



# DESTINATION MEDICAL CENTER CORPORATION (DMCC)

## BOARD OF DIRECTORS MEETING

9:30 A.M. THURSDAY, JUNE 28, 2018

MAYO CIVIC CENTER - ROCHESTER





DESTINATION MEDICAL CENTER CORPORATION (DMCC)

BOARD MEETING

Thursday, June 28, 2018

9:30 A.M.

AGENDA

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XIV.	Adjournment	



DESTINATION MEDICAL CENTER CORPORATION (DMCC)

BOARD MEETING

THURSDAY, MARCH 22, 2018

MINUTES

- I. Call to Order. Acting Chair R.T. Rybak called the meeting to order at 9:30 a.m. at the Mayo Civic Center, Suite 101, located at 30 Civic Center Drive SE, Rochester MN 55904.
- II. Roll Call. R.T. Rybak, Commissioner Jim Bier, Mayor Ardele Brede, Council Member Mark Hickey, Mike Dougherty, Jim Campbell and Paul Williams were present.
- III. Approval of Agenda. Mr. Rybak requested an amendment to the Agenda to reassign the DMC Initiative Metrics report to the Chair's Report during this and subsequent meetings.

Mr. Dougherty moved approval of the Agenda as amended. Commissioner Bier seconded.

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

- IV. Approval of Minutes: November 2, 2017. Commissioner Bier moved approval of the Minutes. Mr. Dougherty seconded. Mayor Brede noted that he would abstain due to absence from the meeting.

Ayes (6), Nays (0), Abstain (1). Motion approved.

- V. Public Comment Period.

Richard Olen, a resident of Shoreview, MN, stated his support for elevated rail and cited Indianapolis, IN as a community that has successfully integrated elevated rail into a public transit system, and provided a handout.

Dr. Emil Koretsky, a Rochester resident, expressed his opinion regarding non-local stakeholders and issues potentially influencing the implementation of the DMC initiative.

Sankesh Prabhakar, a member of the Rochester civic music board and the Heart of the City committee, urged the Board to approve funding needed to prepare the Chateau Theatre for interim use.

Michael Wojcik, member of the Rochester City Council, commended EDA staff for compiling the metrics dashboard, commented on the transportation plan, welcomed Mr. Williams and commented on affordable housing and wages.

- VI. Election of Officers. Mr. Rybak proposed, as a matter of good governance, that the Board consider establishing two-year terms of office for the elected and appointed officers. Mr. Dougherty moved approval of the motion and Mr. Williams seconded.

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

- A. Chair. Mr. Rybak opened nominations for the office of Chair. Commissioner Bier moved the nomination of Mr. Rybak. Mayor Brede seconded.

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

- B. Vice Chair. Chair Rybak opened nominations for the office of Vice Chair. Mr. Dougherty moved the nomination of Mayor Brede. Mr. Campbell seconded.

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

- C. Treasurer. Chair Rybak opened nominations for the office of Treasurer. Mr. Dougherty moved the nomination of Mr. Campbell. Mr. Williams seconded.

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

- D. Secretary. Chair Rybak appointed EDA Executive Director Lisa Clarke as Secretary. Ms. Clarke's appointment will run concurrently with the term of the current Vice Chair. Mayor Brede moved approval of the appointment. Commissioner Bier seconded.

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

General Counsel Kathleen Lamb suggested that the Board formally reconstitute the DMCC Board Executive Committee with the newly-appointed officers. Council Member Hickey moved approval. Mr. Williams seconded.

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

- VII. Chairs Report. Chair Rybak thanked former chair Senator Tina Smith for her leadership and focusing the Board on the goals of the DMC development plan. Chair Rybak then invited EDA staff to offer a metrics update. Ms. Clarke presented the metrics dashboard. The dashboard will be available at each Board meeting, but some of the data sources are only updated on a semi-annual or annual basis.

Patrick Seeb, EDA Director of Economic Development and Placemaking, discussed the goals. The first goal, intended to support the creation of a comprehensive strategic development plan, has been met but continues to be refined. Additional planning, reports, and community input continues to influence the implementation of the development plan. The second goal, leveraging the public commitment of \$585 million over twenty years, is approximately in line with the ten-to-one private-to-public investment ratio that will be realized at the end of the twenty-year implementation phase. The third goal, job growth, is progressing satisfactorily overall and in several key industries.

Mr. Williams asked whether the development growth projections are tracked in any shorter periods of time than five year increments; Mr. Seeb replied that they are not.

The fourth goal, is tracking new net tax revenue. City and County tax revenue are currently being monitored. The fifth goal, enhancing experience, is the underlying reason for DMC and activity will be ongoing. Chair Rybak thanked staff and noted that many community concerns, including affordable housing and transportation, are Board priorities.

A. Executive Committee Report.

1. Resolution A: Ratifying February 15 Report to the Legislature. Chair Rybak noted that the Executive Committee approved submission of the Report and asked the Board to formally ratify the document. Mr. Campbell moved Resolution A. Mayor Brede seconded.

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

- B. Resolution B: Authorizing April 1 Report to DEED Pursuant to Statute. Ms. Clarke stated that 2017 private investment totals \$131 million, bringing DMC private investment to \$428 million. Once qualified by DEED, the 2018 state investment should total \$7.3 million.

Terry Spaeth, Assistant City Administrator, reported the non-Mayo Clinic private investment, which totaled approximately \$45 million, an increase of \$7 million over 2016's total. He stated that 2018 will be a robust year for development, with the Titan Hilton, Phase One Discovery Square development, Alatus project, Residence at Discovery Square, and the Titan-Opus project all continuing or breaking ground.

Doug Holtan, Mayo Clinic Department of Facilities and Support Services, provided Mayo Clinic's investment update. In 2017, Mayo Clinic completed DMC-related projects totaling \$86 million, with total community Mayo Clinic capital investments of approximately \$270 million. In February 2017, the Mayo Clinic Board of Trustees approved investing \$250 million in the Saint Marys Campus, including an expansion of the Generose building.

Chair Rybak noted that Mayo Clinic's continued investment demonstrates its commitment to the DMC initiative and that he is encouraged by the small business investment in downtown Rochester. Commissioner Bier moved approval of Resolution B. Mr. Dougherty seconded.

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

- C. Resolution C: Commending Tina Smith. Chair Rybak noted the integral role played by Senator Smith during her term of service as DMCC Chair, Chief of Staff to Governor Dayton, and Lieutenant Governor. The time spent by Sen. Smith at the state legislature, overseeing the creation of the development plan and its implementation, were instrumental in the early success of DMC. Mayor Brede moved approval of Resolution C. Commissioner Bier seconded.

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

- D. Resolution D: Commending Gary Neumann. Gary Neumann, retired Assistant City Administrator, was present at the meeting and was recognized by the Board and audience. Chair Rybak said that Mr. Neumann's work outside of Board meetings was critical to advancing DMC and expressed his gratitude for Mr. Neumann's ability to clarify complex issues. Commissioner Bier, Mayor Brede and Council Member Hickey all expressed gratitude. Commissioner Bier moved approval of Resolution D. Mayor Brede seconded.

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

VIII. Project Updates. Ms. Clarke, Steve Rymer, City Administrator, Mr. Spaeth and Mr. Seeb, presented the updates.

- A. Status of Private Development Projects Receiving Prior Approval. Ms. Clarke stated that all four approved private development projects are advancing; more details are in the Board packet. Mr. Dougherty requested that the Board is informed when projects close.

B. CIP Projects: Final Approval of Funds for Projects in 2018 CIP Budget.

1. Heart of the City. Chair Rybak stated that the Board is being requested to approve up to \$350,000 for the advancement of the Heart of the City public realm design. The Capital Improvement Plan, approved in November 2017, identified the Heart of the City public realm as a catalyst for private investment, including the Wells Fargo Center. Mr. Campbell complimented EDA staff on the progress made toward revitalizing the Wells Fargo Center and stated that all parties—Ryan, Wells Fargo, the City, Mayo Clinic—have collaborated on the project. Chair Rybak noted that Wells Fargo is making an important civic gesture by agreeing to reconfigure its retail banking space.

Resolution E: Providing Final Approval for Expenditures from 2018 CIP Budget: Mr. Dougherty moved approval of Resolution E. Mr. Campbell seconded.

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

2. Chateau Theatre. The DMCC approved funds in 2015 to allow the City of Rochester to purchase the historic Chateau Theatre, and 2018 CIP funds were approved for needed maintenance and accessibility improvements. In November 2017, the DMCC requested that staff examine ways to diversify renovation funding opportunities, improve management plans, evaluate less capital intensive improvements, integrate with adjacent development, and pursue interim activation strategies. The requested funding, which will not exceed \$1 million, will provide for building maintenance, preservation, accessibility, and activation. A request for renovation proposals will be issued. This funding request will also be made to the Rochester City Council. If approved, completing these improvements is expected to take approximately twenty weeks.

Mr. Williams asked whether the long-term vision is for the facility to be managed by the City of Rochester or a private company; staff replied that both options are being examined. Mr. Campbell thanked staff for advancing this project and requesting this prudent investment, which is

necessary for interim activation. Chair Rybak agreed, noting that this approach allows the Board, City Council, and staff to withhold any significant investment until more details are known. Mr. Williams inquired about the market research, noting that some venues, like Saint Paul's Palace Theatre, required a great deal of understanding of the local, niche market available to sustain the venue. Mr. Seeb stated that Miller Dunwiddie and Webb Management have conducted market research.

Resolution F: Providing Final Approval for Expenditures from 2018 CIP Budget: Commissioner Bier moved approval of Resolution F. Mr. Williams seconded.

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

C. Public Realm.

1. Discovery Walk. Shane Coen of Coen+Partners provided an update on the Discovery Walk schematic design. Chair Rybak noted the opportunity to showcase the regional natural environment and draw people out of the pedestrian skyway and subway system. Mr. Spaeth noted the need to consider if and how the skyway and subway system will grow; a City-funded consultant is currently reviewing skyway and subway utilization.

D. Preview of Proposed Projects. Mr. Seeb noted that project preview materials are available in the Board packets.

1. Bloom Waterfront (Bloom). Mr. Seeb stated that the Bloom Waterfront project has been revised since it was last presented to the Board. The project will feature two towers and will include parking facilities, which will result in little net change to the parking currently available on the development site. The \$252 million project includes \$180 million in construction costs and will likely result in a significant change in the assessed property tax.

Mr. Dougherty asked if the development financing has been presented to staff; staff responded that equity and lending details are being reviewed. Commissioner Bier stated that the parking needs of existing businesses will need to be considered as construction advances, and Chair Rybak noted that transit management will be essential to minimizing any potential parking disruptions. Mr. Williams asked about the current utilization of the public parking ramp on the property; Mr. Spaeth stated that it is full essentially all of the time. Chair Rybak stated that the development team ought to consider the aesthetics of the project as it would be viewed from the river.

2. Extended Stay Hotel (EKN/American Legion Site). This 175 room hotel with meeting and parking space would be developed at an important downtown intersection, at Civic Center Drive and First Ave NW. Financial review is underway.
3. Wells Fargo Redevelopment Project. Ryan Co. is finalizing the purchase of the building. Wells Fargo will remain as a building tenant. This development is an opportunity to tie the skyway, street, and subway levels together, improve the public-facing façade, integrate with the redevelopment of the Chateau Theatre, and create a public use on Peace Plaza.

Chair Rybak requested that the First Avenue and Theatre Square plan be presented at the next meeting.

E. Transportation Update. Chair Rybak noted the progress made in the last few months and suggested beginning the update by understanding the outcomes of the Board discussion. These outcomes include: building a transportation system that accommodates all users and modes; launching a TMA in Rochester; increasing the bike and pedestrian network without reducing traffic lanes; incorporating bus rapid transit; identifying phasing and prioritization; and engaging potential funders and developers. The system is also being devised to pursue federal funding, to align with other county, regional, and state transit planning.

Mr. Rymer described the need for an integrated transit system, which will be driven by increased employment, limited street capacity, the need to preserve downtown land so that it may be put to its highest and best use, and other variables. The proposed street use scenarios do not eliminate existing traffic lanes. Additionally, Chair Rybak suggested that the city loop scenario should allow city residents to commute on foot or bike and visitors to walk or ride from the downtown core, and noted that a transportation management organization is crucial to the efficient use of the transit and parking system.

Mr. Williams stated that Twin Cities residents can move seamlessly between transit modes, and that such integration ought to be achievable here, but that the route of a BRT system is highly determinative in a transit system's success. Mr. Rymer noted that employment and population growth will be a determining factor in transportation infrastructure phasing and investment. Total funding for the transportation solutions may total \$1.2 billion, but Chair Rybak noted that private funding could be a significant source of funding for transit development, and also noted that the details underlying the transit plan will be known with greater detail as the plan progresses.

IX. EDA Update. Ms. Clarke noted that updates are in the Board packets.

X. DMCC 2018 Budget Year-to-Date Update. The financial and budget information was provided in the Board packets.

XI. Meeting Schedule. Next Regular Meeting: June 28, 2018 at 9:30 A.M.

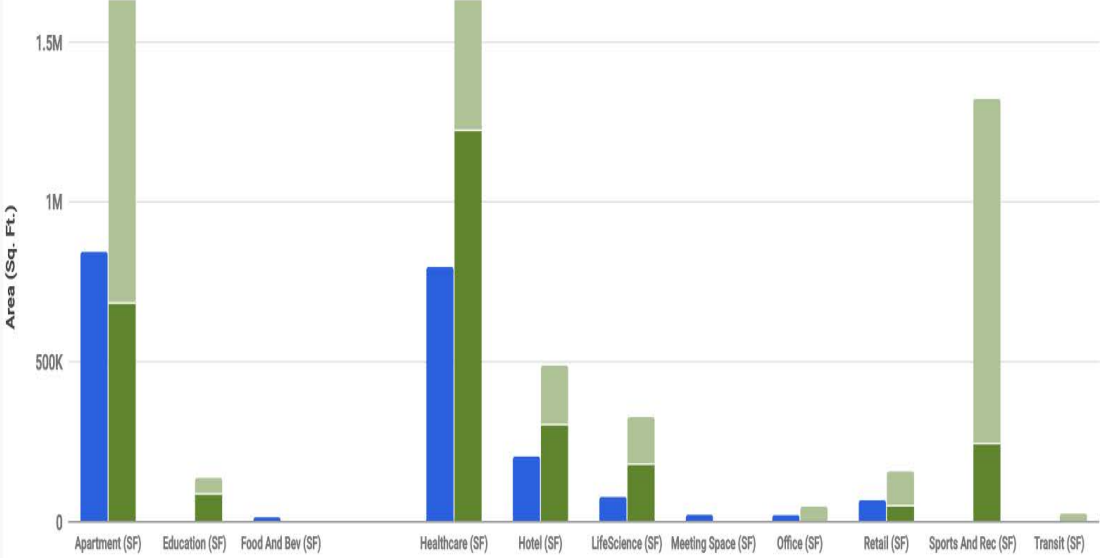
XII. Adjournment. Mayor Brede moved to adjourn the meeting. Mr. Dougherty seconded.

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

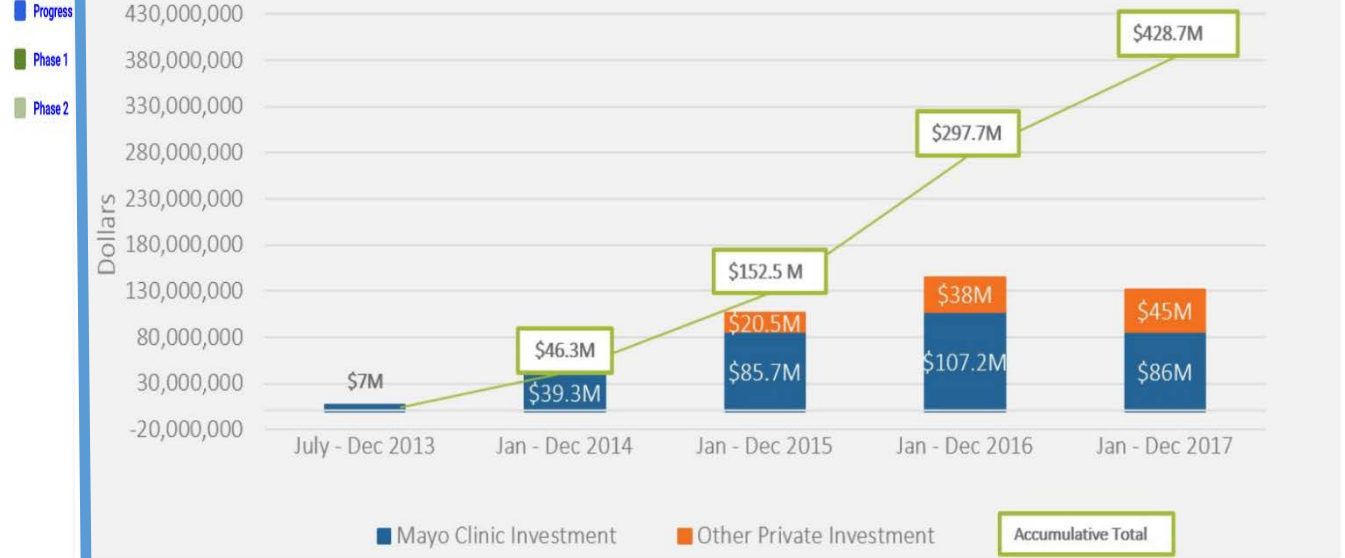


# DMC Dashboard

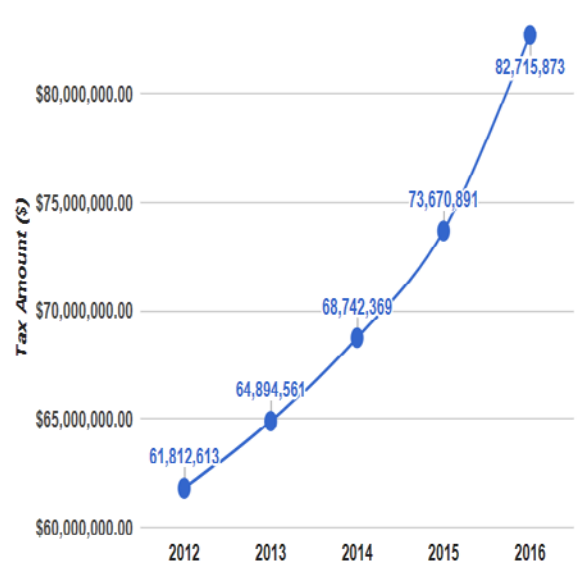
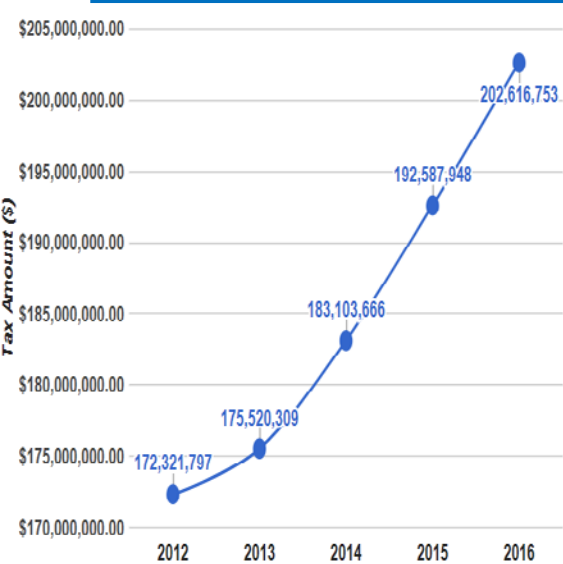
DMC Growth vs. Projections



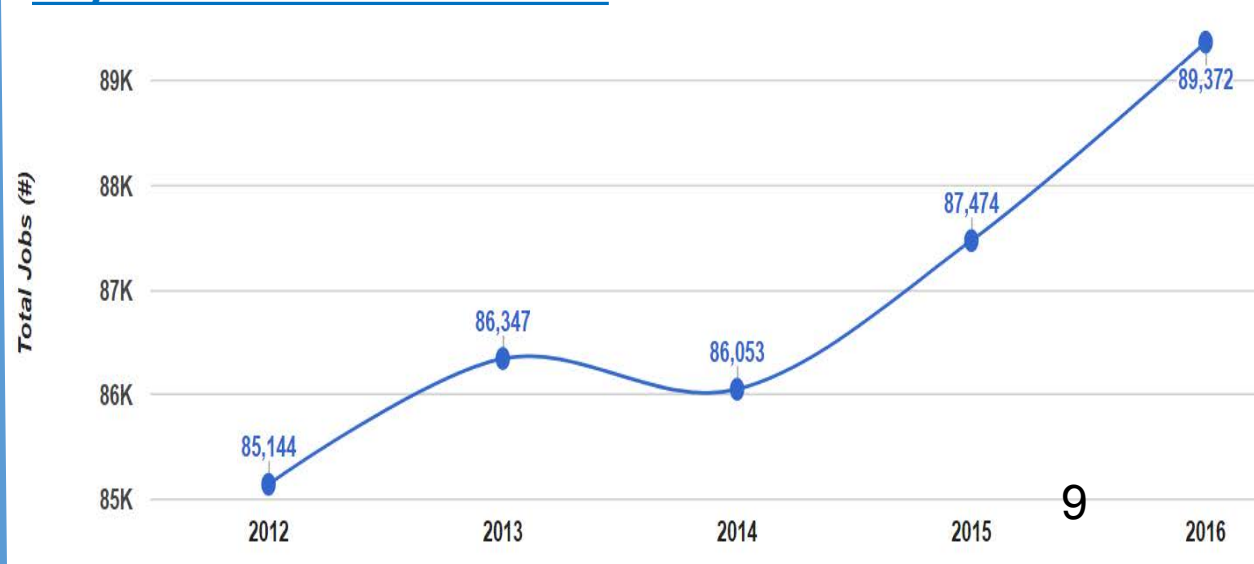
DMC Investment By Year



City & County Tax Revenues



City of Rochester Job Growth



# Impact of New Projects on Goals



## Growth

- Hotel: **529** new/renovated rooms
- Residential: **347** units
- Retail: **43,517** s.f.
- Office: **91,725** renovated s.f.
- Parking: **600** net stalls



## Tax Revenue

- Annual Net New Property Taxes: **\$3.3M**



## Investment

- Private Investment: **\$342M**
- DMC Investment: **\$11.82M**



## Jobs

- Net new permanent jobs: **456**
- Construction jobs: **599**



# New Project Community and Social Benefits



- American-made steel requirement
- Women- and minority-owned business participation targets
- Prevailing wage requirement
- Supports affordable housing through new tax increment
- Public space and amenities



**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2018**

**Revising the 2018 DMCC Board Regular Meeting Schedule**

BACKGROUND RECITALS

- A. The Minnesota Open Meeting Law provides that a schedule of the regular meetings of a public body shall be kept on file at its primary office. If a public body decides to hold a regular meeting at a time or place different from the time or place stated in its schedule of regular meetings, it shall give the same notice of the meeting that is provided for a special meeting.
- B. The Destination Medical Center Corporation desires to revise its regular meeting schedule for 2018.

RESOLUTION

**NOW, THEREFORE, BE IT RESOLVED**, by the Destination Medical Center Corporation (“DMCC”) Board of Directors that the schedule of regular meetings for 2018 is set forth below. The meetings will begin at 9:30 a.m., and the location will be at the Mayo Civic Center. The Secretary is directed to post the 2018 schedule on the website and to post notification by such other means as she determines necessary and appropriate.

<u>Date</u>	<u>Time</u>	<u>Mayo Civic Center</u>
Thursday, March 22, 2018	9:30 a.m.	Mayo Civic Center
Thursday, June 28, 2018	9:30 a.m.	Mayo Civic Center
Tuesday, September 25, 2018	9:30 a.m.	Mayo Civic Center
Tuesday, November 13, 2018	9:30 a.m.	Mayo Civic Center



**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2018**

**Ratifying and Confirming the Revised April 1 Report to DEED Pursuant to Statute**

**BACKGROUND RECITALS**

A. Minnesota Statutes, Section 469.47, provides that by April 1 of each year, the medical business entity (Mayo Clinic) must certify to the Commissioner of the Department of Employment and Economic Development (“DEED”) the amount of expenditures made by Mayo Clinic in the preceding year. For expenditures made by an individual or entity other than Mayo Clinic, the Destination Medical Center Corporation (“DMCC”) must compile the information on the expenditures and may certify the amount to DEED. On March 22, 2018, pursuant to Resolution No. 58-2018, the Board authorized the Chair or Treasurer of the DMCC to execute and submit the report to DEED (the “April 1 Report”), and to modify the report as necessary upon subsequent discussions with Mayo Clinic or the City of Rochester (the “City”).

B. During DEED’s field visit to the City, it was determined that an error had occurred in the amounts certified for 2017. Therefore, staff from the City revised the April 1 Report, and the revised April 1 Report was signed by the Chair of the DMCC and submitted to DEED. The revised April 1 Report is attached as Exhibit A.

**RESOLUTION**

**NOW, THEREFORE, BE IT RESOLVED**, that the Destination Medical Center Corporation Board of Directors ratifies and confirms the revised April 1 Report and its submittal to the Minnesota Department of Employment and Economic Development as required by Minnesota Statutes, Section 469.47, and authorizes the Chair or Treasurer to make such other modifications, and to take such other actions as are necessary and appropriate to effectuate the submission of the report to DEED.



## EXHIBIT A

DESTINATION MEDICAL CENTER CORPORATION  
201 4th St. SE.  
Rochester, Minnesota 55904

May 14, 2018

Shawntera Hardy  
Commissioner  
Minnesota Department of Employment and Economic Development  
1<sup>st</sup> National Bank Building  
332 Minnesota Street, Suite F-200  
Saint Paul MN 55101

RE: Destination Medical Center Corporation: Certification of Expenditures  
REVISED AS OF MAY 9, 2018

Dear Commissioner Hardy:

On behalf of the Destination Medical Center Corporation ("DMCC") and Mayo Clinic, I am pleased to forward the following revised materials for the April 1, 2018 certification, pursuant to Minnesota Statutes Section 469.47, Subdivision 2. Since our original submission of the Certification of Expenditures, dated March 27, 2018, we have been working with Jeremy LaCroix and have revised certain numbers, as follows:

1. DMCC Certification: I enclose the revised DMCC certification of expenditures made by an individual or entity, other than Mayo Clinic, for the period ending on December 31, 2017 ("Attachment 1"). The City of Rochester, Minnesota, assisted with the compilation of this report. The amount of expenditures set forth in this report is \$44,561,713.88.

2. Mayo Clinic Certification: The Mayo Clinic certification has not changed since our original submission. I enclose correspondence and accompanying materials from Jeffrey W. Bolton, Vice President of Administration at Mayo Clinic, dated March 21, 2018 ("Attachment 2"). Mayo Clinic is certifying expenditures for the period of January 1, 2017 through December 31, 2017 in the amount of \$86,392,524.43.

3. Summary of Expenditures: The revised summary page, entitled, "Certification of Expenditures, Destination Medical Center" is enclosed,

Commissioner Shawntera Hardy  
May 14, 2018  
Page 2

setting forth total cumulative expenditures through December 31, 2017, in the amount of \$428,662,787 ("Attachment 3").

Thank you for your consideration, and please do not hesitate to contact either DMCC or Mayo Clinic if you need further information. We look forward to continuing to work with the State of Minnesota, City of Rochester, Olmsted County, Mayo Clinic, and our other partners on the Destination Medical Center initiative.

Sincerely,

A handwritten signature in black ink, appearing to be 'R.T. Rybak', written in a cursive style.

