



DMC
Destination
Medical Center

Destination Medical Center Corporation
Board of Directors Meeting

Wednesday, May 18, 2022
9:30 A.M.

DESTINATION MEDICAL CENTER CORPORATION (DMCC)

SPECIAL BOARD MEETING

Wednesday, May 18, 2022

9:30 A.M.*

Remote Viewing: <https://video.ibm.com/channel/destination-medical-center>

AGENDA

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I. Call to Order	
II. Roll Call	
III. Approval of Agenda	1
IV. Approval of Minutes: February 3, 2022	3
V. Public Comment	
VI. Chair's Report	
VII. Election of Officers and Appointments	
A. Election by Board:	
1. Chair	
2. Vice Chair	
3. Treasurer	
B. Appointment by Chair:	
1. Secretary	
2. Assistant Treasurer	
VIII. Consent Agenda	
A. April 1 Report to DEED <u>Resolution A:</u> Ratifying and Confirming the Revised April 1, 2022 Report to DEED Pursuant to Statute	7
B. DMCC 2022 Budget Year-to-Date Update: Receive and File	13
C. 2021 Capital Improvement Plan (CIP) True-Up and Update	17
IX. DMCC Audit for Year Ending December 31, 2021 (Presenter: Craig Popenhagen, CliftonLarsonAllen)	19
X. EDA Board President Comments	
XI. DMC Metrics	

XII.	Project Discussions (City of Rochester, EDA)	
A.	Heart of the City <u>Resolution B</u> : Amending the 2022 Capital Improvement Plan (CIP) Budget and Providing Final Approval of Expenditure of Funds for the Chateau Theatre	59
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C.	Mobility <u>Resolution C</u> : Approving Route Adjustments, Enhancements to Bus Rapid Transit Application in Federal Transit Administration’s Small Starts Program	67
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C.	Community Co-Design	85
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E.	DEED Main Street Grant	89
F.	McKnight Foundation Grants	91
G.	Housing	93
XV.	Meeting Schedule	
A.	Next Regular Meeting: September 22, 2022 at 9:30 A.M.	
XVI.	Adjournment	

***PLEASE NOTE: immediately following the DMCC meeting, the Heart of the City Celebration will occur, including a lunch at the Chateau Theatre, Community Commemoration 1:30 – 2:00 at Peace Plaza, and Community Events starting at 2:00 at Peace Plaza. Please visit dmc.mn for more details. A quorum of the DMCC Board may be present.**

DESTINATION MEDICAL CENTER CORPORATION (DMCC)
BOARD MEETING

Thursday, February 3, 2022

MINUTES

- I. Call to Order. Chair R.T. Rybak called the meeting to order at 9:30 a.m.
- II. Roll Call. Chair R.T. Rybak, Mayor Kim Norton, Doug Baker, Jim Campbell, Council President Brooke Carlson, Commissioner Mark Thein, Pamela Wheelock, and Paul Williams were present.
- III. Approval of Agenda. Mr. Campbell moved approval of the agenda. Mayor Norton seconded the motion.

Ayes: Mr. Campbell, Council President Carlson, Mayor Norton, Chair Rybak, Commissioner Thein, Mr. Williams.

Nays: None.

Abstain: Mr. Baker.
- IV. Approval of Minutes: November 4, 2021. Council President Carlson moved approval of the minutes. Mayor Norton seconded the motion.

Ayes: Mr. Campbell, Council President Carlson, Mayor Norton, Chair Rybak, Mr. Williams.

Nays: None.

Abstain: Mr. Baker, Commissioner Thein.
- V. Public Comment Period. No public comments were offered.
- VI. Chair's Report. Chair Rybak welcomed two new DMCC Board Members, Mark Thein, Chair of Olmsted County Board of Commissioners, and Doug Baker, Mayo Clinic Trustee.
- VII. Consent Agenda.
 - A. Authorizing electronic approval of invoices and DMCC disbursements.
 - B. EDA Request for Budget Encumbrance for 2022.
 - C. DMCC Budget: Year-to-Date Update.

Ms. Wheelock moved approval of the consent agenda. Mr. Williams seconded the motion.

Ayes: Mr. Baker, Mr. Campbell, Council President Carlson, Mayor Norton, Chair Rybak, Commissioner Thein, Ms. Wheelock, Mr. Williams.

Nays: None.

VIII. Commendation.

Resolution A: Commending Kathleen M. Lamb. Mayor Norton moved approval of Resolution A. Council President Carlson seconded the motion.

Ayes: Mr. Baker, Mr. Campbell, Council President Carlson, Mayor Norton, Chair Rybak, Commissioner Thein, Ms. Wheelock, Mr. Williams.

Nays: None.

IX. Annual Report to the Legislature.

Resolution B: Approving February 15, 2022 Report to the Legislature. DMCC legal counsel Kaela Brennan and City of Rochester Administrator Alison Zelms provided an overview of the report. Ms. Wheelock requested that future reports include a map of the district and major projects. Council President Carlson suggested that future reports include images or graphics. She also noted that future investments in the Chateau Theatre remain a topic of community discussion. Ms. Wheelock moved approval of Resolution B. Mayor Norton seconded the motion.

Ayes: Mr. Baker, Mr. Campbell, Council President Carlson, Mayor Norton, Chair Rybak, Commissioner Thein, Ms. Wheelock, Mr. Williams.

Nays: None.

X. DMC Metrics. Patrick Seeb, DMC Economic Development Agency (EDA) Executive Director, described the annual schedule of metrics updates. Kevin Bright, EDA Director of Housing and Sustainability, and Chao Mwatela, City of Rochester Diversity, Equity, and Inclusion Director, described the Bloomberg Philanthropies Global Mayor's Challenge award. They explained that the program seeks to create sustainable pathways for minority women to secure construction industry careers and was developed in partnership with a diverse cohort of community co-designers.

XI. EDA Board President Comments. Dr. Clark Otley, EDA President, summarized the remaining discussion items and outlined the DMCC-City-County-EDA Collaborative Work Session.

XII. Project Discussions.

A. Mobility.

Resolution C: Approving Adjustments to Bus Rapid Transit Application. Catherine Malmberg, EDA Director of Public Infrastructure and Cindy Steinhauser, City Deputy Administrator, provided an update of the Link and requested approval to evaluate project design enhancements and route alignment described in the resolution. Council President Carlson moved approval of Resolution C. Mr. Baker seconded the motion.

Ayes: Mr. Baker, Mr. Campbell, Council President Carlson, Mayor Norton, Chair Rybak, Commissioner Thein, Ms. Wheelock, Mr. Williams.

Nays: None.

B. Discovery Square. Chris Schad, EDA Director of Business Development, and Dr. Otley introduced a panel of representatives interested in Discovery Square developments: Lizzy Haywood, CEO of the People's Food Co-op; Dr. Lori Carrell, Chancellor of the University of Minnesota, Rochester; Dr. Jim Pipe, Director of Mayo Clinic's Magnetic Resonance Technology and Use Design Laboratory; Frank Jaskulke, Vice President of Intelligence for the Medical Alley Association; Brent Webb, Development Executive at M.A. Mortenson Co.; and Peter Frosch, CEO of Greater MSP.

XIII. Adjournment. Mr. Campbell moved to adjourn. Mr. Williams seconded the motion.

Ayes: Mr. Baker, Mr. Campbell, Council President Carlson, Mayor Norton, Chair Rybak, Commissioner Thein, Ms. Wheelock, Mr. Williams.

Nays: None.

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. ___-2022

Ratifying and Confirming the Revised April 1, 2022 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.

B. On March 10, 2022, pursuant to Resolution No. EC-7-2022, the Executive Committee of the DMCC Board authorized the Chair or Vice Chair of the DMCC to execute and submit the certification to DEED, and to modify the document as necessary upon subsequent discussions with Mayo Clinic or the City of Rochester (the “City”).

C. Upon further review, the City has recommended modifying the April 1, 2022 certification by subtracting certain expenditures in the Total Expenditures Reported This Year of other Private Entities line by the amount of \$160,000. The revised Certification of Expenditures (the “Revised April 1 Certification”) is attached as Exhibit A.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, that the Destination Medical Center Corporation Board of Directors ratifies and confirms the action of its Executive Committee and the submittal to the Minnesota Department of Employment and Economic Development as required by Minnesota Statutes, Section 469.47, approves the Revised April 1, 2022 Certification, 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

EXHIBIT A

Revised Certification of Expenditures Destination Medical Center

For Calendar Year 2021

Due to Commissioner of Employment and Economic Development (DEED) by April 1, 2022

The Medical Business Entity and the Destination Medical Center Corporation (DMCC) Board of Directors (assisted by the City of Rochester) hereby submit 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 2021, 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 ¹	\$110,586,916.31	1
Total Expenditures Reported This Year for other Private Entities ^{1,2}	\$44,560,906.89	2
TOTAL Expenditures This Year	\$155,147,823.20	3

All Expenditures claimed since June 30, 2013

Previous Years Expenditures (cumulative)	\$1,106,896,136.12	4
TOTAL Expenditures This Year ³ (from Box 3)	\$155,147,823.20	5
All Claimed Expenditures as of 12/31/21 (Box 4 plus Box 5)	\$1,262,043,959.32	6
Qualified Expenditures claimed in 2021 (Box 6 minus \$200,000,000)	\$1,062,043,959.32	7

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

General State Infrastructure Aid Qualified for (Box 7 multiplied by .0275)	\$29,206,208.88	8
State Transit Aid Qualified for (Box 7 multiplied by .0075 and then multiplied by .6)	\$4,779,197.82	9

By providing my signature below, I am hereby certifying that, to the best of my knowledge, the information stated herein is accurate, true, and complies with the provisions of Minnesota Statutes Section 467.47 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 Date

For all other Expenditures:

Destination Medical Center Corporation Date

¹Expenditures need to be after June 30, 2013

²Other Private Entities' certification of expenses may be certified retroactively in 2014 after the Destination Medical Center District and Development Plan are adopted.

³This figure is based solely upon project building permit costs. Minn. Stat. § 469.47, subd 1(d) permits additional expenditures, and discussion is underway as to how to document such additional expenditures, which may result in adjustments.

Building Permits within the DMC Boundary

(Does not include Mayo Projects)

2021 Tracking Worksheet

Year	Completed Projects
2014	\$ 38,400
2018	\$ 584,079
2019	\$ 7,585,007
2020	\$ 14,490,740
2021	\$ 438,000
TOTAL	\$ 23,136,226

2019/2020 Destination Medical Center - Partially Completed Projects Tracking

Project	Address	Total Building Permit Value	2019	2020	2021
			Partial Completed Work	Completed Work	Completed Work
Hyatt House	315 1st Ave. NW	\$ 32,253,475.00	\$ 6,940,448.00	\$ 24,151,076.04	\$ 1,161,950.96
Eleven02	101 11th Ave. SW	\$ 29,690,975.00	\$ 4,159,810.90	\$ 24,377,346.96	\$ 1,153,817.14
		\$ 61,944,450.00	\$ 11,100,258.90	\$ 48,528,423.00	\$ 2,315,768.10

2020 Destination Medical Center - Partially Completed Projects Tracking

Project	Address	Total Building Permit Value To Date	2020	2021
			Partial Completed Work	Completed Work
Two Discovery Square	415 2Ave SW	\$ 20,161,480.00	\$ 5,553,179.85	\$ 14,608,300.15

2021 Destination Medical Center - Partially Completed Projects Tracking

Project	Address	Total Building Permit Value To Date	2021
			Partial Completed Work
Brky Apartments	401 N Broadway	\$ 25,000,000.00	\$ 4,500,612.64

