



DMC  
Destination  
Medical Center  
Rochester, MN

# 2020

## DMC IMPACT REPORT



PHOTO: FAGAN STUDIOS

## WHAT IS DESTINATION MEDICAL CENTER?

**DESTINATION MEDICAL CENTER (DMC) IS A UNIQUE, PUBLIC- PRIVATE PARTNERSHIP AND ECONOMIC DEVELOPMENT INITIATIVE THAT BEGAN IN 2013.**

The \$5.6 billion plan is the largest in Minnesota's history. The partnership combines Mayo Clinic private development with that of other developers and investors, in addition to public infrastructure investment from the city of Rochester, Olmsted County and the State of Minnesota.

By leveraging these investments, DMC promotes Rochester, and more broadly, the County and State. An emphasis is placed on positioning Rochester as home to a world-renowned medical center that offers a premier health and wellness experience for patients and their caregivers, as well as for Rochester's residents, employees, and visitors.

## DMC MISSION

With Mayo Clinic at its heart, the Destination Medical Center (DMC) initiative is the catalyst to position Rochester, Minnesota, as the world's premier destination for health and wellness: attracting people, investment, and jobs to America's City for Health and supporting the economic growth of Minnesota, its bioscience sector and beyond.

## DMC GOALS

Achieving DMC goals will benefit the City of Rochester, Olmsted County, and the State of Minnesota.

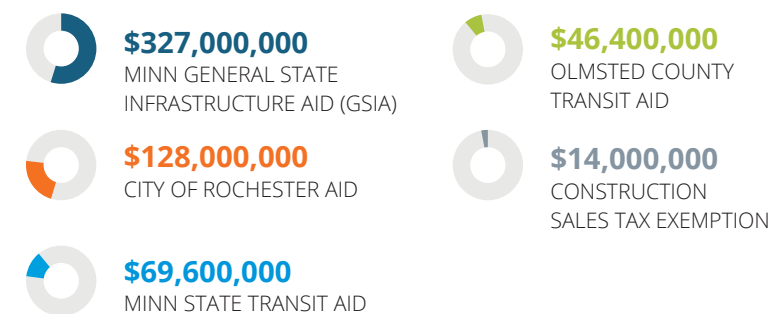
### DMC GOALS:

- + Create a comprehensive strategic plan
- + Leverage public investments to attract more than \$5 billion in private investments to Rochester
- + Create 30,000+ new jobs
- + Generate up to \$8 billion in new net tax revenue
- + Achieve the highest quality patient, companion, visitor, employee and resident experience

*The Destination Medical Center is a shining example of what public-private partnerships can accomplish. Even amid COVID-19, it continues to fuel economic development in the region, deliver thousands of jobs, and provide world-class health care for Minnesotans. I'm proud of the collaboration, innovation, and forward-thinking that continue to make this initiative successful.*

— TIM WALZ, GOVERNOR OF MINNESOTA

## DMC PUBLIC FUNDING



A LETTER FROM DMC LEADERS  
DEAR FRIENDS,

Never would we have imagined that this year's Impact Report would include a reference to measures we are taking in response to a pandemic. The COVID-19 pandemic has challenged the lives and livelihood of our residents and business owners and modified the heartbeat of our city. However, it also inspired Destination Medical Center (DMC) to evaluate how our planning can contribute to meaningful change that addresses tomorrow's new realities.

As we look back on the year, there are notable milestones to celebrate.

New housing, lodging, dining and important infrastructure projects were completed in the DMC District in 2020. Bicycle trails are now accessible for the ease of navigating across our city's six sub-districts, connecting to retail, restaurants and parks.

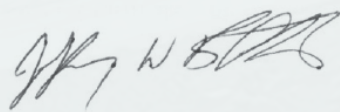
As we begin a new year, progress continues on several projects in the downtown core, including the first phase of Heart of the City, which is reimagining public space just steps from Mayo Clinic, a new Hyatt House extended-stay hotel and Discovery Square 2, a companion building to One Discovery Square, a hub for healthcare innovation and technology. And we are eagerly anticipating news of a recently applied for federal grant to support Rochester's Rapid Transit. The grant will provide funding for a future downtown Rochester transit system that will safely and efficiently serve the needs of residents and visitors.

