

An aerial photograph of a city skyline, likely St. Louis, Missouri, featuring a river, train tracks, and various urban buildings. The image is partially obscured by a white diagonal shape that serves as a background for the text.

# **DMC Corporation Board of Directors Meeting**

Wednesday, May 18, 2022





# Destination Medical Center Corporation

Audit Results for Year Ended December 31, 2021

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

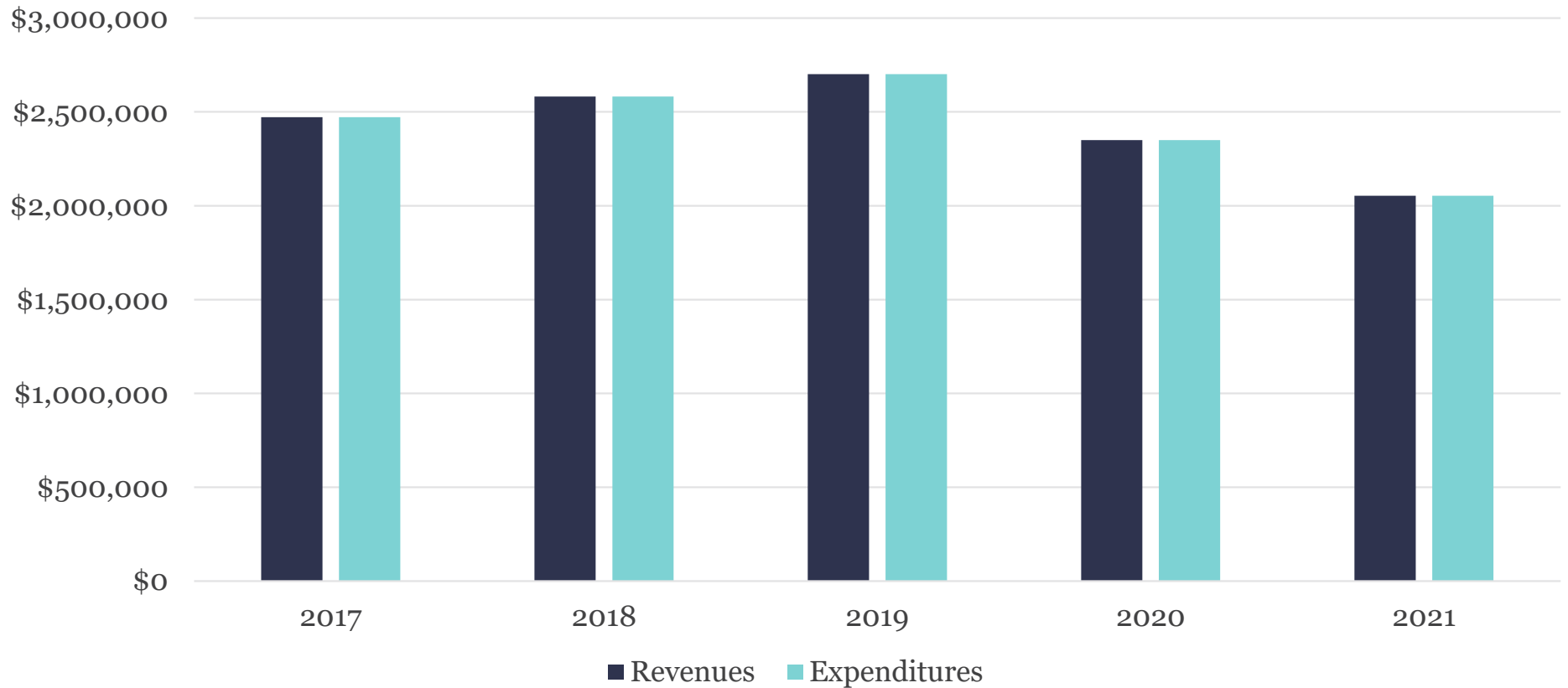




# Financial Statements : Assets & Liabilities



# Financial Statements : Revenues & Expenditures



# Audit Results

- Financial statements – clean opinion
- 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 filings





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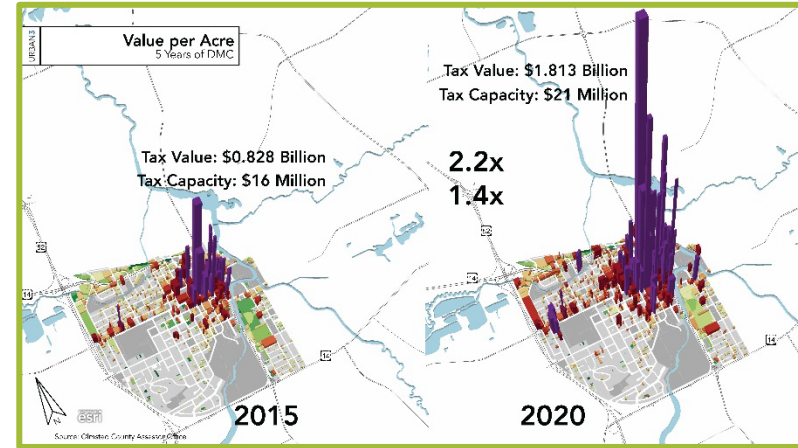
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# DMC Metrics

## Describing Progress Toward DMC Goals

- **February: 30,000 New Jobs**  
*Construction workforce development strategies supported by the Bloomberg Global Mayor's Challenge award*
- **May: \$5.6B in private investment**  
*An overview of Mayo Clinic's five-year capital plan*
- **September: \$7-8B in new tax revenue**  
*Case studies in how in-fill development can create tax capacity*
- **November: Highest-quality Experience**  
*Discussion of the metrics and indicators DMC monitors to evaluate the efficacy of experience improvement strategies*





