



DMCC Board Meeting

November 13, 2018



Status of Projects

Receiving Prior Approval

DMC Projects



PROJECT NAME

- | | | | |
|---|----------------------|---|------------------|
| 1 | Titan Hilton Hotel | 5 | Bloom Waterfront |
| 2 | Berkman Apartments | 6 | Wells Fargo |
| 3 | Urban on First | 7 | Hotel Indigo |
| 4 | One Discovery Square | 8 | Hyatt House |

Project Status- Private Development



Titan Hilton Hotel

Anticipated completion date January 2019 with the hotel opening in April 2019.



Berkman Apartments

Anticipated construction completion of the entire building is early summer 2020.



Urban on First

Anticipated completion date is summer of 2019.



One Discovery Square

Anticipated construction completion date is March 28, 2019.

Project Status- Private Development



Bloom Waterfront

Securing financing and closing on real estate are next steps.



Wells Fargo Renovation

Continued work on public realm integrated with Heart of the City design.



Hotel Indigo Renovation

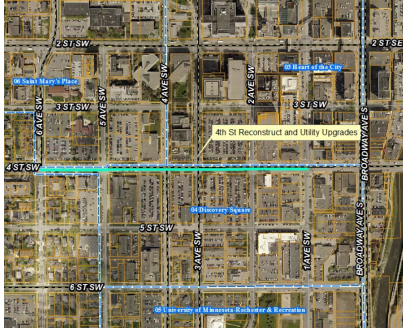
Construction is underway, completion date and opening of new hotel is estimated for May 2019.



Hyatt House

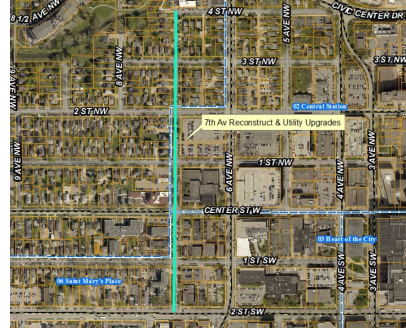
Financing is in process. Construction is anticipated to begin in late January, 2019.

Project Status- Public Infrastructure



4th Street SW

- Total Project \$12.25 million
- DMC Portion \$9.25 million
- Reconstruct street and upsize utilities for future development
- Construction begins in 2018 and completion in 2019



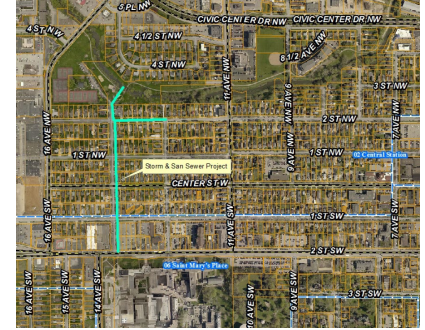
7th Avenue NW/SW

- Total Project \$3 million
- DMC Portion \$3 million
- Reconstruction project to provide additional capacity for storm and sanitary sewer
- This project is postponed to 2019 due to unexpectedly high bids



North Broadway

- Total Project \$17.1 million
- DMC Portion \$4.4 million
- Reconstruction project for pavements and utilities with enhanced landscaping and public realm improvements
- Construction to begin in 2019, complete in 2020



13th Avenue

- Total Project \$6.1 million
- DMC Portion \$4.4 million
- Additional sewer capacity is needed for development along 2nd St SW
- Bidding and construction to begin in 2020



Public Realm



Public Realm Updates

- Chateau Theatre
- Heart of the City



Chateau Theatre

Next Steps

- Construction by Benike
 - **Improvements:** exterior weather proofing of the building (roofing, tuck pointing, window and door work) and interior renovations (2nd story floor, escalator removal, HVAC, lighting modifications, cosmetic improvements)
 - **Timeline:** Interior to begin December 2018; exterior roofing will occur in 2019; project complete July 15, 2019
 - **Cost Savings:** Approximately \$80k was saved by submitting a second RFP for construction bids
- Integration of Chateau with Wells Fargo redevelopment
- RFP for program and operations management

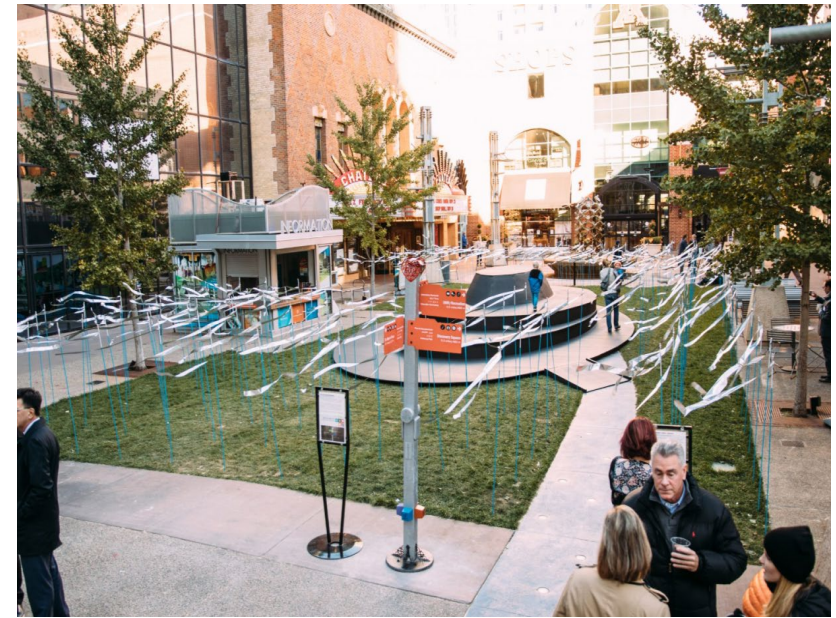




Heart of the City

Next Steps

- Reaffirm priority level
- Operations and maintenance plan
- Fountain design and location
- Key Design Elements
 - Plaza
 - 1st Avenue
 - Alley
- Sources of funding



Seating structure- currently being tested.