R.T. Rybak  
Chair  
Destination Medical Center Corporation

Encl.

cc: Destination Medical Center Corporation Board of Directors  
Jeffrey W. Bolton, Mayo Clinic  
Jeremy LaCroix



## **Attachment 1**



## 2017 Tracking Worksheet UPDATED May 9, 2018

### Building Permits within the DMC Boundary

(Does not include Mayo Projects)

Year	Completed
2015	\$ 50,000.00
2016	\$ 227,000.00
2017	\$ 3,156,738.00
<b>TOTAL</b>	<b>\$ 3,433,738.00</b>

### 2016/2017 Destination Medical Center - Partially Completed Projects Tracking

Project	Address	Total Building Permit Value	2016	2017
			Partial Completed Work Claimed	Completed Work Claimed
1st Avenue Flats	400 NW 1 Avenue	\$ 8,719,735.57	\$ 4,976,244.00	\$ 3,743,491.57
Lofts at Mayo Park	123 SE 6 Avenue	\$ 6,900,000.00	\$ 6,347,552.97	\$ 552,447.03
501 on First	501 SW 1 Avenue	\$ 12,977,182.75	\$ 12,534,186.96	
Flats on 4th (Buckeye)	412 SE 3 Avenue	\$ 13,082,292.00	\$ 8,906,937.40	
Total		\$ 41,679,210.32	\$ 32,764,921.33	<b>\$ 4,295,938.60</b>
Dollar Value of building permits finalized in 2016			\$ 1,555,125.00	
Dollar amount submitted for partial work in 2016			\$ 31,209,796.33	

### 2017 Destination Medical Center - Partially Completed Projects Tracking

Project	Address	Total Building Permit Value	2017
			Partial Completed Work Claimed
Broadway @ Center	10 East Center Street	\$ 84,282,463.00	\$ 33,866,963.98
Discovery Square	202 SW 4 Street	\$ 16,009,000.00	\$ 2,965,073.30
Dollar amount submitted for partial work in 2017		\$ 100,291,463.00	<b>\$ 36,832,037.28</b>
<b>TOTAL</b>			<b>\$ 44,561,713.88</b>

2017 Destination Medial Center - Partially Completed Projects Tracking

		2017	2017										2018 or 2019
Project	Address	Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Total Permits	Balance to Claim
Broadway @ Center	10 East Center Street	\$ 33,866,963.98	R15-0081CB	\$ 1,000,000.00		R15-0384CB	\$ 45,000,000.00		R15-0447CB	\$ 38,282,463.00		\$ 84,282,463.00	\$ 50,415,499.02
Discovery Square	202 4th Street SW	\$ 2,965,073.30	R17-0384CB	\$ 1,750,000.00		R17-0454CB	\$ 1,290,000.00		R17-0492CB*	\$ 12,969,000.00		\$ 16,009,000.00	\$ 13,043,926.70

\* permit not issued yet

TOTAL for 2017	\$	36,832,037.28										\$ 100,291,463.00	\$ 63,459,425.72
Dollar amount finaled in 2017	\$	-											
Dollar amount submitted for partial work in 2017	\$	36,832,037.28											

2016 Destination Medial Center - Partially Completed Projects Tracking									
		2016	2017						2017
Project	Address	Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Total Permits
1st Avenue Flats	400 NW 1 Avenue	\$ 4,976,244.00	R16-0024MFB	\$ 622,000.00		R16-0008MFB	\$ 8,097,735.57	6/26/2017	\$ 8,719,735.57
Lofts at Mayo Park	123 SE 6 Avenue	\$ 6,347,552.97	R15-0079MFB	\$ 794,323.00	3/6/2017	R16-0011MFB	\$ 6,105,677.00	8/17/2017	\$ 6,900,000.00
501 on First	501 SW 1 Avenue	\$ 12,534,186.96	R15-0053MFB	\$ 1,555,125.00	9/2/2016	R15-0058MFB	\$ 11,422,057.75		\$ 12,977,182.75
Flats on 4th (Buckeye)	412 SE 3 Avenue	\$ 8,906,937.40	R15-0107MFB	\$ 2,400,000.00		R16-0009MFB	\$ 10,682,292.00		\$ 13,082,292.00
TOTAL for 2016		\$ 32,764,921.33							\$ 41,679,210.32
Dollar amount finaled in 2016		\$ 1,555,125.00							\$ 4,295,938.60
Dollar amount submitted for partial work in 2016		\$ 31,209,796.33							\$ 4,618,350.39
TOTAL for 2017		\$ 4,295,938.60							

To Be Claimed In 2018
\$ 442,995.79
\$ 4,175,354.60

2015 Building Permits (Entire Year)  
**CLOSED BUILDING PERMITS**  
 (Within DMC Boundary, does not include Mayo Projects)  
 (Status as of 1/31/2018)

	Sub Type Level	Category Level	Permit Number	Permit Issue Date	Parcel Number	Address Info	Permit Valuation	Work Description	Lic Prof	Owner	2016 Permit Status	2016 Permit Status Date	Current Permit Status	Current Permit Status Date	Changed (as of 1/31/2018)
1	Commercial Bldg	Alteration	R15-0057CB	5/14/2015	080110	10 SW 3 ST, ROCHESTER, MN 55902	\$50,000	Interior expansion into an existing restaurant space (Tap House on 3rd)	ALVIN E BENIKE, INC Aaron E BENIKE 2960 W Hwy 14 ROCHESTER, MN 55901	ECNI ENTERPRISES LLC 10 3 ST SW ROCHESTER, MN 55902	TCO Issued	6/19/2015	Finalized	4/28/2017	Yes

\$50,000

2016 Building Permits (Entire Year)  
**CLOSED BUILDING PERMITS**  
 (Within DMC Boundary, does not include Mayo Projects)  
 (Status as of 3/6/2017)

	Sub Type Level	Category Level	Permit Number	Permit Issue Date	Parcel Number	Within DMC Boundary	Address Info	Permit Valuation	Work Description	Mayo Project	Lic Prof	Owner	Current Permit Status	Current Permit Status	Changed (as of 1/31/2018)
1	Commercial Bldg	Alteration	R16-0380CB	12/21/2016	014434	Yes	320 S BROADWAY AVE, ROCHESTER, MN 55904	\$142,000	Alterations to existing office space (RSP Architects)	No	STARR CONSTRUCTION INC. DBA CONSTRUCTION COLLABORATIVE Steve Bieniek 320 S BROADWAY ROCHESTER, MN 55904	RSP Architects 320 BROADWAY S Suite B ROCHESTER, MN 55904	Finalized	4/4/2017	Yes
2	Multi-Family Bldg	New	R16-0011MFB	6/15/2016	082101	Yes	123 SE 6 AVE, ROCHESTER, MN 55904	\$6,105,677	New 52,003 sq ft, 29 unit, 4 - story apartment building with U.G parking (Lofts at Mayo Park)	No	Welsh Construction Patrick Schel 4350 Baker Road, Suite 400 Minnetonka, MN 55343	EASTBANK LOFTS LLC 1120 2 St South MINNEAPOLIS, MN 55415	C of O Issued	8/17/2017	Yes
3	Multi-Family Bldg	New	R16-0008MFB	7/19/2016	081852	Yes	400 NW 1 AVE, ROCHESTER, MN 55901	\$8,719,736	New 74,494 sq ft, 4-story apartment with underground parking (1 Avenue Flats Apartments)	No	EAGLE BUILDING COMPANY, LLC CHAD WEIS 730 STINSON BLVD STE 200 MINNEAPOLIS, MN 55413	1AF Limited Partnership 2227 7 ST NW Rochester, MN 55901	C of O Issued	6/26/2017	Yes
4	Multi-Family Bldg	Alteration	R16-0082MFB	12/19/2016	080524	Yes	220 S BROADWAY AVE 1604, ROCHESTER, MN 55904	\$85,000	Alterations to existing condo to kitchen and bathrooms (Holiday Inn Downtown - #1604)	No	ROBERT GILL BUILDERS, INC KIRK GILL 511 Northern Hills Dr NE Rochester, MN 55906	Joanna Norcross 1604 South Broadway ROCHESTER, MN 55904	Finalized	4/12/2017	Yes

\$227,000

Some of highlighted dollar amounts where included in 2016 as the 2016 as partially completed projects. See sheet titled 2016 Destination Medical Center - Partially Completed Projects Tracking for the amount counted in 2016 and the amount to be counted in 2017

**CLOSED BUILDING PERMITS**  
 2017 Building Permits (Entire Year)  
 (Within DMC Boundary, does not include Mayo Projects)

Sub Type Level	Category Level	Permit Number	Permit Issue Date	Within DMC Boundary	Parcel Number	Address Info	Permit Valuation	Work Description	Mayo Project	Lic Prof	Owner	Current Permit Status	Current Permit Status Date	
1	Commercial Bldg	Alteration	R17-0006CB	2/6/2017	Yes	073709	1211 SW 2 ST, ROCHESTER, MN 55902	\$200,000	Renovation of existing pool and spa (Aspen Suites)	No	THATCHER POOLS Brad Thatcher 2894 EASTWOOD RD SE ROCHESTER, MN 55904	US Hotels rochester Venture, LLP 3211 West Sencor Dr Sioux Falls, SD 57107	Finalied	4/26/2017
2	Commercial Bldg	Alteration	R17-0040CB	2/9/2017	Yes	081707	20 SW 2 AVE, ROCHESTER, MN 55902	\$15,000	Jem's Confections (Kahler Grand - Suite 3)	No	Kramer Contracting, LLC Adam Kramer 4330 48th St NE Rochester, MN 55906	KAH 20 2ND AVENUE LLC 20 2 AVE SW ROCHESTER, MN 55902	Finalied	2/16/2017
3	Commercial Bldg	Alteration	R16-0446CB	2/15/2017	Yes	017897	101 SW 1 AVE S10, ROCHESTER, MN 55902	\$550,000	Alterations to existing space for bank tenant (Associated Bank - Marriott Hotel)	No	ALVIN E BENIKE, INC AARON E BENIKE 2960 W Hwy 14 ROCHESTER, MN 55901	Doug Harber 2655 Campus Dr Plymouth, MN 55441	Finalied	6/26/2017
4	Commercial Bldg	Alteration	R17-0092CB	4/17/2017	Yes	081707	101 SW 1 ST, ROCHESTER, MN 55902	\$200,000	Interior Sales Floor and Office Remodel (Lasker Jewelers)	No	Hoelt Builders, Inc. Jay Rideout 2423 Rivers Edge Dr. Ste. 1 Altona, WI 54720	Nicole Lasker 101 1st St. SW ROCHESTER, MN 55902	Finalied	6/30/2017
5	Commercial Bldg	Alteration	R17-0140CB	5/15/2017	Yes	014442	30 SE 3 ST 302, ROCHESTER, MN 55904	\$105,000	Fit up an existing tenant space (Morrison Healthcare / Compass Group - Unit #302)	No	BUILD CORE BRIAN MOSER 30 3 ST SE Ste 600 ROCHESTER, MN 55904	Titan Development and Investment 30 3 ST SE ROCHESTER, MN 55904	Finalied	8/14/2017
6	Commercial Bldg	Alteration	R17-0194CB	5/22/2017	Yes	078774	221 SW 1 AVE, ROCHESTER, MN 55902	\$95,000	Adding two new walls with a new door in an existing space. (Bio-Business Building - Well Living Lab)	No	KNUTSON CONSTRUCTION Tom Leimer 5985 BANDEL RD NW ROCHESTER, MN 55901	CITY OF ROCHESTER 201 4 ST SE ROCHESTER, MN 55904	C of C Issued	9/11/2017
7	Commercial Bldg	Alteration	R17-0260CB	6/28/2017	Yes	081056	222 SW 6 AVE, ROCHESTER, MN 55902	\$9,800	RETAINING WALL	No		TRINITY EVANGELICAL LUTHERN CHURCH 222 6 AVE SW ROCHESTER, MN 55902	Finalied	7/14/2017
13	Demolition	Residential	R17-0036D	10/23/2017	Yes	017721	514 SW 4 AVE, ROCHESTER, MN 55902	\$16,500	demo of house		FRASER CONSTRUCTION Rick Penz 3725 ENTERPRISE DR SW ROCHESTER, MN 55902	RESIDENCE AT DISCOVERY SQUARE 3686 CHAPPUIS TRL FARIBAULT, MN 55021	Finalied	11/17/2017
14	Demolition	Residential	R17-0037D	10/23/2017	Yes	017720	518 SW 4 AVE, ROCHESTER, MN 55902	\$16,500	demo of house		FRASER CONSTRUCTION Rick Penz 3725 ENTERPRISE DR SW ROCHESTER, MN 55902	RESIDENCE AT DISCOVERY SQUARE 3686 CHAPPUIS TRL FARIBAULT, MN 55021	Finalied	11/17/2017
15	Demolition	Residential	R17-0038D	10/23/2017	Yes	017719	524 SW 4 AVE, ROCHESTER, MN 55902	\$16,000	demo of house		FRASER CONSTRUCTION Rick Penz 3725 ENTERPRISE DR SW ROCHESTER, MN 55902	RESIDENCE AT DISCOVERY SQUARE 3686 CHAPPUIS TRL FARIBAULT, MN 55021	Finalied	11/17/2017
16	Demolition	Residential	R17-0040D	10/23/2017	Yes	017717	315 SW 6 ST, ROCHESTER, MN 55902	\$18,000	demo of house		FRASER CONSTRUCTION Rick Penz 3725 ENTERPRISE DR SW ROCHESTER, MN 55902	RESIDENCE AT DISCOVERY SQUARE 3686 CHAPPUIS TRAIL FARIBAULT, MN 55021	Finalied	11/17/2017
17	Demolition	Residential	R17-0041D	10/23/2017	Yes	017724	507 SW 3 AVE, ROCHESTER, MN 55902	\$18,000	demo of house		FRASER CONSTRUCTION Rick Penz 3725 ENTERPRISE DR SW ROCHESTER, MN 55902	RESIDENCE AT DISCOVERY SQUARE 3686 CHAPPUIS TRL FARIBAULT, MN 55021	Finalied	11/28/2017
18	Demolition	Residential	R17-0043D	10/23/2017	Yes	017725	506 SW 4 AVE, ROCHESTER, MN 55902	\$16,500	demo of house		FRASER CONSTRUCTION Rick Penz 3725 ENTERPRISE DR SW ROCHESTER, MN 55902	RESIDENCE AT DISCOVERY SQUARE 3686 CHAPPUIS TRL FARIBAULT, MN 55021	Finalied	11/28/2017
19	Multi-Family Bldg	Alteration	R17-0009MFB	2/27/2017	Yes	081810	207 SW 5 AVE, ROCHESTER, MN 55902	\$1,878,438	Replacing windows and doors (Rochester Towers)	No		ROCHESTER CONDOMINIUM ASSOCIATION 207 5 AVE SW ROCHESTER, MN 55901	Finalied	12/19/2017
20	Sign	Business	R17-0029S	4/12/2017	Yes	081852	400 NW 1 AVE, ROCHESTER, MN 55901	\$2,000	Wall sign (1 Avenue Flats Apartments)		OWNER	1AF Limited Partnership 2227 7 ST NW Rochester, MN 55901	Closed	5/8/2017

\$3,156,738



## **Attachment 2**





200 First Street SW  
Rochester, Minnesota 55905  
507-284-2511  
mayoclinic.org

March 21, 2018

Shawntera Hardy  
Commissioner  
Minnesota Department of Employment and Economic Development  
1st National Bank Building  
332 Minnesota Street, Suite E-200  
Saint Paul, MN, 55101-1351

Dear Commissioner Hardy:

Attached with this letter is Mayo Clinic's certification of qualified expenditures of the medical business entity for the Destination Medical Center (DMC) initiative for the period starting January 1, 2017 and ending December 31, 2017. The amount of qualified investment is approximately \$86.4 million.

Overall, Mayo Clinic expended more than \$270.0 million on capital projects and equipment in Rochester in 2017. Major projects included: Saint Marys Radiology Consolidation and Complex Intervention Unit upgrades, Precision Medicine and Jacobson Building upgrades. Again, Mayo Clinic is taking a conservative approach this year when counting eligible investments and expenditures for purposes of meeting the DMC investment goals.

We look forward to working with the State of Minnesota, City of Rochester, Olmsted County, and other stakeholders to strengthen our economy and further strengthen Minnesota's position as the world's premier destination medical center.

Thank you.

Sincerely,

A handwritten signature in blue ink, appearing to read "JW Bolton".

Jeffrey W. Bolton  
Vice President, Administration  
Mayo Clinic

cc: Kevin McKinnon, Deputy Commissioner Economic Development,  
Minnesota Department of Employment and Economic Development



# Permitted Expenditures from July 1, 2013 to December 31, 2017

Approval Date	Project/Req Number	Project/Equipment Name	Total Expenditures reported for 2017	Total Spent as of December 31st 2017
02/18/11	7R100580	Mary Brigh East Expansion	45,808.76	2,061,039.65
11/09/12	7R110910	Dermatology Remodel	-	9,123,648.24
11/09/12	7R121480	Sports Medicine Center	-	5,666,939.49
07/03/13	7R121370	2915 Warehouse Infrastructure	-	693,219.52
07/10/13	7R130470	Core 200 SMH Operating Room Renovation	-	1,411,411.46
07/10/13	7R100320	Anatomic Pathology Office Remodel	-	476,041.94
07/10/13	7R121490	Psychiatry and Psychology Master Plan, Phase 1A - Generose Main	-	1,213,985.91
07/11/13	7R120570	Development Remodel	-	2,679,274.32
08/01/13	7R130980/7R130981	Bed Tower Modernization MB east	4,639,579.17	42,726,006.50
08/01/13	7R130990/7R130991	Domitilla 3 Modernization	-	7,751,953.95
08/14/13	7R130650	Remodeling laboratory space on Guggenheim 5.	-	265,065.75
08/29/13	7R130810	Saint Marys Hospital Chiller Addition	55,736.11	4,537,740.23
09/25/13	7R130180	Institute Hills Chiller Replacement	-	441,903.16
11/06/13	7R130820	Radiation Oncology Room "E" Linear Accelerator Replacement	-	188,793.94
12/11/13	7R110200	DLMP Phlebotomy Remodel	-	1,615,648.60
02/05/14	7R120870	Mary Brigh Electrical Upgrades (Phase 3)	-	2,002,781.62
02/21/14	7R121420	SDSC Expansion Construction Only	45,583.81	21,220,745.84
02/26/14	7R121080	Creation of the consolidated freezer and BAP facility at the 2915 Warehouse	-	4,006,693.46
02/26/14	7R130690	Remodeling of multiple laboratories on Guggenheim 8	-	774,090.58
03/19/14	7R131440	Four Operating Rooms Off Core 700	-	3,082,756.73
04/23/14	7R131300	Remodeling within the Metabolomics Core on Alfred 5	-	616,212.48
2Q2014	R2007523 / 7R131300	Thermo TSQ Triple Quadrupole MS (assets 147506 & 145344)	-	596,292.00
04/23/14	7R131420	Remodeling within Opus 1 to accommodate space for a new CT machine.	-	480,162.90
04/30/14	7R131270	Employee and Community Health Southeast Clinic	-	4,326,200.60
04/30/14	7R120690	Cardiac Catheterization Procedure Room 103 Remodel - Saint Marys, Mary Brigh 4	-	412,584.91
06/04/14	7R140130	Gonda 5, 5th PET/CT Installation & Uptake	-	301,874.69
06/18/14	7R140540	Executive, Development and International Program Expansion - Mayo East 5	-	1,389,522.23
07/02/14	7R131400	DOM 3/4 Infrastructure Revisions for Remodeling	65,586.13	2,109,759.78
07/23/14	7R130760	Clinical Genome Sequencing, Lab Expansion	-	296,600.82
08/14/14	CPC2010723 / 7R130820	Varian Medical Systems (asset 145374)	-	3,334,879.00
08/20/14	7R140480	CMCT and Prev. Med. Relocation Gonda 18 to Mayo East 17	-	358,383.16
03/04/15	7R140790	Cancer Center Station Eisenberg 4-3	438.86	892,147.20
03/18/15	7R140780	CT Simulator I Replacement Charlton S-259, S-261	-	191,170.81
11/13/14	CPC2010473/7R140780	CT Scanner - 5yr (Asset 162815)	-	687,812.80
04/29/15	7R150070	Charlton 2 Incremental 3T Body Scanner	(57,356.37)	749,773.48
04/29/15	CPC2015146/7R150070	3T Siemens Skyra MRI (asset 166875, 167065-167082)	-	1,637,261.00
05/13/15	7R150080	SMC, Mary Brigh Main NH, MR-MCR 1.5T Replacement Scanner	4,325.60	448,573.83
05/13/15	CPC2015438/7R150080	GE; 1.5T Optima MR450W (asset 165084, 165346-165359)	-	1,130,292.00
05/13/15	7R150090	SMC, Mary Brigh Main NH, MR-MCR 1.5T Replacement Scanner	36,962.20	595,824.88
05/13/15	CPC2015436/7R150090	DISCOVERY MRI Mary Brigh (assets 169437, 171643, 171651, 171661-171672 )	-	1,513,704.55
07/22/15	7R130230	Renovation Mary Brigh Main, PACU - Phase 4	(1,855,452.80)	2,059,423.01
05/14/15	7R140390	SMH Mary Brigh East Corridor Relocation	(710,774.57)	4,717,723.26
02/25/15	7R140970	Dr. Lee Diamond Reactor Lab Remodel on Med Sci SL	-	226,408.57
7/23/2014	7R131280	MR-RO-CN-1-MR/PET installation	-	781,558.09
3rd qtr 2014	CPC2007008/7R131280	GE; DISCOVERY MR750 PET (Assets 149876, 150145-150157, 150668-150670)	-	3,698,538.02
8/20/2014	7R140140	CT Scanner Replacements (3L, 3Z & 4J) - somatom - CH 2	-	561,057.62
3rd qtr 2014	CPC2010196/7R140140	Somatom Force CT (Asset 157628)	-	1,831,372.00
12/11/2014	7R140770	Linear Acc Replace Rm "C"	-	185,937.00
08/14/14	CPC2010723/7R140770	VARATHON MEDICAL; TRUE BEAM (Asset 162800)	-	2,895,908.00
08/14/14	CPC2010184/7R140770	SIEMENS; CT EDGE (Asset 163463)	-	856,459.02
08/14/14	CPC2010189/7R140770	SIEMENS; SOMATOM DEFINITION (Asset 164325)	-	862,578.20
10/9/2014	7R140160	Incremental MRI Body Scanner	-	603,049.87
08/14/14	CPC2010068/7R140160	SIEMENS; SKYRA 3T MRI (Asset 157191, 157322-157339)	-	1,859,239.00
12/12/2013	7R121290	GO3 Build 2 CT Bays	-	656,293.35
11/13/14	CPC2010188/7R121290	SIEMENS; SOMATOM FORCE CT (Asset 149843)	-	1,750,000.00
05/08/14	CPC2008778/7R120690	PHILIPS; XPER FD20 (Assets 147302, 147339, 147392)	-	1,649,213.30
1/9/2015	7R140090	Neurology Renovation, Mayo 8	(69,974.07)	4,986,359.39
8/21/2014	7R140220	Mayo 8 - Lobby Remodel	112,425.84	1,137,290.91
4/28/2015	7R140700	Vascular OR Core 801 SMH	43,499.52	1,059,949.88
5/30/2014	7R140170	Rad Vascular Imaging Ste 90	-	144,461.29
5/8/2014	CPC2008468/7R140170	SIEMENS MEDICAL; ARTIS ZEE (Asset 146871, 146872)	-	985,408.00
2/4/2014	7R130050	CT MBM Incremental Interventional CT	-	1,268,114.01
8/1/2013	CPC2002220/7R130050	SIEMENS; DEFINITION EDGE CT (Asset 148622, 148623)	-	1,315,697.00
10/15/2014	7R140150	CH N Neuro Scanner CN I-119C	-	561,796.54
8/14/2014	CPC2010082/7R140150	SIEMENS; PRISMA 3T MRI and Accessories (Asset 157677, 157935-157946)	-	2,241,875.00
12/11/14		USPS Building Purchase (Asset 156757, 156758)	-	2,185,017.25
8/14/2014	CPC2007616/7R140130	Land for Ronald McDonald House (Asset 147588, 147589)	-	1,000,203.16
2/17/2016	7R151530	GE; DISCOVERY 710 PET Scanner (Asset 148389)	-	2,103,046.58
5/25/2016	7R151390	Fixed Wing Building	-	533,262.51
6/29/2016	7R150870	Hematopathology Consolidation, Hilton Building 7th Floor	1,836,040.25	2,018,886.34
8/31/2016	7R160520	Vacate Ei 7-1/7-2 Dermatology Phototherapy Phototherapy Relocation	39,758.94	439,830.58
3/31/2016	7R151490	Relocation of Respiratory Care Unit	1,137,125.26	1,184,489.68
6/30/2016	7R150740	Linen Service Depot-3939 Building	245,660.20	1,882,309.32
7/8/2016	7R151570	Media On Demand Replacement Project	273,510.53	699,440.19
4/27/2016	7R150760	Temporal Bone Lab remodel (original \$600K)	112,322.22	126,259.12
6/8/2016	7R160650	Dr. Misra Laboratory, Gugg 6	136,929.00	314,232.69
9/14/2016	7R160340	Lab Remodel Gugg 17 and 18	363,525.86	391,938.91
		Space assignment for Dr. Burns and Dr. Scarisbrick surgery – Guggenheim 6	333,405.62	372,474.03

# Permitted Expenditures from July 1, 2013 to December 31, 2017

Approval Date	Project/Req Number	Project/Equipment Name	Total Expenditures reported for 2017	Total Spent as of December 31st 2017
9/28/2016	7R151450	Guggenheim 13 Space Remodel	256,672.72	286,997.78
6/30/2016	7R140810	Charlton Desk R Lobby Remodel	249,106.10	377,796.77
11/1/2015	7R151060, 7R15106E	Jacobson Building Operating Rooms	21,153,895.46	22,137,558.17
2/17/2016	7R150100	Charlton 1 PET/CT (DRX- 1 Replacement) E-3006	116,278.15	132,948.22
2/11/2016	CPC2021826/7R150100	GE - Discovery PET/CT 710 (Asset 178322)	1,500,726.20	1,500,726.20
May 2016	7R150010	Gastroenterology & Hepatology Renovation	3,723,570.66	4,259,346.50
9/29/2016	CPC2026475/7R150010	Stryker Sales Corporation - Alfred 6 Integration (Assets 180598-180603)	1,126,322.95	1,126,322.95
9/29/2016	CPC2026506/7R150010	Philips Fluoroscopy (Assets 181122-181123)	1,335,625.38	1,335,625.38
Aug 2016	7R150670	7T MRI Scanner	1,691,147.03	1,736,567.54
2/1/2014	7R140100	SMH Campus Radiology Consolidation	6,281,596.58	21,136,889.07
11/1/2015	7R150830	Mary Brigh East Tower Additional Floors	3,432,502.56	16,479,534.76
	7R150670	Eisenberg 7-1 and 7-2	4,126,548.97	4,849,479.74
12/1/2015	7R150970	Pre Post Expansion on Gonda 2 Gonda 2-467	-	266,028.69
11/19/2015	7R131510	Franklin Heating Station Chiller #4 Replacement	1,933,784.10	2,261,035.76
11/4/2015	7R141050	Mary Brigh 4, Room 106 Heart Rhythm Services Remodeling	63,691.13	538,995.91
5/5/2016	CPC2023942/7R141050	Siemens - Fluoroscopy 106 (Asset 172294)	-	1,508,299.00
11/4/2015	7R141060	Mary Brigh 4, Room 111 Heart Rhythm for Equipment Replacement	165,584.82	217,834.13
8/11/2016	CPC2024041/7R141060	Siemens - Siemens fluoroscopy room 111 (Asset 179164)	801,942.00	801,942.00
11/4/2015	7R150850	Charlton North MR-MCR NU 3T Replacement Scanner	8,081.69	354,930.50
	CPC2019384/5/7R150850	MAGNETOM Prisma 3T (asset 173601)	-	2,184,842.00
11/4/2015	7R150840	Charlton North MR-MCR NT 1.5 Replacement Scanner	-	584,533.06
	CPC2019387/7R150840	SIEMENS; 1.5T OPEN 70CM (assets 169436,171642,171650,171652-171660)	-	1,188,732.00
5/1/2015	7R141150	Research Biplane Angiography System Replacement	-	78,970.28
5/1/2015	R2017007/7R141150	SIEMENS; ARTIS ZEE BIPLANE (asset 165045-165046)	-	1,158,442.00
		41st Street Professional Complex	-	9,831,862.38
May-16	7R160100, 7R160101, 7R160102, 7R160103	Precision Medicine Initiative	5,970,163.27	7,607,020.82
2Q16	R2025131/7R160100	Motoman (PO 20026936)	-	2,516,220.00
2Q16	R2025134/7R160100	Autogen (Assets 175437-175447)	-	1,992,857.97
2Q16	R2025138/7R160100	Hamilton Star (Assets 171685, 172326)	-	440,763.20
2Q16	R2025143/7R160100	Hamilton Bios Freezer	-	2,503,726.93
2Q16	R2025249/7R160100	PerkinElmer Spectrophotometer	-	39,920.00
3Q16	R2026730/7R160100	Hamilton Robotic Upgrades	-	45,951.00
4Q16	R2027700/7R160100	Hamilton Tube Handler - REQ# 2027700	-	34,358.20
3Q16	R2026141/7R160100	Verso M2 - REQ# R2026141	-	340,609.88
11/1/2015	7R150570, 7R15057A-7R15057D	Mary Brigh East Operating Rooms	105,703.55	727,444.67
8/11/2016	CPC2025789/7R15057B	Siemens - Artis Zeeog Card. Thorax (Asset 180570)	1,466,062.00	1,466,062.00
8/11/2016	CPC2026999/7R150570A	GE - Discovery IGS 740 (Asset 179172)	1,363,946.45	1,363,946.45
12/1/2015	7R151460	Gonda 14 Radiographic Room DR Conversion E15-3011 RAD-MCR-GO14-R	90,732.87	105,773.10
12/1/2015	7R151470	Gonda 14-158 Duo DR Replacement, E15-3014 RAD-MCR-GO14-158	1,016.96	154,034.23
12/1/2015	7R150980	West Pre/Post Remodel, Mary Brigh Main	2,010,591.64	2,022,954.79
8/19/2015	7R150650	Radiology - Charlton 1, VG6 Replacement E15-3003	-	138,704.91
8/19/2015	CPC2015772/7R150650	GE; DISCOVERY 670 PRO	-	948,408.45
9/21/2016	7R160970	Cardiovascular Diseases Patient Appointment Coordinator	199,698.79	199,698.79
12/21/2016	7R151630	Reproductive Endocrinology and Infertility Relocation	1,786,697.67	1,786,697.67
12/21/2016	7R160540	Remodel Mary Brigh 6 to increase Medical ICU capacity	1,463,708.66	1,463,708.66
12/31/2016	7R151000	Mayo Building - Substation MA-E-5 Replacement	37,118.48	37,118.48
5/25/2016	7R151380	Pharmacokinetics Core Relocation	469,019.61	469,019.61
6/14/2017	7R151560 & 7R170130	Remodel Baldwin 1 for ISP / Baldwin 1 Entry Vestibule Replacement	636,655.65	636,655.65
3/15/2017	7R151400	Mycology/TB Expansion Hilton 8	410,237.26	410,237.26
3/15/2017	7R160790	CMIL/NIL Relocation and Expansion, Hilton 7	1,323,106.20	1,323,106.20
9/6/2017	7R151290	Human Cellular Therapy N2 Tank Storage Facility	71,806.10	71,806.10
9/6/2017	7R160160	Conversion of OR 609 from Hybrid OR to Conventional OR	80,436.86	80,436.86
9/6/2017	7R170260	Gonda 2 Decontamination Space Remodeling	26,399.07	26,399.07
9/30/2017	7R170730	Eisenberg AHU S-55 Replacement to Support REI Practice Relocation	83,127.11	83,127.11
2/2/2017	7R161520	41st Street.	4,213,273.20	4,213,273.20
8/10/2016	7R160940	Guggenheim 15-02 integration of core facility and laboratory program\	310,941.02	310,941.02
3/8/2017	7R160110	Aging Center Space Remodel, Guggenheim 7	446,685.01	446,685.01
6/22/2016	7R160750	Stabile 11 Lab construction - Revzin	312,541.43	312,541.43
12/7/2016	7R161510	Installation of Open MRI System, Opus 1	249,960.61	249,960.61
1/11/2017	7R170020	Lab renovation ST 11, CRM recruit, Dr. Quinn Peterson	100,234.22	100,234.22
10/5/2016	7R160980	Saint Marys Campus Complex Intervention Unit	2,162,085.10	2,162,085.10
1/4/2017	7R160290 & 7R160280	E16-3005 MR MCR-GO3 1.5 MR Scanner #1	1,223,227.91	1,223,227.91
11/10/2016	CPC2026320/7R160280	Siemens - MAGNETOM Aera (Asset 182886; 182863-182881)	1,688,565.00	1,688,565.00
11/10/2016	CPC2026981/7R160280	Siemens - MR Elastography #T+D (Gonda 3)	-	-
11/2/2016	7R160280	Gonda 3-1 3T Incremental Body Scanner #1, E16-3005	-	-
11/2/2016	7R160290	Gonda 3-1 3T Incremental Body Scanner #2, E16-3012	-	-
3/30/2017	7R161300	RMC S-8 AHU Replacement	156,973.45	156,973.45
12/7/2016	7R140380	SMOP/Radiology Desk	324,190.93	324,190.93
5/25/2016	7R151430	Mary Brigh Main SMC Radiology Hybrid Procedural Suite - MR Suite	1,331,028.89	1,331,028.89
5/5/2016	CPC2023488/7R151430	Philips - Ingenia 1.5T Omega HP R5 Q1 (Asset 183632; 183885-183897)	1,474,847.09	1,474,847.09

