



DMC
Destination
Medical Center

Destination Medical Center Corporation
Board of Directors Meeting

Thursday, May 22, 2025
9:30 A.M.

DESTINATION MEDICAL CENTER CORPORATION (DMCC)

BOARD MEETING

Thursday, May 22, 2025

9:30 A.M.

Mayo Civic Center, 30 Civic Center Dr SE, Rochester, MN

To View the Meeting Remotely: <https://www.youtube.com/destinationmedicalcenter>

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DESTINATION MEDICAL CENTER CORPORATION (DMCC)
BOARD MEETING

Thursday, February 6, 2025
9:30 A.M.

MINUTES

- I. Call to Order. Chair Pamela Wheelock called the meeting to order at 9:30 a.m.
- II. Roll Call. Doug Baker, Jim Campbell, Mayor Kim Norton, R.T. Rybak, Council President Randy Schubring, Commissioner Mark Thein, Pamela Wheelock, and Paul Williams were present. Mr. Baker and Mr. Campbell participated remotely due to out-of-state travel.
- III. Approval of Agenda. Mayor Norton moved to approve the agenda. Commissioner Thein seconded the motion. Ayes (8), Nays (0). Motion approved.
- IV. Approval of Minutes: December 5, 2024. Williams moved to approve the December 5, 2024 minutes. Council President Schubring seconded the motion. Ayes (8), Nays (0). Motion approved.
- V. Administration of Oath of Office: Randy Schubring. Chair Wheelock administered the oath of office to Council President Schubring. Chair Wheelock also noted that Commissioner Thein, Olmsted County's representative to the DMCC Board of Directors, will serve another term on the Board.
- VI. Public Comment.
 - A. Brenda Quaye, downtown property owner, spoke regarding the DMC Joint Funding Application previously submitted by R&R Properties of Mankato, LLC. Chair Wheelock requested that Ms. Quaye direct any additional or follow-up comments to Patrick Seeb, DMC EDA Executive Director.
 - B. Andy Masterpole spoke in favor of the proposed 2nd Street SW Public Realm Enhancement agenda item and read a letter of support from the Kutzky Park Neighborhood Association.
- VII. Chair's Report. Chair Wheelock highlighted upcoming public DMCC board activities, including the March 26, 2025 executive committee meeting and May 22, 2025 regular meeting and anticipated annual collaborative session with the DMC EDA Board of Directors, Olmsted County Board of Commissioners, and Rochester City Council. Chair Wheelock also noted that Mr. Campbell, one of four State of Minnesota appointees to the DMCC board, recently submitted a letter of resignation to the office of Governor Tim Walz.

VIII. Consent Agenda.

A. DMCC 2024/2025 Budget: Year to Date Update.

B. EDA Budget Encumbrance Request.

Commissioner Thein moved to approve the consent agenda. Council President Schubring seconded the motion. Ayes (8), Nays (0). Motion approved.

IX. Annual Report to the Legislature. Mr. Seeb and DMCC General Counsel Tami Diehm provided a brief overview of the report.

Resolution: Approving February 15, 2025 Report to the Legislature.

Mayor Norton moved to approve the resolution. Council President Schubring seconded the motion. Ayes (8), Nays (0). Motion approved.

X. EDA Board President Comments. Dr. Clark Otley, President of the DMC EDA Board of Directors, described the recently-published Business Forward Playbook—a construction mitigation and experience enhancement guide—and continuing progress in the planning and scope of a possible shared med-tech lab.

XI. Metrics. Mr. Seeb and Catherine Malmberg, DMC EDA Director of Public Infrastructure & Development Strategy, provided an overview of the retrospective analysis staff will conduct as a part of the five-year update to the twenty-year DMC Development Plan.

XII. Action Items.

A. 5-Year Update to 20-Year DMC Development Plan. Mr. Seeb and Ms. Malmberg presented the timeline and next steps related to the 5-Year Update to the 20-Year DMC Development Plan.

Resolution: Authorizing Negotiation with Qualified Firms in Support of the DMC Five-Year Development Plan Update and Approval for Expenditures Related to Such Update.

Williams moved to approve the resolution. Rybak seconded the motion. Ayes (8), Nays (0). Motion approved.

B. 2nd Street SW Public Realm Enhancement. Cindy Steinhauser, City of Rochester Deputy Administrator, joined Mr. Seeb and Ms. Malmberg to present the 2nd Street SW public realm enhancements proposed by the City of Rochester.

Resolution: Approving Expenditure of DMC Strategic Redevelopment Funds in Support of 2nd Street Public Realm Enhancement.

Mayor Norton moved to approve the resolution. Council President Schubring seconded the motion. Ayes (8), Nays (0). Motion approved.

- C. West Transit Village. Ms. Malmberg, Mr. Seeb, and Ms. Steinhauser presented a recommendation to allow the City of Rochester to use DMC tax-increment financing (“TIF”) authority to establish a TIF district at the West Transit Village.

Resolution: Authorizing the Establishment of a Tax Increment Financing District to Support the Development of the West Transit Village.

Williams moved to approve the resolution. Mayor Norton seconded the motion. Ayes (8), Nays (0). Motion approved.

- D. Downtown Historic District Infrastructure Project Request. Jamie Rothe, DMC EDA Director of Public Experience for Strategic Infrastructure, joined Mr. Seeb and Ms. Steinhauser to present a recommendation to provide downtown historic district infrastructure funding to the property located at 224 1st Ave SW, Rochester.

Resolution: Approving Downtown Property Preservation Program Funding Request.

Mayor Norton moved to approve the resolution. Rybak seconded the motion. Ayes (8), Nays (0). Motion approved.

- E. Heart of the City Infrastructure Improvements. Mr. Seeb, Ms. Steinhauser, and Ms. Rothe presented a recommendation to make near-term public realm enhancements to, and conduct additional technical analysis of, the east side of Peace Plaza.

Resolution: Approving Amendment to the 2025 Five Year Capital Improvement Plan to Provide for Near-Term Improvements and Technical Analysis.

Williams moved to approve the resolution. Mayor Norton seconded the motion. Ayes (8), Nays (0). Motion approved.

XIII. Discussion Items.

- A. Shared Goals/Principles for Upcoming Infrastructure Investments: DMC, City of Rochester, Mayo Clinic. Doug Holtan, Mayo Clinic Chair of Facilities and Support Services, and Erin Sexton, Mayo Clinic Director of Enterprise Community Engagement, joined Mr. Seeb and Ms. Steinhauser to present a set of shared principles available to inform decision-making and responsibilities related to future public and private capital projects.

XIV. Adjournment. Chair Wheelock adjourned the meeting.

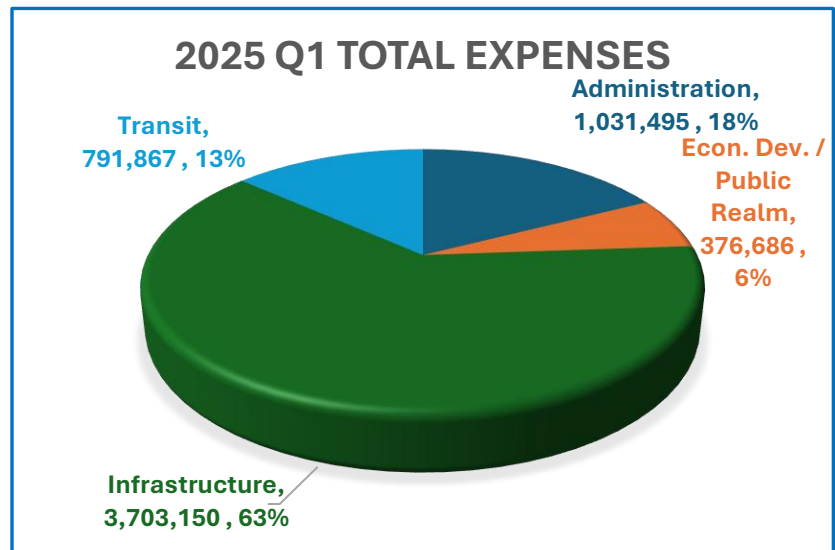
May 22, 2025

Re: DMCC Financial Budget Summary through April 30, 2025.

Dear Mr. Mark Thein, DMC Treasurer,

The attached Financial Budget Summary is through April 30, 2025. The Financial Budget Summary reflects the DMCC operating expenditures in the amount of \$1,211,872 of its \$4,608,643 budget for 2025. The remaining amount unspent for the year is 74% of the total budget.

The second page provides the DMCC Projects by Category through April 30, 2025, as managed by the City of Rochester and categorized by program budgets. For the year 2025, \$5,903,198 has been spent on DMCC projects in the four major categories, while \$422,758 has been received in revenue at this time. From the \$5.9m in expenses for projects, \$3.4m has been spent on a multi-year steam replacement project that will receive federal funding. The graph on the right outlines that 63% of the total expense this year have been spent on Infrastructure as previously outlined, while 18% has been spent on Administration, 13% spent on Transit, and 6% spent on Economic Development/Public Realm at this time.



Total Life-to-Date expenditures on all projects are approximately \$219,751,568, an increase of \$11.7m from the year-end 2024 report.

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

Brian J. Anderson

Director of Finance
City of Rochester

Destination Medical Center Corporation
Financial Budget Summary
April 30, 2025

BUDGET ENTITY	JANUARY EXPENSES	FEBRUARY EXPENSES	MARCH EXPENSES	APRIL EXPENSES	2025 YTD	APPROVED BUDGET	AMOUNT REMAINING	PERCENT REMAINING
DMCC Corporation:								
Rents and Leases	\$ -	\$ 7,202	\$ 1,295	\$ 9,171	\$ 17,668	\$ 36,607	\$ 18,939	52%
Professional Services	-	-	21,186	12,286	33,472	166,000	132,528	80%
Travel/Training	-	156	-	-	156	6,000	5,844	97%
Insurance and Bonds	8,404	-	-	-	8,404	11,323	2,919	26%
Interest / Other Administrative	4	4	3	3	14	-	(14)	
Subtotal DMCC	8,407	7,362	22,484	21,461	59,715	219,930	160,215	73%
DMC EDA - Third Party Costs								
Employee Services	122,808	68,175	202,721	140,003	533,707	2,034,578	1,500,871	74%
Operating Expenses	15,714	4,676	31,512	22,759	74,662	82,312	7,650	9%
Economic Development Outreach & Support	-	5,208	5,000	15,050	25,258	576,752	551,494	96%
Professional Services	-	29,020	14,937	19,495	63,452	234,008	170,556	73%
Miscellaneous Expenses	17,297	-	55,363	-	72,659	56,492	(16,167)	-29%
Subtotal DMC EDA	155,819	107,079	309,533	197,307	769,738	2,984,142	2,214,404	74%
City of Rochester Project Management Budget - Third Party Costs								
Employee Services	76,112	98,025	71,008	133,558	378,704	1,304,032	925,328	71%
Contractual Maint and Repair	-	-	-	300	300	38,760	38,460	99%
Expert and Professional Services	-	235	-	-	235	8,405	8,170	97%
Travel/Training/Memberships	47	575	-	49	671	18,277	17,606	96%
Operations Expenses	18	1	259	20	298	17,434	17,136	98%
Miscellaneous/Other	132	1,607	111	361	2,211	17,663	15,452	87%
Subtotal City Project Management	76,309	100,443	71,378	134,289	382,419	1,404,571	1,022,152	73%
Total DMCC Operations	\$ 240,535	\$ 214,885	\$ 403,395	\$ 353,057	\$ 1,211,872	\$ 4,608,643	\$ 3,396,771	74%

City of Rochester, MN
DMCC Projects by Category
Through April 30, 2025

PROJECT	STATUS	JANUARY		FEBRUARY		MARCH		APRIL		YTD	YTD	LTD
		REVENUE	EXPENSES	REVENUE	EXPENSES	REVENUE	EXPENSES	REVENUE	EXPENSES	REVENUES	EXPENSES	EXPENSES
Administration												
C.8601 - COR Administrative Costs-DMCC		-	-	64,617	-	15,707	-	36,809	220,185	117,133	220,185	\$ 4,875,874
C.8602 - Contributions to DMC Corporation		-	57,228	-	196,462	-	251,164	-	214,452	-	719,306	32,561,638
C.8606 - City Staff Costs-DMCC		-	-	295	295	56	56	1,297	1,297	1,648	1,648	4,537,965
C.8629 - Development Plan Update		-	-	-	-	-	41,750	-	48,606	-	90,356	245,316
Total Administration		-	57,228	64,911	196,756	15,763	292,970	38,106	484,540	118,781	1,031,495	44,007,711
Econ Development/Public Realm												
C.8624 - Chateau Theatre Building Improvement Purchase		-	12,019	-	110,233	-	2,821	-	5,215	-	130,288	11,748,688
C.8625 - Heart of the City		-	-	35,585	23,691	-	76,302	-	5,066	35,585	105,059	21,847,507
C.8633 - Strategic Development		-	-	-	-	-	-	-	-	-	-	2,200,000
C.8634 - Riverfront Reimagined		-	20,000	-	28,500	-	-	-	-	-	48,500	1,098,769
C.8904 - Discovery Walk		-	-	-	92,377	-	462	-	-	-	92,839	18,425,685
C.8905 - CnstrctSnSwCpBys3AveSWfr2StSW		-	-	-	-	-	-	-	-	-	-	27,132
Total Econ Development/Public Realm		-	32,019	35,585	254,801	-	79,585	-	10,281	35,585	376,686	55,888,875
Infrastructure												
C.7318 - Reconstruct North Broadway		-	73	-	-	-	-	-	-	-	73	22,674,123
C.1037 - Steam Replace/District Energy		-	530	-	1,432,238	-	956,849	-	1,000,161	-	3,389,777	16,776,662
C.8711 - Private District Energy Pilot		-	-	-	-	-	-	-	9,630	-	9,630	92,246
C.7344 - Reconstruct 3rd Avenue NW Between 4th St. SW and 5th St SW		-	-	-	-	-	-	-	-	-	-	406,077
C.7919 - 6th Street Bridge over Zumbro River		-	-	-	189,642	-	2,567	-	111,461	-	303,670	1,785,833
Total Infrastructure		-	603	-	1,621,880	-	959,415	-	1,121,252	-	3,703,150	76,830,808
Transit												
C.8707 - Rapid Transit Projects		6,417,819	21,471	(6,412,088)	110,494	54,608	376,306	208,053	283,596	268,392	791,867	30,480,460
Total Transit		6,417,819	21,471	(6,412,088)	110,494	54,608	376,306	208,053	283,596	268,392	791,867	43,024,173
Total Project Costs		\$ 6,417,819	\$ 111,320	\$ (6,311,592)	\$ 2,183,932	\$ 70,371	\$ 1,708,276	\$ 246,159	\$ 1,899,669	\$ 422,758	\$ 5,903,198	\$ 219,751,568

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

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2025

Request of the board of directors:

Acknowledge reconciliation through approval as a consent agenda item.

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 2024 reconciled balance of project budgets is presented in the table below:

Project Description	City Aid	GSIA	Spent	Release of Funds
City of Rochester Administrative costs for DMC Project	1,324,454	-	1,005,510	318,944
Contributions to DMC Corp for DMCC & EDA expenses	3,061,437	-	2,774,126	287,311
Downtown Sidewalk Experience Enhancemnt	-	2,900,000	2,238,356	661,644
	4,385,891	2,900,000	6,017,992	1,267,899

DMC Fund Balances

To: DMCC Board of Directors

From: DMC EDA

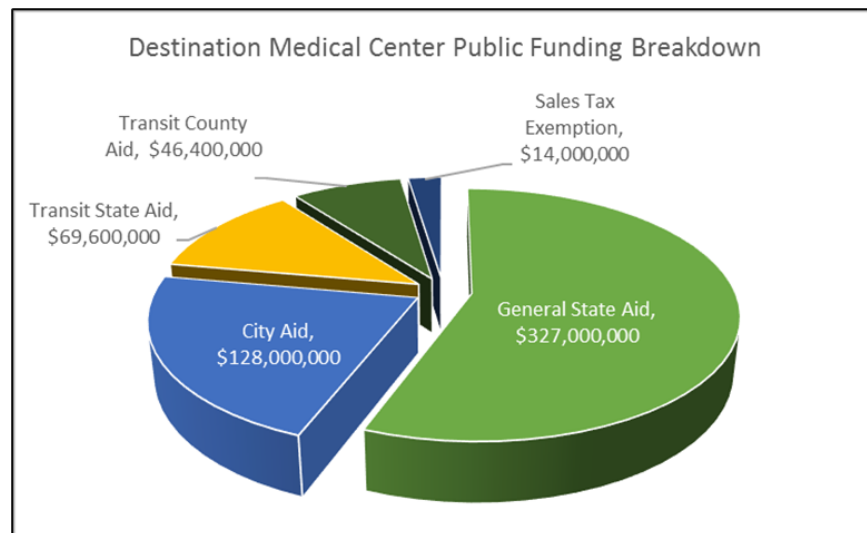
Date: May 16, 2025

Request of the board of directors:

No action requested

Background:

To advance the DMC initiative, the DMCC has the authority to direct a total of \$585 million, outlined in the pie chart below. Each of the fund categories has its own distinct restrictions and requirements. The DMC Act provides that “Public Infrastructure Projects” may occur as part of public or private developments provided such projects are executed in accordance with the DMC Development Plan. The utilization of funds is subject to the limitations of the DMC Act and City Council approval.



Each source of DMC funding is subject to its own use restrictions, match requirements, approval by the DMCC and City, and certification by DEED:

A. General State Infrastructure Aid (GSIA):

- Total Available: \$327 million
- Amount Remaining: \$187 million
- Use Limitations: These funds may only be used for public infrastructure, as defined by the DMC legislation.
- The maximum amount available in any given year is \$30 million, however this is constrained by the amount of City DMC funds provided.

B. City of Rochester funding:

- Minimum Available: \$128M
- Amount Remaining: \$55M
- Use Limitations: These funds may be used for both operating and capital expenditures, including DMC EDA and city staff management expenses.
- City funding typically averages between \$5-6.5M, resulting in a pro-rata limit on GSIA.

- State Transit Aid (STA):
 - Total Available: \$69.2M
 - Amount Available: \$20M
 - Use Limitations: May only be used for Transit projects as defined by the DMC legislation.
 - Funding formula: DEED-certified investment multiplied by .75%, minus Olmsted County DMC transit matching funds
 - DMC qualifies for STA if County contributes its matching contribution
 - State Transit Aid is received on a reimbursement basis
- Olmsted County Transit Aid:
 - Total Available: \$46M
 - Amount Available: \$28M
 - Equal to 40% of annual STA or the amount that would be raised by a 0.15% county sales tax if imposed in the preceding year
 - \$3M annual commitment
 - County matching funds required to release STA
- State sales tax abatement (applicable only to City public infrastructure investments): \$14M

In all cases, the use of these funds are subject to post-use review and approval by DEED. This review and approval process requires staff to be somewhat conservative in our recommendations for the uses of DMC funds, as any major DMC-funded investment denied by DEED would necessarily have to be covered by another party (City, County, private developer, etc.). Thus far, the working relationship with DEED staff has been productive and allowed for the implementation of all approved DMC capital investments.

Balance of DMC Funding

Annual CIP approvals, out-year commitments, and budget reconciliations provide us with a reasonably clear picture of DMC fund balances, each of which is subject to the conditions described above:

Source	Total Available	2015-2025 Total Committed		Amount Remaining
General State Infrastructure Aid	\$ 327,000,000	\$ 139,767,308	*	\$ 187,232,692
City DMC Sales Tax****	\$ 128,000,000	\$ 72,455,051	**	\$ 55,544,949
State Transit Aid	\$ 69,600,000	\$ 49,353,195	***	\$ 20,246,805
County Transit Aid	\$ 46,400,000	\$ 18,271,774		\$ 28,128,226
State Sales Tax Exemption	\$ 14,000,000	\$ -		\$ 14,000,000
TOTAL	\$ 585,000,000	\$ 279,847,328		\$ 305,152,672

* Does not include remaining commitment to Sixth Street Connectivity

**TIF payment figures will be updated annually (Approx. \$32M in remaining DMC-eligible payments)

*** Does not include remaining commitment to Link BRT

****City quarter-cent sales tax is used as a match to secure GSIA, \$128 million is a minimum and sales tax is allowed to be collected through duration of DMC legis



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, 2024, and have issued our report thereon dated May 15, 2025. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our engagement letter dated January 24, 2025. 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.

No new accounting policies were adopted and the application of existing policies was not changed during 2024.

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. We determined that accounts payable and accounts receivable, and corresponding expenditures/expenses and revenues were understated by \$28,358. This discrepancy arose because the 2024 accounting records were closed as of March 1, 2025, and expenditure reimbursement requests were submitted after this date. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

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 May 15, 2025.

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 introductory section. 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
May 15, 2025

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

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SECTION I – INTRODUCTORY SECTION

**DESTINATION MEDICAL CENTER CORPORATION
BOARD OF DIRECTORS (UNAUDITED)
AS OF DECEMBER 31, 2024**

BOARD OF DIRECTORS (UNAUDITED)

Pamela Wheelock	Chair
Kim Norton	Vice Chair
Paul Williams	Secretary
Mark Thein	Treasurer
Doug M. Baker	Director
James Campbell	Director
Randy Schubring	Director

SECTION II – 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, 2024, 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 financial position of the governmental activities and the general fund of the Corporation, as of December 31, 2024, 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 require 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 introductory section 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 May 15, 2025, 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
May 15, 2025

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DESTINATION MEDICAL CENTER CORPORATION
STATEMENT OF GOVERNMENTAL FUND BALANCE SHEET AND NET POSITION
DECEMBER 31, 2024

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 65,051	\$ -	\$ 65,051
Advances to DMC EDA	100,000	-	100,000
Due from Other Governments	239,946	-	239,946
Prepays	25,700	-	25,700
	<u>430,697</u>	<u>-</u>	<u>430,697</u>
Total Assets	<u>\$ 430,697</u>	-	430,697
LIABILITIES			
Accounts Payable	\$ 303,997	-	303,997
Due to Other Governments	101,000	-	101,000
Unearned Revenue	25,700	-	25,700
Total Liabilities	<u>430,697</u>	<u>-</u>	<u>430,697</u>
FUND BALANCE			
Fund Balance:			
Nonspendable	25,700	(25,700)	-
Unassigned	(25,700)	25,700	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 430,697</u>		
NET POSITION			
Unrestricted		-	-
Total Net Position		<u>\$ -</u>	<u>\$ -</u>

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, 2024**

	General Fund	Adjustments	Statement of Activities
PROGRAM REVENUES			
Intergovernmental:			
Local Government	\$ 2,800,279	\$ -	\$ 2,800,279
EXPENDITURES/EXPENSES			
Economic Development:			
Building and Equipment Rent	40,837	-	40,837
Legal Consultants	41,672	-	41,672
Other Professional Services	65,447	-	65,447
Travel and Training	1,019	-	1,019
Insurance	10,809	-	10,809
Program Costs	2,640,611	-	2,640,611
Total Expenditures/Expenses	<u>2,800,395</u>	<u>-</u>	<u>2,800,395</u>
Net Program Revenues	(116)	-	(116)
GENERAL REVENUES			
Investment Earnings	116	-	116
Total General Revenues	<u>116</u>	<u>-</u>	<u>116</u>
CHANGE IN FUND BALANCE/NET POSITION	-	-	-
Fund Balance/Net Position - Beginning of Year	-	-	-
FUND BALANCE/NET POSITION - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

DESTINATION MEDICAL CENTER CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

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, 2024**

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, 2024, 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, 2024

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, 2024

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, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

The Corporation's deposits in banks at December 31, 2024 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 \$65,051 at December 31, 2024. 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, 2024

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, 2024, the securities underlying the repurchase agreement are held by the counterparty in the Corporation's name.

At December 31, 2024, the Corporation had the following deposits and investments:

Repurchase Agreement - Wells Fargo Bank, N.A.	\$ 65,051
Total Cash and Investments	<u>\$ 65,051</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, 2024

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental:				
Local Government	\$ 3,061,437	\$ 3,061,437	\$ 2,800,279	\$ (261,158)
Investment Earnings	-	-	116	116
Total Revenues	<u>3,061,437</u>	<u>3,061,437</u>	<u>2,800,395</u>	<u>(261,042)</u>
EXPENDITURES				
Current:				
Building Rent	36,607	36,607	40,837	4,230
Legal Consultants	140,000	140,000	41,672	(98,328)
Other Professional Services	25,000	25,000	65,447	40,447
Travel and Training	6,000	6,000	1,019	(4,981)
Insurance	11,323	11,323	10,809	(514)
Program Costs	<u>2,842,507</u>	<u>2,842,507</u>	<u>2,640,611</u>	<u>(201,896)</u>
Total Expenditures	<u>3,061,437</u>	<u>3,061,437</u>	<u>2,800,395</u>	<u>(261,042)</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 III – 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, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 15, 2025.

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Rochester, Minnesota
May 15, 2025



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, 2024, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated May 15, 2025.

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
May 15, 2025

Strategic Development Proposals

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2025

Request of the board of directors:

Consider four active applications for DMC funding.

Background:

In 2021, the DMCC and City Council established, in the DMC CIP, a Strategic Development fund intended to proactively support housing, med-tech, downtown property improvement, and other strategic priorities established by the DMCC and Rochester City Council. Each year the DMCC and City Council added to this line item, for a total of \$26 million.

2021: \$7M

2022: \$3M

2023: \$3M

2024: \$10M

2025: \$3M

TOTAL: \$26M

These funds were sourced from the DMC General State Infrastructure Aid portion of the DMC-directed funds.