TOTAL \$ 44,560,906.89

Commercial Bldg	Alteration	R14-0094CB	3/14/2014	017965	101 E CENTER ST, ROCHESTER, MN 55904	\$38,400	Replaced all old windows, replace some brick that is bad and fill some holes	A & K Properties	Finald	11/17/2021
Commercial Bldg	Alteration	R18-0144CB	8/1/2018	017926	21 SW 1 ST, ROCHESTER, MN 55902	\$584,079	Interior renovation of existing retail bank including electrical, plumbing and HVAC. (Wells Fargo)	Wells Fargo	CO	10/13/2021
Commercial Bldg	Alteration	R19-0364CB	10/17/2019	018102	211 NW 2 ST 1311, ROCHESTER, MN 55901	\$75,000	Alteration to an existing dwelling unit. (Charter House)	CHARTERHOUSE INC - Deborah Kenitz	Finald	12/2/2021
Commercial Bldg	Alteration	R19-0308CB	12/9/2019	048779	624 SW 3 AVE, ROCHESTER, MN 55902	\$600,000	Adding an elevator to an existing 60,791 sf church. (Zumbro Lutheran Church)	ZUMBRO EVANGELICAL LUTHERAN	CO	1/26/2021
Commercial Bldg	Alteration	R19-0361CB	12/27/2019	025320	709 SW 1 AVE, ROCHESTER, MN 55902	\$47,924	Whirlpool equipment remodel and adding mechanical room. (Rochester Area Family YMCA)	YOUNG MEN'S CHRISTIAN ASSOCIATION	Finald	12/6/2021
Demolition	Commercial	R19-0015D	7/3/2019	017784	324 SW 1 AVE, ROCHESTER, MN 55902	\$50,000	Demolition of single story art building and existing parking lot	Ackerberg Group	Finald	12/6/2021
Demolition	Commercial	R19-0017D	7/25/2019	075680	1101 SW 2 ST, ROCHESTER, MN 55902	\$35,000	Demo of Virgil's Building	ROCHESTER HOTEL PARTNERS LLC	Finald	12/6/2021
Demolition	Commercial	R19-0021D	9/6/2019	017760	405 SW 1 AVE, ROCHESTER, MN 55902	\$40,000	Tear down and remove entire Damsey restaurant structure	Premier Bank	Finald	12/6/2021
Commercial Bldg	Commercial	R19-0211CB	2/27/2020	83133	601 SW 2 ST, ROCHESTER, MN 55902	\$5,437,083	Footing, foundation to level to for 6 story 110 unit hotel with 2 levels of underground parking. (TownePlace Suites by Marriott)	Portland Hotel LLC	Finald	8/13/2021
Commercial Bldg	Commercial	R19-0432CB	2/19/2020	81707	19 SW 1 AVE ROCHESTER, MN 55902	\$1,300,000	Tenant improvement new restaurant space within Kahler Hotel. (Olde Brick House)	Ringneck Restaurants Inc	CO	11/23/2020
Multi-Family Bldg	Alteration	R20-0020MFB	08/28/20	11576	1111 2 ST SW, ROCHESTER, MN 55902	\$30,913	Reinforcement of existing roof structure to accommodate the increase snow loading due to the 1102 Hotel built next to it. (Eleven02 Hotel Snow Drift)	Tyler Miles	Finald	12/13/21
Sign	Business	R20-0086S	08/25/20	83133	123 6 AVE SW, ROCHESTER, MN 55902	\$612,000	Wall signs for Towneplace Suites [lit] "TOWNEPLACE SUITES BY MARRIOTT"; "Will & Charlie's Pub	Persona Sign Company	Finald	12/13/21
Commercial Bldg	Alteration	R20-0050CB	04/08/20	83795	202 4 ST SW 240, ROCHESTER, MN 55902	\$612,468	Build out of second level space for new office use tenant. (Discovery Square)	Silver Lake Investors	CO	06/28/21
Multi-Family Bldg	Alteration	R20-0013MFB	04/20/20	17786	325 1 AVE SW, ROCHESTER, MN 55902	\$727,504	Reroofing, tuckpointing, window replacement, new entry doors, carpet, water piping, HVAC, lighting and misc. alteration throughout building. (Newbridge Apartments)	Tapestry Companies	CC	03/01/21
Sign	Business	R20-0073S	07/14/20	17784	33 4 ST SW, ROCHESTER, MN 55902	\$23,336	Wall signs for The Hue [lit]	ACKY-324 LLC	Finald	12/13/21
Commercial Bldg	New	R20-0053CB	08/05/20	83133	601 2 ST SW, ROCHESTER, MN 55902	\$11,660,444	New 6 story 110 guest room hotel with 2 levels of underground parking. (TownePlace Suites by Marriott)	TPS ROCHESTER I LLC	CO	08/13/21
Demolition	Demolition	R20-0009D	5/20/20	75694	18 1 Ave SE, Rochester 55904	\$824,075	Demolition and removal of existing building (former Post Bulletin building) on site	PB Rochester Investments LLC	Finald	12/13/21
Commercial Bldg	Alteration	R21-0027CB	2/4/2021	14505	44 SE 4 ST, ROCHESTER, MN 55904	\$ 20,000.00	Partial remodel of main level. Adding conference room, moving office, updating bathroom. (Schatz Law Firm)	Michael Schatz	Finald	8/27/2021
Commercial Bldg	Alteration	R21-0031CB	2/10/2021	17894	155 SW 1 AVE, #140, ROCHESTER, MN 55902	\$ 80,000.00	Interior alteration to existing by expanding kitchen line, adding a new hood and oven. (Bruegger's Bagel)	Fred Leon	C of C Issued	4/30/2021
Commercial Bldg	Alteration	R21-0156CB	5/24/2021	48779	624 SW 3 AVE, ROCHESTER, MN 55902	\$ 75,000.00	Remodel of approximately 1620 sq.ft. of existing space into a space for youth. (Zumbro Lutheran Church)	ZUMBRO EVANGELICAL LUTHERAN - Sara Lichty	C of C Issued	12/2/2021
Commercial Bldg	Alteration	R21-0167CB	6/4/2021	81808	210 N BROADWAY AVE, #103, ROCHESTER, MN 55906	\$ 75,000.00	Fit-up of the Suite #103 at the Queen Center (210 N. Broadway) for "The Fit Loo".	SKIATHOS LLC	C of C Issued	10/19/2021
Commercial Bldg	Alteration	R21-0352CB	10/7/2021	17926	21 SW 1 ST, #102, ROCHESTER, MN 55902	\$ 25,000.00	interior demolition and remodel for Wells Fargo	ROCHESTER PROPERTY OWNER LLC	C of C Issued	10/28/2021
Multi-Family Bldg	Alteration	R21-0005MFB	3/2/2021	18102	211 NW 2 ST, #816, ROCHESTER, MN 55901	\$ 125,000.00	Remodel of apartment #816. (Charter House)	CHARTERHOUSE INC - Deborah Kenitz	Finald	9/8/2021
Multi-Family Bldg	Alteration	R21-0037MFB	7/27/2021	81810	207 SW 5 AVE, APT 608, ROCHESTER, MN 55902	\$ 38,000.00	Kitchen Remodel	Cindy Boese	Finald	12/15/2021

\$23,136,226



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

March 3, 2022

Steve Grove
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 Grove:

Attached with this letter is Mayo Clinic's certification of qualified expenditures of the medical business entity for the Destination Medical Center (DMC) initiative from January 1, 2021, to December 31, 2021. The amount of qualified investment is approximately \$110.6 million. Major projects included the continued modernization of Mayo Clinic Hospital, Saint Marys Campus; many improvements to Mayo Clinic's downtown Rochester, Minnesota, campus; and investment in DMC's Discovery Square life science sub-district.

As in prior years, Mayo Clinic is taking a conservative approach when counting DMC-eligible capital expenditures. Overall, we spent more than \$340 million on capital projects and equipment in Rochester in 2021 including improving our medical tissues archive and purchasing world-class medical equipment. In total, we plan to invest more than \$1 billion in Rochester facilities and equipment between now and 2025. Through 2021, our DMC investment totals more than \$762 million.

Looking back on 2021, I am grateful for our hard-working staff—in Minnesota and across the globe—who have put the needs of the patient first and sustained Mayo Clinic as a beacon of hope and healing. Last year, our dedicated Mayo Clinic team served more than 1.4 million patients, administered more than 1.1 million COVID-19 tests, and expended more than \$1 billion on research activities. Mayo Clinic also committed to investing in our people and our communities, including a guaranteed 4% minimum salary increase for eligible allied health staff in 2022 and community investments in Rochester totaling more than \$8.5 million including significant contributions to the Coalition for Rochester Area Housing, the Southeast Regional Crisis Center, and COVID-19 outreach and education.

Together, these commitments to our patients, our people, and the places where we live and work demonstrate Mayo Clinic's continued efforts to sustain and grow Rochester as a global destination medical center. We remain committed to achieving the long-term DMC development and investment goals and, despite COVID-19, we remain on a strong path. We look forward to continuing our DMC partnership with the city of Rochester, Olmsted County, and state of Minnesota.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Christina Zorn".

Christina Zorn, J.D.
Chief Administrative Officer
Mayo Clinic



TO: R.T. Rybak, Chair
Kaela Brennan, Attorney

FR: Dale Martinson, Assistant Treasurer

Date: May 11, 2022

RE: April 2022 DMCC Budget Summary

The attached budget summary of operating activity through April of 2022 reflects total year-to-date DMCC operating expenditures of \$458,160 of the \$2.2 million approved 2022 budget. The remaining amount unspent represents 81% of the total budget with 67% of the year remaining. The April DMC EDA payment application yet to be received in May.

The second and third pages of this summary provides a listing of DMCC authorized capital projects managed by the City of Rochester. We have tried to categorize the project spend in accordance with program budgets.

Approximately \$2.56 million has been spent on these projects through April of this year with the majority spent on Heart of the City, Discovery Walk, North Broadway and Rapid Transit activity. Total life-to-date expenditures on these projects is just over \$88.6 million.

Please feel free to contact me with any questions or concerns.

Destination Medical Center Corporation
Financial Budget Summary
April 30, 2022

	2022 Approved Budget	Current Month April 2022	April 2022 Year To Date	Amount Remaining	Percent Remaining
Rents and Leases	38,588			38,588	100%
Professional Services	182,100	99	26,476	155,624	85%
Travel/Training	6,000			6,000	100%
Insurance and Bonds	20,000		11,969		
Interest / Other Administrative	312	2	7		
		-	-	-	
Subtotal DMCC	247,000	102	38,452	200,212	81%
Third Party Costs - DMC EDA					
Payroll, Staff, Administration & Benefits-EDA	1,262,205	85,214	295,156	967,049	77%
Operating Expenses	80,151	15,943	49,560	30,591	38%
Operational Costs - Contracted		2,722	5,343	(5,343)	
Economic Development Outreach & Support	211,763	6,627	29,477	182,286	86%
Professional Services	583,510	20,177	40,171	543,339	93%
Miscellaneous Expenses	52,000	-		52,000	100%
Subtotal EDA	2,189,629	130,682	419,708	1,769,921	81%
Total DMCC 2022	2,436,629	130,784	458,160	1,978,469	81%
Plus: Encumbrance - Carry forward of 2021 Budget Amount	82,000	-	-	82,000	100%
			DMCC Working Capital Note	1,000	
			EDA Working Capital Note	100,000	