ROCHESTER, MINNESOTA

DRAFT

FIVE-YEAR  
PLAN UPDATE

MEDICAL INSTITUTIONAL  
CAMPUS  
SPECIAL DISTRICT

MAYO SUPPORT CAMPUS  
SPECIAL DISTRICT

NOVEMBER 19, 2021

B|W|B|R

# Five-Year Plan update

**Douglas Holtan**

Chair, Facilities and Support Services

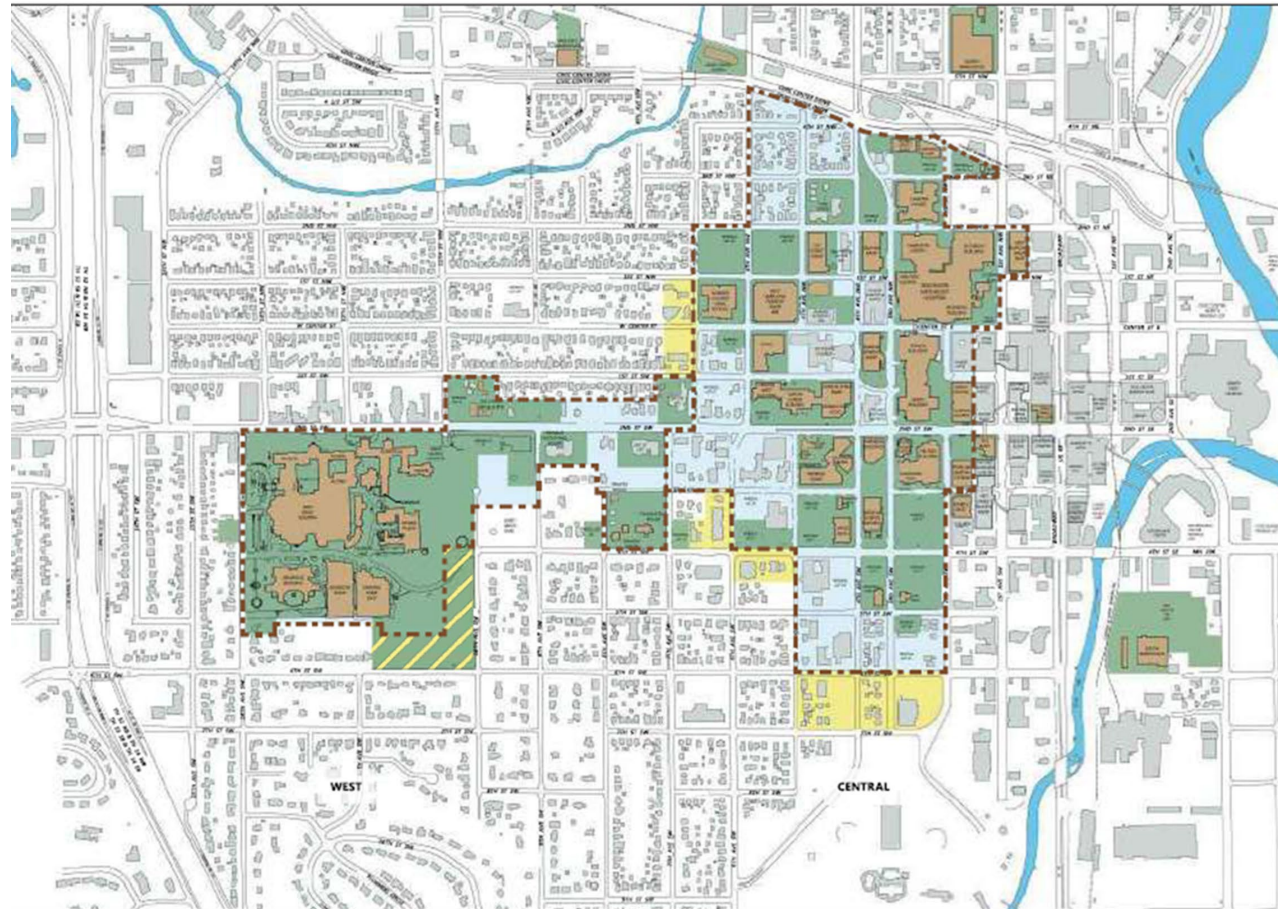
May 17, 2022

## Overview

- Every five years Mayo Clinic provides the City of Rochester a comprehensive inventory of Mayo Clinic's footprint in Rochester along with a forecast of potential development project that may be pursued in the next five years. In March, the City Council unanimously approved the Mayo Clinic Five Year Plan.
- Approval of the five-year plan allows Mayo Clinic to proceed on projects within the plan with an expedited approval process
- This provides Mayo Clinic flexibility in managing multiple projects and supports and provides efficiencies to the City by eliminating administrative burden to city staff.

# Medical Special District

The Medical Special District offers a **campus style land development** approach as an overlay district. The Special District is comprised of; Central Sub-District; West Sub-District; MSS (North) Sub-District.



PRIMARY MEDICAL INSTITUTIONAL SUBDISTRICTS     MODIFIED     MAYO PROPERTY     TRANSITION ZONE WITH MAYO PROPERTY     MODIFIED TRANSITION ZONE / MAYO PROPERTY



## Data and Forecast

- With the Five-Year Plan, Mayo Clinic demonstrates its continuing investment to secure Rochester's future as a destination medical center as well as its commitment to meeting the needs of our patients into the future.
- The plan includes an inventory of information including all Mayo property ownership & acreage and leased space in the City of Rochester as well as building square footage, parking & vehicular circulation, urban green space, employee distribution across the city and potential development projects in the next five years.
- The list of potential projects represents concepts that may or may not be pursued depending on real world market forces, funding and current needs.
- By including a wide inventory of potential projects, this allows Mayo Clinic to have the flexibility to respond to the ever-changing development and building climate.

## Potential Projects

Projects that moved from the planning stage and are currently in the design or construction phase include:

- Expansion of the proton beam therapy program.
- Constructing the new 11-story Kellen Building.
- Discovery Square Parking Ramp
- Skyway/subway connections north across Second Street



## Benefits to Community

- In 2021, Rochester Area Builders and The Builders Exchange of Rochester completed 89% of Mayo construction projects.

***“Mayo Clinic construction projects support not only local construction jobs but also ripples out into the local economy. The Mayo Clinic 5 Year Plan allows our members the opportunity and ability to better forecast future staffing needs and continue to support Mayo Clinic’s effort to grow and flourish in Rochester.”***

John Eischen,  
Executive Director,  
Rochester Area Builders and The Builders Exchange of Rochester

- Transparency of a city’s major employer of future development is a unique benefit not found in most municipalities.



Questions?

