



DMC
Destination
Medical Center

Destination Medical Center Corporation
Board of Directors Meeting

Thursday, May 23, 2024
9:30 A.M.

DESTINATION MEDICAL CENTER CORPORATION (DMCC)

SPECIAL BOARD MEETING

Thursday, May 23, 2024
9:30 A.M.

Hilton Hotel, Dr. John H. Noseworthy Hall 2-3, & Foyer
10 E Center St, Rochester, MN 55904

Remote Viewing: <https://us02web.zoom.us/j/86751135351>

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XVIII. Meeting Schedule

A. Next Regular Meeting: September 26, 2024 at 9:30 A.M.

XIX. Adjournment

DESTINATION MEDICAL CENTER CORPORATION (DMCC)
SPECIAL BOARD MEETING

THURSDAY, FEBRUARY 1, 2024

MINUTES

- I. Call to Order. Vice Chair Kim Norton called meeting to order at 9:30 A.M.
- II. Roll Call. Doug Baker, James Campbell, Council President Brooke Carlson, Mayor Kim Norton, R.T. Rybak, Commissioner Mark Thein, Chair Pamela Wheelock, and Paul Williams were present. Mr. Baker, Mr. Campbell, and Chair Wheelock participated via interactive technology because they were out of town.

- III. Approval of Agenda. Council President Carlson moved to approve the agenda. Mr. Williams seconded the motion.

Ayes: Mr. Baker, Mr. Campbell, Council President Carlson, Mayor Norton, Commissioner Thein, Chair Wheelock, and Mr. Williams. Nays: None.

- IV. Approval of Minutes: November 17, 2023. Mr. Williams moved to approve the November 17, 2023 minutes. Commissioner Thein seconded the motion.

Ayes: Mr. Baker, Mr. Campbell, Council President Carlson, Mayor Norton, Commissioner Thein, Chair Wheelock, and Mr. Williams. Nays: None.

- V. Public Comment. John Kruesel, Rochester resident, spoke in support of the City of Rochester's recent creation of a historic landmark district.

Loring Stead, Rochester resident, spoke in favor of efforts to improve the patient, resident, and visitor experience.

- VI. Chair's Report. Chair Wheelock reported that she has appointed Brian Anderson, City of Rochester Finance Director, as DMCC Assistant Treasurer. She thanked Aaron Parrish, City of Rochester Deputy Administrator, for his interim service in that position. She also noted that, similar to the request for proposals process for auditing and tax services, which resulted in an agreement, the DMCC has issued a request for proposals for legal services.

- VII. Consent Agenda.

A. DMCC 2023 Budget: Year to Date Update.

B. EDA 2023 Budget Encumbrance Request.

Mr. Rybak moved to approve the consent agenda. Commissioner Thein seconded the motion.

Ayes: Mr. Baker, Mr. Campbell, Council President Carlson, Mayor Norton, Mr. Rybak, Commissioner Thein, Chair Wheelock, and Mr. Williams. Nays: None.

VIII. Annual Report to the Legislature. Kaela Brennan, DMCC General Counsel, provided an overview of the proposed DMCC – City report to the legislature. She noted that the Rochester City Council is scheduled to consider the report on February 5, 2024.

Resolution A: Approving February 15, 2024 Report to the Legislature. Mr. Rybak moved to approve the resolution. Council President Carlson seconded the motion.

Ayes: Mr. Baker, Mr. Campbell, Council President Carlson, Mayor Norton, Mr. Rybak, Commissioner Thein, Chair Wheelock, and Mr. Williams. Nays: None.

IX. EDA Board President Comments. Clark Otley, M.D., President of the EDA Board of Directors, noted the recent announcements of Mayo Clinic’s “Bold. Forward. Unbound. in Rochester.” capital plan and the Minnesota MedTech 3.0 initiative.

X. Metrics. Patrick Seeb, EDA Executive Director, and Michael Flynn, EDA Senior Director of Economic Development, presented an update on multi-family residential development in the DMC development district. Mr. Flynn described market challenges, including interest rates, increased costs of construction, and increased operating costs. The Board expressed support for identifying new tools and strategies to meet housing demand, including financial incentives, regulatory efficiencies, and marketing.

XI. Discussion Items.

A. Minnesota MedTech 3.0. Peter Frosch, Chief Executive Officer of GreaterMSP, provided an update regarding Minnesota MedTech 3.0, an economic development collaboration spanning healthcare, medical devices, and technology innovation, which earned federal designation as a med-tech hub. Supporters of the effort are working together to apply for federal funding. The Board expressed support for the initiative.

B. Supporting Transformation.

1. City of Rochester Report. Alison Zelms, City of Rochester Administrator, presented City priorities, programs, and process planning intended to implement and sustain community transformation efforts. Board members commended the City’s work.

2. DMC Development Plan Update. Mr. Seeb described the immediate next steps related to the 2025 Development Plan update, including data collection.

C. Progress on pre-authorized DMC Capital Priorities.

1. Discovery Square Med-Tech Infrastructure. Chris Schad, EDA Director of Business Development, discussed med-tech infrastructure in the DMC development district, including the development of a shared wet laboratory. noted that a preferred location has been identified in Two Discovery Square and that EDA and Mayo Clinic staff have vetted a possible operating partner. Board members directed staff to provide additional information, including regarding: the market viability of a shared wet lab; the experience of local companies who benefited from a similar shared space; best use of funds; interest expressed by potential users, including the perspective of Mayo Clinic and local bio-med-tech businesses; advice on how the Board might measure a return on investment; and assessing comparable properties around the country.

2. Downtown Property Support. Jamie Rothe, EDA Director of Community Engagement and Experience, and Allison Bowman, EDA Program Manager, led the Board in a discussion of ways it could support downtown properties, considering recommendations of the Rochester Downtown Task Force, outcomes of the Minnesota Department of Employment and Economic Development (DEED) Main Street Economic Revitalization Program, and the City of Rochester's recent designation of a downtown historic landmark district. In support of the historic district designation, City staff are preparing a summary of financial incentives and a streetscape study. The Board directed staff to evaluate and recommend strategies to support the rehabilitation and repair of downtown properties.
 3. Riverfront Reimagined. Cindy Steinhauser, City of Rochester Deputy Administrator, provided an update on riverfront redevelopment, including project phasing, state and federal funding opportunities, regulatory reviews, and upcoming developer outreach.
- XII. Status Reports. Board members inquired about the status of the West Transit Village development and the Heart of the City public realm project. Mr. Seeb noted that the West Transit Village development team continues to advance predevelopment planning. As to the Heart of the City, Mr. Seeb discussed the planned installation of catenary lights, ongoing evaluation of the settlement of the paver system, and efforts to improve navigation to and through the raised lettering art found on portions of Peace Plaza.
- XIII. Adjournment. Mayor Norton adjourned the meeting.



May 23, 2024

Re: April 2024 DMCC Budget Summary

Dear Mr. Mark Thein, Treasurer,

The attached budget summary through April 2024 reflects DMCC operating expenditures totaling \$864,228 of its \$4,218,891 budget for 2024. Thus far, the remaining amount unspent is 80% of the total budget. As previously presented, in 2023 there was approximately 22% of the total budget that went unspent.

The second page of this summary provides an outline of DMCC Projects by Category managed by the City of Rochester and categorized by program budgets. Approximately \$5,252,431 has been spent on these projects in 2024 with slightly less than 50% of that being spent on Transit projects. Total life-to-date expenditures on all projects are approximately \$183,129,133.

Moving forward, I will continue to work with the finance team in providing additional information that will be beneficial to the DMCC Board and team.

Please contact me with any questions or concerns.

Brian J. Anderson

Brian J. Anderson
Director of Finance
City of Rochester

Destination Medical Center Corporation
Financial Budget Summary
April 30, 2024

BUDGET ENTITY	2024 APPROVED BUDGET	APRIL 2024 CURRENT MONTH	APRIL 2024 YEAR TO DATE	AMOUNT REMAINING	PERCENT REMAINING
DMCC Corporation:					
Rents and Leases	\$ 36,607	\$ 5,675	\$ 14,346	\$ 22,261	61%
Professional Services	165,000	2,118	20,498	144,502	88%
Travel/Training	6,000	-	-	6,000	100%
Insurance and Bonds	11,323	-	8,492	2,831	25%
Interest / Other Administrative	-	4	14	(14)	
Subtotal DMCC	218,930	7,797	43,350	175,580	80%
DMC EDA - Third Party Costs					
Employee Services	1,714,702	64,527	398,327	1,316,375	77%
Operating Expenses	64,079	1,429	10,746	53,333	83%
Economic Development Outreach & Support	535,826	5,000	8,714	527,112	98%
Professional Services	467,900	4,086	112,363	355,537	76%
Miscellaneous Expenses	60,000	-	-	60,000	100%
Subtotal DMC EDA	2,842,507	75,042	530,151	2,312,356	81%
City of Rochester Project Management Budget - Third Party Costs					
Employee Services	1,032,543	72,534	290,138	742,405	72%
Contractual Maint and Repair	38,760	70	300	38,460	99%
Expert and Professional Services	8,160	-	-	8,160	100%
Travel/Training/Memberships	12,547	-	25	12,522	100%
Operations Expenses	48,482	181	99	48,383	100%
Miscellaneous/Other	16,962	-	165	16,797	99%
Subtotal City Project Management	1,157,454	72,785	290,727	866,727	75%
Total DMCC Operations	\$ 4,218,891	\$ 155,624	\$ 864,228	\$ 3,354,663	80%

City of Rochester, MN
DMCC Projects by Category
Through April 2024

PROJECT	STATUS	YTD REVENUES	YTD EXPENSES	PROJECT BUDGET	LTD EXPENSES	LTD ENCUMBRANCES
Administration						
C.8601 - COR Administrative Costs-DMCC		\$ 5,995	\$ 213,818	\$ 4,392,347	\$ 3,866,948	\$ -
C.8602 - Contributions to DMC Corporatn		-	613,383	30,285,846	29,681,588	-
C.8603 - Comprehensive Plan Update		-	-	-	1,350,508	-
C.8604 - Roch/DMCC Preservatn Planning		-	-	-	140,000	-
C.8606 - City Staff Costs-DMCC		2,702	2,702	-	445,969	-
C.8607 - County Staff Costs-DMCC	Complete	-	-	-	168,754	-
C.8629 - Development Plan Update	Complete	-	-	-	154,960	-
C.8632 - Downtown Changes COVID-19	Complete	-	-	-	43,524	-
C.8902 - FestivalAreaStdy&ConceptDesign	Complete	-	-	-	84,133	-
Total Administration		8,697	829,903	34,678,193	35,936,385	-
Econ Development/Public Realm						
C.8613 - ChateauTheatrePre-OccupancyM&O		-	-	4,926,802	541,032	-
C.8624 - ChateauTheatreBldgImprov/Purch		-	917,129	2,350,000	10,711,716	740,667
C.8625 - Heart of the City		-	19,768	18,248,940	21,382,973	314,001
C.8627 - Property & ROW Acquisition		-	-	-	-	-
C.8633 - Strategic Development		-	-	16,000,000	2,200,000	-
C.8634 - Riverfront Reimagined		-	24,600	2,000,000	956,148	-
C.8904 - Discovery Walk		-	68,331	15,720,000	14,888,688	2,987,605
C.8905 - CnstrctSnSwCpBys3AveSWfr2StSW		-	1,218	-	27,033	-
Total Econ Development/Public Realm		-	1,031,046	59,245,742	50,707,590	4,042,273
Infrastructure						
C.8611 - Sn/S12AvSW/NW<2StSW>2StNW		-	169	2,850,000	6,164,150	-
C.8612 - WZmbrRvrSn/SRIFLin<CookPk>CCDr	Complete	-	-	950,000	46,592	-
C.8626 - Sn/SUsize1Av&3AvSE<4StS>1StN	Complete	-	-	8,500,000	8,635,287	-
C.7326 - Reconst 4th St. SW from 1st to 6th Ave.	Complete	-	-	-	6,436,218	-
C.7319 - Reconst 7th Ave NW from 2nd St NwW to 4st NW		-	-	1,250,000	9,383,953	-
C.7318 - Reconst North Broadway		4,000,000	10,125	300,000	22,673,446	-
C.1037 - Steam Replace/District Energy		-	626,411	-	11,190,384	2,146,817
C.4716 - Downtown Sidewalk Experience Enhancement		-	-	-	2,192,186	23,472
C.7344 - Reconstruct 3rd Avenue NW Between 4th St. SW and 5th St SW		-	-	-	405,733	27,915
C.7830 - 1st Stret NW San. Sewer Diversion from 1st Ave to Broadway		-	173	-	2,171,651	-
C.7919 - 6th Street Bridge over Zumbro River		-	310,388	-	803,879	-
Total Infrastructure		4,000,000	947,266	13,850,000	70,103,480	2,198,204
Transit						
C.8614 - DMCTransit&InfrastrctrPgrmMgmt	Complete	-	-	3,956,739	1,826,262	-
C.8617 - Broadway @ Center Parking Ramp	Complete	-	-	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.8702 - RPTSolarPwrdbusFleetGrntApp		-	-	-	51,333	-
C.8703 - FTA TOD Pilot PrgmGrntApplctn		-	-	-	26,058	-
C.8704 - FTA Low-NoEmissions PrgGrntApl		-	-	-	1,140	-
C.8705 - TransitCrcltr-FTAGrntBus&Fact		-	-	-	19,258	-
C.8706 - DMCTransitCirculatorTODPInStdy	Complete	-	-	-	829,414	-
C.8707 - Rapid Transit Projects		-	2,433,507	77,007,083	13,841,535	-
C.8708 - Transit Villages 1&2		-	-	-	29,321	-
C.8709 - Arrive Rochester Implementatn		-	10,710	300,000	174,147	-
C.8804 - TH 52 LID Bld GrantApplication		-	-	-	22,145	-
C.8901 - TH 14/52 InterchangeBldGrntApp		-	-	-	36,331	-
C.8903 - DedctdBikeLns-3rd/4thAve&CtrSt	Complete	-	-	-	1,745,083	-
Total Transit		-	2,444,217	100,394,854	26,381,678	-
Total Project Costs		\$ 4,008,697	\$ 5,252,431	\$ 208,168,789	\$ 183,129,133	\$ 6,240,477

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

To: DMCC Board of Directors
 From: DMC EDA
 Date: May 16, 2024

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 is presented in the table below:

Project Description	2015 - 2023 CIP				
	City DMC Funds	GSIA	DMC County Transit Aid	Actuals	Release of Funds
City of Rochester Administrative costs for DMC Project	1,096,277	-	-	893,722	202,555
Contributions to DMC Corp for DMCC & EDA expenses	2,855,845	-	-	2,393,015	462,830
Arrive Rochester Implementation - Service Fees	60,000	-	-	44,637	15,363
San. Sewer 12th Ave. SW/NW < 2nd St	2,750,000	2,250,000	-	4,479,498	520,502
ITS Study Repayment	1,600,000	-	-	-	1,600,000
Reconstruct 7th Ave NW < 2nd St NW > 4th St NW)	-	4,800,000	-	4,800,000	-
	8,362,122	7,050,000	-	12,610,872	2,801,250

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, 2023, and have issued our report thereon dated . 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 agreement dated January 30, 2024. 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 the Corporation are described in Note 1 to the financial statements.

The Corporation changed accounting policies related to information technology subscriptions by adopting Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Agreements* (SBITA), effective January 1, 2023. There was no material impact on the Corporation's financial position and results of operations as a result of the adoption of this accounting standard.

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 .

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.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the listing of the board of directors. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. 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. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

* * *

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

CliftonLarsonAllen LLP

Rochester, Minnesota

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

**DESTINATION MEDICAL CENTER CORPORATION
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YEAR ENDED DECEMBER 31, 2023**

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**DESTINATION MEDICAL CENTER CORPORATION
BOARD OF DIRECTORS (UNAUDITED)
AS OF DECEMBER 31, 2023**

BOARD OF DIRECTORS (UNAUDITED)

Pamela Wheelock	Chair
Kim Norton	Vice Chair
Paul Williams	Secretary
Mark Thein	Treasurer
James Campbell	Director
R.T Rybak	Director
Brooke Carlson	Director
Doug M. Baker	Director

SECTION I – FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Destination Medical Center Corporation
Rochester, Minnesota

Report on the Audit of 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, 2023, 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, 2023, and the respective changes in financial position 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 (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 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 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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 opinions on the basic financial statements are 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 listing of 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

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DESTINATION MEDICAL CENTER CORPORATION
STATEMENT OF GOVERNMENTAL FUND BALANCE SHEET AND NET POSITION
DECEMBER 31, 2023

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 879	\$ -	\$ 879
Advances to DMC EDA	100,000	-	100,000
Due from Other Governments	323,682	-	323,682
Prepays	51,854	-	51,854
Total Assets	\$ 476,415	-	476,415
LIABILITIES			
Accounts Payable	\$ 323,561	-	323,561
Due to Other Governments	101,000	-	101,000
Unearned Revenue	51,854	-	51,854
Total Liabilities	476,415	-	476,415
FUND BALANCE			
Fund Balance:			
Nonspendable	51,854	(51,854)	-
Unassigned	(51,854)	51,854	-
Total Fund Balance	-	-	-
Total Liabilities and Fund Balance	\$ 476,415		
NET POSITION			
Unrestricted		-	-
Total Net Position		\$ -	\$ -

See accompanying Notes to Financial Statements.

