



DMC
Destination
Medical Center

Destination Medical Center Corporation
Board of Directors
Executive Committee Meeting

Thursday, March 23, 2023
9:30 A.M.

DESTINATION MEDICAL CENTER CORPORATION (DMCC)

EXECUTIVE COMMITTEE MEETING

Thursday, March 23, 2023
9:30 A.M.

Remote Viewing: <https://www.youtube.com/destinationmedicalcenter>

AGENDA

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I. Call to Order	
II. Roll Call	
III. Approval of Agenda	1
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V. April 1, 2023 Report to DEED (Presenters: Patrick Seeb, EDA; Doug Holtan, Mayo Clinic; Cindy Steinhauser, City of Rochester)	3
<u>Resolution A</u> : Authorizing and Approving the April 1, 2023 Report to DEED Pursuant to Statute	
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VII. Adjourn	

DESTINATION MEDICAL CENTER CORPORATION (DMCC)
EXECUTIVE COMMITTEE MEETING

Thursday, March 10, 2022
9:30 A.M.

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, Vice Chair Kim Norton, and Pam Wheelock were present. Doug Baker, Jim Campbell, Council President Brooke Carlson, and Commissioner Mark Thein also attended the meeting. Chair Rybak and Ms. Wheelock participated via interactive technology due to a scheduling conflict.
- III. Approval of Agenda. Vice Chair Norton moved approval of the agenda. Ms. Wheelock seconded the motion. Ayes: Vice Chair Norton, Chair Rybak, Ms. Wheelock. Nays: None.
- IV. Approval of Minutes: March 26, 2020. Ms. Wheelock moved approval of the minutes. Vice Chair Norton seconded the motion. Ayes: Vice Chair Norton, Chair Rybak, Ms. Wheelock. Nays: None.
- V. April 1, 2022 Report to DEED. Patrick Seeb, DMC EDA Executive Director, provided an overview of the April 1, 2022 Report to DEED. He reported that new private investment in 2021, including investment by Mayo Clinic and other private entities, totals \$155.3 million, exceeding the private investment in 2020 by approximately \$11 million. Doug Holtan, Mayo Clinic Department of Facilities and Support Services Chair, highlighted Mayo Clinic investments in research, education, and patient care. Alison Zelms, City of Rochester City Administrator, described private investments, other than from Mayo-Clinic, in affordable housing, retail, hospitality, and life science.

Resolution A: Authorizing and Approving the April 1, 2022 Report to DEED Pursuant to Statute. Ms. Wheelock moved approval of the resolution. Vice Chair Norton seconded the motion. Ayes: Vice Chair Norton, Chair Rybak, Ms. Wheelock. Nays: None.
- VI. Adjourn. Vice Chair Norton moved to adjourn; Secretary Wheelock seconded the motion. Ayes: Vice Chair Norton, Chair Rybak, Ms. Wheelock. Nays: None.

DESTINATION MEDICAL CENTER
APRIL 1 REPORT TO DEED
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Page 10: Letter from Mayo Clinic to DEED

MEMO

TO: Destination Medical Center Corporation

FROM: Destination Medical Center Economic Development Agency

RE: 2022 DMC PRIVATE INVESTMENT

By April 1 of each year, the DMC Corporation and Mayo Clinic must report DMC private investment to the State of Minnesota Department of Employment and Economic Development (DEED). DEED uses this information to affirm the progress of the DMC initiative and determine the required amount of annual State DMC funding. This productive reporting relationship is one aspect of the unique DMC economic development model. The formal report follows this summary memo.

New private investment in 2022, comprised of investment by Mayo Clinic and other private investors, totals \$199.1 million:

- a. Mayo Clinic private investment: \$172.6 million
- b. Non-Mayo-Clinic private investment: \$26.5 million

2022 private investment exceeded 2021 private investment by approximately \$44 million, boosted by Mayo Clinic's largest-ever annual investment. It is an encouraging sign that Rochester's economy, secured by the financial and operational health of Mayo Clinic, is on a recovery trajectory. Many significant projects, from Mayo Clinic's Proton Beam Therapy Center to the Bryk on Broadway affordable housing development, made significant progress over the course of 2022.

