



DMC Corporation Board of Directors Meeting

Thursday, February 1, 2024





DMC

Destination Medical Center

Annual Report to the Minnesota State Legislature

Annual Report to the Legislature

- **Joint report** by the City of Rochester and DMC Corporation
- Required to be **submitted by Feb. 15**
- **Submitted to:**
 - Legislative and State Agency Leadership
 - Chair of the Olmsted County Board
- State law outlines **required report elements**



Required Elements of the Report

Development plan

Progress of projects

Actual project costs and financing

Estimated costs and financing sources for projects to be started in the next two years

Debt service schedules for all City debt issued for DMC projects



Report Highlights

Mayo Clinic Bold. Forward. Unbound.

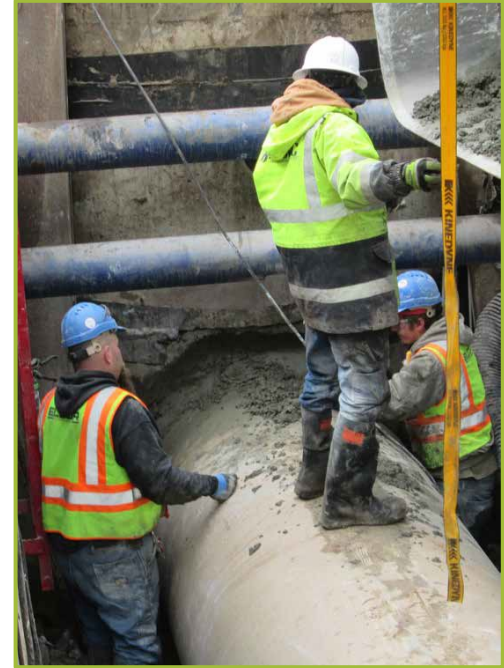
- \$5 billion investment
- 2.4 million square feet of new space

DMC investments in

- Mobility
- Public Space
- Streets and Sewers
- Bio-med-tech
- Workforce Housing

Programmatic initiatives

- Business Recruitment and Marketing
- Equitable Economic Development
- Grow Downtown Together





DMC

Destination Medical Center

Annual Report to the Minnesota State Legislature

METRICS DISCUSSION: PRIVATE INVESTMENT

February 2024



DMC

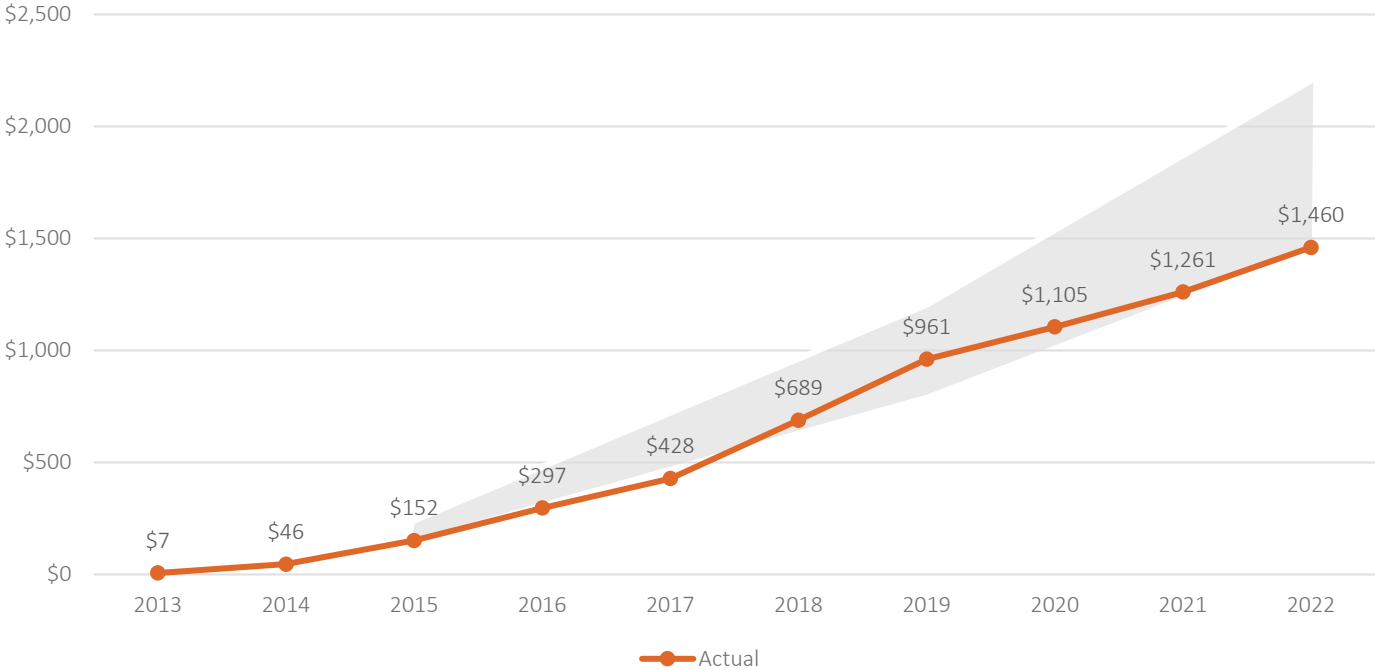
Destination Medical Center
Rochester, MN

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.