**DESTINATION MEDICAL CENTER CORPORATION
GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE AND STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	General Fund	Adjustments	Statement of Activities
PROGRAM REVENUES			
Intergovernmental:			
Local Government	\$ 2,402,468	\$ -	\$ 2,402,468
Contributions and Donations	-	-	-
Total Program Revenues	2,402,468	-	2,402,468
 EXPENDITURES/EXPENSES			
Economic Development:			
Building and Equipment Rent	35,688	-	35,688
Legal Consultants	106,706	-	106,706
Other Professional Services	11,798	-	11,798
Travel and Training	1,857	-	1,857
Insurance	9,699	-	9,699
Program Costs	2,236,793	-	2,236,793
Total Expenditures/Expenses	2,402,541	-	2,402,541
 Net Program Revenues	(73)	-	(73)
 GENERAL REVENUES			
Investment Earnings	73	-	73
Total General Revenues	73	-	73
 CHANGE IN FUND BALANCE/NET POSITION	-	-	-
Fund Balance/Net Position - Beginning of Year	-	-	-
 FUND BALANCE/NET POSITION - END OF YEAR	\$ -	\$ -	\$ -

See accompanying Notes to Financial Statements.

**DESTINATION MEDICAL CENTER CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 includes 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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, 2023, 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 nonspendable and 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

The Corporation's deposits in banks at December 31, 2023 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

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 13 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 \$879 at December 31, 2023. 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023, the securities underlying the repurchase agreement are held by the counterparty in the Corporation’s name.

At December 31, 2023, the Corporation had the following deposits and investments:

Repurchase Agreement - Wells Fargo Bank, N.A.	\$ 879
Total Cash and Investments	<u>\$ 879</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.

REQUIRED SUPPLEMENTARY INFORMATION

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**DESTINATION MEDICAL CENTER CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Intergovernmental:				
Local Government	\$ 2,855,845	\$ 2,855,845	\$ 2,402,468	\$ (453,377)
Investment Earnings	-	-	73	73
Total Revenues	<u>2,855,845</u>	<u>2,855,845</u>	<u>2,402,541</u>	<u>(453,304)</u>
EXPENDITURES				
Current:				
Building Rent	34,017	34,017	35,688	1,671
Legal Consultants	150,000	150,000	106,706	(43,294)
Other Professional Services	22,300	22,300	11,798	(10,502)
Travel and Training	6,000	6,000	1,857	(4,143)
Insurance	20,000	20,000	9,699	(10,301)
Program Costs	<u>2,623,528</u>	<u>2,623,528</u>	<u>2,236,793</u>	<u>(386,735)</u>
Total Expenditures	<u>2,855,845</u>	<u>2,855,845</u>	<u>2,402,541</u>	<u>(453,304)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

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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, 2023, 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 or significant deficiencies 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, 2023, 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

Housing: Bryk on Broadway

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024



Request of the board of directors:

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.

Background:

On March 23, 2021, the DMCC Board approved a Resolution 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).

The project is complete and just over a year into the lease-up. With the slower than expected lease up of the 80% units, in addition to the increase in project costs, in March 2023 DMCC and City Council approved an amendment adjusting the income limits for 54 of the 108 units priced at 80% AMI rents for a period of 6 months. This modification did **not** alter the rental rate of the units, but only broadened the income **eligibility** of potential renters for 54 of the 180 units in the building up to 110% AMI. There were no changes to the 50% and 60% AMI rental units.

The 2023 amendment expired in October 2023. Since then, the developer has continued to experience challenges finding enough income qualified renters for the 80% AMI units. In consultation with City staff, DMC staff is recommending extending the same income qualification of up to 110% AMI (with no change in the rents, which will stay tied to 80% AMI levels) for a period of 12 months for all 108 of the 80% AMI units to allow the project to gather data and align with the workforce housing needs within the 80 – 110% AMI ranges. Up to three (3) one-year extensions of this amendment could be exercised by the developer automatically, subject to evidence of mutually agreed upon good faith efforts by Project to attract applicants at 80% AMI qualifications.

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

The project aligns with the following DMC and City priorities as follows:

- Workforce housing project within the City, Transit-Oriented Development (TOD) and DMC zones.
- Revitalizes blighted site
- Provides a balanced and sustainable housing stock
- Promotes neighborhood stabilization and revitalization in coordination with the North Broadway reconstruction project
- Increase to the city's tax base

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. __-2024

Approving Further 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 experienced difficulties in renting units at the 80% AMI level. 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. On March 17, 2023, the City and the EDA staff recommended a six-month revision in the income eligibility requirements for one-half of the units available at 80% AMI (54 units) of up to 110% AMI.

E. On March 23, 2023, in Resolution No. EC-9-2023, the Executive Committee of the DMCC Board approved certain modifications to the development assistance agreement, including income eligibility changes for 54 units of the Project at the 80% AMI of up to 110% AMI, for a period of six months. The DMCC Board ratified and confirmed this action on May 25, 2023 by Resolution 127-2023. The revisions specified in these Resolutions expired on October 1, 2023.

F. The Project continued to experience difficulties in renting units at the 80% AMI level. By correspondence dated May 16, 2024, and attached hereto as Exhibit A, EDA staff has 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:

- Allowing all of the Project's 80% AMI units (108 units) to be available to prospective tenants with income up to 110% or less of current AMI, without revising rental rates; and
- Continuing this revised income eligibility for a period of one year from the date of approval by the DMCC and the City. Thereafter, absent further approvals, any of these units that are or become vacant shall automatically convert to income eligibility of 80% AMI.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Destination Medical Center Corporation, that it approves, contingent upon approval by the City, the request of the EDA as set forth in Exhibit A to modify the development assistance agreement and related documents to permit all of the Project's 80% AMI units (108 units) to be available to tenants with income of up to 110% or less of current AMI for a period of one year, without revising the rental rate. The Board finds that these revisions are consistent with the Development Plan.

BE IT FURTHER RESOLVED, that the City is authorized to extend the approvals within this Resolution for up to three additional twelve-month periods, under appropriate circumstances, including financial needs demonstrated by the Project.

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 to 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.

Bryk on Broadway Apartments Project

DMC Economic Development Agency and City of Rochester Administration

May 16, 2024

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 all of the units (108 units) restricted to 80% AMI to be rented by persons or families whose income is 110% or less of the area median income until June 15, 2025. The rents for these units will remain at 80% AMI levels. Up to three (3) one-year extensions of this higher AMI limit of 110% are also available providing the Project provides evidence of good faith efforts to attract income-qualified candidates that would meet the 80% AMI threshold. At the end of this modification period these units would convert back to 80% units for the remainder of the Qualified Project Period.
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.

In March of 2023 DMCC and City Council approved an amendment adjusting the income limits for 54 of the 108 units priced at 80% AMI rents for a period of 6 months. This modification did not alter the rental rate of the units, but only broadened the income eligibility of potential renters for 54 of the 180 units in the building up to 110% AMI. There were no changes to the 50% and 60% AMI rental units.

The developer reported in March of 2023 had they not received the 110% AMI qualification 6-month special agreement, they would only have 29 out of 108 80% units rented today. They were able to rent an additional 41 units with the special agreement. The 2023 amendment expired in October 2023. During the period from the expiration in October 2023 until early March 2024, the developer was only able to lease an additional 7 units of the 80% AMI pool of apartments. They had to turn away 26 applicants with incomes that fall between 80% AMI and 110% AMI during that same period.

The developer advertises units in the following places and feels like these are the channels for reaching potential renters:

- rent.com
- zillow.com
- rentcafe.com
- brykonbroadway.com
- apartmentfinder.com
- apartments.com
- facebook
- instagram

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 all 108 units priced at 80% AMI rents. Increasing the rent eligibility for all 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 the 180 units in the building. There are no recommended changes to the 50% and 60% AMI rental units. This will allow for a full year of additional income data to be gathered and inform the future income qualifications for this pool of units when this project is revisited on a regular basis by staff and good faith efforts are documented.

Housing: Civic Center North

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024



Request of the board of directors:

The DMC EDA board of directors recommends that the DMCC designate the proposed development as a Public Infrastructure Project and provide \$3 million in DMC General State Infrastructure Aid. Also, the DMC EDA endorses City plans to finance up to \$13,000,000 in project expenditures from tax increment financing bonds authorized under DMC statute, without seeking credit to the City's \$128,000,000 local contribution. A resolution to this effect has been prepared by staff and is included in the DMC Corp. board meeting materials for your consideration.

Background:



Site: The site is located at 217 E Center Street, directly north of the Mayo Civic Center and along the Zumbro River as it runs through downtown Rochester. The site comprises a total of 1.78 acres, or approximately 77,537 square feet, is generally level, and has frontage along the north side of E Central Street and the south side of 1st Street NE. The site is currently a paved parking lot owned by the City of Rochester, which will be razed prior to the construction of the Subject.

The site was the subject of an RFP released by the City of Rochester in which this project team was selected to advance into further exclusive negotiations as the preferred development partner. That agreement, which has been extended, is due to expire in August 2024 if no development agreement is reached.

Team:

- Developer: Sherman Associates
- Design: ESG Architects
- Engineer: Kimley Horn



Project Objectives:

The project is a residential development consisting of both market-rate and affordable housing units.

The market-rate building is 243 units, 14-story structure and the affordable building is a 76 unit, 5-story low-rise building.

The buildings surround a 348-stall structured parking facility.

The roof of the parking garage will include a mix of landscaping and amenity spaces such a swimming pool and areas for cooking, dining, lounging and recreation. The buildings contain exercise facilities, indoor and outdoor community spaces. Outdoor space along the river includes a public pedestrian trail along the river connecting East Center Street and 1st Street NE.

The project will provide 76 units at varying rent levels as outlined below. For reference, the 2024 Area Median Income (AMI) for Rochester for a single-person household is \$82,100. Typically, affordable housing cost is considered to be 30% of gross income.

- 13 units (17% of total) @ 30% AMI
- 38 units (50% of total) @ 50% AMI
- 25 units (33% of total) @ 60% AMI

The overall unit count and affordability targets are aiming to provide affordable housing opportunities in the downtown that are a quick walk to the downtown core, as well as build the amount of market rate housing available in the downtown core.

DMC/City Priority Alignment:

The project aligns with the following DMC and City priorities as follows:

- Mixed-income housing project within the Downtown Waterfront subdistrict of the DMC
- Revitalizes underutilized site
- Provides a balanced and sustainable housing stock
- Promotes neighborhood stabilization and revitalization
- Increase to the city's tax base.
- First private development customer on the downtown Thermal Energy System
- Project is being designed to meet City and DMC Sustainable Design Requirements which will also benefit occupants in terms of lowering their monthly utility costs via improved building efficiency

Financing:

The project is utilizing the following sources of funding:

- First Mortgage (project team is meeting with multiple lenders)
- Equity (from Development team)
- Public Infrastructure funding (City TIF + DMC proposed funding)
- 45L Tax credit equity
- IRA Funding
- MHFA
- TIF Loan

Following this is a memo from the City of Rochester further describing the proposed project and our financial evaluation.

DESTINATION MEDICAL CENTER CORPORATION**RESOLUTION NO. __-2024****Approving the Civic Center North Apartments Project,
Contingent Upon Evidence of Financing and Certain Conditions****BACKGROUND RECITALS**

A. Under Minnesota Statutes, Section 469.41 Subdivision 13, a project must be approved by the Destination Medical Center Corporation (“DMCC”) before it is proposed to the City of Rochester (the “City”). The DMCC must review the proposed project for consistency with the Development Plan, adopted by the DMCC on April 23, 2015, as amended (the “Development Plan”).

B. The Development Plan established certain goals and objectives of economic development, which include creating approximately 35,000 – 45,000 new jobs, attracting new business, and expanding existing business, as well as implementing strategies to attract, retain, and foster the development of a highly skilled workforce. The Development Plan also directed a comprehensive strategy to address all facets of building and sustaining the development district boundaries as adopted in the Development Plan (the “Development District”).

C. The Development Plan also pursued a housing mix that includes affordable and workforce units, as well as market-rate housing. The Five-Year Update to the Development Plan, adopted by the DMCC on November 19, 2020 in Resolution No. 109-2020, further emphasized the need for housing, particularly with a range of income accessibility, workforce housing, and housing near public transit. The DMCC has determined that affordable and workforce housing within the Development District forms a necessary component of workforce development to support the overall economic development goals and strategies.

D. The DMCC has directed the Destination Medical Center Economic Development Agency (the “EDA”) to be proactive and creative in generating new housing at all income levels. Accordingly, the EDA staff is recommending projects at an earlier stage in the development process to build more market support and enable developers to secure additional funding.

E. By correspondence to the DMCC dated May 16, 2024, and attached hereto as Exhibit A, staff from the City and the EDA have requested approval of the Civic Center North Apartments Project (the “Proposed Project”) as a public infrastructure project. The City undertook a request for proposals process to determine a preferred project team for the site, currently a paved parking lot owned by the City. The Proposed Project is located at 217 E Center Street, directly north of the Mayo Civic Center and along the Zumbro River. The site comprises a total of 1.78 acres, or approximately 77,537 square feet.

F. The Proposed Project is a residential development consisting of both market-rate and affordable housing units nearby downtown employers. As further detailed in Exhibit A, the Proposed Project contemplates 243 market-rate units in a 14-story structure and 76 units of affordable housing in a 5-story, low-rise building. The buildings surround a 348-stall parking facility. The Proposed Project is designed to connect to the City’s downtown thermal energy network. The outdoor space includes a public pedestrian trail along the Zumbro River connecting East Center Street and 1st Street NE. The high-density housing of the Proposed Project is hoped to spur restaurants and other retail uses nearby.

G. The Proposed Project advances a range of housing choices affordable to persons and families who comprise the Development District’s workforce – with 13 units at 30% Adjusted Median Income (AMI), 38 units at 50% of AMI, and 25 units at 60% AMI – supporting the expansion of new jobs and economic development goals of the Development Plan.

H. Pursuant to Minnesota Statutes, Section 469.45, subdivision 4, the City may elect to establish one or more redevelopment tax increment financing districts within the Development District to fund public infrastructure projects.

I. The City plans expenditures and financing of up to \$13,000,000 in funding from tax increment financing bonds, without seeking credit to the City’s \$128,000,000 local contribution. In addition, the City and the EDA request approval of up to \$3,000,000 in funding through general state infrastructure aid under Minnesota Statutes, Section 469.47, subdivision 3.

J. 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” and expressly includes, among other items, the ability to

(3) remediate land and buildings as required to prepare the property for acquisition or development;

(4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, utilities systems and related facilities, utility relocations and replacements, network and communication systems, streetscape improvements, drainage systems, sewer and water systems, subgrade structures and associated improvements, landscaping, facade construction and restoration, wayfinding and signage, and other components of community infrastructure; . . .

(5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit;

(7) make related site improvements including, without limitation, excavation, earth retention, soil stabilization and correction, and site

improvements to support the destination medical center development district
.....

(8) prepare land for private development [and]

(10) construct and equip all or a portion of one or more suitable structures on land owned by the city for sale or lease to private development

K. The site of the Proposed Project is located in the Development District and within the Downtown Waterfront District described in the Development Plan

L. On April 27, 2017, the DMCC approved Resolution No. 51-2017, which requires additional review of projects upon material deviation from the approvals granted, to ensure that “as-built” projects are consistent with approvals that have been granted.

M. The City and the EDA have examined the Proposed Project, applying the evaluation factors contained in the Development Plan, and now recommend the Proposed Project for approval.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the Destination Medical Center Corporation Board of Directors, that the DMCC finds that the Proposed Project is a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11, which provides for: installing or constructing elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, utilities systems and related facilities, streetscape improvements, drainage systems, sewer and water systems, landscaping, facade construction, and other components of community infrastructure; acquiring or constructing parking facilities and other facilities to encourage intermodal transportation and public transit; making related site improvements, excavation, and earth retention; and remediating land and prepare the property for private development; and constructing suitable structures on land owned by the city for sale to private development; and that the DMCC approves the Proposed Project as consistent with the Development Plan.