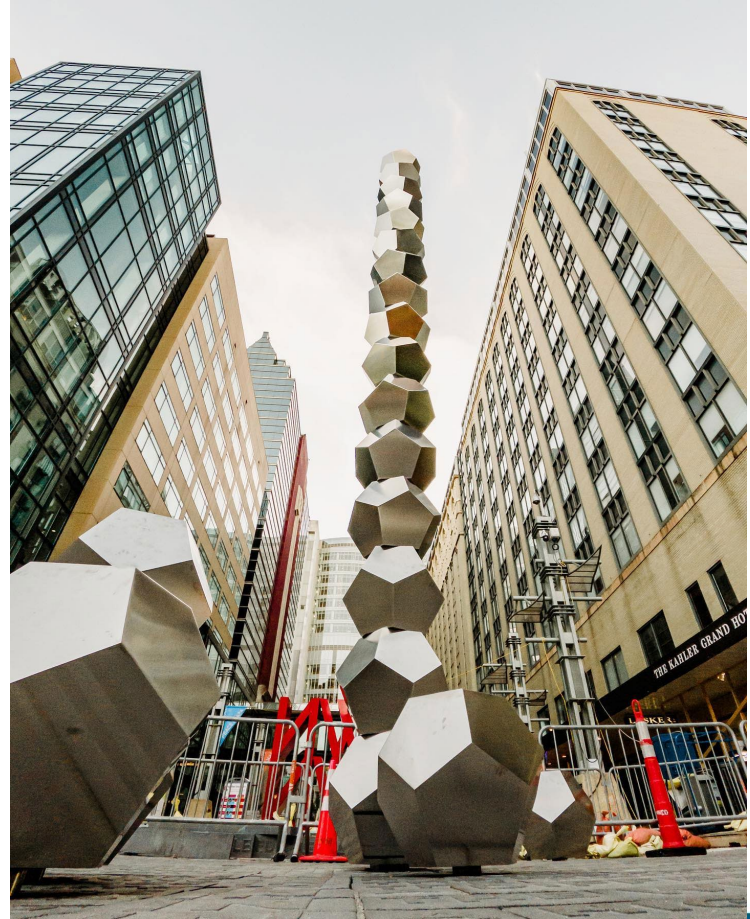
# Heart of the City





# Today's Discussion

- Chateau Theatre Update & Board Action
- Heart of the City Update
- Post-Occupancy Analysis



# Chateau Theatre



2015: DMC financial support to purchase

2019: Interim activation strategy

2022: Threshold Arts selected as interim operator

2022: City request for additional capital improvements



# Chateau Theatre: DMCC-Approved Financial Support



2015: \$6,000,000

2018: \$2,600,000

2019: \$1,400,000

2020: \$100,000

2021: \$100,000

2022: \$350,000

2022: \$250,000 (Current Request)

TOTAL (BUDGETED): \$10,450,000

TOTAL (ACTUAL SPEND): \$8,560,798





# Heart of the City Update

Items to be complete:

- Substandard pavers
- Catenary light system



# Heart of the City

## Post Occupancy Analysis

### Primary Goal: Have we improved the experience?

- To learn about what works well and what doesn't
- To examine if the uses of the space meet the original expectations and intention
- To understand if improvements are needed
- To inform future public space projects





# Post Occupancy Analysis

## Work Completed

- Evaluated different approaches and options
- Evaluating proposal from Gehl
  - Urban design and research consultancy

## Next Steps

- Prioritize what data we need reviewed
- Build a strategy for how to use it
- Determine indicators and how that will inform programming



# Discovery Square



DMC

Destination Medical Center  
Rochester, MN

# Discovery Square

## Business and Economic Development Update



Live



Play



Work





# Live – Residential Projects

## Leasing

- The Residence at Discovery Square – now housing UMR students
- The Maven
- The Hue
- 501 on 1<sup>st</sup>
- Metropolitan Marketplace
- Many other legacy housing options

## Census Data, 2010 - 2020

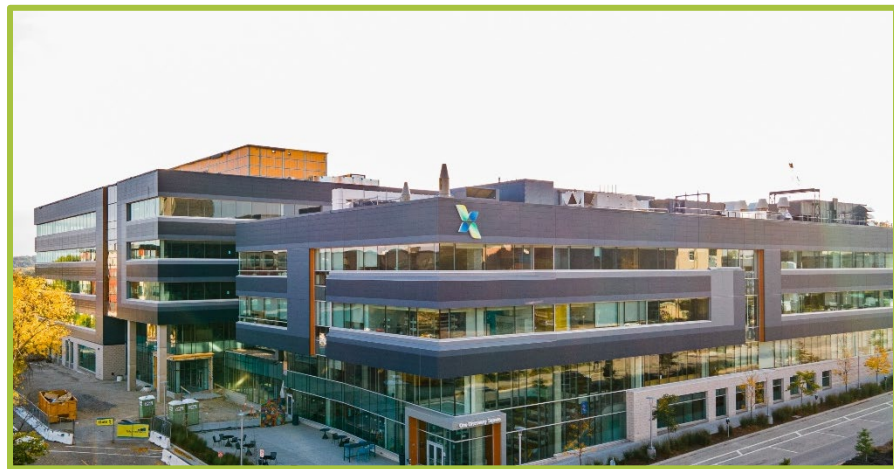
- Olmsted County: ~13% Growth
- Downtown Rochester: ~28%

The Residence at Discovery Square



# Work - Economic Development

- Three Discovery Square discussions under way
- Two Discovery Square
  - Core and shell done.
  - Proposals out for space on every floor.
  - Lead generation engine ramping up (separate presentation)
- Mayo Clinic Kellen building
  - Construction will continue to Q1 2024 when phased occupancy begins. All construction activities expected to be complete by Q3 2024.
- Mayo Clinic 1,200 stall parking ramp under construction



# Play - Discovery Walk Update

## Construction

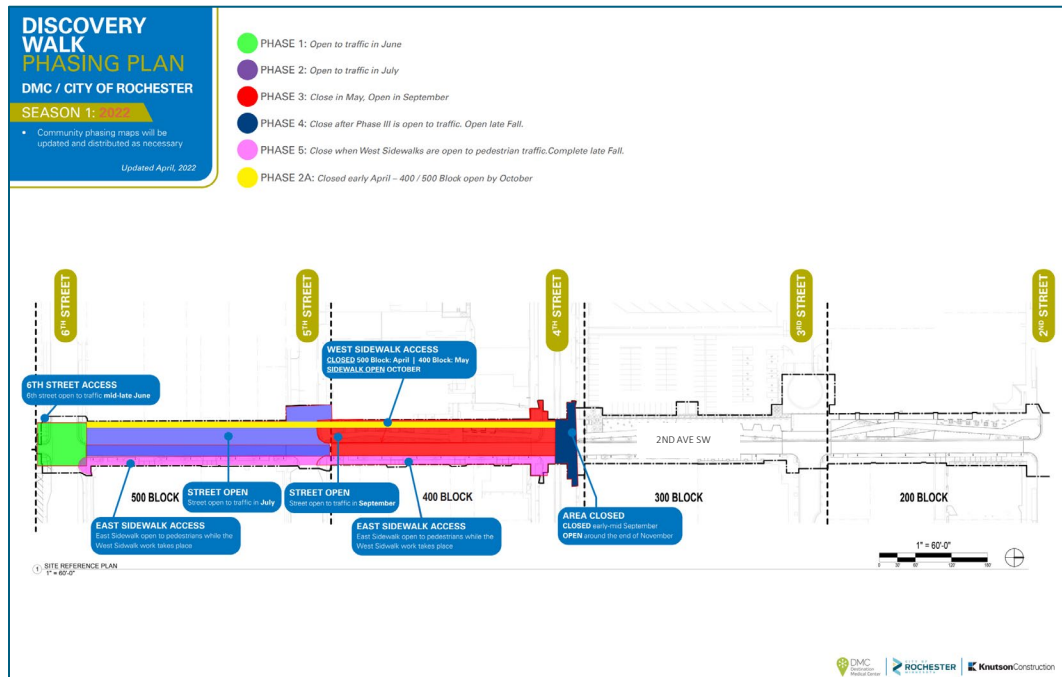
- Intersection and 500 Block started

## Business Forward

- Phasing, Communications and Programming/Activation in progress

## Finalizing Bids

- Landscaping bid awarded
- Determining best approach for community structures





# DMCC BOARD UPDATE

MAY 18, 2022





# Recommended Board Action

1. Approve revised project definition.
2. Approve revised budget and funding strategy.
3. Approve revised schedule.





# Benefits of Bus Rapid Transit



- **High-quality transit** improves the rider experience, serves many types of trips and riders, and is critical in meeting City GHG and air quality goals



- **Large, visible stations** provide rider security, orientation, and comfort and help **attract new development**.



