



DMC  
Destination  
Medical Center

# DMC Corporation Board Meeting

May 28, 2020



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# Chair's Report



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# Election of Officers



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# Consent Agenda

# Destination Medical Center Corporation

Audit Results for Year Ended December 31, 2019

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



*Create Opportunities*

# Agenda

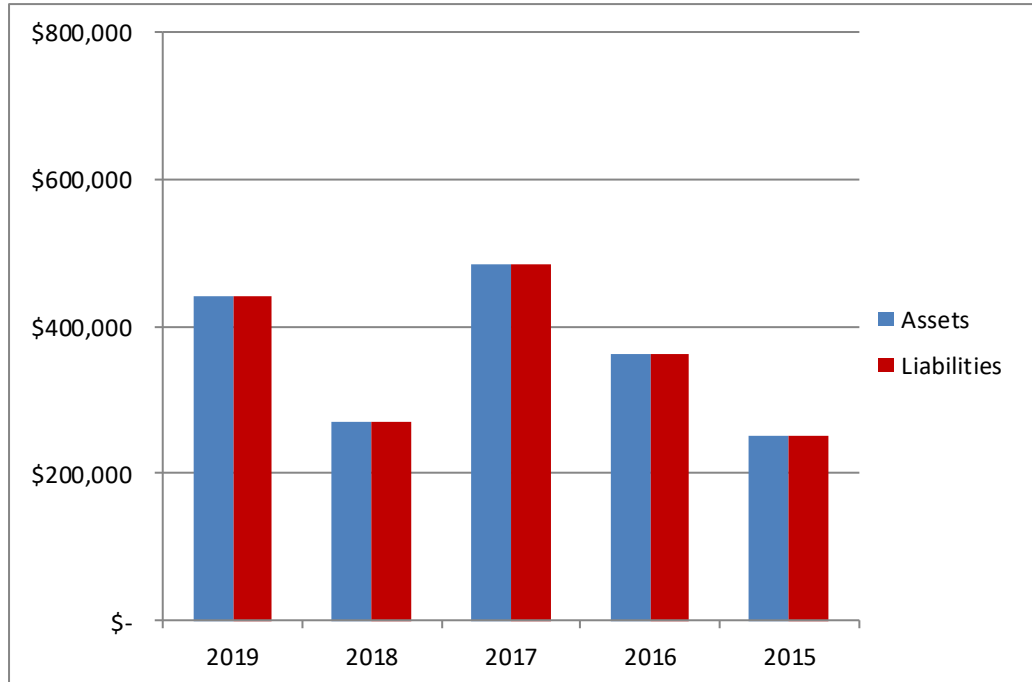
- Financial Statements
- Audit Results
- Required Communications



# Financial Statements

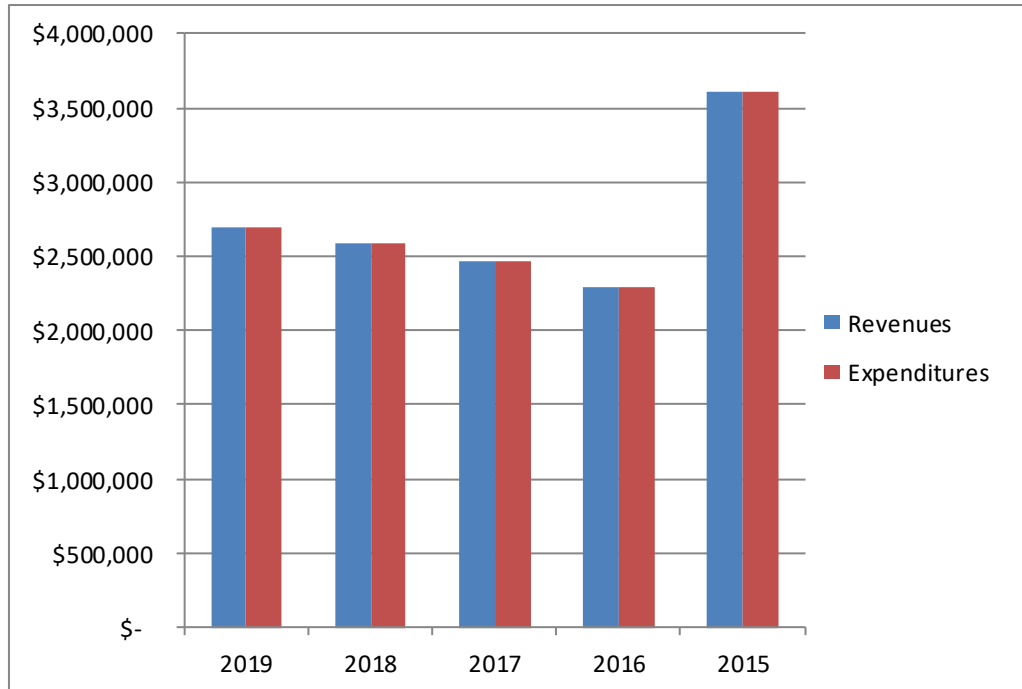
- Prepared based on Governmental Accounting Standards Board pronouncements
- Single program entity—present expenditures by type (natural classification)
- Component unit
  - DMCC is a component unit of (included in) City of Rochester’s financial statements
  - DMCEDA is *not* a component unit of DMCC
  - Will evaluate component unit reporting annually