Transportation



Transportation

2019 Initiatives

- Acquisition of Electric Buses
- Initial phase of City Loop
- Promote TMA (Arrive Rochester)
- Study of the H52 decking concept
- 2nd Street Demonstration Project
- Land acquisition for mobility hubs and park and ride system



Oct 23, 2018 TMA Launch



Transportation

Evaluation Criteria for Mobility Hubs

1. Accessibility (Ability to get to and from the site)
2. Route Efficiency (Speed / Ridership etc.)
3. Economic Development (Site itself / Along the Route)
4. Site Acquisition (Costs, Timing etc.)
5. Relationships to Existing Amenities

DMC Market Analysis Update

Presentation 11-13-18

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Snapshot in time

Four major land uses

Focus on next five years

Inform Economic Development
Strategy

DMC Market Analysis Update

Presentation 11-13-18

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Office & Med-Tech

Commercial Office &
Medical-Technology Sector



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Office/Med-Tech Market

Demand Drivers

Professional Office – *DMC initiative*, particularly Discovery Square, creating demand for supportive professional services. Plus, *general market growth* over time as regional population and Mayo’s visitation grows.

Med/Tech – *Mayo’s relationships* and partnerships in early phases. Over time, Mayo’s *partnering firms* will generate their own relationships and demand, independent of Mayo. Investment in support network and venture funding for *start-ups* to tap talent and entrepreneurs can also drive growth based on comparable innovation districts nationally.



TOTAL INVENTORY (SQ.FT.)

- 2014: 16 buildings with approximately 453,000 s.f. (excluding Mayo)
- 2018: 16 buildings with approximately 457,000 s.f.
- Pipeline: Approximately 105,000 s.f. (including Berkman & Discovery Square Phase 1)