CUMULATIVE INVESTMENTS VS PROJECTED (+/- 20%)



PRIVATE INVESTMENT STATUS THROUGH 2022

- Cumulative investment of nearly \$1.5B
- Met formula requirements to receive maximum annual state aid
- 2022 total investment above 8-year average
- Investment trending upward following Covid-19
- Monitoring non-Mayo private investment



NON-MAYO PRIVATE INVESTMENT BY YEAR



RESIDENTIAL DEVELOPMENT

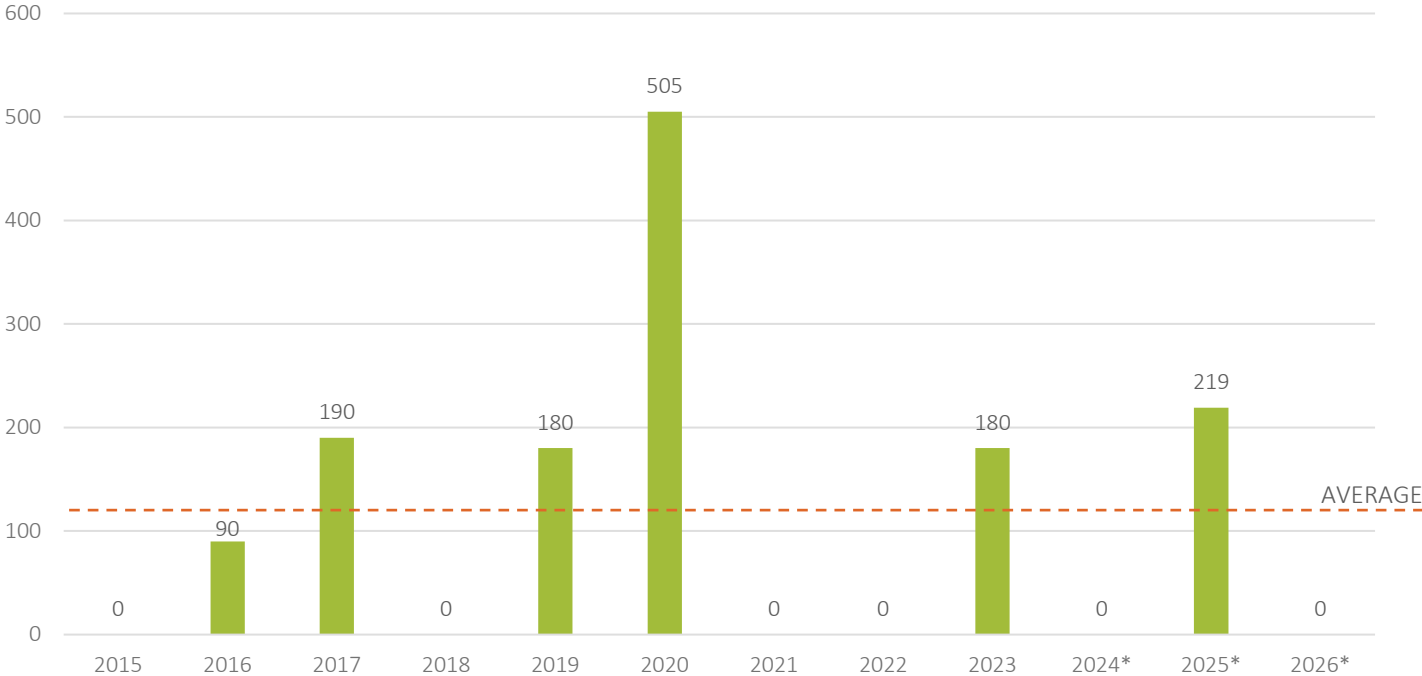
- Dramatic rise in borrowing costs starting in early 2022.
- Dramatic rise in construction costs post-Covid.
- Dramatic rise in operating costs.



BORROWING & CONSTRUCTION COSTS



RESIDENTIAL UNITS BY YEAR IN THE DMC DISTRICT (2015-Present*)



NEXT STEPS: TWO PATHS FORWARD

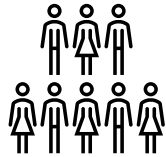
1. Wait for the market to shift

- 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



Minnesota MedTech3.0 Update & Discussion



DMC

Destination Medical Center
Rochester, MN

Request of the Board

Affirm that DMC is a partnering organization within the MMT3.0 consortium and is meaningfully contributing to the MMT3.0 grant outcomes.



What is Minnesota MedTech 3.0?



A bold new strategy to

- Grow Minnesota's global market share of products & firms in the medical technology industry
- Build an ecosystem that is even more connected, more strategic, and "smarter"
- Accelerate the pace of "Smart MedTech" innovation from Minnesota
- Achieve inclusive economic growth of good jobs and investment in our region
- Move beyond pairwise partnerships to collaboration against shared outcomes in specific areas
- Improve health outcomes for the world while lowering cost

We do this with shared principles, such as

- **Intention for scale**, taking a market-oriented approach
- **Industry leadership**, with clear cross-sector support
- **Alignment of action**, through integration of existing capabilities and assets
- **Equity lens**, with commitment to outcomes and process to drive inclusive growth
- **Exponential collaboration**, moving above and beyond today's pairwise partnerships
- **Deep commitment**, demonstrated by organizations and executive leaders

What are Tech Hubs?

Federal EDA designated 31 Tech Hubs from nearly 200 applications

- Endorsement of our region's plan to supercharge a critical technology ecosystem
- Eligible to compete for portion of \$500M federal funding
- Administered by Commerce Department's U.S. EDA



Why did the MSP region win Tech Hubs?



