Medical Center Corporation (“DMCC”) before it is proposed to the City of Rochester (the “City”). The DMCC must review the proposed project for consistency with the Development Plan, adopted by the DMCC on April 23, 2015, as amended (the “Development Plan”).

B. By correspondence to the DMCC dated July 18, 2017, and attached hereto as Exhibit A, the City has requested approval of the Mortenson Phase 1 Discovery Square Development Project (the “Proposed Project”), and that City expenditures and financing in the amount of up to \$4,750,000 be credited to the City’s \$128,000,000 local contribution as required by statute. The City’s expenditures and financing include funding from tax increment financing bonds.

C. Pursuant to Minnesota Statutes, Section 469.47, subdivision 4, the City’s local match contribution may be provided by the City from any source identified in Minn. Stat. Section 469.45 and any other local tax proceeds or other funds from the City and may include providing funds to assist developers undertaking projects in accordance with the Development Plan or by the City directly undertaking public infrastructure projects in accordance with the Development Plan, provided the projects have been approved by the DMCC.

D. Pursuant to Minn. Stat. Section 469.45, Subdivision 4, the City may elect to establish one or more redevelopment tax increment financing districts within the Development District to fund public infrastructure projects.

E. Minnesota Statutes, Section 469.40, subdivision 11, defines “public infrastructure project” as “a project financed in part or in whole with public money in order to support the medical business entity's development plans, as identified in the DMCC development plan” and expressly includes, among other items, the ability to

. . . (2) demolish, repair or rehabilitate buildings; (3) remediate land and buildings as required to prepare the property for acquisition and development; (4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, utilities systems and related facilities, utility relocations and replacements, network and communication systems, streetscape improvements, drainage systems, sewer and water systems, subgrade structures and

associated improvements, landscaping, facade construction and restoration, wayfinding and signage, and other components of community infrastructure; . . . (7) make related site improvements including, without limitation, excavation, earth retention, soil stabilization and correction, and site improvements to support the destination medical center development district; [and] (8) prepare land for private development and to sell or lease land . . . .

F. The site of the Proposed Project is located in the development district boundaries as adopted in the Development Plan (the “Development District”) and in the Discovery Square district as described in the Development Plan.

G. On April 27, 2017, the DMCC approved Resolution No. 51-2017, which requires additional review of projects upon material deviation from the approvals granted, to ensure that “as-built” projects are consistent with approvals that have been granted.

H. The City and the Destination Medical Center Economic Development Agency (the “EDA”) have examined the Proposed Project applying the evaluation factors contained in the Development Plan, and now recommend the Proposed Project for approval. Copies of those reports are available and on file with the City and the EDA.

#### RESOLUTION

**NOW, THEREFORE, BE IT RESOLVED**, by the Destination Medical Center Corporation Board of Directors, that the DMCC finds that the Proposed Project is a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11, which provides for: demolishing, repairing or rehabilitating buildings; remediating land and buildings as required to prepare the property for acquisition or development; installing, constructing or reconstructing elements of public infrastructure required to support the overall development of the Development District; acquiring, constructing or reconstructing, or equipping parking facilities and other facilities to encourage intermodal transportation and public transit; making related site improvements; and preparing land for private development; and that the DMCC approves the Proposed Project as consistent with the Development Plan.

**BE IT FURTHER RESOLVED**, that the DMCC approves the Proposed Project for the purposes of Minnesota Statutes, Section 469.47, subdivision 4, and supports the certification of the City’s expenditures of up to \$4,750,000 in tax increment financing identified in the Proposed Project, upon final approval by the City, subject to approval and certification by the State of Minnesota, Department of Employment and Economic Development, as part of the City’s \$128,000,000 local contribution.

**BE IT FURTHER RESOLVED**, that the approvals contained herein are expressly contingent upon evidence of financing satisfactory to the Board, such evidence to be presented within 90 days concurrent with the 90 day period set forth in the City’s approved development assistance agreement.

**BE IT FURTHER RESOLVED**, that DMCC Resolution No. 51-2017 is incorporated fully herein by reference.



**BE IT FURTHER RESOLVED**, that the Chair or the Treasurer of the DMCC is authorized to take such actions as are necessary and appropriate to effectuate the findings and approvals of this Resolution.

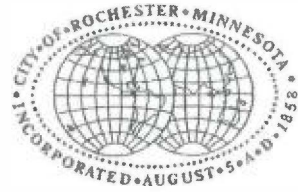
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# ROCHESTER

*Minnesota*

FIRST CLASS CITY • FIRST CLASS SERVICE



July 18, 2017

Tina Smith  
Chair, DMCC Board of Directors  
130 State Capital  
75 Rev. Dr. Martin Luther King Jr. Boulevard  
St. Paul, MN 55155

TERRY A. SPAETH  
Redevelopment Director  
City Administrator's Office  
201 4th Street S.E., Room 266  
Rochester, MN 55904-3781  
507-328-2000  
Fax 507-328-2727

Re: DMCC Board approval for the Mortenson Phase I Discovery Square Development Project

Dear Chair Smith and DMCC Boardmembers:

The City of Rochester provides the following information relating to the Mortenson Phase I Discovery Square Project for your consideration at your July 27, 2017 meeting.

1. DMCC Board action requested. Grant approval of the prepared resolution to approve the Mortenson Phase I Discovery Square Project (herein after "Project") as a DMC Public Infrastructure Project that is consistent with the DMC Development Plan. The approval as a DMC public infrastructure project by the DMCC Board is required before the City Council can act to approve it as a DMC Public Infrastructure Project. Such approval would need to be made contingent upon the City of Rochester's subsequent approval of the Project as a DMC Public Infrastructure Project and of the Development Assistance Agreement (DAA) for the Project.
2. Current project status/schedule. The City of Rochester has land use, planning and zoning authority for all projects in the City including within the DMC Development Plan Area. In addition the City has the authority to provide financial assistance, if needed, to assist in the development of projects through Tax Increment Financing (TIF) including the authority to establish TIF districts within the DMC Development Plan area. The DMC legislation authorizes the City's use of TIF for DMC projects and to receive credit for the TIF financial assistance provided to DMCC Board approved projects towards the City's required \$128 Million local contribution.
  - a. Land Use and Zoning Status. The developer has been meeting with City staff regarding the zoning / land use requirements for the project. Based upon the proposed project, the staff has indicated the project is subject to approval of a Site Development Permit, which is an "over the counter" review and approval and does not require public review of the project. To date, a Site Development Permit application has not yet been submitted. It is anticipated the application will be submitted in the near future.
  - b. Establishment of Tax Increment Financing (TIF) District and Development Assistance Agreement (DAA) AND APPROVAL AS A PUBLIC INFRASTRUCTURE PROJECT INCLUDED IN THE

DEVELOPMENT PLAN. The land use approvals would allow the Project to proceed to construction by the developer and are independent of any financial assistance considerations or approval as a DMC Public Infrastructure Project. However, the Developer has indicated the Project would not be able to proceed to construction and be financially feasible without or “but for” some financial assistance from the City or the DMCC. The developer has provided detailed financial information to document the need for \$5.5 Million in assistance to close the financial “gap” for this Project. As the DMCC Board is aware, the potential receipt of State DMC funding will grow over time but is lower/limited in these years until private capital investments increase well beyond the minimum threshold for early State DMC funding of \$200 Million. As both an alternative to State DMC funding to fund early stage DMC projects and in order to retain future bonding capacity for future DMC capital needs, the City can utilize its authority to establish a tax increment financing district within the DMC Development Plan Area to provide financial assistance through TIF to allow the project to proceed. The City Council will consider establishment of a tax increment district and terms and conditions of a Development Assistance Agreement (DAA) at its August 7, 2017 meeting, contingent upon final land use approval.

In instances in which the City provides TIF financing for DMC Public Infrastructure Projects, the State legislation makes provision for the City to obtain credit for such costs towards its required \$128 Million City DMC contribution. For the Mortenson Phase I Discovery Square Development project the staff will be recommending to the Mayor and City Council that the City provide \$4.75 million of tax increment financing assistance for this Project. The Council will consider this as a component of the Development Assistance Agreement (DAA) at their meeting on August 7, 2017. It should be noted that the City staff has been working closely with the DMC EDA staff in the review of all aspects of this Project including the proposed amount of financial assistance that is recommended for the Project. The DMC EDA will be providing their comments on the Project separately and independently from the City staff. The DMC EDA staff and the City staff are in agreement concerning the recommended amount of assistance and the developer has indicated that they can proceed with the Project with the recommended \$4.75 million level of assistance. Approval by the DMCC Board of the Mortenson Phase I Discovery Square Project as a DMC Public Infrastructure Project will also mean that DMC provisions relating to prevailing wage rates, WMBE, and American-made steel will also apply for the construction of the Project.

The City staff’s review of the financial information provided by the developer which showed a financing gap, was based on our experience in reviewing many other TIF projects over the years and a financial analysis of the submitted developer information by Springsted, Inc., the City’s financial consultant, which performs such reviews for many communities. The public assistance comprises approximately 1/7<sup>th</sup> of the project development cost.

3. Financial Impact Information.

The request for public funding, as a proposed Public Infrastructure Project, is what requires DMCC approval before the presentation to the City Council.

a. Mortenson Phase I Discovery Square Capital Project Investment.

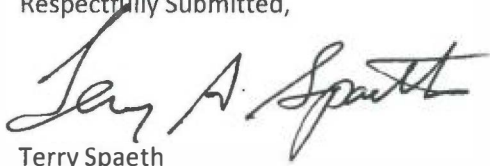
- (1) General State Infrastructure Aid (GSIA). The project developers have submitted information that shows that the overall project cost is estimated at \$35 Million. That \$35 Million investment is multiplied by 2.75% to determine the amount of General State Infrastructure Aid (GSIA) payments that investment may be equal to annually, which is \$962,500.
- (2) State Transit Aid (STA). That same \$35 Million investment amount is multiplied by 0.75% to determine the State Transit Aid (STA) annual payment equivalent amount, which is \$262,500 per year payable annually over several years, but lower in earlier years. An estimated 40% of the annual STA amount would be from the required local match provided by Olmsted County.
- (3) City TIF Contribution. The State GSIA can only be received if sufficient matching dollars have been spent by the City at the rate of \$1 City to secure \$2.55 GSIA. The proposed City TIF contribution of \$4.75 Million is multiplied by 2.55 to determine the amount of GSIA that can be secured over time from that \$4.75 million matching contribution, which is \$12,112,500

#### 4. Summary of the Proposed Project.

- a. The applicant is proposing a 4 story, 89,000 square foot building that provides for a combination of leased office and lab space. The project is located south of 4<sup>th</sup> Street SW, between 2<sup>nd</sup> and 3<sup>rd</sup> Avenue SW and is located within the DMC Discovery Square subzone. The project also provides for 150-160 surface parking spaces on the southerly portion of the development site.
  - b. Mortenson intends to construct a Bio Science Building that will be the first research building within Discovery Square. The building will include lab, office and collaborative spaces. The building will be approximately 89,000 gross square feet, or 80,000 rentable square feet. Mayo Clinic will lease 30,000 rentable square feet of the Building. The remaining 50,000 rentable square feet are being marketed to educators and to small, medium and large size companies whose presence within the building will help accomplish the mission of Discovery Square, which is to accelerate the translation of medicine from bench to bedside.
5. How does the proposed Project address the DMC Development Plan goals and objectives? (these are addressed more thoroughly in the developer's application and in the DMC EDA report, but these are a few that the City staff would note):
- a. The Project is within the DMC Discovery Square subzone and the proposed development acts as a catalyst for future job growth by providing opportunities for educational and collaborative space within the Discovery Square subzone.
  - b. The Project will provide a capital investment of \$35 million within the DMC Development Plan area.
  - c. The Project has the potential to create 400 new jobs with living wage levels.