# Financial Statements : Assets & Liabilities





# Financial Statements : Revenues & Expenditures



# Audit Results

- Financial statements
- Internal controls – no findings
- Minnesota legal compliance – no findings



# Required Communications

- Audit provides reasonable, but not *absolute* assurance
- Accounting policies – described in Note 1 to the financial statements
- Audit adjustments – none
- No disagreement or difficulties with management



# Items to Complete

- Federal and state tax returns – IRS has extended to July 15<sup>th</sup> due to COVID-19





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Principal**

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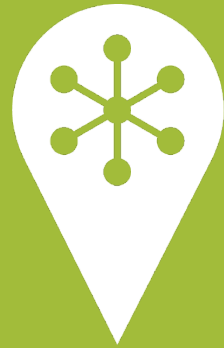
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Manager**

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CLA exists to *Create Opportunities*

For our clients  
For our people  
For our communities





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**Metrics**

**WMBE Goals**



## Request

- Support the proposed new goals for women-owned and minority-owned workforce participation and targeted business enterprises.
- Provide guidance on the workplan that supports the recommended new goals.





# Workforce Participation and Targeted Business Recommendations

Workforce and Targeted Business Categories	2015 Goal	Performance (2017-2020)	MN Human Rights Target for SE MN	Proposed Target for 2021	Proposed Target for 2022	Proposed Target for 2023
<b>Women:</b> Construction Participation	6%	3.6%	9%	7%	8%	9%
<b>Women:</b> Professional Services Participation	6%	32.8%	9%	7%	8%	9%
<b>Minority:</b> Construction Participation	4%	15.2%	15%	15%	15%	15%
<b>Minority:</b> Professional Services Participation	4%	6.5%	15%	15%	15%	15%
<b>Targeted Business:</b> Construction	4%	7.2%	-	7%	7%	7%
<b>Targeted Business:</b> Professional Services	4%	5.12%	-	7%	7%	7%
<b>Targeted Business:</b> Heavy Construction Projects	4%	-	-	4%	4%	4%



# Workplan for Workforce Participation

- Manage wage reporting processes for infrastructure and private projects
  
- Develop workforce participation capacity-building strategies:
  1. Learn best practices to increase diverse workforce participation
  2. Collaborate with organizations to recruit and retain diverse workforce



# Workplan for Targeted Business

- Manage targeted business certification, award commitments, and progress reporting for infrastructure and private projects
- Create targeted business capacity-building strategies:
  1. Learn best practices
  2. Engage disadvantaged communities
  3. Host new opportunities
  4. Convene monthly Rochester Construction Small Business Support stakeholder group



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# COVID-19 Response

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# Request

- Endorse direction provided by the DMC Corp. board executive committee
- Consider COVID-19 response and mitigation strategies being developed by DMC, the City of Rochester, Olmsted County, Mayo Clinic, and other community partners
- Discuss ongoing and proposed DMC COVID-19 response strategies
- Support 2020 CIP public infrastructure adjustments to facilitate a safe and resilient DMC district



# DMC Corp. Executive Committee Direction

1. Accelerate job creation
2. Keep our foot on the gas as it relates to DMC's core work of business development, marketing, strategic relationships and investor/developer recruitment
3. Support economic recovery and resilience



# City, County, and Mayo Clinic Update

- City of Rochester
- Olmsted County
- Mayo Clinic



# DMC Update: Pandemic response efforts

- DMC's Road to Recovery Webinar series
- Virtual community engagement
- Heart of the City Business Forward and engagement
- Keep It Local grant program: \$100,000 awarded to 55 local businesses
- "Business Pivot" series
- New partnerships, including Medical Alley and Rochester Economic Stability Team, Rochester Reopens
- Business development and recruitment





# DMC Update: Resilient Infrastructure

- Capital project funding for DMC resiliency solutions and sustainable public infrastructure improvements that encourage economic growth
  
- Proposed 2020 funding and source: \$250,000 (reallocated from approved 2020 CIP)



# DMC Update: Resilient Infrastructure

- Principles for use of resilient infrastructure funding:
  1. Invest within the DMC development district
  2. Meet definition of “public infrastructure” in DMC Act
  3. Conform to DMC development plan
  4. Prioritize immediate investments that could inform long-term public infrastructure
  5. Enhance and grow Rochester’s economy
  6. Explore funding sources in addition to DMC
- Funding accountability:
  - Monthly expenditure report sent to DMC Corp. Chair and Treasurer
  - Report at quarterly board meetings



# DMC Update: Resilient Infrastructure



SEATING AND FURNITURE



GREENERY



WEATHER-RESISTANT  
ACCOMMODATIONS



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# 2021 DMC Funding Request

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# Request

- Endorse the 2021 proposed priorities
- Affirm the suggested process and timeline to complete the 2021 funding request



# DMC Funding Request Includes:

1. Capital Improvement Program (CIP)
2. DMCC Operating Budget
3. DMC EDA Workplan and Operating Budget
4. City of Rochester Staff Workplan and Operating Budget
5. Working Capital Loan



# Process and Timeline

**May:** priorities affirmed, timeline established

**June-July:** City + DMC EDA staff draft preliminary request

**July:** DMCC board director input

**Early August:** DMC EDA board considers funding request

**Late August:** DMCC board considers funding request

**September:** City Council considers funding request



# Priorities

- 1) Transportation
- 2) Common Ground
- 3) Housing
- 4) Workforce
- 5) Transformative Projects
- 6) Sustainability
- 7) COVID-19 Recovery and Resiliency

\*Included in Workplan: business development, marketing, experience, and community engagement initiatives along with statutory activities.