We are grateful for the holistic approach the DMC development plan charted for Rochester – an approach that positions the city to continue to attract investors, companies and jobs. With input from the community and in partnership with city, county and state leaders, private investors and Mayo Clinic, we are working to apply long-term solutions to today's challenges. Ultimately, we look forward to a future in which Rochester is a healthier and more efficient place to live and work. To that end, we commissioned a study on COVID-19's impact on Rochester's economy, with insights to help inform DMC planning over the next five years. Preliminary findings and future economic development strategies are included in this report.

This year's report provides an exciting and promising snapshot of DMC's progress; we are pleased to share it with you. Since the first shovel in the ground five years ago, our commitment to creating a dynamic future and resilient Rochester that provides an engaging quality of life experience and opportunity for all has remained a constant.

IT IS WITH GREAT ANTICIPATION THAT WE ENTER DMC'S NEXT PHASE. THANK YOU FOR YOUR CONTINUED SUPPORT AND PARTNERSHIP.

SINCERELY,



JEFF BOLTON  
DMC EDA Board President



LISA CLARKE  
DMC EDA Executive Director



R.T. RYBAK  
DMC Corporation Board Chair

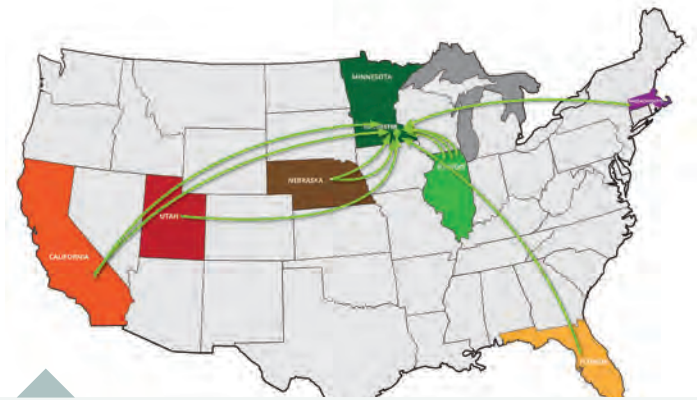
THE DMC MODEL IS WORKING

In DMC's first phase, over 7,000 new jobs were created, and more than 80% of new jobs paid more than Rochester's Area Median Income. The increase in jobs and investments have led to net new tax revenue ahead of projections at the end of 2019.

Ninety-eight million dollars in public investments spurred private investment of \$963 million in the DMC district.

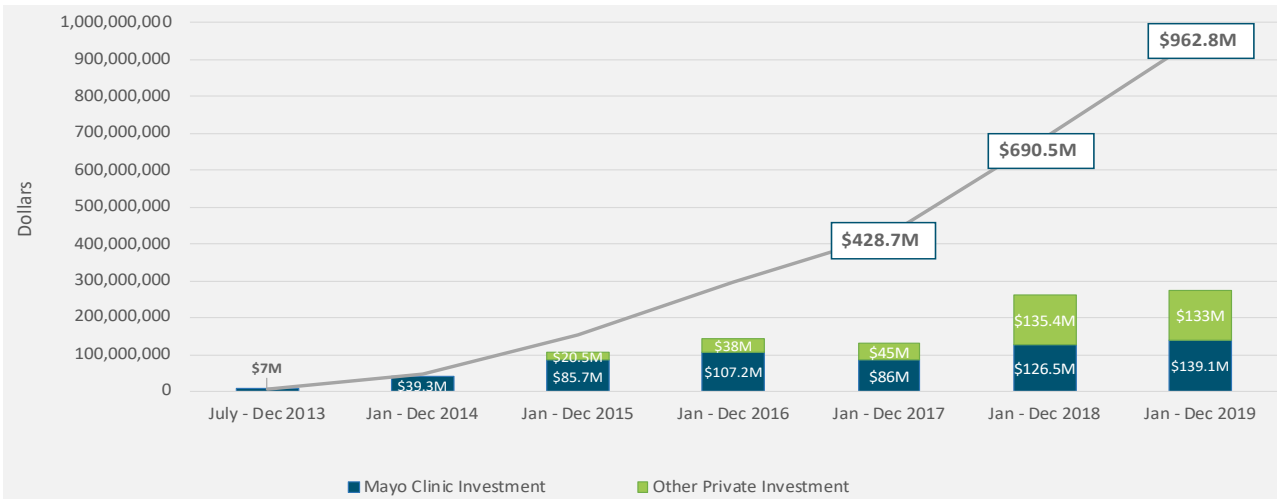
Major mobility and public realm planning and prototyping have teed up longer-term projects to further economic growth and high-quality development.