- d. The Project develops an underutilized property (surface parking) in a manner that is consistent with the Rochester Downtown Master Plan and the City's Comprehensive Plan.
- e. The project incorporates various sustainability elements, which is consistent with the DMC vision.
- f. The project construction will include wage rates, WMBE and American made steel provisions.

Respectfully Submitted,

A handwritten signature in black ink, reading "Terry A. Spaeth". The signature is written in a cursive, flowing style with a large initial "T".

Terry Spaeth  
Redevelopment Director

To: Lt. Governor Tina Smith, Chair, and members of Destination Medical Center Corporation board of directors

From: Jeff Bolton, President, Destination Medical Center Economic Development Agency board of directors

Lisa Clarke, Executive Director, Destination Medical Center Economic Development Agency

Date: July 21, 2017

Re: Mortenson Phase 1 Discovery Square Development Project

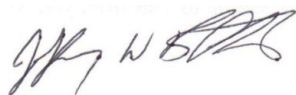
The DMC EDA board of directors recommends the Mortenson Discovery Square Project to the DMC Corporation board of directors as a Public Infrastructure Project consistent with the DMC Development Plan.

The DMC EDA board of directors recommends the following items be incorporated into the Project by the developer: attain LEED certification by the Green Building Certification Institute; pursue, in conjunction with appropriate consultants, the awarding of New Market Tax Credits; and allow ongoing audit of the project.

The DMC EDA further recommended the amount of \$4.75 million in city Tax Increment Financing.

Our findings and recommendations are included in the enclosed report and based on a thorough independent review of the project using the criteria established by DMC Corporation. Additionally, this recommendation aligns with the City of Rochester's recommendation.

Thank you for considering this recommendation.



Jeff Bolton  
President, Board of Directors



Lisa Clarke  
Executive Director

## Mortenson Phase 1 Discovery Square Development Evaluation Report July 21, 2017

### EXECUTIVE SUMMARY / RECOMMENDATION

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#### STATEMENT OF RECOMMENDATION:

Based on information provided by Mortenson Development Inc. (the “Applicant”), the Proposed Project aligns with the Destination Medical Center (“DMC”) vision and is consistent with the DMC goals, objectives and values. Discovery Square sub district is a key component of the overarching Destination Medical Center initiative and, as an anchoring project, will be one of the first critical steps toward achieving the transformative vision for downtown Rochester. The Proposed Project has the capacity to be a catalyst for the revitalization of downtown Rochester and along with other projects in Discovery Square is anticipated to be one of the largest drivers of job growth for DMC.

The following complete report evaluates the Proposed Project on all criteria as required by the Development Plan. Based on these criteria, the Destination Medical Center Economic Development Agency (“DMC EDA”) would categorize the Proposed Project as a high priority DMC project that has immense potential to help realize the vision, goals and objectives of the DMC initiative.

We recommend that the applicant shall, in its design, meet all requirements to attain LEED certification and perform the necessary acts to be granted this certification through the Green Building Certification Institute.

In addition, we recommend that the applicant shall pursue New Markets Tax Credits (NMTC). If credits are awarded, the financial value of such will be put to towards the overall assistance requested by the applicant. The combination of the TIF assistance and the NMTC may total \$5.5 million. The amount of TIF assistance awarded shall be reduced by the NMTC to achieve the \$5.5 million total award. But, the total amount of TIF assistance and NMTC will not be less than \$4.75 million.

We further recommend an on-going financial audit to ensure the project built is consistent with the project proposed and approved. It is understood that the applicant will provide all requested documentation to facilitate this audit and work in good faith with representatives of the DMCC and DMC EDA, or their consultants, in this process.

#### STATEMENT OF ELIGIBILITY:

Based upon information provided by Mortenson Development Inc. the proposed Discovery Square – Phase 1 Development Project is a “public infrastructure project” under the DMC Act, and the Proposed Project falls within the DMC Development District boundaries (Discovery Square Sub district).

#### PROJECT SUMMARY:

The Applicant intends to construct a Bioscience Building that will be the first research building within Discovery Square. The building will include lab, office, collaborative and, potentially, retail spaces. Currently, the building is rendered to be approximately 89,000 gross square feet, or 80,000 rentable square feet. Mayo Clinic will lease 30,000 rentable square feet of the building. The remaining 50,000 rentable square feet are being marketed to educators and to small, medium and large size companies whose presence within the building will help accomplish the mission of Discovery Square, which is to accelerate the translation of medicine from bench to bedside. Discovery Square Phase 1 will be new construction. Currently, the majority of the site is comprised of surface parking. A Mayo-owned building is occupied on the southwest corner of the site at 428 3rd Ave Southwest.



With Mayo Clinic as the anchor tenant, Phase 1 will create a tremendous long-term presence for the site, provide a new home for a diverse set of tenants that will grow the local economy, and be a significant addition to the

City's tax base. Phase 1 will include the infrastructure required to absorb biomedical and life science tenants. Without Phase 1, the market lacks the infrastructure required to attract and retain tenants that need lab space to grow their business and collaborate alongside of Mayo Clinic.

#### RELEVANT PROJECT HIGHLIGHTS:

The following list outlines relevant project highlights for consideration:

- **General Project Information**
  - Located in Discovery Square DMC Sub district
  - 80,000 rentable square feet
  - Activates the ground floor with collaborative space and a public café space
  - Project will provide quality, high density innovation and lab space within a priority DMC sub district
- **Job Creation**
  - Phase 1 building will be able to support approximately 325 long-term jobs
  - It will create approximately 400 short-term construction jobs
- **Energy & Sustainability**
  - Project projected to perform 20% below energy code (ASHRAE 90.1 – 2010)
  - Project will have interior and exterior bike racks as well as a shower facility for occupants
  - Development will accomplish storm water management through the contemplative use of site materials and vegetation
  - Project committed to sharing utility data through 2030
- **Financial Details**
  - Provides capital investment of \$35 million
  - Local property taxes will increase from \$68,136 to a proposed \$485,580 per year. \$417,444 in tax increments generated annually.

## EVALUATION REPORT

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### SECTION 1.0 PROJECT OVERVIEW

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The Applicant intends to construct a Bioscience Building that will be the first research building within Discovery Square. The building will include lab, office, collaborative and, potentially, retail spaces. Currently, the building is rendered to be approximately 89,000 gross square feet, or 80,000 rentable square feet. Mayo Clinic will lease 30,000 rentable square feet of the building. The remaining 50,000 rentable square feet are being marketed to educators and to small, medium and large size companies whose presence within the building will help accomplish the mission of Discovery Square, which is to accelerate the translation of medicine from bench to bedside. Discovery Square Phase 1 will be new construction. Currently, the majority of the site is surface parking with a Mayo-owned building occupying the southwest corner of the site at 428 3rd Ave Southwest.

With Mayo Clinic as the anchor tenant, Phase 1 will create a tremendous long-term presence for the site, provide a new home for a diverse set of tenants that will grow the local economy, and be a significant addition to the City's tax base. Phase 1 will include the infrastructure required to absorb biomedical and life science tenants. Without Phase 1, the market lacks the infrastructure required to attract and retain tenants that need lab space to grow their business and collaborate alongside of Mayo Clinic. The project total is projected to be \$35,003,767 and the requested TIF amount in this application is \$5,500,000.

### SECTION 2.0 MINIMUM ELIGIBILITY REQUIREMENTS OF DMC ACT

---

**Check the following that apply to the Project:**

- ☒ ☒ "Public Infrastructure Project"
- ☒ ☒ General Infrastructure Project or
- ☒ ☒ Within DMC Development District Boundaries

In order for a project to be eligible for DMC Funding, the project must be (1) a "public infrastructure project" and (2) within the DMC Development District Boundaries.

Per Minnesota Statutes, Section 469.40, Subdivision 11, a "Public Infrastructure Project" is described as a project financed in part or in whole with public money to support Mayo Clinic's development plans, as identified in the DMCC Development Plan, the Proposed Project would qualify as a "Public Infrastructure Project" as required by the DMC Act.

*The Applicant has a detailed list of infrastructure related improvements, to which would be eligible for TIF funding. The developer documented infrastructure items include:*

*Remediation, utility connections, streetscape improvements (sidewalk, landscaping and public elements), future subway access, vacation and utility relocations, DMC goal of energy efficiency, enhanced fenestration for public transparency of science on display, infrastructure upgrades to support Phase I building, soil excavation and earth retention system. The total cost for these improvements is estimated to be \$6,925,000 which exceeds the total amount of TIF requested.*

The Proposed Project is within the DMC Development District Boundaries.

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**SECTION 3.0      EVALUATION CRITERIA**

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The EDA's recommendation for the project outlined herein was formed in consideration of the following criteria:

- 3.1 DMC Vision, Goals and Objectives / Development Plan Strategies
- 3.2 Consistency with Development Plan and Other Planning Documents
- 3.3 Financial Viability
- 3.4 Consistency with Adopted Strategies, Phasing and Capital Improvement Planning
- 3.5 Targeted Business Enterprise Strategies
- 3.6 Compliance with Economic-Fiscal Goals and Objectives
- 3.7 Other Project Policy Considerations

### SECTION 3.1 DMC VISION, GOALS AND OBJECTIVES / DEVELOPMENT PLAN STRATEGIES

**Does the project include a plan for achieving the DMC vision, goals and objectives and is it critical to driving the strategies included in the Development Plan?**

**Is the project consistent with the stated DMC Goals & Objectives and specifically contributing to job creation?**

- **Does the project meet one or more of the goals and objectives established for the Development Plan?**

*The Proposed Project provides the DMC's flagship life science facility in Discovery Square. The Project's importance and relevance to the Development Plan cannot be understated; it is critically important to the economic development plans of the district. It's estimated the facility will provide 325 life science focused positions to support the growing DMC labor pool.*

**Is the project consistent with the DMC Vision?**

- **Is the project part of a bold and aspirational concept for the future?**

*The Proposed Project is consistent with the DMC vision of creating a place to Live, Work, Play and Thrive. It's meant to be the center of innovation for Discovery Square and to help uncover and highlight the miracles within Mayo. Further, it offers a means of collaboration and unparalleled access to the innovation and research at Mayo Clinic; a truly transformational opportunity. With a need of 800,000 – 1,000,000 SF of life science space, this project is the catalyst for innovation in Discovery Square.*

- **Does the project fit with the principles of the vision?**

*"With Mayo Clinic at its heart, the Destination Medical Center (DMC) initiative will be the catalyst to position Rochester, MN as the world's premier destination center for health and wellness; attracting people, investment and jobs to America's City for Health and supporting the economic growth of Minnesota and its biosciences sector." We believe the proposed project aligns with this core principle as it will serve as a physical example of the support and growth of the life sciences sector in Rochester and Minnesota as a whole.*