Several strengths on display at once

- Existing MedTech capability with potential for continued growth
- Industry leadership with depth of commitment from across sectors
- Commercialization approach with complementary interventions
- Integrated approach to equity, workforce & other critical issues
- Regional collaboration with plans for broader engagement

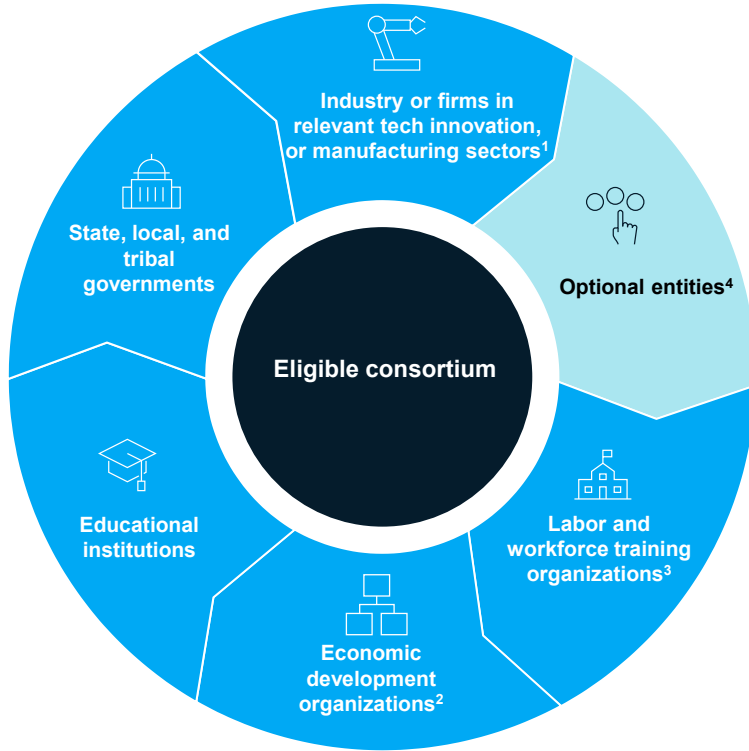



This provides an opportunity to prove

- Comprehensive plans for equity & diversity, capital access, workforce
- Our ability to execute with strong industry leadership
- Impact on national and economic security
- Alignment of investments and policy

Consortium members developing application

150+ leaders at these organizations are collaborating





We are working to produce a
100+ page Phase 2 application
to the U.S. EDA by February 29

Overarching strategy (10 pgs)

Risk mitigation narrative (10 pgs)

Component projects (30 pgs)

Consortium letters (50 pgs)

DMC Contributions

Grant Preparation

- Co-leading one of the five project streams
- Coordinating multiple Mayo Clinic entities re engagement in application

Grant Execution

- Use existing BD activities to bring Smart MedTech businesses to MMT3.0 ecosystem.
- Convene Rochester-based MMT3.0 ecosystem gatherings as needed.
- Contribute to developing and executing MMT3.0 workforce development strategies



Request of the Board

Affirm that DMC is a partnering organization within the MMT3.0 consortium and is meaningfully contributing to the MMT3.0 grant outcomes.



Supporting Transformation



Strategic Priority:
Affordable Living

Strategic Priority:
Economic Vibrancy and
Growth Management

Strategic Priority:
Quality Services

1

Construct market rate and affordable owner occupied housing.

2

Invest in public realm to advance:

- Economic Vibrancy
- Resident Experience
- Visitor Experience
- Talent Attraction

3

Develop a transition plan for post 2030 power supply needs.