BE IT FURTHER RESOLVED, that the DMCC approves the Proposed Project for the purposes of Minnesota Statutes, Section 469.47, subdivision 3, of up to \$3,000,000 in funding through general state infrastructure aid, upon final approval by the City, to reimburse eligible public infrastructure expenses.

BE IT FURTHER RESOLVED, that the DMCC approves the Proposed Project for the purposes of Minnesota Statutes, Section 469.47, subdivision 4, and supports the City’s expenditures of up to \$13,000,000 in tax increment financing identified in the Proposed Project, upon final approval by the City.

BE IT FURTHER RESOLVED, that the approvals contained herein are expressly contingent upon: 1) an agreement by the parties to the development assistance agreement as to both tax increment funding and general state infrastructure aid that secures public

funds and enforces the income-affordability criteria set forth in the agreement for a period of at least thirty years, requiring repayment for breach or default; and 2) evidence of financing satisfactory to the Board, such evidence to be presented within 90 days concurrent with the 90 day period set forth in the City's approved development assistance agreement.

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 to financing, schedule, and other elements of the Proposed 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.

To: DMCC Board of Directors

From: Strategic Initiative Team

Date: May 16, 2024

Subject: Use of DMC-enabled Tax Increment Financing District for Sherman Associates proposed Civic Center North Project

The City of Rochester provides the following information relating to the Sherman Project for your consideration. If this meets with DMCC Board approval, the next step would be a City Council request for action.

1. DMCC Board action requested. Grant approval of the prepared resolution to approve the Sherman Associates proposed Civic Center North Project (herein after “Project”) as a DMC Public Infrastructure Project that is consistent with the DMC Development Plan. The approval as a DMC public infrastructure project by the DMCC Board is required before the City Council can act to approve it as a DMC Public Infrastructure Project. Such approval would need to be made contingent upon the City of Rochester’s subsequent approval of the Project as a DMC Public Infrastructure Project and of the Development Assistance Agreement (DAA) for the Project.
2. Current project status/schedule. The City of Rochester has land use, planning and zoning authority for all projects in the City including within the DMC Development District. In addition, the City has the authority to provide financial assistance, if needed, to assist in the development of projects through Tax Increment Financing (TIF) including the authority to establish TIF districts within the DMC Development District.
 - a. Land Use and Zoning Status. The City’s Community Development Team has been working with the Sherman Team regarding the Site Development Plan approval process and requirements. The Site Development Plan application was submitted on May 23, 2023, for approval by the Community Development Team. The current application is waiting on revisions.
 - b. Establishment of Tax Increment Financing (TIF) District and Development Assistance Agreement (DAA) and Approval as a Public Infrastructure Project as identified in the DMC Framework Plan. The land use approvals would allow the Project to proceed to construction by the developer and are independent of any financial assistance considerations or approval as a DMC Public Infrastructure Project. However, the

Developer has indicated the Project would not be able to proceed to construction and be financially feasible without or “but for” some financial assistance from the City or the DMCC. The developer has provided detailed financial information to document the need for \$18.5 Million in assistance to help close the financial “gap” for this Project. The City is recommending that \$13 Million in PAYGO TIF assistance be provided and \$3 Million DMC funding be provided to help the developer close a portion of the financial gap related to the increased infrastructure costs for District Energy. A public hearing on the establishment of a Tax Increment Financing District will be scheduled for a later date.

- c. The City EDA will consider this as a component of the Development Assistance Agreement (DAA) at a future meeting. It should be noted that the City team has been working closely with the DMC EDA team in the review of all aspects of this Project including the proposed amount of financial assistance that is recommended for the Project. The DMC EDA and City teams are in agreement regarding the recommended amount of assistance. Approval by the DMCC Board of the Sherman Project as a DMC Public Infrastructure Project will also mean that DMC provisions relating to prevailing wage rates, women- and minority-owned business contracting and workforce requirements, and American-made steel will also apply for the construction of the Project, as well as meeting the sustainably goals of the DMC.

The City’s review of the financial information provided by the developer which showed a financing gap, was based on a financial analysis of the submitted developer information by Baker Tilly, the City’s financial consultant, which performs such reviews for many communities. The TIF assistance is estimated to equate to approximately 95% of the available annual tax increments for 25 years.

3. Summary of the Proposed Project.

- The project is a residential development consisting of both market-rate and affordable housing units. The market-rate building is 243 units, 14-story structure and the affordable building is a 76 unit, 5-story low-rise building. The buildings surround a 348-stall structured parking facility. The roof of the parking garage will include a mix of landscaping and amenity spaces such a swimming pool and areas for cooking, dining, lounging and recreation. The buildings contain exercise facilities, indoor and outdoor community spaces. Amenity space along the river which includes a public pedestrian trail along the river connecting East Center Street and 1st Street NE.

4. How does the proposed Project address the DMC Development Plan goals and objectives?
 - a. The Project is within the DMC Downtown Waterfront subdistrict and the proposed development will provide opportunities for persons to reside in close proximity to downtown employers. More households in this district will attract other commercial investment near and around the Mayo Civic Center to create more restaurant and retail options.
 - b. The Project will provide a capital investment of nearly \$130 million within the DMC Development Plan area and will increase tax base by over \$816,000 annually, based upon existing tax rates.
 - c. The Project develops a surface municipal parking lot in a manner that is consistent with the Rochester Downtown Master Plan and the City's Comprehensive Plan. Infill development along the Zumbro river will enhance the public space for people using the trail network and adds to the character of the downtown waterfront.
 - d. The project incorporates various sustainability elements, which is consistent with the DMC vision. The project is being designed to connect to the planned district energy system.
 - e. The project construction will be subject to the prevailing wage rates, WMBE and American made steel provisions. Construction will create approximately 500 jobs.



Housing: West Transit Village

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024



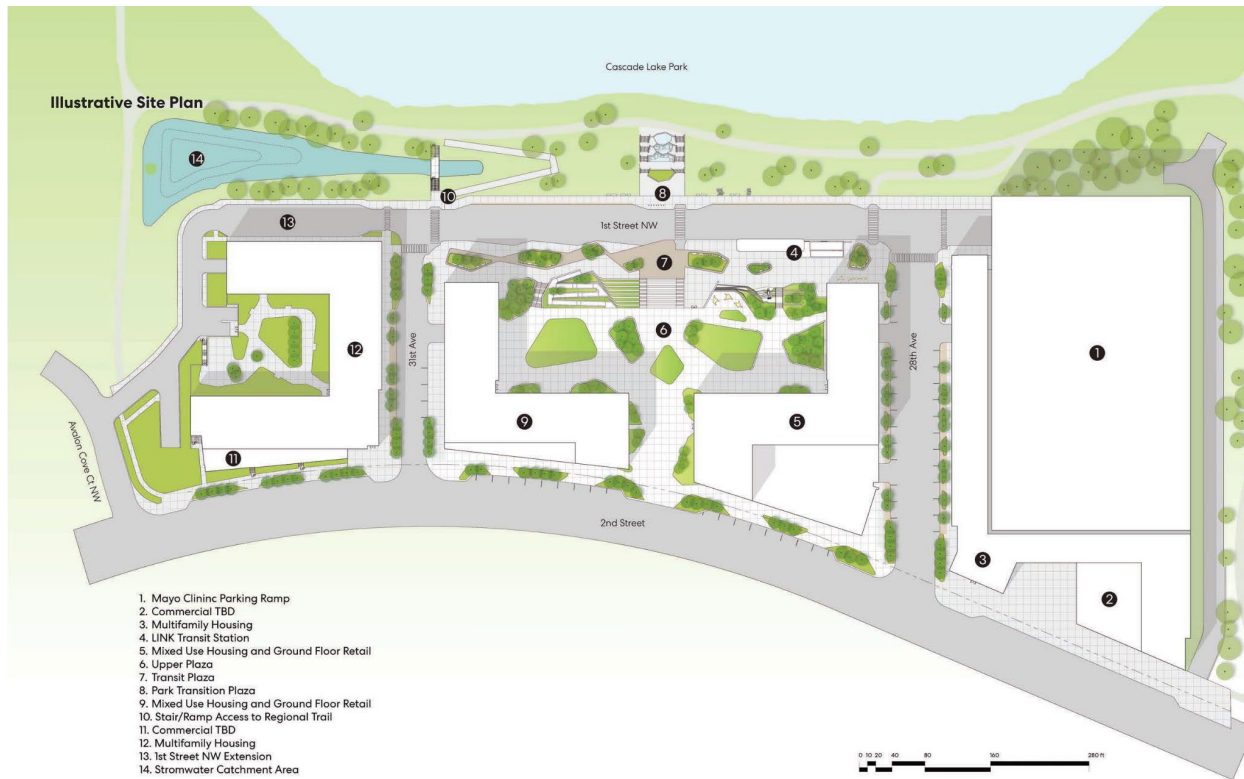
Request of the board of directors:

The DMC EDA board of directors recommends that the DMCC designate the proposed development as a Public Infrastructure Project and provide \$3.9 million in DMC General State Infrastructure Aid. A resolution to this effect has been prepared by staff and is included in the DMC Corp. board meeting materials for your consideration.

Background:

The DMC vision for the West Transit Village is to provide an authentic place where people want to be and leverage the opportunity to make the BRT journey better than a trip in a private single occupant vehicle.

To realize this ambitious vision, Mayo Clinic, the City of Rochester, DMC, and the selected developer team of Kraus Anderson (master developer and market rate housing) and Aeon (affordable housing developer) have worked in collaboration for over a year. The parties have agreed to a public-private partnership approach and are also driven by the FTA transportation funding schedule for the transit elements of the site as well. A master plan has been developed by the development team in close coordination and partnership with Mayo Clinic, DMC, and the City of Rochester:



To realize this vision will require additional infrastructure outside of the Federal BRT project scope as well as support for the housing components of the project.

At this juncture there are over 42 different major components of the site that need to come together to realize

the above vision. Partners are working together to fully develop a detailed matrix of those responsibilities and a schedule in order to maintain the overall project schedule which is built off of the expected opening day of the BRT system in 4Q2026.

While the overall WTV project is not yet developed enough to submit a complete application, there are important funding deadlines for the affordable housing developer (Aeon) that are driving that component of the project to come before the DMCC and City Council in advance of other components of the overall site, namely the annual July deadline for MHFA (Minnesota Housing Finance Agency) funds. If Aeon does not submit this year for those funds they would have to wait another full year to submit, which would make it extremely unlikely that the affordable housing could meet the overall site design and construction schedule, as this component is tightly aligned with the Mayo Parking Ramp schedule.

WTV Aeon 1, or the “Liner” building, is planned to be a 100% Senior (55+) affordable housing project. Aeon is planning on submitting the project to the 2024 Minnesota Housing RFP, due July 11th, 2024. The anticipated mix of housing is as follows:

Current Unit Mix	Count	Affordability (Rent)	Projected Tenant Rents
Unit Type			
1 bedroom	12	30% AMI	\$603
2 bedroom	7	30% AMI	\$831
1 bedroom	46	50% AMI	\$1,065
2 bedroom	29	50% AMI	\$1,267
Total		94	

This building is a critical component of the overall goal of creating a transit village, as the housing will screen the large parking ramp on the eastern edge of the site and contribute to the overall sense of place needed to differentiate a transit village from a park and ride facility.

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

The DMC goal of mode shift for transportation requires a significant portion of commuting trips downtown to shift away from Single Occupant Vehicle (SOV) trips and towards other modes including Bus Rapid Transit. The West Transit Village is a key element of enabling the BRT to function well and provide an experience befitting the goal of DMC vision of a world class destination. The inclusion of affordable and market rate housing, as well as amenity and service retail is critical for this site if it is to realize the DMCC Board vision.

Approvals, milestones, and decision points:

- Request for DMC funds to bolster Aeon application to MHFA for July 11 application deadline
- If approved by DMCC, moves to City Council in June
- Partners continue to develop and refine the overall site infrastructure and market rate housing needs
- Anticipate a full WTV plan presentation and financial analysis by 3Q or 4Q 2024

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. __-2024

**Approving the West Transit Village Liner Housing Project,
Contingent Upon Evidence of Financing**BACKGROUND RECITALS

A. A critical component of the development plan adopted by the Destination Medical Center Corporation (“DMCC”) on April 23, 2015, as amended (the “Development Plan”) concerned mobility, transformative transportation strategies, and related development. The Development Plan highlighted the goal of a mode shift in which a significant portion of commuting trips downtown shifts away from single occupant vehicle trips and towards other modes.

B. To implement these goals, the DMCC has reached significant approvals concerning mobility and transportation. By Resolutions 87- and 89-2019, the DMCC adopted a local preferred alternative for the route alignment and transit mode for the downtown bus rapid transit project now known as “LINK.” The DMCC has consistently emphasized the importance of a transit village destination anchoring LINK at its terminus. In Resolution 79-2019, the DMCC approved the location of mobility hubs and park and ride facilities, on the western end of the route now known as the West Transit Village. By Resolution 100-2020, the DMCC approved a boundary modification to adjust the development district, the geographic area in the City identified in the Development Plan in which public infrastructure projects are implemented (“the Development District”) to include the route and transit village location for Phase 1 of the locally preferred alternative. By Resolution 104-2020, the DMCC approved an application for funding to the Federal Transit Agency Small Starts Program for the LINK project.

C. The Development Plan also highlighted the need for senior housing, with both market rate and affordable housing options. The Five-Year Update to the Development Plan, adopted by the DMCC on November 19, 2020 in Resolution No. 109-2020 (the “2020 Update”), further emphasized the need for housing, particularly with a range of income accessibility and housing near public transit.

D. Under Minnesota Statutes, Section 469.41 Subdivision 13, a project must be approved by the DMCC before it is proposed to the City of Rochester (the “City”). The DMCC must review a proposed project for consistency with the Development Plan.

E. By correspondence to the DMCC dated May 16, 2024, and attached hereto as Exhibit A, staff from the Destination Medical Center Economic Development Agency (the “EDA”) has requested approval of the West Transit Village Liner housing project (the “Proposed Project”) as a public infrastructure project.

F. The Proposed Project is a residential development consisting entirely of senior (55+) affordable housing. The Proposed Project contemplates 94 housing units. It plans to seek additional funding from the Minnesota Housing Finance Agency.

G. The Proposed Project advances a range of housing choices affordable to seniors, including:

- Twelve one-bedroom units and seven two-bedroom units at 30% Adjusted Median Income (AMI); and
- Forty-six one-bedroom units and twenty-nine two-bedroom units at 50% AMI.

H. 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” and expressly includes, among other items, the ability to

(3) remediate land and buildings as required to prepare the property for acquisition or development;

(4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, . . . and other components of community infrastructure; . . .

(5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit;

(7) make related site improvements including, without limitation, excavation, earth retention, soil stabilization and correction, and site improvements to support the destination medical center development district

(8) prepare land for private development

I. The site of the Proposed Project is located in the Transit Village and Station Areas subdistrict described in the 2020 Update.

J. The DMCC Board approved the 2024 Five Year Capital Improvement Plan (the “2024 CIP”) on September 28, 2023 and approved the projects set forth in the first year of the 2024 CIP as public infrastructure projects within the meaning of Minnesota Statutes Section 469.40, subdivision 11, and consistent with the Development Plan. The 2024 CIP was later approved by the City.

K. The 2024 CIP provided funding for the Strategic Redevelopment Fund, which was first approved in the 2021 Five Year Capital Improvement Plan. Staff has informed the DMCC that a portion of the funds from the Strategic Redevelopment Fund is available for reallocation. As set forth in Exhibit A, EDA staff requests that the DMCC amend the 2024 CIP to reallocate funds in an amount not to exceed \$3,900,000 from the Strategic Redevelopment Fund to the Proposed Project.

L. The EDA has examined the Proposed Project, applying the evaluation factors contained in the Development Plan, and now recommend the Proposed Project for approval.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the Destination Medical Center Corporation Board of Directors, that the DMCC finds that the Proposed Project is a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11, which provides for: constructing and equipping parking facilities and other facilities to encourage intermodal transportation and public transit; installing or constructing elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, and other components of community infrastructure; making related site improvements, excavation, and earth retention; and remediating land and prepare the property for private development; and that, subject to approval by the City, the DMCC approves the Proposed Project as consistent with the Development Plan.

BE IT FURTHER RESOLVED, that the DMCC amends the 2024 CIP by reallocating funds reserved for the Strategic Redevelopment Fund to the Proposed Project in an amount not-to-exceed \$3,900,000, subject to approval by the City.