Next Step: Establish board volunteers





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# Update to DMC Development Plan



# Request

- Discuss Update Timing, Process, and Plan elements



# Plan Elements

- Context
- Vision and Overview
- Phase 1 (2015-2019) Benchmarking
- Phase 2 (2020-2024) Projections
- Mobility
- Public Realm
- Streets and Sewers
- Private Development
- Operating Model
- CIP



# Progress

- Interviewed regional economic development and planning partners
- Reviewed DMC reports, studies, and plans
- Updated DMC economic and fiscal impact models
- Benchmarked Rochester's economic health against peer cities



# Anticipating additional updates

The ongoing effects of the pandemic-induced economic crisis could require updates to DMC strategies.

- Private and public investment and development
- Key job sectors (construction, retail/dining/hospitality, etc.)
- Business development and recruitment
- Destination patient practice and telemedicine
- Transit system and public space design
- Forecasting availability and best uses of public and private DMC resources



# Timeline

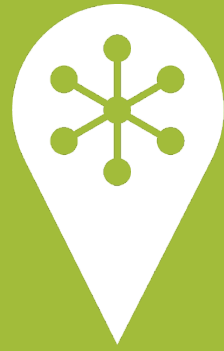
- **August 27 rescheduled DMCC board meeting:** Present updated development plan, advance to City Council
- **August 31 City Council meeting:** Receive updated development plan, begin public comment period
- **November 9 City Council meeting:** approve development plan
- **November 19 DMCC board meeting:** public hearing, approve development plan



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# Project Updates

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**Discovery Square**

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# Request

- Advance Discovery Walk development
- Awareness of Discovery Square Two progress
- Affirm direction of start-up program development with Medical Alley and others



# Discovery Walk

## Recent activity

- Design Documentation work continues
- Co-designing with under-represented communities
- District energy analysis under way

## Next steps

- Final decisions on District Energy and Climate Accommodation/Subway
- Finalize input from Co-design group
- 2021 construction





# Working in Discovery Square

## One Discovery Square

- ~90% leased

## In Discovery Square Subdistrict

- BioSig, nference and Google have staff in leased space

## Discovery Square Two

- Mortenson maintains their optimism to advance Discovery Square Two and is actively working to secure a lender
- TIF District approved by Rochester City Council on April 20<sup>th</sup>
- Parking solution: working with City & Mayo to develop options
- Tenant recruitment continues

NATIONAL REAL ESTATE  
**Investor**

CORONAVIRUS - COVID 19



OFFICE

Life Sciences Might Be the  
"Least Disrupted" CRE Sector

Critical missions and in-built safety procedures make life science assets seem like an attractive investment bet.

Sebastian Obando | Apr 27, 2020



# Working in Discovery Square (cont.)

## **Entrepreneurship and Economic Development**

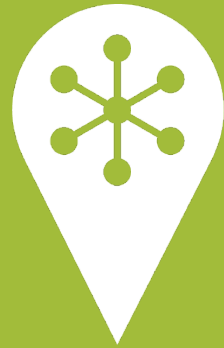
- Assistive Tech Challenge 2.0 pivoting to a virtual competition on June 2<sup>nd</sup>.
- DEED Launch MN grant to SE Minnesota coalition, DMC contributing in-kind support with 15 regional collaborators, to support high tech startups.
- Medical Alley has been working with DMC, Mayo, RAEDI, Collider, and others to develop a start-up initiative program in Rochester.



# Comments from Medical Alley

Shaye Mandle, President & CEO

Frank Jaskulke, Vice President of Intelligence



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**Heart of the City**

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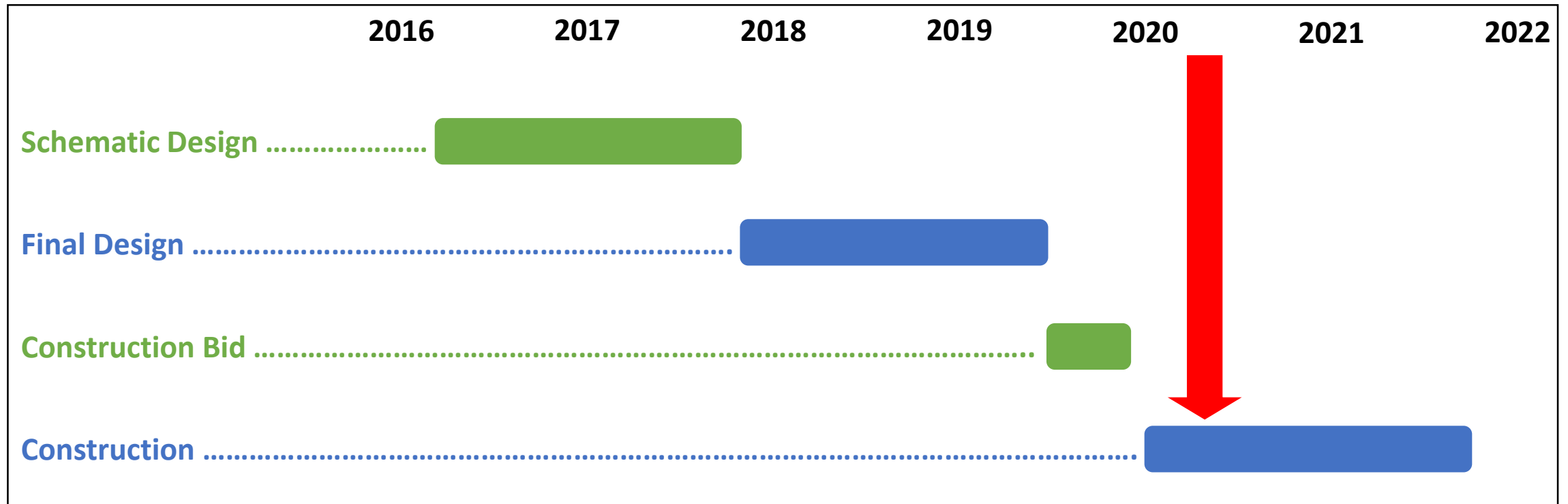
## Request