DMC IS ATTRACTING INVESTMENT FROM OUTSIDE MINNESOTA

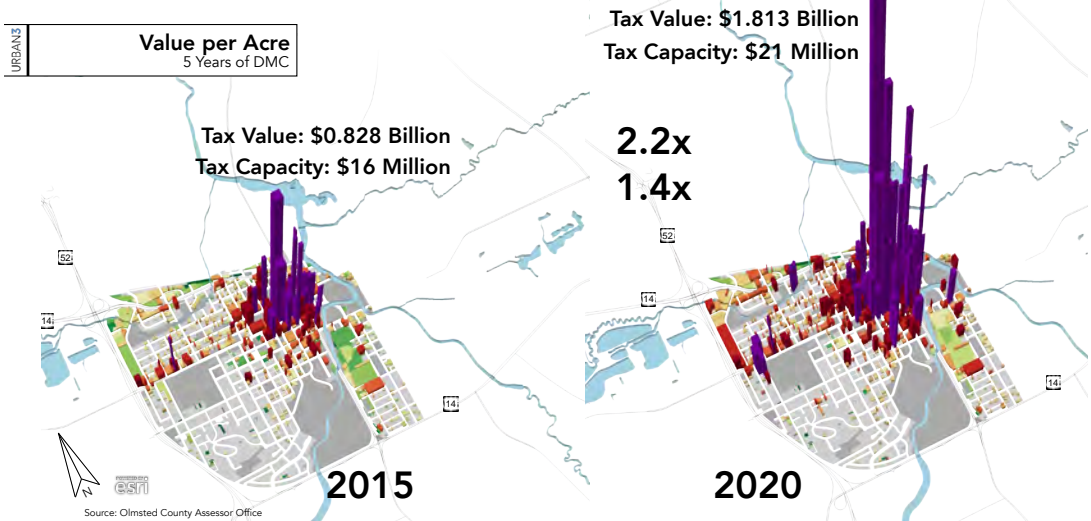


For the seven private developments that DMC Funds supported in Phase 1 of the Development Plan (2015-2019), the majority of private investment came from outside Minnesota – further amplifying the economic development value of DMC to the State.

DMC Private Investment (Construction Costs Spent To Date)



STRONG DOWNTOWNS BUILD STRONG COMMUNITIES



Investment in the downtown DMC district has increased the tax capacity of downtown parcels during Phase 1 (2015-2019).



# 2020 PROJECTS COMPLETED

“

While nothing about our world seems very normal right now, we continue to be optimistic about Rochester's future and recovery post-pandemic. Destination Medical Center ensures we are preparing for the future while we adjust to current circumstances. Providing an environment that is innovative and exciting for residents, visitors and workers alike is always top of mind.

— KIM NORTON, MAYOR OF ROCHESTER

”



## THE BERKMAN

This Silver LEED-certified, 14-story building is located next to Mayo Clinic's Saint Marys Campus and features mixed-use development with 350 apartment units and 21,000 square feet of restaurant and street-level retail spaces.



## RYAN COMPANIES WELLS FARGO RENOVATION

The renovated Wells Fargo building located on Peace Plaza includes updates to approximately 91,700 square feet of rentable space, the installation of modernized glass on the exterior of the building, and the addition of public realm lighting features and space which connects the subway, street and skyway levels.

