



DMC Corporation Board of Directors Meeting

Thursday, May 23, 2024





We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

Destination Medical Center Corporation

Audit Results for Year Ended December 31, 2023

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Agenda

- Financial Statements
- Audit Results
- Required Communications

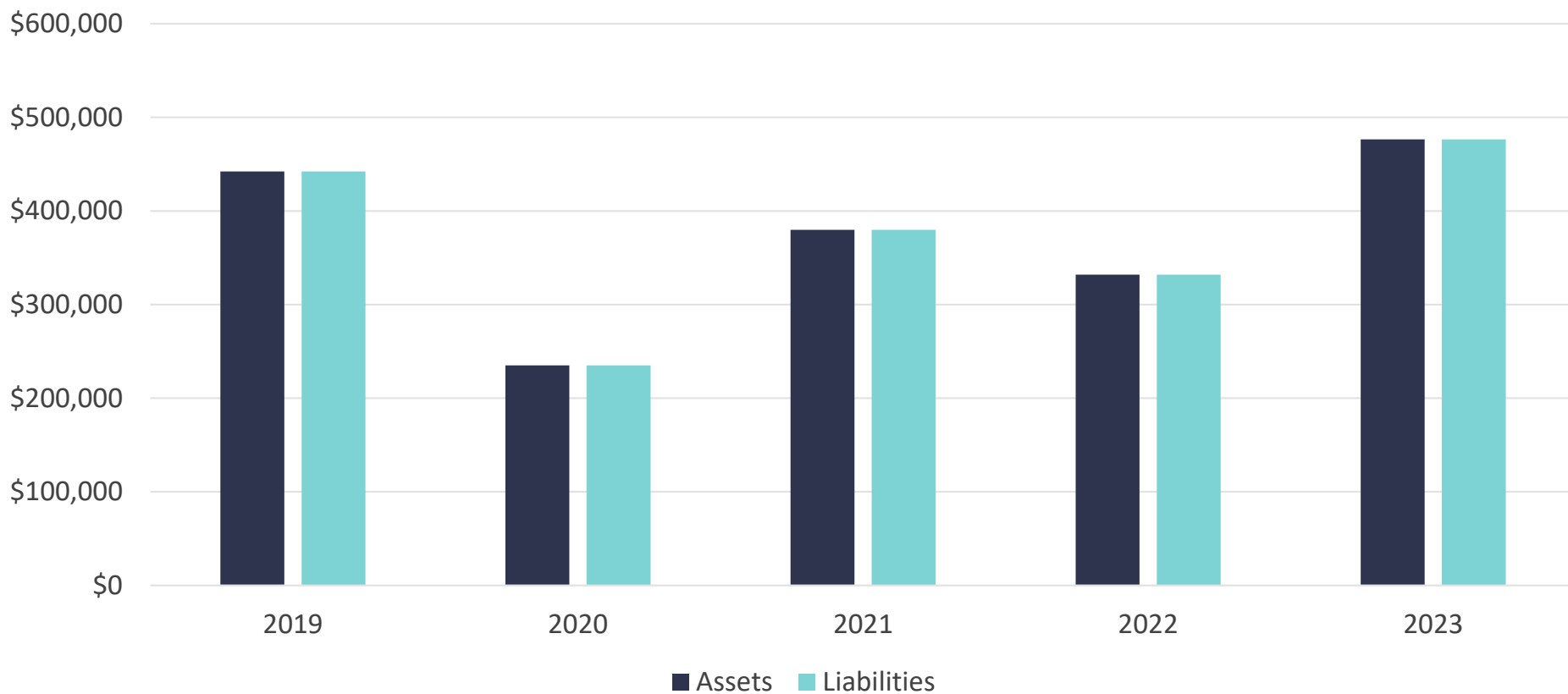


Financial Statements

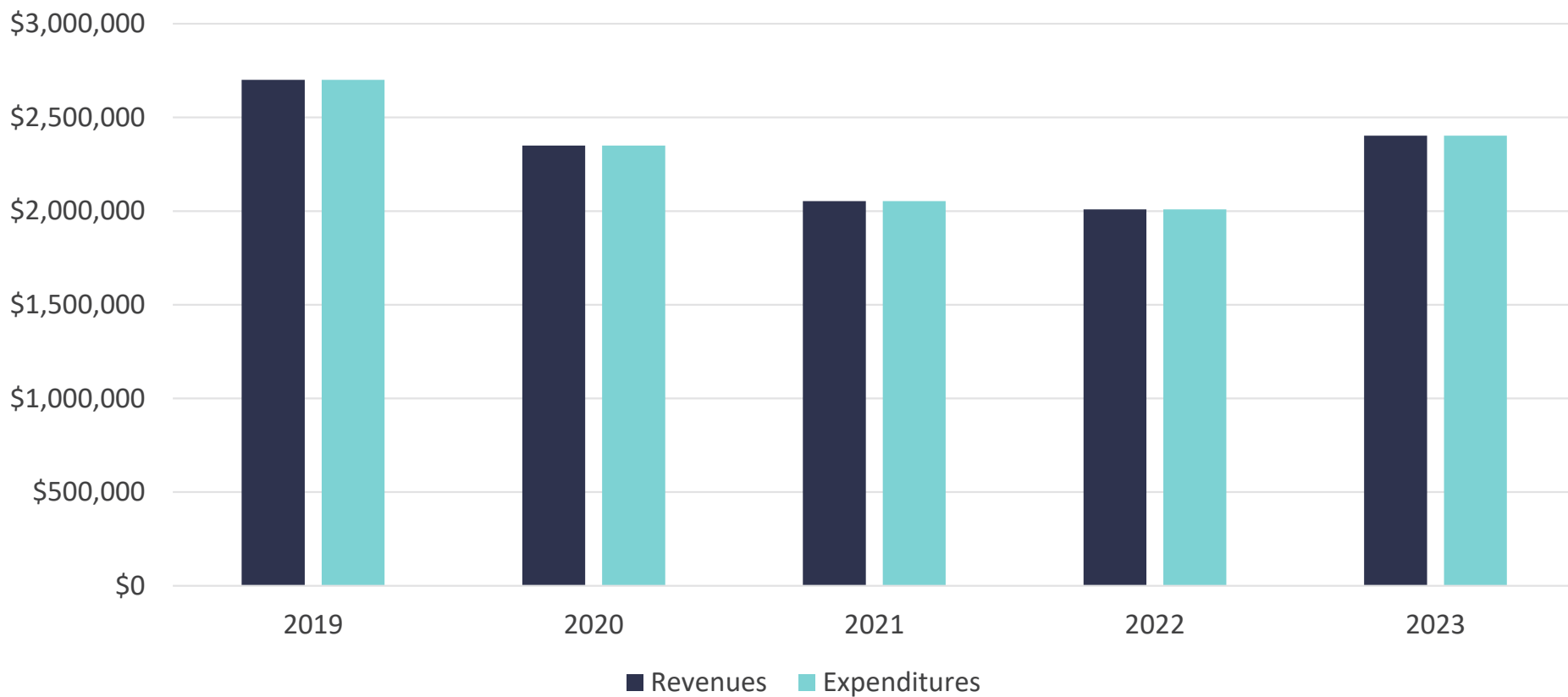
- Prepared based on Governmental Accounting Standards Board pronouncements
- Single program entity—present expenditures by type (natural classification)
- Component unit
 - DMCC is a component unit of (included in) City of Rochester’s financial statements
 - DMC EDA is *not* a component unit of DMCC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



Financial Statements : Assets & Liabilities



Financial Statements : Revenues & Expenditures



Audit Results

- Financial statements – clean opinion
- Internal controls – no findings
- Minnesota legal compliance – no findings



Required Communications

- Audit provides reasonable, but not *absolute* assurance
- Accounting policies
 - Described in Note 1 to the financial statements
 - No impact from new accounting standard for software subscriptions
- Audit adjustments – none
- No disagreement or difficulties with management



Items to Complete

- Federal and state tax filings



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METRICS: Targeted Business & Workforce Participation

May 2024



DMC

Destination Medical Center
Rochester, MN

DMC GOALS

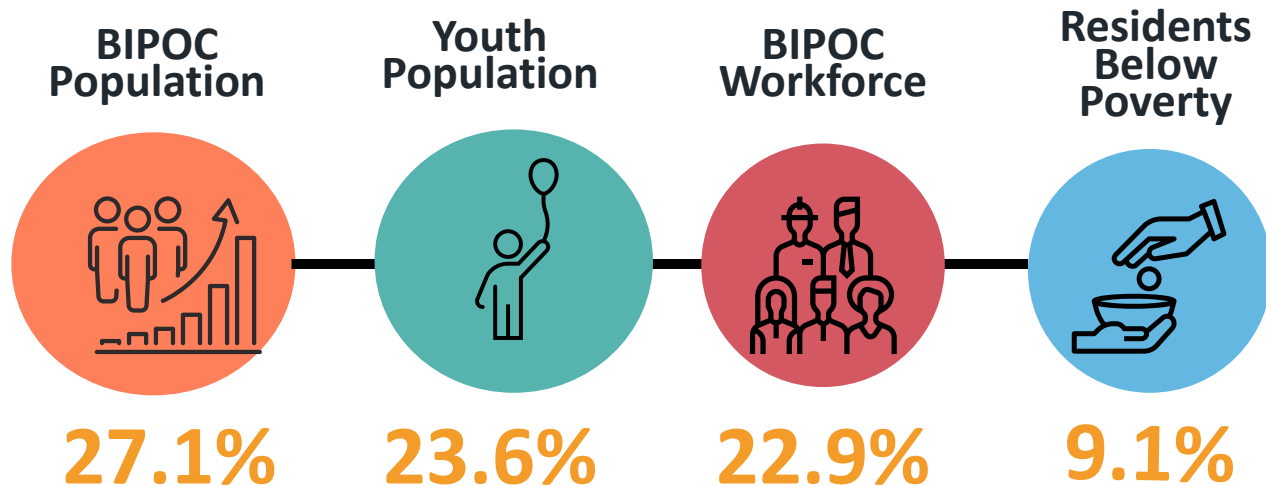
- 1. COMPREHENSIVE STRATEGIC PLAN:** Create a comprehensive strategic plan with a compelling vision that harnesses the energy and creativity of the entire region.
- 2. ATTRACT PRIVATE INVESTMENT:** Leverage public investments to attract more than \$5 billion in private investments to Rochester.
- 3. CREATE JOBS:** Create more than 30,000 new jobs, with workforce development strategies that support that growth.
- 4. GENERATE ADDITIONAL NET TAX REVENUE:** Generate approximately \$7.5–\$8.0 billion in new net tax revenue over 35 years.
- 5. BECOME THE DESTINATION FOR HEALTH & WELLNESS:** Achieve the highest quality patient, visitor, and community member experience both now and in the future.