**Supporting
Transformation:
Active Efforts**

**Bold.
Forward.
Unbound.**

**Local
Sales
Tax**

**RPU 2030
Power Supply
Plan**

**Destination
Medical
Center**

**Federal
Funding**

**Park
Levy**

**State
Funding**



Mayo Clinic Bold. Forward. Unbound

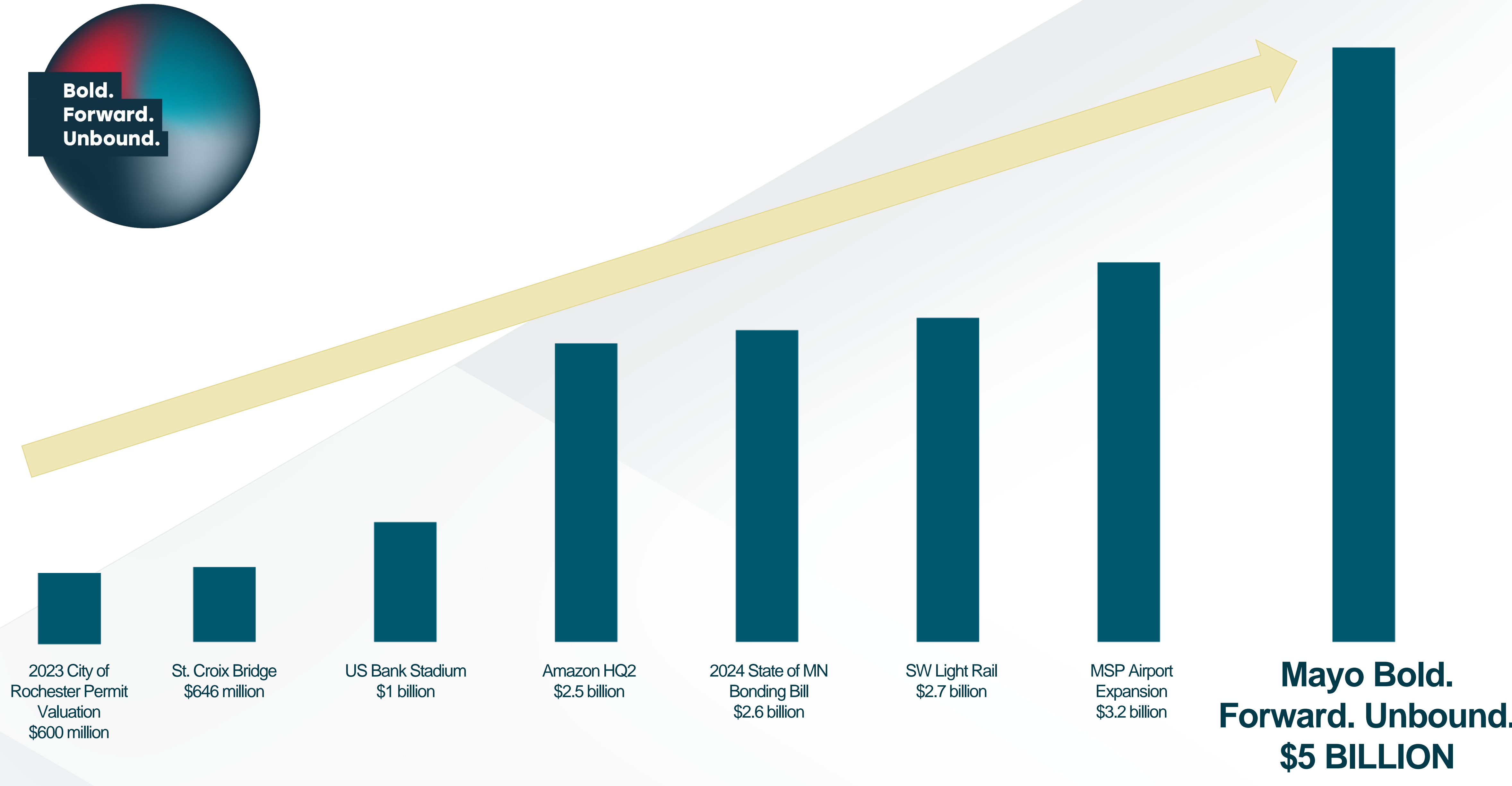
Transforming Healthcare for the World

- \$5 billion investment
- 2.4 million square feet of new space
- First buildings open in 2029
- Project complete by 2030
- \$500 million in Sustaining projects