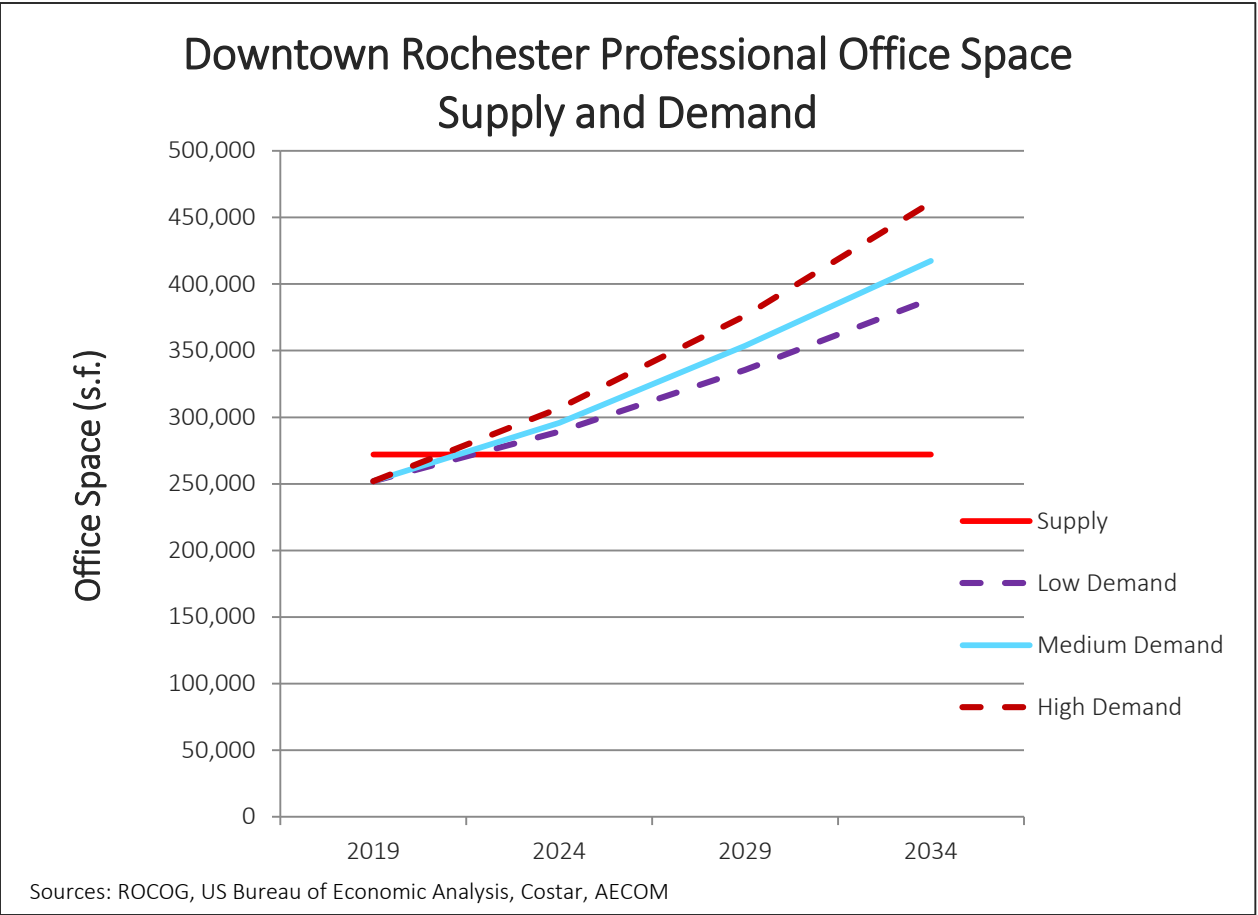
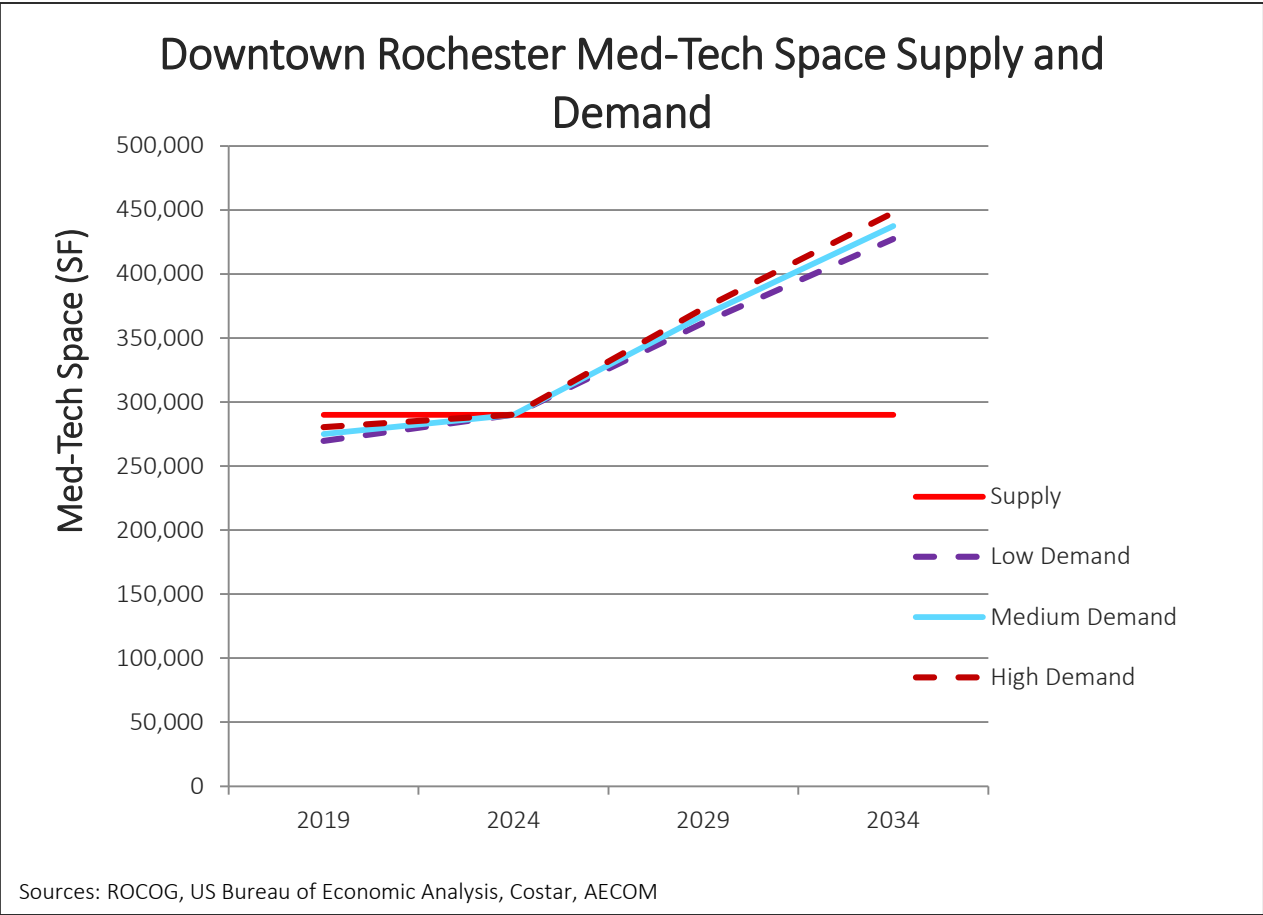


ESTIMATED NEW DEMAND 2019-24

Scenario		Estimated Demand (s.f.)	Pipeline
Low	Professional	37,000	20,000
	Med/Tech	65,000	85,000
Medium	Professional	44,000	20,000
	Med/Tech	70,000	85,000
High	Professional	55,000	20,000
	Med/Tech	76,000	85,000

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Estimated Professional Office/Med-Tech Demand By 5-Year Phases



Office/Med-Tech Market



FINDINGS

The 2019-24 demand for professional office space will most likely be satisfied with **upgrades and renovations** of existing inventory and/or additional office space in **new mixed-use developments**, rather than new development of stand alone conventional professional office buildings.

Med-Tech in **Discovery Square Phase 1 pre-leased successfully**, anchored by Mayo Clinic and UMR, capturing accumulated unmet demand from prior period. Phase 2 requires more Mayo partnerships.



ECONOMIC DEVELOPMENT OPPORTUNITY

The Med/Tech rate of growth is driven by Mayo partnerships and discrete users, as opposed to general market demand to support speculative development. **More partnerships = more demand for more space**. Support **network and funding for start-ups** in Discovery Square may accelerate growth.

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Hotels

DMC/Downtown Rochester Hotel Market



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Hotel Market

Demand Drivers

Mayo visitation will still be the #1 demand drivers by a large margin. As the national senior population cohort grows, demand is expected to accelerate.