WHY THIS MATTERS

Rochester's Population and Demographics

Rochester's Current Population: **121,395**



DMC TARGETED BUSINESS GOALS

Women- and/or BIPOC- owned companies on construction using DMC funds

GOALS

Commercial Construction: 7%
Heavy/Civil Construction: 4%

2017 - Q1 2024 ACTUALS

Commercial Construction: 7.8%
Heavy/Civil Construction: 6.4%

\$35.8 Million has gone to Women- and/or BIPOC-owned businesses



DMC TARGETED WORKFORCE GOALS

Women and/or BIPOC individuals working on construction using DMC funds

GOALS

Women in Construction: 9%
BIPOC in Construction: 15%

2017 - Q1 2024 ACTUALS

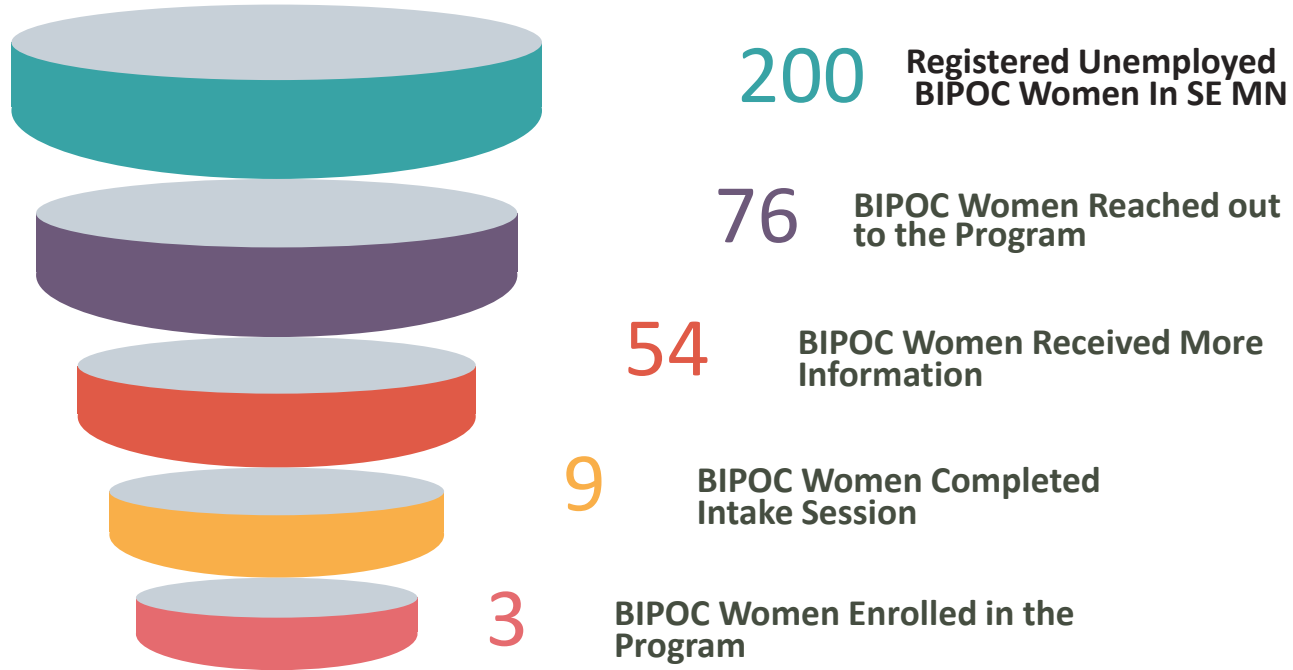
Women in Construction: **3.6%**
BIPOC in Construction: **15.6%**

Prevailing Wage means average salary is **\$43.63/hour** or **\$87,260/year**



EQUITY IN THE BUILT ENVIRONMENT PROGRAM

Bloomberg Philanthropies Global Mayor's Challenge Pilot Implementation



STRATEGIC OPPORTUNITIES

Capacity Building



Equitable Engagement & Outreach



TOOLS + TACTICS
An approach to equitable community engagement and action

Local & Regional Partnerships

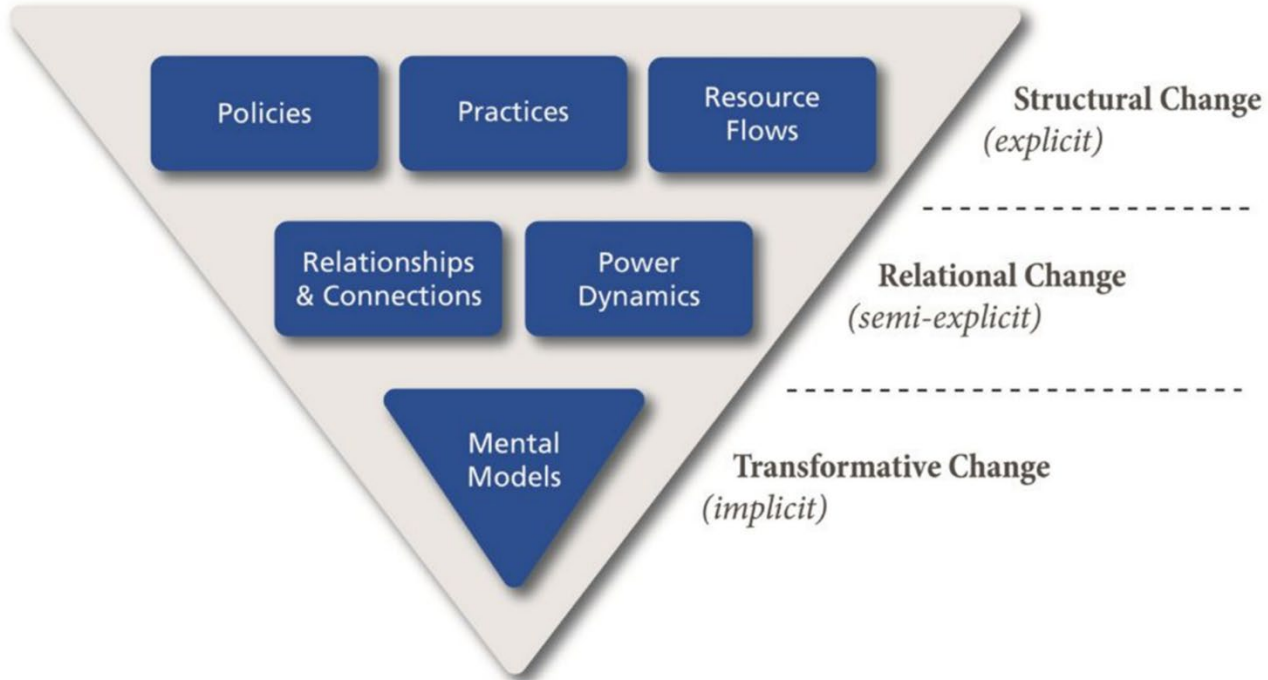


Workforce Recruitment & Training Best Practices



KEY TAKEAWAYS

Six Conditions of Systems Change



Today's Recommended Capital Investments

- Today's recommendations:

Housing Project:	\$3M
Housing Project:	\$3.9M
Historic District:	<u>\$5M</u>
	\$11.9M

- Since 2021, the DMC CIP has included a "strategic development" fund:

- 2021: \$7M
- 2022: \$3M
- 2023: \$3M
- 2024: \$10M
- **TOTAL: \$23M**

- Established to proactively support housing, med-tech, and downtown property improvement.
- Funding committed to-date (Bryk on Broadway): **\$2.2M**
- Strategic Development fund balance (pending today's action): **\$8.9M**