**DMCC Projects by Category
Managed by City of Rochester
Through April 2022**

PROJECT	PROJECT STATUS	YEAR TO DATE EXPENSES	PROJECT BUDGET	LIFE TO DATE EXPENSES	LIFE TO DATE ENCUMBRANCE
Administration					
C.8601 - City Project Administrative Costs-DMCC (Budget-Current Yr)	Annual Budget	98,607	738,616	2,148,466	
C.8606 - City Staff Costs-DMCC - (Budget-Current Yr)	Annual Budget	8,175		413,447	
C.8607 - County Staff Costs-DMCC	Complete			168,754	
C.8629 - Development Plan Update	Complete	6,145	750,000	154,960	
C.8632 - Downtown Changes COVID-19	Complee		250,000	43,524	
C.8902 - FestivalAreaStdy&ConceptDesign	Complete			84,133	
Total Administration		112,928	1,488,616	2,885,627	
Econ Development/Public Realm					
C.8624 - ChateauTheatreBldgImprov/Purch	Nearly Complete		8,781,798	8,560,798	3,731
C.8625 - Heart of the City	Nearly Complete	669,670	18,248,940	21,016,442	649,762
C.8633 - Strategic Development	Ongoing		10,000,000	2,200,000	
C.8634 - Riverfront Reimagined	Study	78,858		133,614	
C.8904 - Discovery Walk	Bid Acceptance	219,505	14,000,000	2,405,953	10,954,261
Total Econ Development/Public Realm		968,033	51,030,738	34,316,807	11,607,754
Infrastructure					
C.8611 - San. Sewer 12th Ave from 2nd St NW to 2nd St SW	Active Construction	365,741	2,850,000	4,388,900	1,739,161
C.8612 - West Zmbro San Sewer Lift Line from CookPk to Civic C Drive	Complete		950,000	46,592	Combined w/8611
C.8626 - San. Sewer Upsize 1st Ave & 3rd Ave SE on 4th / Govt Cntr Siphon	Complete		8,500,000	8,635,287	
C.7326 - Reconst 4th St SW from 1st Ave to 6th Ave	Complete		2,205,789	2,205,789	
C.7319 - Reconst 7th Ave NW from 2nd St NwW to 4st NW	Complete		1,107,000	1,107,000	
C.7318 - Reconst North Broadway -	Active Construction	982,642	4,400,000	4,400,000	Allocation Share
C.7830 1st Street NW San Sewer Diversion from 1st Ave to Broadway	Post Construction	-	1,371,000	1,391,200	Allocation Share
Total Infrastructure		1,348,383	21,383,789	22,174,768	1,739,161

**DMCC Projects by Category
Managed by City of Rochester
Through April 2022**

PROJECT	PROJECT STATUS	YEAR TO DATE EXPENSES	PROJECT BUDGET	LIFE TO DATE EXPENSES	LIFE TO DATE ENCUMBRANCE
Transit					
C.8614 - DMCTransit&InfrastrctrPgrmMgmt	Complete		3,956,739	1,874,219	
C.8617 - Broadway @ Center Parking Ramp	Complete		10,500,000	10,500,000	
C.8618 - SharedParkngStudy&PrgmDevlpmnt	Complete		2,061,854	1,874,219	
C.8620 - City Loop Plan	Complete		1,209,938	968,732	
C.8621 - Transit Circulator Study	Complete		2,241,532	1,780,877	
C.8623 - DMCC Street Use Study	Complete		3,117,708	2,885,882	
C.8628 - Downtown Circulator Project	Complete			269,941	
C.8706 - DMCTransitCirculatorTODPlnStdy	Complete			829,414	
C.8707 - Rapid Transit Projects	Design	116,672	24,136,647	6,402,640	
C.8709 - Arrive Rochester Implementatn	Ongoing	11,526	90,000	86,635	
C.8903 - Dedicated Bike Lanes-3rd/4thAve&CtrSt	Near Complete	156	2,038,300	1,757,306	-
Total Transit		128,354	49,352,718	29,229,865	-
Grand Total		2,557,697	123,255,861	88,607,067	13,346,915

2021 Capital Improvement Plan (CIP) True-Up and Update

To: DMC Corporation Board of Directors

From: DMC EDA

Date: May 12, 2022

Request of the board of directors:

No action requested.

Background:

DMC EDA and City staff have reviewed the project budgets approved in the DMC Capital Improvement Program. Staff reconciled expenses and identified approved projects that have not fully expended their allocated budgets. In some cases, project costs were lower than budgeted. In others, annual changes to the DMC capital improvement program, DMC Corp. board priorities, or less-than-favorable project bids resulted in projects being postponed, redefined, or cancelled.

The reconciled balance of project budgets are presented in the table below:

Project Description	DMC Sales Tax	GSIA	County Transit Aid	Actuals	Release of Funds
Active Commuter Resource Center	-	50,000	-	-	50,000
**City Loop Plan				8,794	
**Transit Circulator Study	4,800,000	-	-	1,773,377	131,947
**DMCC Street Use Study				2,885,882	
Downtown Changes COVID	-	250,000	-	43,524	206,476
Transit Villages 1&2	-	29,400	-	29,321	79
City of Rochester Administrative costs for DMC Project	796,215	-	-	665,509	130,706
Contributions to DMC Corp for DMCC & EDA expenses	2,504,526	-	-	2,036,234	386,292
	8,100,741	329,400	-	7,442,641	905,500

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

DRAFT

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ROCHESTER, MINNESOTA
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**DESTINATION MEDICAL CENTER CORPORATION
ROCHESTER, MINNESOTA
BOARD OF DIRECTORS
AS OF DECEMBER 31, 2021**

BOARD OF DIRECTORS

R.T. Rybak	Chair
Kim Norton	Vice Chair
Pamela Wheelock	Secretary
Jim Bier	Treasurer
James Campbell	Director
Michael Dougherty	Director
Brooke Carlson	Director
Paul Williams	Director

SECTION I – FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Destination Medical Center Corporation
Rochester, Minnesota

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Destination Medical Center Corporation (the Corporation), a component unit of the City of Rochester, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

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 Corporation, as of December 31, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the board of directors but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of 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 the 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 the Corporation's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Rochester, Minnesota
REPORT DATE

**DESTINATION MEDICAL CENTER CORPORATION
ROCHESTER, MINNESOTA
STATEMENT OF GOVERNMENTAL FUND BALANCE SHEET AND NET POSITION
DECEMBER 31, 2021**

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 3,313	\$ -	\$ 3,313
Advances to DMC EDA	75,000	-	75,000
Due from Other Governments	222,588	-	222,588
Prepays	78,937	-	78,937
Total Assets	\$ 379,838	-	379,838
LIABILITIES			
Accounts Payable	\$ 224,901	-	224,901
Due to Other Governments	76,000	-	76,000
Unearned Revenue	78,937	-	78,937
Total Liabilities	379,838	-	379,838
FUND BALANCE/NET POSITION			
Fund Balance:			
Nonspendable	78,937	(78,937)	-
Unassigned	(78,937)	78,937	-
Total Fund Balance	-	-	-
Total Liabilities and Fund Balance	\$ 379,838		
Net Position:			
Unrestricted		-	-
Total Net Position		\$ -	\$ -

See accompanying Notes to Financial Statements.

**DESTINATION MEDICAL CENTER CORPORATION
ROCHESTER, MINNESOTA
GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Economic Development:			
Building Rent	\$ 2,546	\$ -	\$ 2,546
Legal Consultants	132,323	-	132,323
Other Professional Services	21,571	-	21,571
Travel and Training	146	-	146
Insurance	13,596	-	13,596
Program Costs	1,883,390	-	1,883,390
Total Expenditures/Expenses	2,053,572	-	2,053,572
 PROGRAM REVENUES			
Intergovernmental:			
Local Government	2,053,572	-	2,053,572
Total Program Revenues	2,053,572	-	2,053,572
 Change in Fund Balance	-	-	-
 Change in Net Position	-	-	-
 FUND BALANCE/NET POSITION			
Beginning of Year	-	-	-
End of Year	\$ -	\$ -	\$ -

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, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental:				
Local Government	\$ 2,504,526	\$ 2,504,526	\$ 2,053,572	\$ (450,954)
Total Revenues	<u>2,504,526</u>	<u>2,504,526</u>	<u>2,053,572</u>	<u>(450,954)</u>
EXPENDITURES				
Current:				
Building Rent	36,750	36,750	2,546	(34,204)
Legal Consultants	180,000	180,000	132,323	(47,677)
Other Professional Services	27,000	27,000	21,571	(5,429)
Travel and Training	5,000	5,000	146	(4,854)
Insurance	20,000	20,000	13,596	(6,404)
Program Costs	2,235,776	2,235,776	1,883,390	(352,386)
Total Expenditures	<u>2,504,526</u>	<u>2,504,526</u>	<u>2,053,572</u>	<u>(450,954)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE				
Beginning of Year			<u>-</u>	
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, 2021**

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 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, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statement Presentation

The General Fund of the 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, 2021, 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 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, 2021**

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.

Assets, Liabilities, and Fund Balance/Net Position

Cash

Cash 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 expensed during the periods benefited.

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, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Balance/Net Position (Continued)

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 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, 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

The Corporation's deposits in banks at December 31, 2021 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 \$3,313 at December 31, 2021. The securities sold to the Corporation include U.S. 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 and investments 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, 2021**

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 follows state statutes which require that investment balances be fully collateralized. As of December 31, 2021, the securities underlying the repurchase agreement are held by the counterparty in the Corporation’s name.

At December 31, 2021, the Corporation had the following deposits and investments:

Repurchase Agreement - Wells Fargo Bank, N.A.	<u>\$ 3,313</u>
Total Cash and Investments	<u><u>\$ 3,313</u></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. There has been no significant reduction in insurance coverage from the previous year in any of the Corporation’s policies. In addition, there have been no settlements in excess of the Corporation’s insurance coverage in any of the prior three fiscal years.

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 (the Corporation), a component unit of the City of Rochester, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated REPORT DATE.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the 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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Rochester, Minnesota
REPORT DATE

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 (the Corporation), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated REPORT DATE.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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 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
REPORT DATE

Board of Directors
Destination Medical Center Corporation
Rochester, Minnesota

We have audited the financial statements of the governmental activities and the general fund of Destination Medical Center Corporation (the Corporation) as of and for the year ended December 31, 2021, and have issued our report thereon dated REPORT DATE. 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 in our engagement letter dated January 27, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

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 Destination Medical Center 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 2021.

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.

Significant unusual transactions

We identified no significant unusual transactions.

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 communication, a disagreement with management is a disagreement on 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 REPORT DATE.

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 audit findings or issues

The following describes findings or issues arising during the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. We identified the following significant risks of material misstatement as part of our audit planning: management override of controls, proper disbursement allocation and revenue recognition.

Supplementary information in relation to the financial statements as a whole

The board of directors accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

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

CliftonLarsonAllen LLP

Rochester, Minnesota
REPORT DATE



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

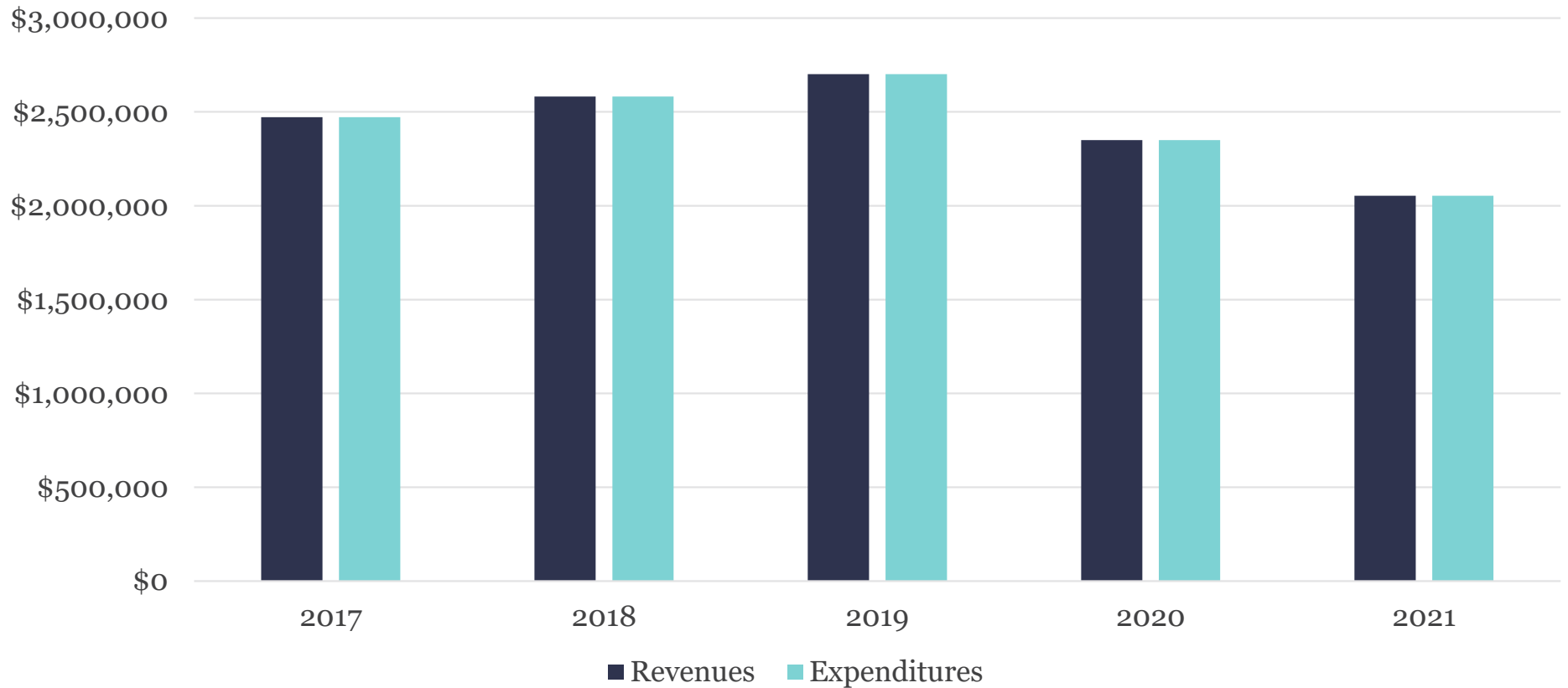
- Prepared based on Governmental Accounting Standards Board pronouncements
- Single program entity—present expenditures by type (natural classification)
- Component unit
 - DMCC is a component unit of (included in) City of Rochester’s financial statements
 - DMCEDA is *not* a component unit of DMCC
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