- Support and provide guidance as the various projects in the Heart of the City subdistrict continue to make progress
- Authorize additional CIP funds for the Heart of the City Project



# Project Timeline

We Are Here







# 2020 Bidding & Construction Update

- Hyper-local bidding strategy. 40% awarded from Rochester. 92% awarded to the State of MN.
- Construction commenced April 6, 2020
- City Council approved all contracts and authorized inclusion of the add alternative (\$1.6M) for the snow melt system pending DMCC approval





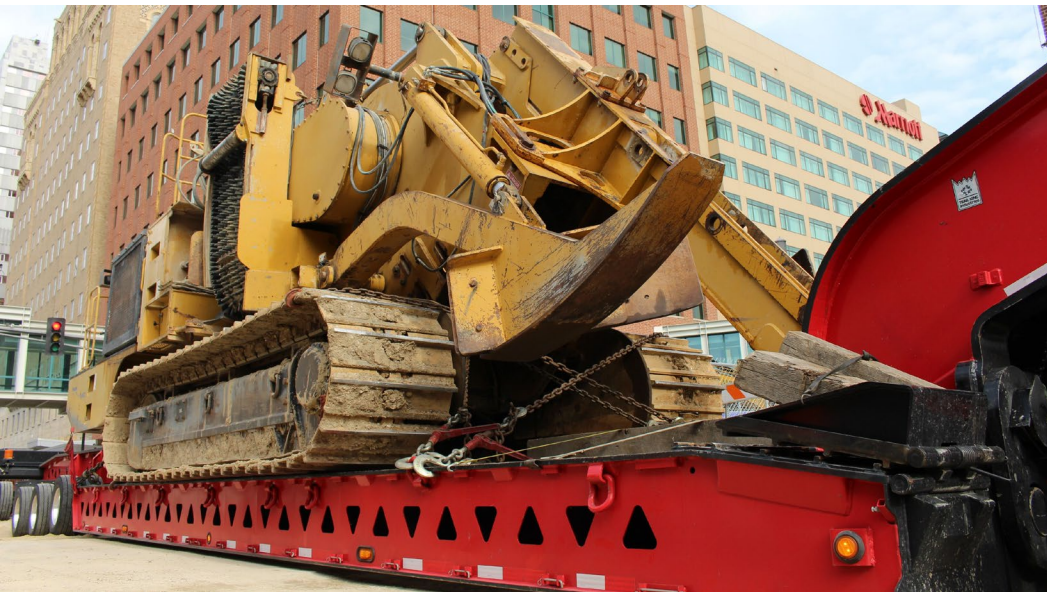
# Business Forward Strategy

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- Access, Safety and Smart Micro-Construction Phasing
- Communications
- Activation & Programming











# Chateau Theatre

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- Currently closed to the public
- EDG is abiding by the State's executive orders and evaluating potential programming opportunities once the facility can re-open