Programming and events at the Convention Center, Chateau Theatre and other venues can increase room-night demand. This will require events that encourage overnight stays later in the week and weekends when Mayo visitation demand is softer.



TOTAL INVENTORY (Rooms)

2014: 2,830 rooms

2018: 2,703 rooms (number reduced due to some consolidation for suites and recent/planned closings offsetting gains)

Pipeline: 943 rooms



ESTIMATED NEW DEMAND 2019-24

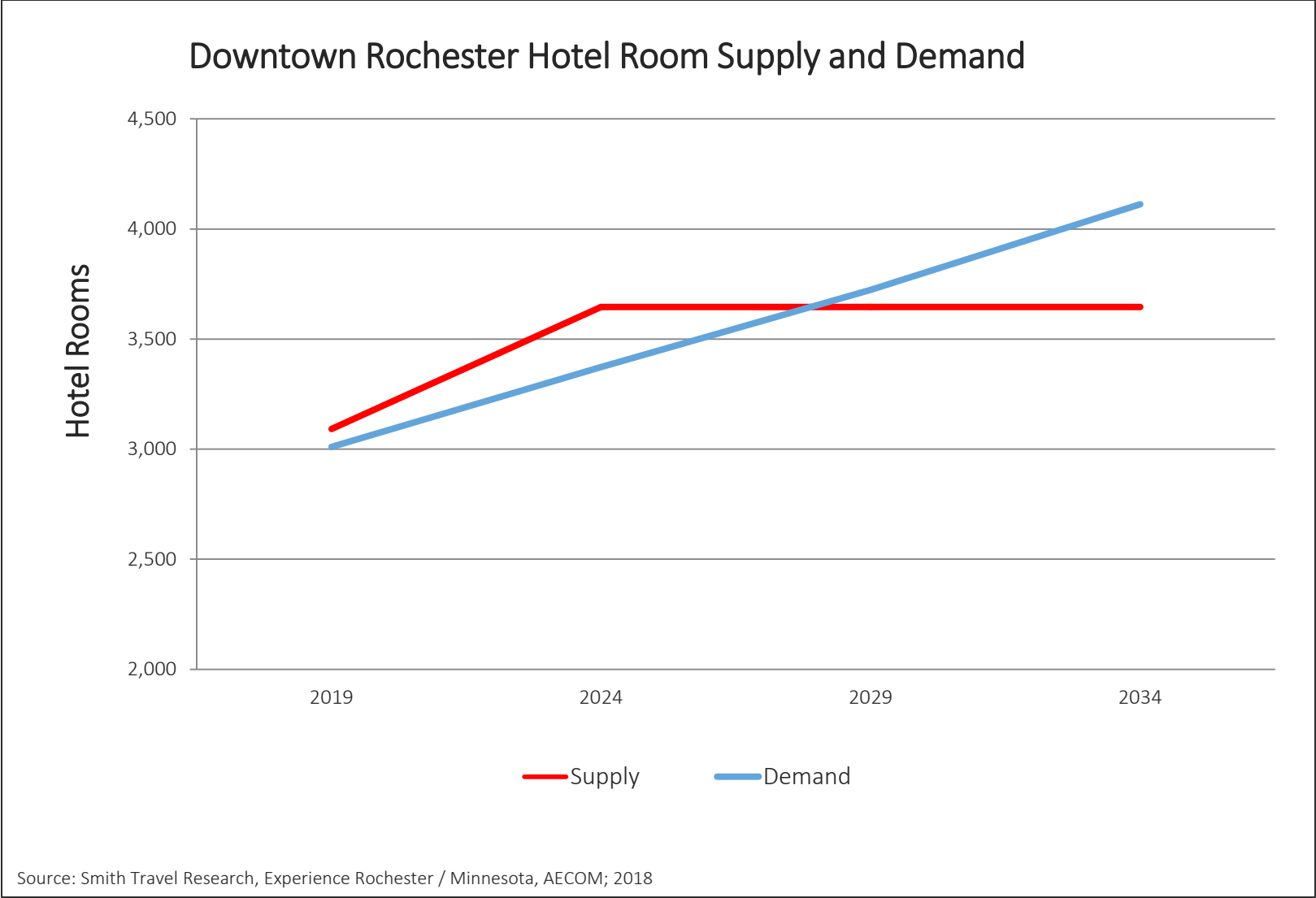
Demand at 70% Occupancy Rate = 3,373 rooms

Supply = 3,646 rooms

Surplus = 273 rooms

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Estimated Hotel Demand By 5-Year Phases



Hotel Market



FINDINGS

Current hotel room inventory and pipeline is estimated to **satisfy demand until late-2020s** at a target occupancy rate of 70%; **mid-2020s if market operates at historical occupancy rate of mid-60%.**