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022



Request of the board of directors:

Support the City of Rochester's request for additional 2022 DMC capital improvements to the Chateau Theatre.

Chateau Theatre:

The Chateau Theatre has had a noteworthy journey in downtown Rochester.

- 1927: built as a 1500 seat venue for vaudeville performances, live theatre, and film
- 1980: placed on National Register of Historic Places
- 1983 – 1994: building closed, empty (11 years)
- 1994: leased for use by Barnes & Noble
- 2015: purchased by the City with DMC funding (\$6M) with Mayo Clinic contribution (\$500K)
- 2016: committee established to evaluate adaptive reuse strategy, presented to City Council with final recommendation of interim use strategy
- 2018: renovations with additional DMC funding (\$1.8M) to facilitate interim use strategy
- 2019: Exhibits Development Group (EDG) identify through RFP process as interim operator
- 2021: contract ended with EDG
- 2022: City of Rochester is in current negotiations with Threshold Arts as new interim operator

The Chateau Theatre not only plays a significant role in the Rochester community, but it also plays a significant role in helping to activate downtown and the newly opened Peace Plaza. The City of Rochester and DMC continue to support the interim use activation strategy as a path to a long-term activation of the historic theatre. The two organizations believe that an informed understanding of future-use can be identified through interim activation.

Using lessons learned from previous activation with EDG, City activation during the pandemic (Civic Music) and the guidance of the interim use strategy the City is requesting additional DMC public infrastructure funding for capital improvements.

See attached staff memo and resolution.

Heart of the City Phase Project Background:

Known as Heart of the City Phase 1, it is focused on the redevelopment of three areas in the heart of downtown Rochester: East side of Peace Plaza, 1st Ave. SW between 2nd Street SW and W. Center Street. The updates provide enhanced safety measures, including curbless streets, and provide greater accessibility for people of all abilities. Movable seating options will allow for a variety of public programming. The addition of more trees as well as interactive art displays and water features will create a family-friendly space to gather in the downtown area.

The project broke ground in April 2020.

Heart of the City Phase One Project Update

Items to be completed in Spring/Summer 2022:

- Replacement of substandard pavers in Ann Hamilton + Gwen Westerman, *A Song for Water* (in progress)
- Catenary lighting system installation: In alignment with the Business Forward strategy, the system will be installed after the RDA's Thursdays Downtown event is complete in August.

Commemoration of Peace Plaza, Heart of the City Phase 1 Community Celebration

With a significant portion of the Heart of the City phase one project now complete, a commemoration of Peace Plaza is scheduled for May 18. A day of activities is planned to celebrate this important milestone.

Post-Occupancy Analysis

After the initial presentation and feedback given from the DMCC board, the DMC EDA staff have begun conversations with Gehl, an urban design and research consultancy, to determine the best approach to complete the post-occupancy analysis based on project goals, desired outcomes and future public space work.

Fulfilling the DMC Vision, Mission, and/or Goals:

Heart of the City subdistrict is a long-standing priority for the DMC Corp. board. It is home to many hotels, restaurants, entertainment venues, and medical facilities, many of which have been undergoing reinvestment. Transformation of the public realm, Peace Plaza, will be an asset to the downtown core, improve the patient, visitor and resident experience, and help spur future investment.

Work plan or capital improvement budget implications:

This project is funded via state GSIA funds generated through the DMC initiative, approved by both DMCC and Rochester City Council.

Approvals, milestones, and decision points:



DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. ___-2022

Amending the 2022 Capital Improvement Plan (CIP) Budget and Providing Final Approval of Expenditure of Funds for the Chateau Theatre

BACKGROUND RECITALS

A. By Resolution No. 31-2015, the Destination Medical Center Corporation (“DMCC”) Board of Directors approved the acquisition of the Chateau Theatre for a purchase price of \$6,000,000 as a public infrastructure project within the meaning of Minnesota Statutes Section 469.40, subdivision 11 and consistent with the Development Plan adopted on April 23, 2015, as amended (the “Development Plan”). Resolution No. 31-2015 also commended the City of Rochester (the “City”) and Mayo Clinic for their cooperative work and initiative in acquiring the Chateau Theatre building, which the City acquired in 2016.

B. In 2016, the Chateau Theatre Reuse Committee was established to consider the reuse, design, and governance of the Chateau Theatre. In September 2017, the Chateau Theatre Reuse Committee recommended that the DMCC approve the renovation of the Chateau Theatre as a multipurpose performing arts center. On November 2, 2017, the DMCC approved the 2018 Capital Improvement Plan (“2018 CIP”), which included preliminary approval of \$2,640,002 for the next steps for design of the Chateau Theatre. By Resolution No. 62-2018, the DMCC gave final approval for the design, repairs, and capital improvements to the Chateau Theatre in an amount not to exceed \$1,000,000 from the 2018 CIP as a public infrastructure project within the meaning of Minnesota Statutes Section 469.40, subdivision 11 and consistent with the Development Plan.

C. On September 30, 2021, by Resolution No. 118-2021, the DMCC approved the 2022 Capital Improvement Plan (“2022 CIP”), which included \$350,000 for restroom renovations for the Chateau Theatre, as a public infrastructure project, funded through General State Infrastructure Aid (“GSIA”). By memorandum dated May 12, 2022, staff for the City and Destination Medical Center Economic Development Agency (“EDA”) now request that the DMCC amend the 2022 CIP to authorize an additional amount not to exceed \$250,000 for further improvements to the Chateau Theatre from GSIA funds, including installing, furnishing, and equipping the Chateau Theatre with audio, visual, staging, lighting, and other technical improvements to further the multipurpose performing arts center (the “Chateau Improvements”). In addition, staff request final approval of expenditures from the 2022 CIP budget for the Chateau Improvements.

D. 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.” A public infrastructure project expressly includes, among other items, the ability to “install . . . furnish, and equip . . . cultural, and recreational facilities, facilities to promote tourism and

hospitality, . . . and broadcast and related multimedia infrastructure” Minn. Stat. § 469.40, subd. 11 (6).

RESOLUTION

NOW THEREFORE, BE IT RESOLVED, by the Destination Medical Center Corporation Board of Directors that the 2022 CIP is revised to authorize an additional amount not to exceed \$250,000 for the Chateau Improvements presented by staff and on file with the DMCC, subject to the City’s final approval.

BE IT FURTHER RESOLVED, that the Board finds that the Chateau Improvements are (1) a public infrastructure project within the meaning of Minnesota Statutes Section 469.40, subdivision 11, which provides for installing, furnishing, and equipping cultural and recreational facilities; (2) located within the development district boundaries as identified in the Development Plan; and (3) consistent with the Development Plan.

BE IT FURTHER RESOLVED, that the Board approves the expenditure of funds for the Chateau Improvements from the 2022 CIP, as revised.

BE IT FURTHER RESOLVED, that the Board requests the City and EDA staff for regular updates with respect to this next phase of work on the Chateau Theatre.

BE IT FURTHER RESOLVED, that the Chair and Treasurer are hereby authorized and directed to transmit this Resolution to the City of Rochester and to take such actions as necessary or convenience to effectuate this amendment to the 2022 CIP.



May 12, 2022

TO: Destination Medical Center Corporation

From: Patrick Seeb, Executive Director, DMC Economic Development Agency
Aaron Parrish, Deputy Administrator, City of Rochester

RE: Amending the 2022 Capital Improvement Plan (CIP) Budget and Providing Final Approval of Expenditure of Funds for the Chateau Theatre

Background

In 2015, the City of Rochester purchased the Historic Chateau Theatre with Destination Medical Center (DMC) funding for \$6 million with Mayo Clinic contribution of \$500,000. The following actions took place after the purchase of the building:

- 2016: Chateau Theatre Community Advisory Committee established to evaluate adaptive reuse strategy, presented to City Council with final recommendation of interim use strategy
- 2018: Renovations with additional DMC funding (\$1.8M) to facilitate interim use strategy
- 2022: Rochester City Council authorizes post-pandemic activation of the Chateau Theatre

Recommendation

Using lessons learned from previous activation and the intended interim use strategy, the DMC EDA and City of Rochester staff are requesting final approval of additional 2022 DMC General State Infrastructure Aid (GSIA), not to exceed \$250,000, for capital improvements. These funds will provide for the installing, furnishing, and equipping of the Chateau Theatre as a multipurpose performing arts center and driver of DMC development district economic activity and revitalization. The improvements will include:

- Audience furnishings
- Lighting, projection, and audio/public address equipment
- Stage, pipe and drape, and truss items

Requested DMCC Action

Approve the attached resolution: *“Amending the 2022 Capital Improvement Plan (CIP) Budget and Providing Final Approval of Expenditure of Funds for the Chateau Theatre”*

Discovery Square

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022



Request of the board of directors:

No action requested.

Discovery Square Updates:

- Two Discovery Square core and shell completed. Tenant recruitment underway, prospects for organizations on all floors.
- Three Discovery Square discussions underway.
- Specific discussions about shared laboratory space for startups have been ongoing.
- Business recruitment activities underway, see separate report.
- Mayo Clinic Kellen Building construction continues.
- Mayo Clinic 1,200 stall parking structure construction continues.
- Discovery Walk
 - 500 block under construction
 - Business Forward – phasing, communications, programming, and activation in progress
 - Landscaping bid approved and awarded
 - Community Structures yet to be bid, determining best approach

Fulfilling the DMC Mission, Vision, and/or Goals:

Discovery Square is a new address for the future of bio-medical, research and technology innovation and a keystone to the DMC economic development strategy. The sub-district borrows from Mayo Clinic's integrated care model to create an integrated district founded in the principles of translational medicine.

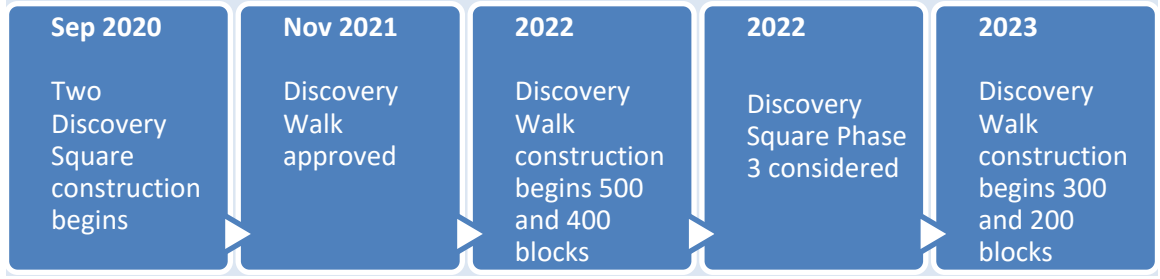
Technology and innovation are core to the DMC economic strategy. Our vision is to promote an economic development structure that fosters advancement and growth of the medical, research, innovation, education, entrepreneurial and general business environment in Rochester.