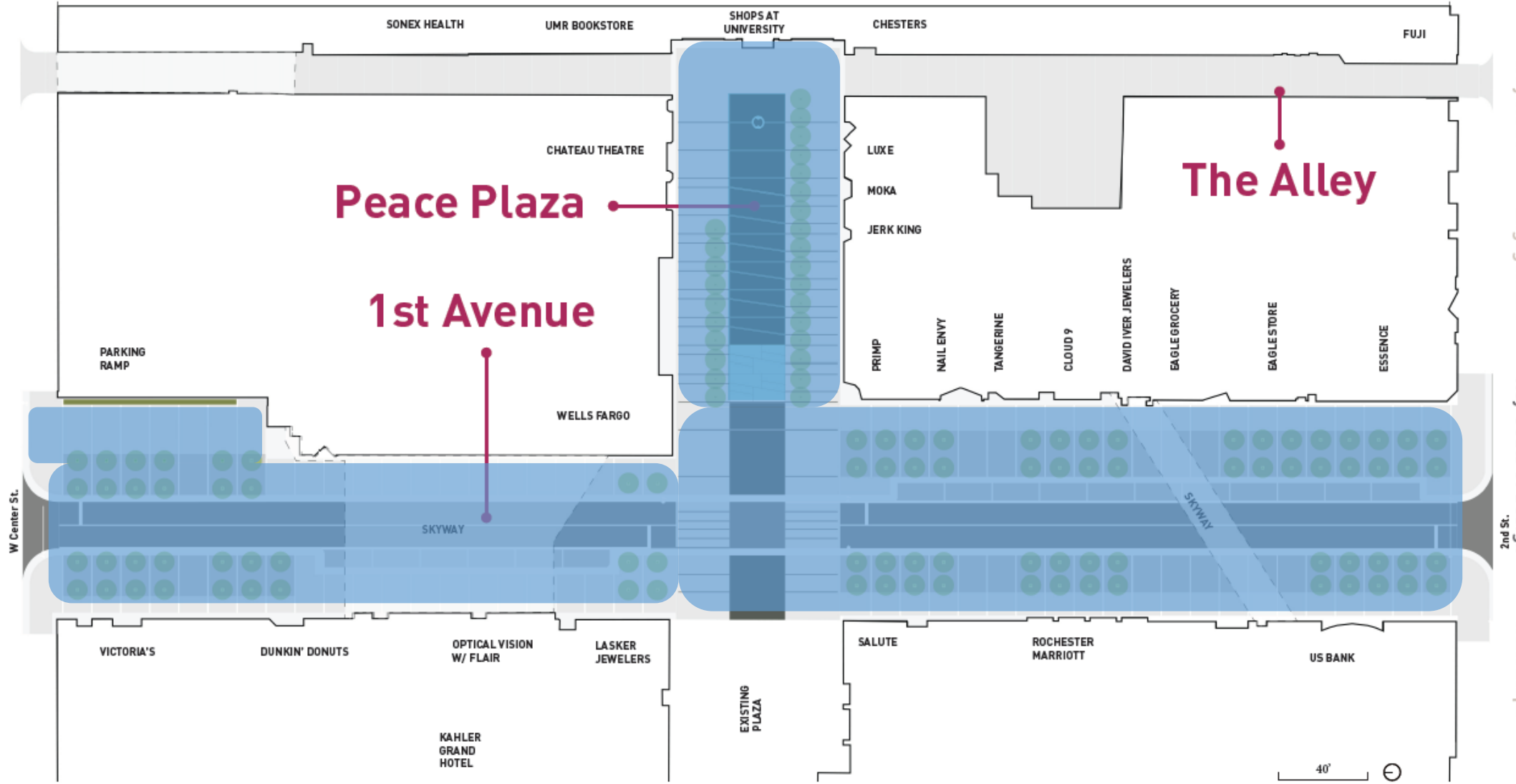
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# 2020 CIP: Reallocation of Funds