To date, these funds have been approved for use with five projects:

- **\$2.2M:** Bryk on Broadway (mixed-income workforce housing)
- **\$3M:** Civic Center North (Sherman) (mixed-income workforce housing with expected public realm improvements and thermal energy network connection)
- **\$3.9M:** West Transit Village Phase 1 (Aeon) (affordable senior housing surrounding a planned parking ramp)
- **\$5M:** Historic district public infrastructure
- **\$2.3725M:** 2nd Street Public Realm (Gerrard) connected to workforce for-sale Housing and private multifamily investment

Total: \$16.47M

Therefore, the remaining amount is **\$9.53M**.

Additionally, because changes in project scope require reconsideration of the funding previously awarded to the Civic Center North and West Transit Village Phase 1 projects, those funds may, at the discretion of the DMCC and City Council, be re-awarded or -directed, bringing the total amount of existing, available funding to **\$16.43M**.

Requests and Recommendations:

The DMC EDA and City of Rochester have recently received four applications for DMC funding. The DMCC must make its own independent determination regarding each request:

1. BioLabs-Rochester (Mortenson):

REQUEST:

The developer of Two Discovery Square has applied for funding to construct a professionally operated shared lab in Two Discovery Square. If approved, staff recommend that several conditions be applied to this funding as well, including tenant lease rates, provision of lab furnishings and equipment, and the execution of an agreement with Mayo Clinic, among others. The developer funding request is \$10M.

RECOMMENDATION:

- Authorize up to \$8M from the Strategic Development budget to support the project.

2. Civic Center North (Sherman):

REQUEST:

This project received DMCC support of \$3M in May 2024, conditioned on the project making public realm improvements and connecting to the City's thermal energy network (TEN). However, the TEN project is on hold, precluding the developer from meeting this funding condition.

Given this deviation from the project as approved, the DMC EDA has advised the developer that the originally approved \$3M would not be available to the project. The developer has presented a new application, absent any reference to District Energy. The developer funding request is \$3M.

RECOMMENDATION:

- Rescind the prior commitment of \$3 million in GSIA for the project due to the City of Rochester's pause on the downtown district thermal energy network.
- Authorize up to \$500,000 in Strategic Development funding to support development of project public infrastructure, including public realm enhancements.
- Authorize an increase in the use of DMC TIF authority by the City from \$13M to \$13.5M, without applying the TIF payments to the City's \$128,000,000 local DMC contribution.

3. West Transit Village Phase 1 (Aeon):

REQUEST:

The May 2024 DMCC funding approval was conditioned upon the project achieving a certain affordable unit count (94 units). Following an unsuccessful application to the Minnesota Housing Finance Agency in 2024 and based on their reading of projects that were successful, they would like to reduce their proposed unit count to a total of 76 senior affordable units (30% AMI). Because this change represents a significant deviation from what was originally approved, they are required to submit an updated application. The developer funding request is \$3.9M.

RECOMMENDATION:

- Re-affirm the commitment of \$3.9 million from the Strategic Development budget to the revised project.
- Authorize up to \$4.9 million in TIF support to be directed towards this project.

4. Loom Apartments (Onward):

REQUEST:

The applicant requests funding to support 141 units of affordable housing (50% AMI) in the Kutzky Park neighborhood, just south of Civic Center Drive. The developer funding request is \$5.5M.

RECOMMENDATION:

- Authorize up to \$4M from the Strategic Development budget to support the project.

Discovery Square Infrastructure: BioLabs Rochester

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2025

Request of the Board of Directors:

Designate the proposed project as a DMC “public infrastructure project” consistent with the DMC Development Plan and approve DMC support for BioLabs-Rochester not to exceed \$8M for the construction of shared lab infrastructure in Two Discovery Square.

Reasons for Action

- Awareness of Rochester as a life sciences innovation destination is low (31%)
 - Partnering with a global innovation incubator will help us introduce Rochester to industry in a new way.
- Our market is perceived as being small, isolated, and unknown
 - Creating a world-class innovation incubator in this market will make us competitive with the bigger, coastal markets.
- 90%+ of expanding life science companies don’t consider Rochester when making a location decision.
 - Turn-key space lab makes the potential move to Rochester easier, safer, and faster.

Vision: BioLabs-Rochester is envisioned to be a collaborative, multi-user laboratory space designed to support research, innovation, and company formation across a wide variety of life science, MedTech, and healthcare disciplines.

Values: Robotically-optimized, Affordable, High-quality, Flexible, Collaborative, Dynamic

Goals and Metrics of the Shared Lab *(by year 3)*

- **Collaborations (clinical trials, know how agreements, joint development agreements, etc):** A minimum of 10 active collaborations with Mayo Clinic entities at all times.
- **Robotic automation:** 200% increased efficiency in lab activities.
- **Knowledge Sharing (mentorship, workshops, networking, fund raising):** A minimum of 24 shared lab-hosted events annually.
- **Revenue Generation/Fundraising (dilutive and non-dilutive):** Total annual lab tenant follow-on funding of at least \$10M annually.
- **Lab Space Utilization (% occupancy):** Occupancy rates of 80%+
- **Employment (total headcount of tenants):** Total lab employment of 50 FTE.

Primary Customer Groups for Discovery Labs

1. Mayo Clinic Innovator
2. International Innovator
3. Regional Innovator (+/- 100 miles)
4. Strategic Acquirers & Ecosystem Partners

BioLabs Track Record

- Over 1,600 start-ups supported
- More than \$30B of external funding by tenants
- More than 30 IPO's of tenant companies
- More than 50 mergers & acquisitions of tenant technology

Five Things That Make This Opportunity Extraordinary

- **Revenue Effect** – we are investing in infrastructure that has the potential to return at levels far beyond other DMC investments.
- **Global Innovation Brand** – Rochester will become part of a global network of innovation hubs, dramatically increasing the exposure this market receives.
- **Center of Gravity** – Rochester will be the lone Midwest BioLabs location, creating a regional destination for high-growth HealthTech companies in our area.
- **Defensive Position** – As the lone Midwest BioLabs location, we will increase our chance of retaining local innovations that have historically left this market.
- **Talent Attraction and Retention** – Having in innovation engine like BioLabs, facilitating the creation of new technology companies, creates an additional draw in this market for in-demand talent to come, and to stay.
- **Employer Diversification** – BioLabs can generate new employers in this region, creating alternative employment opportunities at a greater scale than we have historically experienced.

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. ____-2025

**A RESOLUTION APPROVING REQUEST FOR PRIVATE DEVELOPMENT
FUNDING (BIOLABS ROCHESTER PROJECT)**

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, leveraging the public investment to attract private investment, attracting new business, and expanding existing businesses, 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 further states that the Destination Medical Center (“**DMC**”) funding should provide gap financing to support extraordinary growth in the market.

D. The DMCC approved the 2025 Five Year Capital Improvement Plan (the “**2025 CIP**”) on September 26, 2024 and approved the projects set forth in the first year of the 2025 CIP as public infrastructure projects within the meaning of Minnesota Statutes Section 469.40, subdivision 11, and consistent with the Development Plan. The 2025 CIP was later approved by the City.

E. The 2025 CIP provided funding for a Strategic Development Fund, which was first approved in the 2021 Five Year Capital Improvement Plan. The Destination Medical Center Economic Development Agency (the “**EDA**”) has informed the DMCC that a portion of the funds from the Strategic Development Fund are available for allocation. As set forth in **Exhibit A**, the EDA requests that the DMC allocate funds in an amount not to exceed \$8,000,000 from the Strategic Development Fund to the Proposed Project (as hereinafter defined), subject to the conditions set forth in this Resolution.

F. The DMCC is charged with evaluating whether a proposed project (i) is consistent with the DMC vision, goals and objectives; (ii) is consistent with the Development Plan and any updates; (iii) is consistent with adopted strategies, phasing and capital improvement planning; (iv) is financially viable; and (v) complies with or support the economic-fiscal goals and objectives of the DMC initiatives (collectively, the “**Evaluation Criteria**”).

G. On April 11, 2025, Rochester 2 Associates, LLC (the “**Applicant**”), an affiliate of the developer of Two Discovery Square, submitted a joint funding application (the “**Request**”) for

funding to facilitate the construction of a professionally operated shared lab in Two Discovery Square (the “**Proposed Project**”).

H. Staff from the City and the EDA have reviewed the Proposed Project in light of the Evaluation Criteria.

I. The EDA has recommended approval of the Proposed Project based on the summary and recommendations attached hereto as **Exhibit A**. The recommendation of approval is based on the application of the Evaluation Criteria.

J. As set forth on **Exhibit A**, the Proposed Project sufficiently advances the goals of the Development Plan.

K. The DMCC has considered the recommendation of the EDA and based on the materials submitted, has independently evaluated whether the Proposed Project is consistent with the Development Plan and the goals of the DMC.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the DMCC Board of Directors, that the DMCC approves the Request based on the following findings of fact:

1. The Proposed Project meets the definition of a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11.

2. The Proposed Project lies within the Development District.

3. The Proposed Project is consistent with the goals and priorities set forth in the Development Plan.

4. The Proposed Project may not proceed without the public funding, and the requested DMC funding will provide gap financing to support extraordinary growth in the market, as contemplated in the Development Plan.

5. The level of public funding requested is consistent with the economic goals contained in the Development Plan related to public and private investment. The economic development opportunity provided by the Proposed Project will be unprecedented in the region, creating a unique economic driver and job creator.

6. The Proposed Project, as the only BioLabs location in the Midwest, will serve as a regional destination for high-growth Health Tech companies, filling a market need within the region and catalyzing new interest in the DMC as a destination for development and investment.

7. The Proposed Project will generate approximately sixty (60) new jobs, and up to eighty (80) new jobs by its fifth year of operation, contributing to economic growth and workforce development in the region and sustaining the City as a global destination medical center.

8. The Proposed Project will serve as an anchor within the subdistrict for the successful establishment and clustering of new start-ups, diversifying the local economy and broadening the public tax base.

9. The infrastructure investment included within the Proposed Project has the potential to provide returns at levels in excess of other investments.

10. The Proposed Project will make optimal use of existing infrastructure within the Two Discovery Square project, consistent with the City's objectives for sustainable urban development and efficient land use.

11. The Proposed Project will incorporate elements of sustainability in line with goals set forth in the Development Plan, building upon the previous developments within Discovery Square.

12. The Proposed Project will serve as a catalyst or anchor development in the subdistrict.

13. The Proposed Project will support Two Discovery Square and the activation of the area which was achieved through Two Discovery Square by the introduction of commercial space and building amenity uses on street level.

14. The Proposed Project has provided sufficient evidence of financial viability.

15. The Proposed Project supports the economic strategies of the Development Plan by providing uses and 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 Development Plan.

BE IT FURTHER RESOLVED, that the DMCC Board of Directors approves allocating funds reserved for the Strategic Development Fund to the Proposed Project in an amount not to exceed \$8,000,000 subject to the following conditions:

1. The Applicant must provide evidence of financing for the Proposed Project satisfactory to the DMCC Board of Directors, such evidence to be presented within such time period as set forth in the City's approved development assistance agreement.

2. The Proposed Project must meet all City requirements, including, without limitation, execution of a development assistance agreement by and between the Applicant and the City.

3. Applicant must meet all requirements of DMC funded projects, including, without limitation, paying prevailing wage, committing to targeted business and workforce utilization and the use of American-made steel, and energy and sustainability standards.

4. Applicant must commit to preserving the as-built and furnished space of the Proposed Project, as a "shared lab" for a period of not less than ten years (120 months).

- a. “Shared Lab” is defined as collaborative, multi-user space designed to support research, innovation, and company formation across a wide variety of life science, MedTech, and healthcare disciplines.
 - b. In addition to technical and scientific equipment, the “Shared Lab” must sponsor a variety of engagement activities (i.e. networking, mentoring, and education) and play host to an assortment of ecosystem partners that provide critical expertise across a diverse group of business, education, and service provider categories.
 - c. Should the Applicant fail to preserve the shared lab as described above, the Applicant will provide the DMCC an amount equal to \$66,667 for each month short of the expected ten-year operating period.
 - d. Applicant must afford DMCC the opportunity to approve the operator, as well as any subsequent changes in operator (the “**Operator**”).
5. The Operator must provide four (4) no-cost office spaces to business recruitment and retention partners, including, but not limited to: the EDA, Medical Alley Association, Greater MSP, Mayo Clinic, RAEDI, and the University of Minnesota. Partners for the four (4) spaces will be determined by the EDA on an annual basis.
6. Any DMC funded investments within the Proposed Project may not be removed from the Proposed Project.
7. The EDA, on behalf of the DMCC, shall have the right to seek an independent third-party evaluation of estimated project costs before any agreement is finalized by the Applicant.
8. The DMCC shall not provide additional capital for operations or maintenance of the Proposed Project.
9. Applicant must provide, at the reasonable request of the DMCC, EDA, or City, financial and operating progress reports to ensure the Proposed Project, as-built, is consistent with the Proposed Project as-approved in this Resolution.
10. Any modification to the scope of the Proposed Project, as set forth in **Exhibit A**, will be subject to subsequent approval by the DMCC.
11. The DMCC Board of Directors shall receive periodic updates from the EDA as to the status of the satisfaction of the conditions set forth in this resolution, the Proposed Project expenditures, and the ongoing status of development of the Proposed Project.

BE IT FURTHER RESOLVED, that the DMCC Board of Directors hereby authorizes the EDA to act as its representative and agent, with periodic updates from the EDA to the DMCC Board of Directors, in any entity or body created by or in connection with the Proposed Project for the purpose of overseeing various operational components of the Proposed Projects “shared lab” including, without limitation, tenant selection and review, facility alterations and improvements, or other general oversight of the shared lab.

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, and to take such actions as are necessary and appropriate to effectuate the findings and approvals of this Resolution.

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EXHIBIT A

MEMO**To:** DMCC Board of Directors**From:** City of Rochester, Administration**Date:** April 17, 2025**Subject:** Consideration of Shared Lab Project in Two Discovery Square GSIA Request

The City of Rochester provides the following update on the proposed Shared Lab Space Project at Two Discovery Square. Mortenson Properties (the "Applicant") has submitted the concept for consideration as a potential DMC Public Infrastructure Project, and the City finds that the project aligns with the Destination Medical Center (DMC) vision and the shared goals of both the City and DMC.

The City is supportive of the project's alignment with key DMC goals, particularly in fostering the growth of the biosciences sector and enhancing the innovation district in downtown Rochester. This shared lab space has the potential to contribute meaningfully to the ongoing development of Discovery Square and the broader DMC vision.

Project Overview:

The proposed project involves the development of approximately 16,000 square feet of shared lab space on the 3rd floor of Two Discovery Square, located at 415 2nd Avenue SW (parcel 64.02.12.085691). Mortenson Properties owns the building and leases the land from Mayo Clinic under a Ground Lease dated October 15, 2020.

The project will offer a flexible environment for startups, growing companies, and researchers. **BioLabs** is expected to secure a master lease for the entire shared lab area, subleasing to individual lab occupants.

BioLabs-Rochester Vision:

BioLabs-Rochester is envisioned as a collaborative, multi-user laboratory space designed to support research, innovation, and company formation across a wide variety of life science, MedTech, and healthcare disciplines. Key characteristics include:

- Robotically-optimized
- Affordable
- High-quality
- Flexible
- Collaborative

- Dynamic

Projected Success Metrics:

Based on successful BioLabs operations in other locations, by Year 5, BioLabs-Rochester is projected to achieve:

- 24 tenant companies
- 80 tenant employees
- \$40M annual external funding
- 2 exits or acquisitions
- 5 graduations to larger space
- 50 total companies incubated
- 17 clinical trials

Alignment with DMC Goals:

Our preliminary review suggests that the project aligns with several of the DMC Development Plan's goals:

- **Center of Gravity:** As the lone Midwest BioLabs location, Rochester will become a regional destination for high-growth HealthTech companies
- **Job Creation:** The development will generate approximately 60 jobs initially, with projections showing up to 80 employees within tenant companies by Year 5, including professional and technical positions, which will contribute to economic growth and workforce development in the region.
- **Economic Growth:** The infrastructure investment has potential to return at levels far beyond other DMC investments.
- **Efficient Land Use:** The project will make optimal use of existing infrastructure within the Two Discovery Square building, consistent with the City's objectives for sustainable urban development and efficient land use.
- **Sustainability:** We anticipate that the project will incorporate elements of sustainability in line with DMC goals, building on the principles established in previous developments within the Discovery Square area.
- **Global Innovation Brand:** Rochester will become part of a global network of innovation hubs, dramatically increasing market exposure.

Financial and Development Support

The City acknowledges that Mortenson Properties is seeking \$10 million in General State Infrastructure Aid (GSIA) to support the development of the BioLabs Shared Lab Space Project. The total projected cost for build-out and operations is approximately \$16.5 million, with additional funding contributions from Mortenson, Mayo Clinic, and BioLabs.



Two Discovery Square, the proposed site for this project, was approved by the DMCC Board and the City's Economic Development Authority (EDA) in 2020. This 5-story, 123,920-square-foot bioscience facility represents a \$45 million capital investment. To support the project's financial feasibility, the City and DMCC approved up to \$7.3 million in "Pay As You Go" tax increment financing (TIF) over 15 years.

Following a collaborative review of the project's financial structure, the City recognizes the value and potential impact of the proposed GSIA support. The City is supportive of continued conversations around investing GSIA Redevelopment funds to help close the remaining funding gap.

The Applicant has clearly demonstrated alignment with the Destination Medical Center (DMC) initiative, particularly in fostering innovation, driving economic development, and promoting sustainable growth. The City views the BioLabs project as a catalytic opportunity to strengthen Discovery Square and advance the broader goals of the DMC vision.

City Staff Recommendation:

After reviewing the project proposal, financial documentation, and alignment with DMC Development Plan goals, City Staff is in alignment with the recommended allocation of up to \$8 million in Strategic Development funds from General State Infrastructure Aid (GSIA) for the BioLabs Shared Lab Space Project. This recommendation reflects the strategic importance of this project to the continued development of the Discovery Square district and its potential to serve as a catalyst for additional bioscience investment in downtown Rochester.

Approval of this project by the DMCC Board as a DMC Public Infrastructure Project is required before the City Council can take action. Any DMCC approval should be contingent upon future approval by the City of both the Development Assistance Agreement (DAA) and the final assistance amount.

The City of Rochester looks forward to continued collaboration with the DMCC Board, DMC EDA, and Mortenson Properties as the BioLabs Shared Lab Space Project progresses. As the proposal develops, the City remains committed to working with all partners to ensure the project's alignment with our collective vision for downtown Rochester.

Sincerely,

Josh Johnsen
Strategic Initiatives Director
City of Rochester



MEMORANDUM

To: Chair Pam Wheelock and the Destination Medical Center Corporation Board of Directors

From: Dr. Clark Otley, President of the Board of Directors
Patrick Seeb, Executive Director
Destination Medical Center Economic Development Agency

Date: May 16, 2025

Re: **Rochester 2 Associates, LLC (Shared Lab) DMC Funding Recommendation**

Dear Chair Wheelock and members of the DMCC Board of Directors:

The DMC legislation provides that the DMC EDA must assist the DMCC by “evaluating proposals for development and evaluating and making recommendations to the (DMCC) and the city regarding those proposals.” Accordingly, please find enclosed with this letter the DMC EDA staff evaluation of the DMC Joint Funding Application submitted by Rochester 2 Associates, LLC on April 11, 2025 for development of a shared lab in Two Discovery Square. Following our evaluation, the DMC EDA board of directors recommends that the DMCC board of directors approve up to \$8 million in DMC General State Infrastructure Aid (GSIA). This figure is less than the amount requested by the applicant (\$10 million).

We provide this recommendation following thorough consideration of the project as described in the Joint Funding Application and the evaluation prepared by staff, the priorities expressed by the DMCC, and the goals and objectives of the DMC Development Plan. The evaluation report details our analysis of the proposed project.

In addition to our project-specific evaluation, other factors may weigh in your independent consideration of this funding request and our recommendation. These factors may include:

- **Public Benefit.** The development of this infrastructure ensures that:
 - Rochester and Olmsted County will gain an asset that does not exist anywhere else in our state or region, filling a market need and catalyzing new interest in DMC as a destination for development and investment.
 - Rochester is positioned to propel the creation, growth, and retention of the next generation of Minnesota med-tech professionals and companies.

- A new anchor for the successful establishment and “clustering” of new start-ups diversifies the local economy and broadens the public tax base.
 - New and different employment opportunities in the fields of life science and med-tech research and development could help attract and retain the workforce we will need to sustain Rochester as a global destination medical center.
 - A strong business, operating, and management partner who brings a history of successful experience with this model.
- **Unique Economic Opportunity.** This funding recommendation certainly represents a significant allocation of DMC resources. Acknowledging that, we also note that the economic development opportunity provided by the shared lab will be unprecedented in Minnesota, or even elsewhere in the United States outside a few major metropolitan areas, creating a unique economic driver and job creator.
 - **A World-Class Operator.** BioLabs is an international shared lab operator with facilities in major cities and innovation centers around the world, including Boston, Dallas, Hew Haven, San Diego, Paris, and more. Combined, these facilities exceed 600,000 s.f. and are home to more than 400 companies. Additionally, tenants of Rochester’s shared lab may be considered for venture investment by a one-of-a-kind program being neogitated by Mayo Clinic and Mission BioCapital, the venture capital parent firm of BioLabs.
 - **Shared Risk and Combined Resources.** With DMC support, the other shared lab partners will commit significant resources to the successful build-out and operation of the shared lab. The shared lab will offer competitive pricing to startups and small biotech firms, increasing the likelihood of steady occupancy. Shared resources—such as lab equipment and administrative services—will lower overhead costs, also improving affordability.

Our evaluation report also outlines several conditions we recommend be applied to the project to ensure that DMC interests are protected and goals are met. For the reasons noted above and in our report, the DMC EDA board of directors respectfully submit our funding recommendation.

Thank you for your consideration.

Respectfully,

Clark Otley, M.D.
President of the Board of Directors

Patrick Seeb
Executive Director

Shared Lab Evaluation Report

May 1, 2025

EXECUTIVE SUMMARY / RECOMMENDATION

STATEMENT OF RECOMMENDATION:

Based on information provided by Rochester 2 Associates, LLC (the “Applicant”), the shared lab (the “Proposed Project”) aligns with the Destination Medical Center (“DMC”) vision and is consistent with the DMC goals, objectives and values. Development of the Discovery Square subdistrict as a center of life science industry growth and community economic benefit is among the highest priorities identified by the DMC Corporation Board of Directors and Rochester City Council.

The following report evaluates the Proposed Project on all criteria 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.

The DMC EDA recommends support for the project in an amount of up to \$8 million of DMC General State Infrastructure Aid.

Summary of DMC EDA Due Diligence Analysis:

- A shared lab located in the Discovery Square sub-district is consistent with the DMC Development Plan.
 - Bio-med-tech industry growth is an identified priority of the DMC Development Plan.
 - There is a market-driven need for affordable, high-quality lab space.
- Development of a shared lab located in the Discovery Square sub-district is an applicable public infrastructure project pursuant to Minnesota Statutes Section 469.40, subdivision 11, including, but not limited to, rehabilitation and build-out of an existing building.
- The DMC EDA recommends that the DMCC and Rochester City Council consider approving up to \$8,000,000 in General State Infrastructure Aid (“GSIA”) to build-out and develop a shared lab facility in an existing building located in Two Discovery Square.

This report seeks to ensure that the proposed shared lab meets the required DMCC findings to approve the use of DMC funds for the project. If approved, the funding would be used to make DMC-eligible investments in the physical assets necessary to build-out and develop a shared lab facility in an existing building located in Two Discovery Square.

Summary of DMC EDA Analysis for Consistency with DMC Development Plan

In order to approve the use of DMC funds, the DMCC is required to find that the proposed shared lab project is consistent with the DMC Development Plan. The DMC EDA and City staff reviewed the DMC Development Plan to determine whether a proposed shared lab is consistent with the goals and priorities of the DMC initiative as defined by the DMC Development Plan. Our review found the following:

- In accordance with Minnesota Statutes Chapter 469, Sections 40 through 47 (the “DMC Act”), the Development Plan includes strategic planning consistent with a destination medical center in the core areas of commercial research and technology. A summary of the key findings of this strategic planning states “[r]esearch suggests that a mixed-use research park would offer the best format to develop biomed-tech in the DMC Development District and create the jobs-driver needed to support a larger development concept. The research cluster should present a collaborative physical and program structure that emphasizes proximity to Mayo Clinic and cutting-edge research.”
- Preparation of the Development Plan was informed by a set of Guiding Principles which are consistent with the proposed project. These principles include:
 - *Sustain Rochester and Southeast MN as a Destination Medical Center and Economic Engine for the State.*
 - *Technology and Innovation to Promote a Globally Competitive Destination.*

- The Development Plan declares the economic value of a growing and diversified bio-med-tech industry and defines several business development objectives which are consistent with the Proposed Project.

Funding Recommendation Conditions

The DMC EDA recommends that, if approved, final distribution of DMC funds for the Proposed Project be conditioned upon several other important actions that must be completed by other project stakeholders, including the Applicant, proposed operator, the City, and Mayo Clinic.