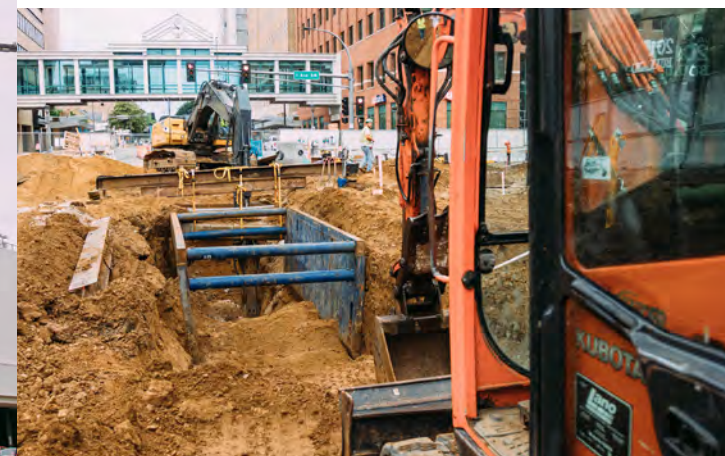
## CITY LOOP PHASE 1

The vision for the City Loop creates a safe, enjoyable and healthy way to move around the DMC district to experience the sites, visit shops, and dine in local restaurants and eateries. Like its name suggests, the City Loop creates a ring around and through downtown Rochester, connecting six DMC sub-districts on one identifiable and convenient system.



## HOTEL INDIGO

The redevelopment of a dated hotel in downtown Rochester features 173 hotel rooms, 1,900 square-feet of event space, a full-service Crave America restaurant with a retractable roof and a fitness center.



## SEWERS AND STREETS

Critical infrastructure investments like street improvements, stormwater and sewer projects are generational investments, and in the case of DMC, they support denser downtown private development. In 2020, two major projects increased sanitary sewer capacity in downtown Rochester.



# PROJECTS IN DEVELOPMENT

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As we adjust to a new normal, Destination Medical Center is continuing its important, transformative work in Rochester. Doubling down on DMC is critical to long-term viability and growth of the region.

— MATT FLYNN, OLMSTED COUNTY BOARD CHAIR

”



## CIVIC ON FIRST HYATT HOUSE

This extended stay property features 178 rooms. When completed in 2021, the hotel will bring street-level retail, an indoor pool, fitness facility, an expansive hotel lobby, ground floor outdoor patio and a publicly accessible café.



## HEART OF THE CITY PHASE 1 – PEACE PLAZA

Restoration of Peace Plaza public space and adjacent street and alleys have been in the planning stage for several years. It is a transformative project that includes improved safety, accessibility, universal design elements, sustainability, integrated art and improved infrastructure to enhance the overall user experience.

Work started on Heart of the City Phase 1 construction in spring 2020. Prior to construction, a hyper-local focused strategy to reach potential local and regional sub-contractors was put into place. As a result of this initiative, 40 percent of the bid packages were awarded to Rochester-based businesses; a total of 92 percent were from Minnesota.

DMC EDA, City of Rochester and other partners have been working with Heart of the City property owners, business operators and community stakeholders to design a construction process

called Business Forward, which is intended to minimize negative impact on nearby businesses through improved construction communications, scheduling and pace.

**Completion of Heart of the City Phase 1 is expected in summer 2021.**

## DISCOVERY SQUARE PROJECTS

Discovery Square is the cornerstone of DMC's economic development strategy in biomedical and technology sectors. The sub-district borrows from Mayo Clinic's integrated care model, which is founded on the principles of translational medicine. It is also home to an emerging entrepreneurial ecosystem of innovators across many industry sectors.

**Discovery Square 2** represents the expansion of DMC's health care innovation campus. Currently in development, this second building is positioned next to One Discovery Square, which at 90 percent capacity is home to several leading and global health care companies.

Final design work has commenced on **Discovery Walk**, a four-block linear parkway along 2nd Avenue SW that will serve pedestrians as well as vehicle traffic. The vision for this project creates a high amenity landscaped road and utility reconstruction project in the middle of downtown Rochester that prioritizes pedestrian experience while also maintaining flexibility for bike and vehicular access, civic events and the support of future development. This public space connects Annenberg Plaza on the north to Soldier's Field on the south.

The design team includes regional artists and community co-designers from under-represented communities. Construction is expected to begin in 2021.