ECONOMIC DEVELOPMENT OPPORTUNITY

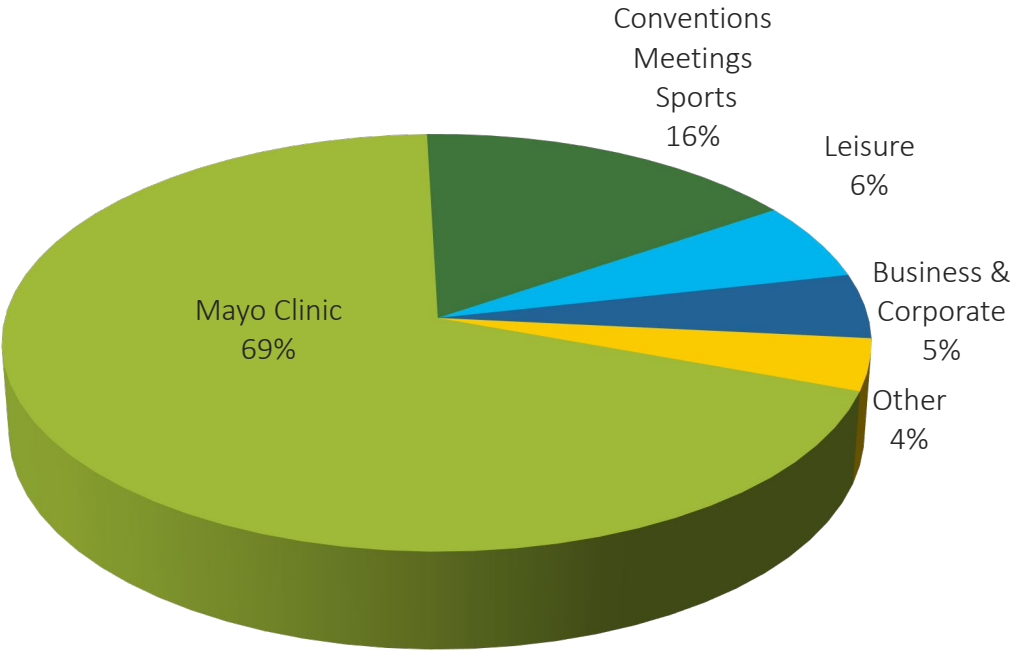
With continued growth of the University of Minnesota-Rochester, Discovery Square, and Mayo Clinic's global reputation, Rochester has the potential to position itself as a unique **national meeting destination** centered on innovations in health and well-being, as well as a **regional convention center**. Development of **event programming** with the Civic Center's renovation, Chateau Theatre, and marketing by new meeting hotels will **grow room-night demand** for more hotels.

Accelerated growth in the near term is possible with **price-point differentiation** and the development of new facilities that generate additional room-night demand.

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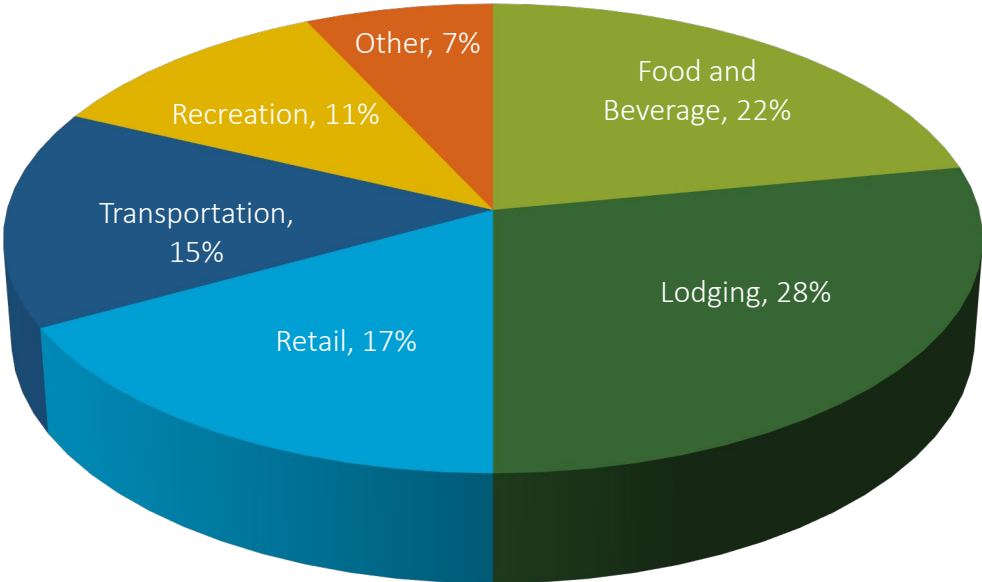
City of Rochester Tourism

Purpose of trip to Rochester



Source: Rochester RCVB

Where Tourism Dollars Go



Source: Rochester RCVB

Residential

Multi-family residential units



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Residential Market

Demand Drivers

Increase **market share of regional growth** in multi-family demand resulting from community-building, place-making & public investments associated with DMC's implementation, especially for **people working downtown, young adult, empty-nester, and senior populations**.

DMC associated job growth creates new households, thereby increasing demand for housing. **UMR's growth plans** may create demand for specialized student and faculty housing. **Housing that is affordable** to low-wage earners is needed to have a balanced market.



TOTAL INVENTORY (multi-family residential units)