DESTINATION MEDICAL CENTER CORPORATION

EXECUTIVE COMMITTEE

RESOLUTION NO. EC-___-2023

Authorizing April 1, 2023 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. The certification to DEED must be in the form prescribed by DEED and include any documentation and supporting information regarding the expenditures that DEED requires. By August 1 of each year, DEED must determine the amount of expenditures for the previous year.

B. Staff from the City of Rochester and the Destination Medical Center Economic Development Agency (“EDA”) have prepared the draft report, due on April 1, 2023, attached hereto as Exhibit A.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the Executive Committee of the Destination Medical Center Corporation Board of Directors that the Chair or Vice Chair of the DMCC is authorized to execute and submit the report to the Minnesota Department of Employment and Economic Development as required by Minnesota Statutes, Section 469.47, in form similar to the form attached hereto as Exhibit A, as may be modified through further discussions with Mayo Clinic or the City of Rochester, and to take such other actions as are necessary and appropriate to effectuate the timely submission of the report to DEED.

EXHIBIT A

Certification of Expenditure Destination Medical Center

For Calendar Year 2022

Due to Commissioner of Employment and Economic Development (DEED) by April 1, 2023

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 2022, 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	\$172,632,461.06	1
Total Expenditures Reported This Year for other Private Entities ^{1,2}	\$26,456,228.36	2
TOTAL Expenditures This Year	\$199,088,689.42	3

All Expenditures claimed since June 30, 2013

Previous Years Expenditures (cumulative)	\$1,262,043,959.32	4
TOTAL Expenditures This Year ³ (from Box 3)	\$199,088,689.42	5
All Claimed Expenditures as of 12/31/21 (Box 4 plus Box 5)	\$1,461,132,648.74	6
Qualified Expenditures claimed in 2021 (Box 6 minus \$200,000,000)	\$1,261,132,648.74	7

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

General State Infrastructure Aid Qualified for (Box 7 multiplied by .0275)	\$34,681,147.84	8
State Transit Aid Qualified for (Box 7 multiplied by .0075 and then multiplied by .6)	\$5,675,096.92	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)

Year	Completed Projects
2018	\$ 250,000
2020	\$ 392,588
2021	\$ 4,100,399
2022	\$ 1,213,854
TOTAL	\$ 5,956,841

2022 Destination Medical Center - Partially Completed Projects Tracking

Project	Address	Total Building Permit Value To Date	2021	2022
			Partial Completed Work	
Bryk Apartments	401 N Broadway	\$ 25,000,000.00	\$ 4,500,612.64	\$ 20,499,387.36

TOTAL \$ 26,456,228.36

2016 Destination Medial Center - Partially Completed Projects Tracking

Project	Address	2016			2017			2017	2018		
		Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Total Permits	Balance Claimed	Balance Claimed
1st Avenue Flats	400 NW 1 Avenue	\$ 4,976,244.00	R16-0024MFB	\$ 622,000.00		R16-0008MFB	\$ 8,097,735.57	6/26/2017	\$ 8,719,735.57	\$ 3,743,491.57	\$ -
Lofts at Mayo Park	123 SE 6 Avenue	\$ 6,347,552.97	R15-0079MFB	\$ 794,323.00	3/6/2017	R16-0011MFB	\$ 6,105,677.00	8/17/2017	\$ 6,900,000.00	\$ 552,447.03	\$ -
501 on First	501 SW 1 Avenue	\$ 12,534,186.96	R15-0053MFB	\$ 1,555,125.00	9/2/2016	R15-0058MFB	\$ 11,422,057.75	1/28/2018	\$ 12,977,182.75	\$ -	\$ 442,995.79
Flats on 4th (Buckeye)	412 SE 3 Avenue	\$ 8,906,937.40	R15-0107MFB	\$ 2,400,000.00	12/6/2018	R16-0009MFB	\$ 10,682,292.00	2/12/2018	\$ 13,082,292.00	\$ -	\$ 4,175,354.60
TOTAL for 2016		\$ 32,764,921.33							\$ 41,679,210.32	\$ 4,295,938.60	\$ 4,618,350.39
Dollar amount finaled in 2016		\$ 1,555,125.00									
Dollar amount submitted for partial work in 2016		\$ 31,209,796.33									
TOTAL for 2017		\$ 4,295,938.60									
TOTAL for 2018		\$ 4,618,350.39									