Housing Development

May 2024



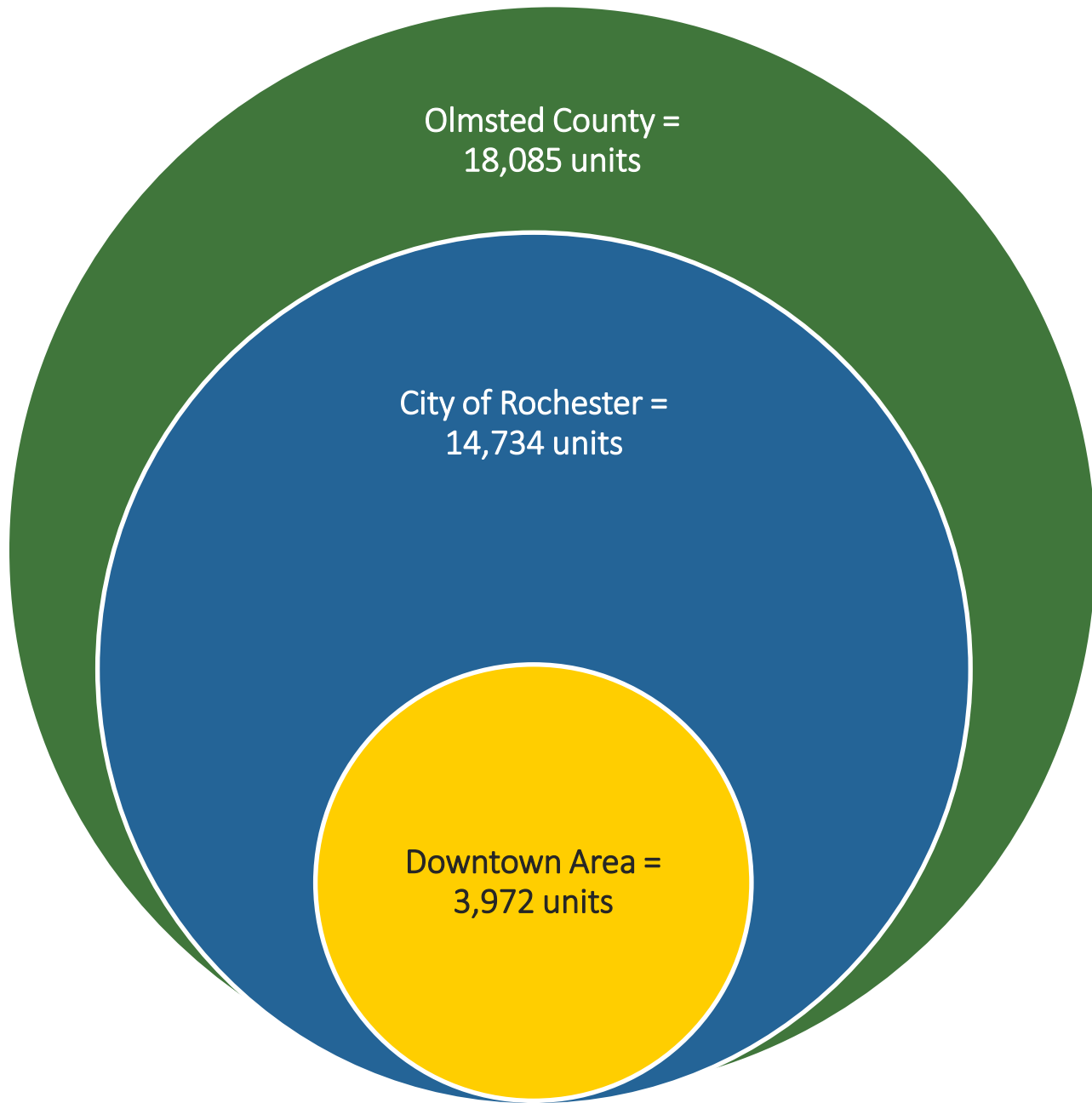
DMC

Destination Medical Center
Rochester, MN

Today's Discussion

- Housing Market Conditions + DMCC Board direction
- Three projects coming forward for action





What are our housing needs by 2030?



NEXT STEPS: TWO PATHS FORWARD

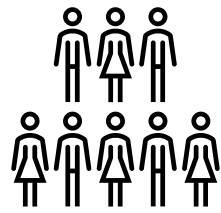
1. Wait for the market to shift

- Housing shortages will likely increase
- Development input costs may come down
- Bold. Forward. Unbound. may create additional market constraints

2. Levers



COSTS



SYSTEMS



MARKETING



REGULATIONS



What are the Projects?

Projects under active pre-development in the DMC district

Project Name	Type	Units/Keys	Ready to Occupy
YMCA Redevelopment	Multifamily	219	2025
Civic Center North	Multifamily	243	2026
	Affordable	76	2027
West Transit Village	Multifamily	276	2027
	Affordable	92	2028
	Affordable	94	2026
CityWalk	Multifamily	400	2027
Confidential (market rate)	Multifamily	200	Planning
Confidential (market rate)	Multifamily	85	Planning
Confidential (market rate)	TBD	N/A	Planning
Confidential (market rate)	Multifamily	125	Planning
<i>subtotal</i>		<i>1,810</i>	



What are the Projects?

Out of the pipeline - three requests for action today

1. **Bryk on Broadway:** Modification of qualifying AMI
2. **Civic Center North:** mixed-income, high-density housing
3. **West Transit Village:** Phase 1 affordable senior housing



Bryk on Broadway

Approve Revisions to Bryk
Apartment Project



PROJECT DETAILS

- Mixed-use workforce apartment building
- Commercial Space: 7,260 SF



Bryk Apartments	Unit Counts
50% AMI Unit Count	54
60% AMI Unit Count	18
80% AMI Unit Count	108
TOTAL	180



PROJECT DETAILS

Proposal:

- Raise the qualifying AMI for the 80% workforce units to go up to 110% AMI
- The rents will **stay locked** to the 80% AMI levels
- All 50% AMI and 60% AMI unit remain the same.



Civic Center North

Approve TIF request and \$3M of
DMC GSIA Infrastructure Funds



PROJECT LOCATION



PROJECT DETAILS

- Mixed-income apartment complex
- Shared parking
- First private development customer of Downtown Thermal Energy network
- Riverfront connection

Civic Center North	Unit Counts
30% AMI Unit Count	13
50% AMI Unit Count	38
60% AMI Unit Count	25
Market Rate	243
TOTAL	319



Community Benefits

- Mixed Income Housing
- Increased Tax Base
- Sustainability Goals include Thermal Energy Network (TEN) connection
- Targeted Business Requirements
- Walkability to downtown and employment
- Riverfront connectivity



Funding Request

DMC EDA Recommendation:

- \$3M in General State Infrastructure Aid
(from Strategic Redevelopment line item in CIP)
- Up to \$13M DMC-Enabled TIF

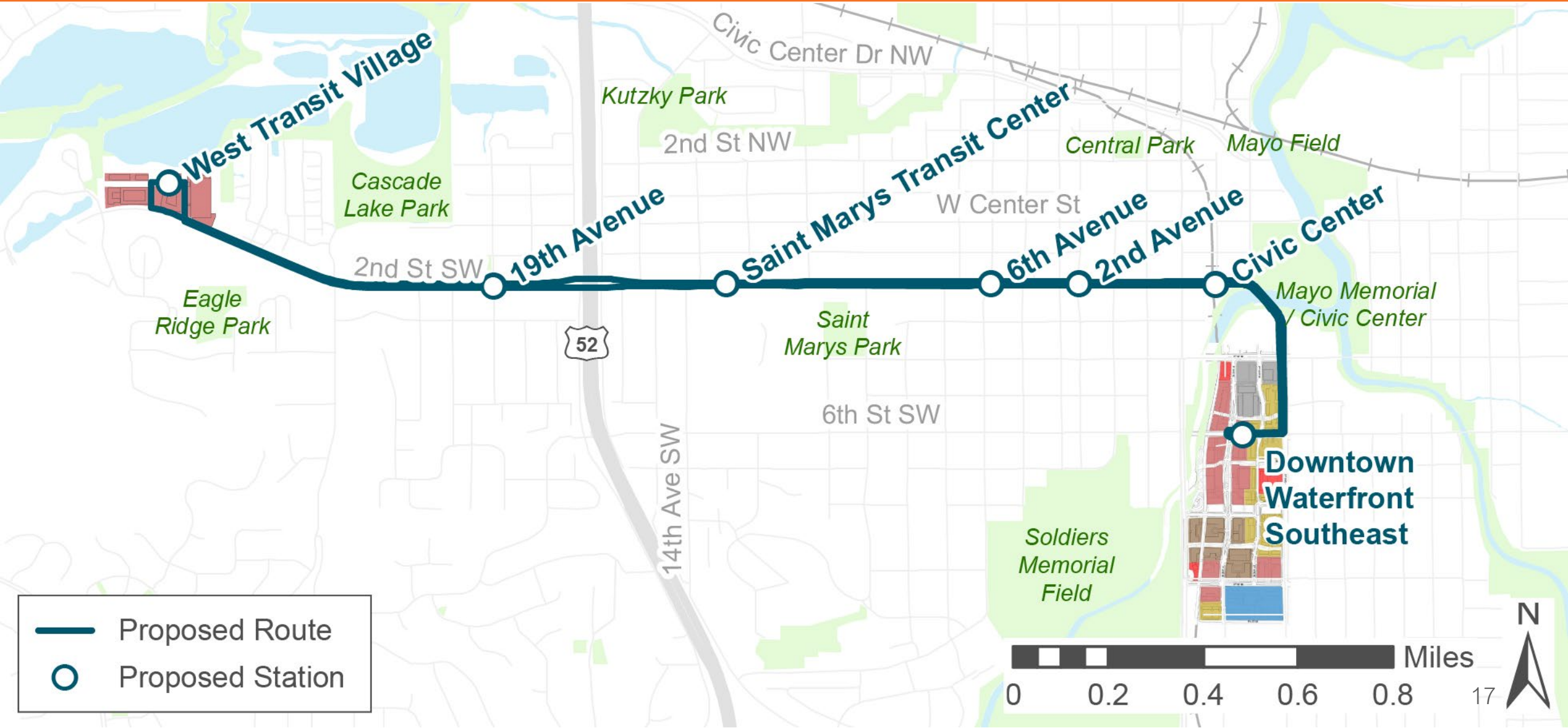


WTV
Aeon
Phase 1

Approve \$3.9M of DMC GSIA
Infrastructure Funds to support
first private development at
West Transit Village



New LINK Bus Rapid Transit



- Proposed Route
- Proposed Station

0 0.2 0.4 0.6 0.8 1.0 Miles

West Transit Village

Transit:

- station platform
- streets
- parking (Mayo employees)
- parking (public)
- bus charging
- RPT facilities



Village:

- housing
- retail + services
- open space
- bike & ped connections

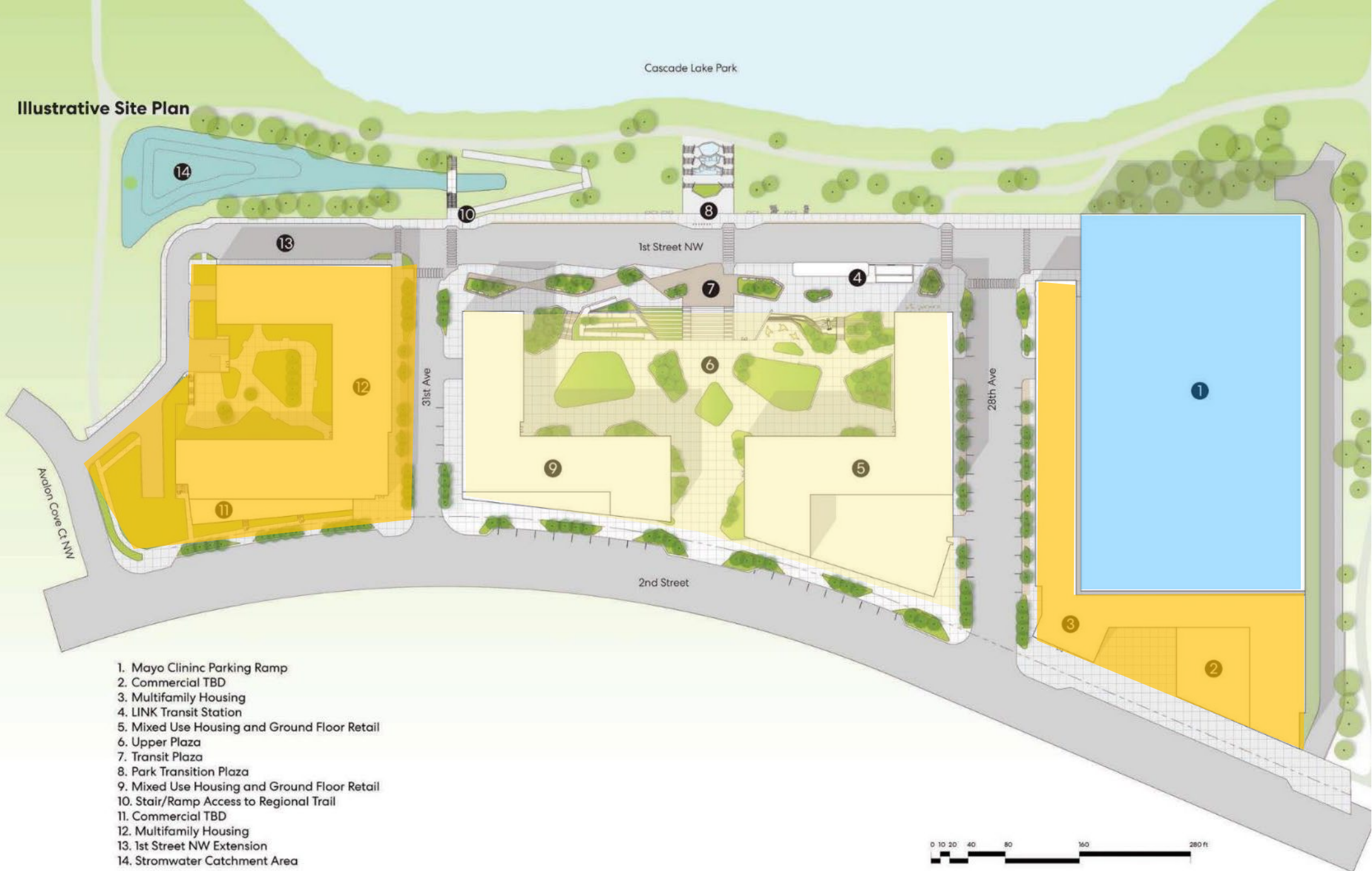


WEST TRANSIT VILLAGE

Mixed Use+Transit | KA / Aeon



Illustrative Site Plan

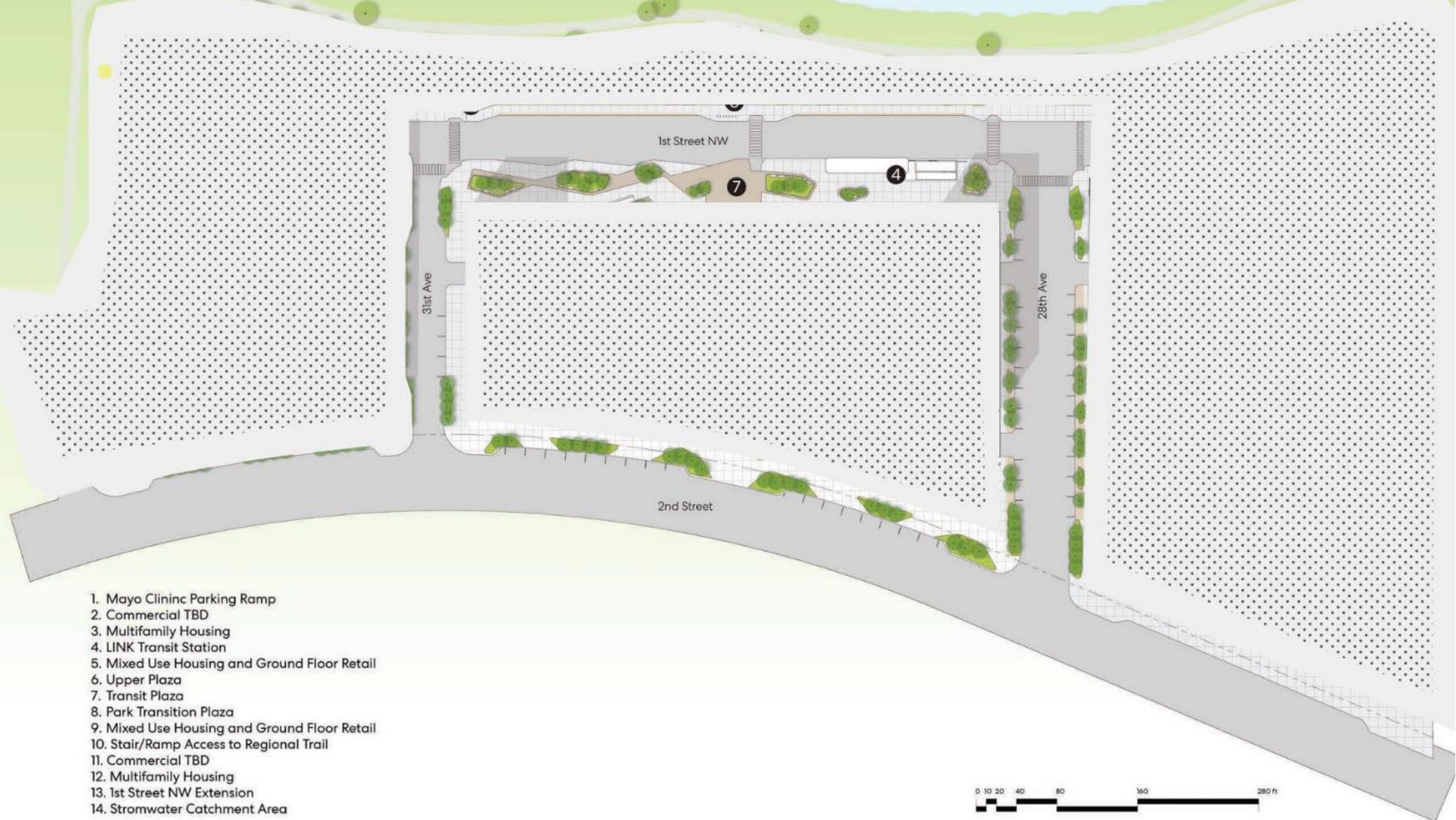


- 1. Mayo Clinic Parking Ramp
- 2. Commercial TBD
- 3. Multifamily Housing
- 4. LINK Transit Station
- 5. Mixed Use Housing and Ground Floor Retail
- 6. Upper Plaza
- 7. Transit Plaza
- 8. Park Transition Plaza
- 9. Mixed Use Housing and Ground Floor Retail
- 10. Stair/Ramp Access to Regional Trail
- 11. Commercial TBD
- 12. Multifamily Housing
- 13. 1st Street NW Extension
- 14. Stormwater Catchment Area