- **Does the project provide a framework for growth in this sub-district?**

*The Project will occupy what is presently a parking lot and block owned by Mayo Clinic. As mentioned above, the project will be flagship facility for Discovery Square and the first facility focused on the growth of the life science sector in Rochester. By redeveloping a parking lot, this Project embodies the development and the ideal for growth in the sub-district.*

**Does the project build infrastructure to support growth and drive investment?**

- **Would the investment occur without the public infrastructure to be funded?**

*The Proposed Project does support growth in the form of life science jobs and a physical space to house the innovation desired for the Discovery Square sub-district. The Applicant states they would be challenged economically if the incentives were not provided; based on our own independent analysis, we concur. To achieve the primary mission of Discovery Square as the innovation center of the DMC District, public infrastructure funding will need to be provided to realize the mission of the facility. There is a lack of lab and research building space in Rochester, and its needed to support the Discovery Square concept which include: (1) an anchor building for the sub-district; (2) a public gathering space that caters to a variety of users and visitors; (3) provides auxiliary space to allow tenants to collaborate and innovate, and (4) helps generate momentum within the sub-district and DMC around the life sciences sector.*

- **Is the proposed public infrastructure solely for the benefit of the project or does it also support the broader vision of the DMC District?**

*As identified in the Infrastructure Master Plan, there are six (6) key areas of infrastructure requirements: (1) public utilities, (2) bridges, subways and skyways, (3) shared parking, (4) parcel development, (5) civic uses, cultural uses and public amenities, and (6) technology improvement. Any incentives given to this Proposed Project are not solely for the benefit of the project but to the benefit of the greater DMC vision and improvements to the local streetscape environment. The Proposed Project includes elements encouraging pedestrian engagement, focuses on parcels that are underutilized.*

- **Will the public funding accelerate private investment in the Development District or applicable sub district?**

*The Proposed Project will likely continue a compounding reaction for development in the Discovery Square market. The Project is meant to act as the catalyst for future development and job growth within the district. As the flagship facility, its development is tied closely to the strategy, growth and success of Discovery Square.*

**Does the project provide a catalyst for/or anchor for an approved strategy?**

- **Can the project reasonably be expected to catalyze or anchor development in one of the six sub districts?**

*The Proposed Project will be the catalyst for the Discovery Square sub-district and the home of life science innovation. It's considered to be the anchor for the sub-district and generate momentum for other developments.*

- **Can the project reasonably be expected to catalyze necessary transportation/transit strategies?**

*The Proposed Project will encourage the use of alternate means of transportation with the availability of bike storage and a shower for bike commuters. Moreover, as part of its design, a pedestrian corridor will be established at the NW corner, at the intersection of 2<sup>nd</sup> avenue and 4<sup>th</sup> street to encourage pedestrians to walk along Discovery Walk – a corridor connecting to Heart of the City. One item to note is that the Project is constructed upon an existing parking lot, so parking is being removed for the development. Moreover, fewer spots are being constructed in their stead, and new jobs and people will be filling these positions. Examples of development like this moving forward could create a parking issue in the downtown DMC area moving forward.*

## **SECTION 3.2 CONSISTENCY WITH DEVELOPMENT PLAN, OTHER PLANNING DOCUMENTS**

**Does the project include a plan for achieving consistency with the Development Plan (and any updates thereto) and other relevant planning documents?**

**Is the project consistent with the DMC Planning Documents?**

- **Is the project consistent with the current DMC Master Plan, Transportation Master Plan, and/or Infrastructure Master Plan?**

*The Proposed Project fits well with the vision and principles of the DMC Master Plan. It's essential to the success of the Discovery Square sub-district. It's also consistent with the transportation and infrastructure master plans.*

- ***Is the project consistent and/or supportive of the Finance Plan, Business Development Plan and other Implementation strategies of the DMC?***

*Yes, a key strategy of these plans is to develop space to engage, develop and promote the life science sector. This project provides a key resource to support this mission and concept with the aim that it will continue to support future private development in the sub-district.*

**Is the project consistent with the City/County Planning Documents?**

- ***Is the project consistent with the RDMP Plan or City Comprehensive Plan?***

*Yes, the proposed project is consistent with the RDMP Plan as a block suitable for redevelopment in the hopes of achieving higher density in the downtown core, recruiting new businesses to the City, and repurposing ground level parking lots.*

- ***If a Transit/Transportation project, is the project consistent with the ROCOG long-range Transportation Plan?***

*The ROCOG model was utilized for DMC to determine the effects of development and transportation system changes. One main area of the model considers the trips generated by land uses and activities. The Proposed Project will have limited impact on the current traffic flow, in addition the project is designed to incorporate various options for alternate transportation to reduce the single-vehicle traffic flow in the Development District.*

*One item to note, as described above is that the Project provides less parking than it is replacing. Further, the project will bring new employees to the downtown area, so there is a net loss of parking in this area. If more projects in the future use a similar approach, significant issues may be created. This method will be one to monitor and address as future projects are proposed.*

**Does the project support sustainability principles as a core objective in the development and operations of the project?**

*Yes, the Proposed Project will support sustainability principles and execute current best practices. In addition, there is an emphasis on sustainable initiatives in energy efficiency, alternative transportation, sustainable site selection, and water efficiency.*

- *Energy Efficiency – Based on early energy modeling efforts, the project is on track to meet the project energy goal included in the DMC Plan of a 20% reduction below ASHRAE 90.1-2010, Minnesota's energy code. Through a combination of a highly efficient envelope and HVAC system, the building is showing a considerable reduction below a baseline building built to current code standards.*
- *Sustainable Site Selection – As a means to connect the flagship facility of Discovery Square to other sub-districts, the project focused on landscaping and the user experience around the building. Through native vegetation selection that negates the need for a permanent irrigation system, on-site storm water storage, outdoor seating, among other strategies, the project incorporates numerous strategies to reduce its environmental impact and create an active street.*
- *Indoor Environmental Quality – Offices will have access to abundant natural daylight and views through expansive glazing.*
- *Materials and Resources – The building includes a dedicated area for collection and removal of recyclable materials and the project has committed to sharing waste and recycling data throughout the construction process. Further, the project is committed to explore materials that will promote the health of building occupants and visitors.*
- *Water Efficiency – The project will reduce its burden on municipal water supply by including the use of low-flow consumption fixtures and fittings.*

**SECTION 3.3 FINANCIAL VIABILITY** *[Form may vary based on size/scope of project]*

**Does the project include a plan that is financially viable?**

**Does the project include:**

- ☒ ☒ Project Summary (e.g. concepts, detailed program, project team, etc.)
- ☒ ☒ Total Project Budget
- ☒ ☒ Sources of funding, demonstrating a verifiable gap that justifies DMC Funding
- ☒ ☒ Project Operating Pro Forma including an overview of any operations and maintenance funding that may be required
- ☒ ☒ A Project Plan and/or Market Study supporting the demand/need for the project
- ☒ ☒ Demonstration of financial capacity to support the project

**Is the project supported by current market conditions and comprehensive feasibility studies?**

*The Proposed Project is supported by research performed by HR&A, a consulting firm retained by the Applicant to provide a market feasibility analysis. Based on the consultant's analysis of the property's location, demographic characteristics and growth trends of the target populations and current rental market conditions in the area that a market rate general occupancy wet-lab and office development will be well-received in the marketplace. While the report indicates potential rates of between \$22 and \$26 psf (per square foot) on a triple net basis. At this time, the applicant has indicated that it has Letters of Intent (LOI) with Mayo Clinic for 30,000 sf (square foot), University of Minnesota-Rochester has a signed LOI for approximately 15,000 sf. The Applicant is presently in negotiations with another potential credit tenant for 10,000 sf and a smaller tenant for 2,500 square feet for a total of 57,000 potential pre-leased space. All of this space will be a combination of wet-lab space as well as general office. This amounts to 71% of the available rental space that could conceivably be pre-leased before construction begins. The expectation is that the project will 100% leased by 2021.*

**Does the project leverage additional private funds, maximizing the use of DMC Funds?**

*Of the approximate \$35,000,000 million dollars in total project costs, private funds will consist of \$11,800,000 in equity and \$17,700,000 private debt financing which would maximize the requested \$5,500,000 DMC Funding. The Applicant has indicated the use of the TIF funds to secure a mortgage that would run with the property and be paid through the funds generated by the TIF financing. We have looked the project both with a TIF mortgage (a mortgage secured through TIF funds) and as direct cash flow. We have concluded the Applicants method of securing a TIF mortgage is a proper method of financing.*

**Is the preliminary project finance plan comprehensive and viable based upon Project Team and financial capacity?**

*The project has demonstrated financial feasibility and a plan for long-term viability. The funding request that the Applicant has proposed will support various aspects of the project including the improvement of current public infrastructure, addition of parking stalls which contributes to the reduction in traffic flow, and enhances the public spaces and amenities surrounding the development. These, along with other costs of the proposed project are considered to be TIF eligible expenses.*

**Is the project inclusive of an Operation and Maintenance pro forma?**

*The Proposed Project's operating pro forma includes net operating income, TIF reimbursement, and debt service; as calculated, it suggests that the initial cash flow after debt service is to be approximately \$500,000 and growing in each successive year as projected rents increase. The overall structure of the building leases is desired to be triple net, whereby the tenants pay for their prorated share of expenses to the building. The landlord is responsible for setting aside an adequate amount for capital improvements to the property.*

*The property on which the project will be constructed is presently owned by Mayo Clinic. The Applicant and Mayo Clinic have agreed to enter into a ground lease. The terms of this lease are based on fair market value of the property based on an independent appraisal. Additionally, Mayo will be a tenant in the building, occupying 30,000 square feet. The lease rate for this space is at fair market value.*

**Is there a verifiable gap for funding based upon a reasonable return on private investment?**

*The pro-forma as submitted by the developer shows a gap of approximately \$5,500,000. We agree that this project has a potential short-fall and has a list of eligible items that fall within the funding guidelines. However, a separate analysis indicates that this gap may be smaller than shown by the developer. The discrepancies center around the following assumptions.*

*Rental Rates for the project  
Lease up time frame  
Leasing scenarios  
Rates of return desired vs market*

*Further discussions with the applicant are planned to determine the proper assumptions based on the current market and the desire for potential tenants to be in this building.*

**Is the proposed operating structure sustainable?**

*The proposed cash flows demonstrate that the project will cover the operating costs and debt service which will provide an acceptable return on investment. As with most projects of this type the going in returns are lower and as the rents increase with a stabilized expense structure the net operating income and cash flow (NOI, CF) increase thus increasing the margins and increasing the value of the property.*

**Does the Project impose any financial obligations on the DMC or City for ongoing operational or maintenance support?**

No.

**Has the project applicant agreed to execute the DMC Development Agreement?**

Yes.