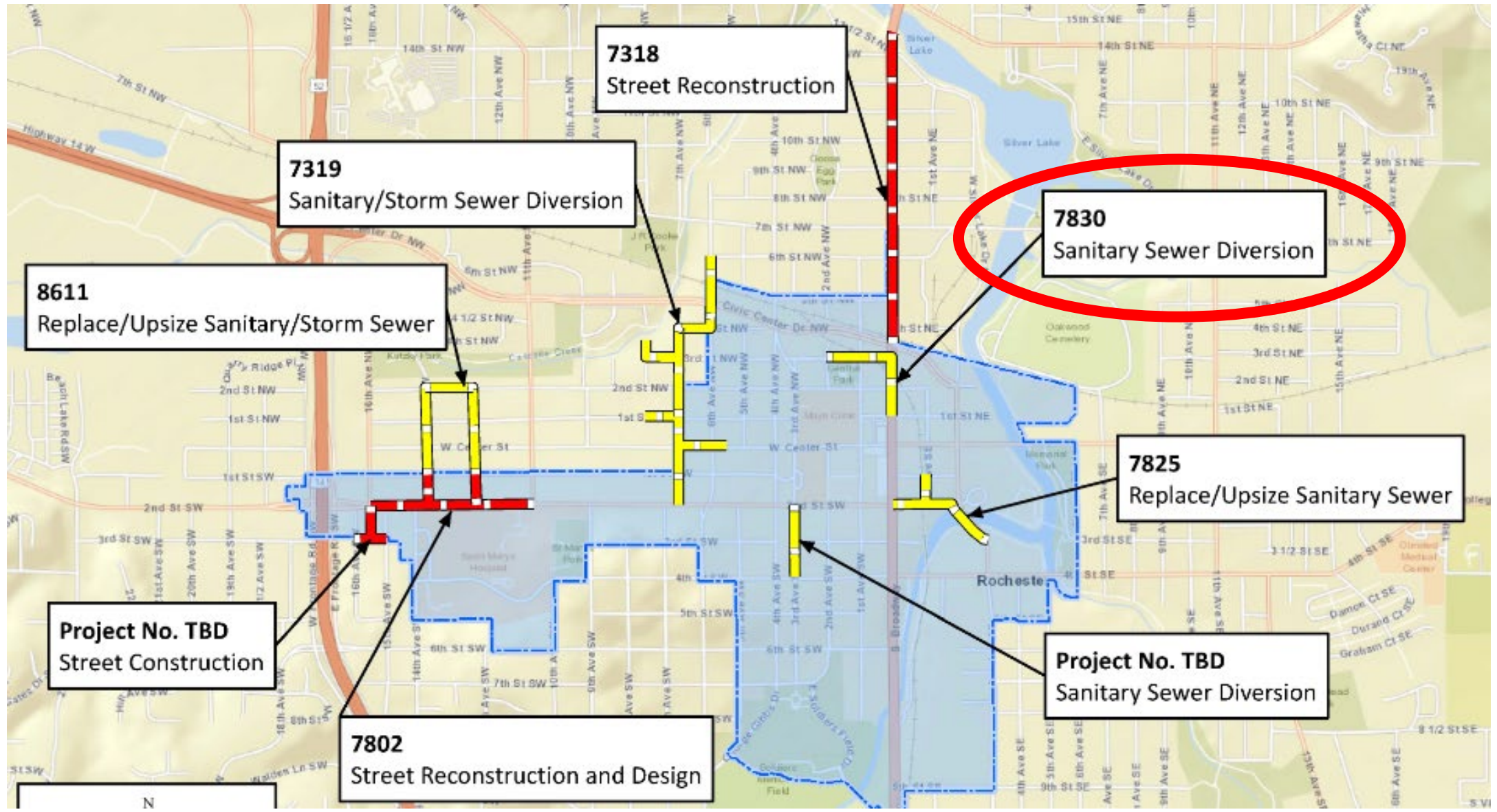


# Request

- 1) Authorize additional CIP funds for the Heart of the City Project (\$1.62M)
- 2) Authorize reallocation of CIP funds for the Broadway Sewer Diversion Project (\$1.48M)







**7318**  
Street Reconstruction

**7319**  
Sanitary/Storm Sewer Diversion

**8611**  
Replace/Upsize Sanitary/Storm Sewer

**7830**  
Sanitary Sewer Diversion

**7825**  
Replace/Upsize Sanitary Sewer

**Project No. TBD**  
Street Construction

**7802**  
Street Reconstruction and Design

**Project No. TBD**  
Sanitary Sewer Diversion





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# Transportation

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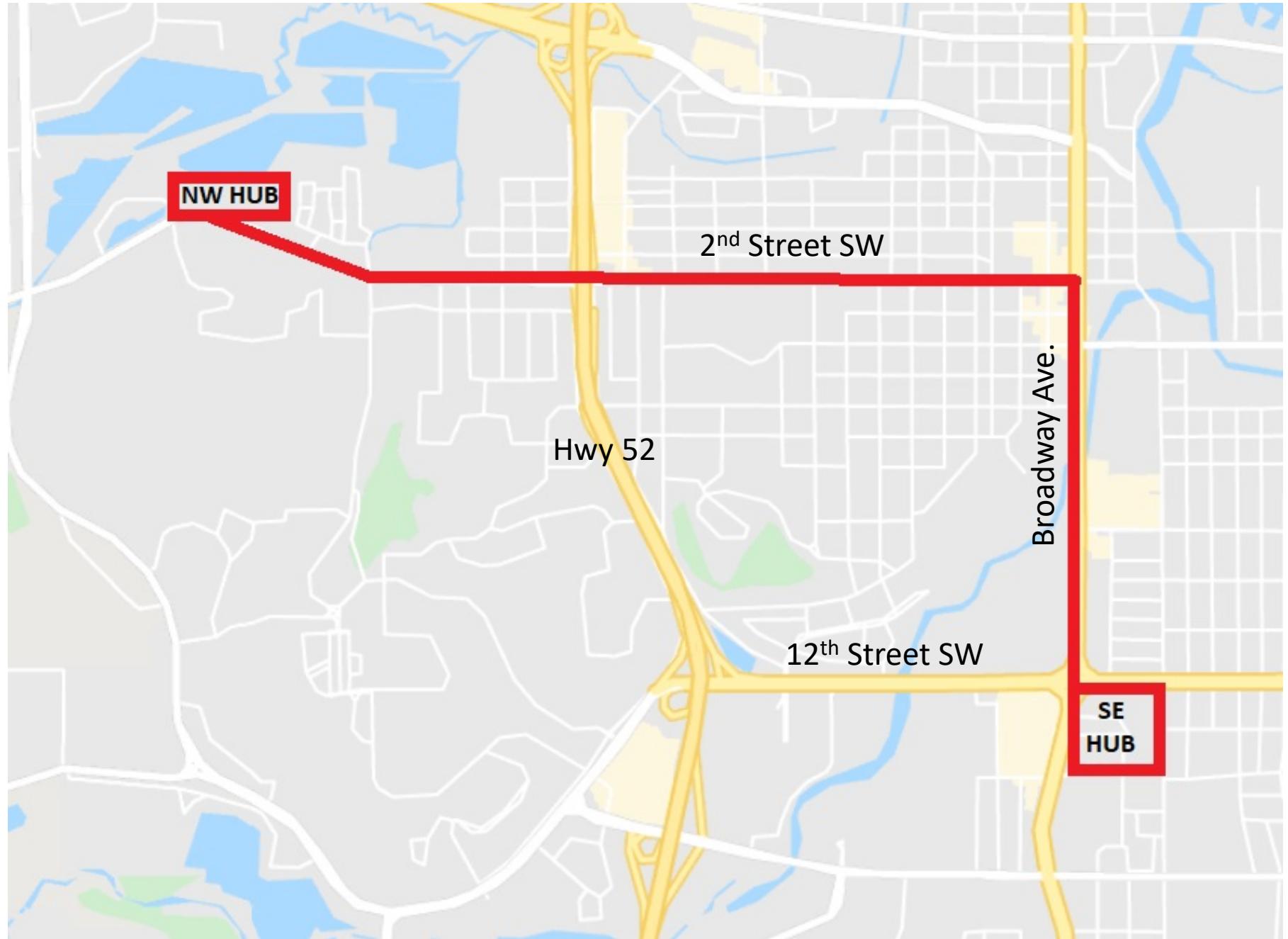
# Request

- While retaining prior approved Locally Preferred Alternative for the Rapid Transit route, adopt a phased implementation strategy
- Initiate boundary modification process to adjust DMC Development District to include route and transit village location for Phase I