The recommended conditions include:

1. Applicant must execute development agreement with the City of Rochester.
2. Applicant must meet all requirements of DMC-funded projects, including paying prevailing wage, committing to targeted business and workforce utilization and the use of American-made steel, and energy and sustainability standards.
3. Applicant must commit to preserving the as-built and -furnished space as a shared lab for a period of not less than ten years (120 months).
 - a. “Shared Lab” is defined as collaborative, multi-user space designed to support research, innovation, and company formation across a wide variety of life science, MedTech, and healthcare disciplines.
 - b. In addition to technical and scientific equipment, the “Shared Lab” must sponsor a variety of engagement activities (ie networking, mentoring, and education) and play host to an assortment of ecosystem partners that provide critical expertise across a diverse group of business, education, and service provider categories.
 - c. Should the applicant fail to preserve the shared lab as described above, the applicant will provide to DMC an amount equal to \$66,667 for each month short of the expected ten-year operating period.
 - d. Applicant must afford DMC the opportunity to approve the operator, as well as any subsequent changes in operator.
4. Operator must provide four (4) no-cost office spaces to business recruitment and retention partners, including but not limited to: DMC EDA, Medical Alley Association, Greater MSP, Mayo Clinic, RAEDI, and the University of Minnesota. Partners for the four spaces will be determined by the DMC EDA on an annual basis.
5. DMC-funded investments in the shared lab may not be removed from the space.
6. The DMC EDA shall have the right to seek an independent third-party evaluation of estimated project costs before any agreement is finalized.
7. DMC will not be expected to provide additional capital for operations or maintenance of the shared lab.
8. DMCC authorizes the DMC EDA to act as its representative and agent in any body or entity created to review and select tenants, make facility alterations or improvements, or that otherwise provides for oversight of the shared lab.
9. Applicant must provide, at the reasonable request of the DMCC, DMC EDA, or City, financial and operating progress reports to ensure the project as-built is consistent with the project as-approved.

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 (Discovery Square Subdistrict).

PROJECT SUMMARY:

The Applicant Team intends to construct and operate approximately 16,000 square-feet of shared lab space designed to support a diverse range of research needs. This space will include wet labs, dry labs, and office areas, providing a flexible and collaborative environment for startups, growing companies, and researchers. The shared lab is intended to foster innovation by offering access to high-quality infrastructure, allowing tenants to focus on advancing their scientific work without the burden of building out dedicated lab facilities. The shared lab would be developed on the third floor of Two Discovery Square, a 124,000 Sq Ft science and technology building in the Discovery Square subdistrict developed with DMC support.

Shared lab construction and operation is intended to bolster the city’s tax base, increase the number of non-Mayo Clinic employers, diversify the downtown economic ecosystem, broaden the regional talent base and facilitate entrepreneurship and innovation. The need for a high-quality, low-cost shard lab was identified in DMC’s 2022 life science awareness and perception survey, and the construction this space is likely to enable Discovery Square to achieve its potential as a new hub for life science research in the United States and cement Rochester’s status as America’s City for Health and Wellness.

RELEVANT PROJECT HIGHLIGHTS:

The following list outlines relevant project highlights for consideration:

- **General Project Information**
 - Located in Two Discovery Square
 - 16,000 gross square feet
 - Activates the third floor with collaborative space and a rentable tenant space
 - Project will provide quality, high density innovation and lab space within a priority DMC subdistrict
- **Job Creation**

The Applicant states that the Proposed Project will generate 70 permanent, on-site jobs. Given that the Proposed Project will consistently seek to develop new early-stage companies, the job creation potential of this space could be significant. If so, the shared lab will meaningfully contribute to local workforce development and retention efforts.
- **Energy & Sustainability**
 - When proposing Two Discovery Square, Mortenson Development provided the following energy and sustainability information for the entire building:
 - Project projected to perform 20% below energy code (ASHRAE 90.1 – 2010)
 - Project will have interior and exterior bike racks as well as a shower facility for occupants
 - Development will accomplish storm water management through the contemplative use of site materials and vegetation
 - Project committed to sharing utility data through 2030
 - Project will pursue LEED certification under version 4 of their rating system
- **Financial Details**
 - Shared lab funding sources are requested to include:
 - DMC Funding: Up to \$10M contingent on final design and approved DMC eligible costs
 - Mayo Clinic: Up to \$4.5M for equipment and operations
 - BioLabs: \$2.11M for equipment and operations
 - Mortenson Development: \$2.1M for construction and operations
 - When proposing Two Discovery Square, the Applicant provided the following building financial information::
 - Total project cost: \$45 million
 - Tax capacity will increase from \$23,758 to a proposed \$953,907 per year

EVALUATION REPORT

SECTION 1.0 PROJECT OVERVIEW

The Proposed Project will include 16,000 square-feet of shared lab space designed to support a diverse range of research needs. This space will include wet labs, dry labs, and office areas, providing a flexible and collaborative environment for startups, growing companies, and researchers. The shared lab is intended to foster innovation by offering access to high-quality infrastructure, allowing tenants to focus on advancing their scientific work without the burden of building out dedicated lab facilities. The shared lab would be developed on the third floor of Two Discovery Square, a 124,000 Sq Ft science and technology building in the Discovery Square subdistrict developed with DMC support.

SECTION 2.0 MINIMUM ELIGIBILITY REQUIREMENTS OF DMC ACT

Check the following that apply to the Project:

- ✓ "Public Infrastructure Project"
- ✓ General Infrastructure Project
- ✓ 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 DMC Development Plan, the Proposed Project would qualify as a “Public Infrastructure Project” as required by the DMC Act.

The Applicant has identified the following definitions of “public infrastructure project” for consideration:

- 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, façade construction and restoration, wayfinding and signage, and other components of community infrastructure;
- Install, construct or reconstruct, furnish, and equip parks, cultural, and recreational facilities, facilities to promote tourism and hospitality, conferencing and conventions, and broadcast and related multimedia infrastructure;

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 builds off the momentum of One and Two Discovery Square, as well as Mayo Clinic’s Bold. Forward. Unbound. in Rochester. expansion. The Proposed Project will facilitate economic development and workforce growth.

Is the project consistent with the DMC Vision?

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

Yes. Successfully executed, the Proposed Project significantly contribute to the sustainment of Rochester, MN as a healthcare hub and catalyze new med-tech economic development.

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

A Guiding Principle of the DMC Development Plan is to provide “technology and innovation to promote a globally competitive destination, going on to state: “Technology and innovation is core to the DMC economic strategy. Our vision is to promote an economic development structure that fosters advancement and growth of the medical, research, innovation, education, entrepreneurial and general business environment in Rochester. In addition to the business strategies, our vision integrates technology strategies into the land use, transportation and infrastructure planning to support a connected,

collaborative community for businesses, residents and visitors.”

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

Yes. By developing the shared lab space, the Applicant will provide an affordable solution for startups and small biotech companies that might otherwise establish themselves in competing markets. By attracting these companies to Rochester, the funds create long-term economic and job growth, reinforcing the city’s position as America’s City for Health.

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

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

Without this support, it is likely that the Proposed Project would not move forward, as the costs of developing and operating a high-quality Shared Lab space would be prohibitive. DMC funding ensures that a critical market gap is filled.

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

The Proposed Project supports the broader vision for the DMC development district. The Development Plan includes several statements declaring the economic value of a growing and diversified bio-med-tech industry. These statements include:

- “The primary economic driver for the greater Rochester-Olmsted area, as well as for the DMC, is Mayo Clinic. The DMC business and economic development strategy aligns with the strength of Mayo Clinic by focusing on biomed-tech clusters to maximize the competitive advantage that already exists in Rochester.”
- “The proximity of the downtown to Mayo Clinic, physicians, researchers, doctors and scientists makes it an ideal location to attract private research, bio-medical, bio-technology and related businesses. Discovery Square is the focal point for the new workplace environment of the DMC business community...(t)his community must attract the best and brightest in order to achieve the project goals of becoming a nationally and internationally recognized address for Health Science Research.”
-

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

Yes. The Proposed Project is intended to support the creation, retention, and recruitment of new start-ups and workforce opportunities.

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?***

Yes. A Guiding Principle in the creation of the DMC Development Plan was to “Sustain Rochester and Southeast MN as a Destination Medical Center and Economic Engine for the State”, further stating that “Rochester and its largest employer, Mayo Clinic, are critical components of the regional and State economy. Rochester, particularly its downtown core, needs to maintain an economic concentration, expand its business base and enhance the diversity of its economy. The DMC Development Plan promotes strategies that are focused on a broad range of opportunities, giving special consideration to strategies that support and leverage Mayo Clinic’s growth to enhance and expand the economy of Rochester and Southeast Minnesota. These strategies will promote the growth of new businesses, investment, entrepreneurship, and targeted businesses locally and within the region.”

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

N/A

Does the project include a plan for achieving consistency with the Development Plan (and any updates thereto) and other 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 would substantially advance the vision of DMC, Rochester, and Olmsted County as an economic engine for Minnesota. High-quality, low-cost lab space is essential to the success of the Discovery Square subdistrict.

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

The Proposed Project would advance many business development objectives noted in the DMC Development Plan:

- Leverage Mayo Clinic to ignite the med-tech economy and catalyze development in Discovery Square.
- Foster entrepreneurial enterprise and innovation and ensure continued economic health and growth of existing small businesses in the Development District.
- Develop recruitment and retention strategies to address the potential workforce gap and meet private business hiring needs through workforce development in targeted sectors.
- Develop strategic connections/leverage opportunities with Mayo Clinic
- Attract partners, companies and technology to the market.
- Work with Mayo Clinic to facilitate connections between clinicians and business/venture capital groups.
- Create a platform for entrepreneurs.
- Identify space for start-up businesses.
- Partner with business leaders, service organizations and educational institutions to provide a range of low-cost or discounted services for early stage start-ups...
- Reserve DMC Funds to support and attract investment and catalytic development projects.
- Facilitate an environment of collaboration with integrated facilities and shared public space.
- Coordinate business development strategies with other DMC strategies to improve livability, accessibility and economic opportunity in Rochester to attract and retain top tier talent.

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

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

The Proposed Project is not inconsistent with either plan.

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

N/A

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

The Proposed Project is an interior fit-out in Two Discovery Square. When applying for funding for Two Discovery Square, the applicant noted the following:

- Energy Efficiency – Based on early energy modeling efforts, the project is on track to meet the project energy goal included in the DMC Plan of a 20% reduction below ASHRAE 90.1-2010, Minnesota's energy code. Through a combination of a highly efficient envelope and HVAC systems, the building is showing a considerable reduction below a baseline building built to current code standards.
- Sustainable Site Selection – As a means to connect the second facility to One Discovery Square, the project focused on landscaping and the user experience around the building. Through native vegetation selection that negates the need for a permanent irrigation system, on-site storm water storage, outdoor seating, among other strategies, the project incorporates numerous strategies to reduce its environmental impact and create an active street.
- Indoor Environmental Quality – Offices will have access to natural daylight and views through expansive glazing.
- Materials and Resources –The building includes a dedicated area for collection and removal of recyclable materials

and the project has committed to sharing waste and recycling data throughout the construction process. Further, the project is committed to explore materials that will promote the health of building occupants and visitors.

- Water Efficiency – The project will reduce its burden on municipal water supply by including the use of low-flow consumption fixtures and fittings.
- Third Party Green Building Certification – The project is committed to pursue LEED certification.
- Building Operation – The project is committed to share utility information through Rochester’s Voluntary Energy Benchmarking program through 2030.

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 2023 DMC Rochester Awareness & Perception Study confirmed that Rochester needs to improve its visibility among bio-med-tech innovators and investors and build the start-up infrastructure. One of the key recommendations from the study was to establish turn-key lab space that lowers the barrier to entry for companies exploring opportunities in the region, especially those looking to collaborate with Mayo Clinic.

A 2024 market demand study was commissioned by Mayo Clinic to assess the local market for lab space demand and explore the current state of, and make recommendations for, improving the health of Rochester’s innovation ecosystem to facilitate the creation, growth, and attraction of high-growth and high-value companies that will benefit the economy.” The key recommendation of this study was: Offer affordable, ready-to-go wet and dry lab space in Discovery Square. Almost every study interviewee focused on the need for affordable, ready-to-go lab space with short-term/flexible lease option, next to Mayo Clinic.

DMC was recommended to:

- Approve fit-out costs and ensure affordable rent for early-stage companies at Two Discovery Square to retain current early-stage companies and attract more from outside the market
- Incorporate short-term and flexible space for companies exploring collaborations with Mayo Clinic.

Feasibility is also supported by the proposed operator, BioLabs, which operators more than a dozen such facilities across the world.

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

Yes. The Applicant will contribute to a portion of the shared lab construction, while other project partners will contribute furnishings, equipment, and operating capital.

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 public assistance of up to \$10 million. In addition to DMC funding, which is contingent on final design and identification of DMC-eligible costs, funding includes up to \$4.5 Million in pre-launch and equipment funding and operational gap funding, well as \$800,000 in build-out support from the Applicant.

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

Yes. The project pro-forma accounts for estimates of operating costs against expenses. Importantly, the other non-DMC project partners are negotiating to cover the forecasted early-year operating losses.

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

Yes. The DMC EDA staff have reviewed current market data related to lease rates, occupancy, and expected market rates of return. The Applicant has agreed to lease the space to the proposed operator at below-market rates, preserving affordability for start-ups and small companies.

Is the proposed operating structure sustainable?

Yes, we believe the operating structure is sustainable. The proposed operating partner, BioLabs, is an international shared lab operator with facilities in major cities and innovation centers around the world, including Boston, Heidelberg, Hew Haven, San Diego, Paris, and more. Combined, these facilities exceed 600,000 s.f. and are home to more than 400 companies.

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 approved for funding the Applicant has stated that they will agree to execute the DMC Development Agreement.

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 to develop Discovery Square as a world-class life science research park in close proximity to Mayo Clinic.

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

Yes; development of the Discovery Square ecosystem and life science infrastructure has been a key long-term priority identified in the DMC Development Plan. Specifically, in the plan adopted in 2015, the following key finding was noted: "Research suggests that a mixed-use research park would offer the best format to develop biomed-tech in the DMC Development District and create the jobs-driver needed to support a larger development concept. The research cluster should present a collaborative physical and program structure that emphasizes proximity to Mayo Clinic and cutting-edge research."

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.

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?

Yes; the Applicant is committed to supporting the goals outlined in the DMC’s policies related to Local Business participation and S/M/WBE. The development team has committed to working closely with contractors and vendors to ensure meaningful efforts are made to identify and engage qualified local and S/M/WBE firms throughout the project lifecycle—from pre-construction and procurement to construction and ongoing operations.

The development team achieved the highest DMC project WMBE participation percentage that the DMC has seen to date on the Two Discovery Square core/shell project, demonstrating a proven track record of meeting and exceeding DMC’s equity and inclusion goals.

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?

The shared lab is expected to directly support the creation of approximately 70 post construction jobs, providing critical entry points for local talent and early-career professionals. Overall, the development of Two Discovery Square was estimated to result in 800 temporary construction jobs and 531 new permanent jobs.

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

Yes; with DMC support, the other shared lab partners will commit significant resources to the successful build-out and operation of the shared lab. The shared lab will offer competitive pricing to startups and small biotech firms, increasing the likelihood of steady occupancy. Shared resources—such as lab equipment and administrative services—will lower overhead costs, also improving affordability.

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

Yes; if approved, the economic development opportunity provided by the shared lab will be unprecedented in Minnesota, or even elsewhere in the United States outside a few major metropolitan areas, creating an economic driver and job creator for our city, region, and state.

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?

Yes; the shared lab would exist within Two Discovery Square, a building that added new, publicly accessible collaboration space, contributes to the sense of place surrounding Discovery Walk, and meets DMC design guidelines.

SECTION 3.7 OTHER PROJECT POLICY CONSIDERATIONS

Is the project inside the DMC Development District?

Yes, it would be located within the Discovery Square subdistrict.

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?

Yes, specifically:

- Rochester and Olmsted County would gain an asset that does not exist anywhere else in Minnesota, filling a market need and catalyzing new interest in DMC as a destination for development and investment.
- The shared lab is intended to propel the creation, growth, and retention of the next generation of Minnesota med-tech professionals and companies.
- The successful establishment and “clustering” of new start-ups diversifies the local economy and broadens the public tax base.
- New and different employment opportunities in the fields of life science and med-tech research and development could help attract and retain the workforce we will need to sustain Rochester as a global destination medical center.
- Tenants of Rochester’s shared lab may be considered for venture investment by a one-of-a-kind program being negotiated by Mayo Clinic and Mission BioCapital, the venture capital parent firm of BioLabs.

Civic Center North (Sherman)

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025



Request of the board of directors:

This project has changed since 2Q2024's DMCC and City Council action. The City of Rochester's pause on the downtown district thermal energy network in December 2024 means that this project cannot be the first private customer of the network due to timeline incompatibilities. In addition, the overall unit mix and count has changed.

The DMC EDA recommends:

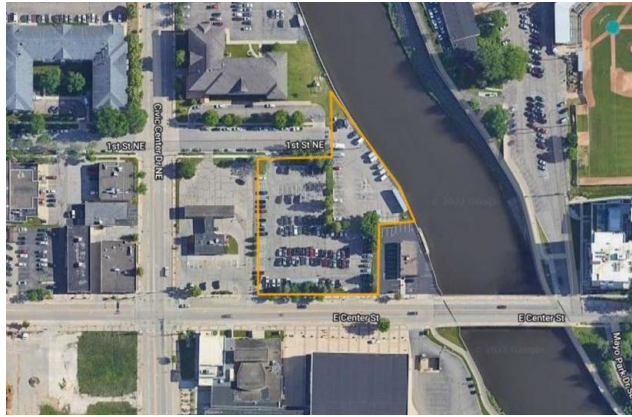
- Rescinding the prior commitment of \$3 million in DMC GSIA funds to this project due to the City of Rochester's pause on the downtown district thermal energy network. Those funds would then be available within the Strategic Development CIP budget for re-deployment to this project or to others under evaluation.
- Affirming the City of Rochester's plans to finance up to \$13,500,000 in project expenditures from tax increment financing bonds authorized under DMC statute, without seeking credit to the City's \$128,000,000 local contribution.
- Authorizing \$500,000 in GSIA to support the riverfront public realm component of the project.
- Making these approvals contingent upon:
 - Mutually agreed upon final design for the public space and the pending private development
 - Site development commencing before year-end 2025 or sooner if the City of Rochester directs it to be so

Background:

The site was the subject of an RFP released by the City of Rochester for a mixed-use development at 217 East Center Street in Rochester, Minnesota, known as the Rochester Civic Lot. Sherman Associates was selected as the preferred development partner and has been working to advance a project on the site. Their proposed project includes the construction of two residential buildings on a 77,006 square foot site located just northeast of downtown. The exclusive development agreement, which has been extended multiple times, is due to expire in June 2025 if no development agreement is reached.

In May 2024 DMCC and City Council authorized (in **RESOLUTION NO. 146-2024**) \$3M in GSIA funds and \$13M in TIF to support the development of 246 units of market rate housing and 84 units of affordable housing on this City-owned surface parking lot located at 217 E Center Street. The GSIA funds were primarily granted in order to support the extraordinary costs of this project being the first private customer of the City's downtown thermal energy network. In December of 2024 Rochester City Council voted to pause the implementation of that thermal energy network indefinitely.

Due to the fact that the option to connect to a district thermal energy system is no longer available to the developer, and thus it is a different project, an updated application has been submitted for review.



The revised project is as follows:

- An 76-unit, five-story affordable housing building utilizing Section 42 Low Income Housing Tax Credits (LIHTC)
- A 14-story market-rate apartment building with 265 units
- A 348-stall structured parking garage
- A riverfront trail connection

The affordable building will include studios, one-bedroom, and two-bedroom units. All 84 units will be income-restricted, serving households earning at or below 30% or 60% of the area median income (AMI). Eleven of these units will be further subsidized and targeted to High Priority Homeless (HPH) individuals and Persons with Disabilities (PWD). The project is designed to create new housing opportunities in a centrally located, transit-accessible part of Rochester, addressing both market-rate and deeply affordable housing needs.

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

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.
- Project is being designed to meet minimum City and DMC Sustainable Design Requirements which will also benefit occupants in terms of lowering their monthly utility costs via improved building efficiency

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. ____-2025

**A RESOLUTION APPROVING AMENDMENT TO RESOLUTION NO. 146-2024 IN
CONNECTION WITH REQUEST FOR PRIVATE DEVELOPMENT FUNDING (CIVIC
CENTER NORTH PROJECT)**

BACKGROUND RECITALS

A. Pursuant to Resolution No. 146-2024, the Destination Medical Center Corporation (“**DMCC**”) approved (1) up to \$3,000,000 in funding through general state infrastructure aid under Minnesota Statutes, Section 469.47, subdivision 3 and (ii) up to \$13,000,000 in funding from tax increment financing (the “**Approval**”) to support the development of the Civic Center North Project, as further described in Resolution No. 146-2024 (the “**Original Proposed Project**”). The Approval was subject to the Original Proposed Project including certain public realm improvements within the project, as well as connecting to the City of Rochester’s (the “**City**”) thermal energy network (the “**Project Requirements**”).

B. Subsequent to the Approval, the City paused implementation of the City’s thermal energy network, precluding the Original Proposed Project from satisfying the Project Requirements. 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. As a result, a new joint funding application was required to be submitted.

C. Sherman Associates Development (the “**Applicant**”) submitted a new joint funding application (the “**Request**”) for funding to facilitate the construction of the “Proposed Project” as originally defined in Resolution No. 146-2024, but with removal of the Project Requirements from the Original Proposed Project (the “**Revised Proposed Project**”).

D. The DMCC is charged with evaluating whether a proposed project (i) is consistent with the Destination Medical Center (“**DMC**”) vision, goals and objectives; (ii) is consistent with the Development Plan, adopted by the DMCC on April 23, 2015, as amended (the “**Development Plan**”) and any updates; (iii) is consistent with adopted strategies, phasing and capital improvement planning; (iv) is financially viable; and (v) complies with or support the economic-fiscal goals and objectives of the DMC initiatives (collectively, the “**Evaluation Criteria**”).

E. Staff from the City and the Destination Medical Center Economic Development Agency (the “**EDA**”) have reviewed the Request and the Revised Proposed Project in light of the Evaluation Criteria.

F. The EDA has recommended approval of the Revised Proposed Project based on the summary and recommendations attached hereto as **Exhibit A** and recommends the Approval be amended as follows: (1) rescind the approval of the \$3,000,000 in funding through general state infrastructure aid under Minnesota Statutes, Section 469.47, subdivision 3, (2) re-endorse the City’s financing of up to \$13,500,000 in funding from tax increment financing, without seeking credit to the City’s \$128,000,000 local contribution and (3) approve up to \$500,000 to support

public realm improvements occurring as a part of the Revised Proposed Project. This recommendation of approval is based on the application of the Evaluation Criteria.

G. As originally set forth in Resolution No. 146-2024, the Revised Proposed Project continues to sufficiently advance the goals of the Development Plan despite the removal of the Project Requirements.

H. The DMCC has considered the recommendation of the EDA and based on the materials submitted, has independently evaluated whether the Revised Proposed Project is consistent with the Development Plan and the goals of the DMC.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the DMCC Board of Directors, that the DMCC approves the Request based on the following findings of fact:

1. The Revised Proposed Project meets the definition of a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11.

2. The Revised Proposed Project lies within the Development District.

3. The Revised Proposed Project is consistent with the goals and priorities set forth in the Development Plan.

5. The Revised Proposed Project requests up to \$500,000 in DMC funding and a re-endorsement of the City's financing of up to \$13,500,000 in funding from tax increment financing. The Revised Proposed Project includes eligible public infrastructure improvements, including, site preparation and remediation, utility connections, streetscape enhancements, sustainable energy systems, and parking infrastructure. The total cost of said public infrastructure improvements exceeds the amount of assistance.

6. The Revised Proposed Project may not proceed without the public funding, and the requested DMC funding will provide gap financing to support extraordinary growth in the market, as contemplated in the Development Plan.

7. The Revised Proposed Project will serve as a catalyst or anchor development in the subdistrict.

8. The Revised Proposed Project activates the area through the introduction of commercial space or visible recreational building amenity uses on street level.

9. The Request provides sufficient evidence of financial viability.

10. The Request supports the economic strategies of the Development Plan by providing civic/cultural uses and/or public amenities that support strategic growth in the Development District and/or specific business development and economic development strategies that are adopted as part of the Development Plan.

BE IT FURTHER RESOLVED, that the DMCC Board of Directors approves the Approval being amended to rescind the approval of \$2,500,000 of the \$3,000,000 in funding through general state infrastructure aid under Minnesota Statutes, Section 469.47, subdivision 3 and to re-endorse the City's financing of up to \$13,500,000 in funding from tax increment financing, without seeking credit to the City's \$128,000,000 local contribution, subject to the following conditions:

1. The Applicant must provide evidence of financing for the Revised Proposed Project satisfactory to the DMCC Board of Directors, such evidence to be presented within the time period set forth in the City's approved development assistance agreement.

2. The Revised Proposed Project must meet all City requirements, including, without limitation, execution of a development assistance agreement by and between the Applicant and the City.

3. The Revised Proposed Project must meet all conditions set forth in **Exhibit A**.

4. Any modification to the scope of the Revised Proposed Project, as set forth in **Exhibit A**, will be subject to subsequent approval by the DMCC.

5. An agreement by the parties to the development assistance agreement as to both tax increment financing 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 (30) years, requiring repayment for breach or default.

6. The Applicant must provide evidence of long-term income affordability criteria and appropriate enforcement as set forth in the City's approved development assistance agreement.

7. The DMCC Board of Directors shall receive periodic updates from the EDA as to the status of the satisfaction of the conditions set forth in this resolution, the Revised Proposed Project expenditures, and the ongoing status of development of the Revised Proposed Project.

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, and to take such actions as are necessary and appropriate to effectuate the findings and approvals of this Resolution.