## RAPID TRANSIT

DMC and the City of Rochester have submitted a Small Starts Federal Grant to support Rochester Rapid Transit, an approximately three-mile bus rapid transit (BRT) route that will run from the West Transit Village in northwest Rochester to downtown Rochester via 2nd Street SW, with eight station stops along the route. Rapid Transit stations will include shelter, heat, level boarding, real-time passenger information, and off-board fare payment. At Mayo Clinic's Saint Marys Hospital Station, a transit center will be constructed on the north side of 2nd Street SW along with a pedestrian tunnel connecting the hospital and transit center.





## RESPONDING TO THE COVID-19 PANDEMIC



## REOPENING AND RECOVERY SUPPORT

### + INFRASTRUCTURE RELIEF

The DMC Corporation Board of Directors approved \$250,000 in financial resources in response to the COVID-19 pandemic to support business reopening and recovery in addition to supporting new innovations that will enhance and grow Rochester's economy and help small businesses. Initial investment supported helping restaurants implement safety measures by expanding outdoor seating.

### + KEEP IT LOCAL INNOVATORS GRANT PROGRAM

DMC and the City of Rochester supported 55 Rochester businesses through the Keep It Local, COVID-19 Innovators Grant Program. The \$100,000 grant program assisted small businesses that were impacted by the COVID-19 pandemic and are working with other small business in the community to respond to those challenges.

### + BUSINESS PIVOT SERIES

The Business Pivot, a blog series from DMC, features local small businesses that are pivoting not just to survive, but to thrive in the current economic environment. These businesses are helping Southeast Minnesota continue to access products and services while also making a difference in the community. The blog series can be accessed at [dmc.mn](https://dmc.mn).

### + ROAD TO RECOVERY WEBINAR SERIES

DMC hosted six webinars focused on the Road to Recovery during the COVID-19 pandemic and beyond. National, regional and local leaders from a variety of industries, including construction, hospitality and commercial office, shared examples and ideas of how key sectors of our economy can begin to reopen safely and effectively. The webinars can be accessed at [dmc.mn](https://dmc.mn).

### + PROJECT BOOTSTRAP

Project Bootstrap is a pilot program from DMC that offers free consulting to downtown Rochester retailers and restaurants interested in receiving free in-depth consulting geared toward innovative solutions to challenges caused by the pandemic.

### + ROCHESTER READY

DMC is a founding partner of the Rochester Ready initiative to ensure a safe and resilient recovery for Rochester. Civic and community organizations have convened a coalition to collectively take action to move Rochester forward as businesses begin to reopen and to address long-term stability.



*Rochester is once again proving to be a strong, resilient community in the face of unprecedented challenges. Through the 20-year Destination Medical Center initiative, we continue supporting the growth of both the city and Minnesota's economy overall. Because of our collective efforts, I'm confident that our region will emerge strong, remain the destination of choice for patients and visitors, and thrive as we lead the future of health care.*