## Critical Next Steps:

- Master site plan for West Mobility Hub, with agreement by Mayo, City, and DMC
- Engineering and environmental analysis of Circulator Route
- Operating and Use agreement between Mayo and City for Circulator
- FTA grant submittal, September 4, 2020



NW HUB

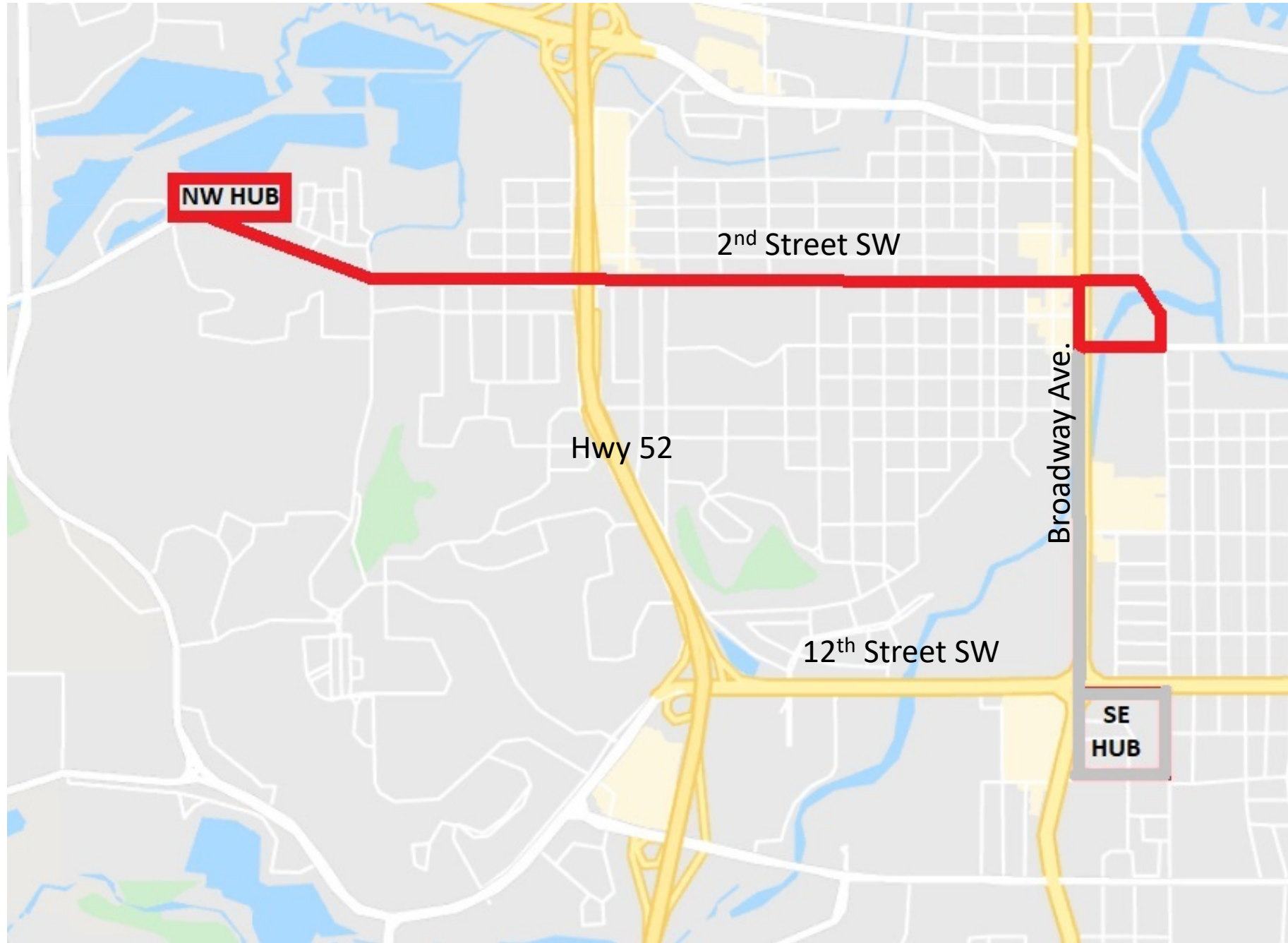
2<sup>nd</sup> Street SW

Hwy 52

Broadway Ave.