EXHIBIT A

MEMO**To:** DMCC Board of Directors**From:** City of Rochester, Administration**Date:** April 24, 2025**Subject:** Consideration of the Civic Center North Project GSIA Request

The City of Rochester provides the following update on the Civic Center North Project. Sherman Associates Development (the “Applicant”) has submitted revised materials, and the City finds that the project aligns with the Destination Medical Center (DMC) vision and the shared goals of both the City and DMC. Affordable senior housing in transit-accessible, mixed-income settings remains a top priority for both entities.

In May 2024, the DMC Corporation Board and the City Council approved an allocation of up to \$3 million in GSIA funding for the project. Additionally, up to \$13 million in Tax Increment Financing support has been conditionally approved as part of the overall development negotiations. The project would also benefit from the contribution of City-owned land.

In response to a pause in the City’s planned Thermal Energy Network (TEN), the Sherman team has shifted away from designing a development that would connect to the network. As a result, the project is being redesigned without integration into the TEN’s system. Although the development will no longer include geothermal systems, the project has transitioned to other sustainability measures. As a result of these changes, the Applicant must seek reapproval of the GSIA funding originally allocated in 2024.

Project Overview:

The project is a residential development featuring both market-rate and affordable housing units. The market-rate building is ~265 units in a 15-story structure, while the affordable building includes a 76 unit, 5-story low-rise building designated for senior housing. Together, the two buildings will wrap around three sides of an above-grade parking structure that will serve the parking needs of the development. This will improve the visual streetscape and create a more pedestrian-friendly environment, aligning with the City’s goals of promoting walkable, vibrant neighborhoods. The project includes numerous areas of green space, shared uses, and public amenities. Green

space surrounds the entire property enhancing the pedestrian experience, with particular emphasis placed on landscaping along the riverfront.

Of the 76 affordable senior units, 36 units will be reserved at 50% Area Median Income (AMI) and 14 will be available to those at 30% AMI. This deep level of affordability ensures that low-income seniors have access to safe, high-quality housing, addressing a critical need in the community. Both projects combined will result in over 22% of total unit count being affordable at or below 60% AMI.

Sustainability Features:

The sustainability elements of the design include:

- The tower will achieve both National Green Building Standards Silver and Energy Star Multifamily New Construction certifications, be solar-ready, and meet SB2030 standards.
- The low-rise will achieve both Enterprise Green Communities and Energy Star Multifamily New Construction certification, be solar ready, and meet SB2030
- Sustainable transportation will be supported with EV charging stations and bike storage
- Incorporate energy-efficient electric heat pumps, high-efficiency gas heating, direct expansion cooling, Energy Star appliances, and solar-ready upgrades
- Participation in Rochester's Energy Benchmarking program

Financial and Development Support:

The Applicant has provided a detailed list of eligible public infrastructure improvements associated with the project. These include site preparation and remediation, utility connections, streetscape enhancements, sustainable energy systems (high efficiency magic paks, water source heat pumps), and parking infrastructure. The total cost of these improvements exceeds the amount of public assistance requested.

The Applicant has shared comprehensive financial documentation with City and DMC EDA staff. The project will leverage a mix of private and public funding sources, including tax credit equity, HUD loan, TIF, owner equity, and other financing tools.

Despite these funding efforts, a financing gap remains, based on a reasonable return on private investment. Without securing \$3 million in GSIA funding, the project is shown to have a \$5 million gap. With \$3 million GSIA the gap is \$2 million, and the development team believes that they will be able to close that gap to get to a point where construction can occur.



Alignment with DMC Goals:

Given the changes in the broader funding environment for 2025, this project represents a critical opportunity to provide a mixed-income housing project with the Downtown Waterfront subdistrict. The project aligns with the following DMC and City priorities as follows:

- Revitalizes underutilized site
- Provides a balanced and sustainable housing stock
- Promotes neighborhood stabilization and revitalization
- Increase to the city's tax base
- 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

Public Infrastructure Improvements:

Eligible public infrastructure elements for the project include:

- Site preparation and remediation
- Utility and streetscape improvements
- Parking and environmental clean-up

The project's parking ramp, which will be concealed by the development's wraparound design, is considered a critical public infrastructure improvement. By integrating the parking into the overall design and concealing it from view, the project helps improve the surrounding urban environment, enhancing both aesthetically and functionality. This integration supports the creation of a more welcoming, walkable space for the public. Additionally, the development brings significant housing density to an area that currently lacks retail and entertainment options. This increased residential presence is expected to support and attract future commercial amenities, helping to catalyze a more vibrant, mixed-use neighborhood.

City Staff Recommendation:

Approval of this project by the DMCC Board as a DMC Public Infrastructure Project is required before the City Council can take action. Any DMCC approval should be contingent upon future approval by the City and the City EDA of both the Development Assistance Agreement (DAA) and the final TIF assistance amount.

Sherman is requesting the reauthorization of \$3 million in General State Infrastructure Aid (GSIA) to support the revised scope of the project. However, the City and the DMC Economic Development Agency (EDA) are recommending a reduced GSIA allocation,



based on the fact that the project no longer includes the use of district energy or a geothermal system—both of which were key components in justifying the original GSIA commitment.

To enhance public space and infrastructure, the City and DMC EDA recommend an allocation of up to \$500,000 to support improvements to the riverfront public realm. This funding will contribute to the creation of high-quality, accessible amenities consistent with community goals for placemaking and waterfront activation.

In addition, the City recommends the allocation of up to \$13.5 million in DMC Tax Increment Financing (TIF) to support continued project implementation and to facilitate progression through the City’s formal review and approval process.

Sincerely,

Josh Johnsen
Strategic Initiatives Director
City of Rochester



MEMORANDUM

To: Chair Pam Wheelock and the Destination Medical Center Corporation Board of Directors

From: Dr. Clark Otley, President of the Board of Directors
Patrick Seeb, Executive Director
Destination Medical Center Economic Development Agency

Date: May 16, 2025

Re: **Sherman Associates (Civic Center North) DMC Funding Recommendation**

Dear Chair Wheelock and members of the DMCC Board of Directors:

The DMC legislation provides that the DMC EDA must assist the DMCC by “evaluating proposals for development and evaluating and making recommendations to the (DMCC) and the city regarding those proposals.” Following our evaluation, the DMC EDA board of directors recommends that the DMCC board of directors approve up to \$500,000 in DMC General State Infrastructure Aid (GSIA). This figure is less than the revised amount requested by the applicant (\$3 million).

We provide this recommendation following thorough consideration of the project as previously described in the 2024 Joint Funding Application, the priorities expressed by the DMCC, and the goals and objectives of the DMC Development Plan.

In addition to our previous project evaluation, other factors may weigh in your independent consideration of this funding request and our recommendation. These factors may include:

- **Public Benefit.** When previously approved, the proposed project included several elements that the DMC EDA deemed to be of specific public benefit. Several of these project elements, including public realm improvements at the Zumbro River frontage, remain. Importantly, our revised recommendation for DMC support is offered in recognition that the proposed project is no longer slated to connect to a future downtown thermal energy network.
- **Opportunity Cost.** We fully recognize that this recommendation is being provided alongside several others and that, if approved, these combined recommendations will draw DMC “strategic development” funds down to approximately \$300,000. Even so, we heartedly offer this recommendation and, should the approval of a future funding request require the

authorization of funding outside the usual capital budgeting process, we will balance that request against competing demands on DMC resources.

- **Alignment with DMC Priorities.** Each application for DMC funding is unique, and the considerations around each proposed project necessitate careful, singular evaluation. An additional consideration of the DMC EDA is whether—and if so, how—a given project aligns with our understanding of the priorities of the DMC Corporation and City of Rochester. This is an inherently subjective determination, but DMC processes, including a standard application, advisory review by City staff and the DMC EDA, successive agreement by the DMC Corp. and City of Rochester, and final approval of expenditures by DEED, safeguard against the non-aligned or imprudent allocation of public funds. We recognize and appreciate this process.

In closing, we recommend several conditions be applied to the project to ensure that DMC interests are protected and goals are met. For the reasons noted above and in our previous report, the DMC EDA board of directors respectfully submits our funding recommendation.

Thank you for your consideration.

Respectfully,

Clark Otley, M.D.
President of the Board of Directors

Patrick Seeb
Executive Director

Loom Apartments (Onward)

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025



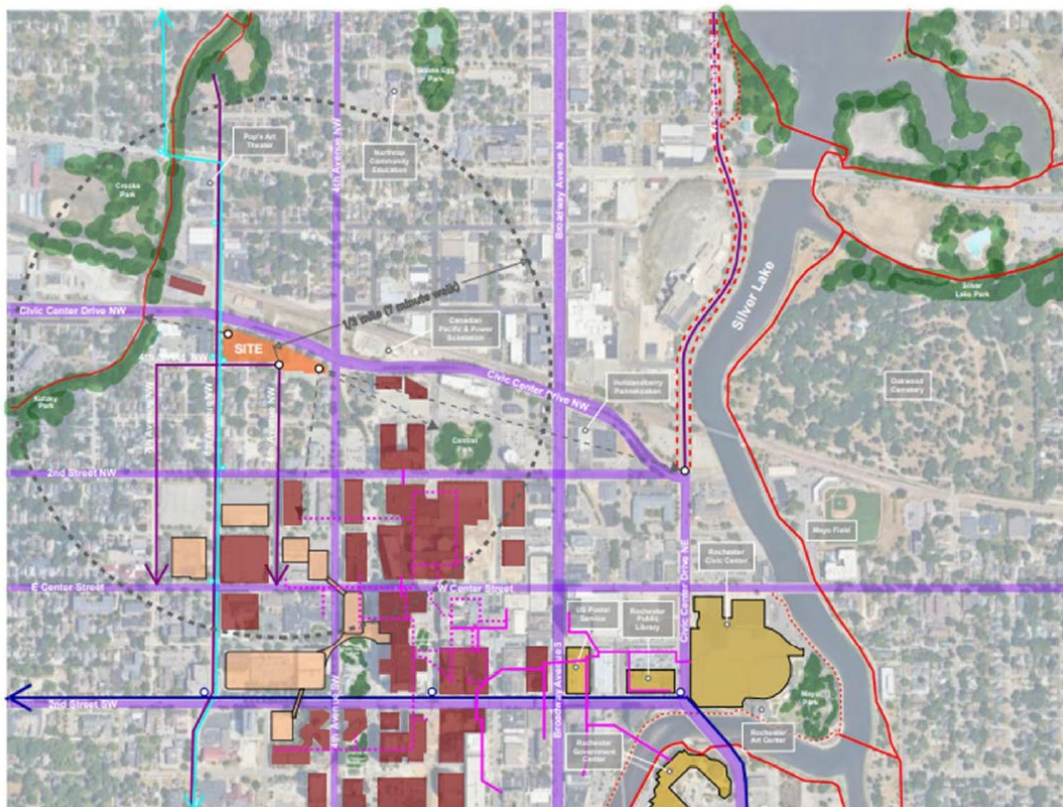
Request of the board of directors:

Consider utilization of \$4M of General State Infrastructure Aid (GSIA) from the allocated Strategic Development CIP budget to support the extraordinary costs of the Loom Apartments project, contingent upon:

- Mutually agreed upon final design for the public space and the pending private development
- Community-oriented commercial space on the ground floor of the project at below market rents
- Enhanced ground floor activation design
- Biking amenities as agreed upon
- Publicly available curbside EV charging
- On-site geothermal wells to support heating and cooling loads of the building
- No developer adverse tax event as part of receiving GSIA funds
- Site development commences before year-end 2025

Background:

The Loom Apartments project is a 100% affordable housing development on a Gateway corridor location (515 4th Street NW, along Civic Center Drive) into the DMC District that will provide 141 homes in the downtown at 50% of Area Median Income (AMI) rents. This project is poised to serve as a key component in the region's commitment to sustainable, affordable housing solutions as it would be the first private development to utilize on-site geothermal wells to support heating and cooling. Loom Apartments will serve as Phase I of a two-phase affordable housing initiative, and includes activation of the ground floor including biking amenities and community-oriented commercial space.



Key Project Elements:

- **Number of Units:** 141 deeply affordable housing units at 50% AMI
- **Funding Request:** \$5.5 million to leverage over \$4.5 million in enhanced Low-Income Housing Tax Credit (LIHTC) equity
- **Affordable Housing Financing:** The project will utilize a combination of \$24.7 million in Multifamily Housing Revenue Bonds and \$24 million in low-income housing tax credits, investment tax credits, and solar tax credits. The development will also seek gap funding from local and state sources to bridge the financing gap.
- **Development Timeline:** The project must commence before the expiration of the Qualified Census Tract (QCT) designation, which is tied to securing critical federal tax incentives and equity funding.

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

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.
- Project goes beyond the City and DMC sustainability requirements to demonstrate on-site geothermal and solar can be achieved within a housing development.
- Mid-block breezeway public realm
- Support of community-oriented commercial space on the ground floor
- Enhanced ground floor design to encourage pedestrian activity

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. ____-2025

**A RESOLUTION APPROVING REQUEST FOR PRIVATE DEVELOPMENT
FUNDING (LOOM APARTMENTS PROJECT)**

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, leveraging the public investment to attract private investment, attracting new business, and expanding existing businesses, 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 identified a desired 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 Development Plan further states that Destination Medical Center (“**DMC**”) funding should provide gap financing to support extraordinary growth in the market.

E. The DMCC approved the 2025 Five Year Capital Improvement Plan (the “**2025 CIP**”) on September 26, 2024 and approved the projects set forth in the first year of the 2025 CIP as public infrastructure projects within the meaning of Minnesota Statutes Section 469.40, subdivision 11, and consistent with the Development Plan. The 2025 CIP was later approved by the City.

F. The 2025 CIP provided funding for a Strategic Development Fund, which was first approved in the 2021 Five Year Capital Improvement Plan. The Destination Medical Center Economic Development Agency (the “**EDA**”) has informed the DMCC that a portion of the funds from the Strategic Development Fund are available for allocation. As set forth in **Exhibit A**, the EDA requests that the DMC allocate funds in an amount not to exceed \$4,000,000 from the Strategic Development Fund to the Proposed Project (as hereinafter defined), subject to the conditions set forth in this Resolution.

G. The DMCC is charged with evaluating whether a proposed project (i) is consistent with the DMC vision, goals and objectives; (ii) is consistent with the Development Plan and any updates; (iii) is consistent with adopted strategies, phasing and capital improvement planning; (iv) is financially viable; and (v) complies with or support the economic-fiscal goals and objectives of the DMC initiatives (collectively, the “**Evaluation Criteria**”).

H. Onward Investors, LLC (the “**Applicant**”) submitted a joint funding application (the “**Request**”) for funding to facilitate the construction of a multifamily project consisting of 141 units of affordable housing at 50% Area Median Income (the “**Proposed Project**”).

I. Staff from the City and the EDA have reviewed the Proposed Project in light of the Evaluation Criteria.

J. The EDA has recommended approval of the Proposed Project based on the summary and recommendations attached hereto as **Exhibit A**. The recommendation of approval is based on the application of the Evaluation Criteria.

K. As set forth on **Exhibit A**, the Proposed Project sufficiently advances the goals of the Development Plan.

L. The DMCC has considered the recommendation of the EDA and based on the materials submitted, has independently evaluated whether the Proposed Project is consistent with the Development Plan and the goals of the DMC.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the DMCC Board of Directors, that the DMCC approves the Request based on the following findings of fact:

1. The Proposed Project meets the definition of a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11.

2. The Proposed Project lies within the Development District.

3. The Proposed Project is consistent with the goals and priorities set forth in the Development Plan.

4. The Proposed Project supports a housing mix which is identified as a priority within the Development Plan.

5. The level of public funding requested is consistent with the economic goals contained in the Development Plan related to public and private investment.

6. The Proposed Project requests up to \$4,000,000 in DMC funding. The Proposed Project includes eligible public infrastructure improvements, including, site preparation and remediation, utility connections, streetscape improvements, vacation and utility relocation, site clean-up, sustainable energy systems, and community accessible amenity spaces. The total cost of said public infrastructure improvements exceeds the amount of assistance.

7. The Proposed Project may not proceed without the public funding, and the requested DMC funding will provide gap financing to support extraordinary growth in the market, as contemplated in the Development Plan.

8. The Proposed Project will serve as a catalyst or anchor development in the subdistrict.

9. The Proposed Project provides housing near services and transit and is walkable to the main employment center of the City, satisfying goals and priorities set forth in the Development Plan.

10. The Proposed Project will support the activation of the area through the introduction of commercial space and building amenity uses on street level.

11. The Proposed Project has provided sufficient evidence of financial viability.

12. The Proposed Project supports the economic strategies of the Development Plan by providing uses and 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 Development Plan.

BE IT FURTHER RESOLVED, that the DMCC Board of Directors approves allocating funds reserved for the Strategic Development Fund to the Proposed Project in an amount not to exceed \$4,000,000 subject to the following conditions:

1. The Applicant must provide evidence of financing for the Proposed Project satisfactory to the DMCC Board of Directors, such evidence to be presented within such time period as set forth in the City's approved development assistance agreement.

2. The Proposed Project must meet all City requirements, including, without limitation, execution of a development assistance agreement by and between the Applicant and the City.

3. The Proposed Project must meet all conditions set forth in **Exhibit A**.

4. The Applicant must provide, at the reasonable request of the DMCC, EDA or City, financial and operating progress reports to ensure the Proposed Project, as-built, is consistent with the Proposed Project as approved in this Resolution.

5. Any modification to the scope of the Proposed Project, as set forth in **Exhibit A**, will be subject to subsequent approval by the DMCC.

6. The Applicant must provide evidence of long-term income affordability criteria and appropriate enforcement as set forth in the City's approved development assistance agreement.

7. The DMCC Board of Directors shall receive periodic updates from the EDA as to the status of the satisfaction of the conditions set forth in this resolution, the Proposed Project expenditures, and the ongoing status of development of the Proposed Project.

BE IT FURTHER RESOLVED, that the DMCC Board of Directors hereby authorizes its legal counsel and the EDA to work with the Applicant to structure the assistance being approved per this Resolution appropriately.

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, and to take such actions as are necessary and appropriate to effectuate the findings and approvals of this Resolution.

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EXHIBIT A

MEMO**To:** DMCC Board of Directors**From:** City of Rochester, Administration**Date:** April 25, 2025**Subject:** Consideration of the Loom Apartments Project GSIA Request

The City of Rochester provides the following update on the Loom Apartments Project. Onward Investors, LLC (the "Applicant") has submitted materials, and the City finds that the project aligns with the Destination Medical Center (DMC) vision and the shared goals of both the City and DMC. Affordable housing in transit-accessible locations remains a top priority for both entities.

Project Overview:

The project proposes 141 units of 100% affordable housing with 50% Area Median Income (AMI) averaging across all units, located in the vicinity of 515 4th Street NW, along Civic Center Drive (Gateway corridor into the DMC District). The project includes:

- A multi-story residential building with active ground floor space including biking amenities
- Community-oriented commercial space (~2,000 sq ft)
- Public mid-block breezeway enhancing pedestrian connections
- Phase I of a two-phase affordable housing initiative that will ultimately deliver 283 units of income-restricted housing (50-60% AMI)

Sustainability Features:

The sustainability elements of the design include:

- First private development in the region to utilize on-site geothermal wells for heating/cooling (~45% electricity and ~40% gas reduction)
- Rooftop solar array
- LEED Silver certification targeting
- WaterSense plumbing and low-energy lighting

- Electric vehicle charging stations
- E-cargo bike library

Market Study Findings:

A third-party market study by Novogradac LLLP found:

- Significant "rent-advantage" (23-56%) compared to market-rate units
- Expected absorption rate of approximately 9 months (3-4 months faster than comparable projects)
- 4,635 income-qualified households in Rochester Primary Market Area for 50% AMI units
- Project would need only 2.6% household eligible capture rate, indicating strong demand

Financial and Development Support:

The Applicant has established a financing structure that includes:

- \$24.7 million in Multifamily Housing Revenue Bonds (approved)
- \$24 million in investment tax credits, and solar tax credits
- Tax-Increment Financing (TIF) - approximate value of \$900,000 (pending)
- \$750,000 from Coalition for Rochester Area Housing (approved)

Despite these funding efforts, a verifiable financing gap remains. A significant driver of this gap is the project's commitment to deeply affordable rents at 50% AMI rather than maximizing revenue through higher rents.

The Applicant has demonstrated that the project is not financially feasible without public support. Based on a review of the project's financials, the funding request of \$5.5 million will leverage over \$4.5 million in enhanced Low-Income Housing Tax Credit (LIHTC) equity, which is dependent on the project's Qualified Census Tract (QCT) designation that will soon expire.

Alignment with DMC Goals:

This project represents a critical opportunity to provide affordable housing near transit and services, reinforcing the DMC's long-term goals. The project will:

- Provide affordable housing in a transit-oriented development along a key corridor
- Contribute to community resilience through sustainability-focused investments



- Revitalize an underutilized site within the Central Station subdistrict
- Support workforce stability for Mayo Clinic and other employers
- Enhance the public realm through ground floor design that encourages pedestrian activity

Critical Timing Factors:

- Project must commence before the expiration of the QCT designation to secure \$4.5 million in additional federal tax credits
- Federal energy incentives (ITC, STC, Section 45L rebates) may be curtailed in future budgets
- Project is designed to align with Mayo Clinic's Bold. Forward. Unbound. \$5 billion investment

City Staff Recommendation:

Approval of the Loom Apartments project by the DMCC Board as a DMC Public Infrastructure Project is required before the City Council can take action. Any approval by the DMCC should be contingent upon future approval by both the City and the City EDA of the Development Assistance Agreement (DAA) and the final Tax Increment Financing (TIF) assistance amount.

The City recommends that the DMCC Board approve the allocation of up to \$4 million in General State Infrastructure Aid (GSIA) from the Strategic Development CIP budget to support the extraordinary costs associated with the Loom Apartments project. This allocation should be contingent upon a mutually agreed-upon final design for the public space and the pending private development.

Approval by the DMCC Board is a critical step in allowing the project to continue moving through the City's review and approval process, in coordination with future actions by the City Council and the EDA.

Sincerely,

Josh Johnsen
Strategic Initiatives Director
City of Rochester



MEMORANDUM

To: Chair Pam Wheelock and the Destination Medical Center Corporation Board of Directors

From: Dr. Clark Otley, President of the Board of Directors
Patrick Seeb, Executive Director
Destination Medical Center Economic Development Agency

Date: May 16, 2025

Re: Onward Investors (Loom) DMC Funding Recommendation

Dear Chair Wheelock and members of the DMCC Board of Directors:

The DMC legislation provides that the DMC EDA must assist the DMCC by “evaluating proposals for development and evaluating and making recommendations to the (DMCC) and the city regarding those proposals.” Accordingly, please find enclosed with this letter the DMC EDA staff evaluation of the DMC Joint Funding Application submitted by Onward Investors for an affordable housing project on property near Civic Center Drive. Following our evaluation, the DMC EDA board of directors recommends that the DMCC board of directors approve up to \$4,000,000 in DMC General State Infrastructure Aid (GSIA). This figure is less than the amount requested by the applicant (\$5.5 million).

We provide this recommendation following thorough consideration of the project as described in the Joint Funding Application and the evaluation prepared by staff, the priorities expressed by the DMCC, and the goals and objectives of the DMC Development Plan. The evaluation report details our analysis of the proposed project.

In addition to our project-specific evaluation, other factors may weigh in your independent consideration of this funding request and our recommendation. These factors may include:

- **Public Benefit.** The proposed project includes several elements that the DMC EDA deemed to be of specific public benefit, including that all the planned housing units will be affordable to residents who earn fifty percent of the Area Median Income (AMI); the establishment of street level service retail; and installation of geothermal energy system.
- **Opportunity Cost.** We fully recognize that this recommendation is being provided alongside several others and that, if approved, these combined recommendations will draw DMC

“strategic development” funds down to approximately \$300,000. Even so, we heartedly offer this recommendation and, should the approval of a future funding request require the authorization of funding outside the usual capital budgeting process, we will balance that request against competing demands on DMC resources.

- **Alignment with DMC Priorities.** Each application for DMC funding is unique, and the considerations around each proposed project necessitate careful, singular evaluation. An additional consideration of the DMC EDA is whether—and if so, how—a given project aligns with our understanding of the priorities of the DMC Corporation and City of Rochester. This is an inherently subjective determination, but DMC processes, including a standard application, advisory review by City staff and the DMC EDA, successive agreement by the DMC Corp. and City of Rochester, and final approval of expenditures by DEED, safeguard against the non-aligned or imprudent allocation of public funds. We recognize and appreciate this process.

In closing, we note that our evaluation report also outlines several conditions we recommend be applied to the project to ensure that DMC interests are protected and goals are met. For the reasons noted above and in our report, the DMC EDA board of directors respectfully submits our funding recommendation.

Thank you for your consideration.

Respectfully,

Clark Otley, M.D.
President of the Board of Directors

Patrick Seeb
Executive Director

Loom Apartments Evaluation Report May 9, 2025

EXECUTIVE SUMMARY / RECOMMENDATION

STATEMENT OF RECOMMENDATION:

Based on information provided by Onward Investors, LLC (the “Applicant”), the Loom Apartments aligns with regional development visions and goals and the housing needs outlined in the Coalition for Rochester Area Housing’s commissioned housing needs study (the “Maxfield Study”). The development of 50% AMI or lower affordable housing units is a priority need and has been identified by DMCC as a priority. Importantly, going beyond addressing the community-wide affordable housing needs, this project is creating community-oriented commercial retail space at the ground floor at below market rents, will be the first multi-family housing project to pilot on-site geothermal wells, and provide for additional public bike and EV charging infrastructure. The ground floor design and landscaping will be enhanced beyond the zoning and baseline City requirements as well.