BE IT FURTHER RESOLVED, that the approvals contained herein are expressly contingent upon: 1) evidence of financing for the Proposed Project from the Minnesota Housing Finance Agency; and 2) evidence of long-term income-affordability criteria and appropriate enforcement as agreed in the Project's development assistance agreement with the City.

BE IT FURTHER RESOLVED, that the EDA staff are requested to provide updates with respect to financing, schedule, and other elements of the Proposed 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.

West Transit Village (WTV) - Aeon Phase 1 Evaluation Report May 16, 2024

EXECUTIVE SUMMARY / RECOMMENDATION

STATEMENT OF RECOMMENDATION:

Based on information provided by Aeon (the “Applicant”), WTV - Aeon Phase 1 (the “Proposed Project”) aligns with the Destination Medical Center (“DMC”) vision and is consistent with the DMC goals, objectives, and values. Development of affordable housing units is among the highest priorities for the DMCC Board of Directors.

The following report evaluates the Proposed Project on all criteria as required by the Development Plan. Based on these criteria, the Destination Medical Center Economic Development Agency (“DMC EDA”) would categorize the Proposed Project as a high priority DMC project that has immense potential to help realize the vision, goals and objectives of the DMC initiative.

DMC EDA recommends DMC support for the project in the amount of \$3.9 million, using the DMC general state aid infrastructure dollars provided by the State of Minnesota.

We further recommend an on-going financial audit to ensure the project built is consistent with the project proposed and approved and to confirm the costs of the relevant public infrastructure components of the project. It is understood that the applicant will provide all requested documentation to facilitate this audit and work in good faith with representatives of the DMCC and DMC EDA, or their consultants, in this process.

STATEMENT OF ELIGIBILITY:

Based upon information provided by the Applicant the Proposed Project meets the definition of “public infrastructure project” under the DMC Act, is consistent with the DMC Development Plan, and falls within the DMC Development District boundaries (Central Station).

PROJECT SUMMARY:

WTV - Aeon Phase 1 will consist of 92 affordable senior (55+) residential apartments and potentially up to 12,000 sq ft of commercial/retail space (pending feasibility study). A mixed income approach has been accessed and the following housing units will be provided: 50% AMI- 75 units; 30% AMI- 19 units. Amenities within the proposed project include: exercise facility; board room; community space; rooftop community space; library and flexible work from home space and an exterior green space with community interaction. The proposed project is to be 1 floor below grade, 4 floors above grade and XX parking stalls are included in the project for commercial and occupant use. The project is an essential component of the West Transit Village project site at the western terminus of the DMC Development District and along a zoned TOD Corridor.

RELEVANT PROJECT HIGHLIGHTS:

The following list outlines relevant project highlights for consideration:

- **General Project Information**
 - Located in the TOD corridor of the DMC District
 - Affordable housing targeting seniors as part of a larger mixed-income and multi-generational community
 - 12,000 rentable square feet of commercial space
 - Activates the southern and western facades of the 2,500 car parking ramp structure to spur the village component of this important node of transit infrastructure
 - Provides direct access for residents to the LINK Bus Rapid Transit system and well as the Cascade Lake trail system
- **Job Creation**
 - Approximately 5 long-term jobs just for the housing; dependent on the commercial user could be an additional 5
 - Approximately 50-100 construction jobs
- **Energy & Sustainability**
 - Project projected to meet Sustainable Building 2030 targets and have an energy use intensity target of 24-25 kBtu/SF
 - Project will pursue and complete certification of Green Communities Tier 2
 - Project projected to meet waste diversion, water reduction targets, electric vehicle readiness, bike facilities, among other sustainability approaches
 - Project committed to sharing utility data and participate in Rochester's Energy Benchmarking Program for a period of 3 years
- **Financial Details**
 - Total project cost: \$43.7 million
 - Financial gap identified by the developer is \$14.85 Million

EVALUATION REPORT

SECTION 1.0 PROJECT OVERVIEW

WTV - Aeon Phase 1 will consist of 92 affordable senior (55+) residential apartments and potentially up to 12,000 sq ft of commercial/retail space (pending feasibility study). A mixed income approach has been accessed and the following housing units will be provided: 50% AMI- 75 units; 30% AMI- 19 units. Amenities within the proposed project include: exercise facility; board room; community space; rooftop community space; library and flexible work from home space and an exterior green space with community interaction. The proposed project is to be 1 floor below grade, 4 floors above grade and XX parking stalls are included in the project for commercial and occupant use. The project is an essential component of the West Transit Village project site at the western terminus of the DMC Development District and along a zoned TOD Corridor.

SECTION 2.0 MINIMUM ELIGIBILITY REQUIREMENTS OF DMC ACT

Check the following that apply to the Project:

- "Public Infrastructure Project"
 - General Infrastructure Project or
- Within DMC Development District Boundaries

For a project to be eligible for DMC Funding, the project must be (1) a “public infrastructure project” and (2) within the DMC Development District Boundaries.

Per Minnesota Statutes, Section 469.40, Subdivision 11, a “Public Infrastructure Project” is described as a project financed in part or in whole with public money to support Mayo Clinic’s development plans, as identified in the DMCC Development Plan, the Proposed Project would qualify as a “Public Infrastructure Project” as required by the DMC Act.

The Applicant provided a detailed list of eligible infrastructure related improvements including:

Site preparation and remediation, utility connections, streetscape improvements (sidewalk, landscaping and public elements), vacation and utility relocations, parking infrastructure, site clean-up, DMC goal of energy efficiency, and community accessible amenity spaces. The total cost for these improvements is in excess of the total amount requested public assistance.

The Proposed Project is within the DMC Development District Boundaries.

SECTION 3.0 EVALUATION CRITERIA

The DMC EDA's recommendation for the project outlined herein was formed in consideration of the following criteria:

- 3.1 DMC Vision, Goals and Objectives / Development Plan Strategies
- 3.2 Consistency with Development Plan and Other Planning Documents
- 3.3 Financial Viability
- 3.4 Consistency with Adopted Strategies, Phasing and Capital Improvement Planning
- 3.5 Targeted Business Enterprise Strategies
- 3.6 Compliance with Economic-Fiscal Goals and Objectives
- 3.7 Other Project Policy Considerations

SECTION 3.1 DMC VISION, GOALS AND OBJECTIVES / DEVELOPMENT PLAN STRATEGIES

Does the project include a plan for achieving the DMC vision, goals and objectives and is it critical to driving the strategies included in the Development Plan?

Is the project consistent with the stated DMC Goals & Objectives and specifically contributing to job creation?

- ***Does the project meet one or more of the goals and objectives established for the Development Plan?***

The Proposed Project is a mixed income affordable housing project located in a DMC sub-district and within the City of Rochester transit-oriented development zoning district. Second Street is a major future transit corridor within the City when the LINK BRT system commences operations in 2026. Senior affordable housing is needed to support the growth resulting from the DMC project. The project provides housing near downtown retail and services, transit access, while offering units at a variety of deeper-need income levels.

Is the project consistent with the DMC Vision?

- ***Is the project part of a bold and aspirational concept for the future?***

The Proposed Project is consistent with the DMC vision of creating a place to Live, Work, Play and Thrive. Based on an economic analysis of housing needs for Rochester, the City needs over XXXX units of housing for individuals earning between 30-50% AMI by 2040. The 92 units incorporated in this project will help build toward meeting this demand.

- ***Does the project fit with the principles of the vision?***

With Mayo Clinic at its heart, the Destination Medical Center (DMC) initiative will be the catalyst to position Rochester, MN as the world's premier destination center for health and wellness; attracting people, investment and jobs to America's City for Health and supporting the economic growth of Minnesota and its biosciences sector." We believe the proposed project aligns with this core principle as it will provide a key piece of infrastructure for growth; an affordable place to live.

- ***Does the project provide a framework for growth in this sub---district?***

The vision for the West Transit Village has been refined over several years and this project is the first residential component of the site coming forward alongside the transit infrastructure that has already been approved for funding by the DMCC Board. Further, constructing units along a transit corridor, provides an opportunity for residents to live in Rochester without depending on a vehicle. This development revitalizes a surface parking lot and provides opportunities to live adjacent to a high frequency mobility option that connects directly to all the major downtown assets of Rochester.

Does the project build infrastructure to support growth and drive investment?

- ***Would the investment occur without the public infrastructure to be funded?***

The Applicant states they would not be able develop this project without public assistance. Based on our own independent analysis, we concur. As stated above, the mixed income approach of this project helps provide affordable units for seniors connected to the downtown and community.

- ***Is the proposed public infrastructure solely for the benefit of the project or does it also support the broader vision of the DMC District?***

As identified in the Infrastructure Master Plan, there are six (6) key areas of infrastructure requirements: (1) public utilities, (2) bridges, subways and skyways, (3) shared parking, (4) parcel development, (5) civic uses, cultural uses and public amenities, and (6) technology improvement. The Proposed Project includes elements encouraging pedestrian engagement, alternative modes of transportation, promotes sustainable building practice, is connected to a major mobility investment, and will provide much-needed housing for seniors which is in undersupply.

- ***Will the public funding accelerate private investment in the Development District or applicable sub district?***

The Proposed Project contributes 92 units of housing ranging between 30-50% AMI units. To meet the needs of renters – the majority of whom live in Rochester – Olmsted County needs to build 1,274 affordable housing units by 2030 (Olmsted County, 2020). Additionally, an October 2023 report commissioned by Aeon found significant demand for senior housing projects, affirming that new, 55 plus senior housing developments have been well-received in Rochester, with strong absorption in their first years (Cadence Marketing Solutions, LLC, 2023).

The Project is meant to act as the catalyst for future development and job growth within the district as well as the first step in evolving the West Transit Village site beyond the mobility infrastructure already planned.

Does the project provide a catalyst for/or anchor for an approved strategy?

- ***Can the project reasonably be expected to catalyze or anchor development in one of the six sub districts?***

The Proposed Project will be the catalyst for the TOD corridor and provide a key piece of housing infrastructure. Its location is an example of how complex TOD development can happen in Rochester and the state of Minnesota, and will generate momentum for other developments – residential and otherwise.

- ***Can the project reasonably be expected to catalyze necessary transportation/transit strategies?***

The Proposed Project will encourage the use of alternate means of transportation with the availability of bike storage and electric vehicle chargers. Moreover, the project is located at the west hub of the LINK BRT project, the largest single investment in public transportation in Rochester to date and the first Bus Rapid Transit system in the State of Minnesota outside of the Twin Cities metro area. Between the facility amenities that foster alternative transportation possibilities and its adjacency to a transit hub the Project will provide a range of options for the residents to move throughout the district and City.

SECTION 3.2 CONSISTENCY WITH DEVELOPMENT PLAN, OTHER PLANNING DOCUMENTS

Does the project include a plan for achieving consistency with the Development Plan (and any updates thereto) and o t h e r relevant planning documents?

Is the project consistent with the DMC Planning Documents?

- ***Is the project consistent with the current DMC Master Plan, Transportation Master Plan, and/or Infrastructure Master Plan?***

The Proposed Project fits well with the vision and principles of the DMC Master Plan. It’s also consistent with the transportation and infrastructure master plans.

- ***Is the project consistent and/or supportive of the Finance Plan, Business Development Plan and other Implementation strategies of the DMC?***

Yes, a key strategy of these plans is to develop places for people to live that are affordable. This project expands on this possibility by providing units at a range of income levels. Further, its energy efficiency approach will minimize the utility costs for the building occupants.

Is the project consistent with the City/County Planning Documents?

- ***Is the project consistent with the RDMP Plan or City Comprehensive Pan?***

Yes, the proposed project is consistent with the City Comprehensive Plan as a block suitable for redevelopment in the hopes of achieving higher density in the transit-oriented development zoning district, and repurposing blighted downtown lots.

- ***If a Transit/Transportation project, is the project consistent with the ROCOG long---range Transportation Plan?***

The ROCOG model was utilized for DMC to determine the effects of development and transportation system changes. One main area of the model considers the trips generated by land uses and activities. The Proposed Project will have limited impact on the current traffic flow, in addition the project is designed to incorporate various options for alternate transportation to reduce the single-vehicle traffic flow in the Development District.

The Proposed parking structure, bike parking facilities, location at the major transit hub on the western end of LINK BRT, and the retail and service options within walking distance help reinforce and carry the vision of the DMC Integrated Transit Studies.

Does the project support sustainability principles as a core objective in the development and operations of the project?

As part of the project’s Application for Funding, relative to Sustainable Elements, our team acknowledges and is working towards the (9) listed goals of the DMC Plan below, including a whole-building energy performance evaluation process.

- The WTV - Aeon Phase 1 project incorporates the Destination Medical Center Design Guidelines and Destination Medical Center Development Plan.
- The SB2030 EUI target for the building, calculated based on the conceptual design, is estimated at 23 KBtu/sq.ft.-yr. Costs and impacts of various systems including geothermal energy are being studied.

- The General Contractor will develop a Construction Waste Plan.
- The percent of water reduction is still being calculated. The intent is to use low flow WaterSense fixtures. Meeting the requirement of a 20% reduction seems likely based on the project's current approach.
- The percent irrigation reduction is still being calculated. Given the building footprint, the amount of outdoor irrigated area is limited. The irrigation system will be efficient, incorporating WaterSense labeled weather-based irrigation controllers.
- The site for this project was based on an overall vision and master plan for the West Transit Village. The covered parking area of this building will provide the infrastructure for a select number of future EV charging stations as well as house tenant bike storage.
- Green Communities Tier 2 has been selected as the third-party green building rating system. After multiple rounds of design and analysis, and according to Aeon's standard level of design, construction, and operation, we expect this project will perform well above the minimum level of compliance.
- Ownership has agreed to participate in the City of Rochester's Voluntary Energy Benchmarking Program.
- Ownership is also interested in pursuing all utility incentive programs through RPU and MERC.

SECTION 3.3 **FINANCIAL VIABILITY** *[Form may vary based on size/scope of project]*

Does the project include a plan that is financially viable?

- Project Summary (e.g. concepts, detailed program, project team, etc.)
- Total Project Budget
- Sources of funding, demonstrating a verifiable gap that justifies DMC Funding
- Project Operating Pro Forma including an overview of any operations and maintenance funding that may be required
- A Project Plan and/or Market Study supporting the demand/need for the project
- Demonstration of financial capacity to support the project

Is the project supported by current market conditions and comprehensive feasibility studies?

Yes. The applicant has shared its data with the DMC EDA staff.

Does the project leverage additional private funds, maximizing the use of DMC Funds?

Yes, the proposed project leverages multiple sources of funds, including philanthropic and other public sources.

Is the preliminary project finance plan comprehensive and viable based upon Project Team and financial capacity?

Yes. The financial plan presented is comprehensive and viable but only with the proposed DMC assistance of \$3.9 million.

Is the project inclusive of an Operation and Maintenance pro forma?

Yes. The project proforma accounts for estimates of operating costs and maintenance expenses.

Is there a verifiable gap for funding based upon a reasonable return on private investment?

Yes. One key driver of the gap is that this development is a key component of a highly complex and visionary master plan and is essential for screening the transit infrastructure on the site to catalyze the “village” in West Transit Village.

Is the proposed operating structure sustainable?

Yes, we believe the operating structure is sustainable due to Aeon’s strong standing and track record in affordable housing.

Does the Project impose any financial obligations on the DMC or City for ongoing operational or maintenance support?

No. The City and DMC would have no on-going responsibilities for operational or maintenance support.

Has the project applicant agreed to execute the DMC Development Agreement?

If awarded all sources of funding needed for successful realization of this project, the applicant has stated that they will agree to execute the DMC Development Agreement consistent with all expectations of the City and DMC.

SECTION 3.4 CONSISTENCY WITH ADOPTED STRATEGIES, PHASING, AND CAPITAL IMPROVEMENT PLANNING

Is the project consistent with adopted strategies and/or one or more projects for the current implementation phase of the DMC initiative?

Is the project part of an approved strategy and current focus? Is the project outlined as an approved strategy for the project within the Development Plan?

The proposed project is consistent with the DMC priority surrounding transit-oriented housing development to support housing at a variety of price points.

Is the project recommended as a focus for the particular phase of the project in the Development Plan?

The Proposed Project aligns with the needs Olmsted County has identified for various tiers of affordability for housing and is located within the DMC District.

Is the project consistent with the DMC CIP?

- **If public, is the project specifically listed in the DMC---CIP? Or is the project necessary to facilitate a DMC related strategy?**

N/A

- **If private, is the project otherwise compatible with the planned public improvements in the DMC---CIP?**

Yes, this project is part of a larger investment known as the West Transit Village component of the LINK BRT project.