Illustrative Site Plan

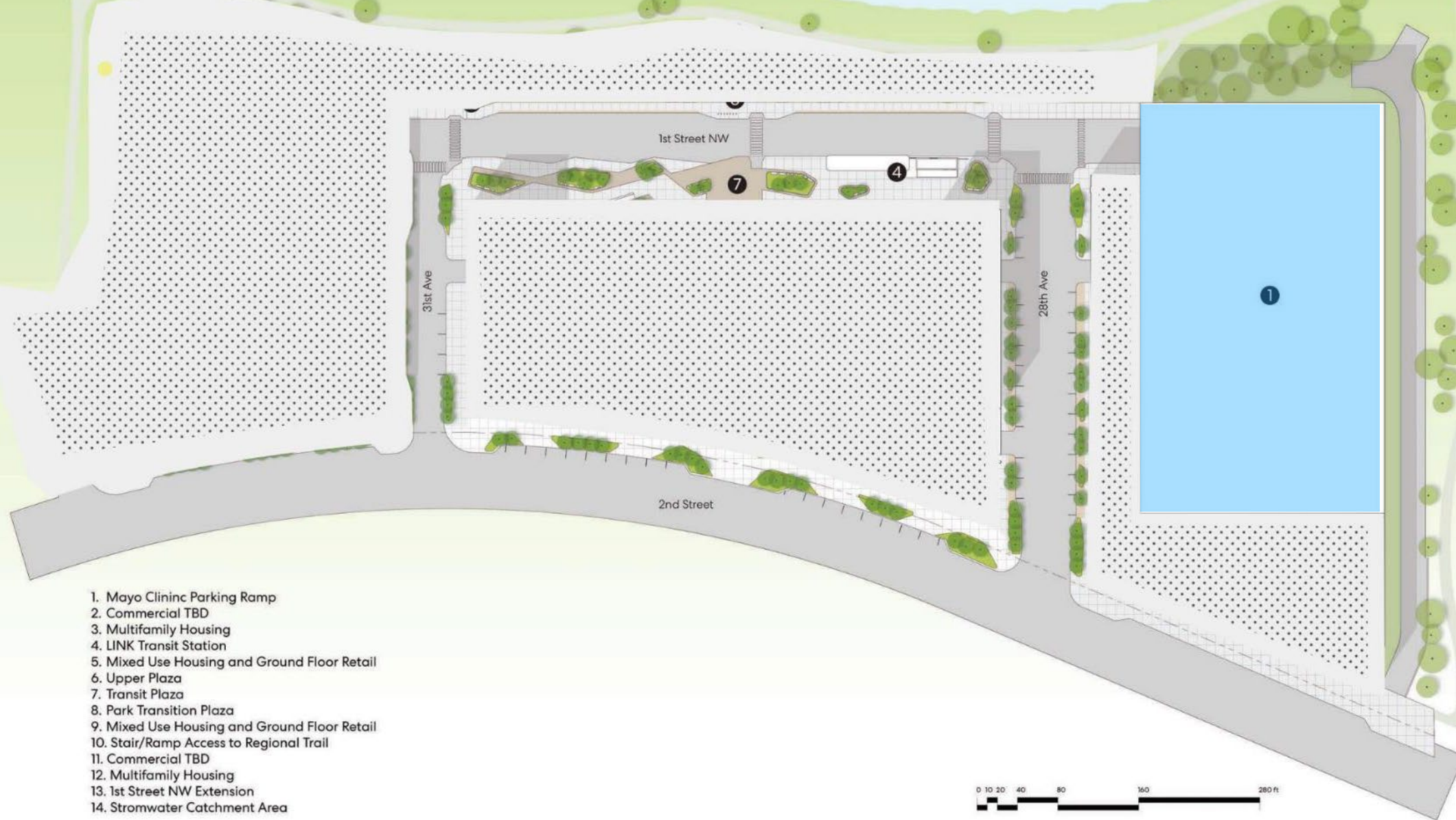
Cascade Lake Park



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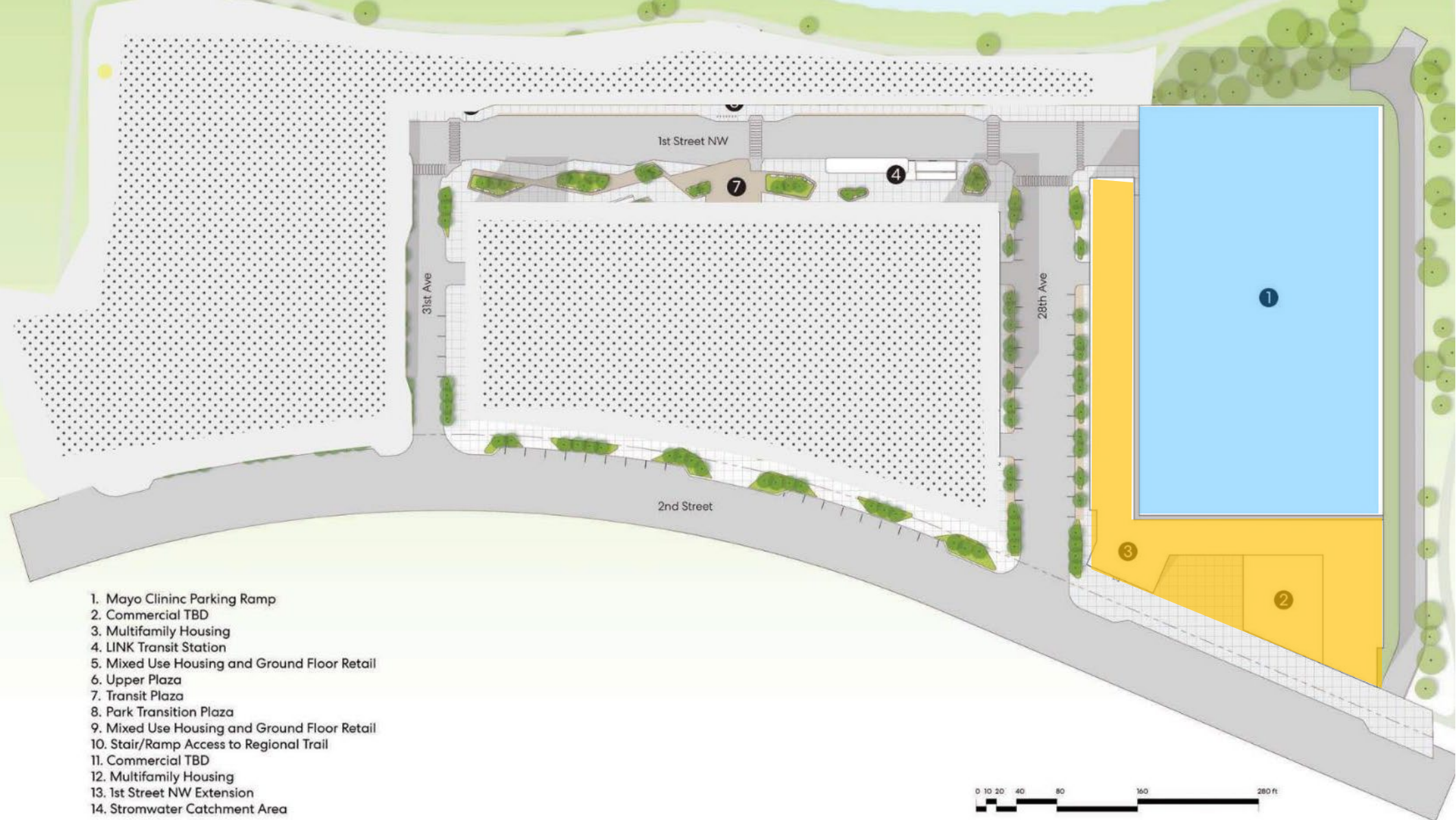
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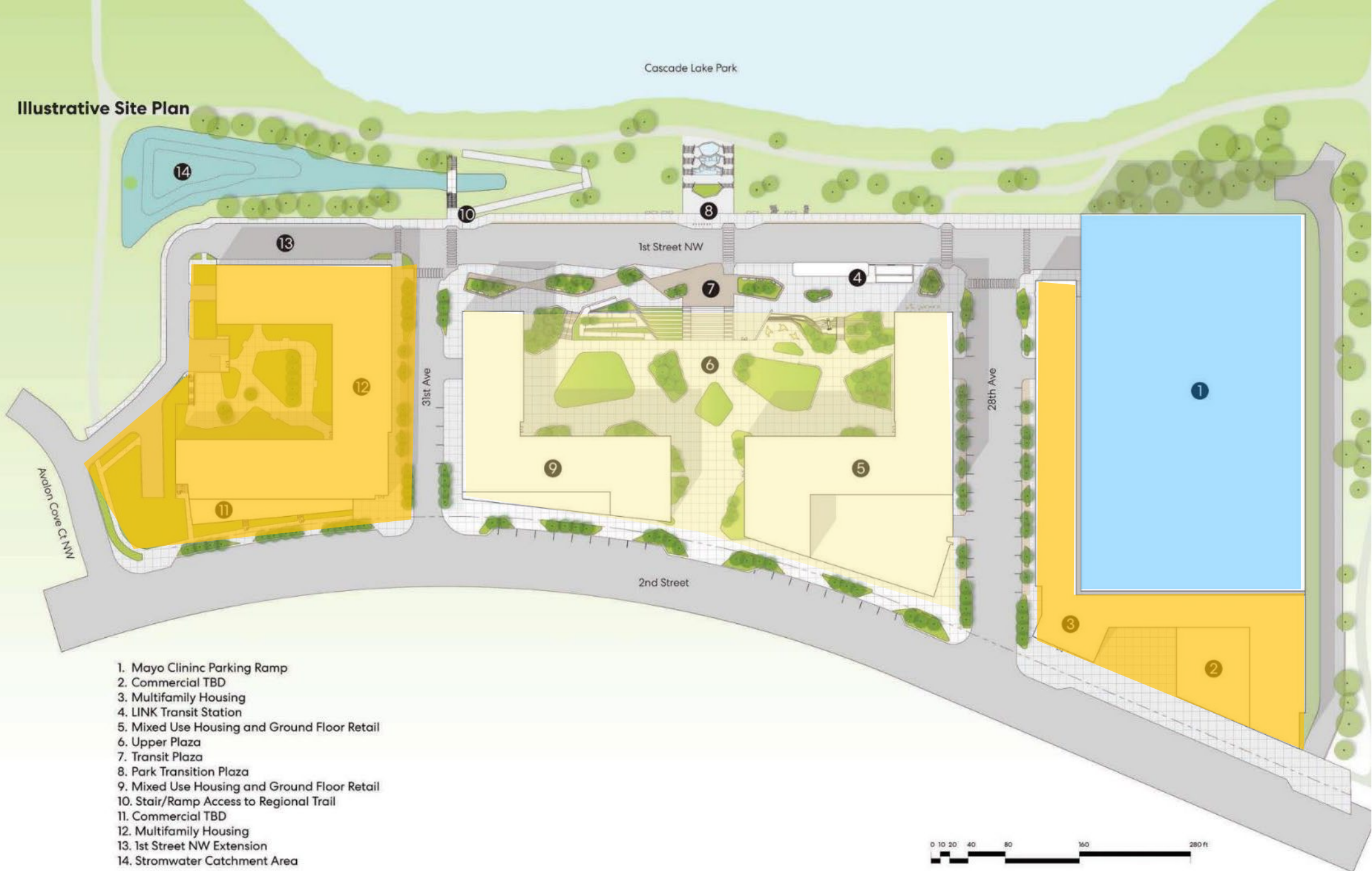
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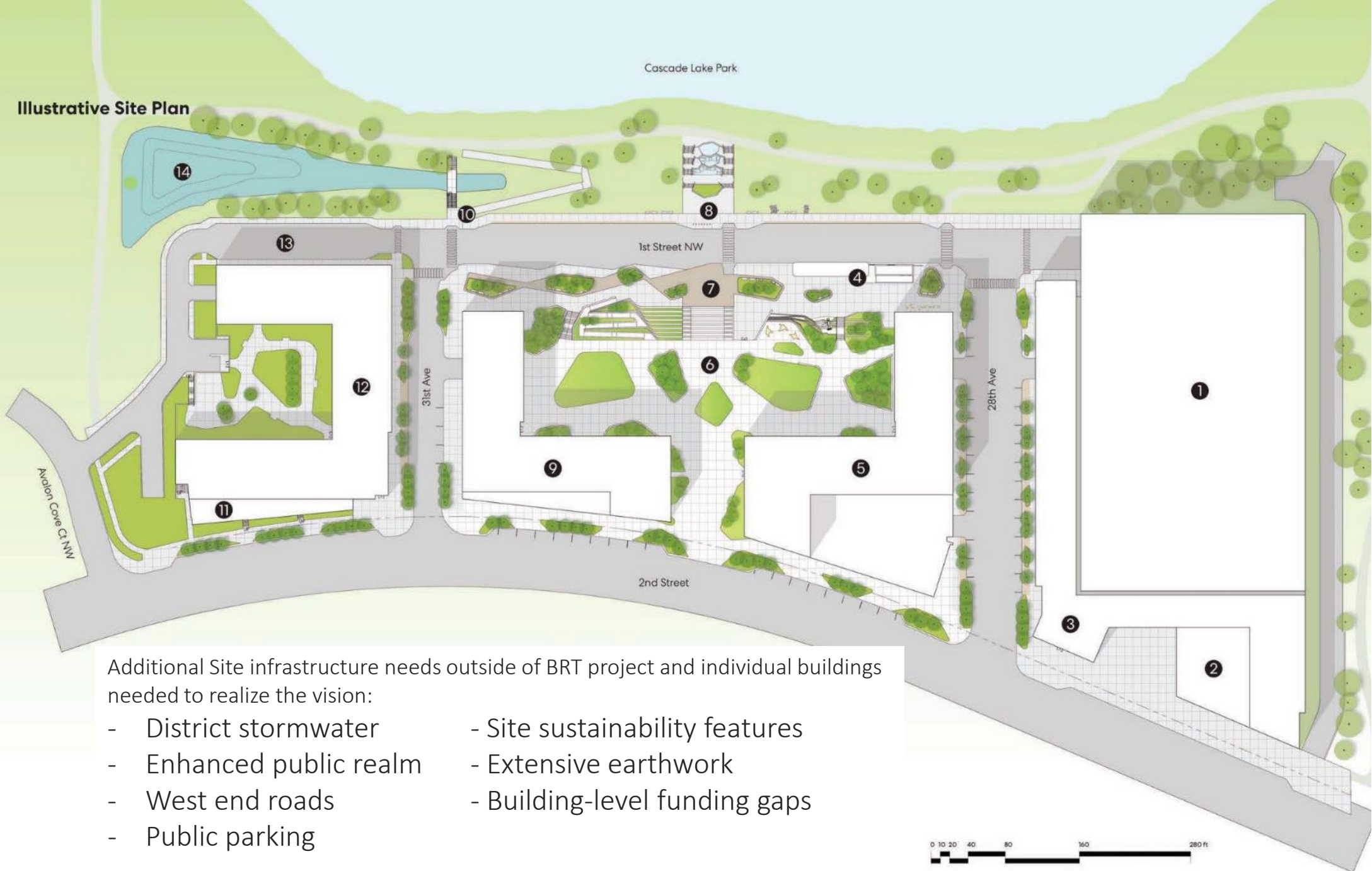
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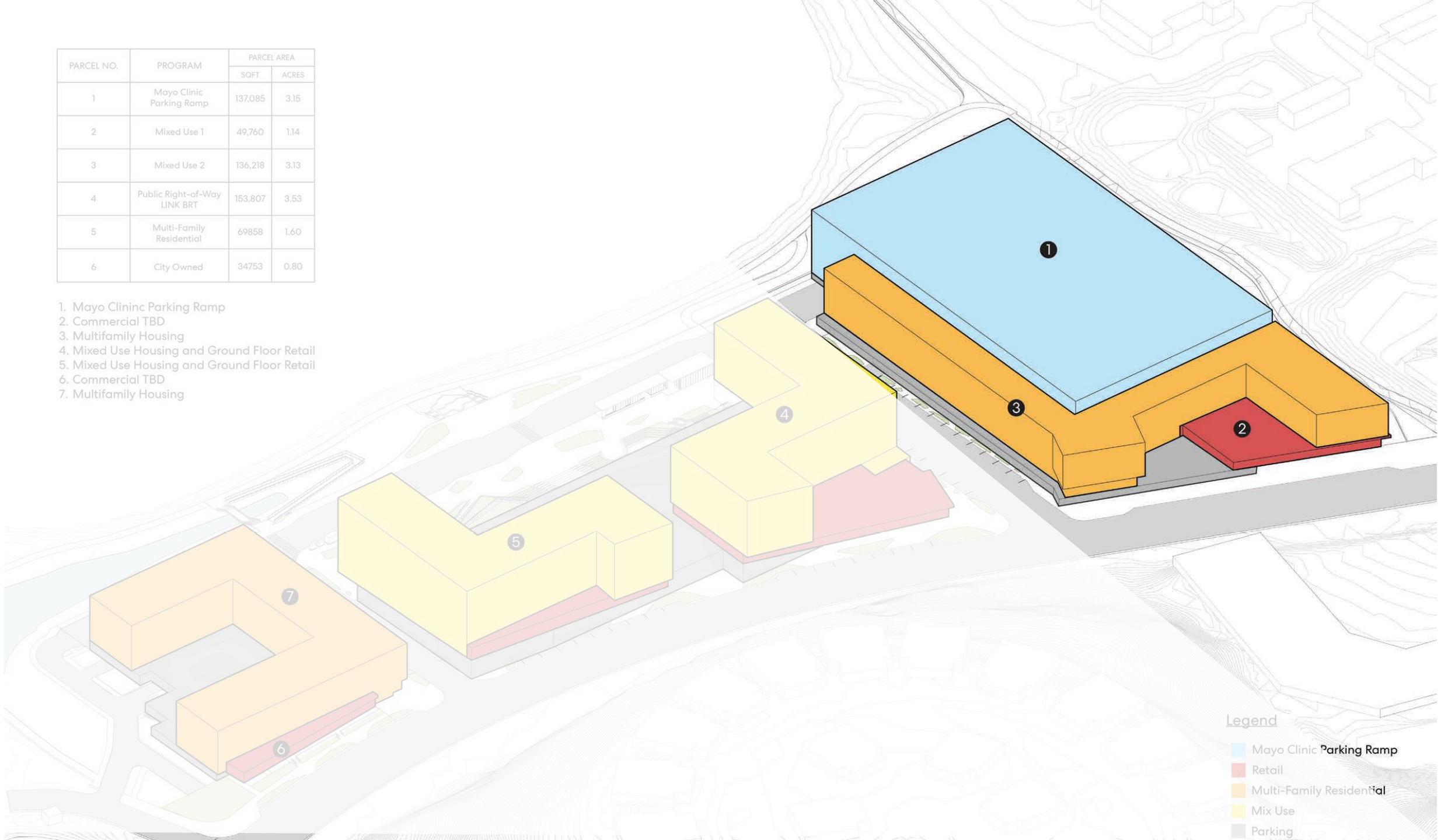