2017 Destination Medial Center - Partially Completed Projects Tracking

Project	Address	2017			2017			2017			2018		
		Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Total Permits	Balance Claimed
Broadway @ Center	10 East Center Street	\$ 33,866,963.98	R15-0081CB	\$ 1,000,000.00	12/6/2018	R15-0384CB	\$ 45,000,000.00	TCO 4/1/19	R15-0447CB	\$ 38,282,463.00	7/25/2019	\$ 84,282,463.00	\$ 50,415,499.02
Discovery Square	202 4th Street SW	\$ 2,965,073.30	R17-0384CB	\$ 1,750,000.00	11/13/2018	R17-0454CB	\$ 1,290,000.00	11/13/2018	R17-0492CB	\$ 12,969,000.00	7/10/2019	\$ 16,009,000.00	\$ 13,043,926.70
TOTAL for 2017		\$ 36,832,037.28										\$ 100,291,463.00	\$ 63,459,425.72
TOTAL for 2018		\$ 63,459,425.72											

2018 Destination Medial Center - Partially Completed Projects Tracking

Project	Address	2018			2018			2018			2019	2020	
		Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Total Permits	Balance Claimed
Ronald McDonald House	850 2nd Street SW	\$ 4,872,363.01	R18-0048CB	\$ 10,126,000.00	11/4/2019						\$ 10,126,000.00	\$ 5,253,636.99	\$ -
Hotel Indigo (Holiday Inn)	220 South Broadway	\$ 1,156,333.15	R18-0294CB	\$ 500,000.00	4/19/2021	R18-0389CB	\$ 5,000,000.00	10/22/2020	R18-0454CB	\$ 5,000,000.00	10/27/2020	\$ 10,500,000.00	\$ 9,343,666.85
Residence @ Dis. Sq.	511 3rd Ave. SW	\$ 9,820,880.09	R17-0143MFB	\$ 1,750,000.00	8/30/2019	R17-0141MFB	\$ 17,250,000.00	4/7/2020				\$ 19,000,000.00	\$ 9,179,119.91
Urban on First	429 South Broadway	\$ 12,455,954.00	R18-0003MFB	\$ 2,428,958.00	11/19/2019	R18-0015MFB	\$ 28,380,000.00	11/19/2019				\$ 30,808,958.00	\$ 18,353,004.00
Berkman (Alatus)	217 & 301 14th Ave SW	\$ 25,936,546.00	R17-0157MFB	\$ 4,900,000.00	7/15/2020	R18-0011MFB	\$ 86,237,507.00	7/15/2020	R18-0037MFB	\$ 2,178,293.00	7/14/2020	\$ 93,315,800.00	\$ 59,063,337.00
TOTAL for 2018		\$ 54,242,076.25										\$ 101,192,764.75	\$ 8,315,917.00
TOTAL for 2019		\$ 101,192,764.75											
TOTAL for 2020		\$ 8,315,917.00											

2019 Destination Medial Center - Partially Completed Projects Tracking

Project	Address	2019			2019			2019			2020	2021		
		Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Total Permits	Balance Counted	Balance Counted
Ryan/Wells Fargo	21 1st SW	\$ 5,250,000.00	R19-0029CB	\$ 5,250,000.00	3/27/2020						\$ 5,250,000.00	\$ -	\$ -	
Hyatt House (Civic on First)	315 1st Ave. NW	\$ 6,940,448.00	R18-0467CB	\$ 3,710,000.00	2/18/2021	R19-0003D	\$ 63,000.00		R19-0078CB	\$ 28,480,475.00	2/4/2022	\$ 32,253,475.00	\$ 24,151,076.04	\$ 1,161,950.96
Eleven02	101 11th Ave. SW	\$ 4,159,810.90	R19-0206CB	\$ 6,750,000.00	2/16/2022	R19-0235CB	\$ 22,940,975.00	4/26/2021				\$ 29,690,975.00	\$ 24,377,346.96	\$ 1,153,817.14
TOTAL for 2019		\$ 16,350,258.90										\$ 48,528,423.00	\$ 2,315,768.10	\$ -
TOTAL for 2020		\$ 48,528,423.00												
TOTAL for 2021		\$ 2,315,768.10												