SECTION 3.5 TARGETED BUSINESS ENTERPRISE STRATEGIES *[Form may vary based on size/scope of project]*

Does the project include a plan for achieving Local Business, S/M/WBE Project Requirements and other project requirements, as applicable?

Has the applicant agreed to execute the DMC Development Agreement? (The terms of which are provided in form to all applicants)?

Yes, the Applicant has agreed to execute the DMC Development Agreement, understanding DMC goals for targeted business, and S/M/WBE requirements.

SECTION 3.6 COMPLIANCE WITH ECONOMIC-FISCAL GOALS AND OBJECTIVES

Does the project include a plan to comply with or support the economic-fiscal goals and objectives of the DMC initiative?

Does the project generate substantial economic-fiscal gain based upon job projections?

Yes. The project is anticipated to provide 50-100 temporary construction jobs and 5-10 new permanent jobs.

Does the project maximize the opportunity for investment by attracting other private capital?

To meet the needs of these renters – the majority of whom live in Rochester – Olmsted County needs to build 1,274 affordable housing units by 2030 (Olmsted County, 2020). Additionally, an October 2023 report commissioned by Aeon found significant demand for senior housing projects, affirming that new, 55 plus senior housing developments have been well received in Rochester, with strong absorption in their first years (Cadence Marketing Solutions, LLC, 2023).

Is the project required (e.g. public works) to continue to seed investment in the DMC District?

The project will add to the overall eligible costs that are certified by DEED each year, increasing the amount of available public investment.

Does the project support the economic strategies of the project by providing civic/cultural uses and/or public amenities that support strategic growth in the DMC Development District and/or specific business development and economic development strategies that are adopted as part of the DMC Development Plan?

The project will add new, diverse income level housing, contribute to the sense of place at West Transit Village and meet DMC design guidelines. It is designed to meet different income levels for jobs available within downtown Rochester.

SECTION 3.7 OTHER PROJECT POLICY CONSIDERATIONS

Is the project inside the DMC Development District?

Yes.

If the project is not inside the DMC Development District, are they asking for a boundary change?

N/A

Does the project include any distinctive social and/or community benefits that are not specifically required by the DMC Act?

WTV - Aeon Phase 1 is consistent with the DMC vision of a mixed use walkable and transit-oriented downtown, diversifying the housing options available within the district, densifying at a critical transportation node, and leveraging transportation investments. It is being delivered by a developer with a strong track record in affordable housing.

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. _-2024

**Approving an Amendment to the 2024 Five Year Capital Improvement Plan as to
the City DMC Project Management Team**

BACKGROUND RECITALS

A. The Destination Medical Center Corporation (“DMCC”) and the City of Rochester (the “City”) annually approve a five-year capital improvement plan. Starting with the 2020 Five Year Capital Improvement Plan, the DMCC and the City have included a category for City staff overseeing and managing projects approved by the DMCC and the City (“City DMC Project Management”).

B. The DMCC approved the 2024 Five Year Capital Improvement Plan (the “2024 CIP”) on September 28, 2023 and approved the projects set forth in the first year of the 2024 CIP as public infrastructure projects within the meaning of Minnesota Statutes Section 469.40, subdivision 11, and consistent with the development plan adopted by the DMCC on April 23, 2015, as amended (the “Development Plan”). The 2024 CIP was later approved by the City. The 2024 CIP provided funding for the City DMC Project Management category in the amount of \$1,157,454.

C. The DMCC, the City, and the EDA have considered additional resources and staff necessary to support significant DMC-related development projects, including Mayo Clinic’s *Bold. Forward. Unbound. in Rochester.* initiative. To allow additional staff to support the City DMC Project Management team, staff from the City and the EDA request that the DMCC amend the 2024 CIP to increase the funding for this category by an amount not to exceed \$67,000. This increase will support Deputy City Administrator Cindy Steinhauser’s assuming new responsibilities for coordinating construction activities within the development district – the geographic area in the City identified in the Development Plan in which public infrastructure projects are implemented – and overseeing the City DMC project managers. Staff has reasoned that this increase is intended to encompass fifty percent of all costs related to this position, effective July 1, 2024, and that the source of funding for this increase is expected to be the local sales tax related to the DMC initiative.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the Destination Medical Center Corporation Board of Directors, that the DMCC approves, subject to approval by the City, an amendment to the 2024 CIP by increasing the amount budgeted for City DMC Project Management by an amount not to exceed \$67,000.

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

May 16, 2024

TO: DMCC Board of Directors

FROM: DMC EDA

RE: 2024 DMC CIP Budget Amendment

In February 2019, the DMCC approved a recommendation from the DMC EDA and City staff to create a DMC Project Management team within the City of Rochester. The team focuses on DMC plan implementation and project delivery, and the costs associated with these services are included in the DMCC's annual funding request.

As the City prepares to support the development associated with Mayo Clinic's "Bold. Forward. Unbound. in Rochester." program, Deputy City Administrator Cindy Steinhauser will be assuming new responsibilities for coordinating these construction activities within the DMC development district and overseeing the City DMC project managers. The DMC EDA is proposing that the 2024 DMC CIP be amended so that, effective July 1, 50% of this position (salary, benefits, work-related travel and professional development) can be considered a DMC expenditure and paid from the City's DMC sales tax revenue.

The increase to the 2024 budget is \$67,000. Any future cost-sharing related to this position will be incorporated into the annual funding request.

Historic District DMC Funding

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2024

Request of the board of directors:

To designate the Downtown Historic District as public infrastructure and advances a program of financial support of up to \$5 million for eligible capital improvements to properties within the district.

Overview:

With direction for the DMCC board, DMC EDA staff have worked in collaboration with the DMC EDA board, DMCC legal counsel, the City of Rochester, and other downtown stakeholders, to conduct further due diligence regarding a downtown property support program, including program parameters, funding application process, and goals. Staff continue to evaluate similar programs, including the DMC EDA-administered Main Street Economic Revitalization Program and the Rochester Downtown Alliance Facade Improvement Grant Program, as well as past historic property investments, to affirm the demonstrated need and applicability of this proposed program. Additional detail will be provided for the board discussion.

The Rochester City Council, after considerable deliberation, established a Downtown Historic District, a 32-property district (28 contributing buildings).

After significant evaluation, DMC EDA staff recommend directing support to the newly established downtown historic district. The framework for this approach is described in detail in the attached memo.

In summary:

1. Support for property rehabilitation, repair, and reuse within the Downtown Historic District is consistent with the DMC enabling legislation;
2. Investment in historic properties is contemplated in the DMC Development Plan;
3. A program which supports and incentivizes private investment in properties will advance DMC goals related to job growth, capital investment, tax base enhancement, and visitor/resident experience;
4. Resources of such a program were noted when the 2024 CIP budget was established under the line-item Strategic Redevelopment;
5. These resources will complement other programs and strategies to ensure a successful downtown historic district;
6. The impact of this program is predictable and measurable; progress will be reported annually.

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. _-2024

Approving Downtown Property Preservation Program to Address Public Infrastructure Projects within the City of Rochester’s Downtown Commercial Historic District, and approving Amendments to the 2024 Five Year Capital Improvement Plan

BACKGROUND RECITALS

A. The Destination Medical Center Corporation (“DMCC”) established five long-term goals for the Destination Medical Center (“DMC”) initiative, including creating a comprehensive and strategic plan, new jobs, tax revenues, and achieving the highest quality patient, companion, visitor, employee, and resident experience.

B. The DMCC has long recognized the important role of historic preservation to achieve these goals. The Development Plan adopted by the DMCC on April 23, 2015, as amended (the “Development Plan”) recommended strategies and programs to encourage preservation efforts: “The preservation of historic landmarks and districts is an important part of a City’s historic fabric. . . . As the DMC implementation process moves forward, we recommend the EDA work with federal agencies, state agencies and local organizations to evolve strategies and programs to incent historic preservation [in the] DMC District.”

C. On January 22, 2024, the City of Rochester (the “City”) established a downtown commercial historic district of thirty-two properties (the “Commercial Historic District”) located within the development district boundaries as adopted in the Development Plan (the “Development District”).

D. By correspondence to the DMCC dated May 16, 2024, and attached hereto as Exhibit A, staff from the City and the Destination Medical Center Economic Development Agency (the “EDA”) recommend establishing a downtown property preservation program (the “Program”). The Program would provide an application and general state infrastructure aid funding process for public infrastructure projects within the Commercial Historic District.

E. Under the recommended Program:

1. The City and the EDA staff will establish an application process and deadlines;
2. Each eligible project is subject to specific approval by the DMCC and the City;
3. The maximum amount of funding is \$500,000 per property (according to the property identification number) within the Commercial Historic District;

4. Multiple applications by one property identification number are permitted, subject to the maximum amount of funding above;
5. General state infrastructure aid (Minnesota Statutes, Section 469.47) funds approved by the DMCC and the City will not exceed fifty percent of any eligible project expenditure; and
6. Funding will remain available until the earlier of December 31, 2029 or action by the DMCC and the City, in accordance with the statutes.

F. The Program will require each applicant to demonstrate that the proposed project:

1. Satisfies the definition of a “public infrastructure project” under Minnesota Statutes, Section 469.40, subdivision 11;
2. Lies within the Development District and is defined as a “contributing property” within the Commercial Historic District;
3. Is consistent with the Development Plan;
4. Achieves a capital improvement that is intended to be a permanent asset of the Commercial Historic District; and
5. Satisfies the statutory requirements, including prevailing wages, American-made structural steel, as well as local requirements, such as sustainable building standard, women- and minority-owned construction contracting, and workforce development (collectively, “Program Requirements”).

G. 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” and expressly includes, among other items, the ability to

(2) demolish, repair, or rehabilitate buildings;

(4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including but not limited to: . . . utilities systems and related facilities; . . . streetscape improvements; drainage systems; sewer and water systems; subgrade structures and associated improvements; landscaping; facade construction and restoration; design and predesign, including architectural, engineering, and similar services; . . . construction costs, including all materials and supplies; wayfinding and signage; community engagement; . . . and other components of community infrastructure;

(5) acquire, construct or reconstruct, and equip . . . other facilities to encourage intermodal transportation and public transit; [and]

(6) install, construct or reconstruct, furnish, and equip . . . facilities to promote tourism and hospitality, conferencing and conventions.

...

H. The DMCC Board approved the 2024 Five Year Capital Improvement Plan (the “2024 CIP”) on September 28, 2023 and approved the projects set forth in the first year of the 2024 CIP as public infrastructure projects within the meaning of Minnesota Statutes Section 469.40, subdivision 11, and consistent with the Development Plan. Final approval of each of the capital projects remained subject to a later specific approval by the DMCC upon final determination of scope, costs, and availability of funds. The 2024 CIP was later approved by the City.

I. The 2024 CIP provided funding for the Strategic Redevelopment Fund, which was first approved in the 2021 Five Year Capital Improvement Plan. Staff has informed the DMCC that a portion of the funds from the Strategic Redevelopment Fund is available for reallocation. As set forth in Exhibit A, attached, staff from the City and the EDA request that the DMCC amend the 2024 CIP (1) to reallocate funds up to \$5,000,000 from the Strategic Redevelopment Fund to the Program; and (2) to approve the Program, subject to later specific approval of each project by the DMCC and the City upon final determination of scope, costs, satisfaction of statutory criteria, and availability of funds.

J. On April 27, 2017, the DMCC approved Resolution No. 51-2017, which requires additional review of projects upon material deviation from the approvals granted, to ensure that “as-built” projects are consistent with approvals that have been granted.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the Destination Medical Center Corporation Board of Directors, that the DMCC approves the creation of the Downtown Property Preservation Program, subject to approval by the City, under the terms and conditions set forth in this resolution as consistent with the Development Plan, satisfying the components of a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11, and located within the Development District, all subject to final approval by the DMCC and the City of each proposed project under the Program upon final determination of scope, costs, availability of funds, and statutory criteria.

BE IT FURTHER RESOLVED, that the DMCC amends the 2024 CIP by reallocating funds reserved for the Strategic Redevelopment Fund, to the Program, in an amount not-to-exceed \$5,000,000, subject to approval by the City.

BE IT FURTHER RESOLVED, that in the expenditure of funds for the Program, the City and EDA must comply with the following:

1. Expenditures for the Program must satisfy the terms and conditions of this Resolution, including, but not limited to, the parameters of the Program and the Program Requirements as set forth in the Recitals, which are incorporated herein.
2. Provide certification that the Program expenditures comply with this Resolution and statutory requirements.
3. Provide annual reports to the DMCC Board concerning Program updates, expenditures, metrics to evaluate the success of the Program, and recommendations concerning future funding in the capital improvement plan.

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

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

May 16, 2024

TO: DMC Corp. Board of Directors

FROM: Destination Medical Center Economic Development Agency

RE: Historic District Analysis and Report

Background

On February 1, 2024, the DMCC board of directors directed the DMC EDA to prepare, and present at a future DMCC board meeting, parameters and goals for a potential downtown property support program.

In response to this direction, we engaged in due diligence informed by the following questions:

- I. Under the DMC Law, **can** the DMCC approve the establishment of and funding for a downtown property support program?
- II. Given DMC’s development plan goals, **should** the DMCC approve the establishment of and funding for a downtown property support program?

We have summarized our findings regarding each of these questions below. Following that, we describe proposed program parameters and a recommended course of action for board consideration.

Due Diligence Analysis

- I. Under the DMC Law, can the DMCC approve the establishment of and funding for a downtown property support program?

A proposed project, public or private, may only receive DMC funding after three determinations are made by the DMCC and Rochester City Council: first, that the proposed project is within the DMC development district; second, that the proposed project meets one or more of the definitions of “public infrastructure project” under the DMC law; and, third, that the proposed project is consistent with the DMC Development Plan.

The DMC law prescribes that DMC funding may be approved for several uses, including:

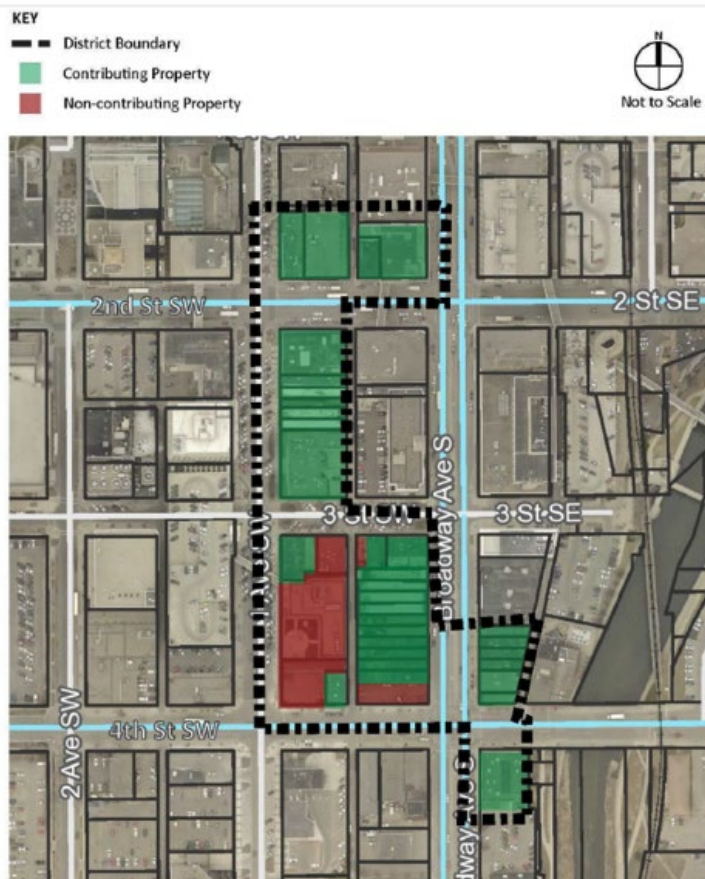
- A. Acquire real property and other assets associated with the real property;
- B. Demolish, repair, or rehabilitate buildings;
- C. Remediate...buildings as required to prepare the property for acquisition or development;
- D. Install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to...streetscape improvements...landscaping, façade construction and restoration, wayfinding and signage, and other components of community infrastructure;

- E. Make related site improvements including, without limitation, excavation, earth retention, soil stabilization and correction, and site improvements to support the destination medical center development district.

II. Given DMC’s development plan goals, should the DMCC approve the establishment of and funding for a downtown property support program?

As we evaluated possible variations of a downtown property support program, the alignment between the City of Rochester’s designation of a Downtown Commercial Historic District and the DMC development plan increased the viability of a “historic property” funding program.