By attracting new businesses, supporting the launch and development of new startup businesses, and creating new public realm space, we aim to diversify the local economy, create jobs, generate new tax revenue, and create a place that fosters a vibrant community and attracts the workforce of the future.

Work plan or capital improvement budget implications:

The current DMC work plan describes a variety of initiatives supported by DMC 2022 operating and CIP funds.

Approvals, milestones, and decision points:



Mobility

To: DMC Corporation Board of Directors
 From: DMC EDA
 Date: May 12, 2022



Request of the board of directors:

Consider the recommendation of DMC EDA and City staff to modify the FTA submission to reflect a new project scope, cost, timeline and funding strategy.

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	~\$114.9M	~\$150M
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

Background: A multi-modal mobility strategy for the DMC has been developed that includes the implementation of a Rapid Transit Circulator, which is the current focus of DMC’s mobility infrastructure investments. At the last Board meeting EDA staff was directed to bring forward the recommendation to DMCC and City Council to seek their support in determining the impact of re-aligning the east terminus of the line on:

- project scope
- timeline
- cost
- funding strategy

Fulfilling the DMC Vision, Mission, and/or Goals: To address these opportunities, DMC EDA Staff are working in collaboration with the City staff and the consultant team, SRF, to explore alternate solutions, with a goal of creating a world-class experience that centers equity of access and foregrounds BRT as a desirable consumer choice.

Current Status: DMCC and City Council were supportive of the staff continuing work on an East End realignment, to return with a revised project scope, timeline, cost and funding strategy. Design work and community engagement have been ongoing to relocate the route and terminus to the south.

Next Steps: Presentation and discussion at Rochester City Council.

DESTINATION MEDICAL CENTER CORPORATION**RESOLUTION NO. ___-2022****Approving Route Adjustments, Enhancements to Bus Rapid Transit
Application in Federal Transit Administration's Small Starts Program**BACKGROUND RECITALS

A. On October 18, 2019, the Destination Medical Center Corporation (“DMCC”) considered the route alignment and mode for the bus rapid transit project (the “Project”) and adopted a locally preferred alternative (“Locally Preferred Alternative”) for route and alignment (2nd Street and Broadway) and mode (bus rapid transit, or “BRT”), subject to approval by the City of Rochester (the “City”) (Resolution No. 87-2019). The City subsequently approved the Locally Preferred Alternative on October 21, 2019. The DMCC also adopted a joint staff recommendation from the City and the Destination Medical Center Economic Development Agency (“EDA”) and approved \$3.872 million from the 2020 Capital Improvement Plan for the further design, engineering, environmental studies, additional analysis, and application to the Federal Transit Administration Small Starts Program (the “FTA Small Starts Program”) for funding of the Project. On November 12, 2019, the DMCC approved including three Project features – 2nd Street Reconstruction and Streetscape; Saint Marys Transit Center and Subway Connection; and the East Parking Ramp – for application through the FTA Small Starts Program and increased the 2020-2021 budget to reflect an additional \$2.343 million, all subject to approval by the City Council (Resolution No. 89-2019).

B. On February 3, 2022, the DMCC directed staff (1) to evaluate route realignment, enhanced station design, and expanding the scope of improvements within the FTA Small Starts Program application, and (2) to seek further community input, for further consideration and recommendations for final approval by the City and the DMCC.

C. In the memorandum dated May 12, 2022, the City and EDA staff now recommend that the DMCC and the City approve three enhancements to the Project (collectively, the “Project Enhancements”), for submission to the FTA Small Starts Program, namely:

1. Route realignment with a new station on 6th Street SE, west of 3rd Ave., removing 4th Street/South Broadway Ave. from the route, and adding a westbound station at the downtown library;
2. Enhanced station design, including weather protection for 12 stations with quality materials for durability and sustainability and direct vertical access to pedestrian subways for 3 stations; and
3. Expanding the project definition in the application to the FTA Small Starts Program to include infrastructure improvements, including design and construction of a public plaza area, a portion (1,400 feet) of the roadway,

municipal utilities along this roadway, and public parking at the West Transit Village, extension of 6th Street SE, and bus maintenance improvements at the Public Works Transit Operations Center.

D. In terms of costs, staff notes that the total budget for 2022 for the Project is \$18,684,647, which includes \$2,040,277 in General State Infrastructure Aid (“GSIA”) funds. Staff contemplates that the Project Enhancements will not increase the GSIA and plans to seek additional federal funding if needed. Staff notes, however, that the total project costs are in the process of being revised, and that staff is awaiting final guidance from DEED regarding the transit aid reimbursement amounts, both of which may affect the amount of GSIA and other funding sources for the Project.

E. In terms of scheduling, staff has stated that the Project completion is expected to shift from spring 2025 to spring 2026.

RESOLUTION

NOW THEREFORE, BE IT RESOLVED, by the Destination Medical Center Corporation Board of Directors that, subject to approval by the Rochester City Council, it approves the Project Enhancements (route realignment and extension at the East terminus, enhanced station design, and expanding the scope of improvements) for submission within the FTA Small Starts Program application.

BE IT FURTHER RESOLVED, that the DMCC approves the Project Enhancements as a public infrastructure project within the meaning of Minnesota Statutes Section 469.40, subdivision 11, to the extent they are located within the Development District, and as consistent with the Development Plan.

BE IT FURTHER RESOLVED, that the DMCC requests that the City and EDA staff provide regular updates with respect to this next phase of work of the Project, and particularly cost information as it becomes available.

BE IT FURTHER RESOLVED, that the Chair and Vice Chair are authorized to take such actions as are necessary and appropriate to effectuate the terms of this Resolution and the timely progression of the application and approval process.



May 12, 2022

TO: Destination Medical Center Corporation

**From: Patrick Seeb, Executive Director, DMC Economic Development Agency
Cindy Steinhauser, Deputy Administrator, City of Rochester**

RE: Recommended Enhancements to Rapid Transit Project

Background and Direction to Staff

In October 2019, the DMC Corporation (“DMCC”) and City of Rochester (“City”) adopted a route, alignment and mode for consideration by the U.S. Federal Transit Administration (“FTA”) Small Starts grant program. In November 2019, the DMCC and City approved additional project features for FTA consideration, including Second Street Reconstruction and Streetscape and Saint Marys Transit Center and Subway Connection.

On February 3, 2022, the DMCC directed the DMC Economic Development Agency (EDA), in collaboration with City staff, to:

1. Evaluate route realignment, enhanced station design, and possible additional experience improvements
2. Seek further stakeholder input

We have completed this work as directed and have prepared the following recommendation.

Recommendation

The DMC EDA and City staff now recommend that the DMCC and Rochester City Council approve three enhancements for submission to the FTA Small Starts Program:

1. Route realignment with a new station on 6th Street SE, west of 3rd Ave., removing 4th Street/South Broadway Ave. from the route, and adding a westbound station at the downtown library
2. Enhanced station design, including weather protection for 12 stations with quality materials for durability and sustainability and direct vertical access to pedestrian subways for 3 stations
3. Expanding the project definition in the application to the FTA Small Starts Program to include infrastructure improvements, including design and construction of a public plaza area, a portion (1,400 feet) of the roadway, municipal utilities along this roadway, and public parking at the West Transit Village, extension of 6th Street SE, and a bus maintenance improvements at the Public Works Transit Operations Center.

Schedule Considerations

If approved, we expect that the development of these enhancements will shift the project completion date from spring 2025 to spring 2026.



Financial Considerations

The total 2022 rapid transit project budget is \$18,684,647, which includes \$2,040,277 in DMC General State Infrastructure Aid (“GSIA”) funds. If the recommended project enhancements are approved by the DMCC and City Council, staff will update the FTA grant application to request the federal funding necessary to finance the enhancements; we are not recommending the authorization of additional DMC or other local funding.

Additionally, the project team awaits final guidance from the Minnesota Department of Employment and Economic Development (DEED) regarding the use and availability of DMC State Transit Aid.

Grant Rating Considerations

The project team anticipates that the project revisions will result in a change to our FTA grant rating, from “Medium-High” to “Medium.” We believe that this change in rating will not materially affect the competitiveness of the grant application.

Requested DMCC Action

Approve the attached resolution: *“Approving Route Adjustments, Enhancements to Bus Rapid Transit Application in Federal Transit Administration’s Small Starts Program”*

Private Development

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022

Request of the board of directors:

We would like to use this board meeting to affirm DMC EDA understanding of the DMC Corporation's priorities around strategic private investment.

Background:

While all private development projects submitted to DMC must meet the "but for" test, DMC EDA staff evaluates each submitted project against the priorities set by the Board before developing a recommendation for the Board. Below is a summary of Board priorities as staff understand them:

- Geographic priorities: Heart of the City, Discovery Square, TOD corridor
- Product Type: Preferencing med-tech and workforce housing development; de-prioritizing hospitality and market-rate housing
- Prioritize projects most likely to achieve DMC goals: private investment, job creation, tax base growth
- Validate market demand; support first-in-market opportunities
- Meet or exceed Sustainability targets
- Contribution to City of Health experience goals

Areas of focus adopted as part of the Phase 2 development update (Nov. 2020 adoption):

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

Below is a summary of a new project application for Discovery Square 3 that has been received by the DMC EDA and City staff and is currently under active review.

Background:

Site: The project is the 3rd phase of the Discovery Square project and located on the NE corner at the intersection of 3rd Avenue SW and 5th Street SW, Rochester, MN.

Team:

- Project Team: Mortenson
- Design: RSP Architects | Flad Architects
- Construction: Mortenson



Project Objectives:



Mortenson intends to construct a BioScience Building that will be the third research building within Discovery Square. The building will be specifically lab space, including a full mechanical floor, and lab support space all required to further creative technologies critical for patient care. The building will be roughly 155,539 gross square feet in size. Three Discovery Square provides expansion options for tenants in both One and Two Discovery Square.

7 stories

Gross Sq Ft – 155,539

Rentable Sq Ft – 141,286

This includes:

- 8,021 rentable sq ft of tenant support space in the basement
- 53,930 rentable sq ft of wet lab space
- 61,895 rentable sq ft of cGMP space
- 17,440 rentable sq ft of dedicated leasable mechanical space

Finances: An application has been received and is under review. The summary of the financial request is as follows:

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 (18%)
- Requested DMC funds: \$12.7M (17%)

Taxes and Jobs:

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

Next Steps:

- DMC EDA staff and City of Rochester Staff will continue to work with the Developer
- The Developer has submitted their DMC and City Joint application and it is being reviewed for DMC and City funding opportunities
- DMC EDA staff and City of Rochester Staff are continuing to work with the team to identify a project gap and will bring forward a recommendation to the DMC EDA Sub-Committee Review Team, DMC EDA Board, and pending approval, the DMCC Board.

Fulfilling the DMC Vision, Mission, and/or Goals:

DMC aims to support private investment that is in line with the overall mission of the DMC Initiative. The 20-year goal is to attract more than \$2.1B of non-Mayo private investment.

Approvals, milestones, and decision points:

As projects further develop their plans we will continue to update the Board and if an application for funding is submitted the formal review process will begin. Currently Discovery Square 3 is the only active application under review.

CONFIDENTIAL

2023 DMC Funding Request

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022

Request of the board of directors:

Identify 2-3 board volunteers to participate in the development of the 2023 DMC Funding Request.