2020 Destination Medial Center - Partially Completed Projects Tracking

Project	Address	2020			2020			2020			2021		
		Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Total Permits	Balance Counted
Two Discovery Square	415 2 Ave SW	\$ 5,553,179.85	R20-0243CB	\$ 7,500,000.00	12/15/2021	R20-0281CB	\$ 2,200,000.00	12/15/2021	R20-0312CB	\$ 10,461,480.00	3/2/2022	\$ 20,161,480.00	\$ 14,608,300.15
TOTAL for 2020		\$ 5,553,179.85											
TOTAL for 2021		\$ 14,608,300.15											

2021 Destination Medial Center - Partially Completed Projects Tracking

Project	Address	2021			2021			2022		
		Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Total Permits	Balance Counted
Bryk Apartments	401 N Broadway Ave	\$ 4,500,612.64	R21-0031MFB	\$ 1,000,000.00	8/18/2022	R21-0038MFB	\$ 24,000,000.00		\$ 25,000,000.00	\$ 20,499,387.36
TOTAL for 2021		\$ 4,500,612.64								
TOTAL for 2022		\$ 20,499,387.36								

Based on the Application and Certificate for Payment for the project, the total contract price for the development is \$33,894,231

Permit Type	Permit Number	Permit Date	Parcel ID	Address	Amount	Description	Owner	Permit Status	Date
Commercial Bldg	R18-0141CB	7/31/2018	017883	7 SW 2 ST	\$250,000	New restaurant within an existing space.	Yong Hao Liu	Finald	12/9/2022
Commercial Bldg	R20-0225CB	10/26/20	82430	206 BROADWAY AVE S	\$254,588	Tenant build-out	Cornerstone Management Services	Finald	02/11/22
Commercial Bldg	R20-0153CB	07/02/20	17926	21 1 ST SW	\$100,000	Interior remodel of existing office. (Wendland-Utz Law)	Chris Wendland	C of C Issued	04/27/22
Sign	R20-0120S	12/04/20	17926	21 1 ST SW	\$38,000	Wall signs for Wells Fargo [lit]	none given	Finald	10/21/22
Commercial Bldg	R21-0047CB	3/2/2021	83795	202 SW 4 ST	\$1,900,000	Tenant fit-up of offices, conference rooms and lab spaces. (Discovery Square)	Paul Stalboerger	CO Issued	3/22/2022
Commercial Bldg	R21-0097CB	4/7/2021	79185	318 SW 1 AVE	\$1,661,399	Remodeling of the second floor of 318 Commons - offices and collaboration spaces.	GH HOLDINGS LLC	C of C Issued	4/22/2022
Commercial Bldg	R21-0326CB	9/16/2021	84934	311 NW 1 AVE	\$52,000	Fit-up of commercial space to accommodate new salon ARTIKA	CIVIC CENTER HOTEL JV LLC	C of C Issued	2/22/2022
Commercial Bldg	R21-0442CB	12/15/2021	17773	20 SW 3 ST	\$25,000	Interior finishes for Mezza Cafe	Sammi, Lawernce	Finald	9/16/2022
Commercial Bldg	R21-0443CB	12/15/2021	18097	223 N BROADWAY AVE	\$230,000	Tenant improvement for a new office space for Ironton	IRONTON LLC	C of C Issued	7/22/2022
Commercial Bldg	R21-0058MFB	12/3/2021	12780	621 SW 1 ST	\$120,000	Renovating the following units in Uptown Landings Apartments: G2, 103, 104, 203, 205 & 306	UPTOWN LANDING HOLDINGS LLC	Finald	12/16/2022
Commercial Bldg	R21-0059MFB	12/3/2021	9449	625 SW 3 ST	\$112,000	Renovations for Uptown Terrace Apartments in the following units: 2, 3, 8, 9, and 15	UPTOWN TERRACE HOLDINGS LLC	Finald	10/21/2022
Commercial Bldg	R22-0045CB	2/1/2022	83795	202 SW 4 ST	\$20,000	Tenant fit-up of a conference room for Thermo Fisher Scientific at Discovery Square	Thermo Fisher	C of C Issued	8/4/2022
Commercial Bldg	R22-0059CB	2/9/2022	81808	212 N BROADWAY AVE	\$83,490	Tenant fit-up for Queen Center Interiors by J Curry	SKIATHOS LLC	C of O Issued	7/6/2022
Commercial Bldg	R22-0060CB	2/10/2022	56916	1125 SW 2 ST	\$67,000	Replacing small amount of insulation and drywall. Flooring in eight rooms, laundry room and maintenance off	CARPENTER AND TORGERSON SSMR LLC	Finald	2/23/2022
Commercial Bldg	R22-0146CB	3/31/2022	78774	221 SW 1 AVE	\$46,000	Addition of doors to Bio Business 6	Sean Williams	Finald	10/18/2022
Commercial Bldg	R22-0214CB	5/20/2022	79921	426 SE 3 AVE	\$619,300	Interior remodel of existing space into a warming/day shelter. (The Landing)	Dan Fifield	C of O Issued	11/10/2022
Commercial Bldg	R22-0235CB	6/8/2022	83133	601 SW 2 ST	\$200,000	Towne Place Suites remodel of existing bar into Spyhouse Coffee Roasters coffee shop	TPS ROCHESTER I LLC	C of O Issued	11/22/2022
Commercial Bldg	R22-0268CB	7/7/2022	25728	27 SE 9 ST	\$99,256	Re-roof at Soldiers Field Plaza	TRCH PLAZA LLP	Finald	9/20/2022
Commercial Bldg	R22-0364CB	9/26/2022	18097	223 N BROADWAY AVE	\$78,808	Roof replacement for 223 Building	IRONTON LLC	Finald	12/2/2022