In January 2024, the Rochester City Council designated a downtown commercial historic district comprised of thirty-two properties:



The DMC development plan recognizes the importance of historic preservation and suggests possible means of support. From the plan:

“The preservation of historic landmarks and districts is an important part of a City’s historic fabric. The City of Rochester is currently undertaking a study to better define policies and ordinances around the City’s cultural assets. The DMC Master Plan (Section 6.0) and Infrastructure Plan (Section 8.0) recognize this study is underway and assumes the Development Plan will (defer) to City ordinances on this matter.

As the DMC implementation process moves forward, we recommend the EDA work with federal agencies, state agencies and local organizations to evolve strategies and programs to incent historic preservation (in the) DMC District. A preliminary list of strategies that may be considered includes:

- A. Work with City and local organizations to identify historic assets, policies and ordinances that recognize an economic and cultural balance between development and preservation. Recommend policies and funding guidelines to support implementation of the plan.*
- B. Identify federal, state and other resources such as Historic Tax Credits (HTC's) that may assist developers and private investors in preservation of key assets.*
- C. Assist developers and private investors in applications for grants and/or funding proposals."*

In addition to the alignment between the City-designated historic district and the direction provided in the DMC development plan, several other considerations bolstered the case for a historic district support program:

- A. A designated historic district provides an initial project evaluation framework that can ensure that investments become permanent community assets, whether in a district-wide investment like streetscape enhancement or a property-specific capital improvement.
- B. A historic district support program can serve as an additional "tool" in the DMC toolbox, alongside prior and ongoing investments in public realm; district energy; streets and sewers; infrastructure supportive of specific workforce housing, bio-med-tech; bus rapid transit; area planning; and other growth-driven needs.
- C. Approving funds for investment in the historic district creates another promotional incentive to include in DMC retail, dining, and entertainment business recruitment and retention strategies.

Proposed Program

Following our due diligence analysis, we considered possible program parameters with a goal to address the following questions and issue a recommended course of action:

- I. What would qualify for DMC funding?
- II. What legal requirements and policy standards need to be considered?
- III. How much funding should be available for a proposed project?
- IV. How would DMC direct funding to historic properties?
- V. What would an application intake, review, consideration, and oversight process look like?
- VI. How much DMC funding should be designated for this program?

Addressing these questions has involved numerous informal discussions between DMC EDA and City officials, property owners, community non-profit organizations, business owner-operators, downtown residents, and others. The insights gleaned from these conversations have been invaluable and have informed our recommended programmatic approach.

Our advisory recommendations related to the resolution of each of the above questions are below.

I. What would qualify for DMC funding?

We recommend that any project considered for DMC funding meet the following criteria:

- A. Meet the DMC statutory definition of “public infrastructure project”.
- B. A proposed project must result in a capital improvement that is intended to be a permanent asset of the downtown historic district. Temporary or non-fixed assets would not be eligible for DMC funding.
- C. That the proposed project occur at a contributing property of the current downtown commercial historic district.

We further recommend that, for reporting and program evaluation purposes, the board require that projects be proposed and presented in four categories of investment:

- A. Adaptive Reuse: Conversion of property use, such as office to retail or restaurant, or renovating vacant second-story space for housing or commerce, etc..
- B. Building System Upgrades: HVAC, electrical, plumbing, etc.
- C. Building Safety and Preservation: Exterior envelope sealing, accessibility improvements, etc.
- D. Code Modernization: Improvements made to legaced properties in relation to ADA or other regulatory compliance, preparation of reuse, future reinvestment, sale, etc.

II. What legal requirements and policy standards need to be considered?

The DMC law requires that all projects financed with DMC funds must pay prevailing wage to project contracting teams and, if applicable, utilize American-made structural steel. These legal requirements must apply to any project approved under a historic district support program.

Additionally, the DMCC and Rochester City Council have adopted local policies related to sustainable building standards and women- and minority-owner construction contracting and workforce requirements. Unless waived or modified by the DMCC and City Council, these policies would be applied to any project approved under a historic district support program.

III. How much funding should be available for a proposed project?

In addition to the program eligibility requirements described above, we recommend that proposed project funding requests should be subject to funding requirements:

- A. DMC funding covers fifty percent of any eligible expenditure.\
- B. DMC funding be limited to a maximum of \$500,000 per property, as determined by the parcel identification number (PIN) of the eligible properties in the current City of Rochester Downtown Commercial Historic District.

- C. To allow property owners and tenants maximum opportunity to prioritize capital investments, funding may be applied for and received more than once, subject to the \$500,000 maximum described above.
- D. To align historic district construction activity with other major downtown improvements, including Link BRT and Bold. Forward. Unbound. in Rochester., program funding will remain available for request through December 31, 2029 or until rescinded by action of the DMCC.

To determine the total amount of funding to recommend for designation to the proposed historic district support program, we evaluated a selection of capital improvements made to downtown historic properties in recent years. This evaluation reflected input provided by property owners and tenants, who reported to us that building improvements are often reliant on business cash flow, construction seasonality or contractor availability, supply chain dependencies, and other determinants. The evaluated improvements involved expenditures in all of the evaluation categories proposed above: adaptive reuse, building system upgrades, building safety and preservation, and code modernization.

The evaluation provided us with an order-of-magnitude valuation of capital improvements across time, project, and property types.

IV. How would DMC direct funding to historic properties?

In determining a recommended course of action for the administration of this proposed historic district support program, we kept several considerations top-of-mind:

- A. The review and approval process and practices should preserve all of the DMC-related authorities and prerogatives currently held by the DMCC and Rochester City Council.
- B. For each proposed project, DMC EDA and City staff should review each funding request for program eligibility and provide a recommendation to the DMCC and City Council.
- C. As it has for all prior DMC-funded capital projects, the City of Rochester would manage the financial administration of the program, including ensuring project funding and documentation meets audit and reporting standards. These administrative responsibilities may result in additional staff costs for the City; if so, the City may request reimbursement of these costs by the DMCC.

V. What would a proposed funding request intake, review, consideration, and oversight process look like?

If this program is approved, we recommend creating a stand-alone, cost-free funding request portal on the DMC website. The portal would collect proposed project details, including location, description, and cost, and inform the applicant of any applicable DMC legal and policy project requirements. Staff contact information would be provided to all applicants, as well as an invitation to meet with staff to answer applicant questions.

The funding request portal would always remain open but, in order to provide time for staff review and board material preparation, closing dates will be established ahead of each regular DMCC board of directors meeting, where staff intend to present proposed projects.

For example, if this program is approved by the DMCC on May 23, 2024 and by the Rochester City Council on June 3, 2024, we anticipate being able to open the funding request portal by July 1, 2024 and follow the timeline below:

- A. August 15, 2024: Application closing date for September 2024 DMCC consideration
- B. Sept. 12, 2024: EDA board proposed project review.
- C. Sept. 26, 2024: DMCC board meeting + proposed project consideration
- D. Oct. 7, 2024: City Council meeting + proposed project consideration

This intake, review, and consideration cycle would be repeated prior to every regular DMCC board of directors meeting until program conclusion. Additionally, we recommend providing regular reports on the status of approved projects and the disposition of program funds.

VI. How much DMC funding should be designated for this program?

In full consideration of our due diligence analysis, recommended program eligibility and funding requirements, and review of select historic property investments, we recommend that the DMCC and Rochester City Council designate up to \$5 million for qualifying public infrastructure improvements within the City of Rochester Downtown Commercial Historic District, subject to annual CIP authorization and the program eligibility and funding requirements described in this memorandum and the associated board resolution. We further recommend that the funding be sourced from the DMC General State Infrastructure Aid (GSIA) previously approved as “Strategic Redevelopment” funding in the 2024 DMC Capital Improvement Program.

Business Development Update

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024

Request of the board of directors:

No action requested.

AWARENESS

1. Mayo Clinic Innovation Exchange
 - a. MOU in progress between MCIE and DMC EDA with the objectives of:
 - i. Partner on programming designed to bring global innovation leaders together around topics where Mayo Clinic and Rochester have expertise.
 - ii. Position each organization as an integral part of innovation ecosystem growth in Rochester.
 - iii. Leverage the brands, networks, and resources of both organizations to deliver on shared objectives.
2. Investment in Healing Familiarization Tour, October 2-4
3. Retail, Dining, and Entertainment
 - a. **Krueger Real Estate Advisors** - Contracted with DMC effective April 1 to assist with the following RDE activities:
 - i. Downtown real estate assessment
 - ii. Target retailer identification
 - iii. Downtown Rochester marketing and promotion

INFRASTRUCTURE

4. Shared Lab Update
 - a. Progress towards a solution has slowed in the negotiation phase and may require a reset.
 - b. Need for additional data and potential advisory support for staff.
 - c. Need to potentially redefine the scope, consider a small-scale prototype.

ECOSYSTEM

5. Ecosystem Strategy
 - a. To further DMC's ecosystem objectives, an assessment needs to be completed that will:
 - i. Define specifics of each Ecosystem node, including geographies.
 - ii. Compile data on each Ecosystem node, complete with contact info, technology descriptions, and lines of business.
 - iii. Analyze the Rochester Ecosystem against peer markets, identifying areas of strengths & gaps.
 - iv. Conduct primary research on each Ecosystem node to assess vertical specific gaps, desired models of engagement, and KPI's and metrics for success.
 - v. Develop a comprehensive engagement strategy complete with governance, staffing, budget, and program implications.
 - b. DMC needs to identify the most effective path forward for completing this work, options include:
 - i. Build it internally.
 - ii. Partner with industry organizations suited to the task (Medical Alley Association/ Global Institutes for Innovation Districts).
 - iii. Hire third party consultants to complete parts of the data gathering.

2025 DMC CIP, Work Plan, and Operating Budget

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024

Request of the board of directors:

Identify 2-3 board volunteers to advise staff in preparation of 2025 DMC CIP, Work Plan, and Operating Budget.

Background:

Each year, the DMCC must prepare and submit a DMC CIP, Work Plan, and Operating Budget to the DMC Corporation. The submission includes a proposed:

- Capital Improvement Program (with five-year projections)
- Workplan and operating budget
- Operating budget for the City of Rochester’s DMC Project Management team
- Request for the extension of a working capital loan

This year, staff anticipate that capital and programmatic priorities will remain largely unchanged—except for possible revisions to accommodate 2025 “Bold. Forward. Unbound. in Rochester” construction activities—pending board consideration of the 2025 update to the DMC Development Plan.

Next Steps:

- May-August 2024: Staff and board members prepare the 2025 DMC CIP, Work Plan, and Operating Budget
- September 26, 2024: DMCC board reviews the 2025 DMC CIP, Work Plan, and Operating Budget
- October 2024: Rochester City Council considers 2025 DMC CIP, Work Plan, and Operating Budget

2025 DMC Development Plan Update

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2024

Request of the board of directors:

No action requested.

Overview:

In accordance with the DMC Act, the DMC EDA will prepare an updated DMC Development Plan for DMCC and Rochester City Council consideration in 2025. The update will ensure that the plan meets legislative requirements and stakeholder expectations.

The DMC Act requires that the DMC development plan:

- Provides an outline for the development of the City as a destination medical center, and the Plan is sufficiently complete, including the identification of planned and anticipated projects, to indicate its relationship to definite State and local objectives;
- Affords maximum opportunity, consistent with the needs of the City, County, and State, for the development of the City by private enterprise as a destination medical center;
- Conforms to the general plan for the development of the City and is consistent with the city Comprehensive Plan;
- Includes strategic planning consistent with a destination medical center in the core areas of:
 - commercial research and technology
 - learning environment
 - hospitality and convention
 - sports and recreation
 - livable communities, including mixed-use urban development and neighborhood residential development, retail/dining/entertainment, health and wellness, and transportation
- Estimates short- and long-range fiscal and economic impacts
- Provides a framework to identify and prioritize short- and long-term public investment and public infrastructure project development and to facilitate private investment and development, including the criteria and process for evaluating and underwriting development proposals
- Includes land use planning; transportation and transit planning; operational planning required to support the medical center development district; and ongoing market research plans

Additionally, as the 2020 DMC plan update did, this update can:

- Reflect the progress to-date against agreed-upon DMC goals
- Incorporate and/or complement other plans and strategies which may impact DMC
- Address community priorities
- Create opportunity to share and reaffirm DMC's primary mission, vision, and purpose

Next Steps:

Using the DMC Initiative goal of a world class downtown experience as our guidepost, staff proposes developing a set of measurable data streams that provide proxies for a vital downtown experience, and to either continue or begin tracking these metrics and use them to guide our strategic priorities in the second half of the DMC Initiative. It is anticipated that this work will roll up to a set of metrics as follows:

Foot Traffic: Counting pedestrian volumes at different times of the day and year.

Dwell Time: Documenting how long people linger and engage in activities, such as shopping, dining, socializing, or enjoying public spaces to help gauge the attractiveness and usability of the street environment.

Retail Sales and Economic Activity: Monitoring retail sales, occupancy rates, and the presence of businesses.

Public Space Utilization: Assessing the utilization of public spaces, such as parks, plazas, and seating areas, through observation, surveys, or occupancy sensors, providing insights into how well these spaces are meeting the needs of residents and visitors.

Community Engagement: Gathering feedback from residents, business owners, and visitors through surveys, focus groups, or community meetings can help understand perceptions of street life and identify areas for improvement.

Safety and Perception of Security: Monitoring crime rates, incidents, and perceptions of safety among residents and visitors helps assess the overall quality of the street environment and the sense of security it provides.

Accessibility and Mobility: Evaluating the ease of access for pedestrians, cyclists, and public transit users, as well as the availability of amenities such as seating, shade, and restrooms, contributes to a more inclusive and user-friendly street environment.

Environmental Quality: Assessing factors such as air and noise pollution, greenery, cleanliness, and the presence of amenities like street trees and public art enhances the overall quality of the street life experience.

Cultural and Social Diversity: Recognizing the presence of diverse communities, cultural activities, and social interactions fosters a sense of inclusivity and belonging in the downtown area.

Timeline:

The majority of plan update work will occur from June 2024 to January 2025, with staff updates at each regular board meeting.

Budget:

The approved 2024 DMC Capital Plan includes \$750,000 to support the DMC plan update.

DRAFT Table of Contents:

1) Executive Summary

- a. Mission, Goals, and Vision
- b. Governance Model
- c. Guiding Principles of Development Plan
- d. Market Overview
- e. DMC Investment Priorities and Success Metrics

2) Significant Development Considerations

- a. Mayo Clinic “Bold. Forward. Unbound.”
- b. Post-COVID 19 Impacts on Downtown (Retail, workforce)
- c. Major Project Construction Impacts (LINK BRT, UMR, etc.)
- d. Macroeconomic Impacts on Real Estate Investment and Development (capital access, interest rates, workforce, supply chain, etc.)
- e. District Energy

3) Market Trends and Demand Forecasts (through 2029 and 2035)

- a. Health (sq ft)
- b. Bio-Med-Tech (sq ft)
- c. Office (sq ft)
- d. Hotel (rooms)
- e. Residential (units)
- f. Retail / Dining / Entertainment (sq ft)

4) Economic and Fiscal Impacts

- a. Impact of DMC investments, 2015-2024
 - i. Jobs
 - ii. Taxes
 - iii. Private Development and Investment
 - 1. Growth (units, keys, sq ft)
 - 2. Investment (\$\$\$, Mayo and non-Mayo)
 - iv. Experience
- b. Estimated impacts of DMC plan implementation, 2025-2029
 - i. Jobs
 - ii. Taxes
 - iii. Private Development and Investment
 - 1. Growth (units, keys, sq ft)
 - 2. Investment (\$\$\$, Mayo and non-Mayo)

5) Plan Implementation Factors

- a. Business Recruitment and Lead Generation
- b. City for Health
- c. Communications
- d. Community Engagement and Experience
- e. Equitable Economic Development
- f. Historic Preservation
- g. Mobility Strategies
- h. Public Art and Design
- i. Sustainability
- j. Targeted Workforce and Business Participation
- k. Workforce Development

6) 2025-2029 DMC Capital Plan

- a. Overview of the DMC Financial Model
- b. Planned and Anticipated Public Infrastructure Projects (Streets, Sewers, Energy, Mobility, Public Realm, etc.)
- c. Strategic Private Development
 - i. Private Investment Priorities
 - ii. Process to Apply for Funding
 - iii. Evaluation Criteria for Projects
 - iv. DMC Development District Investment and Development Opportunities
- d. Operations Model
- e. Comprehensive Investment Framework (Sources and Uses)

Chateau Theatre

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024

Request of the board of directors:

No action requested.



Background:

To-date, the DMCC and City Council have approved approximately \$7.7 million in DMC funding for the purchase, maintenance and operation of Chateau Theatre. The DMCC and City Council approved an additional \$1 million for HVAC upgrades in 2024.

The City of Rochester also secured a U.S. Economic Development Administration tourism grant to support restroom renovations.