- State-of-the art buses traveling in bus preference lanes provide **fast, reliable service** that serves more people while relieving traffic.



# Prior Direction from the Board

1. Enhanced **connections**.
  - Including to surrounding neighborhoods.
2. Enhanced **experience** for all users.
  - More accessible, safe, and attractive for all users: commuters, residents and visitors.
3. Accelerate **development**.
  - Provide services and development opportunities that align with Comprehensive Plan core principles and stated goals of the City of Rochester and DMC.
4. Maximize **competitive** federal funding application.





## Revised Project Definition



# Elements of Revised Project Definition

1. Enhanced rider experience and climate protection at transit stations.
2. Realignment of the east terminus.
3. Additional infrastructure.



# Enhanced User Experience & Climate Protection



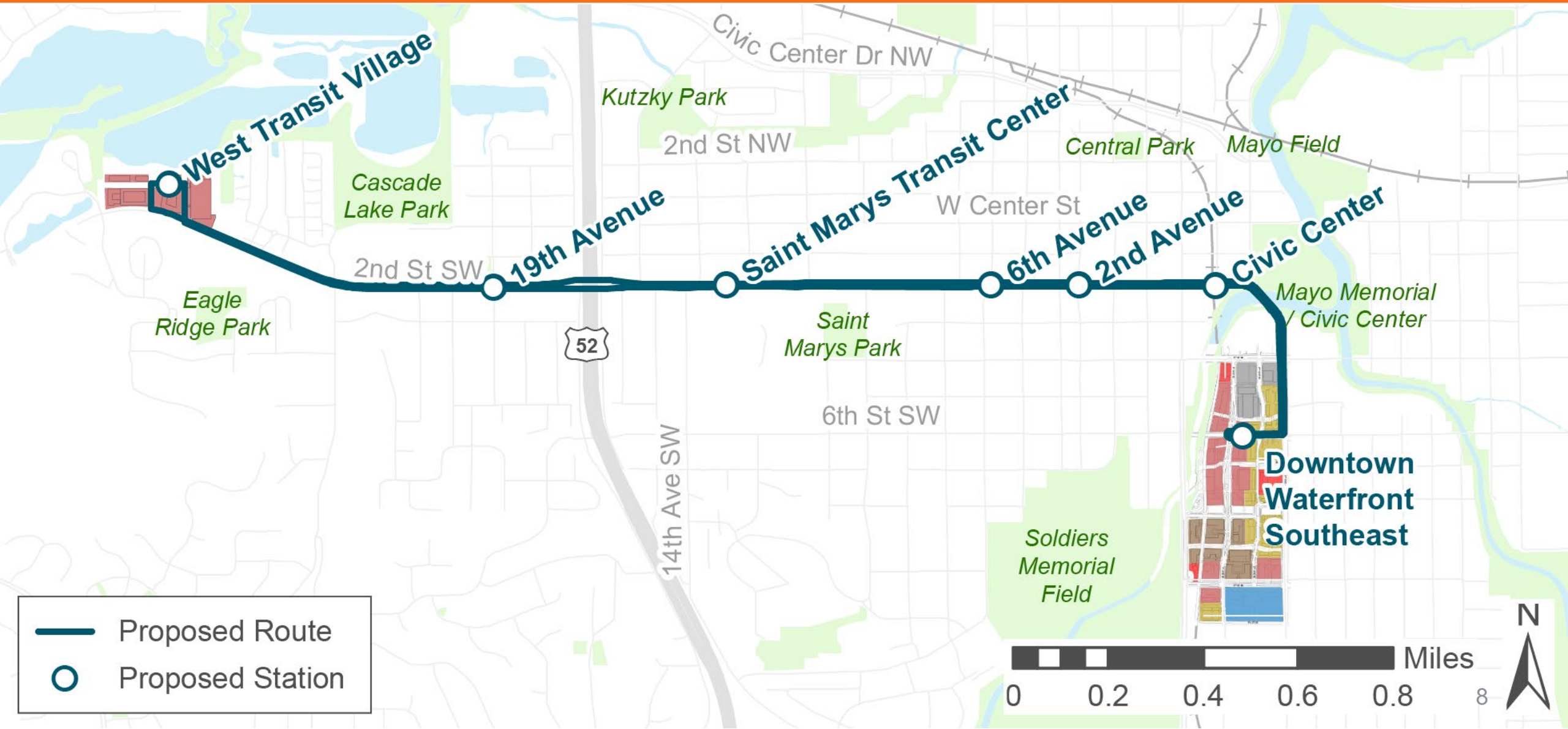
2nd Avenue Eastbound Platform



Saint Marys Eastbound Platform

- Faithful to community co-design work which identified **protection from harsh weather** as a chief concern.
- Makes Link a **more attractive** mobility choice.
- Enhances the experience for **all riders**: downtown commuter, local resident, and patient/companion and visitor.

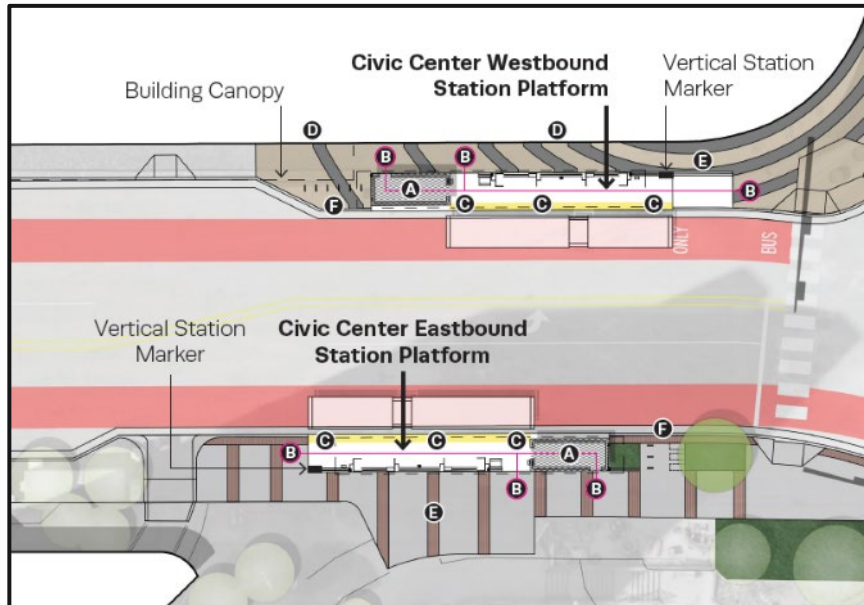
# Realignment of the East Terminus





# Realignment of the East Terminus – Library station

- Better transit access to Library, Art Center and Civic Center.
- More efficient and intuitive route.