**SECTION 3.4 CONSISTENCY WITH ADOPTED STRATEGIES, PHASING, AND CAPITAL IMPROVEMENT PLANNING**

**Is the project consistent with adopted strategies and/or one or more projects for the current implementation phase of the DMC initiative?**

**Is the project part of an approved strategy and current focus? Is the project outlined as an approved strategy for the project within the Development Plan?**



*The Proposed Project is in the Discovery Square subdistrict, one of the top three priorities for the DMCC. It leverages a relationship with Mayo Clinic to launch the life science innovation district. The tenanting strategy is intentionally set up to attract bio-science companies new to this market place, either start-up or established companies.*

**Is the project recommended as a focus for the particular phase of the project in the Development Plan?**

*The Proposed Project is recommended as a focus for Phase 1 of the Development Plan. The current focus in this phase revolves around development in Discovery Square.*

**Is the project consistent with the DMC---CIP?**

- ***If public, is the project specifically listed in the DMC---CIP? Or is the project necessary to facilitate a DMC related strategy?***

*N/A*

- ***If private, is the project otherwise compatible with the planned public improvements in the DMC---CIP?***

*Yes, improvements required by the Proposed Project are included in the current DMC---CIP.*

---

**SECTION 3.5 TARGETED BUSINESS ENTERPRISE STRATEGIES** *[Form may vary based on size/scope of project]*

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**Does the project include a plan for achieving Local Business, S/M/WBE Project Requirements and other project requirements, as applicable?**

*The Applicant states that the project plan goal is to meet the intent of the S/M/WBE project requirements along with the other requirements of the DMC Act.*

**Has the applicant agreed to execute the DMC Development Agreement? (the terms of which are provided in form to all applicants)?**

*Yes – the Applicant has agreed to execute the DMC Development Agreement.*

---

**SECTION 3.6 COMPLIANCE WITH ECONOMIC-FISCAL GOALS AND OBJECTIVES**

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**Does the project include a plan to comply with or support the economic-fiscal goals and objectives of the DMC initiative?**

**Does the project generate substantial economic-fiscal gain based upon job projections?**

*Based upon job projections, the project has the potential to create approximately 450 construction related jobs for all trades of the construction and development process. Once operational, it is anticipated that there will be more than 400 full and part time employees occupying the building.*

**Does the project generate substantial economic---fiscal gain based upon tax base projections?**

*Currently the tax base for property is \$0 as it is tax exempt. The total tax capacity once the project is constructed and occupied is \$422,098 a net increase of \$422,008.*

**Does the project maximize the opportunity for investment by attracting other private capital?**

*This project will attract significant private investment. It is in the downtown core, adjacent to Mayo Clinic campus. Mayo has committed to being an anchor tenant. The remaining 2/3rds of the building will be occupied by tenants who will have the opportunity of working in close proximity to Mayo researchers.*

**Is the project required (e.g. public works) to continue to seed investment in the DMC District?**

*The increase in annual property tax revenue will be a substantial amount for the City of Rochester to invest in future public and private developments.*

**Does the project support the economic strategies of the project by providing civic/cultural uses and/or public amenities that support strategic growth in the DMC Development District and/or specific business development and economic development strategies that are adopted as part of the DMC Development Plan?**

*The Phase 1 building is envisioned to become an important hub within the larger Discovery Square district. A dynamic landscape element is conceived as a central element for unifying the various phases of Discovery Square. This landscape is intended to support a variety of functions including the assembly and gathering, wellness and exercise activities, as well as provide accessible connections to nature. Ultimately, Phase 1 is destined to become a central gathering space for researchers, educators, clinicians, students, entrepreneurs, small to large companies, and community members. Phase 1 will be the cornerstone of Discovery Square; likely be the most recognizable building within the District. Its main entry at the intersection of 2nd Avenue SW and 4th Street SW will serve as Discovery Square's front door. As such, it is imperative that the front door provide an experience commensurate with entering into what will be one of the world's foremost centers for medical and research excellence.*

**SECTION 3.7 OTHER PROJECT POLICY CONSIDERATIONS****Is the project inside the DMC Development District?**

*Yes, the Proposed Project is inside of the DMC Development District.*

**If the project is not inside the DMC Development District, are they asking for a boundary change?**

*NA*

**If so, are the recommended changes:**

- *Limited to the area required to support the project request? N/A*
- *Consistent with the core strategies and planning documents? N/A*
- *Essential to the strategies and/or catalytic to growth under the DMC Development Plan? N/A*

**Does the project include any distinctive social and/or community benefits that are not specifically required by the DMC**

---

**Act?**

*Based on the Applicant's submittal, Discovery Square Phase 1 will encourage health and wellness with a multi-dimensional and holistic approach.*

*Discovery Square Phase 1 enhances opportunities for biking and walking. By situating the building entry at the corner of 2nd Avenue and 4th Street, occupants are encouraged to move throughout the district utilizing Discovery Walk. Within the building itself, amenities are conveniently woven together in a network of interconnecting building volumes creating a natural draw to utilize the stairs instead of the elevators. Additionally, the building plans to provide indoor bike storage and to encourage biking to work.*

*Incorporation of open space on all levels facilitates this healing activity and provides connections to nature. The second and first levels are designed with partially covered terraces adjacent to planting areas at the east and west ends of the building. These areas will become areas of refuge for tenants and community members alike.*

*Discovery Square Phase 1 is envisioned to be the hub for the District's live, work, and play atmosphere. The safety of pedestrian movement has been thoughtfully considered. Around the site, many of existing curb cuts will be removed protecting sidewalks from vehicular traffic and contributing to a vibrant streetscape. With additional buildings envisioned in the future, strategies to connect the skyway and tunnel systems are planned allowing users to enjoy the benefits of weather protection and maintaining linkages.*

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## **Destination Medical Center Project Update**

Project: Urban on First

Date: July 20, 2017

- I. Project Financing  
See enclosed letter.
- II. Property Acquisition  
Property acquisition complete.
- III. Permitting/Entitlements  
All permitting and entitlement requirements met.
- IV. Design  
Schematic design complete.
- V. Construction Progress  
Groundbreaking expected to occur in late 2017.
- VI. Occupancy Status  
N/A.

July 7, 2017

DMCC Executive Committee  
Attn: Lt Gov. Tina Smith  
Rosa Parks Pavilion  
195 S Broadway  
Rochester, MN 55904

**RE: Evidence of Financing for Opus/Titan Rochester Mixed Use Project**

Ladies and Gentleman:

The Opus/Titan partnership has been working diligently toward a ground breaking of our mixed use project in the Discovery Square district of the DMC. This includes significant progress on finalizing the capital structure for the project. This letter is in response to your request for information on these efforts.

As originally discussed with the DMC team, we anticipated it would take 180 days from final City and DMC approvals to obtain debt and equity financing so we could break ground on the project. We diligently pursued all approvals and received final City approvals on March 20<sup>th</sup>, 2017.

After receiving all approvals the Opus/Titan team promptly engaged the CBRE capital markets team to assist in obtaining capital financing for the project. As a result of these efforts three institutional investors of significant size having expressed strong interest in the project and a term sheet has been delivered and is under review.

Negotiations with these potential equity investors continue and are on track to accommodate a ground breaking this fall. A construction lender who has worked extensively with both Opus and Titan has been identified and is prepared to move forward this fall. This regional bank has financed multiple ground up development projects for the team around the Midwest. They have visited the site multiple times and received preliminary internal approval to move forward. Final approval will be provided when the institutional equity partner is selected.

Finally, the Opus/Titan team would like to reaffirm to you our commitment to the project. We are excited to bring an entirely new level of quality urban living to the market. The team continues to spend significant time and pursuit funds to move this project forward. We will provide additional updates to this group as we have them.

If you have questions please do not hesitate to reach out to me.

Best regards,



Matthew G. Rauenhorst  
Vice President, Opus Development Company, L.L.C.

## **Destination Medical Center Project Update**

Project: Titan Hilton Hotel

Date: July 20, 2017

I. Project Financing

Project financing secured.

II. Property Acquisition

Property acquisition complete.

III. Permitting/Entitlements

All permitting and entitlement requirements met.

IV. Design

Construction underway.

V. Construction Progress

The Titan Hilton hotel broke ground in February 2017. The 19-story structure will include retail and dining amenities and be anchored by a Hilton hotel.

By June 2017 the project accomplished 100% of soil remediation, 100% of footings and foundations, and pour-out of the first and second levels of the structure, with the concrete deck on third floor being poured out as of mid-July. The third-floor pour includes the first of the 30-foot-tall columns that are on third and fourth floor for the ball rooms. The post-tension concrete pour will reach level nine by the end of next quarter.

On concrete pour days, there are more than fifty workers on site. At the height of the project there will be more than 300 workers on site.

On July 7, 2017, DMC EDA staff joined Titan Development and Investment, Harbor Bay Real Estate Advisors, Kraus-Anderson, City of Rochester staff, and project investors on a tour of the site.

VI. Occupancy Status

Project currently under construction.

## **Destination Medical Center Project Update**

Project: Alatus Rochester Development

Date: July 20, 2017

### Project Financing

Project financing expected to be secured by mid-September 2017.

### Property Acquisition

Property acquisition partially completed. Alatus closed on the purchase of five single family homes in May 2017. Acquisition of the Ray-Mar and Brentwood hotels, as well as one single family home remaining to be acquired, expected to be completed by August 4, 2017.

### Permitting/Entitlements

All permitting and entitlement requirements met.

### Design

Schematic design complete. Design Development 50% completed.

### Construction Progress

Demolition permits have been secured for all properties encompassed in the development. In July and August 2017 asbestos abatement will occur in the existing lot structures, followed by demolition.

Excavation is scheduled to begin in October 2017.

Construction is expected to be completed in late 2019.

### Occupancy Status

Leasing agent retained.



## Heart of the City

To: DMC Corporation Board of Directors

From: DMC EDA Staff

Date: July 20, 2017

### **Overview:**

The RSP Architects-led design team for the Heart of the City has been working very closely with community stakeholders, adjacent property owners, community advisory committee, and others in the redesign of Peace Plaza and other public space of Heart of the City.

Program and design concepts have been presented, much of which has been favorably received. The second Heart of the City Community Workshop took place on June 27, 2017 at the Chateau Theatre. This event was hosted by DMC, the City of Rochester, and the Heart of the City Design Team to review and collect feedback on the schematic design from the community. The same design concepts shared with the community were brought to the Committee of the Whole on July 10, 2017 and the DMC EDA board of directors on July 13, 2017.

### **Next Steps:**

Final schematic design, including phasing, governance, operations, and costs, will be presented to the DMC Corporation board of directors for consideration. No action is requested at this time.

An aerial photograph of a city skyline at dusk. The sky is dark with some clouds, and the city lights are visible. A large white text overlay is centered on the image.