Chateau Theatre

- Facility Update:
 - o The HVAC system has been installed.
 - o All major planned construction is complete for this year.
- The historic Chateau Theatre is open daily for guests to explore the space and shop at Threshold Art's art local artist boutique. The Chateau holds many events for the community and visitors as well.
 - o Events include:
 - Theatre productions
 - Absolute Theatre
 - Thaw Music Festival
 - Art Exhibitions
 - Burlesque Show
 - Puzzle nights
 - Poetry Events
 - Rochester Civic Music
 - Yoga
 - Concerts
 - Art and Food Market
 - Nourish & Nurture: A Mother's Day Market
 - Community events
 - DMC hosted events along with We Bike Rochester, Henry Grabar
- Two notable events:
 - o Recently Gwen Westerman, Minnesota's poet laureate and contributor the art A Song for Water in the Peace Plaza, participated in a poet event in the Chateau
 - o DMC sponsored speaker, Henry Grabar events along with We Bike Rochester

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.

Discovery Square – Shared Lab Project

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024

Request of the board of directors:

No action requested.

Background

- What it is: Community infrastructure of shared laboratory space for life sciences startups for technology, workforce, and economic development
- Objectives of this infrastructure:
 - Attract early-stage companies and the follow-on economic impacts.
 - Advanced training for workforce development.
 - Be a resource for businesses and the community.
 - Market analysis and demand study (reported previously) identified opportunities around development of affordable, flexible, wet lab space to support early-stage science companies.

Status

- Negotiations with potential operator are on pause, by mutual agreement. Real estate negotiations have not been productive despite a highly competitive proposal. Absent progress, staff has begun exploring alternative approaches.

Next Steps

- To move the project forward, there are some lines of inquiry DMC staff need to pursue, such as:
 - What are the true demand drivers for how the space functions? We need to confirm whether this is a 'dry lab', a 'wet lab', or a hybrid of the two.
 - We plan to convene an advisory group to help us better understand the kind of operator partner will best serve our ecosystem.
- In the meantime, we are considering prototyping a shared lab with a smaller footprint to accomplish the following:
 - Alleviate pent-up demand.
 - Test out operating models.
 - Be an asset that we can include in our business awareness and recruitment campaigns.

District Energy

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024

Request of the board of directors:

No action requested.

Project Updates:

1. With its downtown location, proximity to infill redevelopment sites and other factors, the City and DMC EDA have been partnering for a period of years to leverage the City investment in its facilities to create an electrified + geothermal district energy system. To create a Thermal Energy Network (TEN) and install the heating hot water and chilled water pipes, DMC investment totaling \$7.2 million was approved in the 2024 DMC CIP.
2. The City of Rochester is preparing for Phase 2 of the Downtown Building Energy Transition (DBET) project, which will include Rochester Public Library, Rochester Art Center, Mayo Civic Center and the Civic Theater.
3. Phase 2 is designed with a connection point and infrastructure to support development on the adjacent Civic Center Lot parcel. It will also support additional wells on site for a future TEN.

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):

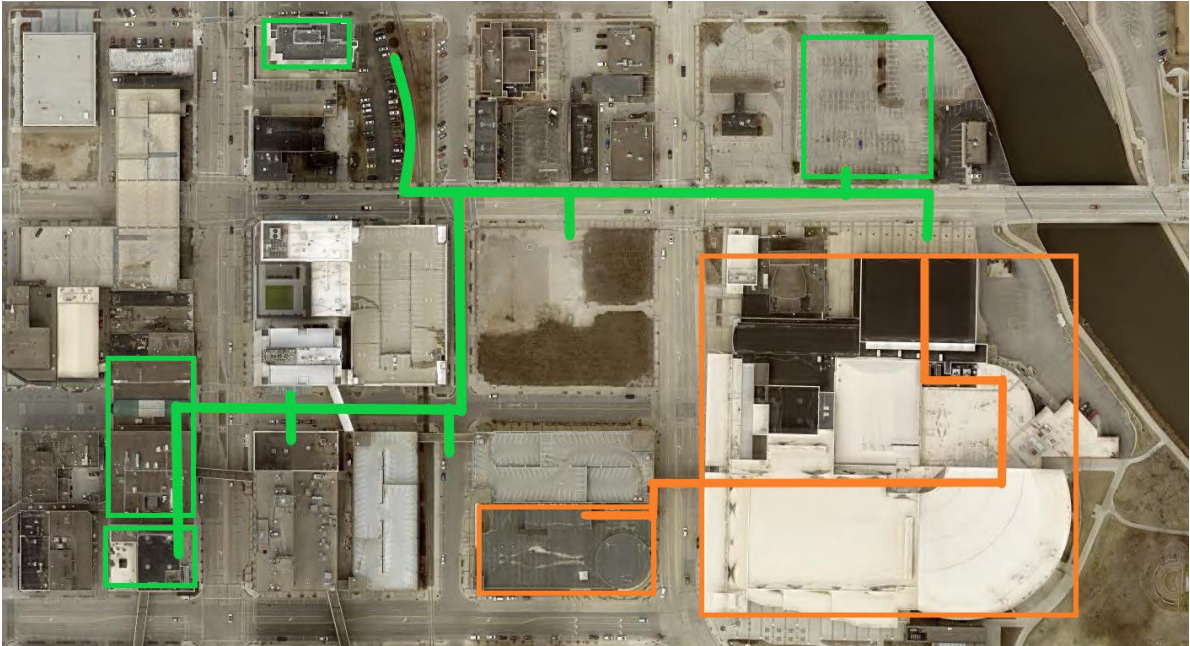
- 2015: DMC Sustainability Goals Adoption within DMC Development Plan
- 2015: Sustainable Energy Options Report Accepted by DMCC
- 2016: District Energy System Resolution Passed by DMCC
- 2019: EIC Strategic Energy Project Plan Approval by DMCC
- 2023: Rochester City Hall installs first downtown geothermal wells
- 2024: Downtown Building Energy Transition Phase 2
 - January: Phase 2 budget approved
 - March: Request for Qualifications for construction management services
 - June/July: Phase 2 out for bid
 - August: Phase 2 construction begins

Since 2007, the City of Rochester has made substantial gains toward meeting its climate goals and is on track to achieve a 50% reduction community-wide by 2030. That said, more focus is needed to achieve a 100% reduction by 2050. Electrification of heating systems for homes and buildings and electrifying car and truck fleets are critical to achieving this next stage of reduction.

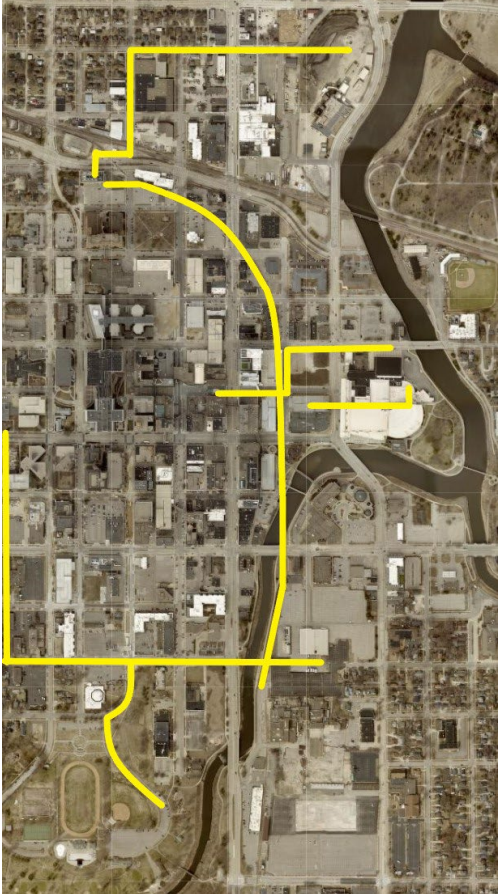
District Energy helps achieve this goal by connecting buildings to the system that already has an electrified heating and cooling source, allows this to happen at scale, and at the pace of private development. The more who connect, the lower the utility rate and efficiency of the system. The DMC EDA and City staff leading this project believe this will also help attract private developers to our market aligned with the sustainability approach, and goal of realizing additional housing affordability for rent and ownership in the downtown.

Map: Thermal Energy Network 1

- Orange line: DBET Phase 2
- Green line: Future Thermal Energy Network (TEN) 1 (with proposed connection opportunities)



Map: Full proposed downtown Thermal Energy Network (TEN) System



Equitable Economic Development

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024

Request of the board of directors:

No action requested.

Workplan Update:



1. Community Co-Design Updates:

- a. DMC EDA hosted a graduation celebration for the third cohort of Community Co-design Facilitators on May 15, 2024. The participants included United Way of Olmsted County, Olmsted County, Cradle 2 Career, Rochester Public Schools, IMAA, Mayo Clinic, and NAACP.
- b. We will offer the Community Co-design Leadership Training in October 2024. The training will consist of two sessions of over five hours total to provide leaders in our community with introductory information about Community Co-design. The total number of community leaders who received the training so far is 68.
- c. Community Co-design Toolkit was featured in the City Nation Place's Citizen Engagement Toolkit. City Nation Place is an international forum "for cities, nations, and places to collaborate and share best practice on place branding and place marketing strategies in order to generate sustainable economic development, improve the quality of life for citizens, and encourage global cooperation."
Here is the link to the toolkit: [cnp-citizen-engagement-toolkit-v4.pdf \(dkf1ato8y5dsg.cloudfront.net\)](https://dkf1ato8y5dsg.cloudfront.net/cnp-citizen-engagement-toolkit-v4.pdf)

2. Equity Alliance Updates:

- a. **Equity Series:** We continue to host the Equity Series on the 2nd Wednesday of every month, and we have been successful in convening leaders from City of Rochester, RAEDI, Rochester Area Foundation, Mayo Clinic, United Way, Rochester Public Schools, Olmsted County, and many other organizations and non-profits to attend the virtual series. The topics we covered so far in 2024 are: Advancing Equity in the Built Environment, How We Rise: Lessons from Rochester's Black History, Uncovering Rondo Community Land Trust and the Reparative Framework, and Empowering Women in the Workplace. Our next episode will be on May 8, 2024 from Noon to 1pm.
- b. **Equity Alliance Growth:** City of Rochester and DMC EDA continue to share DEI best practices through the Equity Alliance. We invited many organizations in Rochester to join this effort to collaborate and partner in achieving the following initiatives:
 - i. Co-design (Use and Training).

- ii. Coalition Building (Interest in DEI, Community of Practice).
- iii. Equitable Policy Transformation/Improvement & Change.

3. Community Connections and Capacity Building:

- a. **Black Excellence Expo:** In partnership with the Rochester NAACP Branch, City of Rochester, Minority Owned Business Network, we hosted the Black Excellence Expo in Two Discovery Square on February 24th, 2024. The expo aimed to support and promote local black-owned businesses, and to celebrate achievement, creativity, and entrepreneurship.
- b. **Targeted Business/Targeted Workforce Goals and Reports: The recommended project cost minimum threshold for 2024 is: \$500,000.**

Professional Technical & Construction Administration Projects

Goals	Results on Active Projects (as of March 2024)
Targeted Business Contracts: 7%	6.7%
Workforce Participation (Women): 9%	34.2%
Workforce Participation (Minorities): 15%	14.2%

Construction Projects

Goals	Results on Active Projects (as of March 2024)
Targeted Business Contracts: 7% Commercial	19%
Targeted Business Contracts: 4% Heavy Civil	5.3%
Workforce Participation (Women): 9%	5%
Workforce Participation (Minorities): 15%	8%

4. Affordable Housing Updates:

- a. **Housing Developers Monthly Check-ins:** We are continuing our monthly check-ins with 10 developers who are interested in the Rochester community. We provide the developers monthly updates about the following sites: Riverfront, West Transit, and Kmart. We will continue to provide DMC district site opportunities and City of Rochester opportunities to housing developers, and emerging/BIPOC developers.
- b. **Real Estate Summit:** We hosted the Real Estate Summit on April 24th, 2024, in partnership with ULI. We curated a program that included a presentation from Mayo Clinic’s Bold Forward Unbound, UMR’s Growth and Expansion, and City of Rochester’s Preparing for Transformation. We invited our local partners (City of Rochester, Coalition of Rochester Area Housing, First Homes Program) to discuss equity in development, sustainability, and the unified development code, and provide the attendees with local resources and valuable information.

Minnesota MedTech 3.0

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024

Request of the board of directors:

No action requested.

Background

- The U.S. Economic Development Agency posted a notice of funding opportunity (NOFO) for the 31 federally recognized Regional Tech Hubs, as authorized by the 2022 CHIPS and Science Act.
 - Aims to invest in regions across the country in key technology areas.
 - Requires deep collaboration among industry, higher education, government, economic development, and workforce/labor organizations.
- The grant opportunity is for \$40-70M over 2-5 years for each of 5-10 regional tech hubs.
- The Minnesota Tech Hub, referred to Mn MedTech 3.0 (MMT3.0) is based on our rich history in medical devices.
 - Led by GREATER MSP, the MN coalition includes 140+ individuals from ~30 organizations, including Mayo Clinic, Destination Medical Center, University of MN, Medtronic, Allina Health, Boston Scientific, Fogarty Innovation, gener8tor, HealthPartners, Medical Alley Association, Minnesota State Universities, Shakopee Mdewakanton Sioux Community, Office of Governor Tim Walz, and many more.
- What is MMT3.0?
 - A strategy to grow Minnesota's global market share in the medical technology industry by building an ecosystem that is even more connected, more strategic, and "smarter" through the incorporation of cutting-edge technologies, such as artificial intelligence, machine learning, and data science.
- Rochester representation in final grant application
 - Final MN grant application includes the Northstar Data Alliance, featuring Mayo Clinic Platform
- DMC EDA commitments to MMT3.0
 - Recruit technology and talent from international markets into the MMT3.0 ecosystem.
 - Build market awareness in international markets.
 - Participate in co-creating a new talent development strategy.
 - Participate in the development of a shared MMT3.0 economic development strategy.
 - Function as an official MMT3.0 embassy, including provision of meeting space for MMT3.0 members.
 - Participate in the development of Minnesota's first comprehensive Smart MedTech infrastructure plan.
 - Sharing tools with and facilitating training to MMT3.0 project leaders for our ground-breaking Community Co-Design engagement process.

Next Steps and Timelines

- Await Federal response to grant application, summer 2024.
- GMSP spearheading early launch activities around workforce development, capital development, early stage company incubation, and data/AI. This aligns with the perspective that our region will pursue MMT3.0 with or without Federal funding.

Link Bus Rapid Transit

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024



Request of the board of directors:

No action requested.

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.

Rapid Transit Vehicle Procurement

- City, DMC and Mayo Clinic staff are currently reviewing the proposal from New Flyer of America, the only respondent to the city’s RFP for bus procurement.
- There are only two companies in the United States that meet the Federal requirements to respond.
- Negotiations to enter into a contract are on going and expected to be completed by May 2024.
- Once a contract is executed, vehicle design elements will be determined.

Vehicle Design Overview:

Goals:

- High amenity to provide a unique experience.
- Futuristic and innovative visual features.
- Experience equal to or better than driving.