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

March 16, 2023

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

Dear Interim Commissioner McKinnon:

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, 2022, to December 31, 2022. The amount of qualified investment is approximately \$172.6 million. This figure represents Mayo Clinic's largest-ever annual investment and is a strong signal of our commitment to further solidify Rochester, Olmsted County and the state of Minnesota as a global destination medical center.

In 2022, major projects included the ongoing construction of the Anna-Maria and Stephen Kellen Building in downtown Rochester's Discovery Square and the expansion of the Mayo Clinic Proton Beam Therapy Program. Through 2022, our cumulative DMC investment totaled more than \$934.7 million. A significant share of these investments would not be possible without the community infrastructure investments enabled by the unique public resources of the DMC initiative.

Looking back on 2022, 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 Mayo Clinic teams served about 1.4 million patients from nearly 130 countries. In recognition of staff excellence, Mayo Clinic made unprecedented investments in our employees in 2022. Additionally, we remained focused on addressing pressing needs in our community, forging innovative partnerships to tackle social determinants of health, and strengthening the health and vibrancy of the DMC district that surrounds our downtown campus.

Looking ahead, we are confident that Mayo Clinic's Bold. Forward. strategy has positioned us to lead the transformation of health care, including the transformation of physical health care infrastructure through the construction of new physical spaces in downtown Rochester. Through thoughtful, connected physical and digital frameworks, Mayo Clinic has the potential to make health care better integrated and more seamless for our patients. The DMC initiative is an integral partner in achieving this goal and facilitating and supporting the future of health care.

Together, I trust these examples demonstrate Mayo Clinic's dedication to our patients, our staff, and the places where we live and work. We look forward to maintaining our ongoing DMC partnership with the city of Rochester, Olmsted County and the state of Minnesota.

Thank you,

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

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

DESTINATION MEDICAL CENTER CORPORATION

EXECUTIVE COMMITTEE

RESOLUTION NO. EC-__-2023

Approving Revisions to the Bryk on Broadway Apartments Project

BACKGROUND RECITALS

A. In Resolution 113-2021, the Destination Medical Center Corporation (“DMCC”) approved the Bryk on Broadway Apartments Project as presented therein (the “Project”) as a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11 and as consistent with the Development Plan adopted by the DMCC on April 23, 2015, as amended (the “Development Plan”). The Project included a range of housing choices affordable to persons and families who comprise the Development District’s workforce, with 30% of units at 50% of Adjusted Median Income (AMI), 10% of the units at 60% AMI, and 60% of the units at 80% AMI.

B. The DMCC further approved the Project for the purposes of Minnesota Statutes, Section 469.47, subdivision 3, of up to \$2,200,000 in funding through general state infrastructure aid, and for purposes of Minnesota Statutes, Section 469.47, subdivision 4, and supported the City of Rochester’s (the “City’s”) expenditures of up to \$2,237,354 in tax increment financing.