# HEART OF THE CITY

## DESIGN PRESENTATION

### HEART OF THE CITY DESIGN TEAM

RSP + Coen+Partners + 9.Square + HR&A Advisors + Kimley-Horn



# DESIGN PRINCIPLES

## MAKE IT ROCHESTER

AUTHENTIC + CONTEXTUAL



## MAKE IT A DESTINATION

HOME GROWN + WORLD RENOWNED



## MAKE IT BIG + KEEP IT SMALL

BLEND BIG CITY + SMALL CITY, OLD + NEW



## REVEAL THE UNSEEN

REVEAL THE MAGIC OF MAYO + SHARE STORIES



## MAKE IT ABOUT LIFE

DIVERSITY OF EVENTS + ACTIVITIES THROUGHOUT DAY



## MAKE IT ABOUT ART

INNOVATIVE + TRANSFORMATIVE + INTERACTIVE



## MAKE IT ABOUT HEALING

MOMENTS OF REPOSE IN AN URBAN SETTING



## MAKE IT INVITING

FLEXIBLE + DIVERSE PLACES TO GATHER



## EMBRACE THE NORTH

PROVIDE YEAR-ROUND ATTRACTIONS + EVENTS



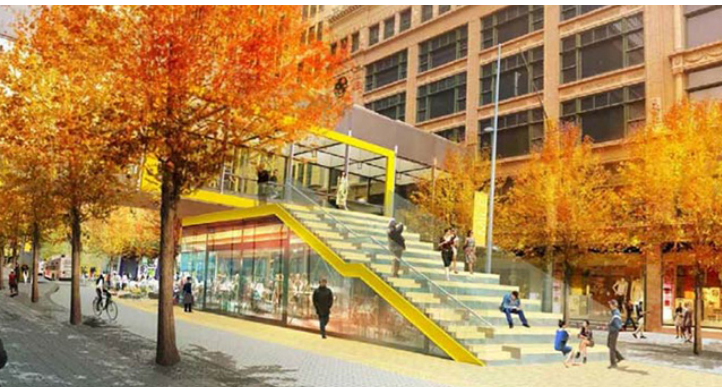
## MAKE IT BRIGHT

INTEGRATED + EXPERIENTIAL LIGHTING



## MAKE IT CONNECTED

ADA ACCESSIBILITY + SKYWAY, STREET + SUBWAY



## MAKE IT GREEN

URBAN + NATURAL



## HEART OF THE CITY DESIGN TEAM

RSP + Coen+Partners + 9.Square + HR&A Advisors + Kimley-Horn



# HEART OF THE CITY INITIATIVES

#1 2ND AVENUE PLAZA

#2 1ST AVE + THE ALLEY

#3 MARKET PLAZA

#4 THEATER SQUARE

#5 ART

#5 ART

#3 MARKET PLAZA

#5 ART

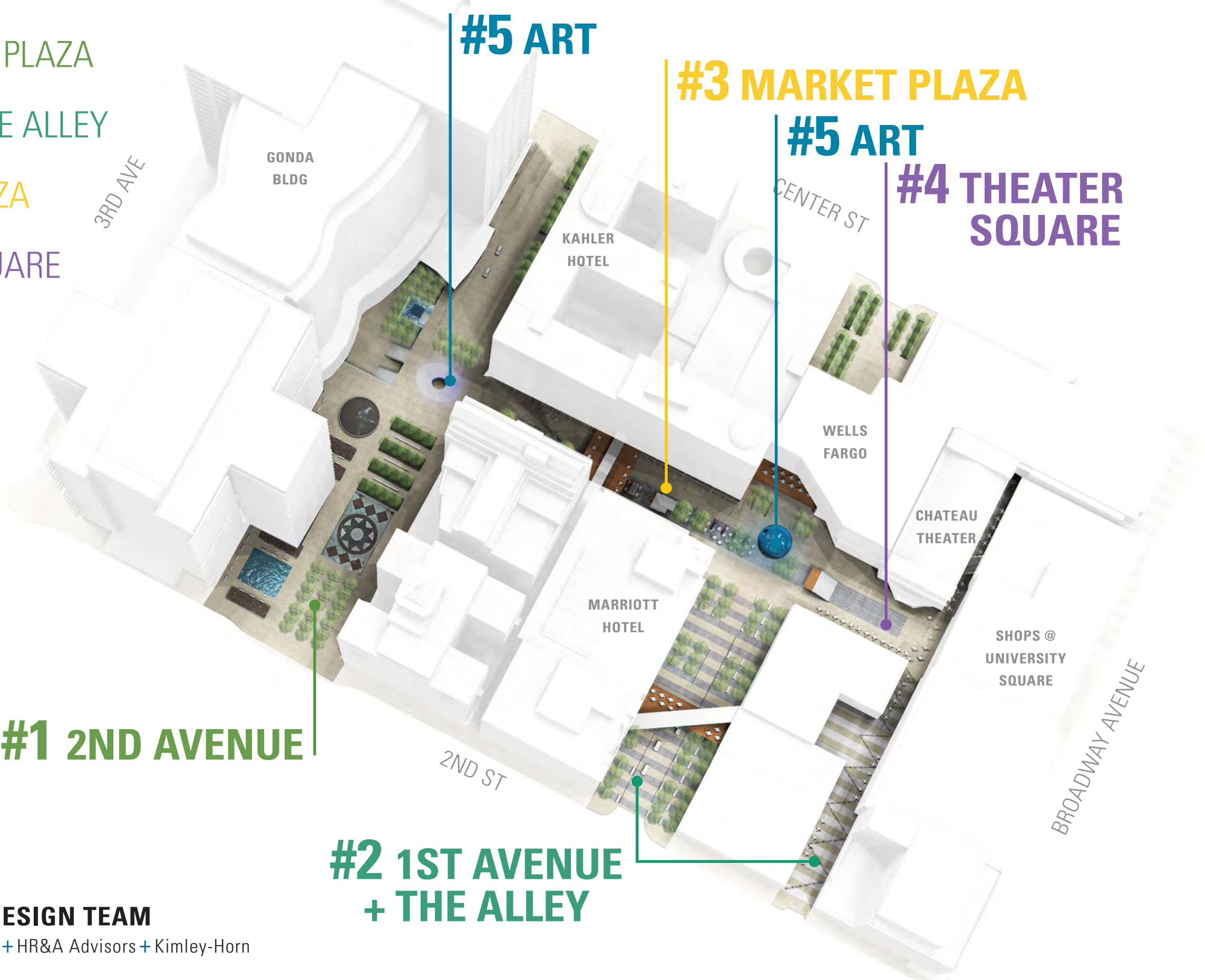
#4 THEATER SQUARE

#1 2ND AVENUE

#2 1ST AVENUE + THE ALLEY

## HEART OF THE CITY DESIGN TEAM

RSP + Coen+Partners + 9.Square + HR&A Advisors + Kimley-Horn





# EARTH/SKY/WATER WITH FLEXIBLE OPEN PLAZA



**HEART OF THE CITY DESIGN TEAM**  
RSP + Coen+Partners + 9.Square + HR&A Advisors + Kimley-Horn



# 1ST AVENUE PLAZA



## HEART OF THE CITY DESIGN TEAM

RSP + Coen+Partners + 9.Square + HR&A Advisors + Kimley-Horn



# THE ACTIVE ALLEY



## HEART OF THE CITY DESIGN TEAM

RSP + Coen+Partners + 9.Square + HR&A Advisors + Kimley-Horn



# THE MARKET PLAZA WITH POP-UP CAFES + GARDENS



## HEART OF THE CITY DESIGN TEAM

RSP + Coen+Partners + 9.Square + HR&A Advisors + Kimley-Horn



# THEATER SQUARE SUMMER FOUNTAIN

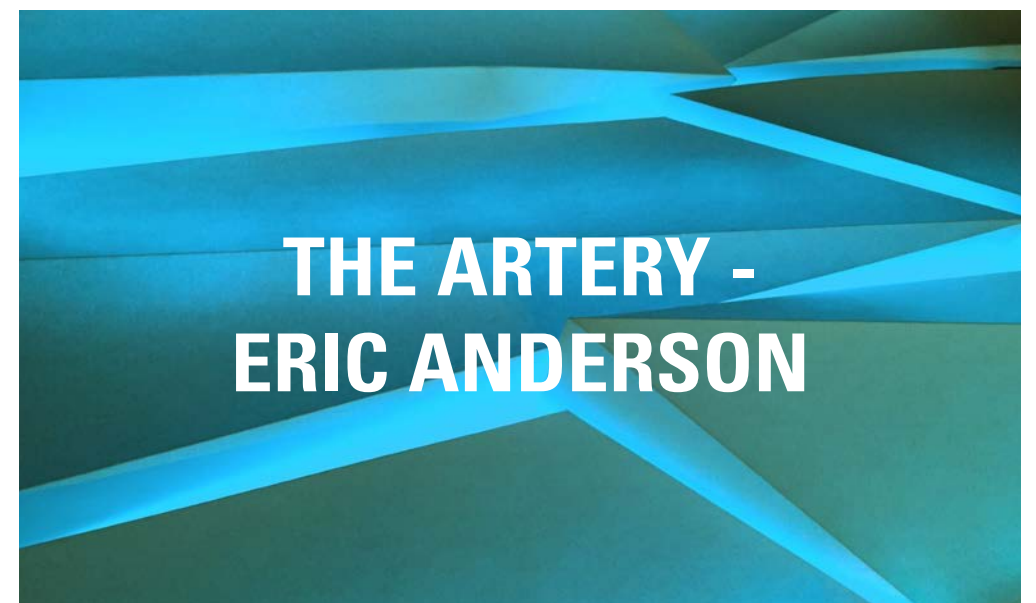


## HEART OF THE CITY DESIGN TEAM

RSP + Coen+Partners + 9.Square + HR&A Advisors + Kimley-Horn



# ICONIC ART





# SKY SPACE





**MAKE IT ROCHESTER**

## Chateau Theatre

To: DMC Corporation Board of Directors

From: DMC EDA Staff

Date: July 20, 2017

### **Overview:**

Following DMCC support in 2015, the City of Rochester closed on the acquisition of the Chateau Theatre in January 2016. The purchase price was approximately \$6 million.

Subsequently, the Chateau Theatre Re-Use Task Force was formed, chaired by Mayor Brede. Its role was to review and recommend strategies. A consultant, Miller Dunwiddie, was hired to study the feasibility of redeveloping the venue as a multi-purpose performing arts center. Miller Dunwiddie is an architectural design firm with extensive experience in historic renovation; it added a market analysis firm to their team, Webb Management, for the project. Webb's role was to review market demand and propose a business, governance, and operating model.

In October 2016, the Task Force received a report from the consultant that concluded there is a demand for a multi-purpose performing arts center and that a \$25 million capital investment would be required in order to make the facility functional. Furthermore, the consultant presented a business, governance, and operating model whereby the City would own and operate the facility, generate earned and contributed income, with the support of a non-profit support organization.

The report was submitted to City Council. It recommended that there needed to be additional exploration of the fit between this project and adjacent development and further study of the business plan.

There have been subsequent discussions with adjacent property owners to discuss the potential fit between the Chateau Theatre redevelopment and their own development plans. Discussions have focused on program considerations, site considerations, and construction timing.

### **Next Steps:**

Development decisions, including funding, governance, and interim use strategies, will be made deliberatively and allow the redevelopment of the Chateau Theatre to fully capitalize on potential complementary projects on nearby sites, including the Wells Fargo building and the former Michael's restaurant site.

## Saint Marys Place

To: DMC Corporation Board of Directors

From: DMC EDA Staff

Date: July 20, 2017

### **Background:**

The public design process initiated for the Saint Marys Place sub-district public realm continues to move forward. Following data collection, three concepts were developed for community feedback.

Feedback data was collected using on-line surveys (650 responses); intercept surveys (150); open houses (150+ attendees); prototype demonstration project (75 participants); and an independent survey by Post Bulletin regarding subway connection (11,000 responses).

Eight key features emerged which will be represented in the final design concept:

1. A single North South subway with dramatic public access courtyards;
2. Weather protection arcade system at street level;
3. Frequent pedestrian crossings at street level;
4. Wide sidewalks and four traffic (or transit) lanes;
5. North south greenway to Kutzky Park and Historic Southwest Neighborhood;
6. Strengthen 1<sup>st</sup> Street bicycle corridor;
7. Prominent transit nodes at key locations;
8. Create gateway features and neighborhood identity.