2014: 789 units

2018: 1,096 units

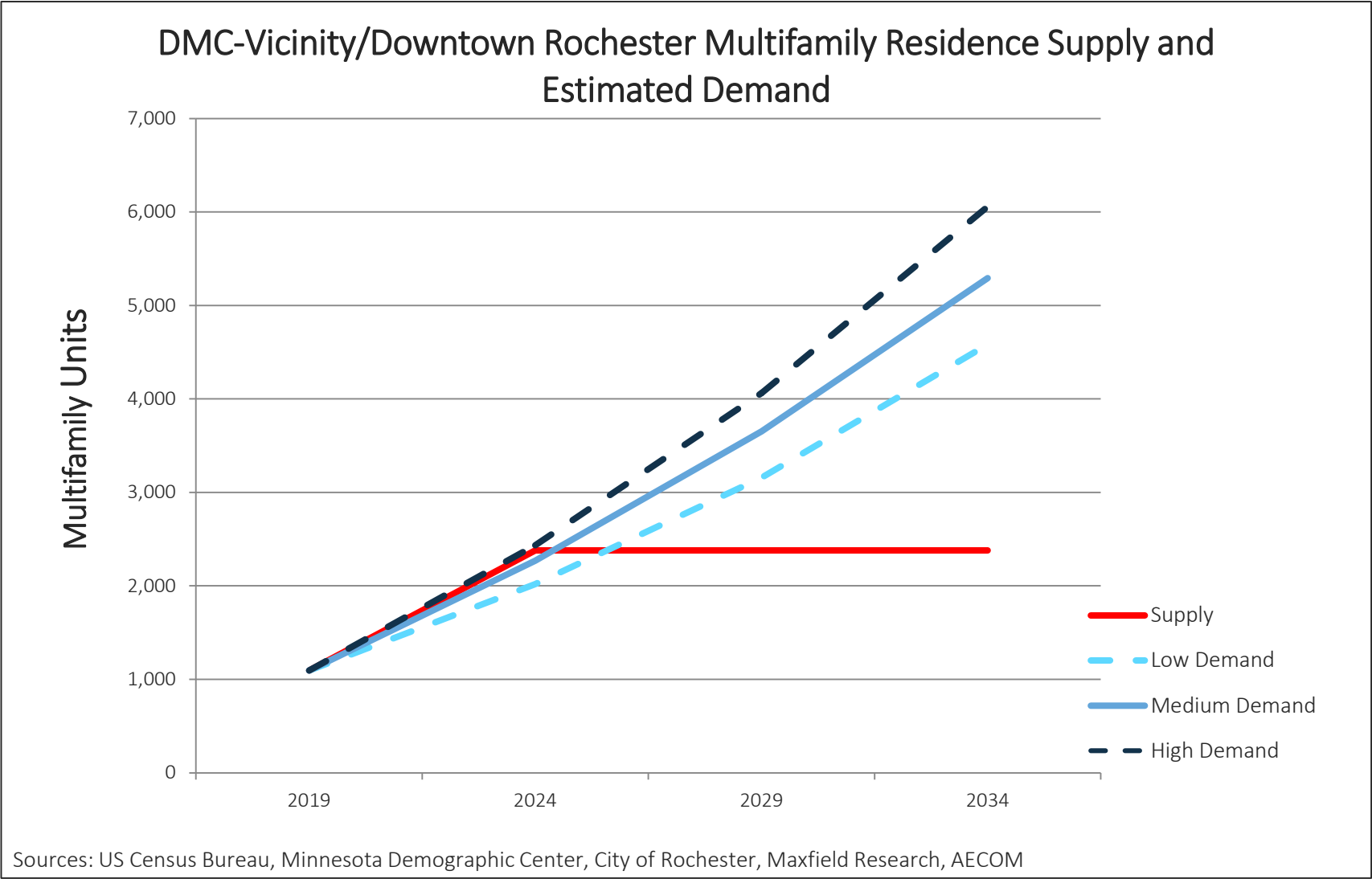
Pipeline: 1,282 units (estimated)



ESTIMATED NEW DEMAND 2019-24

Scenario	Estimated Demand (units)	Pipeline
Low	900	1,282
Medium	1,150	1,282
High	1,350	1,282

Estimated Multifamily Residence Demand By 5-Year Phases



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Residential Market



FINDINGS

The DMC-Vicinity/Downtown Rochester MFR market will more than **double its inventory** of housing units between 2019-2024. These housing units are estimated to **meet or exceed demand in the near term**, depending on the capture rate and the rate of future job growth, which DMC's implementation will influence. While demand may exist for condominiums, disincentives to build given potential legal risks, and the affordability of single-family housing in the region, softens interest in satisfying potential for-sale housing demand.



ECONOMIC DEVELOPMENT OPPORTUNITY

As the **DMC initiative** is successful in attracting firms that generate **jobs and increase household growth** and building **amenities to position** the downtown market, plus **demographic and price-point differentiation** of market segment niches, demand for multi-family housing should continue to increase. There is some **near term market caution** due to the length of the national economic growth cycle. Efforts to **improve affordability** through design, product differentiation, parking strategies, and subsidy for low-income households will help create a balanced community.

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Retail, Dining & Entertainment



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Retail/Dining/ Entertainment Market

Demand Drivers

More downtown workers and **DMC residents and students** will provide a foundation for limited service dining, convenience shopping, after-hours spending, and services. More Mayo, conference, event, and hotel **visitors** expands that base. Capturing a greater market share of **regional resident demand** for dining and entertainment is emerging and will accelerate with DMC's implementation and growing critical mass of activity and consumer options.



TOTAL INVENTORY

2014: 444,000 s.f.
2018: 456,000 s.f.
Pipeline: 103,000 s.f. (estimated)