C. The DMCC approvals in Resolution 113-2021 were expressly contingent upon an agreement by the parties to a development assistance agreement as to both tax increment funding and general state infrastructure aid that secured public funds and enforced the income-affordability criteria for a period of at least thirty years, requiring repayment for breach or default.

D. The Project has experienced difficulty in renting units at the 80% AMI level and has requested a temporary revision in income eligibility for certain of these 80% AMI units.

E. DMCC Resolution 51-2017 provides that the DMCC Board of Directors or the DMCC Executive Committee will reconsider a prior approval of a project upon a finding presented to the DMCC from either the City or the Destination Medical Center Economic Development Agency Board of Directors (“EDA”) of a significant change in the essence or character of the project as approved.

F. By correspondence dated March 17, 2023 and attached hereto as Exhibit A, the City and the EDA have considered the Project and the income eligibility requirements in light of current market conditions. As set forth in Exhibit A, staff have found a significant change and recommend amending the development assistance agreement and related documents by a temporary revision in the income eligibility requirements, as follows:

- One-half of the Project's 80% AMI units (54 units) would be available to prospective tenants with income up to 110% or less of current AMI until October 1, 2023. Starting October 1, 2023, absent further approvals, any of these units that are or become vacant shall automatically convert to income eligibility of 80% AMI.
- The remaining 80% AMI units (54 units) would remain limited to income of 80% AMI or less.
- Any unit that has two or more unrelated adult occupants and at least as many bedrooms as occupants will be deemed eligible for 80% AMI if either (A) each unrelated adult occupant's income does not exceed 80% AMI or (B) the combined income of the unrelated adult occupants does not exceed 80% of AMI multiplied by the number of adult unrelated occupants.
- Rent for all of the Project's initially designated 80% AMI units shall remain equal to or less than 30% of 80% of AMI.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the Executive Committee of the Destination Medical Center Corporation, that it approves, contingent upon approval by the City, the request of the City and the EDA as set forth in Exhibit A to modify the development assistance agreement and related documents:

(1) to permit up to one-half of the Project's 80% AMI units to be available to tenants with income up to 110% or less of current AMI until October 1, 2023. Starting October 1, 2023, absent further approvals, any of these units that are or become vacant shall automatically convert to income eligibility of 80% AMI; and

(2) to deem unrelated adult occupants eligible for 80% AMI if either (A) each unrelated adult occupant's income does not exceed 80% AMI or (B) the combined income of the unrelated adult occupants does not exceed 80% of AMI multiplied by the number of adult unrelated occupants.

The Executive Committee finds that these revisions are consistent with the Development Plan.

BE IT FURTHER RESOLVED, that these approvals are expressly contingent upon (1) the Project's remaining 80% AMI units (54 units) continuing to be limited to income of 80% AMI or less; and (2) rent for all of the Project's initially designated 80% AMI units shall remain equal to or less than 30% of 80% of AMI.

BE IT FURTHER RESOLVED, that DMCC Resolution No. 51-2017 is incorporated fully herein by reference.

BE IT FURTHER RESOLVED, that City and EDA staff are requested to provide updates with respect the Project.

BE IT FURTHER RESOLVED, that the Chair or the Treasurer of the DMCC is authorized to take such actions as are necessary and appropriate to effectuate the findings and approvals of this Resolution.

1456267-8

Bryk on Broadway Apartments Project
DMC Economic Development Agency and
City of Rochester Administration
March 17, 2023

STATEMENT OF RECOMMENDATION:

Adopt a resolution authorizing the City to amend the Developer Assistance Agreement (DAA) with Bryk Apartments Rochester, LLC that would adjust the income eligibility requirements for a portion of the units within the building.

Based on our discussions with the developer, we support amending the Development Agreement to include the following:

1. Allow half of the units (54 units) restricted to 80% AMI to be rented by persons or families whose income is 110% or less of the area median income until October 1, 2023. The rents for these units will remain at 80% AMI levels. Starting October 1, 2023, these units would convert to 80% Units for the remainder of the Qualified Project Period (30 years). Part of the timeline will be to meet with the developer leading into October 2023 to understand how this change has impacted leasing opportunities in the building. Any future change past October 1st, would be brought back to the decision-making bodies for consideration.
2. In situations where two or more unrelated adult occupants and at least as many bedrooms as occupants are living together, allow for each occupant's income will be looked at separately in determining if they meet the 80% area median income restriction.