— GIANRICO FARRUGIA, M.D.,  
PRESIDENT AND CEO,  
MAYO CLINIC

THE BUSINESS  
PIVOT

A Destination Medical Center  
Special Series

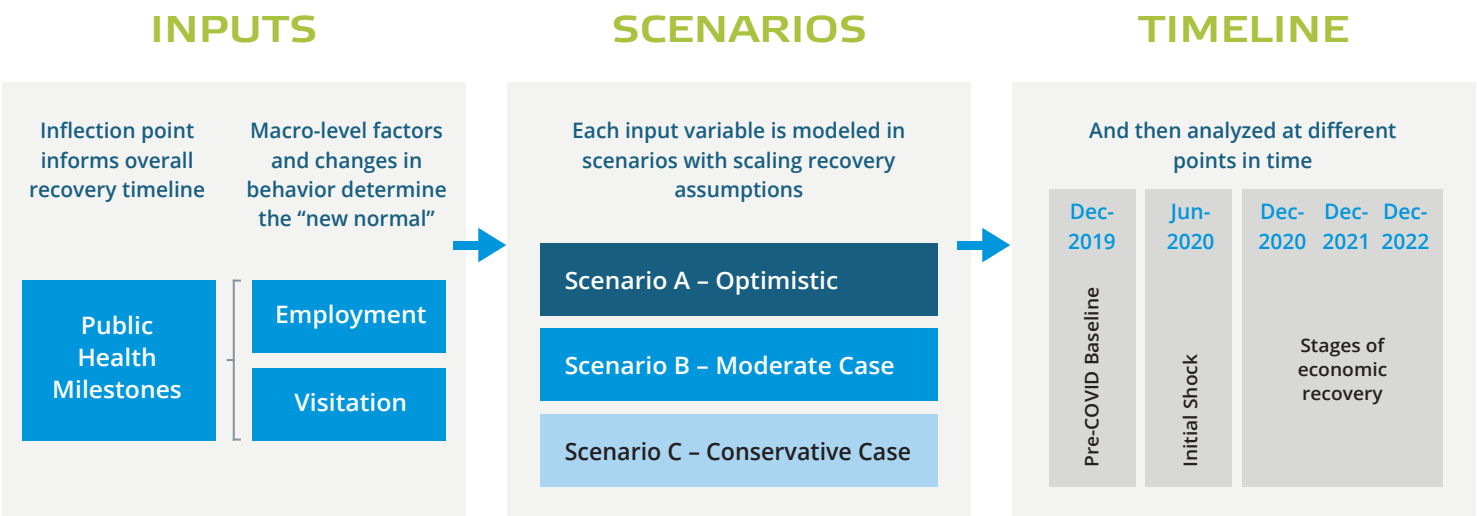
ROCHESTER  
READY

# COVID-19 IMPACT STUDY

DMC EDA engaged economic consultancy HR&A Advisors to conduct a scenario analysis of the potential impacts of the COVID-19 pandemic on the local economy and the DMC Initiative that will help guide DMC’s priorities over the next five years.

## THE GOALS OF THIS STUDY:

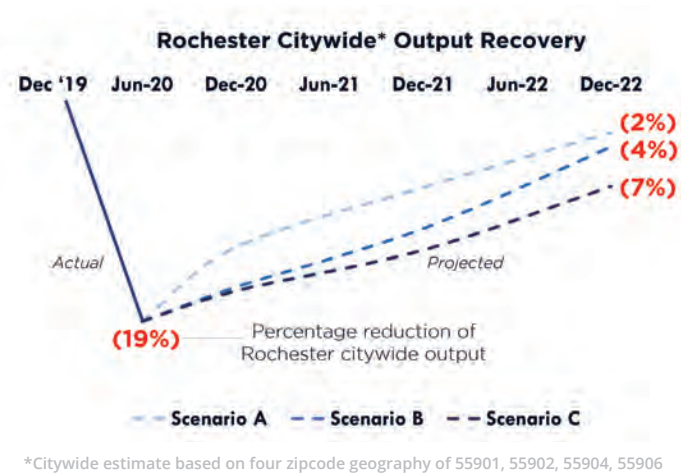
- + Analyze the impact COVID-19 will have on the Rochester economy to best guide DMC’s near- and long-term planning and investment decisions.
- + Develop dynamic scenarios that measure the economic impact of COVID-19 on the local economy and the DMC’s development plans.
- + Understand the specific industries that have been disproportionately affected by the COVID-19 crisis.



## PRELIMINARY FINDINGS

Following a significant drop in economic activity in June 2020, HR&A projects a gradual recovery in the Rochester economy over the next 2+ years.

- + Output reflects annual production value of Rochester industries, including sales and compensation.
- + Projections include:
  - Direct impacts: loss in visitor and employee spending
  - Indirect impacts: loss in business-to-business purchases
  - Induced impacts: loss in spending of labor income
- + Spending losses include Rochester residents who are working from home and furloughs. These individuals are still spending money, but this spending is significantly reduced.



COVID-19 will significantly diminish the near-term need for new retail, hotel, research, and office space in downtown, though residential development may be supported in the coming years.

- + The full impact of the COVID-19 global pandemic is not fully understood as case rates continue to rise nationally and vaccines/therapeutics are still in the experimental phase.
- + Pre-COVID-19, Rochester had a stable and growing economy. Development of various real estate asset classes was largely aligned with demand.
- + HR&A anticipates Rochester will have excess capacity in downtown commercial office space due to changes in employment and growth in remote work.
- + Downtown retail and restaurants, which are primarily dependent on employees and visitors, will be disproportionately affected when compared to counterparts with a broader customer base.
- + Hotels have experienced a precipitous drop in occupancy rates, though the rebound in Rochester appears to be better than the state and national markets. However, with Rochester’s hotel pipeline in 2020-2021, the market will likely continue to experience occupancy rates below historical averages.
- + Housing demand appears to be remaining relatively strong throughout the region, including in Rochester’s urban core. Growth in downtown residential will help to support the core’s retail businesses.