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.

We recommend support for the project.

We further recommend a financial audit to ensure the project is consistent with what was proposed and approved, and to confirm the costs. The applicant will provide all requested documentation to facilitate this audit and work in good faith with representatives.

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 subdistrict).

PROJECT SUMMARY:

The Loom Apartments project is a transformative development that will provide 141 affordable housing units in downtown Rochester, Minnesota, to tenants earning 50% of Area Median Income (AMI) or less. This project is poised to serve as a key component in the region's commitment to sustainable, affordable housing solutions that will also enhance walkability and access to the core downtown employment center. Loom Apartments will serve as Phase I of a two-phase housing initiative, with the second phase being the Tapestry Apartments project, which is currently in planning and anticipated adding another 142 units of housing at 60% AMI at a later date.

RELEVANT PROJECT HIGHLIGHTS:

The following list outlines relevant project highlights for consideration:

- **General Project Information**

- Located in downtown Rochester along Civic Center Drive from 4th Ave to 6th Ave (515 4th St. NW, Rochester, MN 55901)
- Located within the Central Station subdistrict of the DMC District
- 141 units of Workforce Housing at 50% AMI
- Community-oriented commercial space on the ground floor of the project
- Enhanced ground floor activation design
- Biking amenities as shown
- Publicly available curbside EV charging
- On-site geothermal wells to support heating and cooling loads of the building
- Site development commences before year-end 2025

- **Financial Details**

- Funding Request: \$5.5 million
- Other Funding Sources:
 - *Other - Private Placement Bond Execution \$14,810,000*
 - *Other - Low-Income Housing Tax Credit ("LIHTC") Equity \$19,997,333*
 - *Other - Investment Tax Credit ("ITC") & Solar Tax Credit ("STC") Equity \$3,973,008*
 - *Other - Deferred Loan - Coalition for Rochester Area Housing \$750,000*
 - *Other - 45L Tax Credit for Home Builders - ENERGY STAR \$292,575*
 - *Other - RPU Energy Rebates + Heat Pump + Electrification Rebates (HEAR) \$1,053,270*

- **Sustainability**

- On-site Geothermal wells ("Darcy wells") to support entire apartment HVAC load
- On-site solar
- Curbside public EV charging infrastructure in partnership with City of Rochester
- EnergyStar appliances
- WaterSense plumbing fixtures
- LED lighting
- Enhanced insulation and glazing
- Water and energy conservation measures
- Pursuit of Third-Party Green Building Certification

- **Community Benefits**

- Public/private breezeway easement between phase 1 and 2 to continue 5th Avenue connection to Civic Center Drive for pedestrians and cyclists
- Approximately 2,000 square feet of retail/commercial space at below-market rents to support active use
- Enhanced public realm and street level activation on Civic Center Drive and 6th Ave.

EVALUATION REPORT

SECTION 1.0 PROJECT OVERVIEW

The Loom Apartments project is a transformative development that will 141 affordable housing units in downtown Rochester, Minnesota, at rents set to 50% of Area Median Income (AMI). This project is poised to serve as a key component in the region's commitment to sustainable, affordable housing solutions. Loom Apartments will serve as Phase I of a two-phase affordable housing initiative, with the second phase being the Tapestry Apartments project, currently planned to provide 142 units at 60% AMI.

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 downtown Rochester. Workforce housing is needed. The project provides housing near services and transit and is walkable to the main employment center (downtown). Construction jobs will be created, as well as 3 full-time and 1 part-time permanent jobs to operate and maintain the housing when complete. In addition, there will be retail employment in the retail spaces.

Is the project consistent with the DMC Vision?

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

Loom Apartments seeks to weave many elements of the DMC's Vision into one comprehensive community. Specifically, Health & Wellness is emphasized in the Project's location in the Downtown Fringe which encourages multi-modal transportation and enhanced walkability. These are both correlated to significant increases in wellness and happiness. The Project also features a to be programmed retail and/or commercial location of ~2,000 square feet. This space will be oriented to be accretive to both residents of the Project and the community as a whole and will be offered for licensing/lease/usage at below market rate economics. This supports the DMC's Vision for Retail, Dining, Entertainment, Arts, and Culture. The Project's location contributes to the concept of a "15-Minute City", demonstrating that even in a secondary metropolitan area, a Livable City is certainly achievable and can even be a replicable model when created at scale. Lastly, while Loom Apartments will offer residences to only income qualified individuals and families, the geothermal ground-sourced heat pump system will present a locally manufactured concept that can be modeled upon going forward. While not directly facilitating a Learning Environment, the very thesis of the Destination Medical Center's requested investment is to allow this project to serve as a learning example so future projects may benefit from a locally executed example.

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

Loom Apartments demonstrates a bold new model for equitable urban development in Rochester, combining deeply affordable housing, advanced green infrastructure, and public realm improvement in a central corridor adjacent to Mayo Clinic. It signals a commitment to a more inclusive, livable, and resilient city core that matches the ambition of the City of Rochester and DMC.

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

Rooted in a third-party market study and aligned with current housing demand trends, Loom Apartments is responsive to local economic realities and demographic shifts. The project's unit mix, location, and pricing strategy are tailored to Rochester's workforce, particularly in the healthcare,

education, and hospitality sectors, ensuring long-term demand and operational sustainability. Its layered financing structure reflects a savvy and adaptable approach to development in a competitive capital environment.

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 while meeting market rate of returns without public assistance. Based on our own independent analysis, we concur. As stated above, the 50% AMI income approach of this project helps provide affordable units for workers in 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 public infrastructure, specifically the public/private breezeway, commercial space, EV charging and bike infrastructure and GHG reductions from utilizing geothermal technology is not solely for the benefit of the Loom Apartments project. It also supports the broader vision of the DMC District by enhancing pedestrian access and connectivity between the Kutzky Park neighborhood, Civic Center Drive, and Downtown Rochester.

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

The Loom Apartments project will contribute 141 units of housing at 50% AMI. This project will address a portion of the housing needs for this income demographic in Rochester at a time of growth and transformation in downtown Rochester.

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 contribute the Central Station subdistrict and provide a key piece of housing infrastructure. The “above and beyond” approach to sustainability will hopefully prove a model for future private developers to raise the ambition for sustainability targets. Its location is an anchor for the subdistrict and will generate momentum for other developments – residential and otherwise and facilitate better pedestrian and bike connectivity.

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

The proposed project advances multiple pillars of the DMC Development Plan and the City's Comprehensive Plan, including "mobility," and that the project is designed to incorporate various options for alternate transportation to reduce single-vehicle traffic flow. Elements include: lower parking ratio, curbside public EV charging, bike amenities, community-oriented retail and enhanced ground floor public realm.

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 other 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 workers to live that are affordable, have lower utility costs and are walkable to the employment center and other critical functions. This project expands on this possibility by providing units at a 50% AAMI level. 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 Plan?***

Yes, The Project would be congruent with the Planning 2 Succeed 2040 Comprehensive Plan Integration for the City of Rochester in the following respects:

Loom Apartment's income-targeted housing and deeper affordability directly serve the goal of ensuring all residents have access to safe, affordable housing by addressing critical needs for housing near jobs, transit, and amenities. As a redevelopment of underutilized parcels and lower density parcels in the city core, Loom Apartments exemplifies the plan's directive to prioritize infill development and reinvestment, concentrating growth where infrastructure exists and reducing sprawl.

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

N/A

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

The proposed project is designed as a replicable model for energy efficient, climate0forward affordable housing, integrating geothermal heating and cooling with rooftop solar to reduce long-term operating costs and emissions

- Geothermal HVAC System: Ground-source heat pump system with energy recovery ventilation
- Energy-Efficient Appliances and Fixtures: EnergyStar appliances, WaterSense plumbing fixtures, LED lighting, and automated lighting systems
- High-Performance Building Envelope: Enhanced insulation and glazing
- Water and Energy Conservation: Achieving up to 49 kW reduction in peak electrical demand and carbon emissions significantly below regional multifamily averages

-
- Long-Term Operational Savings: Estimated savings exceeding \$1.1 million over 10 years
 - Green Building Certification: Pursuing Third Party Green Building Certification (LEED, Living Building Challenge, etc.)
 - Energy Benchmarking: Participation in the City of Rochester's Voluntary Energy Benchmarking Program

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 private funds. Of the total project cost, approximately 68% is lending and 15% developer equity.

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 public assistance of \$5.5 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.

Is the proposed operating structure sustainable?

Yes, we believe the operating structure is sustainable.

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 City of Rochester TIF and DMC funding, 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?**

NA

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

Yes – the recommended funding amount fits within the existing Strategic Development budget that remains in the CIP.

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?

As a housing project, the project supports the overall economic growth of the downtown without contributing to sprawl and further commuter load.

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

Yes – though as a 100% affordable housing project many of the other sources of capital are also public or philanthropic.

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

Not applicable

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 Applicant proposes including approximately 2,000 square feet of retail and/or commercial space as part of the Loom Apartments project. This space is located at a key intersection that will become increasingly important as the Mayo Clinic's "Bold. Forward. Unbound." project progresses. The Applicant is open to partnering with local operators and is willing to offer below-market rents, additional build-out provisions, and potentially a licensing agreement to ensure economic feasibility. The goal is for this space to benefit both the residents of Loom Apartments and the surrounding community by fostering a walkable, inclusive, and resilient neighborhood. The Applicant is considering uses such as daycare/childcare facilities and local convenience stores focused on health, wellness, and home goods.

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?

A public/private breezeway will improve pedestrian access to continue 5th Avenue all the way until north to Civic Center Drive for bikes and pedestrians. Approximately 2,000 square feet of retail/commercial space will be integrated, intended for community-serving uses like daycare or health-focused stores. The project seeks to create a walkable and resilient neighborhood that connects residents to essential services and businesses.

West Transit Village Phase 1 (Aeon)

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025



Request of the board of directors:

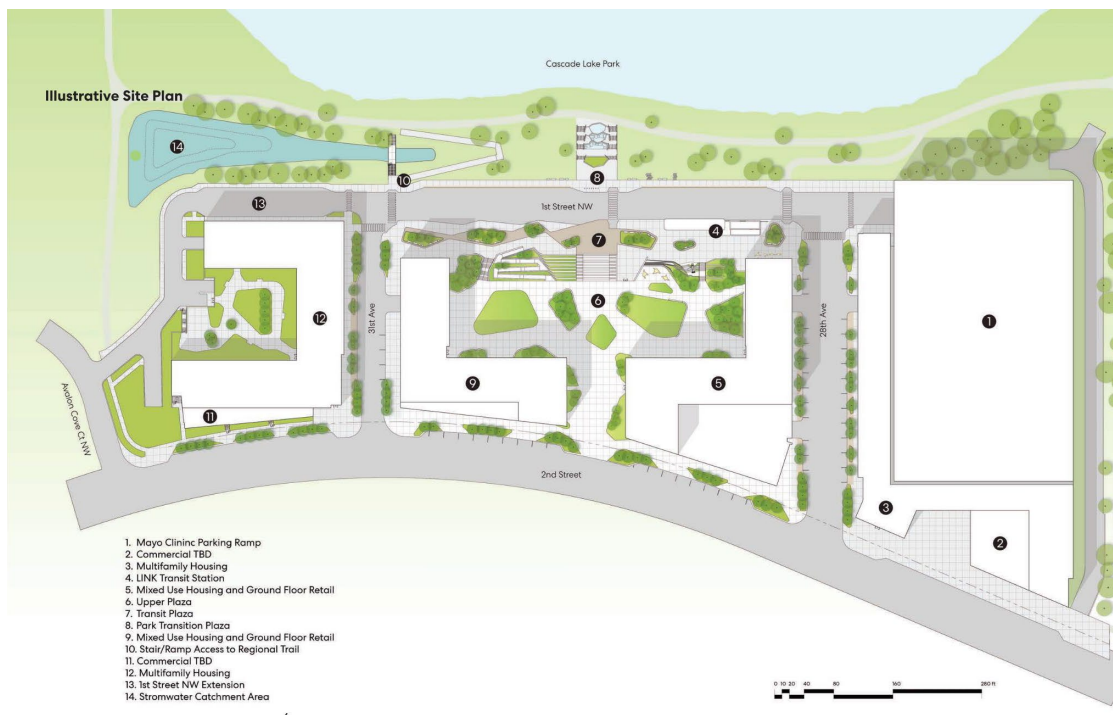
Recommend to the DMCC to re-authorize the commitment of \$3.9 million in General State Infrastructure Aid (GSIA) funds to the revised Aeon project and recommend the DMCC consider the allocation of up to \$4.9 million in tax increment financing (TIF) be directed towards this project, without credit towards the City's \$128 million DMC contribution. These funds are contingent upon:

- 75 units of senior affordable housing at 60% AMI or lower income restrictions
- Mutually agreed upon final design for the public space and the design relationship to the pending Mayo parking ramp and BRT project
- Enhanced ground floor activation design
- No developer adverse tax event as part of receiving GSIA funds

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 two years. 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.

In May 2024 DMCC and City Council authorized the commitment of \$3.9 million in GSIA funds to the project in order to optimize the Aeon's application to MHFA in July 2024. In the fall of 2024 Aeon was notified by MHFA that they would not receive funding in 2024 due to the high volume of projects and shifting priorities for limited MHFA funds.

In January of 2025 DMCC and City Council authorized the establishment of a DMC tax increment financing (TIF) district establishment authority for the West Transit Village, without crediting the TIF toward the City's \$128 million DMC obligation. This enables the increment in new taxes that will be generated by Mayo's parking ramp and the housing built on site to be utilized for project support and site infrastructure needs.

Aeon has continued to work with local, regional and community partners and MHFA to optimize the project to score as high as possible in this year's MHFA funding cycle in July 2025. This continued refinement has led them to reduce the total number of units in the project in order to improve their chances of securing State funding. By reducing the number of units from 94 to 75 that reflects a more than 10% change to the project and therefore it needs to be brought before the Board. In addition, now that the TIF District has been established a TIF request has been formulated by the development team for Board consideration.

Following this is a memo from the City of Rochester further describing the proposed project and the City's recommendations, as well as the DMC EDA staff evaluation.

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

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. ____-2025

**A RESOLUTION APPROVING AMENDMENT TO RESOLUTION NO. 147-2024 IN
CONNECTION WITH REQUEST FOR PRIVATE DEVELOPMENT FUNDING (WEST
TRANSIT VILLAGE LINER HOUSING PROJECT)**

BACKGROUND RECITALS

A. Pursuant to Resolution No. 147-2024, the Destination Medical Center Corporation (“**DMCC**”) approved up to \$3,900,000 in funding through a reallocation of the Strategic Development Fund (the “**Approval**”) to support the development of the West Transit Village Liner housing project, as further described in Resolution No. 147-2024 (the “**Original Proposed Project**”). The Approval was subject to the Original Proposed Project achieving certain affordability metrics across the proposed 94 units (the “**Project Requirements**”).

B. Subsequent to the Approval, the Applicant (as hereinafter defined) was unsuccessful in its application to the Minnesota Housing Finance Agency for financing of the Original Proposed Project. As a result, Applicant has revised the Original Proposed Project thereby precluding the project from satisfying the Project Requirements. 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. As a result, an amended joint funding application was required to be submitted.

C. Aeon, a Minnesota nonprofit corporation (the “**Applicant**”) amended its joint funding application (the “**Request**”) for funding to facilitate the construction of the “Proposed Project” as originally defined in Resolution No. 147-2024, provided that the following has been revised: (1) the total units have been reduced from 94 units to 75 units and (2) the 75 units will include 61 one-bedroom and 14 two-bedroom units at or below 50% Area Median Income (“**AMI**”), with approximately 16 of the units at or below 30% AMI (the “**Revised Proposed Project**”).

D. The DMCC is charged with evaluating whether a proposed project (i) is consistent with the Destination Medical Center (“**DMC**”) vision, goals and objectives; (ii) is consistent with the Development Plan, adopted by the DMCC on April 23, 2015, as amended (the “**Development Plan**”) and any updates; (iii) is consistent with adopted strategies, phasing and capital improvement planning; (iv) is financially viable; and (v) complies with or support the economic-fiscal goals and objectives of the DMC initiatives (collectively, the “**Evaluation Criteria**”).

E. Staff from the City of Rochester (the “**City**”) and the Destination Medical Center Economic Development Agency (the “**EDA**”) have reviewed the Request and the Revised Proposed Project in light of the Evaluation Criteria.

F. The EDA has recommended approval of the Revised Proposed Project based on the summary and recommendations attached hereto as **Exhibit A** and recommends the Approval be amended as follows: (1) reapproved \$3,900,000 in funding through a reallocation of the Strategic

Development Fund and (2) approving supporting the City's financing of up to \$4,900,000 in funding from tax increment financing, without seeking credit to the City's \$128,000,000 local contribution. This recommendation of approval is based on the application of the Evaluation Criteria.

G. As originally set forth in Resolution No. 147-2024, the Revised Proposed Project continues to sufficiently advance the goals of the Development Plan despite the removal of the Project Requirements.

H. The DMCC has considered the recommendation of the EDA and based on the materials submitted, has independently evaluated whether the Revised Proposed Project is consistent with the Development Plan and the goals of the DMC.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the DMCC Board of Directors, that the DMCC approves the Request based on the following findings of fact:

1. The Revised Proposed Project meets the definition of a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11.
2. The Revised Proposed Project lies within the Development District.
3. The Revised Proposed Project is consistent with the goals and priorities set forth in the Development Plan.
5. The Revised Proposed Project reapproves up to \$3,900,000 in DMC funding and approves support of the City's financing of up to \$4,900,000 in funding from tax increment financing to contribute towards the approximate \$36,960,000 total project costs.
6. The Revised Proposed Project may not proceed without the public funding, and the requested DMC funding will provide gap financing to support extraordinary growth in the market, as contemplated in the Development Plan.
7. The Revised Proposed Project supports a livable, accessible, and equitable downtown environment, a goal and priority set forth in the Development Plan, through promotion of aging place, a reduction in dependency on automobiles, and providing affordable options near health services and public amenities.
8. The Revised Proposed Project will serve as a catalyst or anchor development in the subdistrict.
8. The Revised Proposed Project activates the area through the introduction of commercial space or visible recreational building amenity uses on street level.
9. The Request provides sufficient evidence of financial viability.

10. The Request supports the economic strategies of the Development Plan by providing civic/cultural uses and/or public amenities that support strategic growth in the Development District and/or specific business development and economic development strategies that are adopted as part of the Development Plan.

BE IT FURTHER RESOLVED, that the DMCC Board of Directors approves the Approval being amended to reapprove the approval up to \$3,900,000 in funding through a reallocation of the Strategic Development Fund and to support the City's financing of up to \$4,900,000 in funding from tax increment financing, without seeking credit to the City's \$128,000,000 local contribution, subject to the following conditions:

1. The Applicant must provide evidence of financing for the Revised Proposed Project from the Minnesota Housing Finance Agency.

2. The Revised Proposed Project must meet all City requirements, including, without limitation, execution of a development assistance agreement by and between the Applicant and the City.

3. The Revised Proposed Project must meet all conditions set forth in **Exhibit A**.

4. The Applicant must provide, at the reasonable request of the DMCC, EDA or City, financial and operating progress reports to ensure the Revised Proposed Project, as-built, is consistent with the Revised Proposed Project as approved in this Resolution.

5. Any modification to the scope of the Revised Proposed Project, as set forth in **Exhibit A**, will be subject to subsequent approval by the DMCC.

6. The Applicant must provide evidence of long-term income affordability criteria and appropriate enforcement as set forth in the City's approved development assistance agreement.

7. The DMCC Board of Directors shall receive periodic updates from the EDA as to the status of the satisfaction of the conditions set forth in this resolution, the Revised Proposed Project expenditures, and the ongoing status of development of the Revised Proposed Project.

BE IT FURTHER RESOLVED, that the DMCC Board of Directors hereby authorizes its legal counsel and the EDA to work with the Applicant to structure the assistance being approved per this Resolution appropriately.

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, and to take such actions as are necessary and appropriate to effectuate the findings and approvals of this Resolution.

31604439v3

MEMO**To:** DMCC Board of Directors**From:** City of Rochester, Administration**Date:** April 23, 2025**Subject:** Consideration of the West Transit Village: Aeon Phase 1 Project GSIA Request

The City of Rochester provides the following update on the West Transit Village: Aeon Phase 1 Project. Aeon (the “Applicant”) has submitted revised materials, and the City finds that the project aligns with the Destination Medical Center (DMC) vision and the shared goals of both the City and DMC. Affordable senior housing in transit-accessible, mixed-income settings remains a top priority for both entities.

In May 2024, the DMC Corporation Board and the City Council approved an allocation of up to \$3.9 million in GSIA funding in 2024 for the project.

In response to changes in Minnesota Housing's funding criteria and to improve competitiveness of the project in the pool of requests for 9% Housing Tax Credits through Minnesota Housing's 2025 Multifamily Consolidated RFP, Aeon has adjusted the project, reducing the unit count from 95 to 75. Despite this reduction, the project continues to align with DMC goals and will maintain its key features.

With a change of great than 10% in the number of units (95 to 75), the Applicant needs to seek re-approval of the GSIA funding allocated in 2024.

Project Overview:

The updated project proposes 75 units at 100% affordable, age-restricted 55+ housing units, including:

- Approximately 16 units at or below 30% AMI (Area Median Income), including units for High Priority / Long-Term Homeless populations
- 59 units at or below 50% AMI

The project includes a four-story building, with a design featuring an expanded open courtyard along 2nd Street W. The project will also wrap around the north and west sides the parking ramp currently under construction by Mayo, effectively concealing it

from view and enhancing the aesthetic and functional appeal of the site. This will improve the visual streetscape and create a more pedestrian-friendly environment, aligning with the City's goals of promoting walkable, vibrant neighborhoods.

Sustainability Features:

The sustainability elements of the design include:

- \$429,000 investment in solar energy
- \$2,442,000 investment in geothermal systems with heat pumps
- Eligibility for federal Investment Tax Credits and 45L energy-efficiency credits
- Compliance with a higher tier of Minnesota Housing's Enhanced Sustainability rubric
- Participation in Rochester's Energy Benchmarking program

Minnesota Housing Strategy and Changes in the 2025 Funding Environment:

Minnesota Housing has communicated significant changes for the 2025 funding cycle that affect the competitive landscape for affordable housing projects. The agency anticipates selecting only 10-12 projects statewide through the Consolidated RFP, a reduction from around 20 projects in 2024. This reduction is due to a shift in funding priorities and an overall increase in demand for affordable housing projects across Minnesota.

Additionally, Housing Infrastructure Bonds (HIBs), a critical financing tool for senior housing projects, will no longer be available in 2025. This marks a significant shift from previous years, where 100% senior or supportive housing projects could leverage HIBs as a deferred loan to fill funding gaps. Without this resource, the need for local financial support, such as DMC General State Aid Infrastructure dollars and PAYGO Tax Increment Financing (TIF), becomes even more crucial to bridge the funding gap.

Financial and Development Support:

The Applicant has provided a detailed list of eligible public infrastructure improvements associated with the project. These include site preparation and remediation, utility connections, streetscape enhancements, sustainable energy systems (solar and geothermal), parking infrastructure, site clean-up, and the integration of publicly accessible community amenity spaces. The project also directly supports DMC goals related to energy efficiency and sustainable development. The total cost of these improvements exceeds the amount of public assistance requested.



The Applicant has shared comprehensive financial documentation with City and DMC EDA staff. The project will leverage a mix of private and public funding sources, including tax credit equity, HOME funds, and other financing tools. Aeon is pursuing competitive 9% Housing Tax Credits through the 2025 Minnesota Housing Consolidated RFP.

Despite these funding efforts, a verifiable financing gap remains, based on a reasonable return on private investment. A significant driver of this gap is the project's commitment to deeply affordable rents—limiting units to 30% and 50% of Area Median Income (AMI)—rather than maximizing revenue through higher rents.

Aeon has demonstrated that the project is not financially feasible without public support. Based on a joint review of the project's financials, the City and DMC EDA will analyze the appropriate level of public assistance, which includes DMC General State Aid Infrastructure dollars and PAYGO TIF.

Alignment with DMC Goals:

Given the changes in the broader funding environment for 2025, this project represents a critical opportunity to provide affordable age-restricted housing near transit and services, reinforcing the DMC's long-term goals. The project will:

- Provide affordable, age-restricted housing near transit access and downtown services
- Contribute to community resilience through sustainability-focused investments
- Align with the Rochester Downtown Master Plan and the City's Comprehensive Plan
- Support aging in place and equity in housing access
- Collaborate with Southeastern Minnesota Area Agency on Aging (SEMAAA) and Elder Network to advance health and resiliency goals, consistent with the County's Hazard Mitigation Plan

Public Infrastructure Improvements:

Eligible public infrastructure elements for the project include:

- Site preparation and remediation
- Utility and streetscape improvements
- Geothermal and solar energy systems
- Parking and environmental clean-up



- Publicly accessible courtyard and community amenities

The project's parking ramp, which will be concealed by the development's wraparound design, is considered a critical public infrastructure improvement. By integrating the parking into the overall design and concealing it from view, the project helps improve the surrounding urban environment, enhancing both aesthetics and functionality. This integration supports the creation of a more welcoming, walkable space for the public.

City Staff Recommendation:

Approval of the Aeon project by the DMCC Board as a DMC Public Infrastructure Project is required before the City Council can take action. Any approval by the DMCC should be contingent upon subsequent approval by both the City and the City EDA of the Development Assistance Agreement (DAA) and the final Tax Increment Financing (TIF) assistance amount.