PROJECT SUMMARY:

On March 23, 2021, the DMCC Board approved a Resolution (Resolution 113-2021) between the DMCC Board and the Bryk Apartments Rochester, LLC to provide up to \$2.2M of public infrastructure funding to support the project. The project consists of a 6-story, 180-unit workforce residential apartment building with approximately 7,260 square feet of commercial/retail space, underground and surface parking, and indoor and outdoor community spaces. The project is located along North Broadway Avenue between Civic Center Drive NW and 5th Street NW.

The project provides the following mix of units:

- 30% of the units (54 units) are affordable at 50% area median income and rents. Current income limits put the income limits at \$39,050 for a 1-person family (max rent \$976), and \$55,750 for a 4-person family (max rent \$1,394).
- 10% of the units (18 units) are affordable at 60% area median income and rents. Current income limits put the income limits at \$46,850 for a 1-person family (max rent \$1,171), and \$66,990 for a 4-person family (max rent \$1,673).
- 60% of the units (108 units) are affordable at 80% area median income and rents. Current income limits put the income limits at \$62,450 for a 1-person family (max rent \$1,561), and \$89,200 for a 4-person family (max rent \$2,230).

When the project was shared with the DMCC Board in 2021, the Bryk project was presented to the DMCC Board along with its community benefits which still remain in place. These community benefits are included below.

- Mixed Income Workforce Housing: There remain different income levels within the building, allowing for people to remain in the building if they make more money each year and providing a diversity of units at different income levels that more closely match the income makeup of Rochester.
- Neighborhood Stabilization and Revitalization: Investment in a proximate downtown area and prominent intersection with housing at various affordability levels
- Designed to meet Sustainability Performance Goals: The project is tracking to receive Green Communities Certification
- Transit Corridor Density: The Bryk project is located along a primary transit corridor as identified in the City's comprehensive plan and provides 180 housing units along this corridor
- Walkability to downtown and employment: The project is located along the transit corridor, proximate to the bike trail, and 6 blocks away from downtown, a major employment center

As outlined above, there are many community benefits to the project that remain for the occupants and City of Rochester. It is a great multifamily housing project and with this change, we anticipate the project's leasing success.

The project is nearing completion and the developer has started the lease-up phase. According to the developer, they have had initial success filling the units restricted to the 50% and 60% Area Median Income (AMI) levels. However, they have needed to turn ~40

individuals away from the units restricted to the 80% AMI level since their incomes are slightly above the 80% AMI level. Income limits are established by the Department of Housing and Urban Development (HUD) on an annual basis. The updated 2023 Income Limits report has been delayed, causing the developer to rely on 2022 Income Limits to meet the AMI requirements. The developer's goal with targeting 80% AMI levels is to provide workforce housing for Rochester's large population of residency program students, nurses, and other service industry positions. Based on current income verifications, those positions earn over the 2022 HUD income restrictions for 80% AMI. This is causing a gap in the developer's ability to lease units between 60% and 80% AMI levels.

The Bryk is a unique housing product type by targeting 80% AMI levels. Typically, affordable housing projects include a mixture of market rate and 60% or below units. A reason for this is there are no Property Tax breaks for housing units above 60% AMI. Therefore, even though the Bryk is required per the DAA to provide rents at 80% AMI, they are taxed at the full market rate for those units. This coupled with the escalating costs of construction and interest rates has made it very difficult for the developer.

With the slower than expected lease up of the 80% units, in addition to the increase in costs, staff recommend adjusting the income limits for 54 of the 108 units priced at 80% AMI rents. Increasing the rent eligibility for 54 of the units will help the build leasing process and fill the building, while also providing financial relief to the developer. Through this income change, the pool of potential eligible renters will increase by about 15% or close to 14,000 workers using average wage data provided by the Minnesota Department of Employment and Economic Development (MN DEED).

Please note that this recommendation will not alter the rental rate of the units, but only broaden the income eligibility of potential renters for 54 of the 180 units in the building. There are no recommended changes to the 50% and 60% AMI rental units.