**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

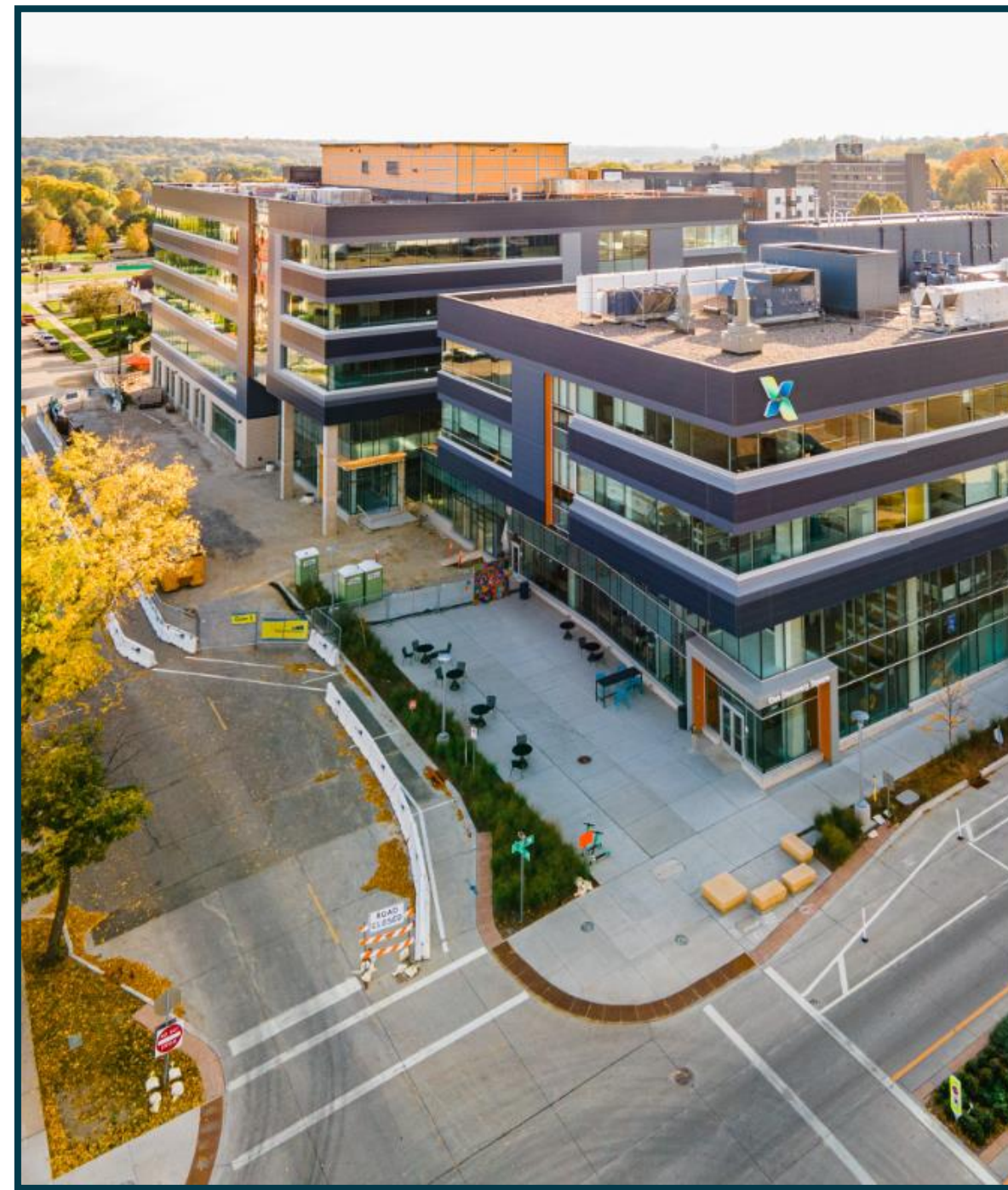
SW Light Rail
\$2.7 billion

MSP Airport Expansion
\$3.2 billion

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



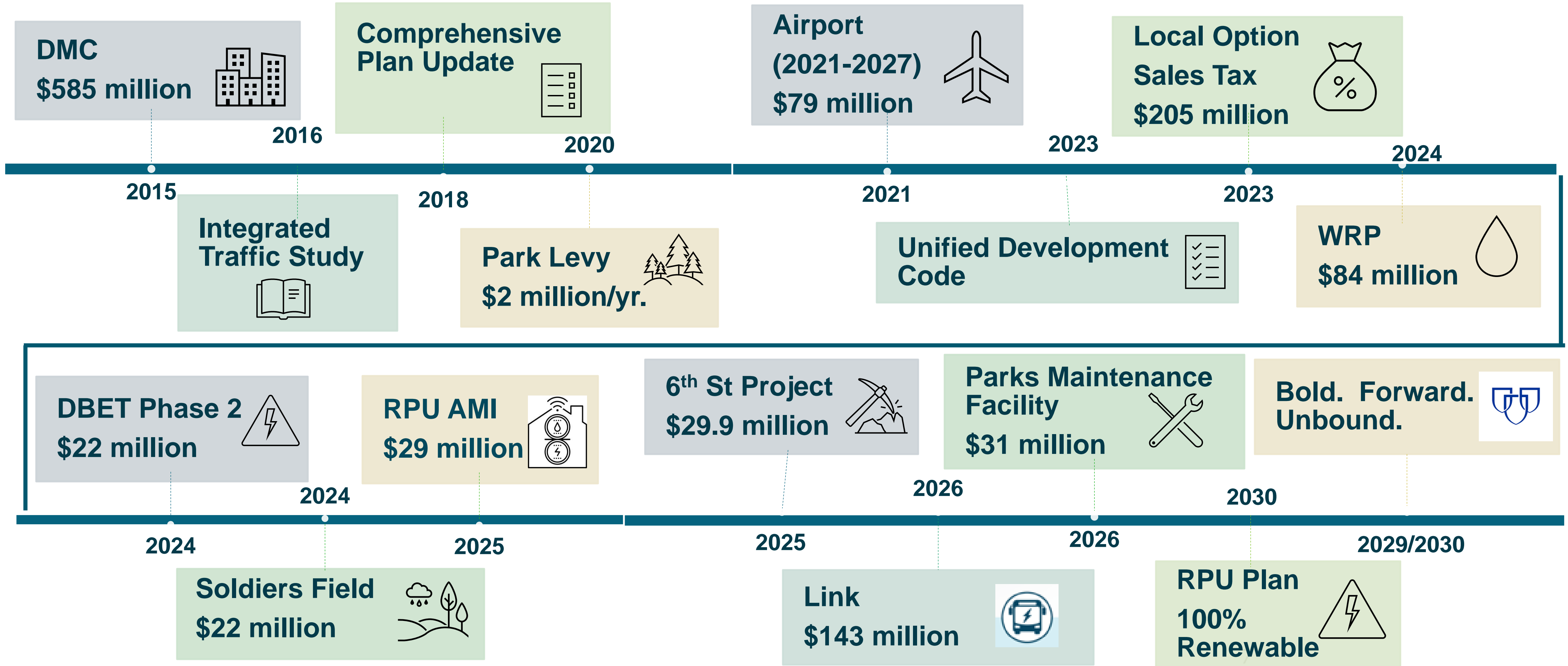
Positioning Rochester for Success: Infrastructure Investment & Organizational Mindset



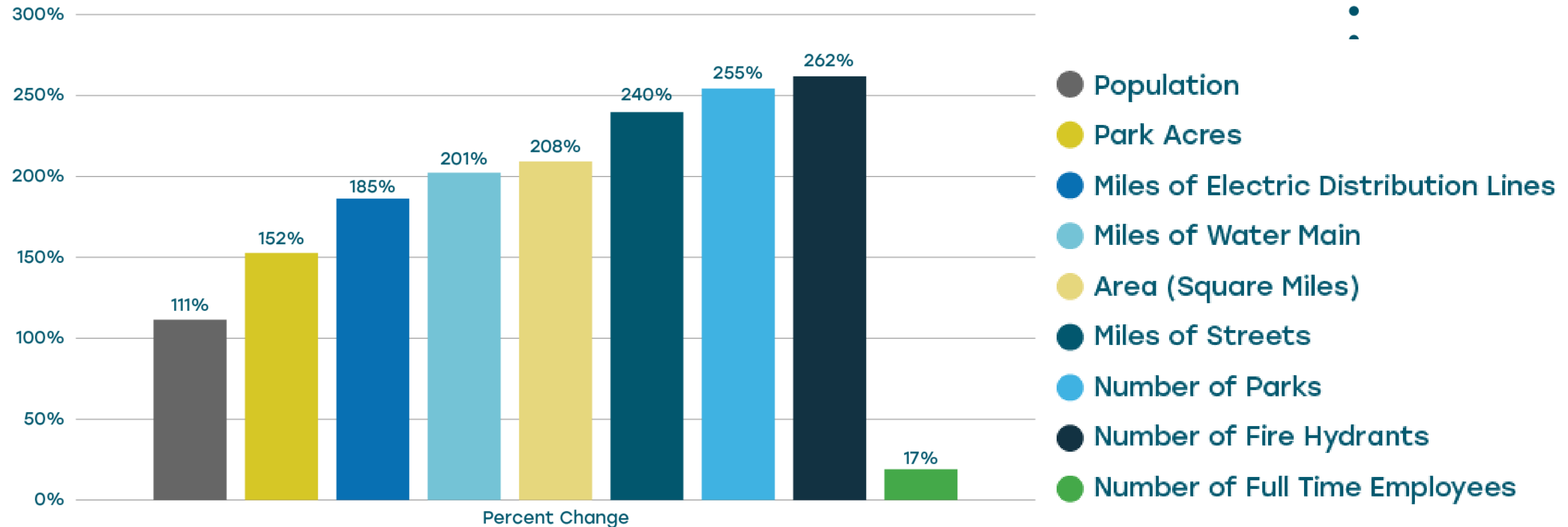
Supporting
Transformation:
Active Efforts