Other ideas such as mid-block connections, restoring the alley system, activating the front lawn of Saint Marys Place, turning 12<sup>th</sup> Avenue into a pedestrian plaza, and a more extensive subway system were also proposed.

### **Next Steps:**

Final design concept, phasing plan, and associated costs to be presented to the key stakeholder group, the Rochester City Council, and the DMC Corporation board of directors in the third and fourth quarters of 2017.

## Marketing Metrics

To: DMC Corporation Board of Directors

From: DMC EDA Staff

Date: July 20, 2017

### DMC Marketing Plan Objectives

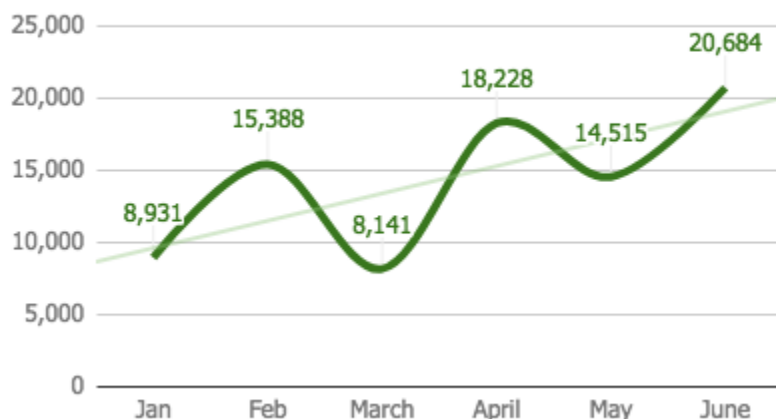
- Build awareness, gain national attention
- Demonstrate continued momentum
- Drive traffic to DMC.mn
- Build interest in life sciences and real estate developers/investor audiences

### Metric Highlights: Q1/Q2 2017

Meaningful metrics evaluating marketing and advertising tactics to gain national attention are best reflected in DMC.mn's traffic and engagement, and social media use. These metrics demonstrate DMC's reach continues to grow steadily in volume and in national audiences.

Metric: Overall Traffic to DMC.mn

#### MONTHLY VISITS 2017


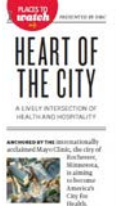


June was the strongest month yet for traffic. A 73% increase over May.

### Marketing and advertising executions contributing to traffic increase in Q2:

- “In the Middle of Everywhere” Storyteller videos
  - We released series of videos highlighting the “In the Middle of Everywhere” marketing campaign featuring a community member who is transforming Rochester in each of the nine areas of focus for DMC. Initial metrics from DMC.mn and various communication channels indicate strong performance. We will share specific metrics in Q3’s report.

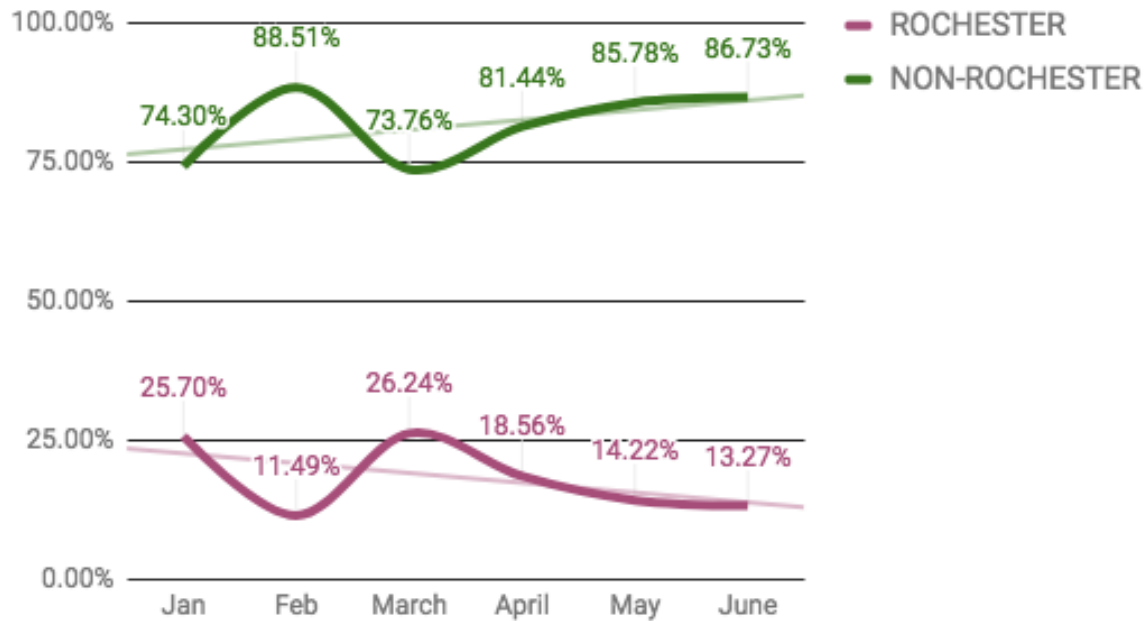


- **DMC.mn Blogs**
  - We published eight blogs on the website. Of these, CCF agency reposted three blogs to Facebook, resulting in greater reach. This communication strategy is a key factor in traffic increase and social media engagement.
  - Six of the eight blogs were also included in the two June e-newsletters, which are delivered to approximately 2,800 email addresses.
- **Conference Participation/Release of [dmc.mn/discovery-square.com](https://dmc.mn/discovery-square/)**
  - Several members of DMC team attended Bio International in San Diego, June X-X.
  - Coinciding with conference participation was release of **[dmc.mn/discovery-square.com](https://dmc.mn/discovery-square/) June 18 (<https://dmc.mn/discovery-square/>)**. Since launch, page was visited 386 times with users clicking 191 times, a good indicator of interest and engagement.
- **Delta SKY magazine**
  - April: Discovery Square
 
  - June: Heart of the City
 
- **Regional Sponsorships**
  - Eureka Awards!
    - Members of DMC team attended this award program, hosted by Minneapolis/St. Paul Business Journals to recognize innovation and progress in industry. DMC sponsored an ad in the journal's e-newsletter each day during week in May when honorees were announced. Call to action is to visit DMC.mn.
  - Table of Experts
    - DMC submitted questions to this panel discussion on June 28, which is focused on issues related to commercial real estate. Questions were designed to stimulate interest in DMC's commercial real estate development.



Metric: Geographic Reach

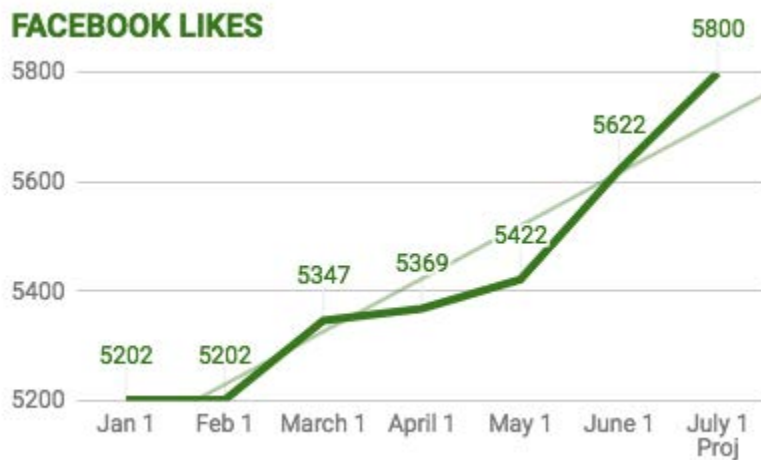
### ROCHESTER vs NON-ROCHESTER



Traffic from outside Rochester continues to gain ground each month. For the first time ever, Rochester did not hold the number one spot for most visits. This spot was held by San Diego (4,612 Visits) This is extremely strong traffic from a conference event and represented 22% of all cities traffic.

## Social Media Engagement

Metrics: Traffic, Engagement



Steep Growth has occurred in Facebook Likes since in last 60 days. May to June was the largest growth yet with a net gain of 200 Likes. The paid reposting by CCF agency of our blogs reached more than 62,000 people in the last 30 days and triggered 9,551 posts engagement.

## Relationship Management

- 53 meetings requested by private investors/developers in Q2 2017, including new developers and equity investors
- Five visiting groups included foreign investment and development entities
- 54 presentations, engagements and events with life science, community and real estate audiences

## Next Steps:

- Prioritize enhancements to Investor/Developer section of DMC.mn to stimulate interest and introduce lead generation form.
- Continue to regularly feature audience-specific blogs. Enhance traffic by boosting targeted DMC website blogs on social networks twice monthly.
- Continue to explore and incorporate keywords into blogs to increase search engine optimization (SEO).

## Energy Integration Group Update

To: DMC Corporation Board of Directors

From: DMC EDA Staff

Date: July 20, 2017

### **Background:**

The DMC Development Plan includes several DMC District energy- and sustainability focus areas, including:

1. Human Health and Wellness
2. Community Health
3. Economic Health
4. Energy
5. Water
6. Materials and Waste
7. Transportation and Mobility
8. Climate

Additionally, each development project will be evaluated against DMC energy and sustainability goals, including:

1. Energy reduction (20% below ASHRAE 90.1-2010)
2. Architecture 2030 standards
3. Building performance:
  - a. Potable water reduction
  - b. Materials and Waste reduction
  - c. GHG Emissions reduction
  - d. DMC District Design Guidelines conformance

### **Next Steps:**

Develop additional sustainability targets to better link the district goals to individual projects, including water consumption, energy efficiency, energy targeting and measurement processes and material waste diversion targets.