85,392,524.43 325,523,437.41



## **Attachment 3**





**Certification of Expenditures  
Destination Medical Center**

For Calendar Year 2017\_

Due to Commissioner of Employment and Economic Development (DEED) by April 1

**REVISED AS OF MAY 9, 2018**

The Medical Business Entity and the Destination Medical Center Corporation (DMCC) Board of Directors (assisted by the City of Rochester) hereby submits to the Department of Employment and Economic Development (DEED) the following report for expenditures that relate to the Destination Medical Center (DMC) Development for the calendar year 2017, and the certifications required to support the documentation under the City of Rochester Commissioner of Employment and Economic Development State Infrastructure Aid Agreement.

**Expenditures Reported this Year**

Total Expenditures Reported This Year by Medical Business Entity<sup>1</sup>

\$	86,392,524.00
----	---------------

Total Expenditures Reported This Year for other Private Entities<sup>1,2</sup>

\$	44,561,713.00
----	---------------

TOTAL Expenditures This Year

\$	130,954,237.00
----	----------------

**All Expenditures claimed since June 30, 2013**

Previous Years Expenditures (cumulative)

\$	297,708,550.00
----	----------------

TOTAL Expenditures This Year (from Box 3)

\$	130,954,237.00
----	----------------

All Claimed Expenditures as of 12/31/2017 (Box 4 plus Box 5)

\$	428,662,787.00
----	----------------

Qualified Expenditures claimed in 2017 (Box 6 minus \$200,000,000)

\$	228,662,787.00
----	----------------

**State Aid Qualified for this Year** (local government match also required)

General State Infrastructure Aid Qualified for (Box 7 multiplied by .0275)

\$	6,288,226.64
----	--------------

State Transit Aid Qualified for (Box 7 multiplied by .0075 and then multiplied by .6)

\$	1,028,982.54
----	--------------

By providing my signature below, I am hereby certifying the information stated herein is accurate, true and complies with the provisions of Statute 467.47 of the State of Minnesota and the approved methodology as outlined in the City of Rochester Commissioner of Employment and Economic Development State Infrastructure Aid Agreement.

**For Expenditures By the Medical Business Entity:**



Mayo Clinic Chief Financial Officer

5/11/18

Date

**For all other Expenditures**



Destination Medical Center Corporation

5/18/18

Date

<sup>1</sup> Expenditures need to be after June 30, 2013

<sup>2</sup> Other Private Entities' certification of expenses may be certified retroactively in 2014 after the DMC District and plan are adopted.



Board of Directors  
Destination Medical Center Corporation  
Rochester, Minnesota

We have audited the financial statements of the governmental activities and the general fund of the Destination Medical Center Corporation (the Corporation) for the year ended December 31, 2017, and have issued our report thereon dated June 8, 2018. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### **Qualitative aspects of accounting practices**

##### Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2017.

We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### Accounting estimates

There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

##### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

**Corrected misstatements**

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

**Disagreements with management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

**Management representations**

We have requested certain representations from management that are included in the management representation letter dated June 8, 2018.

**Management consultations with other independent accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

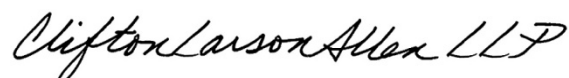
**Significant issues discussed with management prior to engagement**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

**Other information in documents containing audited financial statements**

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the use of the board of directors and the management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
June 8, 2018

**DESTINATION MEDICAL CENTER CORPORATION  
(A COMPONENT UNIT OF THE CITY OF  
ROCHESTER, MINNESOTA)**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2017**



**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
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YEAR ENDED DECEMBER 31, 2017**

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**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
BOARD OF DIRECTORS  
AS OF DECEMBER 31, 2017**

**BOARD OF DIRECTORS**

R.T. Rybak	Chair
Ardell Brede	Vice Chair
James Campbell	Treasurer
Jim Bier	Director
Michael Dougherty	Director
Mark Hickey	Director



## **SECTION I – FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Destination Medical Center Corporation  
Rochester, Minnesota

We have audited the accompanying financial statements of the governmental activities and the general fund of the Destination Medical Center Corporation (Corporation), a component unit of the City of Rochester, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Destination Medical Center Corporation as of December 31, 2017, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.


### ***Other Matters***

#### ***Required Supplementary Information***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018, on our consideration of the Destination Medical Center Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of the laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Destination Medical Center Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Destination Medical Center Corporation's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Rochester, Minnesota  
June 8, 2018

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET  
DECEMBER 31, 2017**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 894	\$ -	\$ 894
Advances to DMC EDA	50,000	-	50,000
Due from Other Governments	331,161	-	331,161
Prepays	103,678	-	103,678
	<u>485,733</u>	<u>-</u>	<u>485,733</u>
Total Assets	<u>\$ 485,733</u>	-	485,733
<b>LIABILITIES</b>			
Accounts Payable	331,055	-	331,055
Due to Other Governments	51,000	-	51,000
Unearned Revenue	103,678	-	103,678
Total Liabilities	<u>485,733</u>	-	<u>485,733</u>
<b>FUND BALANCE/NET POSITION</b>			
Fund Balance:			
Unassigned	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 485,733</u>		
Net Position:			
Unrestricted		-	-
Total Net Position		<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2017**

	General Fund	Adjustments	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Economic Development:			
Building Rent	\$ 32,558	\$ -	\$ 32,558
Legal Consultants	172,584	-	172,584
Other Professional Services	15,887	-	15,887
Insurance	16,136	-	16,136
Program Costs	2,234,105	-	2,234,105
Total Expenditures/Expenses	<u>2,471,270</u>	<u>-</u>	<u>2,471,270</u>
<b>PROGRAM REVENUES</b>			
Intergovernmental:			
Local Government	2,471,264	-	2,471,264
Total Program Revenues	<u>2,471,264</u>	<u>-</u>	<u>2,471,264</u>
Net Program Revenues	(6)	-	(6)
<b>GENERAL REVENUES</b>			
Investment Earnings	6	-	6
Total General Revenues	<u>6</u>	<u>-</u>	<u>6</u>
Change in Fund Balance	-	-	-
Change in Net Position	-	-	-
<b>FUND BALANCE/NET POSITION</b>			
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
<b>REVENUES</b>				
Intergovernmental:				
Local Government	\$ 3,224,870	\$ 3,224,870	\$ 2,471,264	\$ (753,606)
Investment Earnings	-	-	6	6
Total Revenues	3,224,870	3,224,870	2,471,270	(753,600)
<b>EXPENDITURES</b>				
Current:				
Building Rent	25,000	25,000	32,558	7,558
Legal Consultants	350,000	350,000	172,584	(177,416)
Other Professional Services	54,500	54,500	15,887	(38,613)
Travel and Training	6,000	6,000	-	(6,000)
Insurance	20,000	20,000	16,136	(3,864)
Program Costs	2,769,370	2,769,370	2,234,105	(535,265)
Total Expenditures	3,224,870	3,224,870	2,471,270	(753,600)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE</b>				
Beginning of Year			-	
End of Year			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

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**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Destination Medical Center Corporation (the Corporation) is a component unit of the City of Rochester, Minnesota, and was incorporated on July 23, 2013. The Corporation was established by the City of Rochester, Minnesota pursuant to Minnesota Statutes Section 469.41 as a Minnesota nonprofit corporation. The Corporation was established to benefit the City, and more broadly, Olmsted County and the state of Minnesota by researching, preparing and implementing a master development plan, including facilitating public infrastructure projects and a variety of development and redevelopment projects, all to promote and provide for the establishment of the City, the County, and the State as a world destination medical center.

The Corporation is governed by a board of directors consisting of eight directors. The composition of the board of directors include the Mayor of the City of Rochester or the Mayor's designee, the City of Rochester Council President or the President's designee, the Chair or another member of the County Board of Olmsted County, a representative of Mayo Clinic, and four directors appointed by the Governor of Minnesota.

**Basis of Presentation**

The financial statements of the Destination Medical Center Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as generally accepted accounting principles in the United States of America for state and local governments.

**Financial Reporting Entity**

The Corporation was established to oversee the planning and implementation of the Destination Medical Center initiative. The Corporation works with the City of Rochester, Minnesota and the Destination Medical Center Economic Development Agency to prepare and adopt a development plan.

Component units are legally separate entities for which the Corporation (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the Corporation.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statement Presentation**

The General Fund of the Destination Medical Center Corporation meets the definition of a Special-Purpose government and is involved in only one program, as specified in Minnesota Statutes, Sections 469.40 - 469.47. Accordingly, the Corporation is allowed to combine its government-wide statements with the fund statements. At December 31, 2017, and for the year then ended, there were no reconciling items between the two types of statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all financial activities of the Corporation.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting**

The Corporation adopts an annual budget, which is adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). Reported budget amounts represent the original adopted budget as amended by the board. For 2017, the amount budgeted for the purpose of paying the expenses of the Corporation was \$3,224,870. Actual expenditures of the Corporation were \$2,471,270 resulting in a favorable variance of \$753,600.

**Assets, Liabilities, and Fund Balance/Net Position**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits in a checking account and a repurchase agreement account for any available deposits at the end of the business day.

**Advances**

Advances consist of monies advanced to the Destination Medical Center Economic Development Agency to fund operational expenses.

**Due from Other Governments**

Due from other governments consists of program costs receivable from the City of Rochester, Minnesota.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

**Unearned Revenues**

Unearned revenue is prepaid insurance and unspent dollars that were advanced to the Destination Medical Center Economic Development Agency.

**Fund Balance**

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned. The Corporation currently only reports unassigned fund balance. Restricted fund balances are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balance represents constraints on spending that the Corporation imposes upon itself by high-level formal action prior to the close of the fiscal period. The board of directors authorizes all assigned fund balances and their intended uses. Unassigned fund balances are considered remaining amounts.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenues and Expenditures**

**Fund Balance (Continued)**

When an expenditure is incurred for which both restricted and unrestricted fund balance is available, it is the Corporation's policy to use restricted fund balance first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned cash fund balance is available, it is the Corporation's policy to use committed first, then assigned and finally unassigned cash fund balance.

**Revenues**

Intergovernmental revenues are reported under the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. The intergovernmental revenues are entirely provided by the City of Rochester, Minnesota.

Investment income is recognized when earned, since it is measurable and available.

**Expenditures**

Expenditure recognition in the general fund includes only amounts represented by current liabilities. Noncurrent liabilities are not recognized as governmental fund type expenditures or fund liabilities.

**Net Position**

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Deposits**

In accordance with Minnesota Statutes, the Corporation maintains deposits at depository banks as authorized by the Corporation's board of directors.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned in full. The Corporation's deposit policy for custodial credit risk follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

The Corporation's deposits in banks at December 31, 2017 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**B. Investments**

The Corporation may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- BANKER'S acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The Corporation's investments consisted of a repurchase agreement with Wells Fargo Bank, N.A. having a balance of \$894 at December 31, 2017. The securities sold to the Corporation include US Agency Bonds with an AAA rating. The repurchase agreement bears interest at .01% and matures overnight. As such, the repurchase agreement is presented as a cash equivalent in the financial statements.

**Interest Rate Risk** – This is the risk that arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Corporation's investment policy limits investments to a maturity of one year, or lesser period that coincides with expected disbursements by the Corporation. Operating reserves may be invested in securities with a maximum maturity of up to three years.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Custodial Credit Risk** – Investments – For an investment, this is the risk that, in the event of a failure by the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation state statutes which require that investment balances be fully collateralized. As of December 31, 2017, the securities underlying the repurchase agreement are held by the counterparty in the Corporation's name.

At December 31, 2017, the Corporation had the following deposits and investments:

Repurchase Agreement - Wells Fargo Bank, N.A.	\$ 894
Total Cash and Investments	<u>\$ 894</u>

**NOTE 3 RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts, theft of assets, or errors and omissions. The Corporation purchases commercial insurance coverage for such risks.

**NOTE 4 RELATED ORGANIZATION**

The Destination Medical Center Economic Development Agency (DMC EDA), a related Minnesota nonprofit corporation, was established by the Mayo Clinic pursuant to Minnesota Statutes Section 469.43. The Corporation does not have a voting majority of the board of directors of DMC EDA, which is considered a stand-alone entity apart from the Corporation and thus, is excluded from the Corporation's financial statements. Separate financial statements are issued for the DMC EDA.

**NOTE 5 CONTINGENT LIABILITIES AND COMMITMENTS**

The Corporation receives financial assistance from state and local governmental agencies. The disbursement of funds received under these programs generally require compliance with the terms and conditions specified in the agreements and are subject to audit by the funding agencies, regulators and other oversight agencies. Any disallowed claims resulting from such audits could become a liability of the Corporation. Management is not aware of any disallowed claims at this time.

## **SECTION II - COMPLIANCE LETTERS**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Destination Medical Center Corporation  
Rochester, Minnesota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Destination Medical Center Corporation, a component unit of the City of Rochester, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Destination Medical Center Corporation's basic financial statements, and have issued our report thereon dated June 8, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Destination Medical Center Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Destination Medical Center Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Destination Medical Center Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Destination Medical Center Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

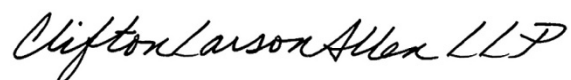
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Destination Medical Center Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Destination Medical Center Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Destination Medical Center Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
June 8, 2018

## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors  
Destination Medical Center Corporation  
Rochester, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Destination Medical Center Corporation, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Destination Medical Center Corporation's basic financial statements, and have issued our report thereon dated June 8, 2018.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Destination Medical Center Corporation failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Destination Medical Center Corporation's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Rochester, Minnesota  
June 8, 2018



## Status of Private Development Projects Receiving Prior Approval

Titan Hilton Hotel- Titan

(Approved as Broadway at Center Project)

Berkman Apartments- Alatus

(Approved as Alatus 2<sup>nd</sup> Street Development)

Urban on First- Titan/Opus

(Approved as Rochester 1<sup>st</sup> Avenue Mixed-Use Project)

One Discovery Square- Mortenson

(Approved as Discovery Square- Phase I)



## Titan Hilton Hotel

To: DMCC Board of Directors  
From: DMC EDA Staff  
Date: June 20, 2018



### **Overview:**

After being one of the first two projects approved for DMC funding in spring 2015, the Titan Hilton hotel broke ground in December 2016. The 19-story structure will include retail and dining amenities and be anchored by a Hilton hotel.

On January 31, 2018 a topping off ceremony took place with the community. Permanent interior enclosure and skin has been started. 180 on-site workers currently working on the project and that is anticipated to go up.

### **Next Steps:**

The next construction milestone is the third week of August, the exterior enclosure will be completed. Anticipated completion date is January 31, 2019 with a hotel opening date of April 15, 2019.

## Berkman Apartments



To: DMCC Board of Directors  
From: DMC EDA Staff  
Date: June 20, 2018

### **Overview:**

The Berkman Apartments include construction of an approximately 327,965 square foot, thirteen-level commercial and residential complex. In December 2016, the DMC EDA Board of Directors acted unanimously in recommending the proposed project to the DMCC as a Public Infrastructure Project, consistent with the DMC Development Plan. It further recommended support in the amount of \$10.5 million in city Tax Increment Financing.

Demolition of existing buildings on the site took place in December of 2017. Financing closed in early February 2018. A ground breaking ceremony took place on May 2, 2018. Currently 40-45 workers are on site daily.

The most recent construction milestones include:

- Utility connections complete – 2<sup>nd</sup> St SW, 14<sup>th</sup> Ave SW, and 15<sup>th</sup> Ave SW.
- Deep foundations continue. Early in construction, we encountered some delays due to weaker than projected subsurface conditions. We have since taken a more pro-active approach to speed up the timeline. Target completion date of 1<sup>st</sup> week of August.
- Elevator core – finished pouring the concrete pad as well as building it out.
- Northland – on-site working on foundation walls and grade beams at the north and northwest corner of the site.

### **Next Steps:**

As construction continues the next milestone is the concrete post-tensioned slab being completed. Final completion of the entire building is May 2020.



## Urban on First



To: DMCC Board of Directors  
From: DMC EDA Staff  
Date: June 20, 2018

### **Overview:**

The Urban on First Mixed-Use Development includes construction of an approximately 238,717 square foot, six-story podium commercial and residential complex.

On January 12, 2017, the DMC EDA Board of Directors acted unanimously in recommending the proposed project to the DMCC as a Public Infrastructure Project, consistent with the DMC Development Plan. It further recommended support in the amount of \$3.8 million in city Tax Increment Financing.

At its January 2017 meeting, the DMCC approved the funding request upon the condition that proof of financing be provided to the DMCC board of directors. Titan/Opus closed on its financing in March 2018 and commenced construction immediately thereafter. The team is completing the environmental remediation and footing/foundations are underway with approximate 10-15 workers on site.

### **Next Steps:**

The next construction milestone is commencing precast panel erection on June 25, 2018. Anticipated completion date is summer of 2019.

## One Discovery Square

To: DMCC Board of Directors  
From: DMC EDA Staff  
Date: June 20, 2018



### **Overview:**

The One Discovery Square development is a 90,000 gross square foot building with lab and office space that will cater to the life science economy.

Mortenson submitted a Joint Funding Application on May 15, 2017. The DMC EDA report and recommendation for Joint Funding was brought forward and approved by both the DMC EDA Board and the DMC Corporation Board in July, 2017. The project was approved at City Council on August 7, 2017.

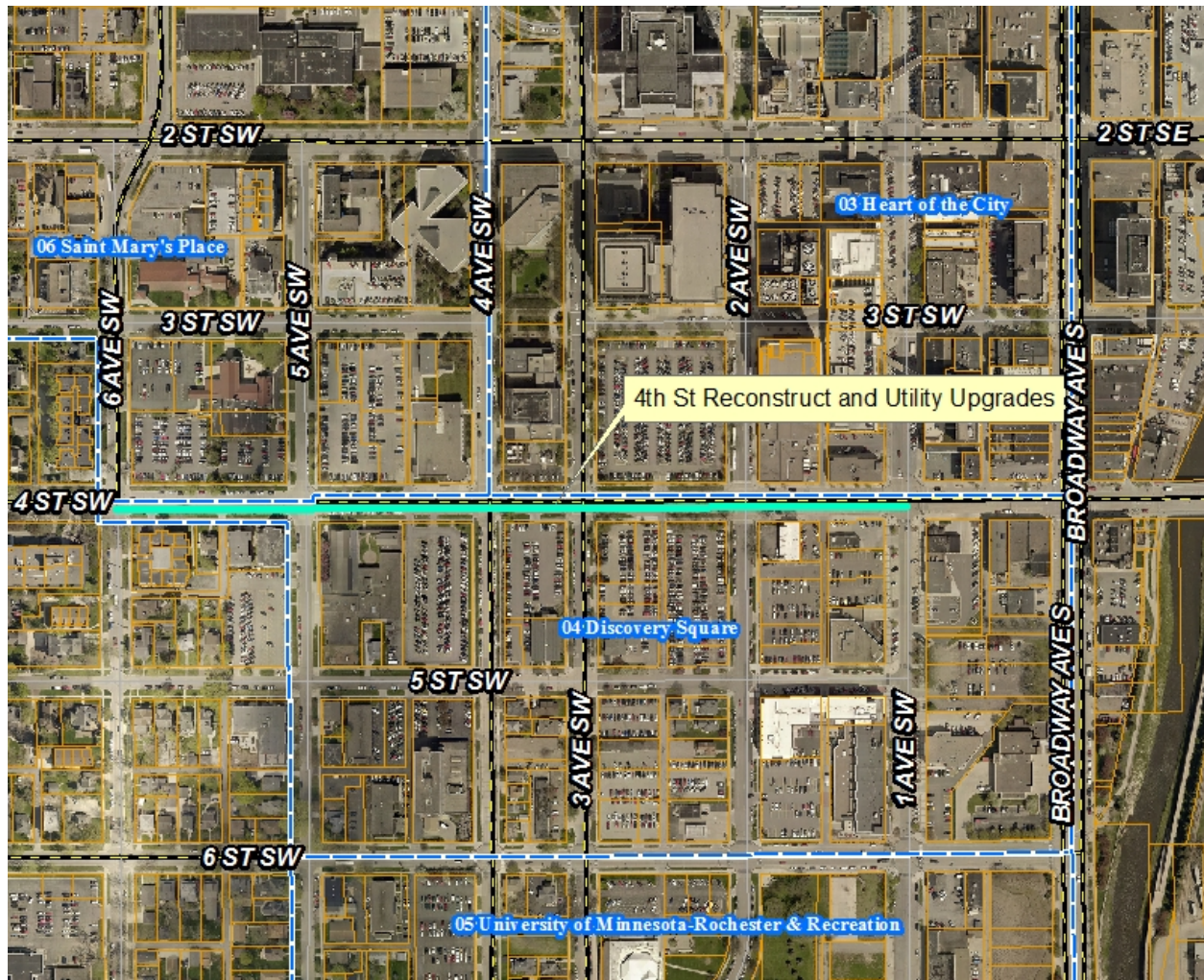
Mortenson and DMC hosted a ground breaking event and community celebration around Discovery Square on November 2, 2017. Recently Mortenson poured the last pan and joist slab (roof) on June 18, 2018. Currently 34-40 workers are on site.

### **Next Steps:**

Marketing and tenant recruitment continue. A topping off ceremony has been scheduled for June 28, 2018. Anticipated construction completion date is March 28, 2019.

# 2018 Capital Improvement Program

Reconstruct 4th St SW from 1st Ave to 6th Ave SW and upgrade public utilities.



**Total Project:** \$12.25 million over 5 years (2018-- \$2.25 million-- Source DMC)

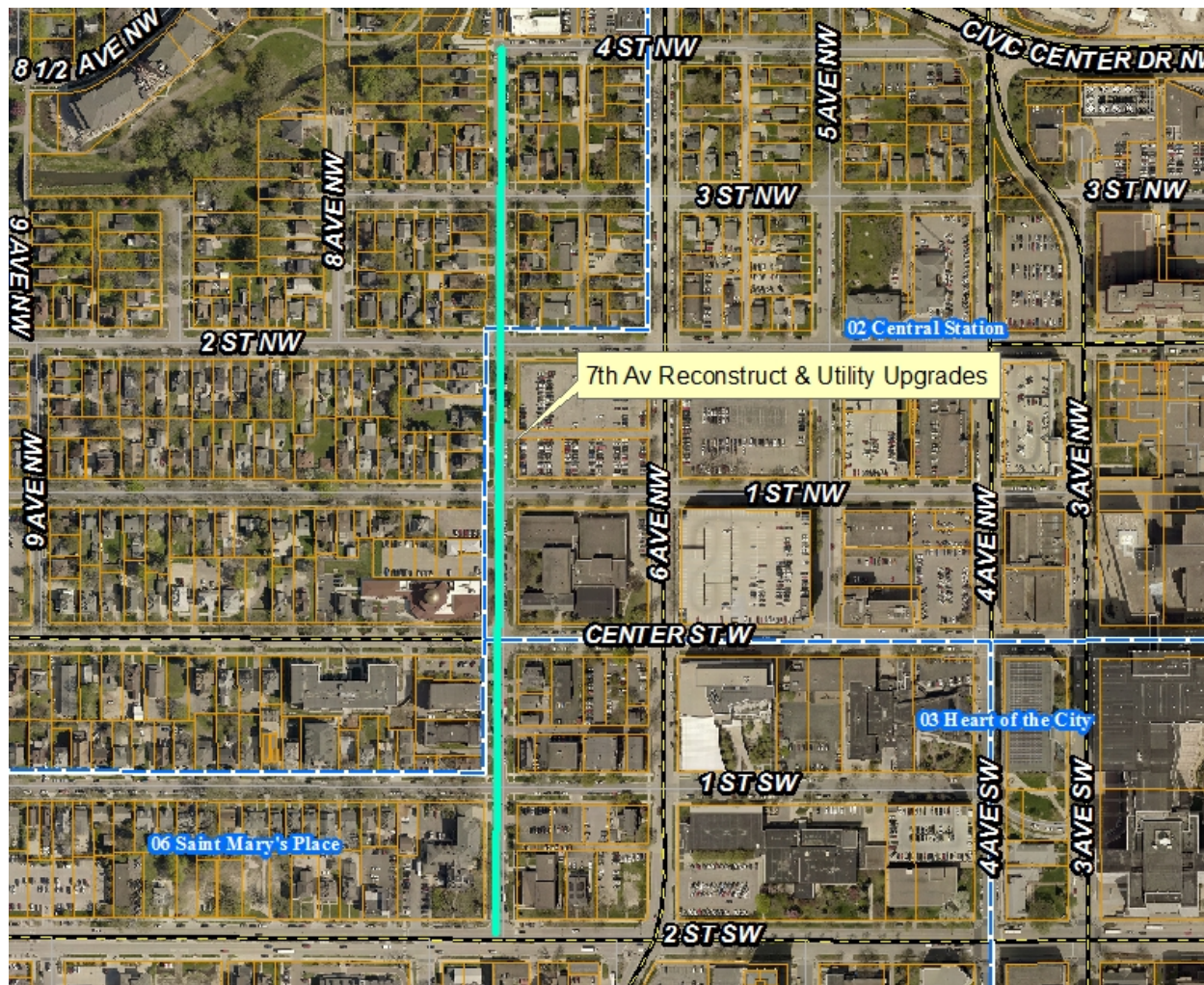
**Purpose & Need:** The Project includes reconstructing the street and replacing and up sizing the utilities. The 3<sup>rd</sup> Ave SW sanitary sewer is not adequate to handle future development and wet weather flows from 3<sup>rd</sup> St and 4<sup>th</sup> St SW.