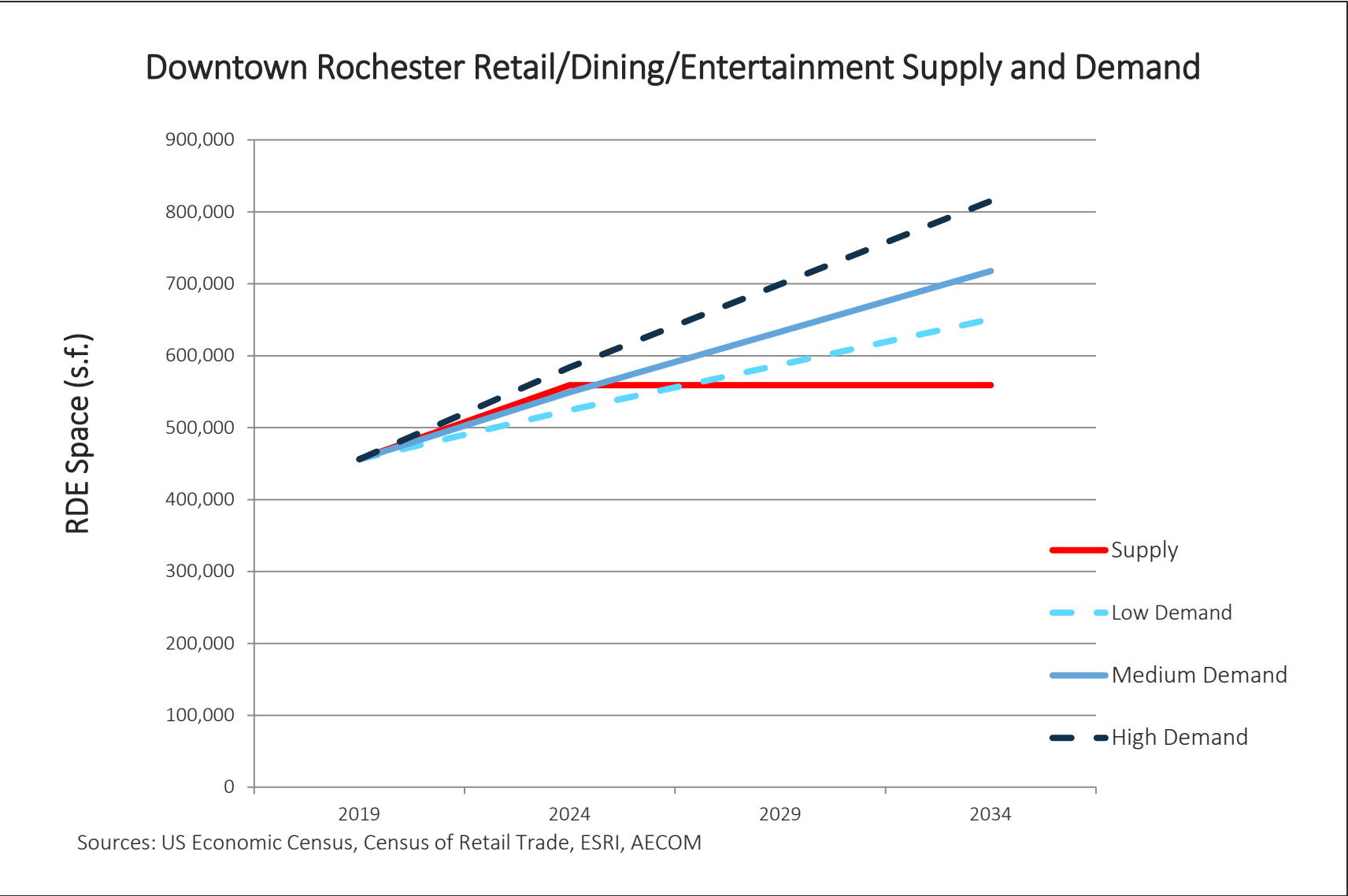
ESTIMATED NEW DEMAND 2019-24

Scenario	Estimated Demand (s.f.)	Pipeline
Low	70,000	103,000
Medium	95,000	103,000
High	130,000	103,000



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Estimated Retail Demand By 5-Year Phases



Retail/Dining/ Entertainment Market



FINDINGS

Retail inventory has been relatively stable for the past 5 years with **small additions** resulting from first floor retail in multifamily residences and **renovations** of older buildings. **Near term demand is satisfied**; DMC's implementation will bring more workers, residents, and tourists leading to **longer-term growth**. Clustering of dining & entertainment increases market share of **regional demand**.



ECONOMIC DEVELOPMENT OPPORTUNITY

Retail/dining and entertainment demand is a function of **growth in captured buying power**. Visitor growth, more downtown residents and workers, and a larger market share of regional demand for dining and entertainment will support more retail/dining and entertainment over time. As the residential community grows and matures, demand for **neighborhood services** will increase. A **critical mass of dining and entertainment in emerging districts** should induce greater demand from the regional market.



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The next phase

While absorbing new inventory - build
“Place” with amenities & mobility to
position for the next growth cycle.



1. Med-Tech drives new demand for the other uses – double down on **more Mayo partnerships & Discovery Square’s supportive eco-system.**
2. Downtown housing is proven – focus on diversified workforce, affordable, and specialized housing to **create a balanced community.**
3. Near term lodging demand satisfied with new supply – **prioritize investments that create more room-night demand.**
4. Retail follows consumers - **develop a dining/entertainment strategy to capture demand.**

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2019 Work Plan Update



2019 Work Plan Updates

- Workforce Development
- Affordable Housing

DMC Priority: Economic Development: Workforce Development

Objective A: Business Development- Includes activities related to formation, recruitment, growth and/or retention of businesses and the ecosystem needed to support those businesses.

Outcome		Timeline	Status	Lead or Participate
1	Collaborations are developed where DMC can participate and support workforce initiatives that are led by other organizations	Q3-Q4		Participate

Objective B: Project Development- Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.

Outcome		Timeline	Status	Lead or Participate
1	Operational plan for intern placement program is developed and implemented- template potential for other sectors	Q1-Q3		Lead
2	Undergrad and grad school students are placed into internships with Discovery Square businesses via DMC workforce development strategy	Q4		Lead
3	Discovery Square workforce has opportunities to integrate into DMC subdistrict programming to support growth of the entrepreneurial ecosystem.	Q4		Lead

DMC Priority: Economic Development: Affordable Housing

Objective A: Strategy Development- Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.