Destination Medical Center Economic Development Agency / City of Rochester

Energy and Sustainability Update



# DMC District Sustainability Focus Areas

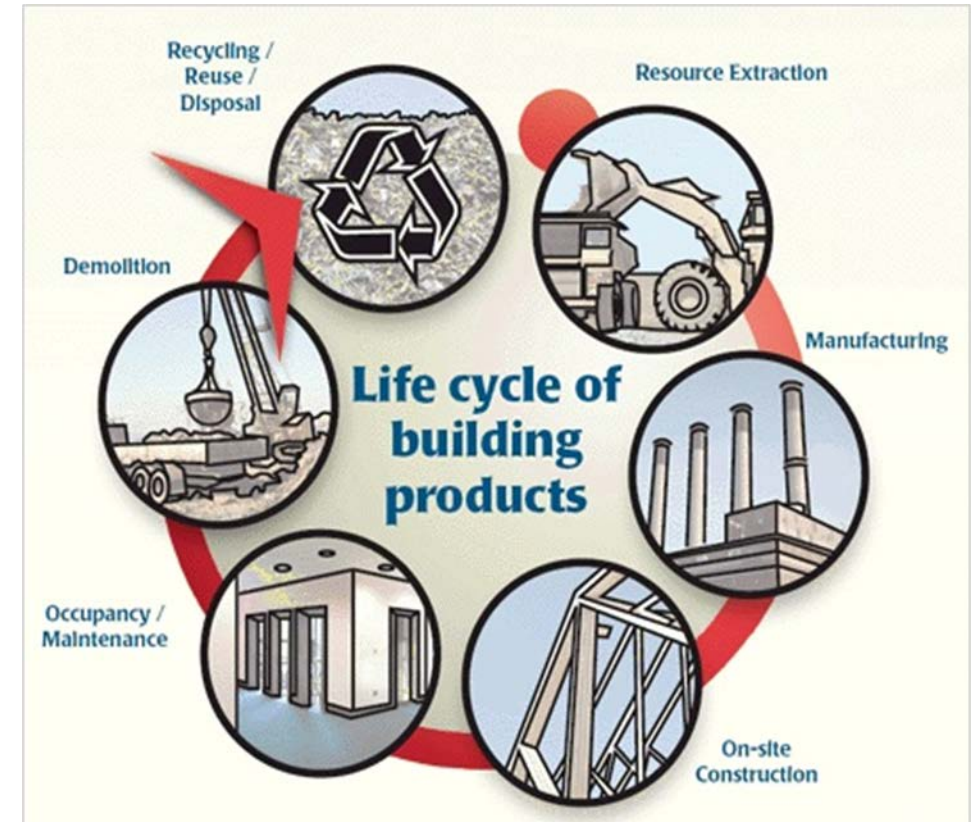
1. Human Health and Wellness – Ex. Wellness program participation, collect sickness absences
2. Community Health – ex. encourage active transportation, recreation, social interaction, links between clinic and community
3. Economic Health – ex. Create 28,000 jobs by 2034, support avg of 1,800 construction jobs, attract MBE/WBE participation
4. Energy – ex. Reduce energy consumption and EUI by 25% below 2010 levels by 2030





# DMC District Sustainability Focus Areas

1. Water – ex. Reduce potable water consumption below 2012 levels by 2030, increase recycled sources for irrigation
2. Materials and Waste – ex. Reduce total waste generated by 30% below 2012 levels by 2030
3. Transportation and Mobility – ex. Reduce drive along mode share to 50% by 2035, reduce GHG-emissions by 50% below 2008 levels by 2030
4. Climate – ex. Reduce DMC-wide emissions per square foot by 80% below 2005 levels by 2050

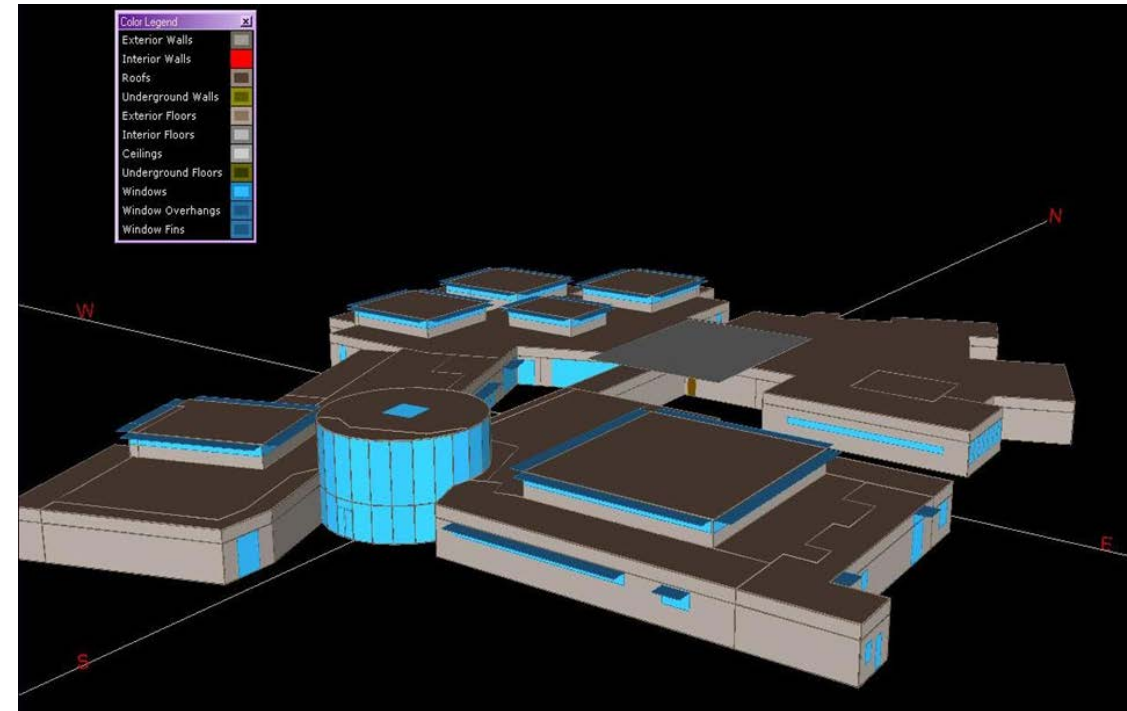






# DMC Project Sustainability Goals

1. Energy – Design to 20% below ASHRAE 90.1-2010
2. Report on Architecture 2030 standards
3. Report on building performance as it relates to district-wide sustainability goals:
  1. Water performance
  2. Materials and Waste reduction
  3. GHG Emissions reduction
  4. DMC District Design Guidelines





# DMC Project Sustainability Goals – Next Steps

1. Develop additional sustainability targets in order to better link the district goals to individual projects, including:
  1. Water consumption – interior and exterior water reductions
  2. Energy Efficiency – requiring participation in a performance based procurement program
    1. Require an energy targeting process from the project's inception (targets are taken from actual building performance data)
    2. Tie design and construction team's contract to meet energy targets through measurement and verification
    3. Motivates owner, design team, and contractor to realize energy reductions of space
    4. Ensure energy target meets Architecture 2030 standards
  3. Material waste diversion – require minimum waste performance diversion rate
  4. Require energy benchmarking for project through 2030





# Primary Guiding Documents

## 1. Guiding Documents

1. Destination Medical Center Plan
2. Center for Energy and Environment Report
3. Destination Medical Center District Design Guidelines

## 2. Influencing Documents (many)

1. City of Rochester - Energy Action Plan
2. City of Rochester - Environmental Defense Fund Reports
3. Master Planning Documents – Mayo, UMR, RPU, among others
4. Olmsted County – Comprehensive Plan





# Project Example – Mortenson

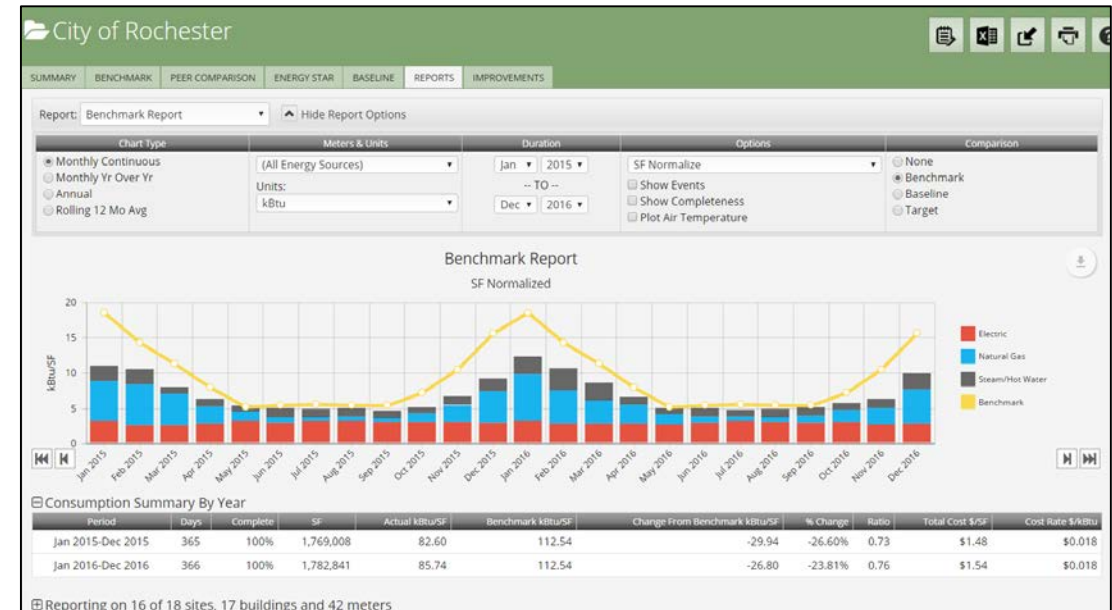
1. Ensured 20% energy code target met for project through modeling
2. Collaborated to ensure sustainability strategies incorporated into the building:
  1. Water Efficiency – interior and exterior
  2. Alternative transportation
3. Targeted available funding to assist with project costs





# City of Rochester Projects

- Benchmarking
  - “You can’t manage what you don’t measure”
  - Use City’s B3 database to include all City properties or those that the City pays utility bills
  - Currently, working with properties to reflect new or updated SF’s, energy sources
  - GreenSteps Cities – update existing and new collect new baseline data
    - Beyond energy to transportation, waste, recycling, green cleaning, etc.
  - SolSmart Certification for City





# City of Rochester Projects

- New Construction
  - Assist with incorporating sustainability strategies for City's new construction
    - Parking Garage
    - Police Station
    - Residence Tower above parking garage (RFP)
    - Airport Master Plan (very early discussions)
  - Evaluating the use of an energy-focused performance based procurement program for police station and residence tower RFP
    - Method to incorporate energy targets from public building data into design contracts to drive performance from the project start
    - Also, tailored to ensure building performs to design standards
    - A practice to 'get what you paid for'
    - Pursued free consulting through a nationally funded energy grant for participation



# City of Rochester Projects

- Existing Buildings
  - Compiling an analyzed list of low cost energy conservation projects at MN BioBusiness Center and Arts Center
  - Assisting with review of project scope at Mayo Civic Center
  - Evaluating City Hall for energy projects
  - Touring city facilities to meet operations folks, discuss needs and issues, recent projects, and ways to help
  - Good opportunities identified thus far, provide economically sound method to reduce operating expenses with above market returns
  - Street Lights – Color Temperature evaluation, dimming capability
- Best Practice Sharing
  - Tours have highlighted a need to share best practices across facilities personnel
  - In some cases, people evaluating or struggling with the same issue
  - Monthly meeting to compare notes, share lessons learned, talk about future planning efforts would help a great deal

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TO: Jim Bier, Treasurer  
Kathleen Lamb, Attorney

FR: Dale Martinson, Assistant Treasurer

Date: July 19, 2017

RE: June 2017 Financial Budget Summary



The attached summary for June reflects expenditures to date totaling \$1,061,235 out of the 2017 total budget of \$3,224,870. The total remaining 2017 budget represents 67% of the original budget remaining with 6 months (50%) of the year remaining.

In the DMCC direct costs section, the \$13,507 of expenditures in June primarily represents building rents for board meeting space and audit / accounting fees for the annual audit.

The DMC EDA costs are billed through Master Application for Payments (MAPs) for outside contractors and as well as through working capital loan advances for the EDA payroll and other operational expenses. DMC EDA costs through June of 2017 totaled \$963,151 and results in a remaining EDA budget of 63%. Details of the contract payments including remaining contract commitments can be found on the 3rd through 4th page of the summary as provided by the DMC EDA.

An additional MAP request was submitted in July for June expenses in the amount of \$126,846.42. These costs are not reflected in the totals of the June report.