Initiatives and Projects



Percent Change of Operating Indicators 1980 - 2022



City of Rochester operations have grown between 110-262% while employee base has grown 17%





**Focus on High Performance Culture.
Centering People in Problem Solving.**





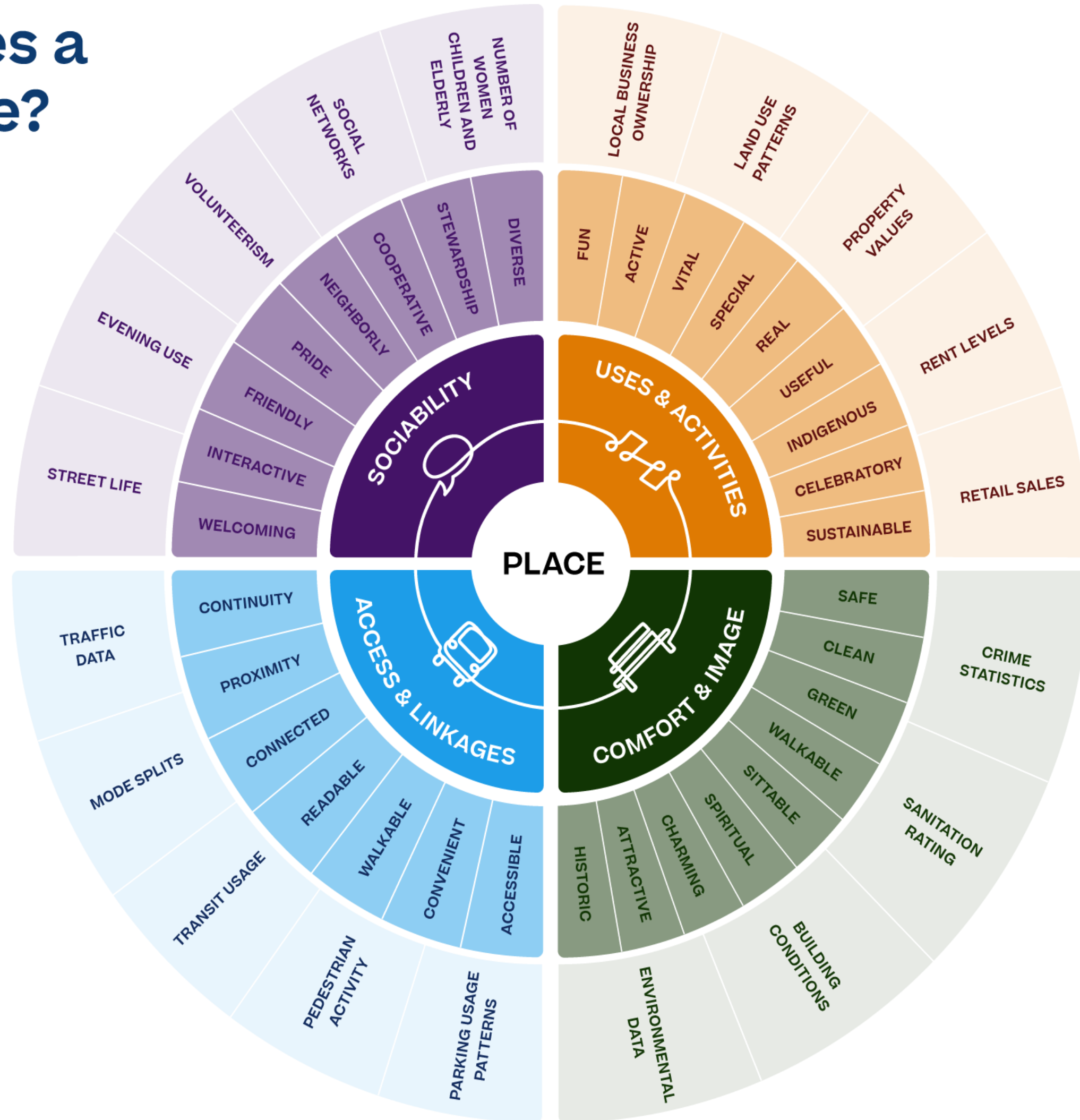
Build from current partnership model

Project Managers, DEI, and Sustainability work are intertwined and collaborative.

Shared vision, shared implementation, shared success.



What Makes a Great Place?