## PATH FORWARD

DMC and downtown development will need to remain nimble as economic recovery becomes clearer. Unlike natural disasters, this pandemic hit every city in the country. However, not all are developing recovery strategies. Despite significant losses, Rochester has fared better than other cities. Rochester is starting its recovery from a place of strength.

## FUTURE ECONOMIC DEVELOPMENT STRATEGIES SHOULD:

- + Support existing local businesses
- + Prioritize public infrastructure
- + Reuse excess real estate capacity creatively
- + Diversify the economy
- + Support development proactively



# DMC BOARD MEMBERS AND STAFF

## DMC CORPORATION BOARD OF DIRECTORS

- R.T. RYBAK** Board Chair, Former Mayor of Minneapolis; President and CEO of the Minneapolis Foundation

**JIM BIER** Olmsted County Commissioner

**JIM CAMPBELL** Former CEO of Wells Fargo Minnesota

**MICHAEL DOUGHERTY** Emeritus member of Mayo Clinic Board of Trustees; Founder and Chairman of Dougherty Financial Group
- KIM NORTON** Mayor of Rochester

**RANDY STAVAR** Rochester City Council President

**PAMELA WHELOCK** Community Volunteer and Consultant

**PAUL WILLIAMS** President and CEO, Project for Pride in Living

## DMC ECONOMIC DEVELOPMENT AGENCY BOARD OF DIRECTORS

- JEFF BOLTON** Board President, Vice President and Chief Administrative Officer, Mayo Clinic

**JERRY BELL** Former President, Minnesota Twins

**LISA CLARKE** Executive Director, Destination Medical Center Economic Development Agency

**TRACI DOWNS** PhD, Board Chair, Collider

**TOM FISHER** Director, Minnesota Design Center and Dayton-Hudson Chair in Urban Design, University of Minnesota
- HARRY HOFFMAN** Treasurer and Co-Chief Investment Officer, Mayo Clinic

**CLARK OTLEY** M.D., Medical Director, Department of Business Development, Mayo Clinic

**JOSELYN RAYMUNDO** Pharm. D, Founder/President, Rochester Home Infusion

## DMC ECONOMIC DEVELOPMENT AGENCY STAFF

- LISA CLARKE** Executive Director

**PATRICK SEEB** Senior Director of Economic Development and Placemaking

**BILL VON BANK** Director of Marketing and Communications

**KEVIN BRIGHT** Director of Energy and Sustainability

**CHRIS SCHAD** Director of Business Development – Discovery Square
- JAMIE ROTHE** Director of Community Engagement and Experience

**ERIN O'BRIEN** Communications Specialist

**ALLISON BOWMAN** Program Manager

**CODY POGALZ** Administrative Coordinator

**SCARLET TIPPETTS** Administrative Assistant





ROCHESTER, MN

**TOP 5  
BEST PLACES  
TO LIVE**  
*Livability, 2020*

**ONE OF THE MOST  
RECESSION-RESISTANT  
CITIES IN THE COUNTRY**  
*SmartAsset, 2020*

**TOP 3  
MOST INNOVATIVE  
CITIES IN AMERICA**  
*24/7 WALL ST, 2018*

**MINNESOTA'S FIRST  
LEED GOLD CITY**  
*U.S. Green Building Council*



MAYO CLINIC IN ROCHESTER

**NUMBER 1 HOSPITAL  
IN THE NATION**  
*U.S. News and World Report, 2020-21*

**WORLD'S BEST  
HOSPITAL**  
*Newsweek, 2020*



**DMC**  
**Destination**  
**Medical Center**

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For more information, contact the DMC Economic Development Agency at [info@dmc.mn](mailto:info@dmc.mn) or call **507-216-9720**.

Sign up for the DMC newsletter at [dmc.mn](http://dmc.mn).