Areas of influence:

- Exterior design
- Interior layout, materials, amenities, air quality
- Technology utilization
- Safety features

Timeline:

- Contract execution, June 2024
- Design and refinement, Summer – Fall 2024
- Vehicle production, Winter 2025
- First rapid transit vehicle delivery, Aug 2025

Budget:

- Link rapid transit vehicle budget \$22,500,000

Right of Way (ROW) / Land Acquisition

- Negotiation with Property Owners is ongoing and expected to be completed this spring.
- Closing & Recording of Properties–August 2024

Construction Management Services Contract

- City Council authorized a contract with Kimley-Horn and Associates, Inc. for Construction Management Services as a professional services agreement to review design documents, construction plans and specifications, complete construction management services of contracts and close-out and deliver the Link Rapid Transit Project

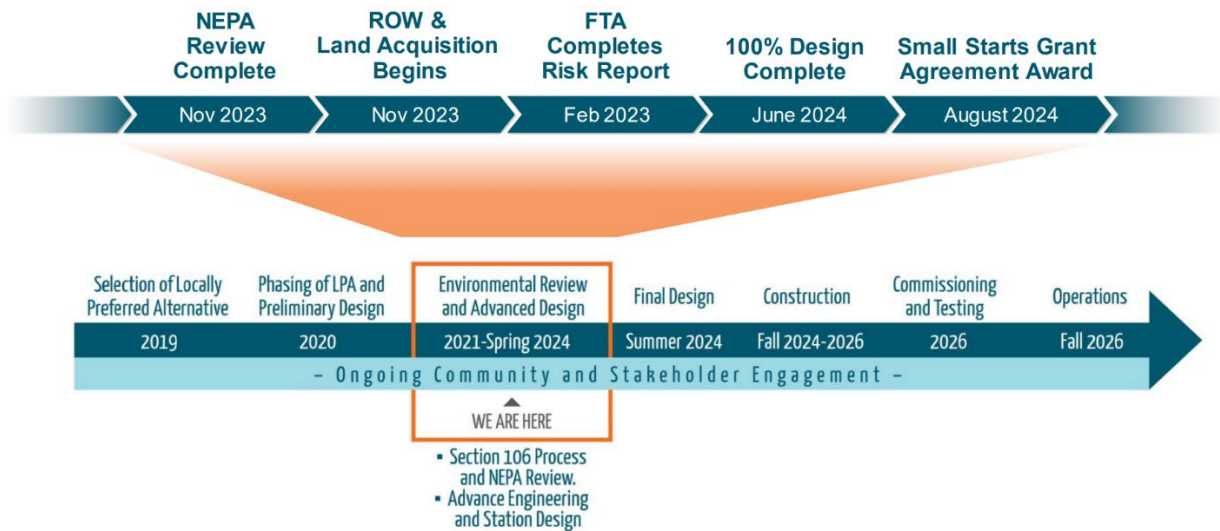
Active Transportation Program Planning Assistance Grant

- Matt Tse, active transportation coordinator, working on DMC projects, is administering the grant which focused on the 2nd street BRT corridor.
 - o Analyze existing conditions
 - o Engage the community
 - o Identify ways to improve infrastructure
 - o Identify ways to encourage active transportation

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

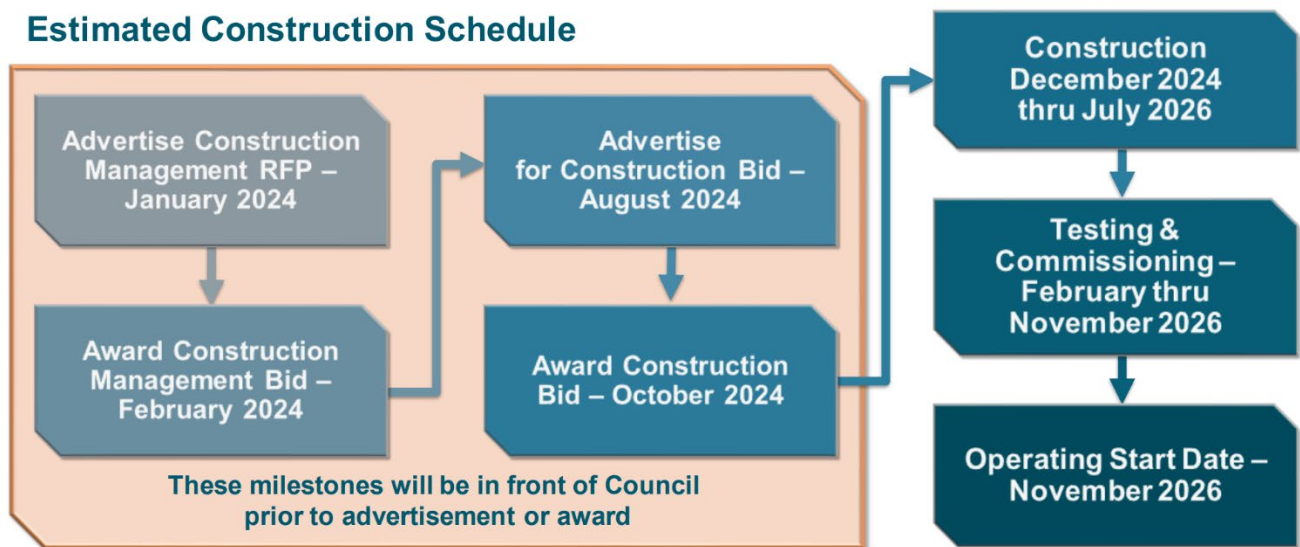
DMC EDA Staff are working in collaboration with the City staff and the consultant team, SRF, with a continued focus on the goal of creating a world-class experience that centers equity of access and foregrounds BRT as a desirable consumer choice.

Current Status:



Next Steps:

Estimated Construction Schedule



Public Realm: Discovery Walk

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024



Request of the board of directors:

No action requested.

Background:

Discovery Walk is a linear parkway along 2nd Avenue SW in downtown Rochester that will serve pedestrians as well as vehicle access.

Discovery Walk will connect Heart of the City to Soldiers Memorial Field and will create a high amenity pedestrian experience while also maintaining flexibility for bike and vehicular access, civic events, and future development.

Updates:

- Construction is anticipated to be complete in summer of 2024 including final planting, road striping, site element placement, and installation of the climate accommodating structures.
- The 200 block of 2nd Ave. SW is back under construction. Crews are finishing underground work and will begin surface level improvements soon.
- Multiple community events are being planned for the summer including:
 - Artist recognition events
 - Opening of the food truck area
 - The potential of a weekday farmers market

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.

Work plan or capital improvement budget implications:

Completion of Discovery Walk has been budgeted for within the DMC CIP.

Public Realm: Downtown Riverfront

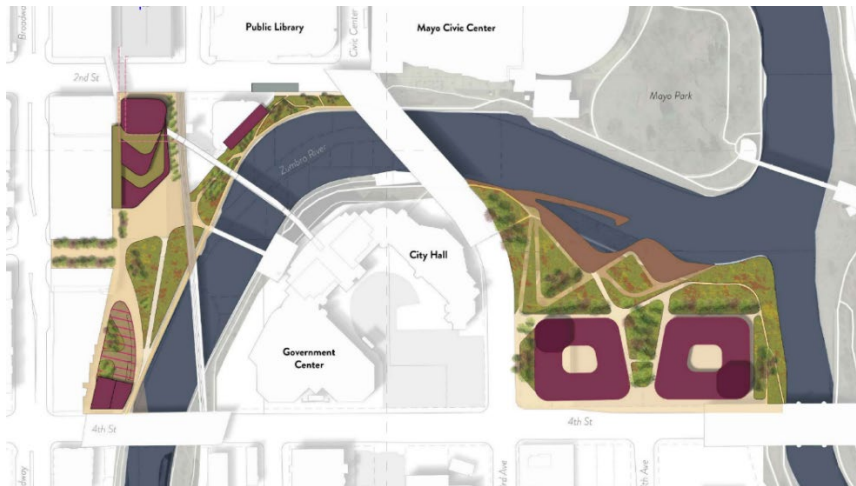
To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024



Request of the board of directors:
No action requested.

Background:

To create a bold vision for future use of the Riverfront Small Area Plan site, it will be 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.



Update:

Gamble Associates continues to make progress on their current scope of work that includes:

- Working with the Army Corps of Engineers
- Advancing design of the site
- Evaluating the integrity of existing structures
- Pre-development investment strategy

City of Rochester in collaboration with Destination Medical Center is working with Hunden Partners to provide preliminary market assessments and strategic advisory related to a developer RFQ/P solicitation and selection process for the redevelopment/reuse of the two city-owned riverfront parcels. The assessment will offer detailed information regarding the timing of the release of an RFQ/P and the current market environment.

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

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

Approvals, milestones, and decision points:

When the 2023 CIP was presented for Board approval in fall 2022, the next steps required to advance riverfront planning were adopted. The current status is shown below:

Steps adopted in 2023 CIP	Current Status
Interim activation (in partnership with the Rochester Downtown Alliance and other organizations)	Budget for 2024 pre-development infrastructure has been adopted, City developing workplan for implementation
Advance flood wall work with Army Corps of Engineers	Multiple meetings with the Army Corps have led to greater understanding of site needs and constraints, consultant team will be packaging up the resulting information before year end for presentation
Due diligence analysis of former Red Owl and Time Theater buildings	Building condition assessment and cost estimation are being finalized, consultant team will be packaging up the resulting information before year end for presentation
Continue discussions with Olmsted County regarding county-owned portion of the site	Site has been purchased from the County for \$450,000
East site preparation	Site survey, Geotech information is being finalized, consultant team will be packaging up the resulting information before year end for presentation
Prepare developer RFQ/RFP	Concept plans are being finalized

Public Realm: Heart of the City

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024

Request of the board of directors:

No action requested.

Background:

Heart of the City Phase 1:

- Construction Update:
 - o Catenary lights are now installed.
- Paver Update:
 - o 2 project teams are working together to address the condition of the pavers. The City and DMC are expecting a report from Braun Intertec Corporation that identifies the issues where pavers are not performing as expected. Fixing of these areas are expected to take place this spring.
 - o A workgroup with members from the design team has also been formed to identify solutions regarding the community's concerns related to the raised lettering. It is anticipated that a report will be available for review at the summer.



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

Heart of the City subdistrict is a long-standing priority for the DMCC 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, is 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.

Public Realm: Soldiers Memorial Field Park

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024



Request of the board of directors:
No action requested.

Background:

Soldiers Field Memorial Park is 150 acres in size with 4,000 feet of riverfront. It is currently comprised of memorials, active recreation space, an 18-hole golf course, aquatic amenities, a track and field facility (with winter skating), tennis courts, a baseball field, playgrounds, hockey rinks in winter, and trails.

Project improvements underway include a new aquatic area with a lazy river, 3 waterslides, 50-meter lap pool, a renovated bathhouse, a shallow pool, and a splash pad. Additional improvements also include an inclusive playground and shelter at Roy Sutherland Park (east side), new basketball courts, and a SW trail connection.

Project Update:

Construction activities continue at Soldiers Field Memorial Park. The park improvements are on schedule as well as the highly anticipated aquatic area. The contractor is prepping the east playground for the addition of new inclusive play equipment and new surfacing throughout. On the west side of the park the new picnic shelter and restrooms are taking shape with roofing to take place soon. The basketball court will be paved next week followed by fencing and striping. Updates to the added and improved trails are also underway.

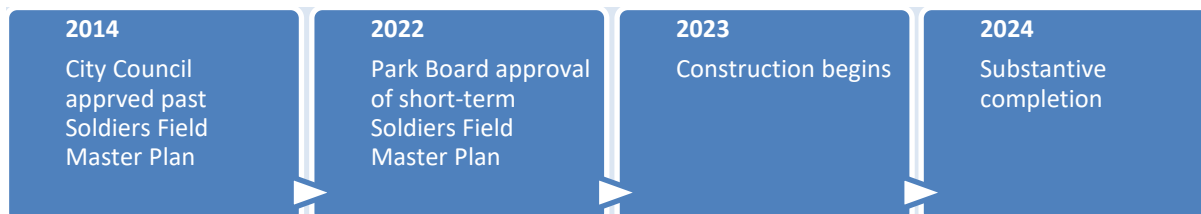
DMC EDA staff recently learned of the upcoming RPU duct bank project that will be starting construction on the far east side of the park. This project was scheduled to start last year but was delayed due to another portion of the duct bank project being impacted by an archaeological finding causing a pause in the project. Both project teams are working closely together to create a phasing strategy to limit the impact of the project.

Work plan or capital improvement budget implications:

Included in the 2023 Capital Improvement Budget: \$10,000,000.

In 2020, Rochester voters approved a referendum for park investment, with \$7M allocated towards Soldiers Field Memorial Park. In 2022, the City of Rochester Parks & Recreation Department was awarded a Federal Land and Water Conservation Fund (LWCF) grant for the redevelopment of the recreation facilities at Soldiers Field Memorial Park. Additional funding is approved by the Destination Medical Center (DMC) Board, with a total budget of \$18.5 Million.

Approvals, milestones, and decision points:



Private Development

To: DMCC Board of Directors
 From: DMC EDA
 Date: May 16, 2024

Request of the board of directors:

No action requested.

Background:


DMC EDA staff evaluate submitted project proposals against the priorities set by the DMCC 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
- 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
- Leveraging existing infrastructure investments to catalyze more opportunity

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

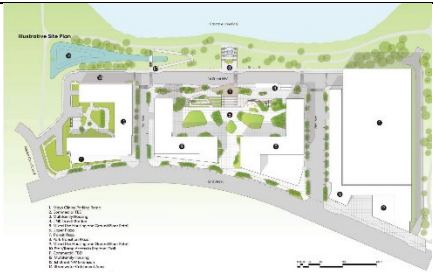
Below is a summary of the active conversations underway with private developers within the DMC District. Inclusion on this list does not mean that these projects will ultimately apply for DMC funding, but rather is included to give you an overview of what kinds of projects are currently being contemplated within the district that *may* come forward in the future for a funding request.

HOUSING	
	<p>A request for action on this project is scheduled for the May 2024 DMCC meeting.</p> <p>A request for action for this project is included in these meeting materials.</p>
Civic Center North Lot	



Gerrard 2nd Street

Proposing a mid-to-large apartment building (~125 units) with ground floor commercial space on 2nd Street near 6th. A smaller (4-6 unit) building planned as affordable for-sale units, and a mid-block pedestrian path are also part of the project and it is anticipated that there would be a DMC request to support the land and construction of this public connection, which would be deeded to the City while the developer would oversee ongoing maintenance for a term of at least 20 years.



West Transit Village (WTV)

The western terminus of the LINK Rapid Transit line is envisioned as a transit village that will accommodate several hundred units of housing and amenity retail in addition to the transit and parking infrastructure needed on the site. Mayo Clinic is in active negotiations with Kraus Anderson as their developer partner and has refined the project vision to two options that include +/- 300 units of housing, retail, parking and public realm.

A request for action on the first phase of affordable housing within this project is included in these meeting materials.



CityWalk Apartments

This is an approximately 400-unit market rate apartment building on the south side of 2nd Avenue and 6th Street. They have received Main Street grant funding for the enhanced public realm space on the corner.

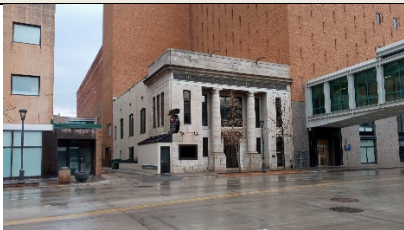


YMCA Development

Redevelopment of the downtown YMCA site into approximately 215 units of multifamily housing including some ground floor live-work spaces.


Demolition is complete and construction currently underway.

HOSPITALITY



Olmsted Bank Building

The project was awarded \$300,000 in Main Street Grant funds.

	<p>The Post Office building on Broadway is owned by a Utah-based hospitality developer with local ties.</p>
<p>Post Office</p>	<p>Owners of the building are proposing a 140-key boutique hotel for longer-term travelers. The developer is interested in sustainability and considering a flag that aligns with this environmental approach.</p>
<p>OFFICE/LAB</p>	
<p>Three Discovery Square</p>	<p>An application has been submitted for Mortenson’s DS3 project that proposes a 7-story speculative building that is half lab space half CGMP space (clean manufacturing). DMC EDA staff is in early review of the submitted materials along with City staff.</p>

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 an active application under review.

Downtown Task Force Update

Grow Downtown Together Workgroup

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2024



Request of the board of directors:

No action requested.

Background:

In early 2023, the Downtown Rochester Task Force was established to help accelerate Rochester's path forward and build a more resilient downtown.

DMC took the lead in focusing on growth strategies related to task force priorities. DMC developed the "Grow Downtown Together" strategy that focuses on strengthening the demand drivers of downtown which include workforce, education, downtown housing, cultural anchors (Mayo Civic Center, Art Center, Civic Theatre, Chateau Theatre), and catalytic retail

This work leads to the most impactful work DMC and downtown stakeholders can do together: attracting people downtown.

Task Force Progress:

City Updates

- RPD is once again launching its Downtown Summer Safe Zone initiative to enhance safety throughout the warmer months during weekend bar closing time. In 2023, the initiative included downtown coverage amounting to more than 2,000 hours by Downtown Resource Officers and reallocated staff.
- The City has added 2 landscape techs in 2024 to support the downtown area.
- There is several million dollars in improvement work happening at the Center Street and 2nd Street ramps including aesthetic improvements.
- Parking has updated their security contract for overnight hours and it is in the ongoing operating budget.
- LINK Rapid Transit is adding 6 officers and a sergeant focused on the route and the walkshed. The COPS grant allows for that to start before the route is operational. We still need to finalize the COPS grant agreement and go through hiring.

Awareness Campaign

- The task force is working with Twin Cities Business Journal Magazine to create an insert about the opportunities for growth in Rochester. It is expected to be the June/July issue.

Grown Downtown Together

- DMC and RAEDI continue to host the Grow Downtown Workgroup on a monthly basis. The workgroup provides feedback and guides related to the Grow Downtown Effort.
- Mike Flynn is now leading the recruitment strategy for Retail, Entertainment and Dining (see one-pager)