Additional Site infrastructure needs outside of BRT project and individual buildings needed to realize the vision:

- District stormwater
- Enhanced public realm
- West end roads
- Public parking
- Site sustainability features
- Extensive earthwork
- Building-level funding gaps

PARCEL NO.	PROGRAM	PARCEL AREA	
		SQFT	ACRES
1	Mayo Clinic Parking Ramp	137,085	3.15
2	Mixed Use 1	49,760	1.14
3	Mixed Use 2	136,218	3.13
4	Public Right-of-Way LINK BRT	153,807	3.53
5	Multi-Family Residential	69,858	1.60
6	City Owned	34,753	0.80

1. Mayo Clinic Parking Ramp
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5. Mixed Use Housing and Ground Floor Retail
6. Commercial TBD
7. Multifamily Housing



- Legend**
- Mayo Clinic Parking Ramp
 - Retail
 - Multi-Family Residential
 - Mix Use
 - Parking

PROJECT DETAILS

Project Overview

Current Unit Mix

Unit Type	Count	Affordability (Rent)	*Tenant Rent
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		

Approximately 20% of the building is planned to serve households at 30% AMI and below.

*Rent amounts are not finalized; precise levels will be dictated by MHFA Housing Infrastructure Bond guidelines for a 100% Senior Development.



Community Benefits

- Senior affordable housing
- First step in building the village
- Direct connection to BRT system



Timing and coordination needs

- Alignment and coordination with BRT + Parking Ramp design and construction
- MHFA July 11 deadline (State affordable housing funds)



Funding Request

DMC EDA Recommendation:

- \$3.9M in General State Infrastructure Aid



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Supporting Transformation



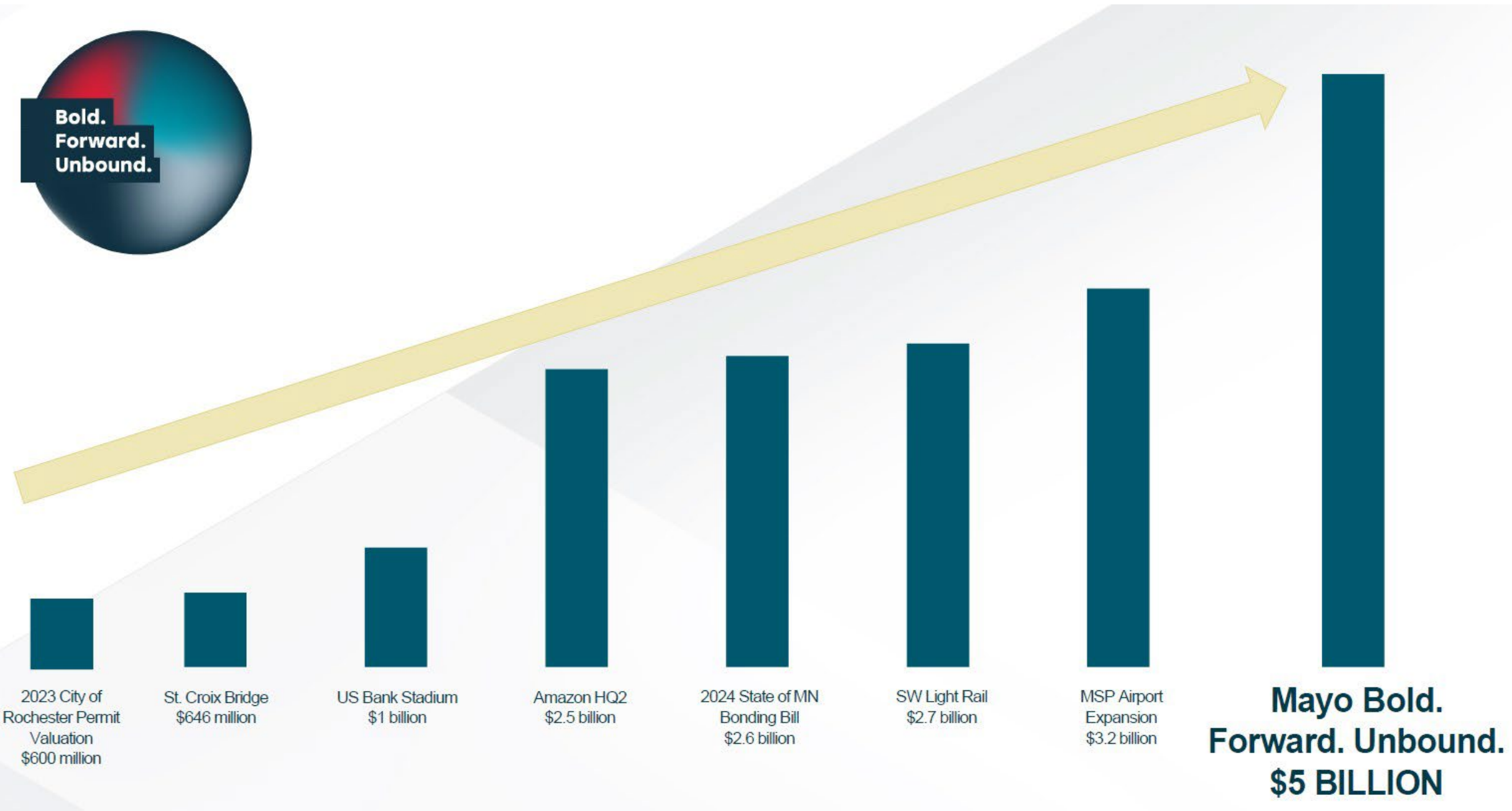
— Request

- Amend 2024 DMC CIP to provide cost-sharing funds for Deputy City Administrator position
- 2024 Budget Impact: \$67,000