The City recommends that the DMCC Board approve the allocation of up to \$3.9 million in General State Infrastructure Aid (GSIA) funds to the revised Aeon project. In addition, the City recommends that the DMCC reauthorize the commitment of up to \$3.9 million from the Strategic Redevelopment budget and consider authorizing up to \$4.9 million in TIF support. These steps would allow the project to continue moving forward through the City's review and approval process.

The applicant has submitted an application for TIF assistance. That application is currently under review, and a recommendation regarding the amount of assistance will be presented at a future Rochester EDA meeting.

Sincerely,

Josh Johnsen
Strategic Initiatives Director
City of Rochester



MEMORANDUM

To: Chair Pam Wheelock and the Destination Medical Center Corporation Board of Directors

From: Dr. Clark Otley, President of the Board of Directors
Patrick Seeb, Executive Director
Destination Medical Center Economic Development Agency

Date: May 16, 2025

Re: Aeon (West Transit Village Liner Housing) DMC Funding Recommendation

Dear Chair Wheelock and members of the DMCC Board of Directors:

The DMC legislation provides that the DMC EDA must assist the DMCC by “evaluating proposals for development and evaluating and making recommendations to the (DMCC) and the city regarding those proposals.” Accordingly, please find enclosed with this letter the DMC EDA staff evaluation of the DMC Joint Funding Application submitted by Aeon for an affordable senior housing project at the West Transit Village. Following our evaluation, the DMC EDA board of directors recommends that the DMCC board of directors approve up to \$3,900,000 in DMC General State Infrastructure Aid (GSIA). This figure is equal to the amount requested by the applicant.

We provide this recommendation following thorough consideration of the project as described in the Joint Funding Application and the evaluation prepared by staff, the priorities expressed by the DMCC, and the goals and objectives of the DMC Development Plan. The evaluation report details our analysis of the proposed project.

In addition to our project-specific evaluation, other factors may weigh in your independent consideration of this funding request and our recommendation. These factors may include:

- **Public Benefit.** The proposed project includes several elements that the DMC EDA deemed to be of specific public benefit, including that seventy of the planned housing units will be affordable to residents who earn thirty to fifty percent of the Area Median Income (AMI). The project will substantially advance the mixed-use vision of the transit village.
- **Opportunity Cost.** We fully recognize that this recommendation is being provided alongside several others and that, if approved, these combined recommendations will draw DMC “strategic development” funds down to approximately \$300,000. Even so, we heartedly offer

this recommendation and, should the approval of a future funding request require the authorization of funding outside the usual capital budgeting process, we will balance that request against competing demands on DMC resources.

- **Alignment with DMC Priorities.** Each application for DMC funding is unique, and the considerations around each proposed project necessitate careful, singular evaluation. An additional consideration of the DMC EDA is whether—and if so, how—a given project aligns with our understanding of the priorities of the DMC Corporation and City of Rochester. This is an inherently subjective determination, but DMC processes, including a standard application, advisory review by City staff and the DMC EDA, successive agreement by the DMC Corp. and City of Rochester, and final approval of expenditures by DEED, safeguard against the non-aligned or imprudent allocation of public funds. We recognize and appreciate this process.

In closing, we note that our evaluation report also outlines several conditions we recommend be applied to the project to ensure that DMC interests are protected and goals are met. For the reasons noted above and in our report, the DMC EDA board of directors respectfully submits our funding recommendation.

Thank you for your consideration.

Respectfully,

Clark Otley, M.D.
President of the Board of Directors

Patrick Seeb
Executive Director

West Transit Village- Aeon Phase 1 Development Evaluation Report May 9th, 2025

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 connected to the West Transit Village Bus Rapid Transit infrastructure (WTV BRT) is among the highest priorities for the DMCC Board of Directors.

The following report is an updated evaluation of the Proposed Project on all criteria as required by the Development Plan. This project was reviewed and funding authorized in 2Q2024 by the DMCC Board and Rochester City Council. The project unit count has been adjusted by more than 10% since that time, so the project must come forward for a re-evaluation and new request. 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. In addition, the City of Rochester and the DMCC Board have now established a TIF District at West Transit Village (“WTV”) and DMC EDA is also recommending allocation of a portion of the TIF increment for \$4.9 million also advance for DMCC and City Council consideration.

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:

This project meets the definition of a "public infrastructure project" under the DMC Act and lies within the DMC Development District boundaries (St. Mary’s Place Subdistrict).

PROJECT SUMMARY:

Aeon WTV Phase 1 is a deeply affordable, age-restricted housing project for seniors (55+) located at 2905 2nd Street SW, Rochester, MN. The 4-story, 75-unit building includes 61 one-bedroom and 14 two-bedroom apartments, all affordable to households at or below 50% AMI, with 16 of the units targeted at 30% AMI.

This project will physically wrap two side of the privately developed Mayo Clinic parking garage, a critical component in establishing the WTV identity as a transit village, a key priority of the DMCC.

The project is designed with Universal Design features, enhanced community amenities (indoor common spaces, courtyard, gardens, and public plaza), and strong transit connectivity. The development will activate a currently underutilized site, fulfilling a pressing need for senior housing connected to transit and healthcare, as well as go well beyond the minimum sustainability requirements of DMCC and the City of Rochester.

The following list outlines relevant project highlights for consideration:

General Project Information

- Located in the St. Mary's Place DMC Subdistrict
- 75 deeply affordable senior units
- Adjacent to Mayo ramp and future BRT transit station
- Walkable access to trails, retail, and healthcare

Job Creation

- Approximately 100 construction jobs
- 3 permanent full-time jobs (resident coordinator, maintenance, property manager)

Energy & Sustainability

- Geothermal heating and cooling system
- 157 kW solar energy system
- Compliance with SB2030 or ZERH
- Construction waste diversion goal of 75%
- Water and irrigation reduction targets
- EV charging and transit-supportive design
- Participation in Rochester's Energy Benchmarking Program

Financial Details

- Total project cost: \$36.96 million
- Identified financial gap: \$8.8 million
- Requested DMC funding: \$3.9M GSIA + \$4.9M TIF Note
- Estimated annual tax increment: \$469,750

EVALUATION REPORT

SECTION 1.0 PROJECT OVERVIEW

Aeon Phase 1 at West Transit Village will deliver 75 units of deeply affordable housing targeted to seniors age 55+, providing vital housing options along Rochester’s expanding transit corridor. The project emphasizes accessibility, affordability, and sustainability, and is designed to serve older adults with limited incomes.

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:

The project meets DMC eligibility criteria under Minnesota Statutes Section 469.40, Subd. 11. The public infrastructure components include land acquisition, utility and sewer/water connections, geothermal systems, solar arrays, parking, streetscaping, and drainage infrastructure.

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?***

This development directly supports the DMC vision for a livable, accessible, and equitable downtown environment. It promotes aging in place, reduces dependency on automobiles, and offers affordable options near health services and public amenities.

The Proposed Project is a mixed income all-affordable housing project located in a DMC sub-district and within the City of Rochester transit-oriented development (TOD) 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. In addition the project sponsor is partnering with community organizations to ensure the design meets the specific needs of the Rochester area senior population.

Is the project consistent with 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 **630** units of housing for individuals earning between 30-50% AMI by 2040. The 75 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 serves as a 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. The proposed project aligns with this core principle by providing essential infrastructure for linking housing opportunities to the transit investment and creating a connected and supportive choice for seniors to downsize from larger housing units.

- ***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 75 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 contribute 75 units of affordable senior housing. Based on an economic study completed for the Rapid Transit Circulator, there is a need for 630 units in this income range by 2040 in the downtown area. This project helps the downtown meet approximately 12% of this target. The project is intended to act as a catalyst for future development and job growth within the district.

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 other 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 Aeon WTV Phase 1 project aligns with the vision and principles outlined in the DMC Master Plan. It supports the goals of the Transportation Master Plan by promoting transit-oriented development along the Link Bus Rapid Transit (BRT) corridor, enhancing connectivity and reducing reliance on personal vehicles. Additionally, the project's infrastructure components are consistent with the Infrastructure Master Plan's emphasis on sustainable and integrated urban development.

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

Yes, the project supports key strategies of these plans by providing affordable housing options for seniors, a demographic integral to Rochester's workforce and community. By offering units at various income levels and incorporating energy-efficient design elements, the project aims to minimize utility costs for residents, aligning with the DMC's objectives for economic inclusivity and sustainability.

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

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

The proposed project is consistent with the RDMP and the Rochester 2040 Comprehensive Plan. It is situated in a transit-oriented development zoning district, identified as suitable for higher-density redevelopment. The project repurposes an underutilized TOD-zoned parcel, contributing to the city's goals of increasing housing density and revitalizing urban spaces.

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

The project aligns with the ROCOG Long-Range Transportation Plan by supporting the development of the Link BRT system, which aims to enhance public transit options and reduce

single-occupancy vehicle use. The inclusion of bike storage facilities and proximity to major roadways further reinforces multimodal transportation strategies envisioned in the plan.

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 Aeon WTV Phase 1 project incorporates several sustainability initiatives consistent with the DMC Plan's goals:
- On-site geothermal (Darcy Wells) to support HVAC loads.
- 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.
- Integration of energy-efficient HVAC systems, occupancy sensors, high-performance glazing, and potential photovoltaic panels to achieve targeted Energy Use Intensity (EUI) benchmarks.
- Implementation of a construction waste management plan aiming to divert a significant percentage of waste from landfills through recycling and reuse strategies.
- Use of low-flow WaterSense fixtures and efficient irrigation systems to reduce water consumption.
- Selection of a site within walking distance to essential services, public amenities, and along a major transit corridor, promoting reduced vehicle dependency.
- Provision of infrastructure to support electric vehicle charging and secure bicycle storage, encouraging alternative transportation modes.
- Commitment to third-party green building certification, demonstrating adherence to recognized sustainability standards.
- Participation in the City of Rochester's Voluntary Energy Benchmarking Program to monitor and improve energy performance over time. labeled weather-based irrigation controllers.

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. A prior West Transit Village traffic study was conducted in 2021, and Aeon has shared market data with DMC EDA staff to support their request, indicating comprehensive due diligence.

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, but conditional. The project is viable only with the proposed public assistance. Without the \$3.9M DMC GSIA award and the \$4.9M in TIF increment and other public support, it faces an \$8.8M gap and risks losing competitiveness for critical LIHTC funding that would also be added into the full capital stack. The MHFA process for procuring LIHTC occurs in July of each year and the sequence and sizing of these requests to DMC, as well as the changes from last year's application are all to optimize their chances of obtaining the highly competitive MHFA funds.

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

Yes. The pro forma includes staffed services (e.g., resident connections coordinator), indicating a plan for ongoing operations and maintenance.

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

Yes. Aeon identifies a significant \$8.8M funding gap if public sources are not secured, while also maintaining deep affordability levels (e.g., 16 units at 30% AMI), which limit potential rental income.

Is the proposed operating structure sustainable?

Yes. The project includes sustainable operations planning, including on-site staffing, and is aligned with affordability goals and transit-oriented development principles. We believe the operating structure is sustainable due to Aeon's strong standing and track record in affordable housing in the state of MN.

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

No. There are no ongoing operational or maintenance financial obligations imposed on the DMC or City.

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

If awarded TIF and DMC funding 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?**

NA

- **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. Funding would come from the Strategic Development line item of the CIP budget and is tied to the overall BRT infrastructure investment.

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. Aeon has agreed to execute the DMC Development Agreement and adhere to requirements including targeted business and S/M/WBE goals.

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 low-income senior 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. Aeon has a strong track record in affordable housing, both development and property management.

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. ____-2025

**A RESOLUTION APPROVING DOWNTOWN HISTORIC DISTRICT
INFRASTRUCTURE PROJECT REQUESTS**

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. On May 23, 2024 the DMCC established a downtown property preservation program (the “**Program**”). The Program provides an application and general state infrastructure aid funding process for public infrastructure projects within the Commercial Historic District.

E. The Program provides an opportunity of funding up to 50% of a capital improvement project (not to exceed \$500,000 per property) within the Commercial Historic District if such project (i) meets the definition of a “public infrastructure project” (as defined in Minnesota Statutes, Section 469.40, subdivision 11); (ii) lies within the Development District and is defined as a “contributing property” within the Commercial Historic District; (iii) is consistent with the Development Plan; (iv) achieves a capital improvement that is intended to be a permanent asset of the Commercial Historic District; and (v) satisfies certain statutory requirements, including prevailing wages and use of American-made structural steel, as well as local requirements, such as sustainable building standard, women- and minority-owned construction contracting, and workforce development (collectively, the “**Program Requirements**”).

F. The following projects have been submitted for funding consideration under the Program: (i) the owner of the property located at 216 First Ave SW has requested funding for a project involving building system upgrades; (ii) the owner of the property located at 324 S. Broadway has requested funding for a project involving adaptive reuse of a building through the development of 2nd story housing; (iii) the owner of the property located at 22 3rd Street SW has requested funding for a project involving building safety and preservation; and (iv) the owner of

the property located at 326-328 S Broadway has requested funding for a project involving building safety and preservation (collectively, the “**Proposed Projects**”).

G. DMC EDA has recommended approval of the Proposed Projects based on the summary and recommendation attached as **Exhibit A** and DMCC must now act on the request.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the DMCC Board of Directors, that the DMCC approves the Proposed Projects costs based on the following findings:

1. The Proposed Projects are a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11.
2. The Proposed Projects lie within the Development District and are defined as a contributing property within the Commercial Historic District.
3. The Proposed Projects are consistent with the Development Plan.
4. The Proposed Projects achieve a capital improvement that is intended to be a permanent asset of the Commercial Historic District.
5. The Proposed Projects will satisfy the necessary statutory and local requirements set forth in the Program.

BE IT FURTHER RESOLVED, that the approval of the Proposed Projects are expressly subject to the following conditions:

1. The Proposed Projects must meet all City requirements.
2. The final payment will be based on the actual costs and will not exceed 50% of the cost of the Proposed Projects.
3. The funds provided to the Proposed Projects 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.
4. The recipient of the funds must provide certification that the Program requirements have been satisfied, including but not limited to the statutory and local requirements of the Program.
5. The DMCC Board shall receive an annual report 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.

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EXHIBIT A

Downtown Property Preservation Program

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2025

Request of the board of directors:

Consider the Downtown Historic District Infrastructure Project funding request.

Recommendation:

The DMC EDA recommends that the following project(s) be advanced to the DMC Corporation and City of Rochester for funding under the DMC Downtown Property Preservation Program. This recommendation follows review and evaluation of the project funding request(s).

Specifically, the DMC EDA recommends that the DMCC and City:

- Designate the proposed project(s) as a DMC “public infrastructure project”
- Approve the recommended project(s) as consistent with the DMC Development Plan
- Allocate DMC funding to the project(s) and in the amount(s) described in the table below

Address	Commonly Known As	Project Description	Category of Investment	Total Project Cost	Recommended DMC Funding
216 First Ave SW	Bebap Korean Eats	HVAC, exhaust, and ductwork	Building System Upgrades	\$323,070	\$161,535
324 S Broadway	Above Fagan Studios	Renovation of a 2 nd story occupiable tenant space	Adaptive Reuse	\$490,370	\$245,185
22 3 rd St SW	John Kruesel's General Merchandise	Tuck-pointing and roof replacement updates	Building Safety & Preservation	\$254,078	\$127,039
326-328 S Broadway	N/A	Foundation tuck-pointing	Building Safety & Preservation	\$13,500	\$6,750
TOTAL				\$1,081,018	\$540,509

If approved for funding, the project(s) will be required to meet DMC development requirements, including:

- Prevailing wage
- American made steel
- Targeted business and workforce utilization
- Sustainable building standards

Additionally, prior to the distribution of DMC funds the project(s) must:

- Meet all City of Rochester planning, zoning and entitlement requirements
- Provide project and financing documentation
- Execute any necessary agreements with the City of Rochester
(Funding made available on a reimbursement basis upon project completion)

Background:

In response to both the DMCC board and City Council supporting the Downtown Commercial Historic District, DMC and City staff prepared funding applications, webpages and marketing materials, and created shared processes to administer this program.

In partnership with the City of Rochester, the Downtown Historic District preservation program was launched on July 1, 2024. Since that time, City and DMC EDA staff have engaged with the property owners and tenants of eligible properties to inform them of the various historic district property preservation programs.

When the DMCC board of directors approved the historic district property preservation program, it did so with the following conditions, to which staff adhere:

- **Approval conditions:**
 - Meet the DMC statutory definition of “public infrastructure project”
 - Proposed projects must result in a capital improvement that is intended to be a permanent asset of the downtown historic district
 - Proposed projects must occur at a contributing property of the current City of Rochester downtown commercial historic district, excluding properties owned by a public or Mayo Clinic entity
- **Funding guidelines:**
 - DMC funding covers up to 50% of any eligible expenditure.
 - DMC funding be limited to a maximum of \$500,000 per property, as determined by the parcel identification number (PIN)
 - 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
 - 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.

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

Public Realm Update:

The City of Rochester has selected Mend Collective to lead the Public Realm work outlined in the recent Request for Proposals (RFP). This initiative will result in a set of recommendations and strategies aimed at creating a cohesive, high-quality public realm that strengthens the identity and character of the Historic District. The scope may include wayfinding signage, interpretive historic markers, lighting enhancements, and consistent standards for street furniture. Kick-off meetings have already taken place, and DMC staff are actively collaborating with the city as part of the project team.

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. ____-2025

A RESOLUTION APPROVING USE OF LINK BUS RAPID TRANSIT CONTINGENCY FUNDING

BACKGROUND RECITALS

A. In the 2025 Five Year Capital Improvement Plan (the “**2025 CIP**”) approved by the Destination Medical Center Corporation (“**DMCC**”) on September 26, 2024 per Resolution No. 154-2024, the DMCC approved \$13,740,000 in general contingency funding (the “**Contingency Funding**”) for the Link Bus Rapid Transit (“**BRT**”). The approved Contingency Funding augments existing contingency budgets provided for various portions of the BRT project. As a result of the increase in the Contingency Funding, the DMCC imposed a condition in connection with its approval requiring that “[t]he additional contingency funds of \$13,740,000 will be expended based on criteria developed at the direction of the DMCC board and following approval by the DMCC and City staff made prior to use.”

B. As a result of the approved Contingency Funding, the DMCC approved on December 5, 2024 per Resolution No. 156-2024, criteria for the preservation and use, approval, and reporting of the Contingency Funding (the “**BRT Contingency Criteria**”).

C. Staff of the City of Rochester (the “**City**”) are in receipt of projects bids for completion of various components of the BRT project, including bids for architecture, the vehicle maintenance facility, and public restrooms located at the West Transit Village, all as further detailed in the attached **Exhibit A** (the “**Project Bids**”).

D. In connection with the Project Bids, and in accordance with the BRT Contingency Criteria, City staff and the Destination Medical Center Economic Development Agency (the “**EDA**”) requests that the DMCC authorize use of \$9,750,000 of the Contingency Funding (the “**Draw**”) towards the costs set forth within the Project Bids.

E. Staff of the City and the EDA now request that the DMCC approve the Draw.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the DMCC Board of Directors that the DMCC approves the Draw based on the following findings:

1. The Draw is to provide aid in support of the implementation of the BRT project which is a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11, located within the Development District and constituent with the Development Plan adopted by the DMCC on April 23, 2015, as amended.

2. The Draw is being reviewed and approved by the DMCC pursuant to the requirements of the BRT Contingency Criteria.

BE IT FURTHER RESOLVED, that the approval of the Draw is expressly subject to the following conditions:

1. Use of the Draw is subject to the requirements set forth in the BRT Contingency Criteria and continued compliance with said criteria.
2. Use of the Draw must not be utilized for payment of the costs pursuant to the Project Bids unless any until any other specific contingency budgets associated with the Project Bids are fully expended.
3. The City shall provide written updates to the DMCC Board of Directors at each subsequent meeting of the DMCC Board of Directors with respect to the use of the Draw, as described and required by the BRT Contingency Criteria.

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

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EXHIBIT A

LINK Bus Rapid Transit: Bids, Budget, and Timeline

To: DMCC Board of Directors
 From: DMC EDA
 Date: May 16, 2025



Request of the board of directors:

Recommend authorizing City of Rochester to expend, if required, up to \$13.74M of approved contingency funding to secure project bids and contracts, in accordance with approved LINK BRT contingency use guidelines.

Background:

A multi-modal mobility strategy for the DMC has been developed and includes the implementation of a Link BRT a Bus Rapid Transit system, which is the priority focus of DMC's mobility infrastructure investments.

Project Update:

Link BRT Vehicle Procurement

- City, DMC and Mayo Clinic are currently working with New Flyer of America on optimizing interior vehicle design.
- The first bus will begin being built in April – with a delivery date of June 2025. 12 buses in total will be delivered by the end of 2026.

Bidding Process

The City of Rochester recently encountered complications with the bidding process for the Link BRT project. As a result, the City Council made the decision to reject all bids. To address the challenges and streamline the procurement process, the project scope was divided into two volumes.

Volume B: This portion of the project was re-released for bidding, and bids were opened in mid-April. The results came back favorable, indicating strong interest and alignment with project expectations.

Volume C: This portion of the bid is scheduled to be released for bidding, following a value engineering exercise, in May.

Budget

	DMC CIP LINK BRT Budget Approvals By Year Adopted										
	2020	2021	2022	2023	2024	2025	2026	Total			
County Transit Aid	1,548,800	2,100,800	4,155,534	3,419,779	3,718,569	4,948,292	2,821,558	22,713,332			
State Transit Aid	2,323,200	3,151,200	10,388,836	5,129,668	5,577,854	21,162,437	4,232,337	51,965,532			
GSIA	-	-	2,040,277	9,092,566	-	-	-	11,132,843			
Water	-	-	-	-	150,000	-	-	150,000			
Sewer	-	-	-	-	225,000	-	-	225,000			
Assessment	-	-	-	-	-	-	-	-			
Federal	-	200,000	2,100,000	107,000	24,700,000	60,110,000	-	84,917,168			
	3,872,000	5,452,000	18,684,647	17,749,013	34,371,423	86,220,729	7,053,895				
								171,103,875	Total Budget Through 2026		
								170,794,308	Total Estimated Cosrs		
								309,567	Balance of Funds		

New Project Budget based on Bids to date



Description	Cost
Vol A - WTV (actual)	\$ 7,687,422
Vol B - Civil package (Actual)	\$ 21,284,394
Vol C – Architectural Package (estimated)	\$ 57,337,126
Vol D - Bus Garage (estimated)	\$ 5,452,000
WTV Bathrooms (estimated)	\$ 2,514,114
Subtotal with Allocated Contingency	\$ 94,257,056
ROW (actual)	\$ 12,256,100
Vehicles (actual)	\$ 22,560,000
Prof Service	\$ 27,925,000
Total project estimate	\$ 157,016,156
Additional Unallocated Contingency	\$ 13,778,152*
Revised Total Project Estimate	\$ 170,794,308

*Additional Unallocated Contingency	
Unallocated Contingency	3,000,000
Vehicles	\$2,916,000
Vol B - Civil package (10%)	\$2,128,439.40
Volum C - Architecture (10%)	\$5,733,712.60
Subtotal Unallocated Contingency	\$13,778,152

1

Business Forward Construction Mitigation

The project team is using the Business Forward strategy as they prepare for construction. Project team members are meeting with stakeholders impacted by the construction to gather information as outline in the Business Forward strategy. This information will help to inform future phasing, communications and wayfinding strategies needed during construction.

The project team is working closely with Zan, a conduction communications firm that focusing on communication strategies related to transportation construction mitigation and Storefront Mastery, a firm that focusing on strengthening neighborhoods and businesses during construction. Both strategies align with the Business Forward methodology.

The DMCC-approved LINK BRT contingency use guidelines follow this memorandum.

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.

Timeline:

It is anticipated that Link BRT will officially open Q2 of 2027.

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

RE: Approved Criteria for the Use of Link Bus Rapid Transit Contingency Funding

The 2025 DMC Capital Improvement Program (CIP) includes \$13,740,000 in general contingency funding for the Link Bus Rapid Transit (BRT) project sourced from DMC transit aid. This stand-alone contingency budget augments existing contingency budgets that are assigned to various elements of the BRT project. Because of this increase in the project budget, the DMCC required that “(t)he additional contingency funds of \$13,740,000 will be expended based on criteria developed at the direction of the DMCC board and following approval by DMC and City staff made prior to use.”

This memorandum describes approved criteria for the preservation and use, approval, anticipated expenditures, and reporting of contingency funds.

1. **Preservation and use of contingency funds.** Contingency funding allocated to various elements of the BRT project should serve as the first source of funding for immediate project needs, with stand-alone contingency funding as a “replenishment” source if needed. Additionally, staff understand that it is the preference of the DMCC board of directors to complete the BRT project without expending stand-alone contingency funds if possible. Careful management of the project budget may permit these DMC transit funds to be reallocated to other transit initiatives following the close-out of this project.
2. **Contingency use approval.** Prior to the expenditure of the stand-alone contingency funding, the BRT project team should report to the DMCC board of directors on the status of the project budget, including the use of other contingency budgets, and the necessity to use stand-alone contingency funding. If the use of contingency funding is approved by the DMCC, City staff may proceed to negotiate individual project change orders.
3. **Anticipated expenditures.** If the use of stand-alone contingency funds is recommended, staff anticipate that expenditures will generally be related to: 1) project elements that are deemed necessary for the project to continue, 2) are intended to provide for project optimization, 3) or serve to mitigate the impact of construction through “Business Forward” strategies:
 - i. **Necessary:** Necessary change orders will detail scopes of work that are required to complete the project’s stated purpose as approved by the DMCC. Such change orders typically involve work needed to address time-sensitive and unforeseen field conditions, or adjustments with adjacent public infrastructure or private property to ensure a fully functional, resilient, and high-quality project. For necessary change orders, staff would propose a per-order expenditure limit of \$350,000.