# Realignment of the East Terminus – East End

- Creates access to rapid transit for more local residents.
- Increases attractiveness of DWSE investment and potential for affordable housing and transit oriented development.
- Increases safety and convenience for commuters.

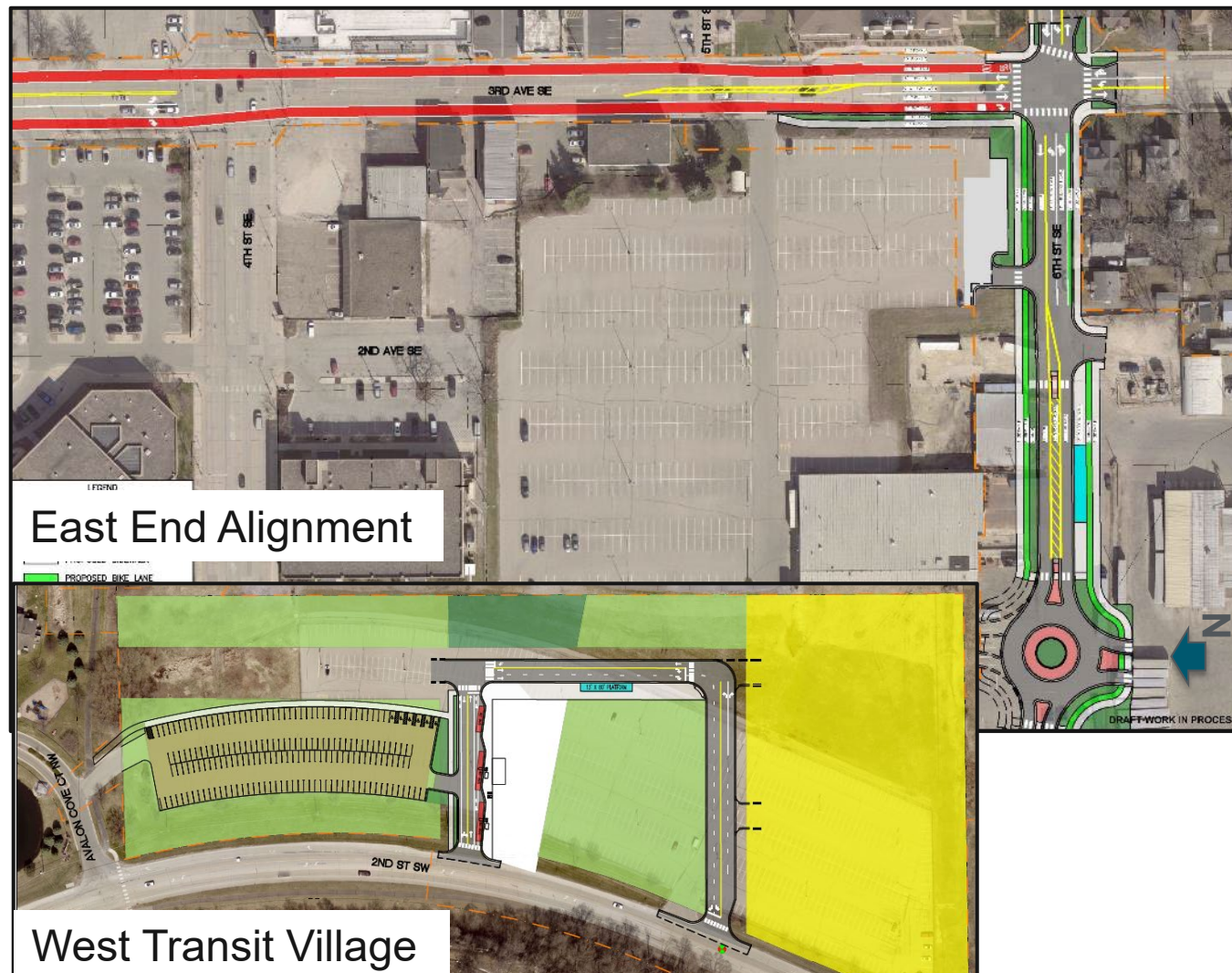


Twitter @Art\_on\_the\_Ave



Andrew Link, PostBulletin.com

# Include additional Infrastructure in Project Definition



- Project design and engineering has advanced to a point where more infrastructure cost can be designated as eligible expense for federal funding.
- Optimize Federal request for the construction of streets being utilized by the system.



## Related Initiatives

To improve connections between people, neighborhoods, employment, parks, shopping, and dining the City will continue to:

- Conduct sidewalk and street **condition assessment** and prioritize construction.
- Develop **active transportation connections** at the West Transit Village and other locations.
- Development of **Downtown Waterfront Southeast**.





## Revised Capital Costs & Funding Strategy

# Revised Capital Costs

- \$143,373,000 (Year of Expenditure)





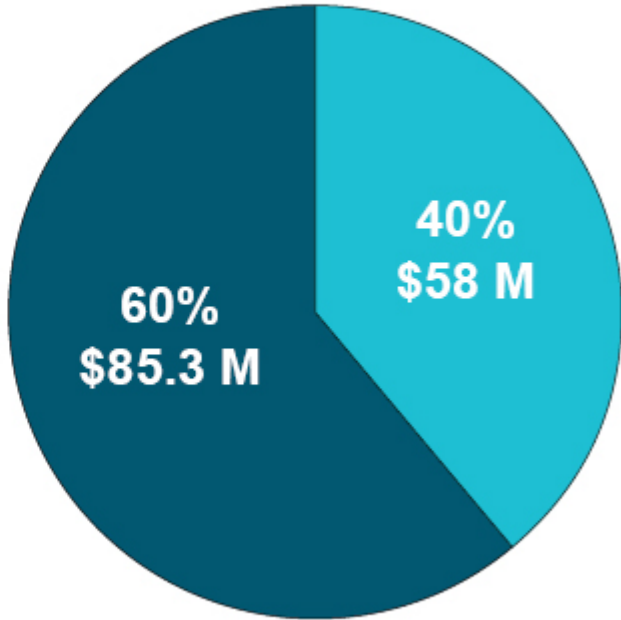
# Funding Strategy



2020  
CIG Application  
\$114 Million



2022 Proposed  
CIG Application Revision  
\$143.3 Million



■ FTA Grant    ■ DMC Funds



## Revised Schedule



# Revised Schedule



# Connections with Community

- Continue to look for innovative and unique ways to interact and connect with the public.
- Recent engagement activities:
  - Neighborhood walking tour.
  - Link system bus tour.
  - Pop-up events.
  - Neighborhood events.
  - Open house.
  - Webinars.