**Status:** Street design consistent with DMC Design Guidelines and will accommodate future development of Discovery Square. Construction begins in 2018 with completion in 2019.



# 2018 Capital Improvement Program

**Reconstruct 7th Avenue NW / SW from 2nd St SW to Cascade Creek and replace undersized sanitary and storm sewers.**



**Total Project:** \$3 million over 2 years (2018-- \$1.5 million-- Source DMC)

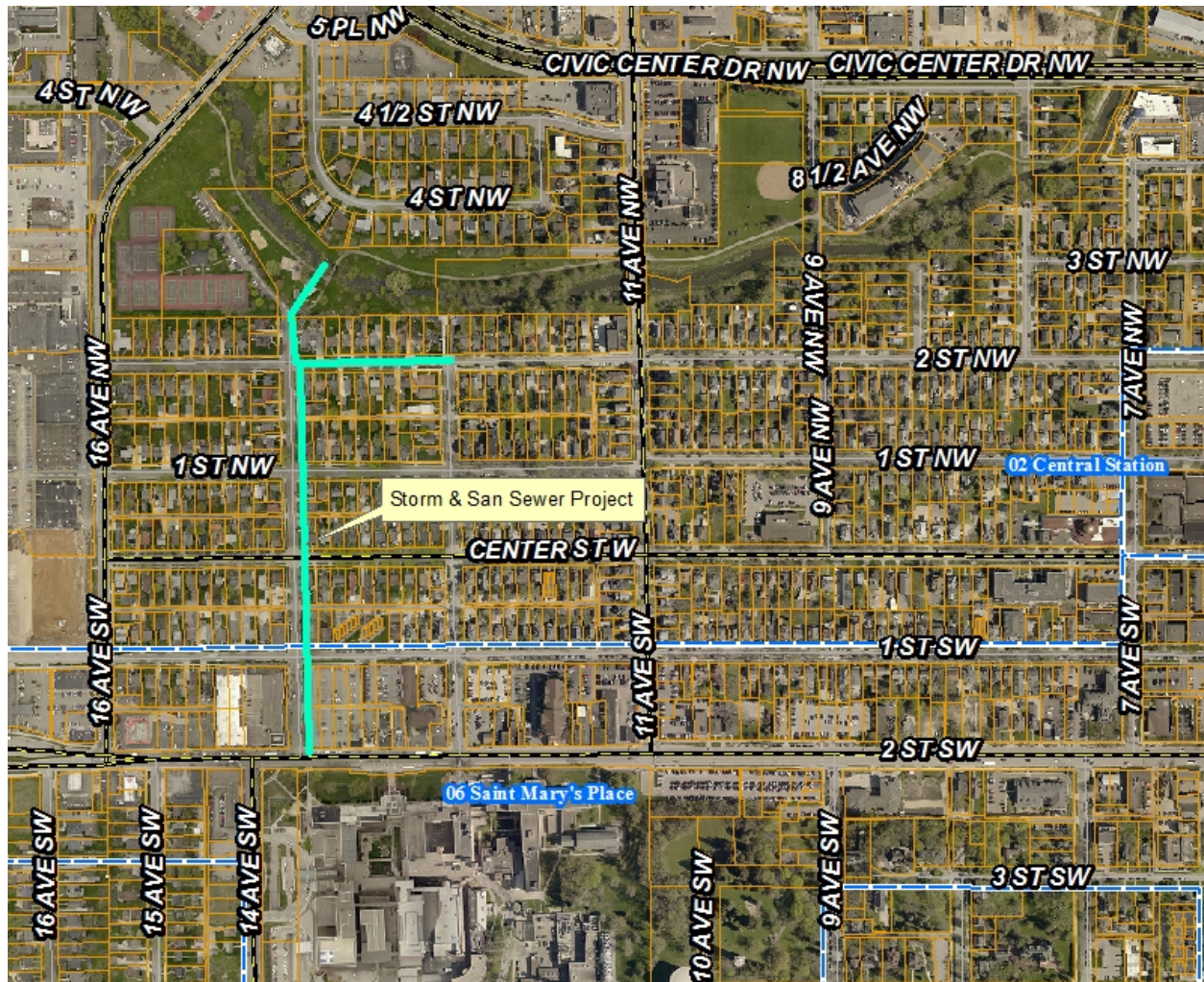
**Purpose & Need:** A street reconstruction project to provide additional capacity for storm and sanitary sewer and by directing it away from the downtown area it has the benefit of creating additional capacity in the downtown/DMC area. Capture sanitary and storm water flows west of the Downtown Business area and direct the flows north. This frees up capacity in the existing downtown system and may eliminate other downtown capacity improvements. This allows for the growth in the Discovery Square and other DMC related development to occur.

**Status:** This project has been postponed to 2019, hoping for a better bidding climate. May require DMC boundary modification.



# 2018 Capital Improvement Program

## SS1 13th Ave Sanitary and Storm Sewer Capacity Improvements from 2nd St SW to 2nd St NW.



**Total Project:** \$6.1 million over 2 years (2019-- \$3.35 million-- Sources \$1.675 million City and \$1.675 million DMC)

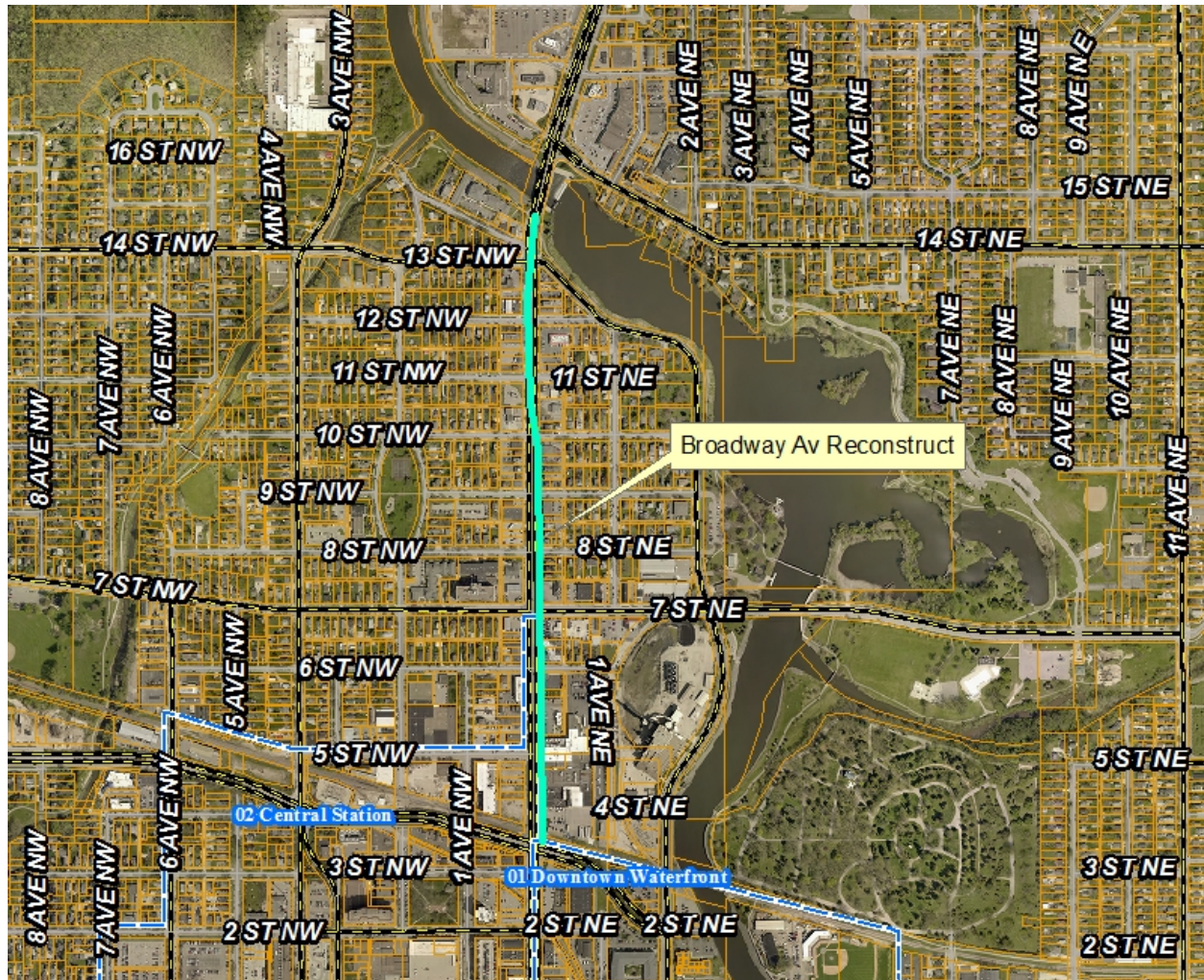
**Purpose & Need:** Additional sewer capacity is needed for development along 2nd St SW, including the proposed growth of the Mayo / St Marys hospital complex. The storm sewer in 2nd Street SW does not have the capacity to meet future needs. The sanitary and storm water improvement have been included in the same street to limit disturbance to other neighborhood streets. The sewer and storm are being design to accommodate a future potential subway tunnel crossing on 2nd Street SW from St Marys to the retail businesses onthe north side of 2nd Street SW.

**Status:** Redesign of the street is underway and encouraging the City to apply concepts from Saint Marys Place public realm design concepts. Construction to begin in 2018.



# 2018 Capital Improvement Program

Reconstruct North Broadway Avenue from Civic Ctr Dr to Zumbro River Bridge.



**Total Project:** \$8.8 million over 2 years (2018 -- \$800k design-- Sources \$400K City, \$400K DMC)

**Purpose & Need:** No. Broadway is the north gateway to Downtown Rochester. North Broadway was identified in the 2015 Broadway Corridor study as a corridor in need of reconstruction. Broadway Avenue, formerly Trunk Highway 63 was a turnback roadway from MnDOT. It is a priority Primary Transit Network corridor that is expected to experience the modal shift from single occupancy vehicles to transit such as Bus Rapid Transit. A reconstruction project is needed for the pavements and utilities. A reconstruction project can have a transformational effect on abutting properties in the corridor with enhanced landscaping and public realm improvements.

**Status:** Street redesign has been the subject of a great deal of public discussion, focused primarily on potential bike ways, use of medians and turn lanes, and alignment of bus stops. City Council took action on final schematic decisions in June 2018. Construction to begin in 2019.

**MEMORANDUM**

To: Chair R.T. Rybak and Destination Medical Center Corporation Board of Directors

From: Jeffrey W. Bolton, President of the Board of Directors  
Lisa M. Clarke, Executive Director  
Destination Medical Center Economic Development Agency

Date: June 22, 2018

Re: Bloom Waterfront Development Project Recommendation

The Destination Medical Center Economic Development Agency (DMC EDA) board of directors acted unanimously in recommending the proposed Bloom Waterfront development project to the Destination Medical Center Corporation (DMCC) as a Public Infrastructure Project, consistent with the Destination Medical Center (DMC) Development Plan and Statutes.

The DMC EDA board directors and staff thoroughly reviewed the development proposal and submits the enclosed report of our findings. The report details the project scope and amenities, as well as the extraordinary benefits that will be realized by developing the project, including:

- Development of 925,673 sq. ft. multi-tower mixed use development in the Downtown Waterfront DMC sub-district
- \$230 million private investment
- 181 room hotel and 132 condominiums
- senior living, including assisted living apartments, independent living apartments, memory care units and a rehab clinic
- 41,431 rentable square feet
- 228 public parking spots and 270 private parking spots and the use of urban art screens to disguise the parking ramp
- Significant focus on the public realm space, including water features, an anchor at the end of Historic 3rd Street, a dry fountain for the warmer months that can be converted into an ice rink in the winter, a board walk, winter garden, and public art
- Negotiating a 20% energy reduction below energy code, ASHRAE 90.1-2010, and third party green building certification
- Sustainable design elements including water reductions below the Environmental Protection Act of 1992, a construction waste diversion rate of 75%, green infrastructure for storm water, alternative transportation elements, and native landscaping
- Net annual property tax revenue increase of \$2,366,137

In addition to the conditions applied to Public Infrastructure Projects by DMCC Resolution No. 51-2017, the DMC EDA recommends that the developer be required to submit to a regular audit of construction costs, to include the submission of costs certified by the architect/engineer of record or the registered disbursing agent.

If approved, this project will be subject to the DMC women- and minority-owned business engagement targets and American-made steel and prevailing wage requirements. Also, actions taken by the Rochester City Council ensure that approximately \$118,000 of the annual tax increment created by the project will be dedicated to pursuing city-wide affordable housing solutions.

The developer has provided detailed financial information documenting the need for assistance to close the financial “gap” for this project and indicated the project will not be able to proceed to construction and be financially feasible but for some financial assistance. The DMC EDA board and staff, as well as City of Rochester staff, thoroughly evaluated the provided financial information and determined that up to \$18.05 million in public support may be necessary in order to address the documented need for assistance.

The DMC EDA board of directors recommends that the DMCC designate the proposed development as a Public Infrastructure Project and provide \$6.02 million in support. If approved, this investment will be credited towards the City of Rochester’s \$128 Million DMC investment.

City Administration concurs in this recommendation and will recommend to the City Council that the City approve this DMC investment and provide an additional \$12.03 million, for a total of \$18.05 million in public support, to ensure the development of this project, new jobs, additional tax revenue and additional community and social benefits. City Administration will also recommend to the City Council that an additional \$2.65 million be provided to support the development of additional public parking.

Thank you for considering this recommendation.



Jeffrey W. Bolton  
President of the Board of Directors



Lisa M. Clarke  
Executive Director



## **Bloom Waterfront Evaluation Report May 31, 2018**

### **EXECUTIVE SUMMARY / RECOMMENDATION**

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#### **STATEMENT OF RECOMMENDATION:**

*Based on information provided by Bloom International Reality LLC. (the “Applicant”), the Proposed Project aligns with the Destination Medical Center (“DMC”) vision and is consistent with the DMC goals, objectives and values. The following complete report evaluates the Proposed Project on all criteria as required by the Development Plan. Based on these criteria, the Proposed Project is intended to contribute significantly to the local objective of transforming downtown Rochester into a great and enduring urban place which establishes Rochester and the Mayo Clinic as the premier destination medical and bio-technology center in the world.*

*We 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 the Bloom International Reality LLC, the Proposed Bloom Waterfront Development Project is a “public infrastructure project” under the DMC Act, and the Proposed Project falls within the DMC Development District boundaries (Downtown Waterfront Subdistrict).*

#### **PROJECT SUMMARY:**

*Bloom International Reality LLC is developing a 925,673 sq. ft. multi tower mixed use development that runs along the river from 2<sup>nd</sup> Avenue SE to 4<sup>th</sup> Avenue SE. This mixed use development includes a luxury accommodation hotel (181 hotel keys), a senior living component which includes assisted living apartments, independent living apartments, memory care units, with a rehab clinic, condominiums (132 units), a variety of restaurants including fine dining with outdoor terraces, retail space (6,963 sq. ft.) and private/public parking (498 stalls). This Proposed Project strives to create an inclusive destination development which has a significant focus on the public realm space. In the Proposed Plan, the public realm concept provides food and beverage options that are available indoors and outdoors, a river walk which would feature a cascading interactive water feature. The proposed project will create an anchor at the end of Historical 3<sup>rd</sup> Street with a dry fountain for the warmer months that can be converted into an ice rink in the winter. The Applicant also mentions the integration of arts throughout the public realm space and the use of urban art screens to disguise the parking ramp portion of the development.*

*Phase 1 is the south tower which includes: senior living units, food and beverage, retail and private parking. Phase 2 is the North tower which includes: the hotel, condos, rehab clinic, food and beverage, retail, private/public parking and public realm space.*

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RELEVANT PROJECT HIGHLIGHTS:

The following list outlines relevant project highlights for consideration:

- **General Project Information**
  - *Located in Downtown Waterfront DMC Sub district*
  - *925,673 sq. ft. multi tower mixed use development*
  - *41,431 rentable square feet (food & beverage, retail)*
  - *228 public parking spots and 270 private parking spots*
  - *Activates the ground floor and skyway level with public amenities*
  - *Project will provide a high density live, work, play development*
- **Job Creation**
  - *Phase 1 and 2 will be able to support approximately 275 long-term jobs*
  - *It will create approximately 400 short-term construction jobs*
- **Energy & Sustainability**
  - *Negotiating a 20% energy reduction below energy code, ASHRAE 90.1-2010, and third party green building certification*
  - *Other project highlights include a range of sustainable design elements including water reductions below EAct of 1992, a construction waste diversion rate of 75%, green infrastructure for stormwater, alternative transportation elements for visitors and workers, and the specification of native landscaping to reduce irrigation needs.*
- **Financial Details**
  - *Provides capital investment of \$230 million*
  - *Local property taxes will increase from \$222,596 to a proposed \$2,588,733 per year. \$2,366,137 in tax increments generated annually.*

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## EVALUATION REPORT

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### SECTION 1.0

### PROJECT OVERVIEW

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*Bloom International Reality LLC is developing a 925,673 sq. ft. multi tower mixed use development that runs along the river from 2<sup>nd</sup> Avenue SE to 4<sup>th</sup> Avenue SE. This mixed use development includes a luxury accommodation hotel (181 hotel keys), a senior living component which includes assisted living apartments, independent living apartments, memory care units, with a rehab clinic, condominiums (132 units), a variety of restaurants including fine dining with outdoor terraces, retail space (6,963 sq. ft.) and private/public parking (498 stalls). This Proposed Project strives to create an inclusive destination development which has a significant focus on the public realm space. In the Proposed Plan, the public realm concept provides food and beverage options that are available indoors and outdoors, a river walk which would feature a cascading interactive water feature. The proposed project will create an anchor at the end of Historical 3<sup>rd</sup> Street with a dry fountain for the warmer months that can be converted into an ice rink in the winter. The Applicant also mentions the integration of arts throughout the public realm space and the use of urban art screens to disguise the parking ramp portion of the development.*

*Phase 1 is the south tower which includes: senior living units, food and beverage, retail and private parking. Phase 2 is the North tower which includes: the hotel, condos, rehab clinic, food and beverage, retail, private/public parking and public realm space.*

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**SECTION 2.0      MINIMUM ELIGIBILITY REQUIREMENTS OF DMC ACT**

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**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 in order to support Mayo Clinic’s development plans, as identified in the DMCC Development Plan. Based on information, the Proposed Project would qualify as a “Public Infrastructure Project” as required by the DMC Act.

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 Consideration

## 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?**

*Yes, the project does meet a few of the goals and objectives established for the Development Plan. It activates an area of the downtown waterfront by proposing a significant mixed use development project. The project will provide senior housing, condominiums, hotel space, and parking space for private and public uses. Finally, incorporated in the plan are public space at the end of Third Street that will terminate at the Zumbro River and extend the activity currently on Third Street to the riverfront. The plan also provides public rooftop space within the towers, which will provide an interesting outdoor space with views of the City's downtown.*

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

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

*Yes, the two tower project will significantly change the skyline of the City. Further, it incorporates significant public amenities that will enhance the pedestrian experience along the waterfront and activate a space along Third Street that is currently used for parking.*

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

*Yes, the project fits within principles of the DMC vision as it will increase density, enhance the pedestrian experience, provide public amenity space and provide needed space types downtown including parking, senior housing, condominiums, and retail.*

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

*Absolutely. The development project provides catalytic public amenity space that will provide a framework and template for future projects. Particularly noteworthy are the project's design around the public realm, ground floor activation and use of retail, and concept to extend the activity of Third Street towards the Zumbro River.*

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

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

*According to the applicant and based on the type of project proposed, the development costs inclusive of DMC components suggest TIF is necessary for the project to go forward. The applicants plan is to use the TIF funding to redevelop 2 parcels of land along the Zumbro River. One of the parcels contains a parking garage nearing the end of its useful life and the other parcel contains an older commercial building and a parking lot. The two parcels together generate minimal property taxes. This development would add a significant amount of revenue to the tax rolls and present a fresh and new development along the Zumbro River. This project along with the renovation of the Holiday Inn – Hotel Indigo and the renovation of Fontaine Towers would lead to the redevelopment of two full city blocks and greatly increase the tax base to the city.*

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

*No, the proposed public infrastructure benefits the broader vision of the DMC District and provides public space for the City. Further, the project provides public parking spaces as part of the development.*

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

*Yes, it is easy to envision the development will encourage further investment in the Downtown Waterfront district, and this project can be used as an example for future projects.*

**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 subdistricts?***

*Yes, this project in particular its size and scope can be the anchor development for the Downtown Waterfront sub-district. The combination of its program, public spaces and ground floor activation will dramatically change the area and add vibrancy to an area of the City that currently is primarily used for parking.*

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

*While the project is not a transit project, it is located in an area of the City served by public transportation, and it will add density to further support existing and planned transit infrastructure. Further, the project will provide alternative commuting strategies to allow for amenities for pedestrians, bikers, and environmentally friendly vehicles.*

**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 o t h e r 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?***

*Yes, the project is consistent with the DMC Master Plan and complementary to the Transportation Planning efforts.*

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

*Yes, the project is supportive and consistent with the other implementation strategies of the DMC.*

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

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

*Yes, the project is consistent with the City's Comprehensive Plan. Specifically, it is adding density adjacent to an identified Primary Transit Corridor in the Plan, Broadway Avenue.*

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

*Not applicable*

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

*From a high level perspective, negotiations are in process related to the 20% energy reduction below ASHRAE 90.1-2010 and third party green building certification. These two elements are important to include with this development a few reasons. First, it is a very large development, almost a million square feet, which will have a large impact on the environmental goals of the DMC District. As outlined in the DMC Development Plan, the DMC District is aiming to reduce energy, water, waste and GHG emissions across the district over the course of 20 years. Large projects, like this one, will have a correlative effect on the performance of the DMC District towards meeting those environmental outcomes. Moreover, the Development Plan explicitly asks for new construction projects to meet the energy reduction goal of 20% below ASHRAE 90.1-2010, making it a necessity for new construction.*

*Concerning the project certification, it will help ensure the sustainability commitments are met throughout the course of the project design and construction. This project, has taken 2 years to reach this point and will take an additional 2 -3 years to complete its construction. A third party building certification will ensure that the design elements committed to as part of the application are*

*delivered upon by the project. Finally, the project team, in its community meetings and throughout its process has claimed the project will be constructed to LEED standards. At this point, the DMC EDA is simply asking for it to formally submit for certification as this will help solidify their commitments made to date.*

*Highlights from the project include a vegetated roof terrace that will help reduce the stormwater impact of the facility, and utilize rainwater for irrigation needs. Other design elements like permeable paving, vegetation and bio-retention rain gardens are included that will further improve the facilities' water and energy performance. From an energy standpoint, commissioning is included as part of the project scope as well as an efficient envelope. Focusing on transportation, the project is including generous space for car share and rideshare programs, bike facilities and a revitalized public realm that will promote walkability of the building site.*

*From a goals perspective, the project has committed to the following performance thresholds. These include a 35% reduction below the EAct of 1992, which will save a significant amount of potable water compared to a standard facility. The second is a commitment to a 75% waste diversion rate for the construction waste generated by the project. Third, the project has committed to proving it will use 50% less water than a traditional site for landscaping purposes. Finally, the project has committed to participate in the City's Energy Benchmarking program and pursue all relevant incentive opportunities through the local utility rebate programs.*

*Pending the outcome of the energy performance and third party green building certification, this project has a number of impressive sustainability design elements that will be a model for other developments within the City of Rochester.*



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

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**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?**

*As previously discussed the project will consist of two towers, the south tower which will house 221 senior living units, retail, and will contain a 468-space parking garage. The north tower will contain a 181-room hotel and 132 condominium units (92 of which will be sold and the remaining 40 to be used as rentals).*

*A recent market study has been performed for the senior living portion of the development and shows a strong market for this product. Neither a current condominium study nor a hotel study was performed. However, the applicant has stated that they have met with realtors and other professionals experienced in the condominium market. While they believe there is a viable market for this product it is still unproven. The last hotel study was performed by the applicant in 2016 and showed a strong demand for both the hotel and condominium markets. We independently verified the local hotel market with experts in hotel valuation and the general assessment is that it is a strong market and will continue to be so in the foreseeable future.*

*The application also contains a full conceptual estimate of the proposed construction cost performed by Knutson Construction, a nationally recognized construction firm.*

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

*The project proposes a combination of debt and private equity and a contribution of land by the city. There is presently an agreement in place between the city and the applicant for an exclusive right to purchase the land at a price of \$8 million. This agreement runs through July of 2018 and can be extended if needed.*

*Presently, the total estimated cost of the project is \$230 million dollars. The owner has stated they are assuming a debt to equity structure of 70/30; our study shows 65/35 – to 60/40 being more representative of the market at this time. The south tower will begin construction first and the hotel/condominium tower will start approximately one year after. This allows for the mobilization of personnel and equipment on a relatively small site.*

*The applicant has indicated they have offer sheets from several large, recognizable, American based banks to secure the debt financing. As part of the approval we are asking that these offer sheets be made available for review before final approval.*

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

*The subject property is made up of several types of properties, retail, senior living, condominiums for sale and lease and a hotel. As part of our review, we performed an independent verification of market indicators by reviewing published data and interviewing recognized experts in the field of senior living and hotel valuation. In the major categories we tested, Loan to value (LTV), Equity yield rate, Debt Service Coverage Ratio (DSCR), and an analysis of market sales. The condominium portion, as previously discussed, is an unproven market. The applicant has indicated the absorption of these units would take 3 years. With TIF support of \$12.5 million these metrics were found to be in conformance with the current market while achieving an equity return of 20%.*

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

*Detailed financial projections were included. These include projections of future income and expenses. The projected costs for the senior living were based, in part, by the market study performed by Viewpoint. The hotel study provided is 2 years old and has not been updated for this current submission. We had direct discussions with experts in the field of hotel valuation that indicate Rochester is a strong hotel market and would be able to support this project and will have capacity to support other projects in the future. To date there is not an agreement with any hotel brand.*

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

*We have run several scenarios on the financing and show that with a minimum of \$12.5 million in TIF assistance the leveraged rate of return will be approximately 20%, based on the available information provided. This is in line with latest information from an outside consultant that show market equity returns from 16% to 26%. The senior living, rental apartments, retail and hotel portion of the project are a relatively straight forward analysis although we have had to use our own assumptions to fill in gaps in the detail. For the condominiums, the applicant did not specify a treatment of the anticipated cash flows from the profit of the sale of the units. Our estimates show a pay-off to the bank of 1.2 times the outstanding loan amount each time a unit is sold. This results in a large cash flow the year the units are sold-out. We treated this as a cash flow in year 3 and this adds to the projected cash flows of the other revenue sources from the senior living, rental units, retail and hotel revenue which drives the projects rate of return.*

*The applicant has stated that without TIF assistance of \$20 million the project will not go forward. We have identified approximately \$12 million in public amenities that are part of the proposed development and are TIF eligible and are part of the DMC vision. The city has also identified additional parking needs above the requirements in the current plan that they would want to have included in the project.*

**Is the proposed operating structure sustainable?**

*Bloom has developed properties worldwide but, this is their first venture in the United States. They are using an architectural firm out of Pittsburgh, AE7, an internationally recognized architectural firm and a nationally recognized construction firm – Knutson Construction. They are also using local engineering and other design professionals and are partnering with a local owner and operator of senior living facilities in the region, Oxford Management. Based on the makeup of the consultant team, we believe the proposed operating structure is sustainable.*

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

*No. Once the project is underway the ownership team will not require any assistance in the operations or management of the asset.*

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

*Yes. The applicant has said they will abide by the final terms of the Development Agreement.*

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

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**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?**

*While this project is within the DMC District, it is not in one of the two geographic priorities of the DMCC board which are Heart of the City and Discovery Square. Located at the Waterfront sub-district, it is adjacent or nearby several other private investment projects such as renovations of the Associated Bank building, Fontaine Towers, and the Holiday Inn. It addresses key unmet needs for senior living residences, hotel services, and for-sale condos. Moreover, it activates the riverfront with new restaurant and retail offerings.*

*The project provides new greenspace, an outdoor plaza, and Riverwalk feature.*

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

*Yes, this project addresses many needs identified in the Development plan including: parking, housing, hotel, and public space.*

**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?***

*NA*

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

*The project is consistent with the current and anticipated public infrastructure plan.*

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**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?**

*Yes, the project addresses DMC requirements for WMBE, prevailing wage, and American made steel.*

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

*Yes.*

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**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?**

*Yes. The project generates approximately \$2,366,137 in new tax increment. In addition, it is scheduled to provide 400 temporary construction jobs, 325 new permanent jobs and will have a net positive impact to increased sales and use taxes.*

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

*The applicant has stated they can provide the required equity and have terms sheets from several banks to provide debt financing for both the construction financing and permanent debt. We understand they have investigated the use of New market Tax Credits and the consultant has found that this project is not a viable candidate.*

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

*The project will add to the overall eligible costs (certified by DEED each year that will release the pro-rata portion of the GSIA from the State of Minnesota as required in the DMC legislation.*

**Does the project support the economic strategies of DMC 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 project supports the overall economic strategy of the DMC by fulfilling a need for newer hotel rooms with more amenities. The design will provide streetscapes as well as other public amenities such as parking, bike racks, and natural, native landscaping and vegetation as well as water feature and activate the Zumbro River to a greater degree than is now in use.*

*This project, coupled with the Holiday Inn/Hotel Indigo, the renovation of Fontaine Towers and the on-going renovation of the Associated Bank Building will renovate 2 entire city blocks as part of the vision of the DMC Waterfront District. It will activate Third Street east of Broadway and open the Zumbro River to more pedestrian traffic while drastically increasing the current property tax base, jobs, and sales and use tax.*

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**SECTION 3.7**

**OTHER PROJECT POLICY CONSIDERATIONS**

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**Is the project inside the DMC Development District?**

*Yes*

**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? *NA*

Consistent with the core strategies and planning documents? *NA*

Essential to the strategies and/or catalytic to growth under the DMC Development Plan? *NA*

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

*This project provides new public space, creates both short term employment opportunities (construction) and long term jobs in hospitality services. It significantly increases the city's tax base and will help densify the downtown, helping to support existing and catalyze new restaurant and retail services.*





**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2018**

**Approving the Bloom Waterfront 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 June 15, 2018, and attached hereto as Exhibit A, the City has requested approval of the Bloom Waterfront Development Project (the “Proposed Project”), for which it plans to provide up to \$18,050,000 in expenditures and tax increment financing. The City also requests these City expenditures and financing in the amount of up to \$6,017,036 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; . . . (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; (5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit; (6) install, construct or reconstruct, furnish and equip parks, cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, and broadcast and related multimedia infrastructure; [and] (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; . . . .