Background:

Each year, the DMC Corp. must submit a funding request to the City of Rochester. The funding request includes a proposed:

- Capital Improvement Program (with five-year projections)
- Workplan and operating budget
- Request for the extension of the working capital loans

The funding request also reflects the proposed operational budget for the City of Rochester's DMC Project Management team, which was created following the recommendation of the DMC EDA and approval of the DMC Corp. in January 2019.

The funding request is developed within a set of parameters defined in the 2020 update to the DMC Development plan, describing DMC investment priorities and likely available funding through 2024:

	<u>2020-2022 Budgets</u>	<u>2020-2024 Target Ranges</u>
Mobility	\$34.5M	\$60-75M
Public Realm	\$36.5M	\$35-50M
Streets & Sewers	\$22.4M	\$35-50M
Private Development	\$17.3M	\$20-45M
Operations	\$11.2M	\$15-20M
Total	\$121.9M	\$200M +/-

Additionally, the DMC EDA is recommending the following revisions to the DMC CIP Prioritization Principles:

Current CIP Prioritization Principles	Proposed CIP Prioritization Principles
<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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.

Next Steps:

- May-August 2022: Staff and board members prepare the 2023 DMC funding request
- September 22, 2022: DMCC board of directors considers the 2023 DMCC funding request
- October 2022: Rochester City Council considers 2023 DMCC funding request

Business Development / Lead Generation: 6-month Progress Report

To: DMC Corporation Board of Directors

From: DMC EDA

Date: May 12, 2022

Request of the board of directors:

No action requested.

Context: For this initiative, we are focused on building programs in the areas of Business Marketing and Business Recruitment.

Four Pillars of Economic Development Program Building

- Direct Lead Generation (60% of our focus over the past 6 months)
 - Create systems (CRM, data)
 - Create process (outreach, pathing)
 - Improve messaging
- Awareness Building (20% of our focus)
 - Identify key audiences (corporate, site selection, start-up, established)
 - Content and collateral creation ("our story")
 - Develop marketing channels
- Research & Data (10% of our focus)
 - Quantify our economic offering (RFP response questions)
 - Quantify sites (in and out of the DMC District)
 - Define our audiences (primary research gathering)
- Project Management (10% of our focus)
 - Work the leads we have
 - Define a continuum of engagement
 - Improve partner involvement

Lead Generation 6-month Results

- San Diego, Midwest, and Canadian campaigns
- 1,261 total Targets, 64 Leads (5% conversion rate)

Awareness Building Strategies

- Engage in primary research to define our market position
 - Comprehensive assessment of awareness, and perception, of Rochester as a business destination
 - Measure the likelihood of recommending Rochester to colleagues as a business destination
 - Identify the perceptions most impacting expansion decisions
- Outreach activities begin in earnest in May
 - BOMA, IAMC, BIO, SelectUSA
 - Multiple international delegation visits

Research & Data Action Items

- Improve our lead generation targeting efforts
- Awareness Building info gathering
- Develop materials & messaging

Project Management Action Items

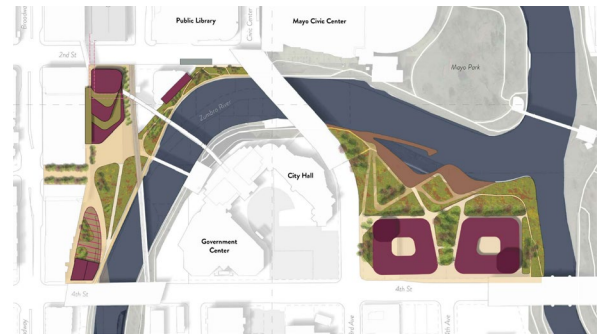
- Nurture Leads we've generated
- Continue to develop project pathways with partners (Mayo Clinic, Medical Alley, DEED)
- Train internal resources to support future activities

Key 6 Month Takeaways

- Opportunity is high, awareness is low
- Our Lead Generation target company is younger, so cycle times will be longer
- Mayo Clinic and Discovery Square are central to the DMC value proposition
- International targets might have more promise than domestic
- As we scale the Recruitment and Awareness efforts, results should scale accordingly – there is currently more opportunity than bandwidth.

Downtown Waterfront

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022



Action for the board of directors:

Acknowledgement and confirmation of principles

Community Designed Principles:

The Riverfront Small Area Plan Engagement Strategy was designed to inform a set of principles that would then be translated into physical design elements of the project site. Conversations with the community were held through virtual and in-person sessions, focus groups, meetings with stakeholders and check-ins with City Council members.

These engagement tactics were purposeful in helping to design the following principles:

- Leverage the riverfront as a destination and natural corridor that better connects the trail system to downtown
- Support local, diverse businesses and programming that grow entrepreneurial endeavors
- Ensure universal access to streetscapes, skyways, subways, buildings, and the riverway
- Strive for balance; polarizing issues are not helpful. Seek balance of:
 - Open space + development
 - New construction + historic preservation
 - Public + private space
 - Flood protection + river access
 - East + West sites
- Forge a new identity for the riverfront that expands economic development opportunities and activates the public realm

Project Background:

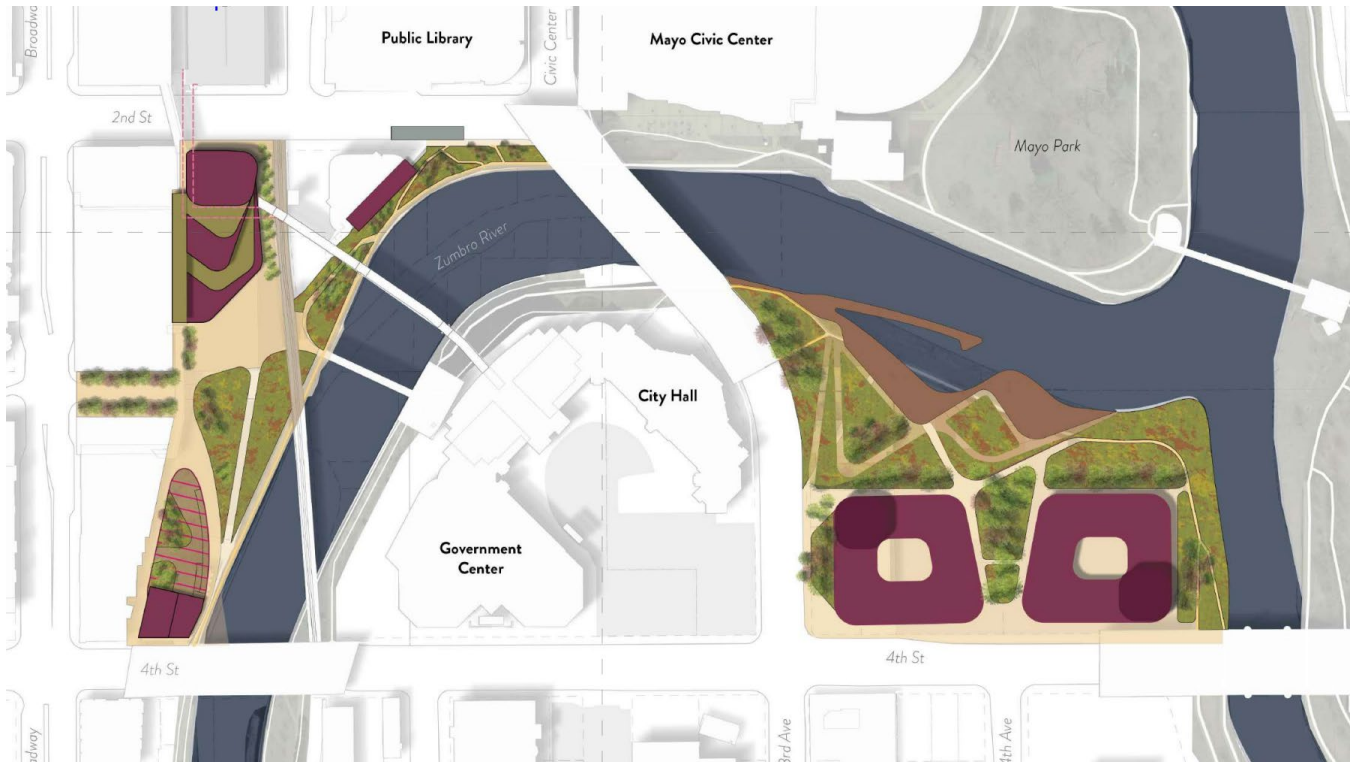
The City of Rochester selected urban design firm Gamble Associates, along with collaborators SWA Group, NEOO Partners and Omloop in fall of 2021 and work commenced in November 2021.

The City-owned site has the potential to be both a “front door” that faces the river, as well as a gateway into downtown. Located at the intersection of the Rochester Arts and Culture District and the main street Mixed-Use District as outlined in the Downtown Master Plan, and in the Destination Medical Center (DMC) district.

The current use of the property is primarily public parking, consisting of a surface parking lot and a four-level parking ramp. On the south end of the site is a vacant building and October 18, 2021 the City Council voted to deny this property landmark status. This allows the small area planning to include options for adaptive reuse of this building without Landmark controls delineating what is or is not possible.

Project Update:

- The community engagement strategy is underway and has informed a set of principles that is rooted in the Rochester community vision (action item today)
- Design elements are starting to emerge along with design preferences
- To create a bold vision for future use of the site, it is essential to leverage both the east and west sites together. The east-side focus being higher density and the west-side focused on civic and community engagement.



Next Steps

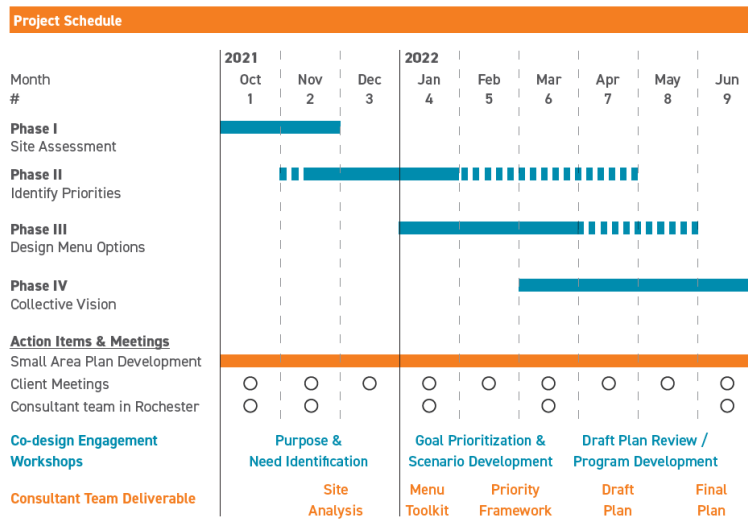
- City Council Study Session discussion agenda item (May 18)
- Preferred plan presented to City Council Meeting (June)

Fulfilling the DMC Vision, Mission, and/or Goals:

The DMC EDA worked in collaboration with City staff to select the consultant team, and the DMC EDA will continue to participate through the visioning and design process. DMC is particularly focused on the public realm experience and linkages between this site and the rest of the district.

In order to draw greater public and stakeholder awareness to the potential of this site, the DMC annual meeting was held on the City-owned waterfront site on September 16, 2021.

Approvals, milestones, and decision points:



District Energy

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022

Request of the board of directors:

No action requested.

Background:

In 2015, DMCC adopted the DMC Development Plan, where the principles of sustainability planning are interwoven throughout, through an integrated mix of medium-to-high density uses, integrated live-work environments and green/park space features throughout the downtown. Subsequent action by the DMCC board further reinforces its commitment energy, environmental sustainability and the evaluation and strategic pursuit of district energy systems (DES):

- 2015: DMC Sustainability Goals Adoption within DMC Development Plan
- 2015: Sustainable Energy Options Report Accepted by DMCC
- 2016: District Energy System Resolution Passed by DMCC
- 2019: EIC Strategic Energy Project Plan Approval by DMCC

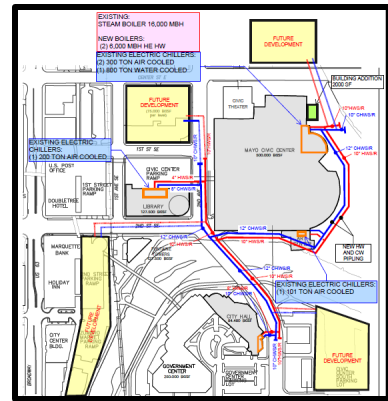
Recognizing the role that a downtown district energy system could have on realizing its energy consumption and carbon footprint reduction goals, DMCC authorized \$2 million in the 2021 and 2022 Capital Improvement Program, building off prior investment in preliminary engineering studies in 2019 and 2020.