Outcome		Timeline	Status	Lead or Participate
1	Understanding of the current progress and needs for affordable housing in Rochester	Q1		Participate
2	Public and private parcels are identified within the DMC District that are promising for equitable development opportunities including the creation of a tool that maps amenities and transit stops to support housing	Q1		Participate
3	Confirmation of the statutory opportunities available to the DMC for affordable housing development	Q1		Lead
4	Community partners are identified and leveraged to support strategy development	Q1-Q4		Participate
5	Continued engagement with community groups and activities related to a workforce housing strategy	Q1-Q4		Participate
6	Goals are identified for units of affordable and senior housing (#, % of AMI) and shared publicly in order to clearly outline expectations	Q1-Q4		Participate
7	Using data, partnerships and goals, complete an affordable housing and senior housing action plan for the DMC initiative	Q1-Q4		Lead

DMC Priority: Economic Development: Affordable Housing

Objective B: Project Development- Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.

Outcome		Timeline	Status	Lead or Participate
1	Attraction and recruitment of affordable housing developers to DMC District and Rochester market	Q1-Q4		Participate
2	Identified property opportunities within the DMC District with City and County partners	Q1-Q4		Participate
3	Coordinate activities with other priorities and plans including the public realm projects and transportation planning	Q1-Q4		Lead
4	Public and private partners are identified and leveraged to support project execution	Q1-Q4		Lead

Summary – Assistive Tech Challenge

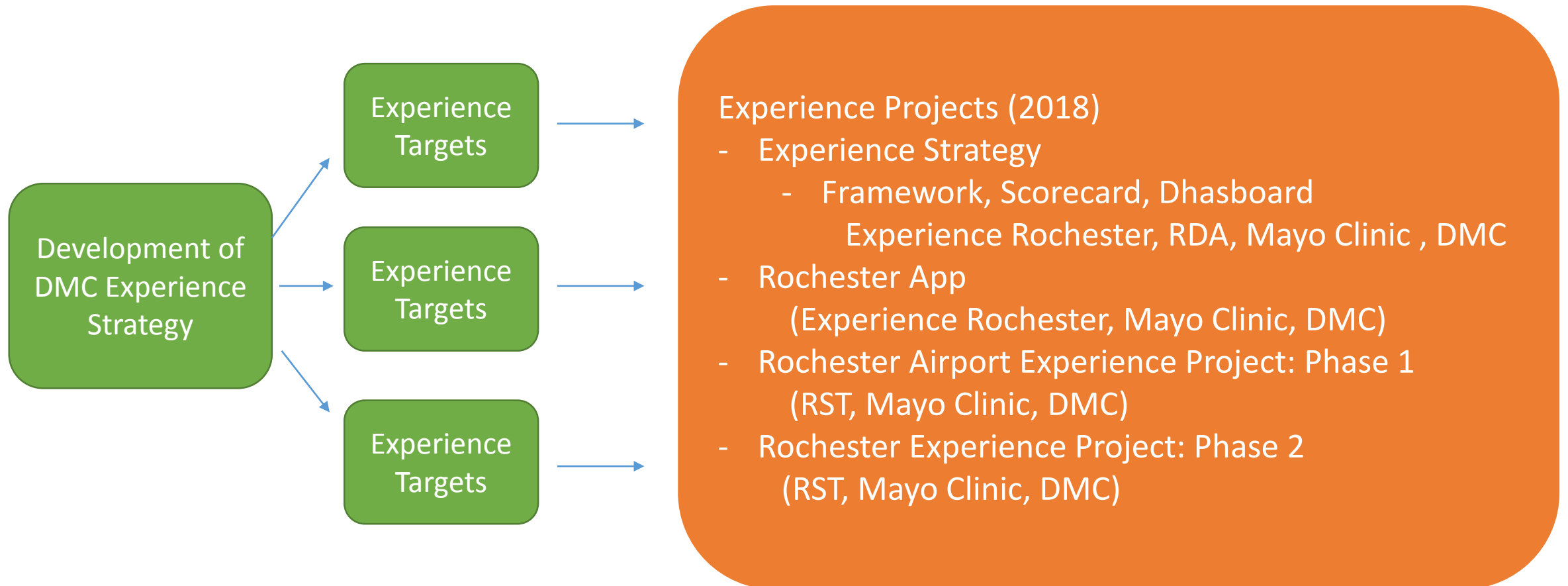
- Sponsors [Fredrikson & Byron Law Firm](#) and [Home Federal Bank](#)
- Collaborators – the [Arc Minnesota Southeast](#) and [Mayo Clinic](#).
- Open Division: Twenty one teams applied.
 - Adapt-A-Cart from Rochester took first place and AbleKitchen from Minneapolis placed second
- Professional Division: Seven teams applied
 - [Vitals Aware Services](#), Inc. took first prize and [Mobility 4 All](#) took second place.

Teams from UW-Eau Claire, Minnesota State University Mankato, University of Minnesota, Rochester, Minneapolis, Madison WI, and Naples FL.



DMC Experience

DMC Development Plan Goal #5: Achieve the highest quality patient, companion, visitor, employee, and community member experience, now and in the future





DMC

Destination Medical Center

2018 Marketing Insights

- Investor & Developer and Discovery Square web pages saw significant growth year-over-year.
- Time on website is exceeding benchmark of over 1:30 and more pages are being viewed than in 2017.
- More than 160 leads generated through advertising efforts.
- High click-through rate from digital advertising and exceeding benchmark.
- Continued growth in social media followers among all platforms: Facebook, Twitter and LinkedIn.