# Summary

Project Element	Existing FTA Application Scope	Proposed Scope Update to FTA Application
East End Alignment and Terminus	One-way BRT route around 2nd Street SE, 3rd Avenue SE, 4th Street SE, and Broadway Avenue S with station on 4th Street at Government Center.	New bi-directional route on 2nd Street, 3rd Avenue and 6th Street SE with station at 6th Street in center of Downtown Waterfront SE redevelopment area. Revision includes roads, sidewalks, and traffic signal. Adds a second platform at the Civic Center station.
West Transit Village	Station, charging infrastructure, driver facilities.	Adds roads and sidewalks to support bus loop, public restroom facility, transit plaza, traffic signal.
Station Design	Basic station design.	Improvements to station design to improve climate control and add vertical circulation in key locations.
Crossing Highway 52	No bike lanes.	Bike lanes added.
Timeline + escalation	Spring 2025	Spring 2026
Cost	~\$114M	~\$143M
DMC contribution	\$58.46M (~51%)	\$58.46M (~39%)
FTA rating	Medium-High	Medium (anticipated)
Route Length	2.6 miles	2.8 miles
Station Platforms	11	12
Number of BRT vehicles	11	12

# Recommended Board Action

1. Approve revised project definition.
2. Approve revised budget and funding strategy.
3. Approve revised schedule.



Thank you!

 [rochestermn.gov/rapidtransit](https://rochestermn.gov/rapidtransit)

 [rapidtransit@rochestermn.gov](mailto:rapidtransit@rochestermn.gov)

 507-328-2025



# PRIVATE DEVELOPMENT

May 2022



DMC

Destination Medical Center  
Rochester, MN



# Today's Discussion



- Affirm the Board's strategic private investment priorities
- Preview Three Discovery Square funding request





# WHAT HAVE WE HEARD?

The board prioritizes:

- Geography:  
Heart of the City, Discovery Square, TOD
- Product Type:  
Preferring med-tech and workforce housing; de-prioritizing hospitality and market-rate housing
- Goal Achievement:  
Private investment, job creation, tax base growth
- Market Opportunity:  
Validate market demand; support first-in-market opportunities
- Sustainability:  
Meet or exceed sustainability targets
- City for Health:  
Contribution to City of Health experience goals



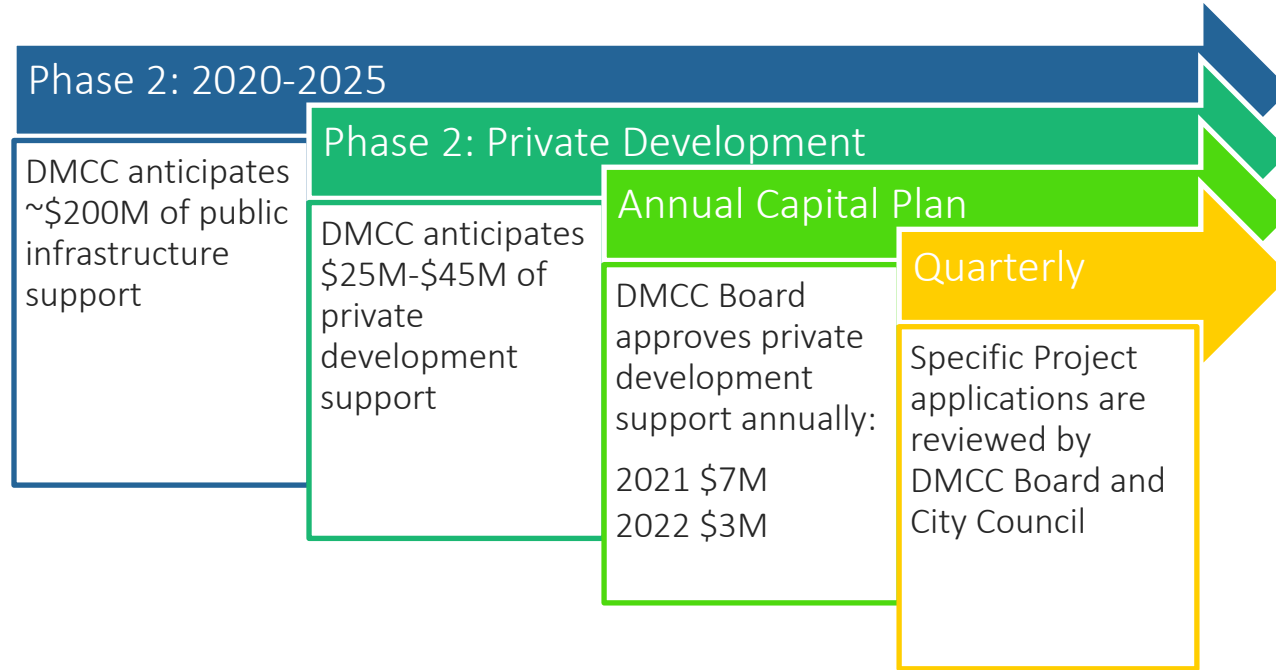
# 2020 DMC PLAN UPDATE

Areas of focus adopted in the 2020 DMC Plan Update:

- Economic diversification
- Housing affordability
- Main Street innovation
- Local entrepreneurs
- Local minority and women-owned business capacity



# PROCESS: PRIVATE DEVELOPMENT



# THREE DISCOVERY SQUARE



## Size, Location, and Use:

- 7 Stories, 156,000 g.s.f.
- NE corner of 3rd Ave. SW and 5th St. SW
- Lab space + cGMP Space (~50-50 Split)

## Costs:

- Total development cost: \$72.8M
- Design-build cost: \$45.3M  
Includes Site Preparation, Design Fees, Core & Shell

## Developer-Proposed Financing Structure:

- Debt: \$47.3M (65%)
- Owner equity: \$12.8M (17.6%)
- Requested DMC funds: \$12.7M (17.5%)

## Taxes and Jobs:

- Up to 330 permanent jobs
- Tax Capacity: \$951,250/Year

## Next Steps:

- Staff application review and discussions with developer
- Continued market evaluation + due diligence
- Conversations with Mayo + entrepreneur community
- Consider creative financing mechanisms/lookbacks