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 Downtown Waterfront 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; 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; installing, constructing or reconstructing, furnishing, equipping facilities related to parks, cultural, recreational, tourism, hospitality, conferencing and conventions, and broadcast and related multimedia infrastructure; and making related site improvements; 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 \$6,017,036 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: 1) an agreement by the parties to the development assistance agreement of a “look-back” provision with respect to a pro-rata reduction in tax increment financing reimbursements based on the final cost of the Proposed Project; and 2) 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.



## **EXHIBIT A**

# Memorandum

**To:** DMCC Board of Directors

**Cc:** Kathleen Lamb, Kathleen Brennan, Lisa Clarke, Patrick Seeb, Tim Cody, Steve Rymer, Aaron Parrish, Brent Svenby

**From:** Terry Spaeth

**Date:** June 15, 2018

**Subject:** DMCC Board approval for the Bloom Riverfront project

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The City of Rochester provides the following information relating to the Bloom Development Riverfront Project for your consideration at your June 28, 2018 meeting.

1. DMCC Board action requested. Grant approval of the prepared resolution to approve the Bloom Riverfront 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 project had received its Preliminary Incentive Development Plan approval on March 19, 2018. The Final Incentive Development

Plan 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 financial information to document the need for \$20 Million in assistance to close the financial “gap” for this Project. The City Council will consider establishment of a tax increment district and terms and conditions of a Development Assistance Agreement (DAA) at its July 2, 2018 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 Bloom Riverfront Development project the staff will be recommending to the Mayor and City Council that the City provide \$ 18.05 Million of tax increment financing assistance for this Project, or as an alternative, to provide \$20.7 Million to the project, inclusive of the developer constructing 228 public parking spaces for public use. The Council will consider this as a component of the Development Assistance Agreement (DAA) at their meeting on July 2, 2018. Of that above mentioned recommended level of project TIF assistance, it is also recommended that \$6,017,036 of that amount be “credited” to the City’s local contribution amount. 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 regarding the recommended amount of assistance. Approval by the DMCC Board of the Bloom Riverfront Development 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 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 1/12th 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. Bloom Development 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 \$232 Million. That \$232 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 \$6,380,000.
  - (2) State Transit Aid (STA). That same \$44 Million investment amount is multiplied by 0.75% to determine the State Transit Aid (STA) annual payment equivalent amount, which is \$1,740,000 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 DMC credit contribution of \$6,017,036 is multiplied by 2.55 to determine the amount of GSIA that can be secured over time from that matching contribution, which is \$15,343,442.

4. Summary of the Proposed Project.

- a. The project is a mixed use redevelopment project consisting of an approximately 925,673 square foot, two-tower, skyway connected structure with structured parking, approximately 181 hotel rooms, approximately 215 independent, assisted living and memory care apartment units and approximately 132 owner occupied condominium housing units with retail on the street and skyway levels to be located between 2<sup>nd</sup> Street SE and 4<sup>th</sup> Street SE, along the west side of the Zumbro River. The project also incorporates a water feature and elevated green space as public amenities within the project.
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 Central Station subzone and the proposed development acts as a catalyst for future development in the surrounding area.
  - b. The Project will provide a capital investment of \$232 million within the DMC Development Plan area.
  - c. The Project has the potential to create up to 190 permanent jobs and 250 construction jobs.

- d. The Project develops the property in a manner that is consistent with the Rochester Downtown Master Plan and the City's Comprehensive Plan and provides public amenities such as the water feature and rooftop park amenity.
- e. The project incorporates various sustainability elements, which is consistent with the DMC vision.
- f. The project is supportive of the transportation effort, by providing for a transit hub and a travel demand management plan
- g. The project construction will include wage rates, WMBE and American made steel provisions.



**MEMORANDUM**

To: Chair R.T. Rybak and Destination Medical Center Corporation Board of Directors

From: Jeffrey W. Bolton, President of the Board of Directors  
Lisa M. Clarke, Executive Director  
Destination Medical Center Economic Development Agency

Date: June 14, 2018

Re: 21 1st Street SW Development Project Recommendation

The Destination Medical Center Economic Development Agency (DMC EDA) board of directors acted unanimously in recommending the proposed 21 1st Street SW redevelopment project to the Destination Medical Center Corporation (DMCC) as a Public Infrastructure Project, consistent with the Destination Medical Center (DMC) Development Plan and Statutes.

The DMC EDA board directors and staff thoroughly reviewed the development proposal and submits the enclosed report of our findings. The report details the project scope and amenities, as well as the extraordinary benefits that will be realized by developing the project, including:

- Redevelopment of a prominent 101,215 s.f. building in the Heart of the City DMC sub-district
- \$26.5 million private investment
- New iconic glass addition to the lobby, providing an extension of the public space in Peace Plaza
- Connecting stairway between the subway, ground level, and skyway in one vertical location with clear visibility to the street and plaza
- Replacement of the exterior glass on the building with a more transparent glass
- Availability for a future connection to Chateau Theatre on the subway, ground, and second floors
- Up to 115 new permanent jobs, 30+ construction jobs
- Targeting a 20% energy reduction for the facility
- Net annual property tax revenue increase of \$207,594

In addition to the conditions applied to Public Infrastructure Projects by DMCC Resolution No. 51-2017, the DMC EDA recommends that the developer be required to submit to a regular audit of construction costs, to include the submission of costs certified by the architect/engineer of record or the registered disbursing agent.

If approved, this project will be subject to the DMC women- and minority-owned business engagement targets and American-made steel and prevailing wage requirements. Also, actions taken by the Rochester City Council ensure that approximately \$10,000 of the annual tax increment created by the project will be dedicated to pursuing city-wide affordable housing solutions.

The developer has provided detailed financial information documenting the need for assistance to close the financial “gap” for this project and indicated the project will not be able to proceed to construction and be financially feasible but for some financial assistance. The DMC EDA board and staff, as well as City of Rochester staff, thoroughly evaluated the provided financial information and determined that up to \$2.4 million in public support may be necessary in order to address the documented need for assistance.

The DMC EDA board of directors recommends that the DMCC designate the proposed development as a Public Infrastructure Project and provide approximately \$2.4 million in support. If approved, this investment will be credited towards the City of Rochester’s \$128 Million DMC investment.

City Administration concurs in this recommendation and will recommend to the City Council that the City approve this DMC investment of \$2.4 million to ensure the development of this project, new jobs, additional tax revenue and additional community and social benefits. Thank you for considering this recommendation.

Respectfully,



Jeffrey W. Bolton  
President of the Board of Directors



Lisa M. Clarke  
Executive Director

## 21 1<sup>st</sup> Street SW Rochester

### Evaluation Report

May 31, 2018

#### EXECUTIVE SUMMARY / RECOMMENDATION

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##### STATEMENT OF RECOMMENDATION:

*Based on information provided by Ryan Companies US, Inc. (the “Applicant”), the Proposed Project aligns with the Destination Medical Center (“DMC”) vision and is consistent with the DMC goals, objectives and values. The following complete report evaluates the Proposed Project on all criteria as required by the Development Plan. Based on these criteria, the Proposed Project complements the vision of Heart of the City as it encourages more business and pedestrian activity around Peace Plaza.*

*We 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 Ryan Companies US, Inc. the proposed Heart of the City Development Project is a “public infrastructure project” under the DMC Act, and the Proposed Project falls within the DMC Development District boundaries (Heart of the City Sub district).*

##### PROJECT SUMMARY:

*The existing Wells Fargo building will be reimaged to capitalize on the goals of the DMC for the Heart of the City District. Major upgrades include:*

- *an iconic glass addition to the lobby, which will provide an extension of the public space in Peace Plaza;*
- *an expansive interior connecting stairway between the subway, ground level, and skyway all in one vertical location with clear visibility to the street and plaza;*
- *replacement of the exterior glass on the building with a more transparent glass to create a more open and transparent working environment;*
- *a reimaged south façade of the building, which will allow for more activation between the building and Peace Plaza;*
- *removal of the existing escalator and infilling the atrium to connect the floor slabs to Peace Plaza in order to activate the plaza;*
- *removal of the interior circular egress stair to create better views into and out of the building from the plaza;*
- *availability for a future connection to Chateau Theatre on Floors 1-2 and the subway if the need arises;*
- *reconfiguring tenants within the building to better utilize space and building efficiency;*
- *provide code updates to the ventilation system, safety systems, and other areas*

*This will be a live remodel, but the Applicant anticipates completing all the work between September 2018 and September 2019. Over the year, the phasing will align with Tenant Improvement work, Heart of the City improvements, and Chateau Theatre improvements.*

*This project is truly ‘the Heart’ of the Heart of the City. It is directly on Peace Plaza and provides the vital connection between the Subway, Skyway, and Peace Plaza. The improvements to the site that would help achieve the DMC objectives are: reconstruction of the building facade, creation of an iconic glass corner, and the connection of the three pedestrian realms.*

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RELEVANT PROJECT HIGHLIGHTS:

The following list outlines relevant project highlights for consideration:

- **General Project Information**
  - *Located in Heart of the City sub district*
  - *Renovation of 101,215 sf ft structure*
  - *Catalyst for public realm in Heart of the City subdistrict*
  - *Provides a connection between subway, street and skyway*
- **Job Creation**
  - *Ryan Companies is not directly hiring for any post-construction full time jobs but are unlocking the opportunity for up to 115 new full-time employees to work at the property.*
  - *It will create approximately 30.5 short-term construction jobs*
- **Energy & Sustainability**
  - *Based on the scope of the project, the project is committed to targeting a 20% energy reduction for the facility primarily through envelope, lighting, controls, and possibly HVAC changes. An energy audit will be completed at the facility by October 1, 2018 and results will be shared with DMC EDA staff to inform the final project design.*
- **Financial Details**
  - *Provides capital investment of \$26,585,000*
  - *Local property taxes will increase from \$377,274 to a proposed \$584,868 per year. \$207,594 in tax increments generated annually*

## EVALUATION REPORT

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### SECTION 1.0 PROJECT OVERVIEW

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*The existing Wells Fargo building will be reimagined to capitalize on the goals of the DMC for the Heart of the City District. Major upgrades include:*

- *an iconic glass addition to the lobby, which will provide an extension of the public space in Peace Plaza;*
- *an expansive interior connecting stairway between the subway, ground level, and skyway all in one vertical location with clear visibility to the street and plaza;*
- *replacement of the exterior glass on the building with a more transparent glass to create a more open and transparent working environment;*
- *a reimagined south façade of the building, which will allow for more activation between the building and Peace Plaza;*
- *removal of the existing escalator and infilling the atrium to connect the floor slabs to Peace Plaza in order to activate the plaza;*
- *removal of the interior circular egress stair to create better views into and out of the building from the plaza;*
- *availability for a future connection to Chateau Theatre on Floors 1-2 and the subway if the need arises;*
- *reconfiguring tenants within the building to better utilize space and building efficiency;*
- *provide code updates to the ventilation system, safety systems, and other areas*

*This will be a live remodel, but the Applicant anticipates completing all the work between September 2018 and September 2019. Over the year, the phasing will align with Tenant Improvement work, Heart of the City improvements, and Chateau Theatre improvements.*

*This project is truly ‘the Heart’ of the Heart of the City. It is directly on Peace Plaza and provides the vital connection between the Subway, Skyway, and Peace Plaza. The improvements to the site that would help achieve the DMC objectives are: reconstruction of the building facade, creation of an iconic glass corner, and the connection of the three pedestrian realms.*

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**SECTION 2.0            MINIMUM ELIGIBILITY REQUIREMENTS OF DMC ACT**

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**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 in order to support Mayo Clinic's development plans, as identified in the DMCC Development Plan. Based on information, the Proposed Project would qualify as a "Public Infrastructure Project" as required by the DMC Act.

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?**

*Yes, the project meets a number of the goals and objectives in the Development Plan. The project is a renovation of the Wells Fargo Building, located in the Heart of the City sub-district and directly adjacent to Peace Plaza. The renovation will provide new office space for lease in the City's downtown core. Moreover, it will provide a jewel box entry that will highlight connections to the City's subway, ground level and skyway system which will allow pedestrians to use these corridors more freely. Further, it reimagines the downtown office building by providing new glazing to the building's exterior. This will allow pedestrians to see what is happening within the facility and make some of the City's activity visible to the community.*

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

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

*This project complements the vision of Heart of the City as it encourages more business and pedestrian activity around Peace Plaza. Further, its investments in the public realm will help realize the vision of the Heart of the City's Public Realm design, in particular the street underneath the building along 1<sup>st</sup> street.*

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

*Yes, the building fits within the principles of the vision. The project team approached this investment with a focus to integrate its project with the other activity in the area – including the adjacent business owners, the Heart of the City Public Realm design, and the Chateau Theater. Due to this collaborative approach, this project will act as a catalyst for other investment and truly complement these other projects occurring in the Heart of the City subdistrict.*

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

*Yes, this project will provide additional space for downtown businesses, and more importantly will act as a catalyst for further investment in the public realm. The project overall, will impact the pedestrian experience in Peace Plaza and have a positive impact on downtown businesses in the subway, street, and skyway levels.*

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

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

*The applicants plan is to use the TIF funding to renovate the exterior of the building and construct a glass vestibule at the southwest corner which would extend out into Peace Plaza. The exterior of the building would be "re-skinned" with a transparent glass replacing the current dark, mirrored glass presently on the building. The project is also planning to remove the existing escalator and reconfigure the existing lobby so that it can be more interactive with Peace Plaza and the Heart of the City design. Originally the applicant was planning to purchase the building as an investment without consideration of the re-design of the Heart of the City and Peace Plaza. The additional costs involved in incorporating the above-mentioned design elements into the existing building would*

*not be part of the development costs without the additional assistance of provided by TIF.*

- ***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 outlined above, the public infrastructure investment does benefit the broader vision of the DMC district. From the project's outset, a collaborative approach was taken in order to integrate the work of other adjacent properties like Chateau Theater, and other adjacent design projects including the Heart of the City Public Realm Design.*

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

*Yes, we believe it will. First, the renovations of the Wells Fargo building will provide updated office space in the downtown core which will accelerate investment in tenant fit-out projects. Second, the project has incorporated scope from the public realm design which will help continue momentum of the project from design to implementation. Third, the project will also complement the interim use concept of the Chateau Theater.*

**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 subdistricts?***

*The project reasonably catalyzes development in the Heart of the City subdistrict, and specifically around Peace Plaza, one of the identified priority areas of the Destination Medical Center Corporation. As explained above, the investment in the public realm will help spur other development activity and ideally further investment in the redesign of Peace Plaza.*

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

*As the project is a renovation of an existing structure, it's not reasonable to expect it will catalyze necessary transit strategies. However, the new office space will further densify the downtown core of Rochester which will further leverage the City's transit system.*



**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 o t h e r 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?***

*Yes, the project is consistent with the current DMC Master Plan and DMC District Design Guidelines. It will greatly improve the street level experience of the pedestrian visiting Peace Plaza, clearly define the connections to the subway and skyway levels, and generate more business activity in Heart of the City.*

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

*Yes, the Heart of the City is one of the identified priority areas of the Destination Medical Center Corporation, and this project is a first step to help realize a more vibrant business landscape and public realm in the downtown core of Rochester.*

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

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

*Yes, as the project is a renovation of an existing office building, it has limited interaction with the City Comprehensive Plan. The project scope will add worker density downtown which will further leverage the transit options serving Rochester's downtown.*

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

*Not applicable.*

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

*Yes, the project supports the sustainability objectives as a core element of their project. The project is still developing its scope of work but higher level goals have been incorporated into the project plans.*

*First, the project has incorporated a goal of a 20% energy reduction goal as it pertains to the final project scope. The scope of the project includes the replacement of the glazing of the facility from a reflective glass to a transparent, more energy efficient option. Second, the lighting in the common areas and Wells Fargo areas of the facility will be replaced with LED options. Lighting controls will be included as part of this scope. As water fixtures are replaced, EPA Watersense Certified fixtures and fittings will be selected. From a heating, ventilation and air conditioning (HVAC) standpoint, the existing mechanical equipment is being evaluated. An energy audit will be completed by October 1, 2018 and the results will be shared with the DMC EDA. The audit is focused on the air-handling units, chiller and boiler systems within the building. Based on their expected life and efficiency, plans will develop to either refine their operation or replace the equipment altogether. From an indoor air quality perspective, the project will specify low VOC products as part of the scope of the project to improve indoor environmental quality for workers and visitors to the facility. Finally, the project has*

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*included a 75% waste diversion goal for the construction waste generated by the project.*

*For next steps, the Ryan project will meet with DMC EDA staff once the energy audit is complete by October 1<sup>st</sup>, and again once the final design is completed in later 2018 to share the final design elements of the project.*

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

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**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 applicant has stated they have performed an internal assessment of the market and the property directly. The results of their analysis, lease rate assumptions and current market conditions are included as line items in their pro-forma.*

*The application also contained an outline of the full acquisitions costs and remodel costs for the subject property.*

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

*The project proposes a combination of debt and private equity. The property is presently under contract for a price of \$14,925,000. The total acquisition costs with fees is projected to be \$15,111,563 of which \$9,701,250 is in debt and the remainder in equity for a debt to equity ratio of 65/35.*

*With the total renovation of the property the applicant is showing \$16,983,000 in debt financing, \$7,822,000 in equity and \$1,780,000 in anticipated TIF financing.*

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

*The financing plan submitted was reviewed and is viable. The pro-forma was discussed with the applicant and provided detailed answers to questions concerning the project assumptions.*

*As part of our review we performed independent verification of market indicators by reviewing published data and interviewing recognized experts in the field of office valuation. In the major categories we tested: Loan to Value (LTV) has a ratio of 65 to 35, which is market at this time; an equity yield rate of 8.9% (IRR) compared to market values between 5.25% and 9%; and a Debt Service Coverage Ratio (DSCR) once stabilized is 1.5 verses an industry benchmark of 1.25.*

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

*Financial projections of income and expenses are included. However, an actual operating proforma detailing specific operating and maintenance plans are not supplied. As this is an acquisition-remodel project, the construction budget outlining the sources and uses of the proposed remodel costs including DMC eligible costs is also included.*

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

*The returns for the subject property are inclusive of the TIF request of \$1,780,000. These estimated returns are measured against available market information and found to be in the current ranges for this type of building. The project could go forward without TIF assistance but that would preclude the addition of the glass addition and other exterior features that are designed to activate the Peace Plaza and some of the interior renovations that will also be part of the pedestrian experience in Heart of the City.*

**Is the proposed operating structure sustainable?**

*Yes. The building is existing and is projected to have several long-term, financially strong tenants as well as other office and retail tenants. The occupancy rate is projected to be 90% which is indicative of a strong office market. The income from the rental rates for office and retail space and are based on existing leases as well as those determined by market research. They are also negotiating with other tenants and discussing potential lease rates. The income and expense projections were compared to national published data and found to be within the current norms of similar type properties.*

*In analyzing the pro-forma, the applicant explained the large (20%) increase in the projected income from Year 1 to year 2. This is due to the additional space being added as part of the remodel which will increase gross potential rents to the property. This reduces to an increase of 6% between year 2 and 3 and stabilizes to 2.7% through the balance of the 10-year projection.*

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

*No. Once the project is underway the ownership team will not require and assistance in the operations or management of the asset.*

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

*Yes. The applicant has agreed to abide by the final terms of the Development Agreement.*

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**SECTION 3.4**

**CONSISTENCY WITH ADOPTED STRATEGIES, PHASING, AND CAPITAL IMPROVEMENT**

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**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?**

*This project falls within one of the DMC priority sub-districts, Heart of the City. It specifically responds, both programmatically and by design, to the overall vision for Heart of the City. The developer is making every effort to ensure the alignment of this project with several other DMC projects within the sub-district, optimizing the use of resources.*

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

*Yes, Heart of the City is one of two priority geographic sub-districts.*

**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?***

*NA*

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

*The project is consistent with current and anticipated public infrastructure plans.*

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**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?**

*Yes, the project addresses DMC requirements for WMBE, prevailing wage, and American made steel.*

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

*Yes*

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**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?**

*Yes. The project generates approximately \$207,594 in new tax increment. In addition, it is scheduled to provide 31 temporary construction jobs, and given the increase in square footage, will provide space for 115 new employees.*

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

*The projected increased tax increment is approximately \$207,594. Although it has not been finalized, the developer would get a TIF mortgage of approximately 90% of this additional increment which equals \$186,835. This would leave a net increment available for additional public works projects of approximately \$20,759.*

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

*Overall, the project will rely on \$16,983,000 in debt financing, \$7,822,000 of investment equity, and \$1,780,000 in projected TIF. The project has approximately \$18mm in private equity as part of the initial financing package. We have discussed other financing sources with the applicant which included PACE and New Market Tax Credits. The applicant has not yet determined whether these will be a good fit in their capital stack.*

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

*The project will add to the overall eligible costs certified by DEED each year (that will release the pro-rata portion of the GSIA from the State of Minnesota as required in the DMC legislation). It will also provide funds net of the increment to the applicant for infrastructure as the taxes are paid each year.*

**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 project supports the overall economic strategy of the DMC by fulfilling a need for contributing to new public space by helping to activate Peace Plaza, as part of the Heart of the City sub-district. The glass addition to the lobby and the “re-skinning” of the exterior and additional lighting will help activate a portion of the downtown with increased pedestrian activity. The redesign will provide a refresh to an older and outdated building structure that, when complete, will enhance the downtown skyline.*



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**SECTION 3.7      OTHER PROJECT POLICY CONSIDERATIONS**

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**Is the project inside the DMC Development District?**

*Yes*

**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? *NA*
- Consistent with the core strategies and planning documents? *NA*
- Essential to the strategies and/or catalytic to growth under the DMC Development Plan? *NA*

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

*NA*



**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2018**

**Approving the 21 1<sup>st</sup> Street SW 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 June 15, 2018, and attached hereto as Exhibit A, the City has requested approval of the 21 1<sup>st</sup> Street SW Development Project (the “Proposed Project”), and that City expenditures and financing in the amount of up to \$2,400,000 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; . . . (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; . . . [and] (6) install, construct or reconstruct, furnish, and equip parks,

cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, and broadcast and related multimedia infrastructure . . . .

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 Heart of the City 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; installing, constructing or reconstructing elements of public infrastructure required to support the overall development of the Development District; and, installing, constructing or reconstructing, furnishing, equipping facilities with respect to parks, cultural, recreation, tourism, hospitality, conferences and conventions, and broadcast and related multimedia infrastructure; 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 \$2,400,000 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.

## EXHIBIT A

# Memorandum

**To:** DMCC Board of Directors

**Cc:** Kathleen Lamb, Kathleen Brennan, Lisa Clarke, Patrick Seeb, Tim Cody, Steve Rymer, Aaron Parrish, Brent Svenby

**From:** Terry Spaeth

**Date:** June 15, 2018

**Subject:** DMCC Board approval for the Wells Fargo (21 1<sup>st</sup> St. SW) Building Renovation Project

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The City of Rochester provides the following information relating to the Wells Fargo Building renovation for your consideration at your June 28, 2018 meeting.

1. DMCC Board action requested. Grant approval of the prepared resolution to approve the Wells Fargo Building Renovation 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 TIF financial assistance provided to DMCC Board approved projects towards the City's required \$128 Million local contribution.

- a. Land Use and Zoning Status. Based upon the proposed project, the Planning 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 \$1,780,000 in assistance to close the financial “gap” for this Project. In addition, it was recently discovered that a water line utility relocation in the Peace Plaza must occur to facilitate this project. Along with that, the developer has expressed a willingness to construct some of the proposed Heart of the City public realm improvements (namely, some lighting improvements on underside of Wells Fargo Building skyway bridge over 1<sup>st</sup> Avenue) on the City’s behalf, as part of their construction project. That being the case, the intent is to draft provisions within the Development Assistance Agreement that will provide for up to \$2.4 million in TIF being provided to the project, if those improvements are completed as part of the project. The City Council will consider establishment of a tax increment district and terms and conditions of a Development Assistance Agreement (DAA) at its July 16, 2018 meeting.

For the Wells Fargo Renovation project the City Administration team will be recommending to the Mayor and City Council that the City provide up to \$ 2.4 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 July 16, 2018. It should be noted that the City team has been working closely with the DMC EDA team 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 and City teams are in agreement concerning the recommended amount of assistance. Approval by the DMCC Board of the Wells Fargo Building Renovation 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’s review of the financial information provided by the developer which showed a financing gap, was based on our experience in reviewing 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 1/12th 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. Wells Fargo Building Renovation 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 \$26.6 Million. That \$26.6 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 \$731,500.
- (2) State Transit Aid (STA). That same \$26.6 Million investment amount is multiplied by 0.75% to determine the State Transit Aid (STA) annual payment equivalent amount, which is \$199,500 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 up to \$2.4 Million is multiplied by 2.55 to determine the amount of GSIA that can be secured over time from that matching contribution, which is \$6,120,000.

4. Summary of the Proposed Project.

- a. The applicant is proposing a major renovation of the current downtown Wells Fargo building. The major components of the \$26.6M renovation is a facelift of the existing building façade by replacing the existing glass with transparent glass, a glass addition to the lobby to provide an extension of the public space in the Peace Plaza and connect the subway, ground and skyway levels. The renovation will also include removal of the existing escalator and replace with egress stair in the building. As mentioned above, it will also include a water line relocation in the Peace Plaza and possibly lighting improvements on the skyway bridge.

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 Heart of the City subzone ( a priority area) and the proposed renovation is consistent with, and a part of the larger vision for the Heart of the City, by facilitating connections to the Peace Plaza and 1<sup>st</sup> Avenue public realm and the Chateau Theater.

- b. The Project will provide a capital investment of \$26.6 million within the DMC Development Plan area.
- c. The project incorporates various sustainability elements, which is consistent with the DMC vision.
- d. The project construction will include wage rates, WMBE and American made steel provisions.



**MEMORANDUM**

**To:** Chair R.T. Rybak and Destination Medical Center Corporation Board of Directors

**From:** Jeffrey W. Bolton, President of the Board of Directors  
Lisa M. Clarke, Executive Director  
Destination Medical Center Economic Development Agency

**Date:** June 14, 2018

**Re:** Holiday Inn Downtown Rochester Development Project Recommendation

The Destination Medical Center Economic Development Agency (DMC EDA) board of directors acted unanimously in recommending the proposed Holiday Inn Downtown Rochester redevelopment project to the Destination Medical Center Corporation (DMCC) as a Public Infrastructure Project, consistent with the Destination Medical Center (DMC) Development Plan and Statutes.