Current Findings:

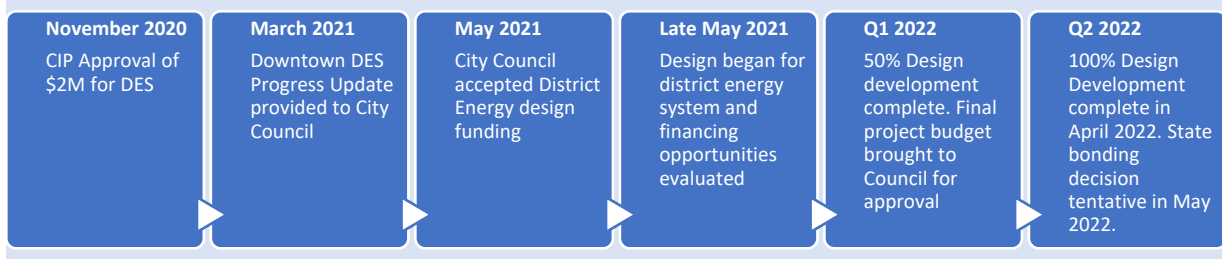
- Olmsted County's Waste to Energy Facility Steam Line will be decommissioned in October 2023
- Olmsted County moved forward with a building-based heating and cooling system and not district energy
- RPU has created a business plan for the DES including anticipated operating costs and utility rates to customers
- RPU Board supported an approach to construct, operate and maintain a DES pending City Council direction
- Rochester City Council in March 2021 had a study session summarizing the work, progress, and next steps for the DES opportunity and asked that the City identify options to reduce the first cost and risk associated with identifying private developments to connect to the system

Next Steps:

- The Project Team identified a pathway to connect the City buildings and create the initial district energy plant within the Mayo Civic Center using additional space. City Staff will operate the system in its initial stages.
- DMC infrastructure funds are being used to upsize the system's piping connect 500,000 SF of future private developments around the government building sites.
- Additional planning will be conducted to connect the system to the South of Downtown Waterfront Site
- Design Development of the District Energy System was completed in April 2022
- The City of Rochester and DMC EDA partnered on an economic analysis of the district energy system:
 - Relevant to the City, the analysis will compare the economic and environmental benefits of two outcomes: the City pursuing a building-level solution or a district energy solution
 - Relevant to the DMC, the economic case to a private developer to connect including the utility and environmental costs, and opportunity costs of saving space within a development
 - Finally, the economic evaluation will also place monetary value to the environmental outcomes of the district energy system to account for its environmental benefits and externalities
 - The analysis will be complete in May 2022
- Geothermal Feasibility Studies – In collaboration with the City of Rochester, Mayo Clinic, and Olmsted County, we are conducting two geothermal feasibility studies to understand the energy potential of the aquifer below Rochester. Two different technologies are being vetted for their suitability to the district energy system design. The results of these studies are close to completion and can be shared as board is interested.



Approvals, milestones, and decision points:



Community Co-Design

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022



Request of the DMC EDA board of directors:
No action requested.

Project Update:

- In collaboration with the City / Community for Health steering committee, the DMC has completed a Community Co-design Toolkit to assist other practitioners to learn about the co-design process, its implementation, and ideally adopt it as a community engagement strategy in the future. The final version is included in the board packet. The DMC EDA and our community partners are excited to share it with the DMCC Board.
- Looking ahead, the co-design team and Community for Health Steering Committee are working to develop two trainings. One will be focused for DMC EDA, City of Rochester, and partners to learn about the co-design process and how it can be properly applied on projects. The second training will be focused on the training of community-based facilitators to learn about co-design and develop skills to offer it to upcoming projects.

Background:

Through discussion with the City/Community for Health Steering Committee, the group identified the need for broader and deeper community engagement in DMC Projects, particularly with individuals and communities that had the most to gain from a particular project, program, or initiative. This concept was further developed with the Steering Committee and created a model for DMC Projects called community co-design, where community members are hired as consultants to assist with reaching previously underrepresented communities and perspectives in the Rochester community. As consultants, community co-designers fill two roles. First, they act as community researchers to better understand the needs of their community and bring a holistic perspective to influence the design of the project. Second, they participate in design studios to ensure the intent of their communities' perspective is carried into the project design.

From piloting this process, the DMC and the City/Community for Health steering committee have found three important take-aways.

1. Deeper level of engagement with communities
 - a. The pace, depth, and insight from a co-design process has identified prescient design requirements from community that have created for inclusive, equitable, and accessible projects.
2. Community cultural, diversity and inclusivity competency
 - a. By hearing from communities most impacted and historically underrepresented, communication pathways are established on topics of diversity, equity and inclusion are established and broader community understanding and empathy among the project team.
3. Community and Individual Capacity Building
 - a. As a result of participation, individuals and communities learn about public-decision making processes and project design sequences. As a result of this learning, past co-designers have pursued new career opportunities.
4. Unique Project Insights
 - a. Engaging under-represented perspective can offer new and creative guidance and center communities' lived experience. This expertise cannot be accessed without directly engaging those living it.

Looking ahead to 2022, the DMC and Steering Committee are identifying means to methods to share the toolkit, continue to work with local organizations interested in its implementation, and building local capacity within facilitators and organizations to deliver community co-design.

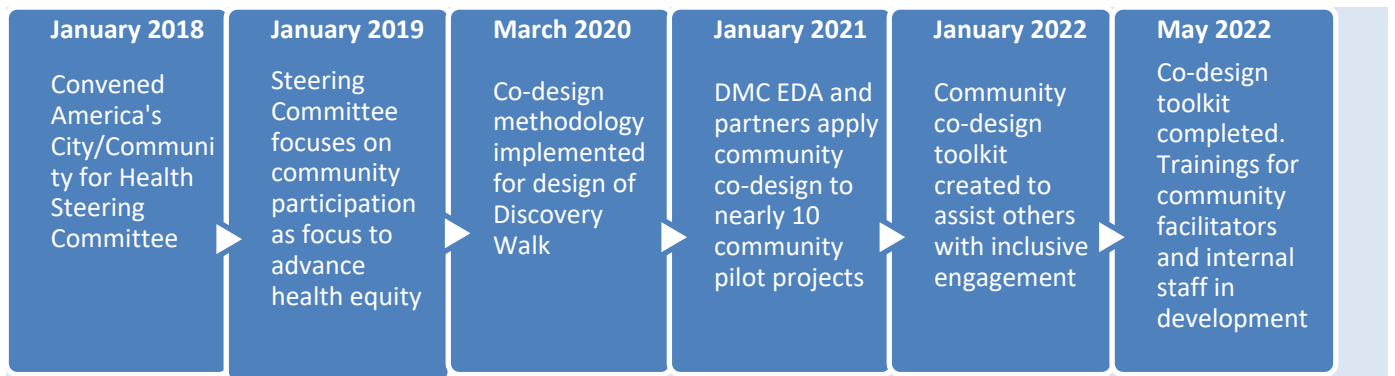
Fulfilling the DMC Mission, Vision, and/or Goals:

Equitable development is a key vision of the DMC project as recognized by the DMCC board in late 2020 and affirmed in 2021. The community co-design process utilizes the concept of human-centered design, which prioritizes the involvement of individuals and communities that have the most to gain from a program, project or initiative in public decision-making. This focus on co-designing with people most impacted creates more equitable policy, programs, and projects, and builds collective capacity across our community, and individual capacity for leadership roles.

Work plan or capital improvement budget implications:

The current DMC work plan describes a variety of initiatives supported by the DMC 2021 operating and CIP funds to assist development projects broaden their engagement strategies to include members and communities of Rochester that historically have been excluded from participation.

Approvals, milestones, and decision points:



Retail Strategy

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022



Request of the board of directors:

No action requested.

The Objective

Develop and execute a strategy that supports a vibrant downtown retail experience for residents, visitors and downtown employees. This includes tactics that support the growth of existing retailers and supports the recruitment of new businesses.

Updates

- Documented 25+ new retail/dining/entertainment businesses opened in the DMC district since March 2020. Some businesses that closed in 2020/2021 have now re-opened. Others have closed permanently.
- Main Street Grant is generating attention from businesses contemplating a move into the District.
- Have engaged a consulting group on defining the opportunity for a Retail Incubator to operate downtown.
 - Define what a 'retail incubator' is (and, perhaps, what it is not).
 - Articulate the potential social and economic impacts of a successful retail incubator, how it might be complementary to and/or competitive with existing multi-vendor markets.
 - SWOT analysis of the overall market potential.
 - A recommended framework for an operating model and business model that is financially self-sustaining while maximizing the impact for the entrepreneurs.
- No action yet on interim activation of properties.
- Downtown resident research, findings being shared out upon request and available via DMC website.
- Retail marketing collateral, materials being shared out upon request and available via DMC website
- Site map of current retailers complete
- Retail gap analysis being used to inform discussions with brokers and potential businesses.

Approvals, milestones, and decision points:



DEED Main Street Grant

To: DMC Corporation Board of Directors

From: DMC EDA

Date: May 12, 2022

Requests of the board of directors:

No action requested.

Context

- DMC applied for and was awarded \$3.12M funding (\$3M for grant award for capital projects in the DMC district, \$120K for administrative costs) by MN DEED.
- Funds can support up to 30% of cost of new projects (not already completed or in-flight projects), remaining funds to come from other sources.
- Grant awards can range from a minimum of \$3K (meaning a \$10K project) and a maximum of \$750K (meaning a \$2.25M project).

Principals in developing the grant application process

- Develop an application process that is in alignment with the enabling legislation and DEED rulemaking.
- Develop an accessible process that prioritizes applications from historically disadvantaged members of our community.
- Develop lending and technical support options that are culturally diverse.
- Be transparent in the decision-making process

Program Objectives

Applications scoring is based on the core elements of the Program Objectives. An overall low ranking, or a low ranking in any of the core elements may affect the award decision. In order of priority:

1. Revitalization of properties or organizations in the DMC district harmed by events since March 2020 (civil unrest, natural disasters, and/or Covid-related measures).
2. Elevating opportunities for BIPOC, veteran, disabled and/or Disadvantaged Business Entity (DBE) business and property owners.
3. Creating and retaining permanent jobs
4. Enabling businesses to strengthen and diversify their products and services.

The Impact of Co-Design

Six co-designers from the region participated in multiple design sprints to help us develop an application process and supports system that would afford historically disadvantaged business and property owners greater opportunity to benefit from the Main Street Grant.

- Major themes
 - Access and knowledge
 - Finances
 - Trust
 - Support and connections
- Key Findings
 - Diverse-owned businesses need help securing the 70%
 - Outreach and Marketing must be personalized, warm, and come from a trusted voice.

- People need to see themselves as the targeted audience
- There is concern that the process will end successfully
- How we're responding:
 - Multilingual documents and application form (English, Arabic, Somali, Spanish, and Khmer) with translation services.
 - Partnering with trusted organizations and individuals for marketing and technical support.
 - Identification of lenders aware of the program, particularly those well-versed in supporting diverse business owners.
 - Metering grant dollars to support early applications while preserving funds for those needing more time.
 - Awarding and holding grant funds as collateral to help applicants identify other funding sources.

Current State

- Ready to launch in May 2022, with multi-tiered monthly review of applications starting in June.
- Review process starts with a community-based team, ends with the required DEED approval.