12<sup>th</sup> Street SW

SE HUB

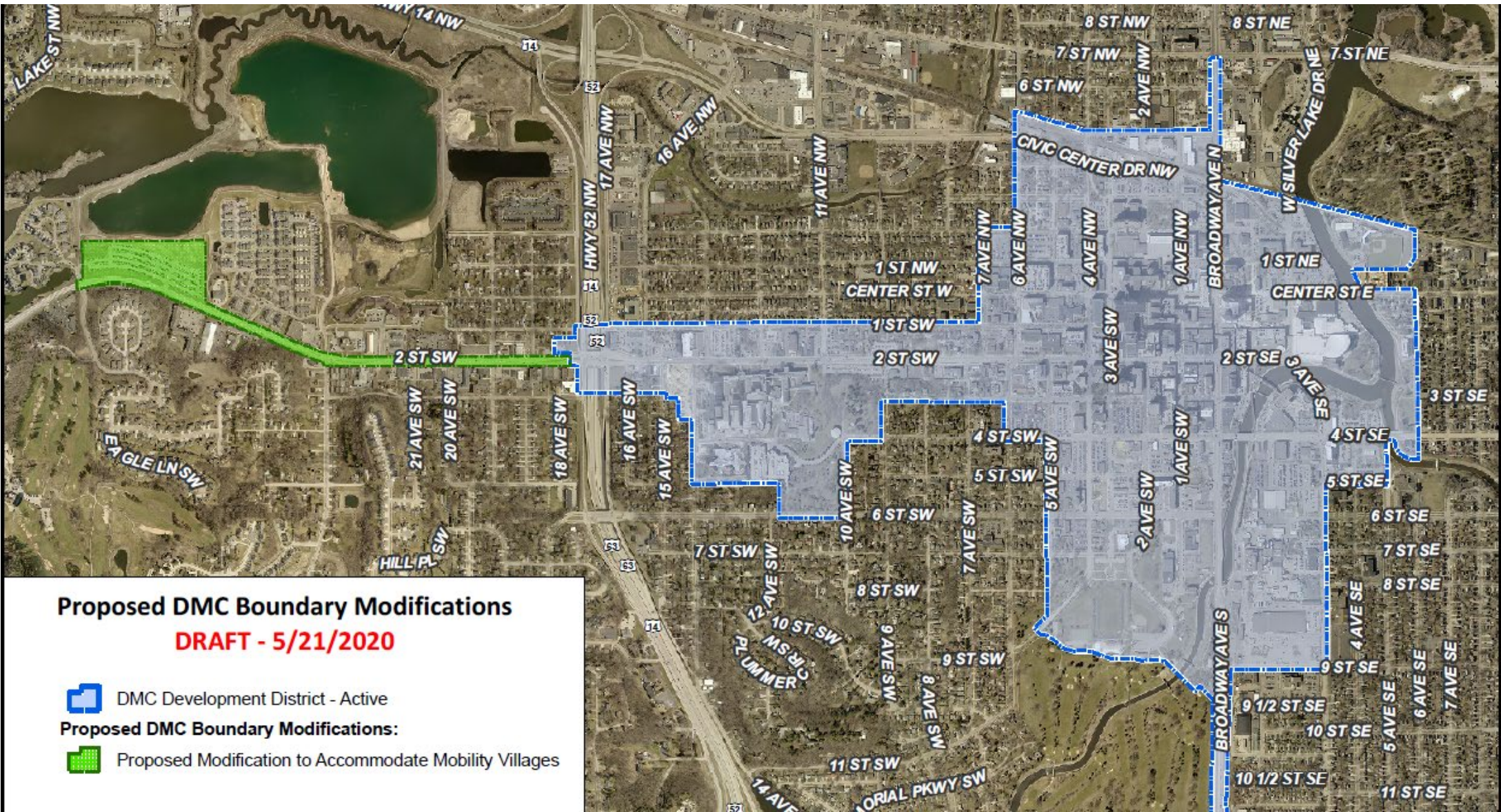




# Alternative Comparison



Alternatives	LPA: West Lot to Graham Park/Seneca	West Lot to Civic Campus
<b>Total Capital Cost</b>	\$ 203,700,00	\$107,400,000
<b>Annual Operating &amp; Maintenance Costs (BRT Service Only)</b>	\$4,041,101	\$2,940,274
<b>Total Daily Ridership Estimates (opening year)</b>	11,850	9,925
<b>FTA Cost Effectiveness</b>	Medium-High	High





**Proposed DMC Boundary Modifications**

**DRAFT - 5/21/2020**

-  DMC Development District - Active
- Proposed DMC Boundary Modifications:**
-  Proposed Modification to Accommodate Mobility Villages





# Boundary Modification Description

- The proposed boundary modification will follow 2 Street SW along the southern edge of the public ROW from the current western-most DMC district boundary to the southwest corner of the public ROW at the intersection of 2 Street SW and Wimbledon Hills Drive SW.
- The proposed boundary continues north to the northwest corner of the public ROW at the intersection of 2 Street SW and Avalon Cove Circle SW. The proposed boundary then continues east to the northeast corner of the public ROW at the intersection of 2 Street SW and Avalon Cove Circle SW.
- The proposed boundary then encompasses the current Mayo Park & Ride lot (parcel 79778).
- The proposed boundary then continues east along the northern edge of 2 Street SW until intersecting with the current western-most DMC district boundary.





# Steps for Modification

- **May 28 DMCC board meeting:** propose boundary modification, advance to City Council
- **June City Council meeting:** Receive proposed boundary modification, begin public comment period
- **August City Council meeting:** approve boundary modification
- **August 27 DMCC board meeting:** Public hearing, approve boundary modification.



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# DMC EDA Update

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# Sustainable Building Application Amendment

## Issue:

Energy performance standards (ASHRAE 90.1 and SB2030) are no longer equivalent. In 2020, the SB2030 energy performance standards increased. City of Rochester adopted SB2030 in its TIF policy guidelines.

## Recommendation:

Amend DMC Joint Funding Application to reference SB2030 energy standard only (dropping ASHRAE 90.1)



# District Energy Updates

## Update:

- Evaluation of two district energy systems are underway
  - Discovery Square Subdistrict
  - Downtown Waterfront Subdistrict

## Request:

- Support completion of the two district energy analyses
- Provide guidance on additional information required for future board consideration



# Next Meeting

DMC Corporation Meeting

August 27, 2020 at 9:30am



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