The DMC EDA board directors and staff thoroughly reviewed the development proposal and submits the enclosed report of our findings. The report details the project scope and amenities, as well as the extraordinary benefits that will be realized by developing the project, including:

- Redevelopment of existing 173-room Holiday Inn Downtown Rochester located in the Downtown Waterfront DMC sub-district
- \$41.5 million private investment
- Converting the hotel to a Hotel Indigo by Intercontinental Hotel Group (“IHG”).
- New glass façade, roof-top bar, restaurant, ballroom
- Indoor pool area enhanced by incorporating a fitness center and introducing water-park-like elements
- Expanded meeting and conference space
- Prominent point of first impression for visitors arriving from the airport and arriving downtown via Broadway
- Current structure 114,500 s.f., adding an additional 33,500 s.f.
- Current operations support approx. 60 jobs, will increase to approx. 88 permanent jobs
- 111 construction jobs
- A range of energy and sustainability design alternatives based on the project scope including HVAC, lighting, materials, waste and transportation elements
- Net annual property tax revenue increase of \$318,368

In addition to the conditions applied to Public Infrastructure Projects by DMCC Resolution No. 51-2017, the DMC EDA recommends that the developer be required to submit to a regular audit of construction costs, to include the submission of costs certified by the architect/engineer of record or the registered disbursing agent.

If approved, this project will be subject to the DMC women- and minority-owned business engagement targets and American-made steel and prevailing wage requirements. Also, actions taken by the Rochester City Council ensure that approximately \$21,000 of the annual tax increment created by the project will be dedicated to pursuing city-wide affordable housing solutions.

The developer has provided detailed financial information documenting the need for assistance to close the financial “gap” for this project and indicated the project will not be able to proceed to construction and be financially feasible but for some financial assistance. The DMC EDA board and staff, as well as City of Rochester staff, thoroughly evaluated the provided financial information and determined that up to \$2.9 million in public support may be necessary in order to address the documented need for assistance.

The DMC EDA board of directors recommends that the DMCC designate the proposed development as a Public Infrastructure Project and provide approximately \$1.45 million in support. If approved, this investment will be credited towards the City of Rochester’s \$128 Million DMC investment.

City Administration concurs in this recommendation and will recommend to the City Council that the City approve this DMC investment and provide an additional \$1.53 million, for a total of \$2.98 million in public support, to ensure the development of this project, new jobs, additional tax revenue and additional community and social benefits.

Thank you for considering this recommendation.

Respectfully,



Jeffrey W. Bolton  
President of the Board of Directors



Lisa M. Clarke  
Executive Director

## **Holiday Inn Downtown Rochester Evaluation Report May 31, 2018**

### **EXECUTIVE SUMMARY / RECOMMENDATION**

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#### **STATEMENT OF RECOMMENDATION:**

*Based on information provided by RHI Hotel JV, LLC. (the “Applicant”), the Proposed Project aligns with the Destination Medical Center (“DMC”) vision and is consistent with the DMC goals, objectives and values. The following complete report evaluates the Proposed Project on all criteria as required by the Development Plan. Based on these criteria, the Proposed Project is intended to contribute significantly to the local objective of transforming downtown Rochester into a great and enduring urban place which establishes Rochester and the Mayo Clinic as the premier destination medical and bio-technology center in the world.*

*We 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 RHI Hotel JV, LLC. the proposed Downtown Waterfront Development Project is a “public infrastructure project” under the DMC Act, and the Proposed Project falls within the DMC Development District boundaries (Downtown Waterfront Sub district).*

#### **PROJECT SUMMARY:**

*The Applicant has acquired the existing 173 room Holiday Inn Downtown Rochester located at the corner of Broadway Ave. and 3<sup>rd</sup> St. in Rochester on March 21, 2018. The Applicant intends to continue to operate the Hotel for approximately 4 to 6 months as a Holiday Inn while construction plans are finalized, and building permits secured for a major renovation and redevelopment of the property with the objective of converting the Hotel to an upscale, boutique, lifestyle hotel to be branded a Hotel Indigo by Intercontinental Hotel Group (“IHG”).*

*From the interior, the new glass façade will let natural light into all spaces, be it the planned restaurant on the corner, large ballroom mid-block, and a handful of guestrooms at the end. The existing sky-lit indoor pool area would also be enhanced by incorporating a fitness center and introducing water-park elements, a unique and needed amenity in the local hotel market. Finally, among its amenities, the Hotel will offer enhanced and expanded meeting and conference space that includes a tech-loaded, executive-style board room and a roof-top bar above the second-floor lobby.*

*Implementation of the redevelopment will not only markedly improve the Hotel’s guest experience and increase the value of the Hotel itself but do the same for the building’s residential owners/tenants and condo real estate on its upper floors and other commercial owners/tenants and space on its ground floor. It will also dramatically enhance the Broadway Avenue streetscape at a location that is a prominent point of first impression of the City for visitors arriving from the airport to the south driving in along Broadway.*

**RELEVANT PROJECT HIGHLIGHTS:**

The following list outlines relevant project highlights for consideration:

- **General Project Information**
  - *Located in Downtown Waterfront Sub district*
  - *Current structure 114,500 sf, an additional 33,500 sf to account for common areas*
  - *Activates the 1<sup>st</sup> and 2<sup>nd</sup> floors with rentable space and a public restaurant/outdoor patio*
  - *Project will provide a prominent point of first impression to those entering downtown from South Broadway*
- **Job Creation**
  - *Current staffing supports approximately 60 jobs. Staffing as Hotel Indigo will support approximately 88 long-term jobs*
  - *It will create approximately 111 short-term construction jobs*
- **Energy & Sustainability**
  - *Integrated a range of energy and sustainability design alternatives based on the project scope including HVAC, lighting, materials, waste and transportation elements.*
- **Financial Details**
  - *Provides capital investment of \$41,564,328 million*
  - *Local property taxes will increase from \$215,123 to a proposed \$533,491 per year. \$318,368 in tax increments generated annually.*

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## EVALUATION REPORT

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### SECTION 1.0 PROJECT OVERVIEW

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*The Applicant has acquired the existing 173 room Holiday Inn Downtown Rochester located at the corner of Broadway Ave. and 3<sup>rd</sup> St. in Rochester on March 21, 2018. The Applicant intends to continue to operate the Hotel for approximately 4 to 6 months as a Holiday Inn while construction plans are finalized, and building permits secured for a major renovation and redevelopment of the property with the objective of converting the Hotel to an upscale, boutique, lifestyle hotel to be branded a Hotel Indigo by Intercontinental Hotel Group ("IHG").*

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**SECTION 2.0      MINIMUM ELIGIBILITY REQUIREMENTS OF DMC ACT**

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**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 in order to support Mayo Clinic’s development plans, as identified in the DMCC Development Plan. Based on information, the Proposed Project would qualify as a “Public Infrastructure Project” as required by the DMC Act.

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?**

*Yes, the project meets a few goals and objectives listed in the development plan. First, it reimagines an existing downtown hotel. It achieves this by enhancing the streetscape of the hotel and integrating indoor spaces with the outdoors. Both of these approaches will encourage and enhance pedestrian activity. In terms of jobs, it's estimated the project will generate 110 construction jobs, and an additional 28 hotel operating jobs. The investment in the property will generate additional property, sales and hotel tax revenues for the City of Rochester, estimated within the application at \$54 million through the year 2049.*

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

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

*The project provides an opportunity to reinvest in an existing hotel in the downtown core. As part of the remodel of the hotel, the project will also invest in the street level and 3<sup>rd</sup> street corridor of downtown. This public space portion of the project will align nicely with the proposed public realm scope included in the proposed Bloom project along the Zumbro River.*

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

*Yes, the project will reinvigorate the building while promoting a pedestrian-centric place along 3<sup>rd</sup> street. The pedestrian focus will have an impact on social interactions with the area, encourage more visitors to the City's riverfront and attract more visitation.*

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

*We believe it does. Primarily, this project is a great example of how to reinvest in an existing downtown building while incorporating elements of the DMC vision – a focus on the streetscape, encouraging pedestrians, and adding to the area's vitality.*

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

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

*The applicants plan is to use the TIF funding to renovate the entire building, inside and out and rebrand it from a Holiday Inn to a Hotel Indigo. They have shared their plan for the project with and without TIF assistance. Without TIF assistance they will do some renovation of existing hotel rooms and common areas and continue to operate it as a Holiday Inn if they can reach a branding agreement. If not, then it will be operated as an independent enterprise. If TIF funds are approved a full renovation would be performed, including rooms, common areas and exterior.*

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

*The reinvestment in the building is meant to encourage further investment within the downtown waterfront subdistrict and also serve as an example for future projects. Placed along 3<sup>rd</sup> street, the project location is an*

*active pedestrian space and with this project, it will become a more sought after location for community activity. The vision is this reinvestment will better connect the downtown core of Rochester to the Zumbro River.*

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

*Yes, a portion of the project will address the streetscape along Broadway and 3rd Street. These investments in public infrastructure will improve this area of the downtown, increase connectivity to historic 3rd street, and activate this underutilized area, particularly the riverfront.*

- **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 subdistricts?**

*Yes, it is reasonable to expect the project will catalyze development in the downtown waterfront subdistrict. As mentioned, it will provide an improved pedestrian experience along Broadway and 3rd street, which are active commerce corridors in the downtown core of Rochester.*

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

*Yes, primarily through the pedestrian experience. Further, the building is providing bike parking for workers and visitors to the facility. As the building is adjacent to an expansive bike pathway system that extends throughout Rochester, providing these facilities will improve usership by bikers and pedestrians alike.*



**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?**

*Based on the scope of the project, the most important plan listed is the DMC Master Plan and the DMC District Design guidelines document. Based on the scope of the project shared at this stage of design, the project will improve the streetscape of the existing building and encourage more street level activity. This is important for the project's location along Third Street and its proximity to the Zumbro River.*

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

*Again, as this project is a reinvestment within an existing structure, we believe it is most appropriate to compare its mission to the implementation strategies of the DMC plan. The project will reinvest in a downtown hotel that will provide more hotel options to downtown visitors. Further, its investment in the public realm along Broadway and Third Street will increase pedestrian activity along these two corridors.*

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

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

*Yes, as the project is a redevelopment of an existing hotel, the location's primary use is not changing as part of the project. Overall, the location of the hotel is along Broadway Avenue, a primary commerce and transportation corridor in downtown Rochester.*

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

*Not applicable.*

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

*Yes, the project has incorporated a number of sustainability principles and energy conservation measures as it relates to the scope of the project. First, the project has incorporated waste and diversion goals for the construction of the project, and waste and recycling best practices for the building's operation. Second, as outlined in Exhibit K, the project will pursue a range of energy conservation measures including lighting, lighting controls, HVAC upgrades and controls, plumbing fixture improvements, and commercial kitchen equipment selection. Finally, the project will incorporate materials that promote sustainability and human health as well as landscaping improvements that rely on native or adapted vegetation to Minnesota. Moreover, as design progresses in late June 2018, the Developer will meet with the DMC EDA to confirm the final scope of the project and highlight how the commitments around sustainability have been incorporated in the building's final plans.*

### **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 applicant has performed an assessment of the market and the property directly.*

*As part of the application and the basis for the projected revenue for the property, the applicant submitted as an Exhibit, a copy of the Smith Travel Research Report (STR) which identifies the trends for the “competitive set”, the hotels most similar to the subject property. This report identifies the trends in occupancy, average daily rate (ADR) and Revenue per available room (RevPAR). This report is the hospitality industry standard and is relied on by those in the hospitality sector for measuring performance.*

*The application also contained a full conceptual estimate of the proposed remodel work by PCL, an internationally recognized construction firm.*

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

*The project proposes a combination of debt and private equity. The acquisition of the property for \$19.4 million dollars was funded with \$10 million in debt and the remaining 9.4 million dollars in private equity.*

*The second phase of the project, the full renovation of the property at a cost of \$21.7 million dollars, will be funded through an additional \$ 7.1 million in equity and an additional \$14.6 million in debt. The equity investors as well as the lender have already committed to the debt funding if the renovation goes forward.*

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

*The financing plan submitted was reviewed and is viable. The pro-forma was reviewed and found to be comprehensive and detailed.*

*As part of our review we performed independent verification of market indicators by reviewing published data and interviewing recognized experts in the field of hotel valuation. We tested the following categories: Loan to value (LTV), Equity yield rate, Debt Service Coverage Ratio (DSCR), and an analysis of market sales. All were found to be in conformance with the current market. In addition, direct discussions with experts in the field of hotel valuation indicate that Rochester is a strong hotel market and would be able to support this project (although no additional rooms will be added) and additional capacity in the future.*

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

*Detailed financial projections were included. However, an actual operating proforma detailing specific operating and maintenance plans was not supplied due to variances in projections in the future. The projected costs were based on industry standards with the property being re-branded as a Hotel Indigo, and in concert with the former owner of the hotel. The construction budget, included as part of the application package, identifies specific areas and costs of remodeling and a financial proforma showing projections of income and expenses taken from the market.*

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

*As we previously stated, the applicant has proposed two scenarios for the subject property. The first one assumes no TIF assistance, and includes the purchase of the hotel (which closed in March of 2018) and minor renovations to the rooms and common areas with no exterior renovation. In this scenario the projected equity return was 13.8% and there would be little or no increase in the tax base for the property nor would any of the DMC goals be addressed.*

*The second scenario is to purchase the property, and use \$3.3 million in TIF assistance to perform a complete renovation of the property. This scenario includes major renovations to the rooms and common areas as well as the exterior façade and streetscapes. The projected return to the developer would be 16.3%, which is within the norms of the returns in the market based on our research. This estimated rate of return is the lowest hurdle rate the equity investors will take and remain in the project. The additional return would be based on being able to achieve a higher ADR and RevPAR and re-branding the property as a Hotel Indigo.*

**Is the proposed operating structure sustainable?**

*Yes. The resumes submitted as part of this application show a team with hotel investment and operations experience. The team has extensive operating experience and has performed a thorough due diligence on the property keeping it as a Holiday Inn, being an independent flag and as a renovated Hotel Indigo.*

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

*No. Once the project is underway the ownership team will not require any assistance in the operations or management of the asset.*

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

*Yes. The applicant has agreed to abide by the final terms of the Development Agreement.*

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

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**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?**

*While this project is within the DMC District, it is not in one of the two geographic priorities of the DMCC board which are Heart of the City and Discovery Square. Located at the Waterfront sub-district, it is adjacent or nearby several other private investment projects including the renovation of the Associated Bank building, Fontaine Towers, and the proposed Bloom Waterfront project. Furthermore, the project modernizes the current hotel at that location, without adding addition hotel rooms.*

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

*This project specifically responds to the need of improving hotel options in the DMC district. Furthermore, it's adjacency to other recent or proposed private investments ensures a nearly total remake of almost two city blocks.*

**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?**

NA

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

*The project is consistent with current and anticipated public infrastructure plans.*

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**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?**

*Yes, the project addresses DMC requirements for WMBE, prevailing wage, and American made steel.*

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

*Yes*

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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?**

*Yes. The project generates approximately \$318,368 in new tax increment. In addition, it is scheduled to provide 111 temporary construction jobs, 28 permanent jobs, and will have a net positive impact to increased sales and use taxes.*

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

*The projected increased tax increment is approximately \$318,368. Although it has not been finalized, the developer would get a TIF mortgage of approximately 70% of this additional increment which would be approximately \$222,858. This would leave a net increment available for additional public infrastructure projects of approximately \$95,510 annually.*

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

*The project has approximately \$18mm in private equity as part of the initial financing package. We have discussed other financing sources with the applicant which included SAGE and New Market Tax Credits. These programs were considered by the applicant, but did not fit into the capital stack in a beneficial way (SAGE). The applicant did discuss New Market Tax Credits with a consultant familiar with the DMC but it was decided this project would not be a good candidate to pursue these dollars.*

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

*The project will add to the overall eligible costs (certified by DEED each year that will release the pro-rata portion of the GSIA from the State of Minnesota as required in the DMC legislation. It will also provide funds net of the increment to the applicant for public works projects as the taxes are paid each year.*

**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 project supports the overall economic strategy of the DMC by fulfilling a need for newer hotel rooms with more amenities. The design will provide streetscapes as well as providing a refresh to an older and outdated building structure that, when complete, will enhance the downtown skyline.*

*This project coupled with the redevelopment of the Associated Bank building, Fontaine Towers and the proposed senior living, hotel condominium project proposed by Bloom will allow for two city blocks of redevelopment, new tax base and public amenities.*

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**SECTION 3.7**

**OTHER PROJECT POLICY CONSIDERATIONS**

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**Is the project inside the DMC Development District?**

*Yes.*

**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? *NA*
- Consistent with the core strategies and planning documents? *NA*
- Essential to the strategies and/or catalytic to growth under the DMC Development Plan? *NA*

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

*NA*





**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2018**

**Approving the Holiday Inn Downtown Rochester (Hotel Indigo) 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 June 15, 2018, and attached hereto as Exhibit A, the City has requested approval of the Holiday Inn Downtown Rochester (Hotel Indigo) Development Project (the “Proposed Project”), for which it plans to provide up to \$2,981,744 in expenditures and tax increment funding assistance. The City further requests that City expenditures and financing in the amount of up to \$1,450,000 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; . . . (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; [and] (5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit . . . .

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 Downtown Waterfront 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; installing, constructing or reconstructing elements of public infrastructure required to support the overall development of the Development District; and, acquiring, constructing or reconstructing, or equipping parking facilities and other facilities to encourage intermodal transportation and public transit; 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 \$1,450,000 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.

1085268-5.DOCX



## EXHIBIT A

# Memorandum

**To:** DMCC Board of Directors

**Cc:** Kathleen Lamb, Kathleen Brennan, Lisa Clarke, Patrick Seeb, Tim Cody, Steve Rymer, Aaron Parrish, Brent Svenby

**From:** Terry Spaeth

**Date:** June 15, 2018

**Subject:** DMCC Board approval for the Hotel Indigo Renovation Project

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The City of Rochester provides the following information relating to the Hotel Indigo (presently known as Holiday Inn Downtown) for your consideration at your June 28, 2018 meeting.

1. DMCC Board action requested. Grant approval of the prepared resolution to approve the Hotel indigo Renovation 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 TIF financial assistance provided to DMCC Board approved projects towards the City’s required \$128 Million local contribution.
  - a. Land Use and Zoning Status. Based upon the proposed project, the Planning 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 \$3.3 Million in assistance to close the financial “gap” for this Project.
- c. For the Hotel Indigo Renovation project the City Administration team will be recommending to the Mayor and City Council that the City provide \$2,981,744 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 July 2, 2018. It should be noted that the City team has been working closely with the DMC EDA team in the review of all aspects of this Project including the proposed amount of financial assistance that is recommended for the Project. Of that above mentioned recommended level of project TIF assistance, it is also recommended that \$1,450,000 of that amount be “credited” to the City’s local contribution amount. The DMC EDA will be providing their comments on the Project separately and independently from the City staff. The DMC EDA and City teams are in agreement concerning the recommended amount of assistance and the developer has indicated that they can proceed with the Project with the recommended level of assistance. Approval by the DMCC Board of the Hotel Indigo Renovation 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’s review of the financial information provided by the developer which showed a financing gap, was based on our experience in reviewing 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 1/14th 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. Hotel Indigo Renovation 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 \$42 Million. That \$42 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 \$1,155,000.
- (2) State Transit Aid (STA). That same \$42 Million investment amount is multiplied by 0.75% to determine the State Transit Aid (STA) annual payment equivalent amount, which is \$315,000 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 DMC credit contribution of \$1,450,000 is multiplied by 2.55 to determine the amount of GSIA that can be secured over time from that \$1,450,000 contribution, which is \$3,697,500.

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

- a. The applicant is proposing a major renovation of the current downtown Holiday Inn Hotel building. The major components of the \$42M renovation is a facelift of the existing building façade by replacing the monolithic panels with glass to connect the hotel interior to the surrounding streetscape. The renovation will also include updating of the hotel rooms, lobby and restaurant and streetscape. Upon completion of the improvements, it is anticipated that the hotel will become a Hotel Indigo flag.
- #### 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 Downtown Waterfront subzone and the proposed development is part of the larger block redevelopment that will be a catalyst for additional development and activity in that area.
  - b. The Project will provide a capital investment of \$42 million within the DMC Development Plan area.
  - c. The Project will retain approximately 60 jobs and the hotel conversion provides an additional 28 hotel employees.
  - d. The project incorporates various sustainability elements, which is consistent with the DMC vision.

- e. The project construction will include wage rates, WMBE and American made steel provisions.



**MEMORANDUM**

**To:** Chair R.T. Rybak and Destination Medical Center Corporation Board of Directors

**From:** Jeffrey W. Bolton, President of the Board of Directors  
Lisa M. Clarke, Executive Director  
Destination Medical Center Economic Development Agency

**Date:** June 14, 2018

**Re:** Hyatt House Development Project Recommendation

The Destination Medical Center Economic Development Agency (DMC EDA) board of directors acted unanimously in recommending the proposed Hyatt House development project to the Destination Medical Center Corporation (DMCC) as a Public Infrastructure Project, consistent with the Destination Medical Center (DMC) Development Plan and Statutes.

The DMC EDA board directors and staff thoroughly reviewed the development proposal and submits the enclosed report of our findings. The report details the project scope and amenities, as well as the extraordinary benefits that will be realized by developing the project, including:

- Development of an under-utilized street corner in the Central Station DMC sub-district, a gateway into downtown Rochester and the Mayo Clinic Medical Campus
- \$44 million private investment
- 8 story, 175 room extended stay hotel
- 102 structured off-street parking spaces
- 38 permanent jobs and 257 construction jobs
- Pursuing green building certification and achieving a 20% energy reduction below energy code
- Potential to be a catalyst for other construction on the northern half of the DMC Development District
- Net annual property tax revenue increase of \$519,661

In addition to the conditions applied to Public Infrastructure Projects by DMCC Resolution No. 51-2017, the DMC EDA recommends that the developer be required to submit to a regular audit of construction costs, to include the submission of costs certified by the architect/engineer of record or the registered disbursing agent.

If approved, this project will be subject to the DMC women- and minority-owned business engagement targets and American-made steel and prevailing wage requirements. Also, actions taken by the Rochester City Council ensure that approximately \$29,000 of the annual tax increment created by the project will be dedicated to pursuing city-wide affordable housing solutions.

The developer has provided detailed financial information documenting the need for assistance to close the financial “gap” for this project and indicated the project will not be able to proceed to construction and be financially feasible but for some financial assistance. The DMC EDA board and staff, as well as City of Rochester staff, thoroughly evaluated the provided financial information and determined that up to \$3.9 million in public support may be necessary in order to address the documented need for assistance.

The DMC EDA board of directors recommends that the DMCC designate the proposed development as a Public Infrastructure Project and provide approximately \$1.95 million in support. If approved, this investment will be credited towards the City of Rochester’s \$128 Million DMC investment.

City Administration concurs in this recommendation and will recommend to the City Council that the City approve this DMC investment and provide an additional \$1.95 million, for a total of \$3.9 million in public support, to ensure the development of this project, new jobs, additional tax revenue and additional community and social benefits.

Thank you for considering this recommendation.

Respectfully,



Jeffrey W. Bolton  
President of the Board of Directors



Lisa M. Clarke  
Executive Director

## Hyatt House Civic + First Rochester Evaluation Report May 31, 2018

### EXECUTIVE SUMMARY / RECOMMENDATION

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#### STATEMENT OF RECOMMENDATION:

*Based on information provided by First Civic Center, LLC. (the “Applicant”), the Proposed Project aligns with the Destination Medical Center (“DMC”) vision and is consistent with the DMC goals, objectives and values. The following complete report evaluates the Proposed Project on all criteria as required by the Development Plan. Based on these criteria, the Proposed Project will fill a current and anticipated expanding future deficit in the local market’s supply of hotel rooms, in particular, much needed extended stay rooms for Mayo Clinic patients, medical practitioners and researchers among other guest types.*

*We 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 First Civic Center, LLC. the proposed Central Station Development Project is a “public infrastructure project” under the DMC Act, and the Proposed Project falls within the DMC Development District boundaries (Central Station Sub district).*

#### PROJECT SUMMARY:

*First Civic Center, LLC. is developing a 175-room, branded, upscale, extended-stay hotel on the current site of the American Legion’s post in Rochester, Minnesota at the corner of First Avenue and Civic Center Drive. The Applicant has the American Legion site under contract with close of escrow currently set for mid-July, 2018. Demolition of the one-story American Legion building and Project ground break is slated for late Fall 2018 with the hotel’s completion and opening projected for the end of 2019.*

*The Applicant is making a financial investment in a level of design quality that will contribute significantly to the local objective of transforming downtown Rochester into a great and enduring urban place. The Hotel’s design emphasizes an open, indoor-outdoor feel to integrate its lobby and other gathering areas with the adjacent streetscape. The Proposed Project embraces the vision by incorporating a development pattern along its street edge that provides an attractive visual experience on the ground level for active retail uses and social gathering spurred by a high level of transparency and inviting public access. Hotel guest parking is to be provided on the Hotel’s second and third floors, eliminating any visual interference from hotel-related parking. Abundant landscape and soft-scape areas with tables and seating will be placed along the streets fronting the Hotel’s common areas.*

*First Civic Center, LLC has selected Hyatt House for its hotel brand due to the brand’s and Hyatt’s commitment to quality, strong rewards program, reservation system, and unwavering focus on the most important aspect of hospitality: people. First Civic Center, LLC is creating a place where care for guest comfort, experience and health is paramount.*

RELEVANT PROJECT HIGHLIGHTS:

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The following list outlines relevant project highlights for consideration:

- **General Project Information**
  - *Located in Central Station Sub district*
  - *Extended-stay hotel*
  - *8 story structure; 175 room hotel; 115,556 sq ft*
  - *102 structured parking spaces*
  - *Project will provide a prominent point of first impression to those entering downtown from West Civic Center Drive*
- **Job Creation**
  - *Input from Hospitality Ventures Management Group and Hyatt anticipate approximately 38 long-term jobs*
  - *It will create approximately 257 short-term construction jobs*
- **Energy & Sustainability**
  - *Project is pursuing green building certification barring any unforeseen economic and design impacts.*
  - *EKN is committed to working the DMC EDA at key design stages to ensure sustainability elements are integrated to the degree feasible.*
  - *Project intends to achieve a 20% energy reduction below ASHRAE 90.1-2010 again barring any unforeseen economic or design impacts associated with meeting this energy goal.*
  - *Project will participate in the City's Voluntary Energy Benchmarking Program*
  - *Project will pursue all available incentive opportunities related to the design and scope of the project*
- **Financial Details**
  - *Provides capital investment of \$44,231,096*
  - *Local property taxes will increase from \$20,634 to a proposed \$540,295 per year. \$519,661 in tax increments generated annually*

## EVALUATION REPORT

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### SECTION 1.0

### PROJECT OVERVIEW

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*First Civic Center, LLC. is developing a 175-room, branded, upscale, extended-stay hotel on the current site of the American Legion's post in Rochester, Minnesota at the corner of First Avenue and Civic Center Drive. The Applicant has the American Legion site under contract with close of escrow currently set for mid-July, 2018. Demolition of the one-story American Legion building and Project ground break is slated for late Fall 2018 with the hotel's completion and opening projected for the end of 2019.*

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**SECTION 2.0                      MINIMUM ELIGIBILITY REQUIREMENTS OF DMC ACT**

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**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 in order to support Mayo Clinic’s development plans, as identified in the DMCC Development Plan. Based on information, the Proposed Project would qualify as a “Public Infrastructure Project” as required by the DMC Act.