**Bold.
Forward.
Unbound.**



2023 City of Rochester Permit Valuation
\$600 million

St. Croix Bridge
\$646 million

US Bank Stadium
\$1 billion

Amazon HQ2
\$2.5 billion

2024 State of MN Bonding Bill
\$2.6 billion

SW Light Rail
\$2.7 billion

MSP Airport Expansion
\$3.2 billion

**Mayo Bold.
Forward. Unbound.
\$5 BILLION**

Current Focus for City

Gaining and Sustaining Momentum



Teammates & Resources needed to secure resources for projects

- Existing teammates pursuing external funding
- Elected Officials and Partner advocacy



Teammates & resources needed to deliver projects

- Prioritize new and existing revenue to support service delivery
- Optimize internal processes & collaboration
- Adapting to state of change



Teammates & resources needed to meet future service needs

- Sustaining transformation through required new services
- Adapting to a new future Rochester
- Nurturing partnerships

NOW

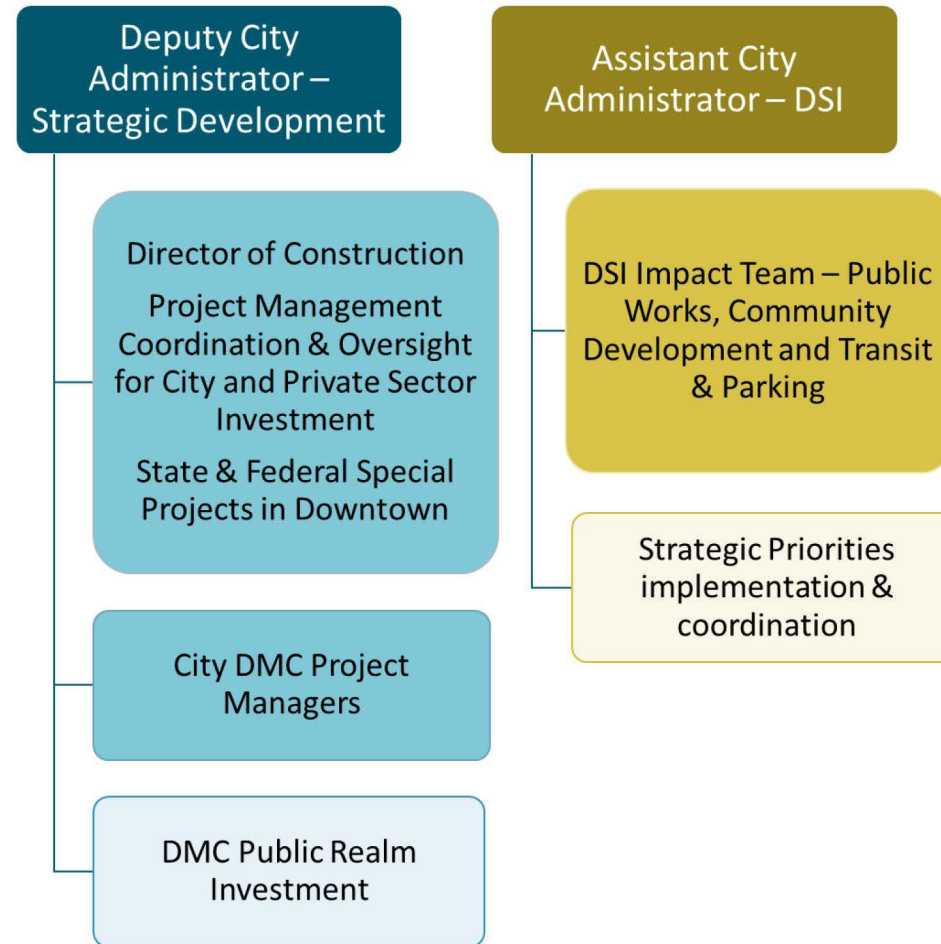
DURING

POST

Supporting
Transformation:
Active Efforts



Team needed to support Bold. Forward. Unbound, City Projects and additional private development



Supporting Transformation

- **February 2024:**
Presented City Transformation Planning Efforts
- **May 2024:**
Consider Shared Support For Deputy City Administrator, Strategic Development
Position dedicated to coordinating DMC district/downtown construction and development, as well as oversight of City DMC Project Management Team
- **July 2024:**
Position Cost-Sharing Begins (through 2024)
- **September 2024:**
Consider 2025 DMC Work Plan and Operating Budget
DMC share of position funding to be included in annual budget request

— Request

- Amend 2024 DMC CIP to provide cost-sharing funds for Deputy City Administrator position
- 2024 Budget Impact: \$67,000



DMC HISTORIC PROPERTY SUPPORT

May 2024



DMC

Destination Medical Center
Rochester, MN

TODAY

1

Background

2

Proposed Historic District
Program

3

Discussion +
Recommendation

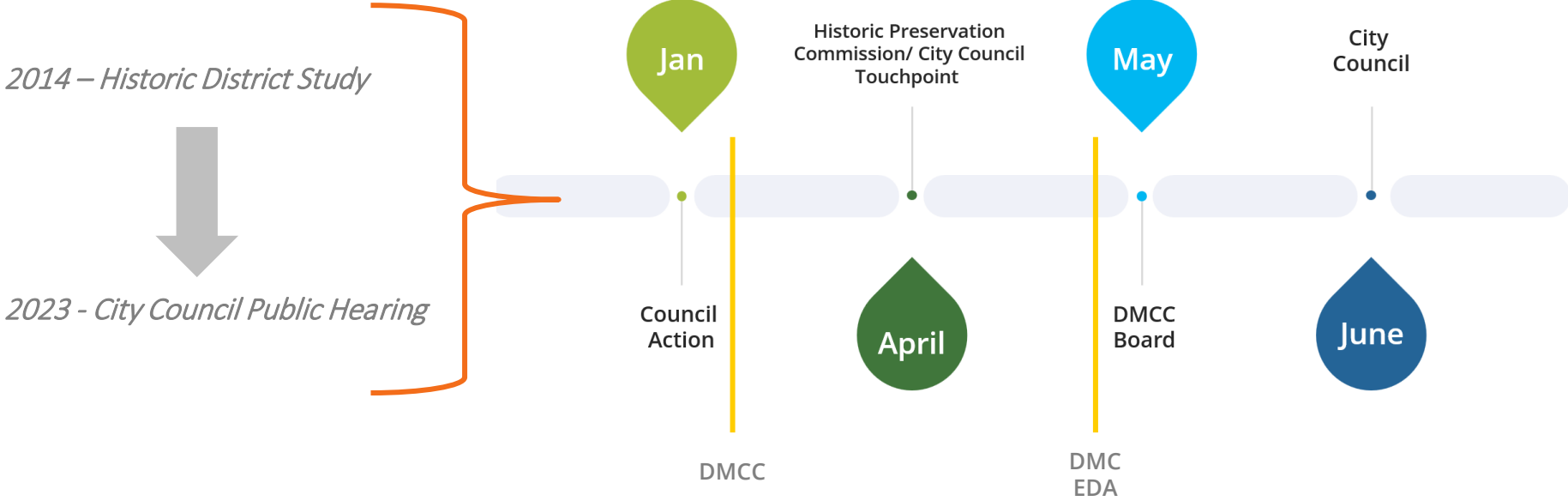


Request

- Designate the downtown historic district as public infrastructure
- Advance a program of financial support of up to \$5 million for eligible capital improvements to properties within the district



HISTORIC DISTRICT TIMELINE



Historic District

- Established in 2024
- 32 properties
- 4 that do not contribute to the historic status
- Multiple other buildings that have historical significance





— DMC Staff Process

- Reviewed city reports, council discussion + actions
- Studied best practices
- Insights from Mainstreet Grant program
- Property owner and tenant interviews



— Successful Historic Districts

EIGHT FOCUS AREAS



BUSINESS
NAVIGATION



FINANCIAL



REGULATORY



RECRUITMENT
RETENTION



PUBLIC REALM



MOBILITY



PROGRAMMING
ACTIVATION

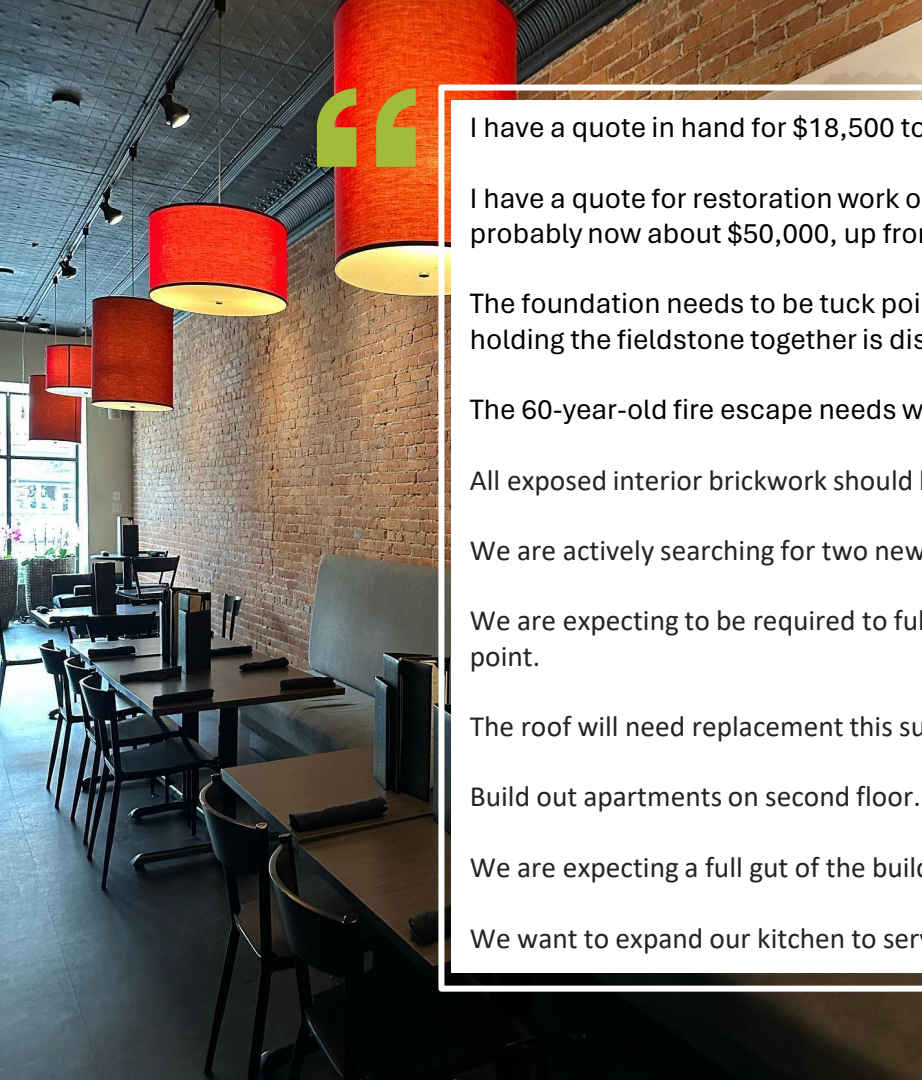


BRANDING
MARKETING

— DMC Support of Historic District







I have a quote in hand for \$18,500 to replace 6 Broadway side windows.