# 2023 DMC CAPITAL AND OPERATING BUDGET REQUEST

May 2022



DMC

Destination Medical Center  
Rochester, MN

# Today's Discussion



- Consider proposed revisions to CIP Prioritization Principles
- Identify 2-3 board volunteers to advise staff on budget development





# ANNUAL FUNDING REQUEST

**Includes:**

- **Capital Improvement Program**
- **Workplan and operating budget**
- **City DMC Project Management team**
- **Annual working capital loan renewal**





# TIMELINE

- **May-August 2022:** Funding request prep
- **September 22, 2022:** DMCC board consideration
- **October 2022:** Rochester City Council consideration





# EVALUATING DMC INVESTMENT OPPORTUNITIES

## PROCESS FOR DEVELOPING RECOMMENDATIONS TO DMCC

### **DMC Development Plan Goals**

- Visionary Planning
- \$5.6B of private investment
- 30,000 jobs
- \$7.5-\$8B new tax revenue
- Highest quality experience

# EVALUATING DMC INVESTMENT OPPORTUNITIES

## PROCESS FOR DEVELOPING RECOMMENDATIONS TO DMCC

### DMC Development Plan Goals

- Visionary Planning
- \$5.6B of private investment
- 30,000 jobs
- \$7.5-\$8B new tax revenue
- Highest quality experience

### DMC Guiding Principles

- Be Bold
- Economic Engine
- Comprehensive Strategy approach
- Market Driven
- Dynamic and Accessible
- Mobility to support growth
- Model for Sustainability
- Tech+ Innovation to promote globally

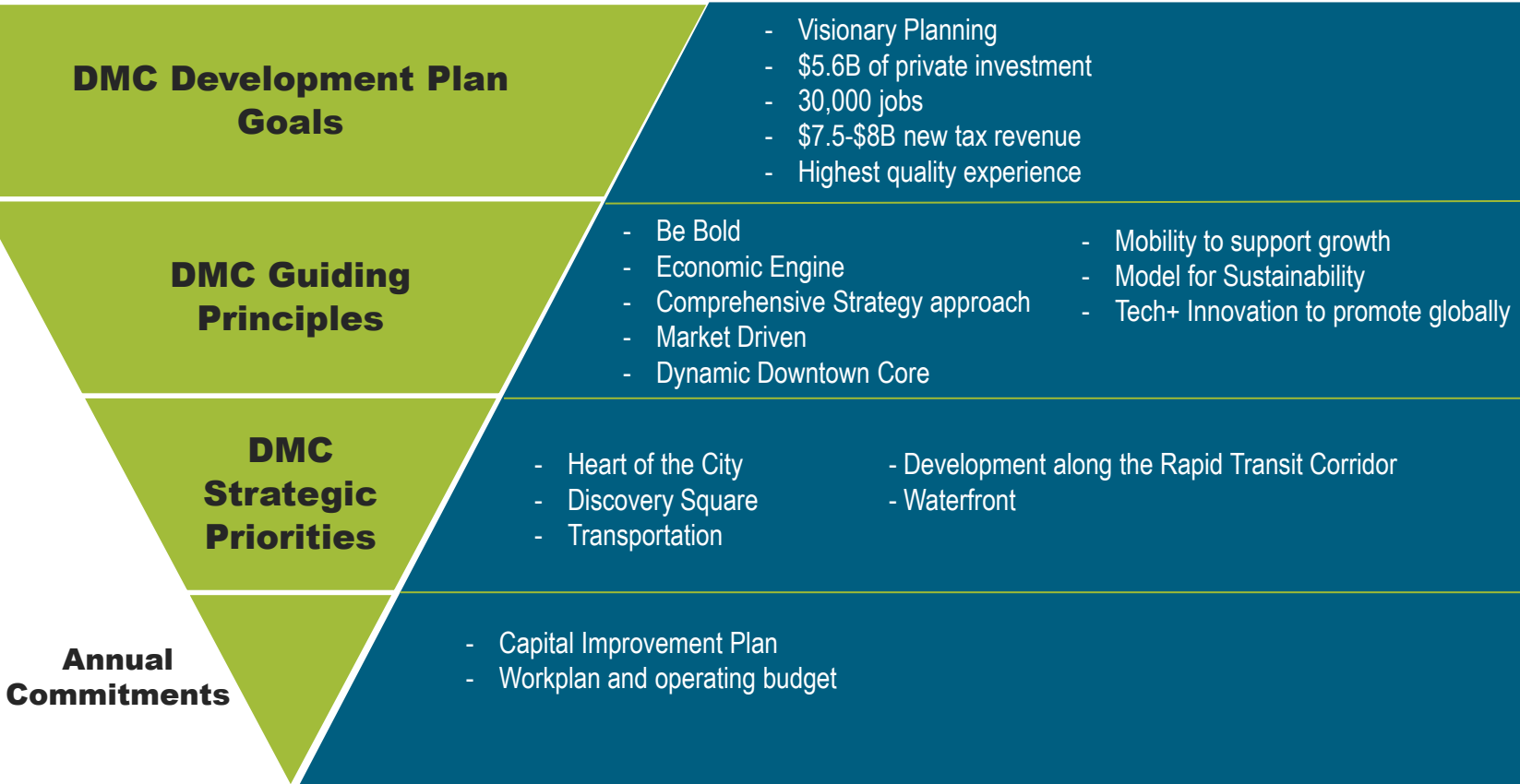
# EVALUATING DMC INVESTMENT OPPORTUNITIES

## PROCESS FOR DEVELOPING RECOMMENDATIONS TO DMCC



# EVALUATING DMC INVESTMENT OPPORTUNITIES

## PROCESS FOR DEVELOPING RECOMMENDATIONS TO DMCC





## Current CIP Prioritization Principles

- Pursue projects consistent with DMC Development Plan and current priorities
- Finish projects already approved and underway
- Use “pay-as-you-go” public finance model as a primary financing tool, but consider bonding or lending when appropriate
- Focus on time-sensitive, shovel-ready projects
- Be responsive to community priorities and market demand
- Leverage other sources of funding
- Achieve balance between public realm, public infrastructure, and transportation
- Consider medium- and long-term capital and infrastructure needs prior to committing resources

## Proposed CIP Prioritization

- **Enable Opportunity:**  
New jobs, new investment, and tax base growth are a good thing.
- **Be Extraordinary:**  
Make investments befitting a global destination medical center, the state’s largest-ever economic development partnership, and an increasingly diverse community.
- **Incorporate Innovation:**  
Encourage projects to make use of new materials, new technologies, etc.
- **Be Sustainable:**  
Always consider the financial, environmental, social, and other long-term effects of proposed capital projects.
- **Fulfill The Vision:**  
Sustain Rochester and Mayo Clinic as a destination medical center and “economic engine” that benefits the residents of Rochester, Olmsted County, and Minnesota.