The 2nd page of this summary now reflects DMCC approved Capital Improvement Project (CIP) costs that are being managed by the City of Rochester staff. Total 2017 capital expenditures amounted to just short of \$3 million. These projects primarily include transit studies underway, architectural services on the Heart of the City project and a sanitary sewer upsizing project currently under construction.

Please feel free to contact me with any questions or concerns.

Destination Medical Center Corporation  
Financial Budget Summary  
June 2017

	2017 Approved Approved Budget	Curent Month June 2017	June 2017 Year To Date	Amount Remaining	Percent Remaining
General Administrative Expenses	31,200	9,713	24,574	6,626	21%
Professional Services	404,500	3,795	60,511	343,989	85%
Insurance and Bonds	20,000		12,998	7,002	35%
City Support Expenses	150,000	-	-	150,000	100%
<b>Subtotal DMCC</b>	<b>605,700</b>	<b>13,507</b>	<b>98,084</b>	<b>507,616</b>	<b>84%</b>
<b>Third Party Costs - DMC EDA *</b>					
Payroll, Staff, Administration & Benefits-EDA	645,120	54,484	238,854	406,266	63%
Operating Expenses		14,187	102,391	(102,391)	-116%
Operational Costs - Contracted	88,000	2,031	19,020	68,980	9%
Economic Development Outreach & Support	751,000	13,700	81,317	669,683	89%
Professional Services	890,740	136,768	524,369	366,371	41%
Miscellaneous Expenses	244,310		(2,800)	247,110	101%
<b>Subtotal EDA</b>	<b>2,619,170</b>	<b>221,170</b>	<b>963,151</b>	<b>1,656,019</b>	<b>63%</b>
<b>Total DMCC 2016</b>	<b>3,224,870</b>	<b>234,678</b>	<b>1,061,235</b>	<b>2,163,635</b>	<b>67%</b>
<b>* Note:</b> An additional EDA MAP request for March Expenses totalling \$126,846.42 outstanding as of 6/30/2017 was paid in July.					
DMCC Working Capital Note				1,000	
EDA Working Capital Note				50,000	



DMCC Projects  
Managed by the City of Rochester  
As of June 30, 2017

	YTD Expenditures	Project Budget	Life To Date Expenditures
<b><i>DMC Projects (BU# 8600)</i></b>			
8611C- - Sn/S12AvSW/NW<2StSW>2StNW		2,850,000.00	8,190.37
8612C- - WZmbrRvrSn/SRIfLin<CookPk>CCDr	1,490.99	950,000.00	21,504.99
8613C- - ChateauTheatrePre-OccupancyM&O	38,309.85	686,800.00	157,784.47
8614C- - DMCTransit&InfrastrctrPgrmMgmt	198,819.15	1,100,000.00	821,912.33
8617C- - Broadway @ Center Parking Ramp		10,500,000.00	
8618C- - SharedParkngStudy&PrgmDevlpmnt	456,878.12	1,811,854.00	908,711.95
8620C- - City Loop Plan	347,718.27	959,938.00	513,294.25
8621C- - Transit Circulator Study	377,654.32	1,991,532.00	736,105.32
8623C- - DMCC Street Use Study	684,515.10	2,867,708.00	1,244,183.55
8624C- - ChateauTheatreBldgImprov/Purch	37,662.52		6,667,261.34
8625C- - Heart of the City	366,491.05	598,940.00	537,996.22
8626C- - Sn/SUsize1Av&3AvSE<4StS>1StN	476,056.95	2,500,000.00	516,376.63
<b><i>Total DMC Projects (BU# 8600)</i></b>			
<b>Grand Total</b>	2,985,596.32	26,816,772.00	12,133,321.42

**Master Application for Payment**  
Destination Medical Center Economic Development Agency

**Application Details**

Application Number:	<b>June 2017</b>
Application Date:	7/1/2017
Period From:	6/1/2017
Period To:	6/30/2017

**Sources of Funds:**

City Contribution	\$	126,846.42
-	\$	-
-	\$	-
-	\$	-
<b>Total Sources</b>	<b>\$</b>	<b>126,846.42</b>

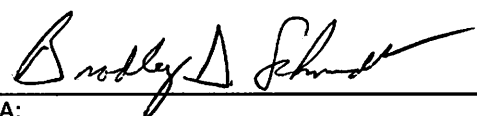
**Uses of Funds:**

EDA Staff Costs	\$	-
EDA Operational Costs	\$	10,650.00
Econ Dev Outreach & Support	\$	14,290.21
Professional Services	\$	49,008.25
Miscellaneous Costs	\$	52,897.96
<b>Total Uses</b>	<b>\$</b>	<b>126,846.42</b>

**Statement of Project**

Original 2017 Budget	\$	2,619,170.00
Current 2017 Budget	\$	2,619,170.00
<b>Total completed to date via MAP process</b>	<b>\$</b>	<b>748,753.27</b>
Retainage to Date	\$	-
<b>Total completed via MAP process less retainage</b>	<b>\$</b>	<b>748,753.27</b>
Less previous Map requests	\$	621,906.85
<b>Current MAP Request Amount Due</b>	<b>\$</b>	<b>126,846.42</b>
<b>2017 operational expenses funded to date</b>	<b>\$</b>	<b>308,204.60</b>
<b>Total 2017 City Contribution</b>	<b>\$</b>	<b>1,056,957.87</b>
<i>% of 2017 Budget</i>		<i>40.4%</i>

**Approvals**

 EDA:	7-12-17 Date
DMCC:	Date

**Master Application for Payment**  
Destination Medical Center Economic Development Agency

**Master Application For Payment Detail: June 2017**

**7/1/2017**

DMC EDA P&L Description	Vendor	Previous Billings	Current Work in Place	Total Work to Date
<b>EDA Operational Costs</b>		<b>\$ 19,020.95</b>	<b>\$ 10,650.00</b>	<b>\$ 29,670.95</b>
Office Supplies, Consumables	Davies Printing	\$ 80.91	\$ -	\$ -
Website, Drafting, Hosting	Brandhoot	\$ 1,950.00	\$ 10,650.00	\$ 10,650.00
<b>Econ Dev Outreach &amp; Support</b>		<b>\$ 81,316.85</b>	<b>\$ 14,290.21</b>	<b>\$ 95,607.06</b>
Print & Collateral	Minuteman Press	\$ 75.51	\$ 200.22	\$ 275.73
Outreach & Local Events	Minnesota Real Estate Journal	\$ -	\$ -	\$ -
Outreach & Local Events	RAEDI	\$ 5,500.00	\$ -	\$ 5,500.00
Outreach & Local Events	Rochester Rising	\$ 200.00	\$ -	\$ 200.00
Outreach & Local Events	Rochester Area Chamber of Commerce	\$ 9,550.00	\$ -	\$ 9,550.00
Subscriptions & Memberships	International Economic Development Council	\$ 420.00	\$ -	\$ 420.00
Subscriptions & Memberships	Medical Alley Association	\$ 500.00	\$ -	\$ 500.00
Conferences, Meetings, Travel and Participation	Medical Alley Association	\$ 6,225.00	\$ -	\$ 6,225.00
Conferences, Meetings, Travel and Participation	Minneapolis Regional Chamber of Commerce	\$ 4,990.00	\$ -	\$ 4,990.00
Econ Dev Costs	Biomedical Growth Strategies LLC	\$ 7,061.03	\$ -	\$ 7,061.03
Econ Dev Costs	Bleu Duck Kitchen	\$ 250.00	\$ -	\$ 250.00
Econ Dev Costs	Nelsen Biomedical	\$ 7,297.31	\$ -	\$ 7,297.31
Econ Dev Costs	St. Paul Pioneer Press	\$ -	\$ 49.99	\$ 49.99
Econ Dev Costs	University of Minnesota	\$ -	\$ 14,040.00	\$ 14,040.00
Econ Dev Costs	Wilder Research	\$ 31,748.00	\$ -	\$ 31,748.00
<b>Professional Services</b>		<b>\$ 524,368.57</b>	<b>\$ 49,008.25</b>	<b>\$ 573,376.82</b>
Legal Services	Dorsey & Whitney LLP	\$ 9,111.17	\$ 5,973.50	\$ 15,084.67
Website Customer Relationship Management	Enterprise Technology Projects	\$ 1,600.00	\$ -	\$ 1,600.00
Website Customer Relationship Management	Sheryl Barlow	\$ 16,190.00	\$ 3,400.00	\$ 19,590.00
Marketing, Communications & Advertising	Clarity Coverdale Fury Advertising, Inc.	\$ 322,556.50	\$ 11,000.00	\$ 333,556.50
Marketing, Communications & Advertising	Connect Media	\$ 3,120.00	\$ -	\$ 3,120.00
Marketing, Communications & Advertising	Inspire MN, LLC	\$ 38,860.00	\$ 8,662.50	\$ 47,522.50
Marketing, Communications & Advertising	Journey to Growth Partnership	\$ 1,200.00	\$ -	\$ 1,200.00
Marketing, Communications & Advertising	Linda Donlin	\$ 2,025.00	\$ -	\$ 2,025.00
Marketing, Communications & Advertising	Marketabelle	\$ 1,885.00	\$ -	\$ 1,885.00
Marketing, Communications & Advertising	Nicole Spelhaug	\$ 19,623.47	\$ 6,000.00	\$ 25,623.47
Marketing, Communications & Advertising	Post Bulletin	\$ 752.50	\$ -	\$ 752.50

**Master Application for Payment**  
Destination Medical Center Economic Development Agency

Master Application For Payment Detail: June 2017		7/1/2017		
Marketing, Communications & Advertising	Riggott Creative Inc.	\$ 747.50	\$ -	\$ 747.50
Marketing, Communications & Advertising	The Med City Beat	\$ 4,350.00	\$ -	\$ 4,350.00
Public and Community Relations	Himle Rapp & Co., Inc.	\$ 38,691.44	\$ 6,232.25	\$ 44,923.69
Public and Community Relations	Short Elliott Hendrickson, Inc.	\$ 28,131.25	\$ 6,840.00	\$ 34,971.25
Design Support	Imagebridge Design	\$ 2,295.00	\$ -	\$ 2,295.00
Design Support	White Space, LLC	\$ 6,881.25	\$ -	\$ 6,881.25
Development Management Services	Louis Jambois	\$ 13,792.49	\$ -	\$ 13,792.49
Financial Reporting Services	CliftonLarsonAllen LLP	\$ 2,000.00	\$ -	\$ 2,000.00
Financial Reporting Services	Lund Tax & Accounting	\$ 10,556.00	\$ 900.00	\$ 11,456.00
<b>Miscellaneous Costs</b>		<b>\$ (2,799.52)</b>	<b>\$ 52,897.96</b>	<b>\$ 50,098.44</b>
Insurance and Taxes	Aon Risk Services	\$ -	\$ 48,501.96	\$ 48,501.96
Insurance and Taxes	US Treasury	\$ (2,799.52)	\$ -	\$ (2,799.52)
Miscellaneous Costs	Building Systems Solutions, Inc.	\$ -	\$ 4,396.00	\$ 4,396.00
<b>Project Total</b>		<b>\$ 621,906.85</b>	<b>\$ 126,846.42</b>	<b>\$ 748,753.27</b>