Four Keys to Transformation Success

1. Strategy
2. Patience
3. Resilience
4. Growth

Copyright: Roger L. Martin, 2021

Project
for Public
Spaces

Source pps.org/article/grplacefeat



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

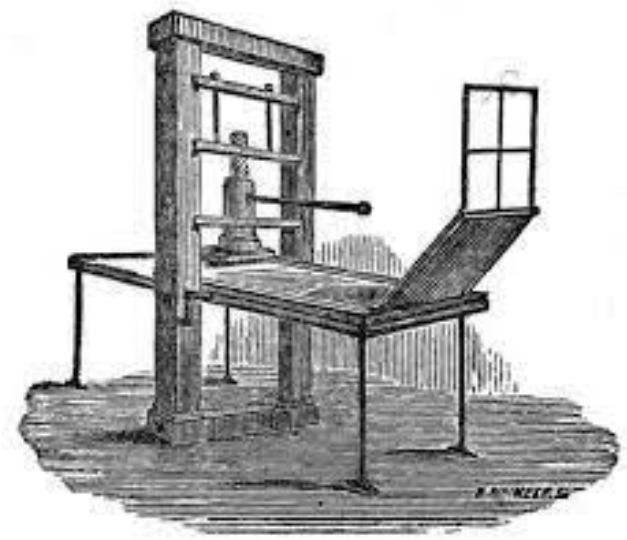
NOW

DURING

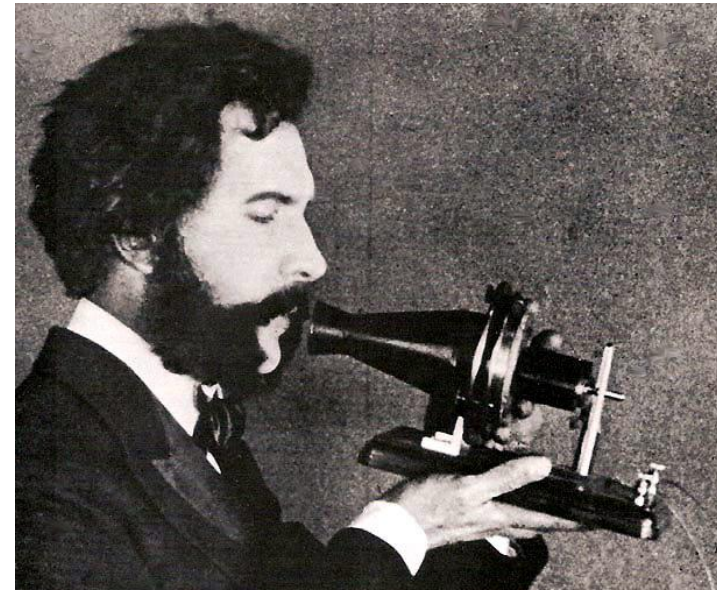
POST



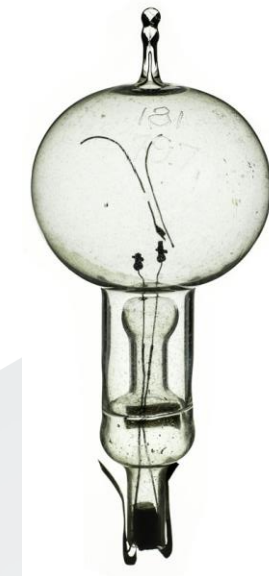
This is Rochester's Transformative moment in History



The Printing Press



The Telephone



The Light Bulb



The Car



The Airplane



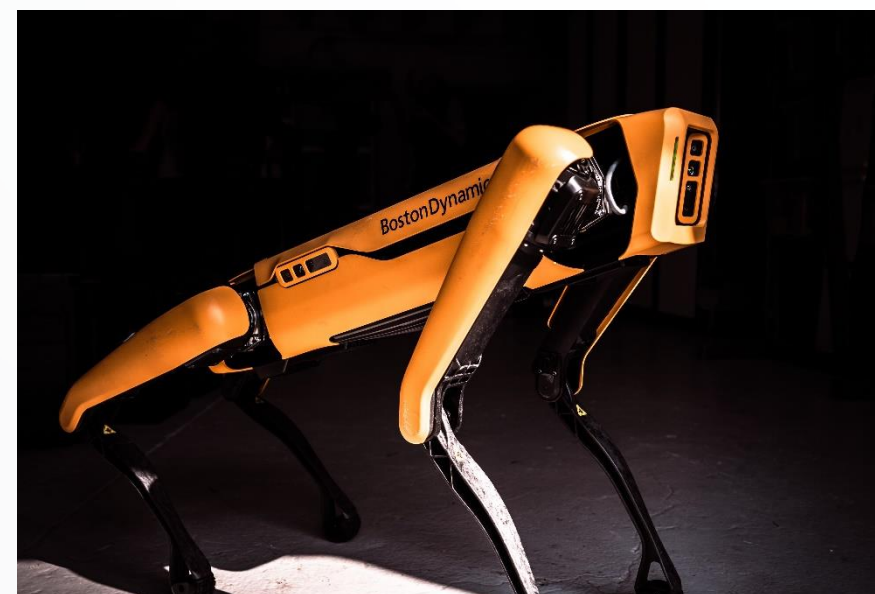
Penicillin



The Internet



iPhone



Artificial Intelligence



Thank You!