The community-based team

- Specific technical expertise (e.g., design, architectural background) (1 person)
- Diversity, equity, disability and/or inclusion advocates (2 ppl)
- Local business owner (1)
- Designee of the Rochester Downtown Alliance (1)
- DMC EDA Staff (1)
- City Staff Member (1)
- Local lender (1)

Approvals, milestones, and decision points:



McKnight Foundation Grants

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022



Request of the board of directors:

No action requested.

Project Update:

- Since the last DMC EDA Board meeting, the workplan associated with the McKnight Foundation Equitable and Vibrant Communities grant has begun in three primary areas: housing, community co-design and the development of an equity-focused best practice sharing group. Progress against the housing and co-design efforts are captured in separate updates.
- Since January, the DMC EDA, Diversity Council and City of Rochester have met over two occasions to develop the beginnings of an Equity Alliance collaboration agreement, purpose, and aspiration statements, and identify shared projects to advance collectively. The purpose of this group is to share equity best practices and resources and advance collaborative initiatives to accelerate the adoption of equitable best practices in our community.

Background:

- The McKnight Foundation has supported the DMC EDA's sustainability activities since 2017 in the sum of \$150,000 over two years.
- In 2019, the Foundation, increased their commitment to the EDA's sustainability programs by supporting its efforts for another two years, through 2021 in the sum of \$185,000 over two years.
- Toward the end of 2020 and early 2021, the City of Rochester and DMC EDA finalized another application for McKnight funding through their Climate & Energy Program, and through their Vibrant and Equitable Communities Program.
 - The Climate & Energy Program invited the DMC EDA to apply again for a \$185,000 grant over a two-year period. The DMC EDA prepared an application in collaboration with the City of Rochester. This funding will help support the following initiatives:
 - Electric Vehicle Infrastructure Community Plan
 - Active Commuter Resource Center: Community Co-Design
 - Sustainability and Resiliency Downtown Demonstration Development
 - Sustainability and Resiliency Action Plan Implementation
 - Staff Support
 - In collaboration with the City of Rochester, Diversity Council, the DMC EDA prepared an application for the Vibrant and Equitable Communities Program in the sum of \$154,000 over a 12-18 month period. This funding will help support the hire of an Equitable Development Coordinator within the DMC EDA to work on the following initiatives:
 - **Accelerate Economic Mobility:** Within this objective, the Coordinator will support local initiatives that foster economic equity and inclusion and advance ownership opportunities. This work is critically important to promote the myriad of projects and initiatives within the City, foster connections, and as possible develop strategies to form a coordinated approach and strategy to entrepreneurship.

- **Cultivate a Fair and Just Housing System:** Over the past year, an extensive housing analysis has shown there is a considerable need for affordable housing within the DMC District and throughout the region at varied rental and price points. The DMCC and the City of Rochester have identified affordable housing as a strategic objective. With the results of the recent market demand studies in hand, the Coordinator will research housing development models that foster ownership opportunities for BIPOC communities and identify partners to deliver on the vision.
- **Strengthen Democratic Participation:** Based on the success of piloted equitable community engagement approaches coined community co-design, the Coordinator will work to operationalize this process into DMC infrastructure projects in 2021 and beyond.

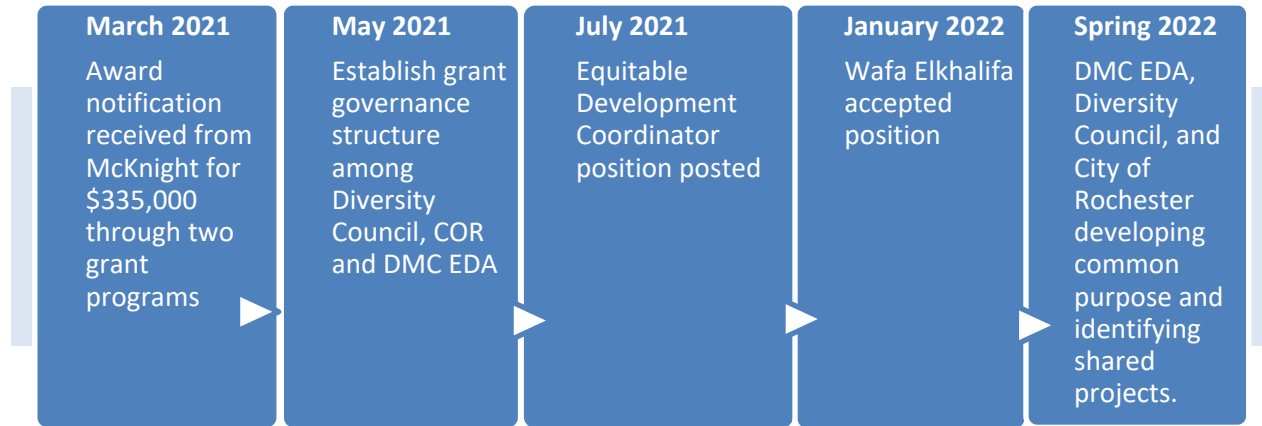
Fulfilling the DMC Mission, Vision, and/or Goals:

Energy and sustainability is a key piece of the DMC principles, development plan and goals for the project. The DMC EDA team is working to implement a range of projects, programs, and initiatives to realize the ambitious goals included in the DMC Development Plan across a range of impacts including community health, workplace health, energy, greenhouse gases, water consumption, waste, and transportation.

Work plan or capital improvement budget implications:

The current DMC work plan describes a variety of initiatives supported by the McKnight Foundation, DMC 2022 operating and CIP funds. The McKnight funds would help to support the work plan objectives outlined above.

Approvals, milestones, and decision points:



Housing

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 12, 2022



Action for the board of directors:

No Action Requested

Workplan Update:

To meet the downtown housing demands outlined in the background section of this update, the DMC EDA has developed a housing strategy within the 2022 workplan. Below is a summary of the strategies and progress on them since the last update.

1. Share market needs and recruit developers to deliver the various housing products needed within the downtown
 - Real Estate Summit Focused on Housing
 - Update: The summit is scheduled for May 12, 2022, and currently have ~150 people and numerous organizations set to attend.
 - Prioritized recruitment and developer host visits
 - Update: Visits have been scheduled as part of the Housing Summit and following. Since January, the Team has met with four new housing developers to learn about the Rochester housing market and economic development.
 - Establish a nation-wide housing developer analysis to broaden interest in the Rochester housing market
 - Update: Work is continuing to develop local, regional and national housing relationships to share about the Rochester market opportunity.
2. Collaborate with public and private partners to realize the downtown and community-wide outcomes
 - Rochester Housing Coalition Leadership Council Member
 - Update: Complete. Further, the DMC EDA, County and City housing leaders have set up regular meetings to move our collective housing initiatives forward coming from the Housing Coalition Leadership meetings.
 - Understand past housing development progress in the downtown and its relationship to the projected market needs
 - Update: In progress, though nearly complete
3. Establish a policy and financial framework to realize the downtown housing market demand leveraging existing and new tools, and novel approaches
 - Update: The DMC EDA shared this proposed scope of work with the Housing Leadership Collaborative and is refining its approach and purpose to incorporate the perspective of this group. Concurrently, the DMC EDA team is working to identify potential consultant firms that can help complete this analysis. The goal is for this study to provide the DMC EDA and board with prioritized policy and financial levers to consider reaching the communities' downtown housing needs and perhaps community-wide depending on the participating entities.
4. Learn best practices from across the US and determine applicability to downtown Rochester
 - Urban Land Institute Housing Conference in March 2022
 - Update: Complete
 - Greenbuild Conference scheduled for Fall 2022
 - Update: Registered
 - Analyze promising housing approaches:
 - Cooperative Housing
 - Rent to Ownership Models
 - Accessory Dwelling Units
 - Prefabricated construction methods
 - Update: As it relates to the four housing approaches above and others, the Team has been discussing these approaches with new developers to Rochester, identifying and working to speak with developers with this expertise in other markets, and involving our collaborating agencies (Olmsted County, City of Rochester, Housing Coalition) in these discussions and meetings

5. Establish staff and budget resources to Implement housing strategy
 - Sustainability and Housing Director – focus for position to integrate housing strategy and approach
 - Equitable Development Coordinator – Within job description, focus to realize housing outcomes aligned to downtown housing market needs
 - Update: Complete

In terms of next steps, the Team will work to continue to advance the work described above to reach our targets. Three priorities are the May Housing Summit and ensuring it is a successful event. The second is to finalize the housing analysis scope of work and identify a firm to complete this body of work. Finally, in preparation for the third quarter DMCC board convening is to develop and discuss guidance for developers on the downtown’s pressing market needs and the development models and approaches that can best achieve them.

Background:

In 2020, the Rochester Housing Coalition in partnership with the DMC EDA, funded a housing study to understand the various housing needs across the County, City of Rochester and in the downtown. The major take-aways of this study are summarized below.

- Based on our calculations, demand exists in the Olmsted County Analysis Area for the following general occupancy product types between 2020 and 2030:
 - Market rate rental 2,999 units
 - Affordable rental 1,274 units
 - Subsidized rental 762 units
 - For-sale single-family 5,623 units
 - For-sale multifamily 2,017 units
 - **Total housing need by 2030: 12,675 units**
- In addition, we find demand for multiple senior housing product types. By 2030, demand in the Olmsted County Analysis Area for senior housing is forecast for the following:
 - Active adult ownership 859 units
 - Active adult market rate rental 1,461 units
 - Active adult affordable 1,063 units
 - Active adult subsidized 40 units
 - Independent Living 772 units
 - Assisted Living 738 units
 - Memory Care 477 units
 - **Total Senior Housing Need by 2030: 5,410 units**
- Across both product types, general occupancy and senior housing, there is a market need across Olmsted County for **18,085 housing units by 2030.**

Concurrent to the Maxfield Housing study, the City and DMC also created a market demand study for the housing needs for the Bus Rapid Transit system project to better understand the downtown housing needs as a subset of the larger county-wide housing market demand. Within the downtown, the Bus Rapid Transit market demand study identified the need for various types and amounts of housing units in the downtown. *Please note additional data review needs to be conducted to determine progress against these targets.

- Downtown Transit Study – Housing Market Demand
 - **1,213 affordable and subsidized units for downtown by 2030***
 - 674 units at 30% AMI or below
 - 224 units at 30% to 50% AMI
 - Progress: Bryk Contribution = 54 units at 50% AMI
 - 315 units at 50% to 80% AMI
 - Progress: Bryk Contribution = 126 total units
 - 18 units at 60% AMI
 - 108 units at 80% AMI

With the construction of the Bryk Project, 180 units of downtown affordable housing unit needs are being met, which reduces the overall need downtown affordable and subsidized market need to 1,033 units. In order to encourage more projects, the City is leading a request for proposals effort for a parking lot that they own located in the downtown, north of the Mayo Civic Center. Within the proposal, there was a heavy focus to include affordable housing and perhaps address some of the senior housing needs. The data below summarized the downtown market rate housing market demand by 2030. *Please note additional data review needs to be conducted to determine progress against these targets.

- **1,840 market rate units for downtown by 2030***
 - 1,472 market rate rental
 - 236 multifamily for sale
 - 132 single family for sale

Across both product types there is a need for **3,053 general occupancy units**. Please note that these totals do not include the senior housing needs. Applying the same percentages for general occupancy housing units for the downtown in comparison to the rest of Olmsted County, we can approximate the senior housing needs for downtown across a variety of senior housing types. These are outlined below.

- **919 downtown senior housing units for downtown by 2030**
 - Active adult ownership: 147 units
 - Active adult market rate rental: 248 units
 - Active adult affordable: 180 units
 - Active adult subsidized: 9 units
 - Independent Living: 128 units
 - Assisted Living: 125 units
 - Memory Care: 82 units

The downtown housing market demand for market rate units, affordable and subsidized units, and senior housing units by 2030 are summarized below.

- **1,213 affordable and subsidized units** at varying levels of affordability
- **1,840 market rate units** of varying type and affordability
- **919 senior housing units** of varying type and affordability
- Total: **3,972 housing units** needed by 2030 (22% of county-wide housing market demand)