I have a quote for restoration work on the South facade for what is probably now about \$50,000, up from \$34,000 a couple years ago.

The foundation needs to be tuck pointed because the lime mortar holding the fieldstone together is disintegrating.

The 60-year-old fire escape needs work as it has rusted through.

All exposed interior brickwork should be tuck pointed.

We are actively searching for two new tenants.

We are expecting to be required to fully sprinkle the entire building at some point.

The roof will need replacement this summer.

Build out apartments on second floor.

We are expecting a full gut of the building for a complete reuse.

We want to expand our kitchen to serve more food options.



— Property Owner Interviews

EASE OF PROCESS

Don't make it complicated

TIMELINESS

Turn around/seasonality

GRANTS NOT LOANS

Different types are needed

DESIGN SUPPORT

Maximizing potential

TENANT AND BUILDING

Support for both

ACCOUNTABILITY

Using the money responsibly

— Property Owner Interviews

- Adaptive Reuse
- Building System Upgrades
- Building Safety + Preservation
- Code Modernization



— Potential DMC Investment

	Average Cost	DMC Amount	Number of Projects	Approx. DMC
Adaptive Reuse	\$1M	\$500K	5 - 8	\$2.5 – 4M
Building System Upgrades	\$100K	\$50K	12 -16	\$600 – 800K
Building Safety + Preservation	\$50K	\$25K	12 -16	\$300 – 400K
Code Modernization	\$50K	\$25K	7 -12	\$175 – 300K

Total: \$3.6 – 5.5M

— Financial Support Recommendation

Greatest impact with DMC financial resources

- Total of \$5 million CIP Strategic Development Investment
 - 5 years
 - Matching “grant-like” program
 - Up to 500K maximum per parcel

- Program Parameters
 - Must qualify as public infrastructure
 - Staff, board and council review
 - City manages financial administration

HISTORIC DISTRICT TIMELINE



Jan

Council
Action

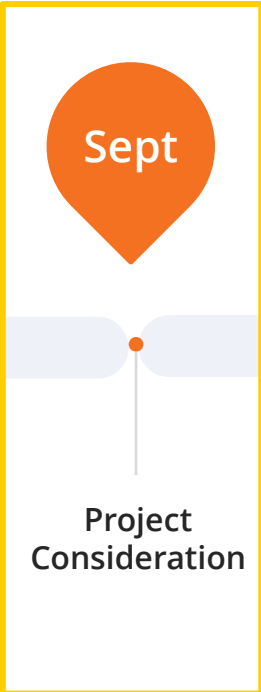
Historic Preservation
Commission/ City Council
Touchpoint



May

DMCC
Board

City
Council



Sept

Project
Consideration

— DMC Support of Historic District



Discussion ...

- Designate the downtown historic district as public infrastructure
- Advance a program of financial support of up to \$5 million for eligible capital improvements to properties within the district



DMC Business Development Update

May 2024



DMC

Destination Medical Center
Rochester, MN

TODAY

- 1 Awareness Update
- 2 Infrastructure Update
- 3 Ecosystem Update



BUILDING AWARENESS



MAYO CLINIC INNOVATION EXCHANGE PARTNERSHIP

Mayo Clinic Innovation Exchange (MCIE) connects entrepreneurs to insights and resources needed to bring innovations to market.

- MCIE and DMC have two shared goals:
 1. Raise awareness of MCIE, Rochester, and DMC as the place to go for innovation.
 2. Develop the brands of MCIE and DMC/Discovery Square.
- MCIE and DMC will enter into an agreement where both groups commit to:
 1. Partner on programming designed to bring global innovation leaders together around topics where Mayo Clinic and Rochester have expertise.
 2. Position each organization as an integral part of innovation ecosystem growth in Rochester.
 3. Leverage the brands, networks, and resources of both organizations to deliver on shared objectives.



INVESTMENT IN HEALING FAM TOUR

- October 2-4, 2024
- Four DMC guests from leading MedTech/BioTech organizations
- Exposure to DMC and Discovery Square
- Demonstrate connectivity to Medical Alley and MSP
- Highlight unique opportunities in Rochester



RETAIL, DINING, AND ENTERTAINMENT EXPANSION

Krueger Real Estate Advisors - Contracted with DMC EDA effective April 1 to assist with the following Retail, Dining, and Entertainment (RDE) activities:

1. Downtown real estate assessment
 - Identify top 10-20 “RDE ready” sites in the DMC district.
2. Top target identification
 - Identify top regional RDE concepts without a presence in Rochester and present DMC sites to their leadership.
3. Downtown Rochester Marketing and promotion
 - Represent DMC sites at regional and national RDE events to build awareness and identify potential tenants.



2024 REAL ESTATE SUMMIT

- 250+ attendees
- Topics on unprecedented demand drivers in Rochester, tools to support growth, and building connections.
- Site tours around housing, innovation, Bold. Forward. Unbound. in Rochester., and more.



BUILDING INFRASTRUCTURE



SHARED LAB STATUS UPDATE

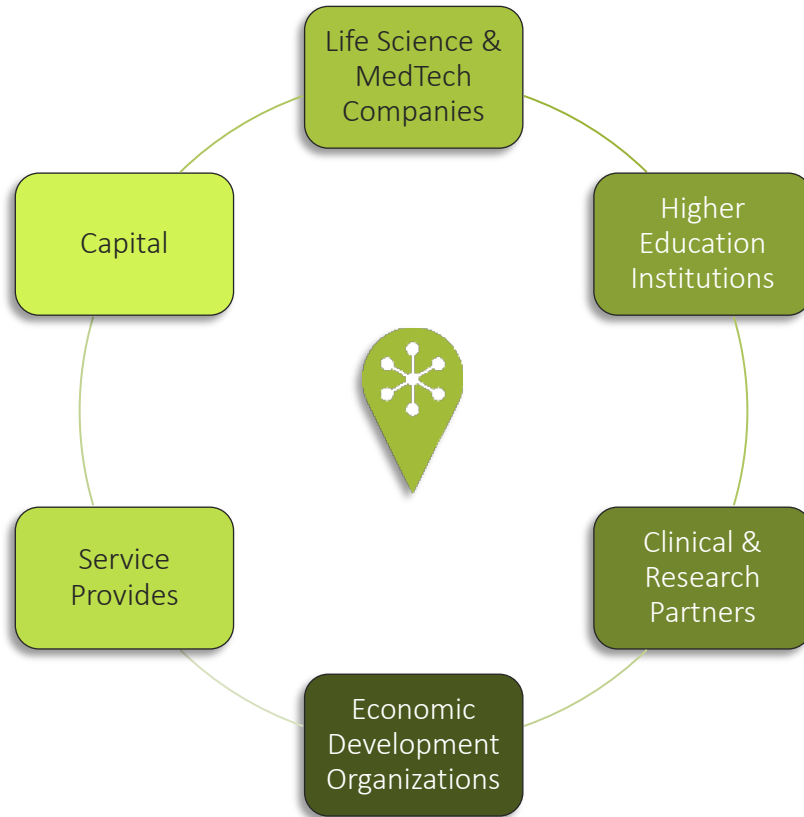
- DMC EDA continues to make progress on defining the specific needs, business model, operating partners, and real estate requirements of a shared lab in Rochester.
- Additional data is required on the specific needs of Rochester innovators from a space and equipment perspective.
 - *"80% of your tenants will come from 20% of your innovators"*
- Partnerships with regional innovation drivers continue to advance the conversation.
- A small scale "prototype" may be the best path forward to test a low-risk model.
- Our goal to deliver a world class, turnkey space in Two Discovery Square remains the same.



BUILDING ECOSYSTEM



ECOSYSTEM ASSESSMENT AND ENGAGEMENT STRATEGY



1. Define specifics of each Ecosystem node, including geographies.
2. Compile data on each Ecosystem node, complete with contact info, technology descriptions, and lines of business.
3. Analyze the Rochester Ecosystem against peer markets, identifying areas of strength and existing gaps.
4. Conduct primary research on each Ecosystem node to assess vertical specific gaps, desired models of engagement, and KPI's and metrics for success.
5. Develop a comprehensive engagement strategy complete with governance, staffing, budget, and program implications.

ECOSYSTEM STRATEGY NEXT STEPS

- Identify partners with capabilities for all, or parts, of the strategy development
 - Medical Alley Association
 - Global Institute for Innovation Districts (GIID)
 - Third-party research firms
 - Independent consultants
- Develop a job description, or RFP, and solicit responses for partners.
- Leverage strategy output for 2025 budget planning



THANK YOU



2025 DMC CAPITAL AND OPERATING BUDGET

May 2024



DMC

Destination Medical Center
Rochester, MN

Today's Discussion



- Affirm 2025 Capital Plan direction





ANNUAL WORKPLAN & BUDGET

Includes:

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





TIMELINE

- **May-August 2024:** Workplan and budget prep
- **September 26, 2024:** DMCC board consideration
- **October 2023:** Rochester City Council consideration



2025 CAPITAL PLAN DIRECTION

- Identify infrastructure needs associated with **Bold. Forward. Unbound.** and other time-sensitive opportunities
- Incorporate long-term capital management strategy into **2025 DMC Plan Update**



Today's Discussion

- Affirm 2025 Capital Plan direction