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?**

*Yes, the proposed extended stay meets a few of the goals and objectives in the Development Plan. First, it provides additional hotel rooms to the DMC District, specifically Central Station. In the plan, in the first five years of the project, through 2020, it has identified additional hotel rooms as a need for the downtown core. This project helps alleviate a portion of the needed space. Second, from an economic perspective, the project will create roughly 242 short-term construction jobs, and approximately 38 permanent positions. From a tax perspective, the project estimates approximately \$80 million in additional sales, hotel, and property tax revenue through 2049 as a result of the project.*

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

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

*Yes, the building design provides a design concept for the future of Rochester. The transparent façade, outdoor spaces, and integration with the nearby City amenities like Central Park, make the project location ideal to best leverage one vision of the DMC plan, which is to create a pedestrian centric downtown.*

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

*Yes, the project will significantly improve the current building site with a multi-level dense downtown development. Further, the design itself is an improvement over the existing structure, and will provide a great example for future projects in the region and throughout the DMC District.*

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

*Yes, the project will transform the existing property and densify the neighborhood significantly by providing a long term hotel option close to Mayo Clinic. The building's design is an impressive display and lesson for other projects based on the non-rectangular project boundary. Further, it will help bring commercial activity to an area of the DMC District that does not have heavy foot traffic currently. The design and the outdoor space should help encourage a livelier street environment.*

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

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

*The applicants plan is to use the TIF funding to demolish the existing American Legion building and construct a new, Hyatt House hotel. This concept of hotel is an extended stay; whereby guests would potentially be staying a week or more at a time instead of 2-3 days. Since longer stays would be the norm, the rooms will be equipped with kitchens so the guests can do their cooking instead of having to eat-out for all their meals.*

*This concept will help develop the north end of the downtown area known as Central Station, a sub district of the Destination Medical Center. Across the street is a new apartment building First Avenue Flats, with 68 affordable housing apartments, fully leased. The addition of an additional 175 occupants in this part of the DMC along with*

*other potential housing developments in the area should be a catalyst for new development such as an urban grocer, restaurants, or other retail.*

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

*The proposed public infrastructure will help improve the street level and pedestrian experience along 1<sup>st</sup> Avenue. The funding will help support the public-facing portions of the development, specifically outdoor space on the ground floor. This connection is important because it will add activity to the corridor that largely doesn't exist currently.*

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

*As described above, the funding will help support the public-facing portion of the project. It will help bring commercial activity to an area of the DMC District that does not have heavy foot traffic, currently. The design and the outdoor space should help encourage a livelier street environment.*

**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 subdistricts?**

*As described above, the project is providing a product identified in the DMC plan as a demonstrated need, i.e. more hotel space. Second, the specific type of hotel product will help provide more commercial business activity in the area and create more activity on the street level in the Central Station sub-district.*

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

*Although the project is not a transportation project, it incorporates design components that will create a more active street and pedestrian experience. Its proximity to downtown is a real asset, and its active ground level will encourage more foot traffic than the area currently realizes.*



**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 project is consistent with the needs identified in the DMC Master Plan. In terms of its tax generation and employment, it will provide increased property taxes and more permanent positions for the sub-district. From an infrastructure standpoint, it is largely an infill project and will add density to further complement the transportation networks downtown.*

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

*The project is providing an identified need of the DMC Plan. Based on the current market studies available, these units will contribute to the DMC meeting its 5 year targets for additional hotel rooms in the downtown DMC District.*

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

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

*As the project is a redevelopment of an existing downtown parcel there are some rezoning considerations, and it adds significant density to the area. That being said, the project is consistent with the rationale in the Comprehensive Plan as it adds further transit users and densifies the downtown core of Rochester.*

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

*Not applicable.*

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

*From a goal-setting perspective, the project is pursuing a 20% energy reduction goal below ASHRAE 90.1-2010 and third party green building certification. These goals are contingent on any unforeseen economic or design impacts; however, the project will keep the DMC EDA involved throughout the design process in order to help address any obstacles that may arise.*

*Moreover, the project is integrating a range of sustainability elements that will improve the energy efficiency, health, and operational performance of the facility as outlined in Exhibit K. These commitments include the facility's landscaping, HVAC performance, furnishings and finishes, alternative transportation elements, and plumbing fixtures and fittings.*

*Finally, the project is committed to sharing its utility data through the City's Voluntary Energy Benchmarking Program and pursuing all relevant incentive opportunities to the design. Finally, the building will be commissioned to ensure the building systems as operating as designed before the building is turned over the*

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*owner.*

*Overall, this project has incorporated a range of impressive sustainability goals and design elements that will make it one of the more energy efficient and sustainable developments in all of Rochester. Moreover, the development has worked collaboratively throughout the process with the DMC EDA staff and others to realize these environmental outcomes.*

### 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?

*Yes. The applicant performed an assessment of the market and the property directly.*

*As part of the application and the basis for the projected revenue for the property, the applicant submitted as an Exhibit, a copy of the Smith Travel Research Report (STR) which identifies the trends for the “competitive set” the hotels most similar to the subject property. This report identifies the trends in occupancy, average daily rate (ADR) and Revenue per available room (RevPAR). This report is the hospitality industry standard and is relied on by those in the hospitality sector for measuring performance.*

*The application also contained a full conceptual estimate of the proposed construction cost performed by PCL an internationally recognized construction firm.*

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

*The project proposes a combination of debt and private equity. The property is presently under contract for \$2,935,500 and is scheduled to close in mid-July of 2018.*

*The construction phase of the development will consist of construction debt of approximately \$31 million in hard constructions costs. Of this total \$10 million is in equity and \$21million in debt financing. For the overall project cost of \$44,231,096, the development group has a commitment of approximately \$13.3 million in equity for the permanent financing and several offer sheets from lenders to provide the debt.*

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

*The financing plan submitted was reviewed and is viable. The pro-forma was reviewed and found to be comprehensive and detailed.*

*As part of our review we performed independent verification of market indicators by reviewing published data and interviewing recognized experts in the field of hotel valuation. In the major categories we tested, Loan to value (LTV), Equity yield rate, Debt Service Coverage Ratio (DSCR), and market sales analysis, all were found to be in conformance with the current market. In addition, direct discussions with experts in the field of hotel valuation indicate that Rochester is a strong hotel market and would be able to support this*

*project and additional capacity in the future.*

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

*Detailed financial projections were included; however, an actual operating proforma detailing specific operating and maintenance plans was not supplied due to variances in future projections. The projected costs were based on industry standards with the property being flagged as a Hyatt House. The branding agreement has been signed and committed to by Hyatt pending final approvals.*

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

*As we previously stated, the applicant has proposed two scenarios for the subject property. The first one assumes no TIF assistance and shows a return of 13.2% the second scenario is including \$4.85 million in TIF assistance and shows a return of 16.2%. In discussing this project with the applicant, they indicated their equity partners are looking for a return of over 16% which is achieved through the use of TIF. Although there is a gap identified, it is the expected return for the equity partner whether TIF is approved.*

*The applicant has stated that without TIF they cannot meet these hurdle rates of equity return. If they are not able to hit these targets, they cannot attract the needed equity to finance the project and they will not go forward with the development.*

**Is the proposed operating structure sustainable?**

*Yes. The resumes submitted as part of this application show a team with hotel investment and operations experience. The team has extensive operating experience and has performed a thorough due diligence on the project. This analysis, coupled with a signed Hyatt agreement to brand the hotel, shows an independent verification of the strength of the operating team.*

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

*No. Once the project is underway the ownership team will not require and assistance in the operations or management of the asset.*

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

*Yes. The applicant has agreed to abide by the final terms of the Development Agreement.*

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

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**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?**

*While this project is within the DMC District, it is not in one of the two geographic priorities of the DMCC board, which are Heart of the City and Discovery Square. Located at the north end of the Central Station sub-district, it is adjacent or nearby several other private investment projects such as 1<sup>st</sup> Ave Flats (affordable housing development) and Castle Community (arts and culture development). The project helps address an unmet need for modern, extended stay, mid-priced hotel accommodations, particularly in demand by families and patients receiving treatment and care at Mayo Clinic.*

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

*Addressing unmet needs for hotel accommodations is a priority during this phase of the development plan. This specific project responds to a documented gap in extended stay hotel rooms.*

**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?**

NA

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

The project is consistent with the current and anticipated public infrastructure plans.

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**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?**

*Yes, the project addresses DMC requirements for WMBE, prevailing wage, and American made steel.*

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

*Yes.*

**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?**

*Yes. The project generates approximately \$519,661 in new tax increment. In addition, it is scheduled to provide 257 temporary construction jobs, 38 new permanent jobs and will have a net positive impact to increased sales and use taxes.*

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

*The project has approximately \$13 million dollars in committed private equity as part of the committed overall equity. We have discussed other financing sources with the applicant which included SAGE and New Market Tax Credits. These programs were considered by the applicant but did not fit into the capital stack in a beneficial way (SAGE) or were not deemed to be looked at favorably by investors (NMTC).*

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

*The project will add to the overall eligible costs that are certified by DEED each year.*

**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 project supports the overall economic strategy of the DMC by fulfilling a need for newer hotel rooms with more amenities. The design will provide streetscapes and public amenities such as parking, bike racks and natural, native landscaping and vegetation.*

*As previously discussed, this project will continue to be a catalyst for the north end of downtown Rochester. First Avenue Flats, an affordable housing development with 68 units was completed last year and is fully leased and this development will have 175 hotel rooms. These two developments will bring approximately 243 new residents to this neighborhood, create a demand for other types of needed developments such as neighborhood markets, restaurants, and retail, increase the current property tax base, add additional jobs, and stimulate additional sales and use tax.*

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**SECTION 3.7**

**OTHER PROJECT POLICY CONSIDERATIONS**

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**Is the project inside the DMC Development District?**

*Yes.*

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

*NA*

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

*This project will provide both short term employment opportunities (construction) and long term jobs in hospitality services. It is walkable to the downtown, and will help support existing and catalyze new restaurant, grocer, and other retail services.*



**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2018**

**Approving the Hyatt House Civic + First Rochester 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 June 15, 2018, and attached hereto as Exhibit A, the City has requested approval of the Hyatt House Civic + First Rochester Development Project (the “Proposed Project”), for which it plans to provide up to \$3,900,000 in expenditures and tax increment financing. The City further requests that City expenditures and financing in the amount of up to \$1,950,000 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; . . . (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; (5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit; (6) install, construct or reconstruct, furnish and equip parks, cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, and broadcast and related multimedia infrastructure; [and] (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 . . . .

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 Central Station 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; 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; installing, constructing or reconstructing, furnishing and equipping facilities with respect to parks, cultural, recreational, tourism, hospitality, conferencing and conventions, and broadcast and related multimedia infrastructure; and making related site improvements; 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 \$1,950,000 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: 1) an agreement by the parties to the development assistance agreement of a “look-back” provision with respect to a pro-rata reduction in tax increment financing reimbursements based on the final cost of the Proposed Project; and 2) 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.



## EXHIBIT A

# Memorandum

**To:** DMCC Board of Directors

**Cc:** Kathleen Lamb, Kathleen Brennan, Lisa Clarke, Patrick Seeb, Tim Cody, Steve Rymer, Aaron Parrish, Brent Svenby

**From:** Terry Spaeth

**Date:** June 15, 2018

**Subject:** DMCC Board approval for the EKN Development Hyatt House Hotel project

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The City of Rochester provides the following information relating to the EKN Development Hyatt House Hotel Project for your consideration at your June 28, 2018 meeting.

1. DMCC Board action requested. Grant approval of the prepared resolution to approve the EKN Development Hyatt House Hotel 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 project had received its Preliminary Incentive Development Plan approval on November 20, 2017. On June 4, 2018, the City Council

approved an amendment to the Preliminary Plan. The Final Incentive Development Plan 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 \$4.3 Million in assistance to close the financial “gap” for this Project.
- c. 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 Hyatt House Development project the staff will be recommending to the Mayor and City Council that the City provide \$3.9 million of tax increment financing assistance for this Project. Of that above mentioned recommended level of project TIF assistance, it is also recommended that \$1.95 Million of that amount be “credited” to the City’s local contribution amount. The Council will consider this as a component of the Development Assistance Agreement (DAA) at their meeting on July 2, 2018. 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 regarding the recommended amount of assistance and the developer has indicated that they can proceed with the Project with the recommended \$3.9 million level of assistance. Approval by the DMCC Board of the Hyatt House Hotel 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 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 1/11th 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. Hyatt House Hotel 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 \$44 Million. That \$44 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 \$1,210,000.
  - (2) State Transit Aid (STA). That same \$44 Million investment amount is multiplied by 0.75% to determine the State Transit Aid (STA) annual payment equivalent amount, which is \$330,000 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 DMC credit contribution of \$1.95 Million is multiplied by 2.55 to determine the amount of GSIA that can be secured over time from that \$1.95 million matching contribution, which is \$4,972,500.

4. Summary of the Proposed Project.

- a. The proposed project is located on the current American Legion property at the SW corner of Civic Center Drive and 1st Avenue NW. The project is a \$44 million proposed 8 story, 175 room extended stay hotel, with 102 structured of street parking spaces. The guest rooms include kitchen and living areas to serve the longer term guests. Its location is a gateway into the Mayo Medical Campus in walking distance of Mayo facilities.
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 Central Station subzone and the proposed development acts as a catalyst for future development in the surrounding area.
  - b. The Project will provide a capital investment of \$44 million within the DMC Development Plan area.
  - c. The Project has the potential to create 38 permanent jobs and 257 construction jobs.
  - d. The Project develops an underutilized property 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 is supportive of the transportation effort, by potentially providing some off street parking for other users, when not needed for hotel purposes.
- g. The project construction will include wage rates, WMBE and American made steel provisions.



## Chateau Theatre Interim Use & Investment

To: DMCC Board of Directors

From: DMC EDA Staff

Date: June 20, 2018



### Background:

#### 2015:

1. DMCC approved acquisition of Chateau Theatre as “public infrastructure project.”
2. City Council authorizes purchase of Chateau Theatre
3. Mayor forms Chateau Theatre Reuse Committee

#### 2016:

1. City finalizes purchase
2. Task Force organizes its work around three milestone recommendations
  - Reuse
  - Design
  - Management and Governance
3. Consultant team of Miller Dunwiddie and Webb Management retained
4. Task Force conclusions:
  - Reuse as a multipurpose performing arts center
  - Redesigned within current footprint of the building and under the alleyway
  - \$23+ million cost estimate
  - Management and programming by City Music Department, with ongoing operation loss
5. City Council received report and asked for the following:
  - Further discussion with adjacent property owners to explore opportunities
  - Consideration of alternative sources of funding, inclusive and in addition to DMC funds
  - Further study of the business plan, avoiding ongoing operating loss

#### 2017:

1. City staff modified proposed operating income and expense model, still resulting in on-going operating loss
2. Ryan Companies agreed to consider incorporating Chateau facilities in the redeveloped Wells Fargo building, pending overall project plans
3. Task Force recommends inclusion of the Chateau costs in the future CIP budget, for presentation to DMCC
4. DMCC Report and Recommendation, November 2017
  - Advance Chateau Theatre as a multiuse performing arts center, but consider a less capital intensive restoration model
  - Develop a strategy to diversify capital funding sources
  - Ensure a sustainable ongoing management, programming, and operations plan
  - Build relationships to adjacent development

- Consider ideas for interim use and activation
- Preliminary CIP authorization
- 5. Discussion at DMCC meeting and subsequent discussion with Acting DMCC Chair:
  - Would like to see an alternative to the plan currently on the table
  - Specifically, less capital intensive and alternative management/programming model

2018:

**Current Status:**

- In March 2018, DMCC authorized use of CIP funds for design costs and capital improvements to Chateau Theatre to a) secure and protect the building; b) bring it up to code so that it can be used for “assembly” purposes; and c) design eventual integration with Peace Plaza and Wells Fargo building.
- City of Rochester retained Miller Dunwiddie to develop construction and bid documents. This work is nearly complete.

**Additional Next Steps:**

- Continue active engagement with Ryan for integration of Chateau with Wells Fargo redevelopment (inclusive of major building tenants)
- Develop interim use programming and management model
- Engage architect on alternative design options, less capital intensive

## Heart of the City Public Realm

To: DMCC Board of Directors  
From: DMC EDA Staff  
Date: June 20, 2018



### Overview:

The RSP-led design team has completed the Schematic Design for Heart of the City in 2017. It was received by the Community Advisory Group, DMC EDA, DMCC, and City Council.

Subsequent discussion has focused on

- Questions about project phasing, financing, on-going management and operations
- Integration of project design with Chateau Theatre, Wells Fargo, and Titan/Harbor Bay
- Determine project priorities/phasing, and construction timetable
- Identify and secure funding streams and financing strategy
- Develop governance, management, and operations program

Based on the opportunity associated with the redevelopment of the Wells Fargo building, recommendations to advance the detailed design for the two portions of the Heart of the City public realm: 1<sup>st</sup> Ave and the east end of Peace Plaza were made at the March, 2018 DMCC board meeting. To proceed in a timely manner, DMCC authorized the use of CIP funds for this purpose. Cost analyses and a proposal is currently being reviewed by the DMC EDA.

### Next Steps:

The design team led by Coen+Partners has been retained to focus on the following items.

- Introduction of the design team to the DMC, City of Rochester, and local stakeholders
- Identification of local partners
- Evaluation and alternative proposals for various components of the Schematic Design (including, but not limited to balconies, fountain, and grand stairs)
- Integration of the design team to the Theater Square redevelopment, including the proposed renovations and repurposing of the Wells Fargo building and the Chateau Theater
- Development of preliminary concepts for improvements to the underside of the Wells Fargo building where it crosses 1st Avenues

## Discovery Walk

To: DMCC Board of Directors

From: DMC EDA Staff

Date: June 20, 2018



### Overview:

The RSP-led design team has been retained to design Discovery Walk, which is the public realm along the 2<sup>nd</sup> Avenue corridor from 2<sup>nd</sup> Street south to 6<sup>th</sup> Street (Soldiers Field).

### Next Steps:

- Schematic design phase is complete
- Presentations to City, Mayo, Community, DMC EDA, DMCC, and City Council completed
- Final report has been received.
- Develop interim activation strategies to test design concepts
- Determine Impact on CIP
- Determine potential economic development impact

## Saint Marys Place

To: DMCC Board of Directors

From: DMC EDA Staff

Date: June 20, 2018



### Overview:

The public design process for Saint Marys Place sub-district public realm began in 2016 and resulted in a design concept that was presented in City Council on October 2<sup>nd</sup>, 2017. The concept is organized in four distinct elements:

- Protected Passages (subway and arcades)
- Active and Connected Places (Plazas, Alleys, Crosswalks)
- Streets for People (Protected bikeways, shared streets)
- District Identity (Public Art and District Branding)

### Next Steps:

Following the public presentations revisions to the document were suggested to clarify expectations. Revisions will include modifying some of the narrative, introducing Performance Objectives, and using images which better illustration design considerations. Document has been revised to address these concerns and is being reviewed by City administration.

Application of these design concepts with upcoming projects such as 2<sup>nd</sup> Street reconstruction and private development;

Prototyping/temporary demonstrations of project ideas;

CIP approved for street banners, street furniture, and district identity



**DESTINATION MEDICAL CENTER CORPORATION****RESOLUTION NO. \_\_-2018****Accepting Destination Medical Center Transportation and Infrastructure Program  
Integrated Transit Studies Final Report, and Providing Direction for  
Additional Study and Recommendations****BACKGROUND RECITALS**

A. The Destination Medical Center Corporation (the “DMCC”) adopted a development plan pursuant to statute on April 23, 2015 (the “Development Plan”). The Development Plan contained a transportation strategy which envisioned, among other elements, enhanced transit services, a transit circulator, enhanced bicycle access and facilities, a parking strategy, and multi-modal travel connections.

B. In furtherance of the goals of the Development Plan, as part of its annual funding request, the DMCC approved the funding of Integrated Transit Studies (the “Transit Studies”) and transit project management in its respective 2016, 2017, and 2018 Capital Improvements Plan for the purpose of providing a vigorous assessment of alternatives for vehicular, transit, pedestrian and bicycle travel. The DMCC further approved the Transit Studies as public infrastructure projects within the meaning of Minnesota Statutes Section 469.40, subdivision 11 and as consistent with the Development Plan.

C. The Transit Studies focused on four areas: (1) Downtown Transit Circulator; (2) City Loop; (3) Parking and Travel Demand Management; and (4) Street Use and Operations. The DMCC received regular updates as to the progress and planning throughout the course of the Transit Studies.

D. The Transit Studies have culminated in the preparation of final reports for each of the Transit Studies and an Executive Summary (collectively, the “ITS Final Report”). By letter dated June 20, 2018, attached as Exhibit A, the City of Rochester (the “City”) and the Destination Medical Center Economic Development Agency (the “EDA”) have requested that the DMCC consider and accept the ITS Final Report, and provide direction for additional study and recommendation, as set forth below, and authorize staff to take further action to implement the ITS Final Report.

**RESOLUTION**

**NOW THEREFORE, BE IT RESOLVED**, by the Destination Medical Center Corporation Board of Directors that the Integrated Transit Studies Final Report dated June 20, 2018, on file with the City is accepted, as an updated and refined framework for the development and implementation of the transportation goals of the Development Plan.

**BE IT FURTHER RESOLVED**, that individual projects or programs recommended in the ITS Final Report are subject to approval by the DMCC and City through inclusion of individual projects or programs in the Destination Medical Center Capital Improvement Program, and that specifically with respect to the following issues, additional study of the recommendations in the ITS Final Report may occur as directed by the DMCC and City prior to advancing any associated project for implementation:

- a) Specific locations for public infrastructure investment in areas designated as Mobility Hub A and Mobility Hub B and alignments connecting the downtown transit circulator to the Mobility Hub areas are subject to further review and refinement as necessary to allow for the further consideration of joint public – private development opportunities that will achieve the land use and economic development goals of the Development Plan and take advantage of financing approaches that can attract private dollars to the provision of public infrastructure in these areas while meeting market driven business development needs and the transportation access and mobility needs in the Destination Medical Center Development District (the “Development District”).
- b) Route(s) of the Bus Rapid Transit circulator will be further evaluated to best reflect location of the Mobility Hubs, opportunities for economic development, operational efficiencies, and other considerations.
- c) Representations in the ITS Final Report of specific phasing of Transit Studies’ recommendations are illustrative and are subject to change based upon the development and ongoing refinement, review, and adoption of an implementation plan. The adopted implementation plan will include strategies for monitoring change in travel, economic activity and land use in the Development District, to inform the need to initiate action on critical elements of the Transit Studies’ recommendations.
- d) Representations of specific right-of-way impacts on private property are illustrative and are subject to change based upon the development, refinement and review of geometric layouts or adoption of official street map(s) identified in the implementation plan.
- e) Repurposing of any general purpose vehicle travel lanes for alternative use will be based on further analysis of the ability within the impacted street corridor to meet the demand for travel by persons within existing space constraints through a combination of multi-modal strategies that provide the capacity needed to meet projected travel demand while maintaining adequate vehicle operations.
- f) Removal of existing parking for customers, visitors, patients or residents due to a public infrastructure project should consider whether reasonable alternative parking for parking users is available through a combination of development of new public and private parking resources, expanded shared use of existing parking resources, repurposing of existing commuter parking or pricing strategies that match parking demand with parking supply.

**BE IT FURTHER RESOLVED**, that the staff is requested to make a recommendation to the DMCC with respect to an implementation plan at its September 25, 2018 meeting.



**BE IT FURTHER RESOLVED**, that Chair and Treasurer are hereby authorized and directed to take such actions as are necessary or convenient to effectuate this resolution.

1085540-4.DOCX



## EXHIBIT A

### DMC Transportation Plan

To: DMCC Board of Directors  
From: DMC EDA and City of Rochester Staff  
Date: June 20, 2018

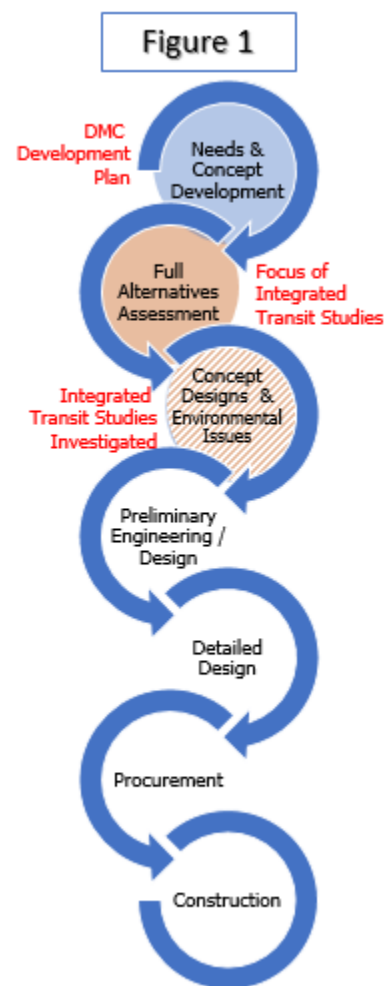


#### INTRODUCTION

Minnesota Statute 469.40 provided for the establishment of a Destination Medical Center Development District ("District") for the purpose of facilitating development of public infrastructure projects that support the state and local objective of creating a destination medical center. The statute establishing the Destination Medical Center provided for the preparation and adoption of a Development Plan that would be used to guide public investment in infrastructure in the District.

The transportation vision in the Plan was developed with a focus on access and mobility that would reduce dependency on private vehicle travel in the district while creating improved multi-modal travel connections. The DMC vision provides for enhanced transit services connecting the District to the community and the region, a frequent downtown transit circulator, an enhanced network of bike facilities providing connections to District destinations and across the District, safe walkable streets, and a parking strategy that emphasizes convenience for high turnover customer and patron needs while emphasizing peripheral and remote parking for long term, low turnover parking use with seamless, convenient connectivity to downtown.

Action by the Rochester Common Council in City Resolution #035-11 adopting the DMC Plan recognized the need to complete further study and refinement of transportation strategies including capital and service investment needs identified in the Plan in order to refine and update the planning level vision completed as part of the Development Plan. As shown in Figure 1, the project development process leading to construction of infrastructure or deployment of transportation services proceeds through an orderly series of steps. The ITS process advanced the concepts in the DMC Development Plan by providing an in-depth assessment of options,



## **EXHIBIT A**

including concept level design and environmental investigation, in order to further evaluate at a more detailed level the transportation solutions proposed in the DMC Plan for the purpose of confirming or adjusting project scope to best serve the needs of the City and the District and insure solutions that are cost effective.

In furtherance of the goals of the DMC Development Plan, the Rochester Common Council authorized funding for the Destination Medical Center Integrated Transit Studies for the purpose of providing a rigorous assessment of alternatives for vehicular, transit, pedestrian, and bicycle travel at a level of detail needed to generate confidence in the study's findings, conclusions, and recommendations and support the economic development, sustainability and community livability goals of the DMC Development Plan. The Planning Process that was executed over the course of the past 18 months is illustrated in Figure 2.



The Integrated Transit Studies culminated in the preparation of individual study reports for each of the four studies and a series of supporting documentation for the Downtown Transit Circulator Study, the Street Use and Operations Study, the Parking and Travel Demand Management Study and the City Loop Study. The findings and conclusions are summarized in an Executive Summary which provides a framework of refined transportation solutions and strategies that support the economic development, livability and sustainability goals of the Destination Medical Center initiative.

### **PREFERRED SOLUTIONS BEING RECOMMENDED**

A summary of the new or updated transportation solutions presented in the Executive Summary include:

## **EXHIBIT A**

1. ***Travel Reduction / Travel Management Strategies:*** Encourage a shift to more efficient modes of travel to reduce peak period congestion across portals into downtown and on downtown streets. Strategies include
  - a. Establish a **Transportation Management Association (TMA)** to coordinate and deliver services, programs and incentives to businesses, organizations and employees
  - b. Ramp up **coordination of future TMA Services with Mayo Clinic Transportation Services** over time to take advantage of opportunities of scale and to proactively integrate TMA efforts with the services already provided by Mayo
  - c. Encourage use of **active transportation options** such as bike sharing
  - d. **Develop education programs and materials** targeting existing and future employers and employees to raise awareness of commute options
  - e. Establish a **Developer TDM Program** to work with developers of new sites or redevelopment to facilitate the delivery of on-site TDM services
2. ***Parking Investment Strategy:*** The parking investment strategy represents a modification from the DMC Development Plan concept in that development of new parking for commuter use will focus primarily outside the district while parking development in the district focuses on customer, patient, visitor, resident and event needs. Strategies include
  - a. Develop primarily through the efforts of the private sector **approximately 8,000 spaces in the district for residents, patients, customers and visitors**
  - b. Develop approximately **8,600 additional spaces for commuters** primarily outside of the district, with approximately **2,650 spaces in remote park and ride lots** and **6,000 spaces on the periphery of downtown** in areas designated as Mobility Hub A (northwest) and Mobility Hub B (southeast)
  - c. In developing commuter **parking outside the district** explore options for providing parking **as part of mixed use development or as part of a Mobility Hub strategy** providing daily services and personal amenities at parking facilities
  - d. Coordinate public and private parking development policy in the district to **encourage shared management and use of district parking** to reduce the overall level of new parking supply needed in the district
3. ***Transit Service Investment Strategy:*** Strategic enhancement of transit services to supplement local community fixed route transit to attract commuters as well as additional daily non-work riders to transit services. Strategies include:
  - a. **Downtown Bus Rapid Transit Circulator:** Create a rubber tired transit circulator within the DMC District incorporating the features of Bus Rapid Transit service with flexibility to provide for phasing in of service, adaptation of alignments to changes in commuter parking locations, and the potential integration of autonomous transit technology. The circulator will target service to commuters

## **EXHIBIT A**

using Mobility Hub parking areas, Mayo Clinic inter-campus traffic, and general internal circulation needs of all individuals within the DMC District

- b. **Accommodate development of the citywide Primary Transit Network** strategy defined in the City Comprehensive Plan on the Broadway Ave and 2<sup>nd</sup> St South travel corridors in the District. The PTN is an integrated land use and transit strategy to provide high quality, frequent BRT style service connecting the DMC District with other major destination or activity centers throughout the city and to attract housing and business development to sites along the PTN that will avail downtown workers and others of greater choice in housing served by convenient transit service
  - c. **Expand express transit service to remote park and ride lots** to accommodate the increased parking capacity to be developed at remote sites.
  - d. Work with service providers and Mayo to **identify feasible alternative locations to store and provide end-of-day boarding for regional commuter buses** that expect to see increased ridership, which are now accommodated on-street in the core area of the Heart of the City District.
  - e. The ITS Studies identified preliminary design concepts for key Transit Mobility Streets including 2<sup>nd</sup> St SW and 3<sup>rd</sup> and 4<sup>th</sup> Ave West that reflect the **potential future need for dedicated transit lanes or shared lanes prioritized for transit** in order to meet the demand for transit service that is projected in the district.
4. **Street Investment Strategy:** As opportunities or needs arise to rebuild or upgrade street facilities, plan for improvements recognizing that certain streets service different primary functions and the character of the street is influenced by and in turn influences the land use character of the corridor. The Street Investment Strategy is built around the recognition of the following street types:
- a. Mobility Streets: Accommodate high volumes of traffic while providing basic facilities for other modes
  - b. Transit Priority Streets: Design features and operational priorities are transit oriented
  - c. Multi-modal Streets: Strive to accommodate a variety of modes in a balanced manner
  - d. “Main Streets”: Streets promote retail activity and pedestrian movement priority
  - e. Pedestrian Oriented / Shared Streets: Streets are designed to provide for flexible usage with a strong orientation to pedestrian and bicycle usage
  - f. Neighborhood Streets: Designed for low volumes of slow moving traffic

These principles are further articulated in the adopted Downtown Design Manual and these resources should be consulted when designing street improvements.