# Today's Discussion



- Consider proposed revisions to CIP Prioritization Principles
- Identify 2-3 board volunteers to advise staff on budget development



# Business Recruitment: 6-month Progress Report



*“Economic development means 100 different things to 100 different people.”*



## Community Development

Planning

Engagement

Culture

Residents

Regional Planning

Zoning

Land Use

Historical Preservation

Sustainability

Transportation & Transit

Arts

Housing

Homeless Services

Building Services

Citizen Access

Permitting

Code Enforcement

Public Art

Neighborhood Associations

Licensing

## Business Development

Expansion

Retention

Attraction

Creation

Small Business Development

**Business Recruitment**

Entrepreneurship

**Business Marketing**

Cluster Development

Workforce Development

Incentives

Retail Recruitment

Rural Development

Government Contracting

Tech Transfer

Infrastructure Investment

Site Identification & Prep

Tourism

Film

# Four Pillars of ED Program Building

## Direct Lead Generation

Systems  
Processes  
Messaging

60%

## Awareness Building

Audiences  
Content  
Channels

20%

## Research & Data

Economic  
Site  
Audience

10%

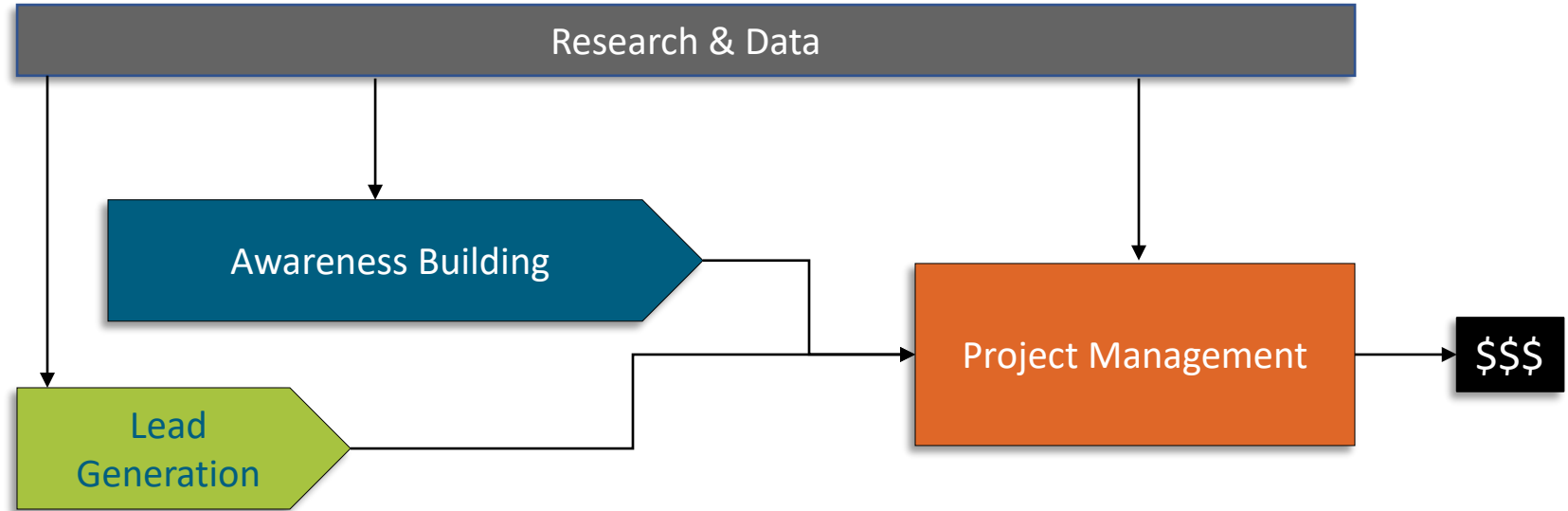
## Project Management

Systems  
Engagement  
Support

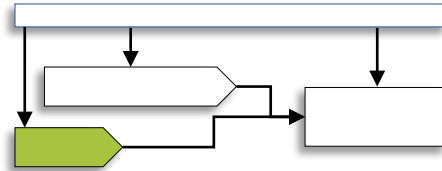
10%



# ED Program Interconnections



# Lead Generation





# 2022 Lead Generation Program Results

## San Diego, January 2022

507 Targets (114 Bad Data)

Healthcare Device & Supplies,  
Healthcare Services, Healthcare  
Technology Systems, Pharma &  
Biotech

All employment levels

5-year investment window

100% virtual

**11 Leads**

2.8% Conversion Rate (11/393)

## Midwest, February 2022

567 Targets (105 Bad Data)

Healthcare Device & Supplies,  
Healthcare Technology Systems,  
Pharma & Biotech

Less than 100 FTE

3-year investment window

100% virtual

**15 Leads**

3.2% Conversion Rate (15/462)

## Canada, March 2022

528 Targets (122 Bad Data)

Healthcare Device & Supplies,  
Healthcare Technology Systems,  
Pharma & Biotech

Less than 100 FTE

3-year investment window

100% virtual

**38 Leads**

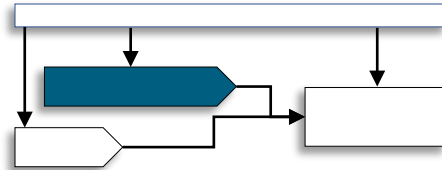
9.3% Conversion Rate (38/406)

# 3 Big Questions

1. How do we scale?
2. Virtual/in-person and domestic/international
3. Can we turn Leads into Projects?



# Awareness Building



# Awareness Building Program

- Audience assessment
- Message building
- Continued exposure



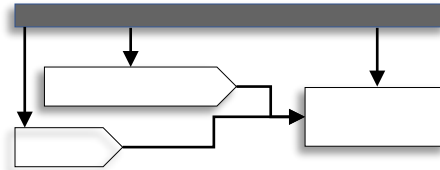


# 3 Big Questions

1. Where to focus?
2. How do we scale?
3. Defining success



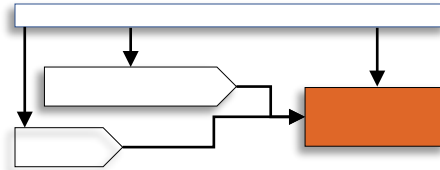
# Research & Data



# Research & Data Program

- Smarter targeting
- Current market positioning
- Ready-made collateral

# Project Management



# Project Management Program

- Build internal PM capacity
- Build engagement protocols
- Build external support



## Key Takeaways After 6-Months

- Awareness/perception as an economic development destination is not where it needs to be.
- Lead Generation cycle times will be long.
- Value proposition = Innovation, Collaboration, Commitment
- International opportunities are significant
- Greater Resource = Quicker Results