- ii. **Optimization:** Optimization change orders will detail scopes of work that are intended to improve the project and long-term public experience beyond what was described in the as-awarded project scope of work. Such change orders typically involve work that is intended to improve the user experience, decrease long-term operating and maintenance costs, or leverage construction activity to make other timely and prudent infrastructure improvements. For optimization change orders, staff would propose a per-order expenditure limit of \$150,000, with the aggregate total of optimization change orders not to exceed \$2,000,000.
 - iii. **Business Forward:** Business Forward change orders will detail scopes of work that are intended to reduce the impact of construction on individuals and properties in proximity to project construction activities through improved project phasing, communications, and programming/activation. For Business Forward change orders staff would propose an aggregate total not to exceed \$750,000.
4. **Reporting.** Whether stand-alone contingency funding is approved for use or not, City project management staff shall provide a written BRT project update at each regular DMCC board of directors meeting. The update will detail:
- i. Any factors that may impact the on-time completion of the project, such as construction or procurement delays
 - ii. Upcoming project milestones
 - iii. Any factors that may impact the on-budget completion of the project
 - iv. A summary of all project change orders to include, at minimum, the approval date, scope of work, and amount of the change order
 - v. The status of project funding, to include any use of the contingency funding allocated to specific project elements, including:
 - 1. Guideway and Track Elements
 - 2. Stations, Stops, Terminals, Intermodal
 - 3. Support Facilities: Yards, Shops, Admin. Buildings
 - 4. Sitework & Special Conditions
 - 5. Systems
 - 6. Right-of-Way, Land, Acquisition Costs
 - 7. Business Forward engagement and construction mitigation
 - 8. Professional Services
 - vi. Additional foreseeable uses of contingency funding

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. __ - 2025

**A RESOLUTION APPROVING SUBMISSION OF A MODIFICATION TO THE
DEVELOPMENT DISTRICT TO THE CITY OF ROCHESTER (WEST TRANSIT
CORRIDOR)**

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 transportation in which a significant portion of community trips downtown shift away from single occupant vehicle trips and towards other modes, including the Link Bus Rapid Transit (the “**BRT**”) running down 2nd Street.

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 the Link Bus Rapid Transit (“**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 of Rochester (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. Staff of the City and the Destination Medical Center Economic Development Agency (“**EDA**”) now request certain modifications to the Development District, set forth in **Exhibit A** attached hereto (the “**Development District Modifications**”), in order to implement components of the LINK and West Transit Village projects, including, (i) permanent and temporary easements for construction of LINK infrastructure, (ii) public infrastructure improvements supporting the development of the West Transit Village, and (iii) a non-contiguous district located at the City’s Public Works Transit Operation Center to permit for the construction of a LINK vehicle maintenance facility.

D. Pursuant to Minnesota Statutes Section 469.43, subdivision 5, as part of the Development Plan, the DMCC and the City may “create and define the boundaries of the medical center development districts and subdistricts at any place or places within the [C]ity. Projects may be undertaken within defined medical center development districts consistent with the [D]evelopment [P]lan.”

E. The DMCC may modify the Development District through a modification of the Development Plan at any time. Pursuant to Minnesota Statutes Section 469.43, subdivision 4, a modification or update must be adopted by the DMCC upon the notice and after the public hearing

and findings required for the original adoption of the Development Plan, including submission of the modified Development Plan to the City for approval. The City must act on the proposed modification to the Development Plan within sixty (60) days following its submission by the DMCC.

F. Staff of the City and the EDA now request the DMCC approve the submission of the Development District Modifications to the City.

RESOLUTION

NOW THEREFORE, BE IT RESOLVED by the DMCC Board of Directors that the Development District Modifications, dated as of May 16, 2025, and on file with the DMCC is hereby submitted to the City for its review and action within sixty (60) days pursuant to Minnesota Statutes Section 469.43, subdivision 2.

BE IT FURTHER RESOLVED that the DMCC Chair and Vice Chair are authorized:

1. To make copies of the Development District Modifications available to the public at the DMCC and City offices during normal business hours, on the DMCC's website, on the City's website, and as otherwise appropriate.

2. To determine the date, time, and place to hold the public hearing for testimony from the public concerning the Development District Modifications.

3. To take such actions as are necessary and appropriate to effectuate the submission of the Development District Modifications and the timely progression of the approval process, all in accordance with the requirements of Minnesota Statutes Section 469.43.

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

EXHIBIT A

Modifications to the DMC Development District

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025



Request of the board of directors:

Consider modifications to the DMC development district, including: modifying the current district boundary to incorporate required permanent and temporary easements for the construction of LINK Bus Rapid Transit (BRT) infrastructure; modifying the current district to incorporate public infrastructure improvements supporting the development of the West Transit Village; and establishing a non-contiguous district at the City of Rochester's Public Works Transit Operation Center to allow for the construction of a BRT vehicle maintenance facility.

Background:

The DMC Act states that, as a part of the DMC development plan, the DMCC and City of Rochester may "create and define the boundaries of medical center development districts and subdistricts at any place or places within the city. Projects may be undertaken within defined medical center development districts consistent with the development plan." This authority has been used three times:

- 1) To establish the original district in 2015.
- 2) To modify the district to fully include the parcels redeveloped as the Berkman apartments
- 3) To modify the district to include the 2nd Street SW right-of-way and Mayo West Lot as a requirement for BRT and West Transit Village development.

Modifying the DMC development district requires following a process prescribed in state law:

- 1) The DMCC must formally submit the proposed modification to the City
- 2) The City must act on the modification within 60 days following its submission by the DMCC.
- 3) Following that, the DMCC must hold a public hearing on the modification.
- 4) At least 60 days before the hearing, copies of the modification must be made available to the public at the DMCC and City offices, on the DMCC's and City's websites and as otherwise determined appropriate by DMCC.
- 5) At least 10 days before the hearing, the DMCC must publish notice of the hearing.
- 6) Finally, the DMCC must hold the public hearing and adopt an approval resolution.

Three modifications are recommended by City staff and the DMC EDA:

- 1) Incorporate a set of temporary and public easements required to facilitate the development of LINK BRT infrastructure.
- 2) Incorporate property adjacent to the Mayo West Lot to allow for public infrastructure improvements necessary to support the development of the West Transit Village.
- 3) Establish a non-contiguous district at the City of Rochester's Public Works Transit Operation Center to allow for the construction of a BRT vehicle maintenance facility.

All costs associated with these modifications and capital improvements are funded through the approved Link BRT project budget.

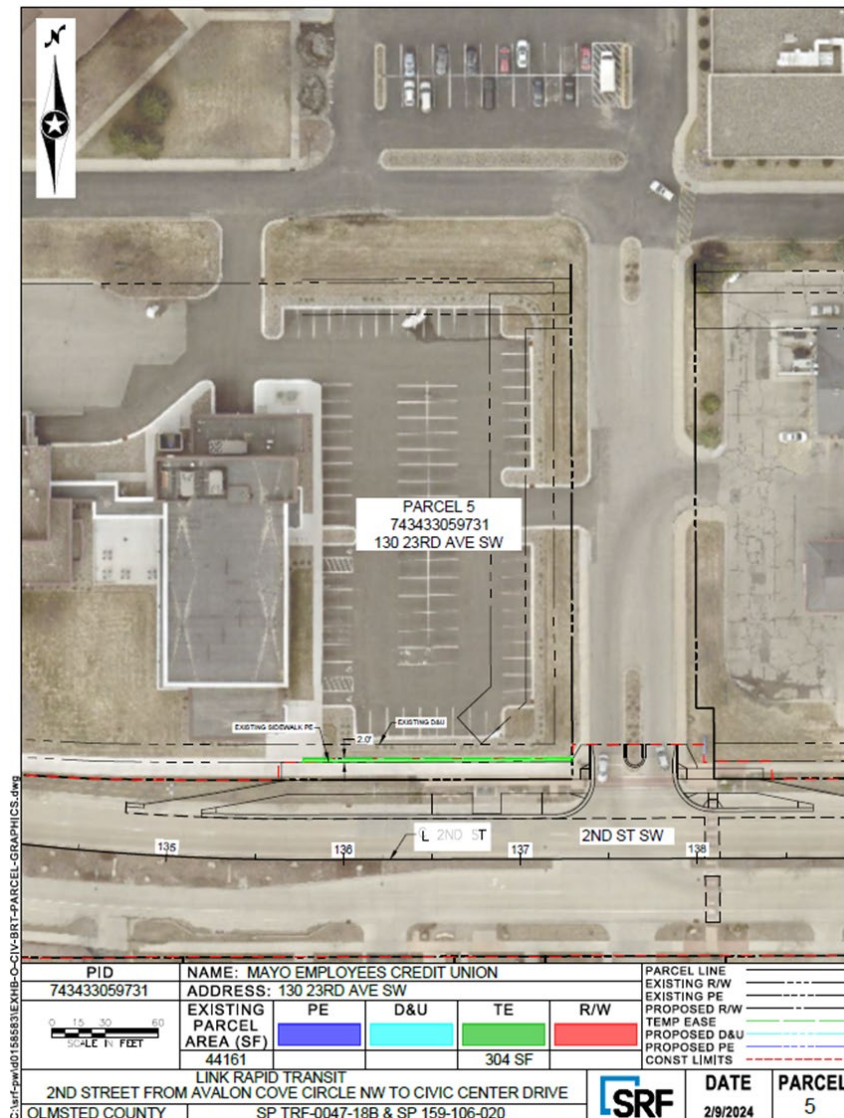
Each proposed modification is explained in greater detail below:

1) Incorporate a set of temporary and public easements required to facilitate the development of LINK BRT infrastructure.

- a. A temporary easement for the grading and installation of sidewalk, bike trail improvements and local bus route station installation at 130 23rd Avenue SW as described:

A temporary easement for construction purposes over, under, across and through part of the following described property in the amount of \$1003.2 in DMC Funds: *Lot 2, Block 1, SHOREWOOD RETAIL REPLAT, in the City of Rochester, Olmsted County, Minnesota.*

Said temporary easement being the North 2.00 feet of the South 12.00 feet of said Lot 2.



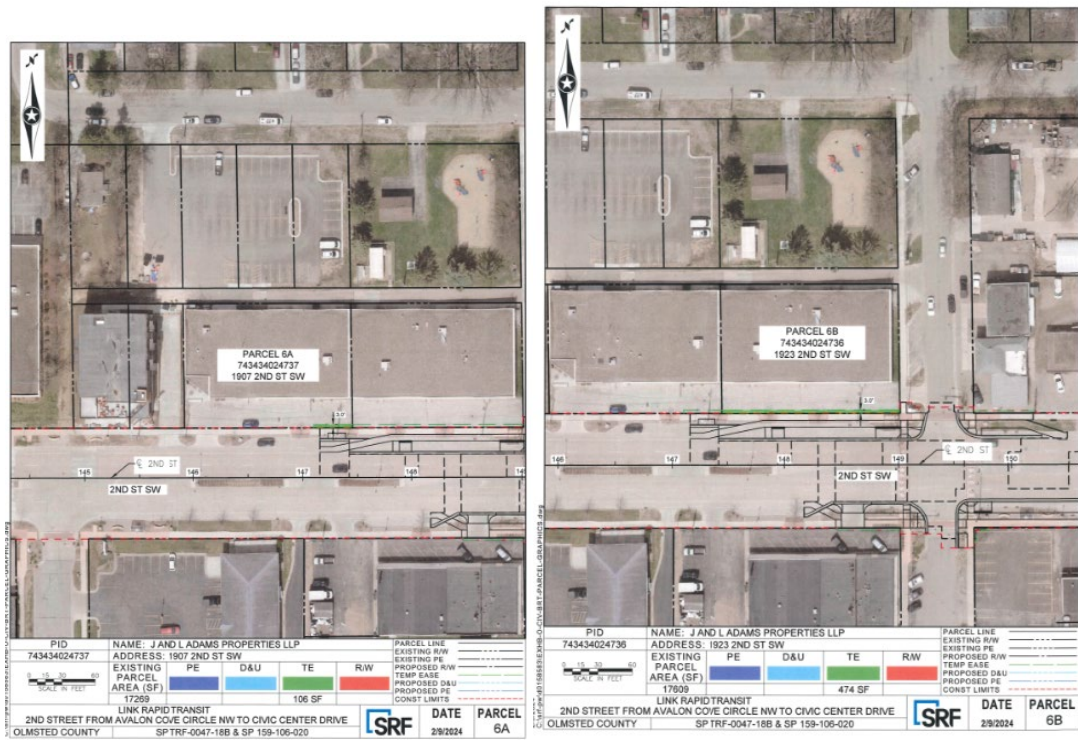
- b. A temporary easement for the grading and installation of sidewalk, bike trail improvements and bus route station installation at 1907 and 1923 2nd Street SW as described:

A temporary easement for construction purposes over, under, across and through part of property in the amount of \$8,572.80 in DMC Funds as described:

A temporary easement for construction purposes over, under, across and through part of the following described property: *Lots 12, 13 and 14, Block 12 WEST ZUMBRO ADDITION, in the City of Rochester, Olmsted County, Minnesota, said temporary easement being the South 3.00 feet of the East 35.00 feet of said Lot 12*

A temporary easement for construction purposes over, under, across and through part of the following described property: *Lots 9, 10 and 11, Block 12 WEST ZUMBRO ADDITION, in the City of Rochester, Olmsted County, Minnesota.*

Said temporary easement being the South 3.00 feet of said Lots 9, 10 and 11.

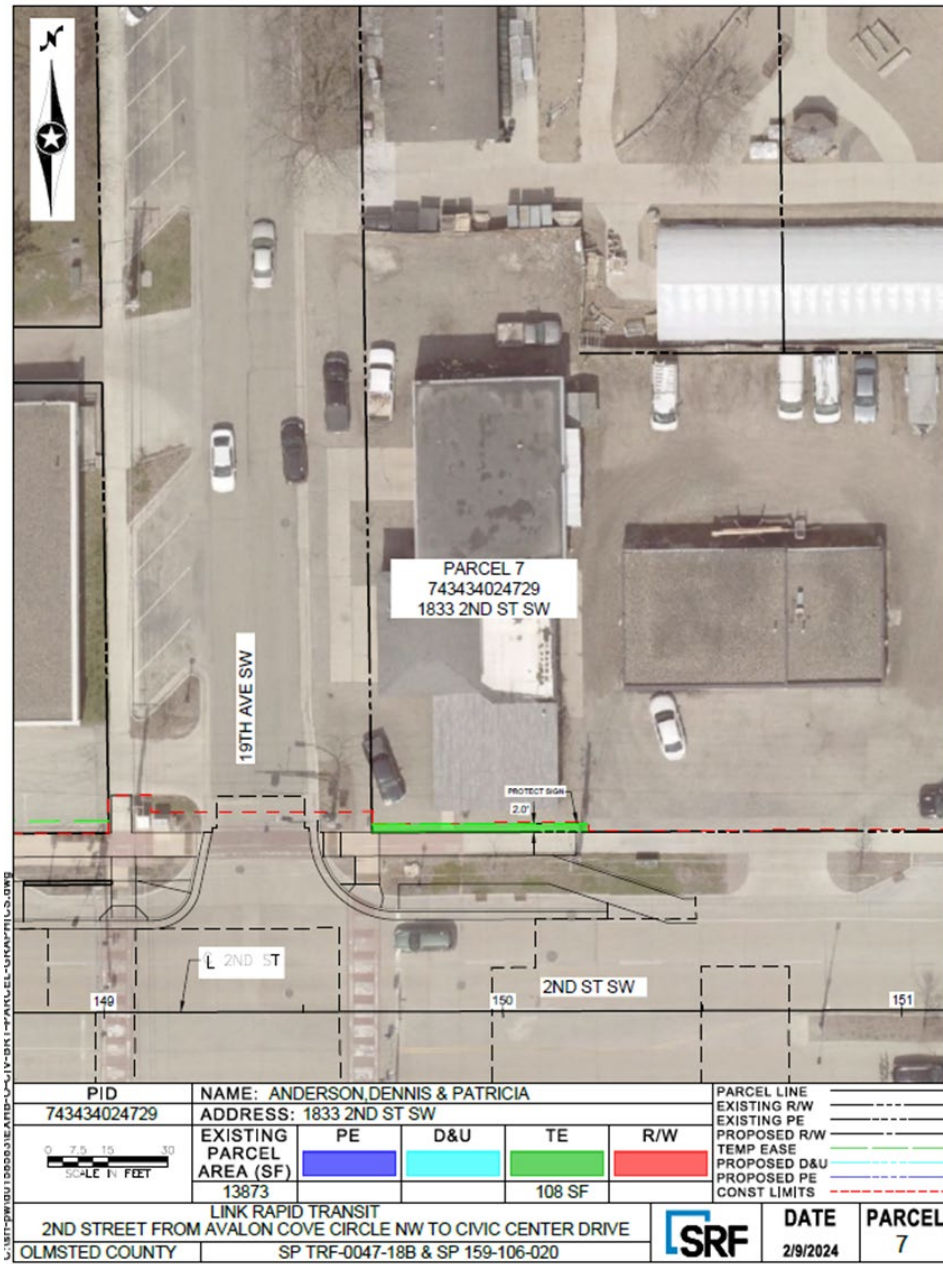


- c. A temporary easement for the grading and installation of sidewalk, bike trail improvements and local bus route station installation at 1833 2nd St SW as described:

A temporary easement for construction purposes over, under, across and through part of the property in the amount of \$775.2 in DMC Funds as described:

A temporary easement for construction purposes over, under, across and through part of the following described property: *Lot 14, Block 11, WEST ZUMBRO ADDITION, in the City of Rochester, Olmsted County, Minnesota, and that part of the South Half of vacated alley adjacent thereto.*

Said temporary easement being the South 2.00 feet of said Lot 14.



- d. A temporary easement for the grading and installation of sidewalk, bike trail improvements, road guideway improvements at 1902 2nd St SW as described in the easement document.
- e. A temporary easement for construction purposes over, under, across and through part of the property in the amount of \$4,423.2 in DMC Fund as described:

A temporary easement for construction purposes over, under, across and through part of the following described property: *Lots 1 and 2, Block 2, HIGHLAND ADDITION, in the City of Rochester, Olmsted County, Minnesota.*

Said temporary easement being the North 2.00 feet of the East 55.00 feet of said Lot 1.



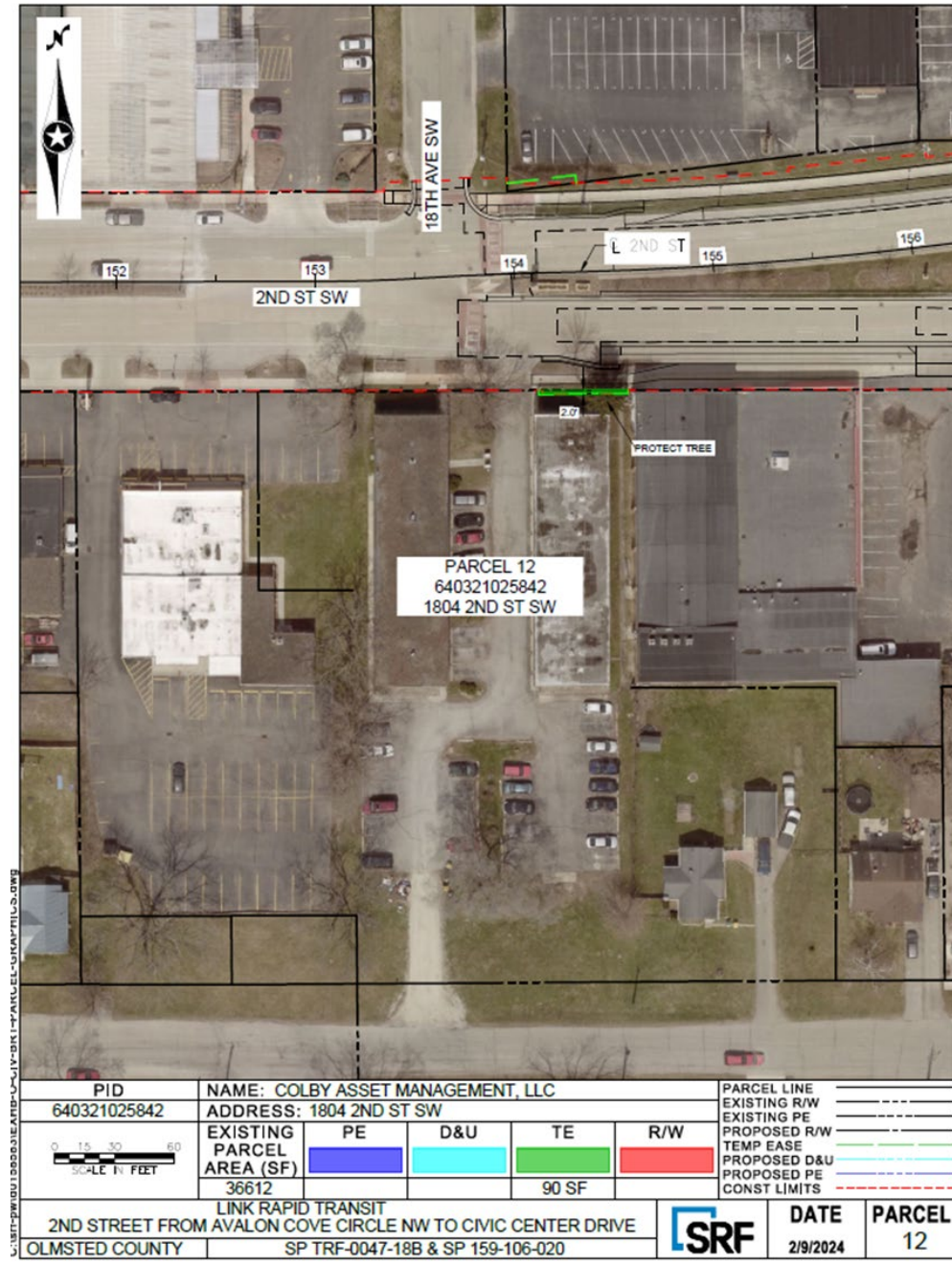
- f. A temporary easement at 1741 2nd St SW for construction purposes over, under, across and through part of the following described property in the amount of \$4,332 in DMC Funds: *Lots 11 and 12, Block 10, WEST ZUMBRO ADDITION, in the City of Rochester, Olmsted County, Minnesota, except that part thereof which lies southerly of Line 1 described here: Commencing at the south quarter corner of said Section 34; thence run westerly on an assumed azimuth of 269 degrees 50 minutes 38 seconds along the south line of said section for 425.00 feet to the point of beginning of Line 1 to be described; thence on an azimuth of 359 degrees 50 minutes 38 seconds for 50.00 feet; thence on an azimuth of 89 degrees 50 minutes 38 seconds for 10.41 feet; thence on an azimuth of 82 degrees 56 minutes 50 seconds for 208.20 feet; thence on an azimuth of 89 degrees 50 minutes 38 seconds for 101.99 feet; thence on an azimuth of 359 degrees 09 minutes 02 seconds for 88.51 feet and there terminating.*

Said temporary easement being the South 6.00 feet of the East 40.00 feet of said described property.



- g. A temporary easement at 1804 2nd Street SW for construction purposes over, under, across and through part of the following described property in the amount of \$1,459.2 in DMC Funds:
 - i. A part of the Northwest Quarter of Section 3, Township 106 North, Range 14 West described as follows: Commencing at a point on the north line of the Northwest Quarter of Section 2, Township 106 North, Range 14 West, Olmsted County, Minnesota, 21 rods West of the northeast corner of said Northwest Quarter; thence South parallel with the east line of said Northwest Quarter, 19 rods; thence West parallel with the north line of said Northwest Quarter, 8 8/19 rods; thence North parallel with the east line of said Northwest Quarter, 19 rods to the north line of said Northwest Quarter; thence East along the north line of said Northwest Quarter 8 8/19 rods to the place of beginning.
 - ii. Said tract also described as that part of the Northwest Quarter of Section 3, Township 106 North, Range 14 West, Olmsted County, Minnesota described as follows: Commencing at the northeast corner of said Northwest Quarter; thence westerly on an assumed azimuth from north 270 degrees 00 minutes 00 seconds along the north line of said Northwest Quarter 354 .50 feet to the point of beginning; thence southerly 179 degrees 34 minutes 53 seconds azimuth parallel with the east line of the Northwest Quarter 313.50 feet; thence westerly 270 degrees 00 minutes 00 seconds azimuth parallel with the east line of the Northwest Quarter 313 .50 feet; thence westerly 270 degrees 00 minutes 00 seconds azimuth parallel with the north line of said Northwest Quarter 138.95 feet; thence northerly 359 degrees 34 minutes 53 seconds azimuth parallel with said east line of the Northwest Quarter 313.50 feet to the north line of the Northwest Quarter; thence easterly 90 degrees 00 minutes 00 seconds azimuth along said north line 138.95 feet to the point of beginning.

Said temporary easement being the East 45.00 feet of the South 2.00 feet of the North 52.00 feet of said described property.



- h. A temporary easement to 1807 2nd Street SW for construction purposes over, under, across and through part of the following described property in the amount of \$22,800 in DMC Funds: *The East 99 feet of the North 199.5 feet of the Northwest Quarter of Section 3, Township 106, Range 14, Olmsted County, Minnesota.*

Said temporary easement being the South 10.00 feet of the North 60.00 feet of said described property.