2025 DMC Plan Update



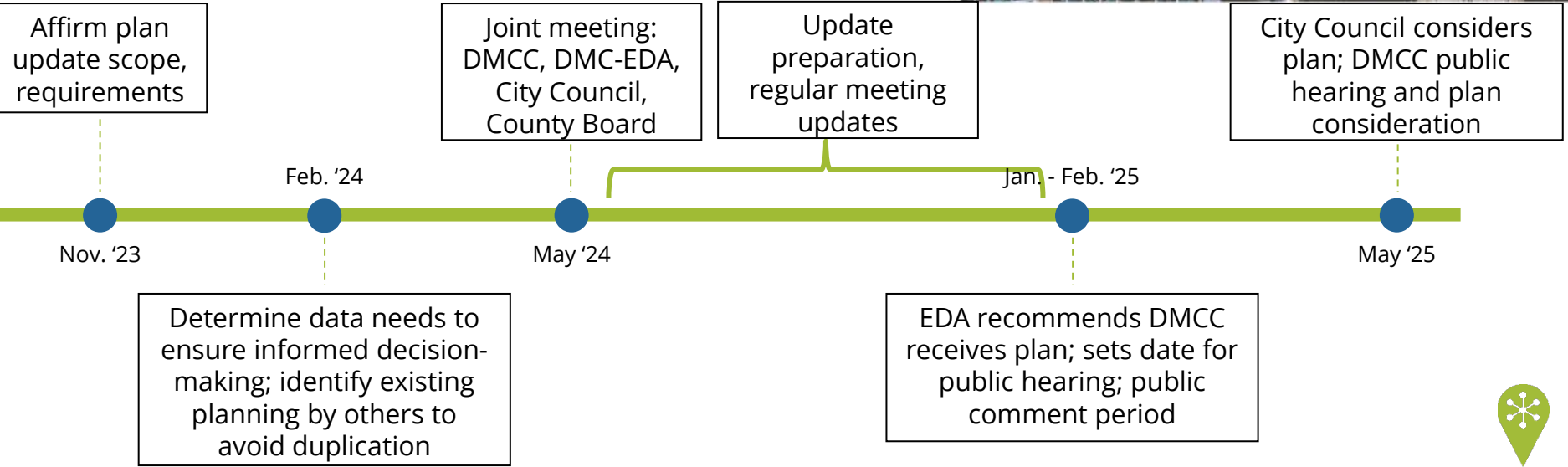
DMC

Destination Medical Center
Rochester, MN

Immediate Next Steps + Update Outcomes

- **Immediate Next Steps:**
 - Build out data set necessary to establish baseline assumptions and inform future decision making
 - Identify existing plans or planning processes by others to avoid duplication of efforts
- **Update Outcomes:**
 - Reflect DMC progress, opportunities, challenges
 - Complement partner plans, strengths, strategies
 - Incorporate community priorities
 - Reaffirm DMC's primary mission, vision, purpose
 - Meet legislative requirements

Timeline



Discovery Labs Update & Discussion



DMC

Destination Medical Center
Rochester, MN

Discovery Square Strategy

Build awareness



Build ecosystem



Build Infrastructure



Fostering Innovation Through Infrastructure

Shared Lab – low cost shared wet lab space for startups

Maker Lab - Where inventors solve problems with tech

Simulation Lab - healthcare space for workforce training



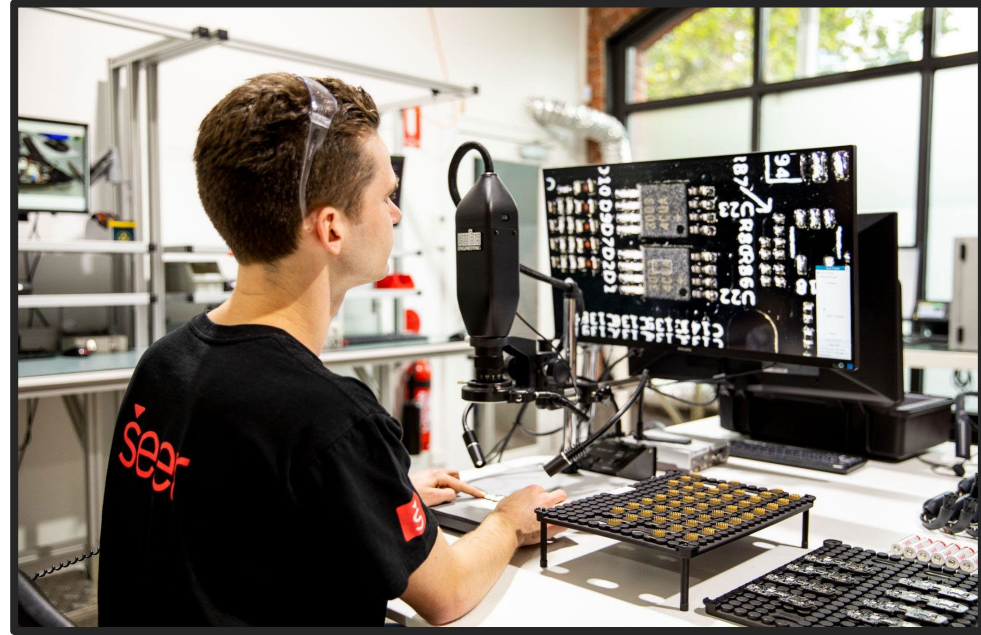
Simulation Lab - Update

- GRAUC plus 11 organizations
- Pilot launch in 2024
- Need ~\$11M for permanent operation



Maker Lab - Update

- Exploring partnership opportunities



Shared Lab - Update

The necessary investments:

- Real Estate - Two Discovery Square
 - Mortenson
- Real Estate – Turnkey lab space
 - TBD funding source
- Operations
 - TBD joint venture



SHOPS

University Square

Downtown Property Support

CHESTER'S
kitchen & bar



Request of the Board

- Discuss strategies to support **rehabilitation, renovation,** and **reanimation** of downtown properties
- Direct staff to prepare program goals and parameters for future consideration



Background

Nov. 2020
2020 DMC
Development
Plan

Oct. 2021
DMC EDA (City of
Rochester) received
Main Street grant award

Jan. 2023-Sept. 2023
Downtown Task Force

Jan. 2024
Historic District
Designation

May-Sept. 2021
DMCC discussed
potential funding,
economic recovery
strategies

Jan. 2022-Feb. 2024
Main Street Grant

Sept. 2023
2024 DMC CIP



Why is this important?

- Experience for visitors and residents
- Downtowns are a city's brand
- Downtown contributes disproportionately to Rochester tax base
- Outcome from Downtown Task Force
- Contemplated in DMC enabling legislation



What will this impact?

- Support job growth
- Fill vacant downtown spaces
- Repurpose spaces for new uses
- Historic preservation and rehabilitation



Who will be our partners?

- Private property owners
- City of Rochester
- Rochester Downtown Alliance
- Rochester Area Economic Development, Inc
- Experience Rochester
- Rochester Area Chamber
- Mayo Clinic



Experiences

DMC Joint Funding Application

- Current program

Main Street Grant (DEED)

- Recent program



Request of the Board

- Discuss strategies to support **rehabilitation, renovation, or reanimation** of downtown properties
- Direct staff to prepare program goals and parameters for future consideration





Current Updates:

- Predevelopment infrastructure progress
- Phasing of capital improvements
- Developer solicitation: East and/or West site

Riverfront Redevelopment