## **EXHIBIT A**

5. ***Active Transportation Investment Strategy:*** The DMC Development Plan encouraged more active transportation options through improvement to the quality of the downtown environment as well as investment in pedestrian and bicycle facilities.

The ITS Studies further refined the concepts of the DMC Development Plan in regards to the proposed City Loop, identifying a recommended alignment and developing a proposed design palette and design vocabulary for the facility. The ITS Studies also refined the plan for a downtown bikeway network that had been previously defined through the Downtown Master Plan and City Bike Master Plan. The goal of this work is to identify bike connections to major downtown destinations as well as establishing guidance for routes that will provide for direct travel across downtown.

### **STAFF RECOMMENDATION**

The DMC EDA staff and City staff would recommend the DMCC Board of Directors and Rochester City Council accept the findings and conclusions as presented in the Executive Summary and four final study reports, dated June 20, 2018, as an updated and refined framework for the development and implementation of the transportation access and mobility vision defined in the DMC Development Plan.

Staff further recommends that in accepting the ITS Reports the DMCC and City Council support the conclusions and recommendations of the study with the understanding that individual projects or programs recommended in the ITS Executive Summary and Study Reports are subject to further action by the DMCC Board and Common Council through 1) inclusion of individual projects in the DMC Capital Improvement Program, 2) acceptance of project design following preliminary engineering and design, or 3) approval of contracts for procurement or construction. Furthermore, in regards to the following issues, additional study of the recommendations in the ITS Final Report may occur as directed by the Common Council and DMCC Board prior to advancing any associated project for implementation:

- a) Specific locations for public infrastructure investment in areas designated as Mobility Hub A and Mobility Hub B and alignments connecting the downtown transit circulator to the Mobility Hub areas are subject to further review and refinement as necessary to allow for the further consideration of joint public – private development opportunities that will achieve the land use and economic development goals of the Development Plan and take advantage of financing approaches that can attract private dollars to the provision of public infrastructure in these areas, while meeting market driven business development needs and the transportation access and mobility needs in the District.
- b) Routes for BRT circulator will be further evaluated to best reflect final location of the Mobility Hubs, opportunities for economic development, operational efficiencies, and other considerations.

## **EXHIBIT A**

- c) Representations in the ITS Final Report of specific phasing of ITS recommendations are illustrative and are subject to change upon the development and ongoing refinement, review, and adoption of an ITS Implementation Plan. The Implementation Plan will include strategies for monitoring change in travel, economic activity and land use in the District to inform the need to initiate action on critical elements of the ITS Studies recommendations.
- d) Representations of specific right-of-way impacts on private property are illustrative and are subject to change based upon the development, refinement and review of geometric layouts or adoption of Official Street Map(s) identified in the ITS Implementation Plan.
- e) Repurposing of any general purpose vehicle travel lanes for alternative use will be based on further analysis of the ability to meet the demand for travel by persons within existing space constraints through a combination of multi-modal strategies that provide the capacity needed to meet projected travel demand while maintaining adequate vehicle operations.
- f) Removal of existing parking for customers, visitors, patients or residents due to a public infrastructure project will need to consider whether reasonable alternative parking for these parking users is available through development of new public and private parking resources, expanded shared use of existing parking resources, repurposing of existing commuter parking or pricing strategies that better match parking demand with parking supply.

### **FUTURE ACTIONS**

Following acceptance of this report, DMC EDA and City staff will prepare a phased Implementation Plan for Board/Council consideration (September 2018) and request for 2019 budget action (November 2018).

The ITS Final Reports provide the basis for the development of this plan which will serve as a blueprint for delivering future Public Infrastructure Projects in support of the DMC economic development program and the livability and sustainability goals of the Plan. The Implementation Plan will be a living document to guide future decisions regarding project programming and development, which should be reviewed annually and updated as needed. In combination with the monitoring of changing conditions described in item (c) above, the Implementation Plan will be an important tool for identifying when actions need to begin to advance of various elements of the overall DMC Infrastructure program.

The executive summary and full study reports of the Integrated Transit Studies can be found here: [www.dmc.mn/plan-priorities/](http://www.dmc.mn/plan-priorities/)



**DESTINATION MEDICAL CENTER CORPORATION****RESOLUTION NO. \_\_\_\_-2018****Supporting the City of Rochester, Minnesota in its Application to the U.S. Department of Transportation for BUILD Transportation Grants****BACKGROUND RECITALS**

A. The United States Department of Transportation (“U.S. DOT”) is inviting applications for discretionary grant funding through the Better Utilizing Investments to Leverage Development (“BUILD”) Transportation Discretionary Grants program. BUILD funding may be used to support roads, bridges, transit, rail, ports or intermodal transportation.

B. The program management team for the Destination Medical Center Transportation and Infrastructure Program has identified three candidate BUILD grant applications for the City of Rochester, Minnesota (the “City”) to submit as part of the 2018 U.S. BUILD Discretionary Grants program, in furtherance of the transportation and transit goals of the Destination Medical Center Development Plan, adopted by the Destination Medical Center Corporation (“DMCC”) on April 23, 2015, as amended. The projects are:

1. Trunk Highway 52/14 Interchange Improvements;
2. Rochester Public Transit Solar Powered Bus Fleet; and
3. Trunk Highway 52 Air Rights Development Feasibility Study and Concept Designs.

Each project, the timeline, and any matching grant requirements are more fully described in the attached Exhibit A.

C. Staff from the City and from the Destination Medical Center Economic Development Agency (“EDA”) request that the DMCC support the submittal of the BUILD grant applications for the projects identified above.

**RESOLUTION**

**NOW, THEREFORE, BE IT RESOLVED**, that the Destination Medical Center Corporation Board of Directors supports the submittal of grant applications by the City of Rochester, Minnesota, to the U.S. Department of Transportation BUILD Transportation Discretionary Grant program for the following three projects:

1. Trunk Highway 52/14 Interchange Improvements;
2. Rochester Public Transit Solar Powered Bus Fleet; and

3. Trunk Highway 52 Air Rights Development Feasibility Study and Concept Designs.

**BE IT FURTHER RESOLVED**, that the DMCC authorizes the Chair or Treasurer to take such actions as are necessary or convenient to assist the City in its submission process to U.S. DOT or to effectuate this Resolution.

## **EXHIBIT A**



## **Memorandum**

**To:** DMCC Board of Directors

**From:** Richard Freese; P.E.  
Director of Public Works/City Engineer  
City of Rochester, MN

Ken Holte, P.E.  
Vice President, Civil Design at SRF Consulting Group, Inc.  
Jo Ann Olsen  
Associate, SRF Consulting Group Inc.

**Date:** June 14, 2018

**Subject:** 2018 U.S. Department of Transportation (DOT) Better Utilizing Investments to Leverage Development (BUILD) Discretionary Grants Program/City of Rochester BUILD Grant Applications

**Cc:** Kathleen Lamb, McGrann Shea Carnival Straughn & Lamb, Chtd

### **Introduction**

U.S. DOT published a Notice of Funding Opportunity (NOFO) on April 25<sup>th</sup> to apply for discretionary grant funding through the Better Utilizing Investments to Leverage Development (BUILD) Transportation Discretionary Grants program. BUILD Transportation grants replace the pre-existing Transportation Investment Generating Economic Recovery (TIGER) grant program and are for investments in surface transportation infrastructure projects that will have a significant local or regional impact. BUILD funding can support roads, bridges, transit, rail, ports or intermodal transportation. <https://www.transportation.gov/BUILDgrants>

### **City of Rochester BUILD Discretionary Grant Applications**

The Program Management Team for the DMC Transportation and Infrastructure Program have identified three candidate BUILD grant applications for the City of Rochester to submit as part of the 2018 U.S. BUILD Discretionary Grants Program. Each grant applications support a project that addresses needs identified in multiple studies, including the Rochester District Medical Center (DMC) Plan, Rochester Integrated Transit Studies 2018, Rochester Public Transit (RPT) Transit

Development Plan 2017, Rochester City Energy Action Plan 2016, and Planning 2 Succeed: Rochester's Comprehensive Plan 2040.

The BUILD Transportation Discretionary Grant applications include two that are full grant applications (narrative and Benefit Cost Analysis (BCA)) and one that is a planning grant application (narrative only). A description of the BUILD Transportation Discretionary Grant applications is provided below.

**BUILD Transportation Discretionary Grant Capital Investment Grants (narrative and BCA)**

1. TH 52/14 Interchange improvements

The TH 52/14 project would involve elimination of the current at-grade left turn crossings from Civic Center Drive/TH 14 onto northbound and southbound TH 52 through construction of flyover on-ramps. The on-ramp construction would facilitate future development of access to serve commuter parking facilities in Mobility Hub A as defined in the DMC ITS Study Report either west, east or south of the interchange location. The construction would also involve necessary adjustments to bridge structures to facilitate the ability to develop median running transit facilities on Civic Center Drive / TH 14 if needed to serve future commuter parking. Development of the final design is dependent in part on completion of future feasibility studies investigating the development of parking and associated development in the air rights over TH 52 south of the interchange.

2. Rochester Public Transit (RPT) Solar Powered Bus Fleet

The RPT Solar Powered Bus Fleet project involves the acquisition of up to four fully Electric Buses along with the installation of Charging Stations and an associated Solar Panel Array at the RPT Bus Garage to provide highly cost effective and environmentally sustainable express bus service to Rochester's growing inventory of Park and Ride lots serving the city's large downtown employment workforce of over 35,000 individuals. The vehicles would serve the park and ride network during AM and PM peak periods and would be deployed to fixed route transit service during off peak periods.

**BUILD Transportation Planning Grant (narrative only):**

1. TH 52 Air Rights Development Feasibility Study and Concept Designs

The proposed transportation planning grant will investigate the feasibility of mixed use development utilizing the air rights over TH 52 in Rochester between 2nd St SW and the TH 14 West / TH 52 interchange immediately west of downtown Rochester. As part of the ongoing Destination Medical Center economic development program, the study will seek to identify options for mixed use development that incorporates commuter parking serving the DMC District with opportunity for retail, office, residential or other private development in a manner that can be served with access from the TH 14/52 freeway system as well by a proposed downtown transit circulator being

planned for the DMC District. As part of this work it is a goal of the project sponsors to engage with the private development community to gauge interest and financial feasibility of the private development component of the project.

### **Rochester BUILD Grant Application Project Schedule**

1.	Project Team Kickoff Meetings	Week of June 11
2.	Data Request to Client	Week of June 11
3.	Data Received by Client	Week of June 18
4.	Draft Application	Week of June 25
5.	Edits/Final Draft	Week of July 9/16
6.	Submit Application	July 19

### **General 2018 BUILD Discretionary Grant Program Information**

#### **Deadlines**

- Applications are due July 19, 2018 at 8pm EST
- Grant Decisions announced on December 18, 2018
- Obligation of funds must occur by September 30, 2020
  - To obligate funds, all pre-construction activities must be completed on or before September 30, 2020 (target and preferred date is June 30, 2020)
  - Pre-construction includes planning, NEPA, final design and ROW acquisition
  - Obligation occurs when applicant and DOT enter into a written grant agreement
- Expenditure (liquidated or paid out to grantee) of funds must occur by September 30, 2025

#### **General Funding Amount**

#### **BUILD Transportation Discretionary Grant Capital Investment Program**

- Total funds available \$1.5 billion
- Maximum amount of funds awarded to a state: \$150 million
- Maximum amount that can be awarded to an individual project: \$25 million
- Projects require a minimum local match of at least 20%
- Projects in urban areas must meet minimum grant size of \$5 million
- Projects in rural areas must meet a minimum grant size of \$1 million
- Maximum number of applications per jurisdiction or agency = 3 applications

BUILD Transportation Planning Grant Program

- A small portion (\$15 million) of the program funding can be awarded for Planning Grants devoted to planning, preparation or design of future projects eligible for BUILD construction funding.
- No minimum cost size for planning grants
- No local match required
- BUILD Transportation Planning Grant applicants need to describe their capacity to successfully implement the proposed activities in a timely manner

**Request**

The City of Rochester is requesting DMCC Board support for the submittal of these three BUILD Transportation Discretionary Grant applications.

## Energy and Benchmarking Discussion

To: DMCC Board of Directors

From: DMC EDA Staff

Date: June 22, 2018



### Overview:

Kevin Bright, DMC EDA's new Energy and Sustainability Director, started on March 6, 2017. His position is split between the DMC EDA and the City of Rochester where 80% of his time is with the EDA and the remaining 20% with the City. Over the past year, he has continued to meet with the City, community partners, environmental organizations and the Energy Integration Committee (EIC) on a variety of topics outlined below.

### Description of Proposed Discussion Items:

In 2015, the Destination Medical Center Corporation (DMCC) approved the DMC Development Plan. Within this document, eight sustainability and energy goals are included in order to realize the environmental vision for the development occurring within the DMC District. Realizing that the plan provided only high-level guidance on sustainability and energy topics, the DMC EDA worked with a firm from Minneapolis, the Center for Energy and Environment (CEE) to craft a strategic sustainability document for the DMC District entitled Sustainable Energy Options. Within this strategy document, one major goal was identified: the achievement of carbon neutrality across the DMC District. To help frame the magnitude of this goal, only 19 cities across the United States have committed to carbon neutrality goals, and nationally only five colleges have achieved carbon neutrality. Following the approval of these goals and direction, a full-time Energy and Sustainability position description was created and the McKnight Foundation supported the position through a grant.

To realize the goals of the DMC plan and carbon neutrality, initial focus has been placed in two key areas: new construction and existing building performance. The rationale for this focus is that there is not clear guidance as to how best to apply the sustainability goals within the DMC plan to a specific construction project or existing building stock within the DMC District. For these reasons, the DMC has added sustainability guidance for new construction projects, and specifically goals relating to the energy, water, and waste performance of the buildings to the DMC Application. The guidance within the DMC Application also includes design elements relating to alternative transportation as well as requirements to be certified under a green building certification system and participate in the Voluntary Energy Benchmarking Program being established in Rochester. The guidance itself and its inclusion within the DMC Application will help formalize the sustainability and environmental expectations of the DMC Development Plan and assist in the translation of these goals to construction projects. Including these targets and goals within the application will allow developers and project planners to integrate and plan for these environmental goals within the projects during the project planning phase.

Regarding existing buildings within the DMC District, the DMC has focused on education and awareness programming as well as pilot projects to build momentum around building energy efficiency. To date, these programs have not reached the commercial sector at large, though it is likely there are energy reduction opportunities in these facilities. To realize further energy reduction gains, a group of stakeholders from the Energy Integration Committee are forming a voluntary energy benchmarking program for the City of Rochester. An energy benchmarking program will provide a tool for building owners to track their utility consumption, benchmark against other like national and local facilities, and

ultimately improve facility energy performance at scale. This program will be open to any commercial or multi-family entity in the City in order to maximize its impact.

Moving forward, in order to reach its carbon neutrality goal, focus will be placed on additional areas beyond new construction and existing buildings including district energy infrastructure, renewable energy systems, sustainability culture building, and incentive opportunities.





## **Marketing & Communications Update**

### **2018 Year to Date**

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#### **DMC Marketing Plan Objectives 2018 Year to Date:**

- Build awareness and support DMC and Discovery Square development by driving qualified investor/developer, entrepreneur and life science leads and engagement
- Demonstrate continued momentum
- Drive traffic to targeted pages on DMC.mn, specifically Investor & Developer and Discovery Square pages

#### **2018 Objectives:**

New goals for 2018 has shifted the manner in which the DMC Marketing team measures and evaluates success based on targeted markets and prospects. This will be measured using google analytics, social media analytics, heatmap tools, evaluating form submissions, time spent on website and click through rates. Target audiences include: investors, healthcare innovators, commercial real estate and life science professionals. Target markets include upper Midwest and targeted national markets.

#### **2018 Results to Date:**

##### **Advertising Key Highlights**

- Investor & Developer landing page visits up 5x- now accounting for 14% of total traffic
- 64 leads generated through social media platforms
- A robust digital strategy yielding high click through rate of 0.26% (national benchmark range from 0.08 – 0.15%)
- Highest engaged markets: Colorado, Minnesota, Wisconsin, Illinois, Texas and Florida

##### **Website Analytics**

DMC marketing efforts have been successful in driving increased traffic to key pages, including Investor & Developer and Discovery Square pages, with increased time spent on site and number of pages visited.

## WEBSITE SESSIONS (VISITS), TIME ON SITE, PAGES VISITED

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YTD Sessions	Time On Site	Pages Visits/Session	Contact Us Visits
41,112	+86.7%	+19.5%	+47.2%
			(+Compared to 2017)

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## GEOGRAPHIC REACH

**Goal:** Drive national traffic to DMC.mn by diversifying and growing audiences beyond Rochester and state of Minnesota

**Success Metric:** Geographic reach

Description	Target Metric	Current Metric
Geographic reach beyond Rochester	80% beyond Rochester	Q1 = 77% Q2 = 81% (apr/may)
Geographic reach beyond Minnesota	67% beyond Minnesota	Q1 = 69% Q2 = 72% (apr/may)

Marketing efforts to audiences beyond Rochester and Minnesota are producing great results. There is a need to reach out to investors/developers and possible Discovery Square tenants nationwide. Minnesota, specifically the Twin Cities, is also an important market. Current geographic reach includes about 75 cities across U.S. Fluctuations occur depending on content (i.e. local events will spike visits from local traffic) however goal is to be above 67% outside Minnesota consistently

Top cities beyond Rochester in order of visits include: Minneapolis, Chicago, Coffeyville, New York, Houston, St. Paul, San Francisco, Ashburn, St. Louis, Dallas, Philadelphia, LA, Washington, Phoenix, Miami, Boston, Detroit, Seattle.

## Blogs and e-Newsletters

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Blogs Published	Newsletter Sent	Subscribers Reached
32	10	30,000

Open rate is 32.2% over the past five months/ten newsletters. (Industry avg. = 21.9%)  
Click rate is 7.65% over the past five months/ten newsletters. (Industry avg. = 2.2%)

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## Social Media

To date in 2018, DMC has been consciously increasing social media posting and presence to communicate progress on projects, events, educational resources & information available on the website with strong increases in followers and engagement over 2017.

### Facebook Likes

6,629  
+27%

### Twitter Followers

3,617  
+16%

### LinkedIn Followers

316  
+485%

## Popular Posts: Construction Updates & Transportation Information

The social media audience shows great interest in updates on projects, information on issues such as transportation and event information. The strong reach numbers below are organic.

DMC - Destination Medical Center added 2 new photos. May 2 · 🌐

Congratulations to Alatus LLC on the groundbreaking of the Berkman project in Rochester - a "100-year asset" to the community and another great project in the DMC district.



6,622 people reached

Boost Post

5 Comments 11 Shares

Like Comment Share

Performance for Your Post

6,022 People Reached

217 Reactions, Comments & Shares

159 Likes	65 On Post	94 On Shares
6 Love	3 On Post	3 On Shares
4 Wow	2 On Post	2 On Shares
37 Comments	7 On Post	30 On Shares
11 Shares	11 On Post	0 On Shares

1,834 Post Clicks

747 Photo Views	0 Link Clicks	1,087 Other Clicks
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NEGATIVE FEEDBACK

0 Hide Post	2 Hide All Posts
0 Report as Spam	0 Unlike Page

Reported stats may be delayed from what appears on posts

DMC - Destination Medical Center December 18, 2017 · 🌐

There's a new look to the skyline in Discovery Square. Check out the progress by viewing the Discovery Square web cam: <http://bit.ly/2coGFG>



3,672 people reached

Boost Post

21 Reactions 5 Comments 3 Shares

Like Comment Share

Performance for Your Post

3,672 People Reached

68 Reactions, Comments & Shares

42 Likes	18 On Post	24 On Shares
4 Love	2 On Post	2 On Shares
1 Sad	1 On Post	0 On Shares
18 Comments	6 On Post	12 On Shares
3 Shares	3 On Post	0 On Shares

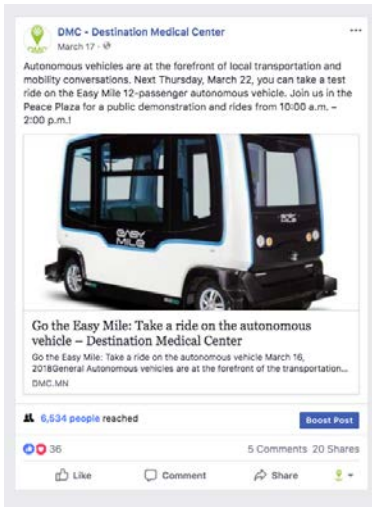
585 Post Clicks

60 Photo Views	55 Link Clicks	470 Other Clicks
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NEGATIVE FEEDBACK

1 Hide Post	1 Hide All Posts
0 Report as Spam	0 Unlike Page

Reported stats may be delayed from what appears on posts



**Performance for Your Post**

**6,534** People Reached

**94** Reactions, Comments & Shares

59 Like	35 On Post	24 On Shares
2 Love	2 On Post	0 On Shares
2 Wow	0 On Post	2 On Shares
11 Comments	6 On Post	6 On Shares
20 Shares	20 On Post	0 On Shares

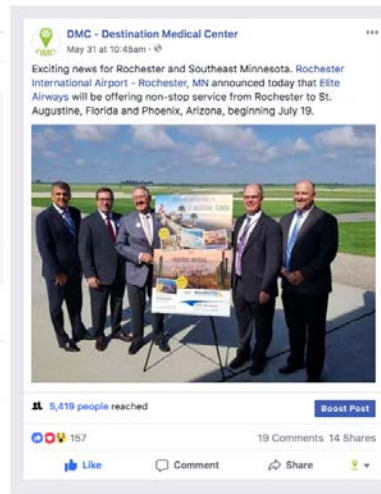
**390** Post Clicks

0 Photo Views	153 Link Clicks	237 Other Clicks
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**NEGATIVE FEEDBACK**

3 Hide Post	0 Hide All Posts
0 Report as Spam	0 Unlike Page

Reported stats may be delayed from what appears on posts



**Performance for Your Post**

**5,419** People Reached

**249** Reactions, Comments & Shares

179 Like	149 On Post	30 On Shares
8 Love	6 On Post	2 On Shares
2 Wow	2 On Post	0 On Shares
46 Comments	26 On Post	20 On Shares
14 Shares	14 On Post	0 On Shares

**790** Post Clicks

117 Photo Views	0 Link Clicks	673 Other Clicks
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**NEGATIVE FEEDBACK**

2 Hide Post	0 Hide All Posts
0 Report as Spam	0 Unlike Page

Reported stats may be delayed from what appears on posts

## Earned Media

From January 1, 2018 – May 31, 2018, 209 DMC-related stories in the media were tracked.

Year-to-date story highlights include: Bloom Waterfront Project, Discovery Walk, Chateau Theater, New DMCC Board Members, Integrate Transit Studies, Games on the Grass, Alatus Groundbreaking, Vyriad Rochester Expansion, Ken Burns Mayo Clinic Documentary

## DMC in the Community



Integrated Transit  
Open House



Alatus Groundbreaking



Games on the Grass Kickoff Event

TO: Jim Campbell, Treasurer  
Kathleen Lamb, Attorney

FR: Dale Martinson, Assistant Treasurer

Date: June 8, 2018

RE: May 2018 Budget Summary



The attached financial summary through May 2018 reflects year-to-date DMCC expenditures of \$838,481 out of the approved 2018 budget plus carryover encumbrances totaling \$2,963,974. The remaining amount unspent represents 72% of the available budget with 7 months, or 58% of the year remaining.

At the end of 2017, DMC EDA staff requested and received approval of a budget carryover encumbrance of \$111,868.49 representing open contracts at year-end 2017 on projects not yet completed. There was still \$78,433 of this encumbrance remaining on May 31<sup>st</sup> of this year.

The second page of this summary provides a listing of DMCC authorized projects managed by the City of Rochester. A total of \$2.4 million has been spent on these projects so far this year by the end of May. The largest share of spending was for the construction of the Broadway @ Center Parking Ramp followed by the DMCC Street Use Study. Total life-to-date expenditures on these projects was approaching \$28 million.

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



Destination Medical Center Corporation  
Financial Budget Summary  
May 2018

	2018 Approved Approved Budget	Curent Month May 2018	May 2018 Year To Date	Amount Remaining	Percent Remaining
General Administrative Expenses	41,200	2	12,179	29,021	70%
Professional Services	294,500	17,461	53,440	241,060	82%
Insurance and Bonds	20,000		11,041	8,959	45%
City Support Expenses		-	-	-	
<b>Subtotal DMCC</b>	<b>355,700</b>	<b>17,463</b>	<b>76,659</b>	<b>279,041</b>	<b>78%</b>
<b>Third Party Costs - DMC EDA **</b>					
Payroll, Staff, Administration & Benefits-EDA	724,740	44,633	227,973	496,767	69%
Operating Expenses	30,220	102,363	151,140	(120,920)	-400%
Operational Costs - Contracted	43,880	1,179	12,566	31,314	71%
Economic Development Outreach & Support	760,672	18,249	98,380	662,292	87%
Professional Services	871,894	86,494	238,327	633,567	73%
Miscellaneous Expenses	65,000			65,000	100%
<b>Subtotal EDA</b>	<b>2,496,406</b>	<b>252,917</b>	<b>728,386</b>	<b>1,768,020</b>	<b>71%</b>
<b>Total DMCC 2018</b>	<b>2,852,106</b>	<b>270,380</b>	<b>805,046</b>	<b>2,047,060</b>	<b>72%</b>
<b>2017 Budget Carryover - Encumbered Funds for Contracts</b>	<b>111,868</b>	<b>4,136</b>	<b>33,435</b>	<b>78,433</b>	<b>70%</b>
<b>Totals in 2018 Including Encumbrance</b>	<b>2,963,974</b>	<b>274,516</b>	<b>838,481</b>	<b>2,125,493</b>	<b>72%</b>
** An additional MAP request in the amount of \$158,356.33 was received in June for May DMC EDA expenses					
		DMCC	Working Capital Note	1,000	
		EDA	Working Capital Note	50,000	

DMCC Projects  
Managed by the City of Rochester  
As of May 31, 2018

	YTD Expenditures	Project Budget	Life To Date Expenditures
8611C- - Sn/S12AvSW/NW<2StSW>2StNW	57,694	2,850,000	165,325
8612C- - WZmbrRvrSn/SRIfLin<CookPk>CCDr	7,479	950,000	45,436
8613C- - ChateauTheatrePre-OccupancyM&O	23,874	3,326,802	222,380
8614C- - DMCTransit&InfrastrctrPgrmMgmt	348,166	1,800,000	1,492,327
8617C- - Broadway @ Center Parking Ramp	733,913	10,500,000	10,500,000
8618C- - SharedParkngStudy&PrgmDevlpmnt	174,200	2,061,854	1,447,858
8620C- - City Loop Plan	169,444	1,209,938	890,265
8621C- - Transit Circulator Study	252,766	2,241,532	1,550,775
8623C- - DMCC Street Use Study	565,960	3,117,708	2,661,655
8624C- - ChateauTheatreBldgImprov/Purch	18,143		6,766,672
8625C- - Heart of the City	-	948,940	598,936
8626C- - Sn/SUsize1Av&3AvSE<4StS>1StN	65,043	5,000,000	1,506,530
<b>Total DMC Projects (BU# 8600)</b>			
<b>Grand Total</b>	2,416,683	34,006,774	27,848,161