- i. A temporary, permanent and drainage utility easement rough part of the following described property in the amount of \$22,800 in DMC Funds:

Permanent Easement of part of the following described property: Lots 1, 4, 5, 6, 7, 8, 9 and 10 all in Block 3, EAST ROCHESTER ADDITION, according to the plat thereof on file at the County Recorder's Office, Olmsted County, Minnesota, Except the East 51.00 feet of said Lot 1 and also Except the East 51.00 feet of the South Half of said Lot 4. Being that part of said Lot 1 lying southwesterly of a line run from a point on the west line of said Lot 1 distant 10.00 feet north of the southwest corner of said Lot 1 to a point on the south line of said Lot 1 distant 10.00 feet east of said southwest corner. Except the West 3.00 feet of said Lot 1.

Temporary Easement: A temporary easement for construction purposes over, under, across and through part of the following described property: Lots 1, 4, 5, 6, 7, 8, 9 and 10 all in Block 3, EAST ROCHESTER ADDITION, according to the plat thereof on file at the County Recorder's Office, Olmsted County, Minnesota, Except the East 51.00 feet of said Lot 1 and also Except the East 51.00 feet of the South Half of said Lot 4. Said temporary easement being the South 5.00 feet of the East 34.00 feet of the West 37.00 feet of said Lot 1. Together with a temporary easement for construction purposes over, under, across and through the East 2.00 feet of the West 5.00 feet of the North 35.00 feet of the South 40.00 feet of said Lot 1. Except those parts thereof lying southwesterly of a line run from a point on the west line of said Lot 1 distant 10.00 feet north of the southwest corner of said Lot 1 to a point on the south line of said Lot 1 distant 10.00 feet east of said southwest corner.



- 4) Incorporate property adjacent to the Mayo West Lot to allow for public infrastructure improvements necessary to support the development of the West Transit Village.

If approved, specific improvements at the following parcels will be considered as a part of the annual DMC Capital Improvement Plan (CIP):

Land Parcel 743342079777

Owner: CITY OF ROCHESTER

Description: 4.80 AC SECT-33 TWP-107 RANGE-014 CITY LANDS 107-14-33

TH PT SE1/4 DES AS FOL: COMNECOR SE1/4; TH N89°52'42"W 1257.50FT; TH S00°53'11"E 1206.75FT; TH N89°52'42"W 1306.76FT TO A POINT 66FT E OF W LN SE1/4; TH S01°39'14"E 160.06FT; TH S89°52'42"E 1304.54FT; TH N00°53'11"W 160.01FT TO THE POB SEC 33 107-14

That part of the Southeast Quarter of Section 33, Township 107, Range 14, Olmsted County, Minnesota described as follows:
Commencing at the northeast corner of said Southeast Quarter; thence North 89 degrees 52 minutes 42 seconds West, assumed bearing along the north line of said Southeast Quarter, 1257.50 feet; thence South 00 degrees 53 minutes 11 seconds East, parallel with the east line of said Southeast Quarter, 1206.25 feet to the point of beginning; thence North 89 degrees 52 minutes 42 seconds West, parallel with said north line, 1306.68 feet to a point 66.00 feet east of the west line of said Southeast Quarter as measured at right angles; thence South 01 degrees 39 minutes 14 seconds East, parallel with said west line, 160.06 feet; thence South 89 degrees 52 minutes 42 seconds East, parallel with said north line, 1304.54 feet to the intersection with a line which bears South 00 degrees 53 minutes 11 seconds East, parallel with said east line, from the point of beginning; thence North 00 degrees 53 minutes 11 seconds West, parallel with said east line, 160.01 feet to the point of beginning.

Said parcel contains ±208,898 square feet (±4.80 acres).

REVISED MAY 16, 2014

City Property Adjacent to West Transit Village



4/22/2025, 10:42:24 PM

Centerlines

<all other values>

City Street

County Road

1:4,514
0 0.03 0.06 0.11 mi
0 0.04 0.09 0.17 km

Olmsted County, MN GIS Division and Olmsted County, MN Property Records and Licensing. Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap

Web AppBuilder for ArcGIS

Olmsted County, MN is not responsible for omissions or errors contained herein. If discrepancies are found within this application, please notify the Olmsted County GIS Division at 507-328-7100.

Private Road Parcel 743343052200

Owner: MAYO FOUNDATION

Description: 1.16 Ac SECT-33 TWP 107 Range 014 City Lands 107-14-33 TH PT SE ¼ DES AS Follows at NECOR SD SE1/4 Thence W Al North Line SD SE 14 1257.50FT, Thence SWLY parallel with E line SD SE ¼ 1206.25FT, Thence 1206.60FT to a pt 66ft East of West Line SD SE1/4, Thence S parallel with SD W line 244.03 to pt of beginning. Then continuing S parallel with SD west line 373.69ft to centerline of CSAH No 34 as dedicated in Wimbledon Hills, Thence Westerly 68.18ft Al A curve to W Line SD SE1/4, Then North Al SD West Line 390.77ft, Thence East 66ft to PT of Beg Section 33-107-14, as recorded in the County of Olmsted recorders office.

This aerial photograph shows a large, paved parking lot filled with numerous vehicles, primarily sedans and SUVs, arranged in neat rows. To the left of the parking lot, there is a grassy area with some trees and a small, light-colored building. A red rectangle highlights a specific area in the upper left corner of the image, which appears to be a small, dark, rectangular structure or a pile of debris. The overall scene is captured from a high angle, providing a clear view of the layout and surrounding landscape.

Centerlines

— <all other values>

— City Street

— County Road

Olmsted County, MN, Public Works Department., Olmsted County, MN GIS Division and Olmsted County, MN Property Records and Licensing., Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, GeoBase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri

Web AppBuilder for ArcGIS

Olmsted County, MN is not responsible for errors or omissions contained herein. If errors or discrepancies are found, please contact Olmsted County Planning Dept. at 507-328-7100.

- [illegible]

Approvals, milestones, and decision points:

- 1) March 2015: Rochester City Council approves establishment of DMC development district.
- 2) April 2015: DMCC board of directors approves establishment of DMC development district.
- 3) December 2016: Rochester City Council approves first DMC development district modification, incorporating the entirety of the site redeveloped as the Berkman apartments.
- 4) February 2017: DMCC board of directors approves first DMC development district modification, incorporating the entirety of the site redeveloped as the Berkman apartments.
- 5) July 2020: Rochester City Council approves second DMC development district modification, incorporating the 2nd Street SW right-of-way and Mayo West Lot as a requirement for BRT and West Transit Village development.
- 6) August 2020: DMCC board of directors approves second DMC development district modification, incorporating the 2nd Street SW right-of-way and Mayo West Lot as a requirement for BRT and West Transit Village development.
- 7) **May 2025: DMCC board of directors presented with third DMC development district modification(s) as described above, submits proposed modifications to City for consideration.**
- 8) By July 21, 2025: Rochester City Council considers DMC development district boundary modification.
- 9) September 25, 2025: Modifications approved by the Rochester City Council may be considered by the DMCC board of directors at a public hearing.

2026 DMC Work Plan and Budget Priorities

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

Request of the board of directors:

- Identify volunteer board members to informally advise staff in the development of the 2026 DMC Budget and Work Plan.
- Consider proposed capital budget priorities:
 - Complete current DMC-funded projects, including Link BRT and the Sixth Street S.E. Corridor
 - Identify infrastructure supporting development of Bold. Forward. Unbound. in Rochester projects
 - Preserve DMC resources for priorities identified through development of the five-year update to the DMC Development Plan

Background:

Each year, the DMC EDA must prepare and submit a DMC Capital Improvement Plan (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 budgets
- Operating budget for the City of Rochester's DMC Project Management team
- Request for the extension of the working capital loans (the loan is the mechanism through which the City provides funds to the DMCC and DMC EDA for routine operating expenses)

Additionally, City staff and the DMC EDA are discussing opportunities to better align DMC operating and capital budget processes with current City practices, including the possibility of shifting DMC budgeting to a two-year approval process. Staff recommendations will be presented at upcoming DMCC board meetings.

Next Steps:

- May-August 2025: Staff and board members prepare the 2026 DMC CIP, Work Plan, and Operating Budget
- September 25, 2025: DMCC board reviews the 2026 DMC CIP, Work Plan, and Operating Budget
- October 2025: Rochester City Council considers 2026 DMC CIP, Work Plan, and Operating Budget

5-Year Update to the 20-Year DMC Development Plan

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2025

Request of the board of directors:

Provide feedback to staff regarding the themes and approach to the next steps in the update process.

Overview:

External consultants have been engaged to complete this work and the overall scope (below) has been split into two main components:

1. A “look backward” that gathers information about the past 10 years and measures what has happened against what was initially projected
2. A “look ahead” that affirms the overall vision for DMC and projects with greater detail the work that lies head to realizes the DMC goals

Ultimately this exercise rolls up to the 5 major DMC goals: integrated strategic planning, job creation, private investment, tax revenues, and a world-class experience.

Part 1: Measuring the first 10 years of the DMC

An RFP process for the “look backward” was completed and the team of [Econsult Solutions](#) and [Ninigret Partners](#) was selected to complete this work. This work is substantially complete and the full report will be shared publicly on May 22, 2025. A draft of the high level findings will be shared at the May 1 meeting, and some high level takeaways include:

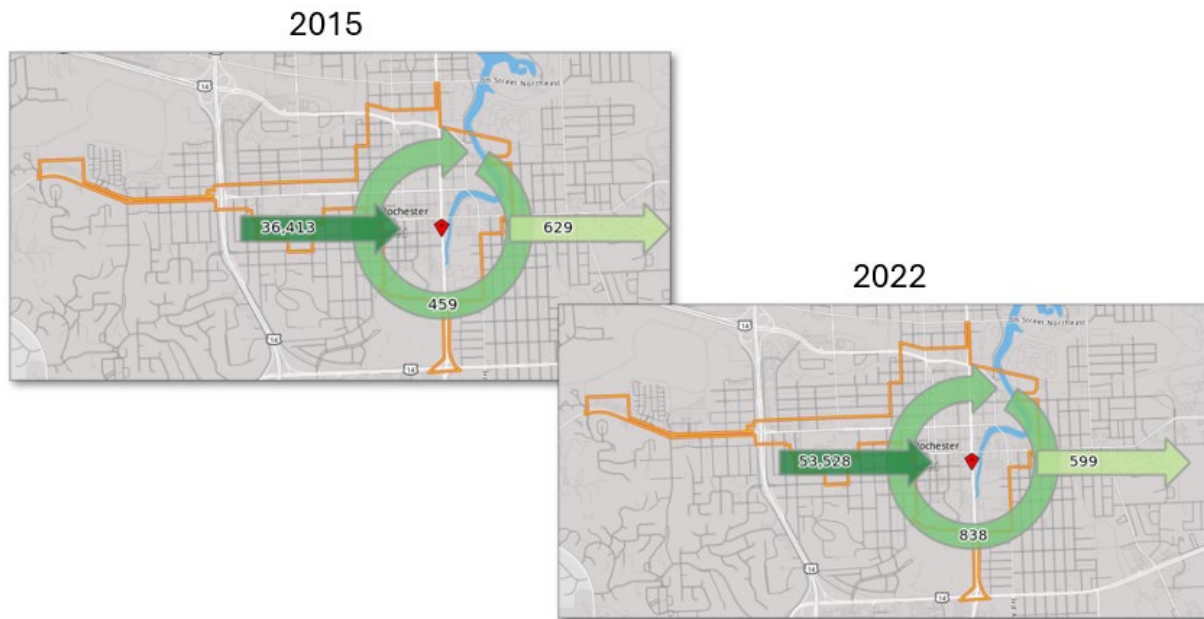
Since the DMC initiative was launched in 2015:

1. 100% increase in the number of housing units in the downtown area;
2. 300% increase in the size of the graduating class of UMR, with students now coming from 26 US states.
3. 39% increase in the number of jobs in Rochester, compared to 13% statewide.
4. 25% increase in the number of new hotel rooms since 2019, (8 new or significantly remodeled hotels).
5. 15 vacant or blighted downtown city blocks redeveloped or significantly renovated, significantly increasing the vibrancy, attractiveness, and tax base of the downtown.
6. Creation of three new or significantly enhanced public spaces (Peace Plaza, Discovery Walk, and Solders Field).
7. 391,000 sq ft of new space dedicated to support research and health innovation (1 and 2 Discovery Square and Kellen Building).

8. More than \$500 million of non-Mayo private capital investment in the DMC district. City wide building permits in each 2023 and 2024 exceeded any year in Rochester's history.
9. Breaking ground on a 3-mile electrified Bus Rapid Transit route, that will connect neighborhoods and commuters to Mayo, downtown retail/entertainment, public services, and public parks.

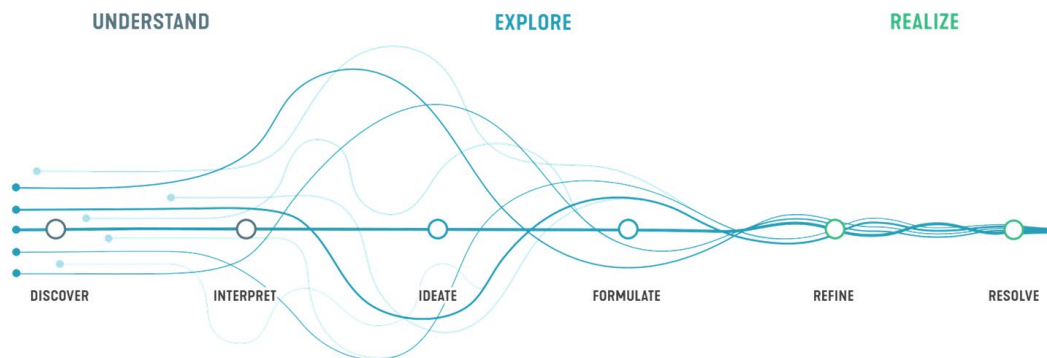
All of this contributed to Mayo Clinic's decision for a multi-generational, \$5+ billion dollar expansion known as [Bold. Forward. Unbound. In Rochester.](#)

The number of people coming into the district on an average weekday in 2015 and in 2022 (the most recent year of available data) has increased from 36,413 to 53,528:



Part 2: Looking Ahead

A RFQ and subsequent RFP process was completed by DMC and City staff in 1Q2025 to select a team to perform the “look ahead” portion of the work. A team led by SmithGroup was selected and this work has commenced. Their process is as shown below, and they are currently in the beginning phases of the work:



1. [Team Introduction](#)

SmithGroup is an award-winning, national design and planning firm that utilizes thoughtful design, research, data, advanced technologies, and design thinking to help clients and communities solve their greatest challenges. Working across a network of 20 offices, with 1,500 experts committed to excellence in strategy, design, and delivery—gives rise to new, innovative processes and methodologies that are redefining the way SmithGroup works as teams and support the communities they serve. Specialists— from planners to architects, to data analysts and beyond—develop beautiful, sustainable, future-focused solutions for urban environments, healthcare providers, science and technology organizations, higher education and cultural institutions, diverse workplaces, mixed-use and waterfront developments, and parks and open spaces. Based in the Midwest for over 150 years SmithGroup prides ourselves in innovative planning and built projects across post-industrial Great Lakes cities. The team also includes James Lima Planning & Development, who has partnered with SmithGroup on numerous development planning and transformation projects across the country, bringing a wealth of strategic, operational, market, and fiscal insight. Additionally, Short Elliott Hendrickson (SEH), with whom SmithGroup has a long history of collaboration, is local to and experienced in Rochester.

2. [Process](#)

Pursuant to the May 2013 DMC Act, the approach for the 5-year plan update will meet the requirements laid out by the Minnesota Legislature as part of the State Statute, including:

- The plan will create 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;
- The plan will conform to the general plan for the development of the city and is consistent with the city comprehensive plan;
- The plan will include 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, and health and wellness;
- The plan will estimate short- and long-range fiscal and economic impacts;
- The plan will provide 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; including:
 - land use planning;
 - transportation and transit planning;
 - operational planning required to support the medical center development district;
 - ongoing market research plans;
 - city approval.

In addition, SmithGroup will support and extend DMC's established 20-year plan, working with DMC, City of Rochester, other partners and the community to review previous plans to understand what is missing or needs to be updated. The new plan will build upon previous efforts and reflect not only the current and future market demand and rapidly changing community demographics, but also the unique patients, companions, employees, residents, visitors and other individuals that contribute to Rochester's extremely unique sense of place. This plan will utilize existing data including the 2015 Plan, 2020 Plan Update, 2023 Mayo Plan, and additional plans and studies by DMC and those created by partner organizations.

SmithGroup anticipates supporting DMC’s robust decision-making structure as noted below and will work with you to provide the following support throughout the duration of the planning process:

Team Structure

- **DMC Development Plan Update Core Team**
 - **Constituents:** DMC EDA, City of Rochester, SmithGroup, JLP+D, SEH
 - **Role:** Planning, executing, and monitoring DMC Development Plan Update project tasks
 - **Kickoff:** April 2025
 - **Meeting Cadence:** Weekly
- **Ambassador and Co-Design Team**
 - **Constituents:** Hired residents, Co-Design employees
 - **Role:** Attend small gatherings, conduct “door to door” outreach, host “pop-up” events, provide support at community meetings and focus group sessions
 - **Kickoff:** June 2025
 - **Meeting Cadence:** Weekly
- **Committees and Task Forces**
 - **Constituents:** Rochester Housing Coalition, Rochester Downtown Alliance, Rochester Chamber of Commerce, Rochester Area Economic Development Inc., Olmsted County Housing Authority, Rochester Olmsted Council of Governments, UMR, residents, businesses, patients, visitors, workforce
 - **Role:** Provide local knowledge, ensure relevance, foster ownership and pride
 - **Kickoff:** June 2025
 - **Meeting Cadence:** Monthly

As part of this process, we will:

- **Lead Five (5) In-Person Milestone Visit Meetings:** We will co-create agendas and engagement strategies with DMC for all milestone visit meetings, including quarterly DMC EDA and DMCC Board meetings.
- **Provide Project Management Leadership:** Throughout the entirety of the planning process, we will provide project management support to DMC to ensure that the project maintains momentum and closely follows the proposed nine (9) month schedule and December 15th completion.
- **Lead and deliver written and graphic planning content across the three distinct tasks:**

Scope of Work and Timeline

- **Task 1: Review and Synthesize**
 - **Summary:** Review previous related plans, synthesize key outcomes, assess key themes, establish planning objectives, investigate the existing site and contextual conditions
 - **Timeline:** April – June
 - **Key Meetings:** May 22 DMCC Meeting (**Site Visit 1**)
- **Task 2: Create**
 - **Summary:** Revise a common set of principles and goals across project leadership, community, and stakeholder groups to form the foundation of the plan
 - **Timeline:** June – August
 - **Key Meetings:** Goals and Guiding Principles Workshop (**Site Visit 2**) and Community Visioning Workshop (**Site Visit 3**)
- **Task 3: Identify**
 - **Summary:** Assess, consider, and plan for optimized opportunities that satisfy the objectives of the Plan and refine a re-articulated shared, actionable vision

- **Timeline:** August – December
- **Key Meetings:** Draft Plan Review (**Site Visit 4**) and Final Plan Presentation (**Site Visit 5**)

3. [Next Steps](#)

- **Setting and creating content for milestone meetings, including:**

Task 1: Review and Synthesize

- 1.1 Formulate Engagement Strategy In Progress
- 1.2 DMC Core Team Kick-Off (Virtual)Complete
- 1.3 Review & Synthesize Previous Plan.....In Progress
- 1.4 DMC EDA Board Meeting (May 1, Virtual).....May 1, 2025
- 1.5 Physical Data Collection & Base Map Creation.....May 2025
- 1.6 DMCC Annual Board Meeting (Visit #1, May 22, In Person)....May 22, 2025
- 1.7 Urban Analysis..... May-June 2025

Task 2: Create

- 2.1 Ambassador &Co-Design Leadership Onboarding (Virtual).....June 2025
- 2.2 Goals & Guiding Principles Workshop (Site Visit #2).....June-July 2025
- 2.3 Refine Goals & Guiding Principles.....July 2025
- 2.4 Visioning Workshop (Site Visit #3).....July-August 2025(TBD)
- 2.5 Early Draft Development Plan..... August 2025

Task 3: Identify

- 3.1 Ambassador & Co-Design Leadership Engagement..August 2025
- 3.2 Revised Development Plan..... August-September 2025
- 3.3 Plan Recommendations..... .August-November 2025
- 3.4 Implementation Strategy.....August 2025–November 2025
- 3.5 Plan Illustrations..... ..August-November 2025
- 3.6 Revised Development Plan Review Meeting (Site Visit #4)... September 2025
- 3.7 Final Development Plan Presentation (Site Visit #5)December 2025

City/Mayo/DMC Collaboration

Mayo Clinic, the City of Rochester, and Destination Medical Center are committed to a vibrant downtown that meets the needs of residents and visitors. As downtown Rochester continues to transform through projects like Bold. Forward. Unbound. In Rochester, Link Bus Rapid Transit and the West Transit Village, we are aligned on principles that will guide an approach that contributes to growth and vibrancy with a people-first approach.

Guiding Principles:

- I. Provide the best experience possible throughout construction.
 - Optimize and align schedules across projects to minimize disruption.
 - Manage road closures.
 - Intuitive wayfinding and approach to movement during construction between Mayo Clinic, downtown and surrounding neighborhoods.
 - Application of Business Forward model.
 - A solution-oriented approach that balances project needs with safety, quality, and community standards with an eye toward the future.
- II. Maximize opportunities.
 - Dig once - Make infrastructure investments to avoid future disruption with a goal not disrupting impacted streets for preservation work for the next 15 years and replacement work for 50 years.
 - Plan infrastructure that supports current and future development and emerging technologies.
 - Maximize the opportunity and economic impact presented by these significant investments to the benefit of the community.
- III. Connectivity.
 - Improve connections to neighborhoods and downtown.
 - Below grade and at-grade systems (including wayfinding, walking/biking, and other infrastructure).
 - Wayfinding/connectivity - Integrated and connected to the rest of the community.
 - Takes advantage of technology to improve wayfinding and experience.
- IV. Elevated experience in and around development.
 - Thoughtful approaches to downtown and neighborhood gateway corridors.
 - Use of landscaping, plantings and art.
 - People-first approach including focus on neighboring properties, downtown businesses and surrounding neighborhoods.
- V. Communication and engagement.
 - Timely, actionable and coordinated communications.
 - Communicate about the now (short-term) and the future.
 - Ongoing community engagement to inform approach to public spaces.
 - Convey meaningful impact of utility improvements.

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. __-2025

**COMMENDING R.T. RYBAK AND EXPRESSING GRATITUDE AND
APPRECIATION FOR HIS SERVICE TO THE DESTINATION
MEDICAL CENTER CORPORATION**

BACKGROUND RECITALS

WHEREAS, the Destination Medical Center Corporation (“**DMCC**”) was established by law in 2013 to exercise oversight, adopt plans, and approve projects as part of an initiative by the State of Minnesota to sustain Mayo Clinic, and the City of Rochester, Minnesota, as the world’s premier destination medical center; and

WHEREAS, R.T. Rybak has been a director of the DMCC since his appointment by Governor Mark Dayton in 2013, a term of service marked by a steadfast commitment to community and economic development—an emphasis informed by his service as the 46th Mayor of Minneapolis and President and CEO of the Minneapolis Foundation; and

WHEREAS, Mr. Rybak has been instrumental in efforts to support small and local business, historic properties, housing affordability, mobility strategies for Rochester’s growing workforce, and targeted business and workforce utilization efforts; and

WHEREAS, Mr. Rybak provided visionary leadership to the DMCC during his tenure as Chair of the DMCC Board of Directors, including serving as co-chair of the Heart of the City Community Advisory Committee and encouraging significant private investment in housing, hospitality, and life science; and

WHEREAS, Mr. Rybak’s key role is evidenced by DMCC investments which, during his term as Board Chair, included the addition of the West Transit Village to the DMC development district, acceptance of bus rapid transit as part of a comprehensive multi-modal mobility strategy, approval of the Discovery Walk public realm project, and adoption of the 2020 update to the DMC development plan; and

WHEREAS, during this same period, the DMCC also made catalytic investments in several downtown properties, enabling the renovation of the Wells Fargo Center and Hotel Indigo and development of the Hyatt House hotel, Two Discovery Square, and Bryk on Broadway mixed-income apartment project, among other private projects; and

WHEREAS, Mr. Rybak’s leadership and vision have been pivotal to the ongoing success of the Destination Medical Center initiative, including the creation of thousands of new jobs and nearly \$1.8 billion in private investment.

RESOLUTION

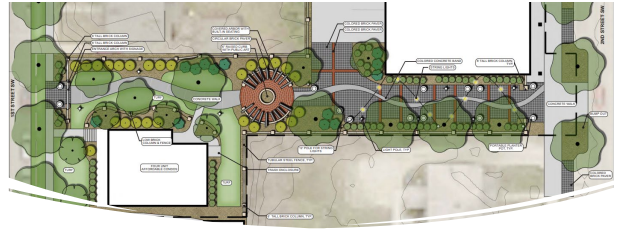
NOW, THEREFORE, BE IT RESOLVED, by the DMCC Board of Directors, that it commends R.T. Rybak for his service to DMCC and the residents of and visitors to the city of Rochester, Olmsted County, the state of Minnesota, and Mayo Clinic.

BE IT FURTHER RESOLVED, that the Board expresses its gratitude and appreciation for his invaluable service to this transformative effort to sustain Rochester, Minnesota as America's City for Health.

31594795v2

2nd Street Public Realm Enhancement

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025



Request of the board of directors:
No action requested.

Background:

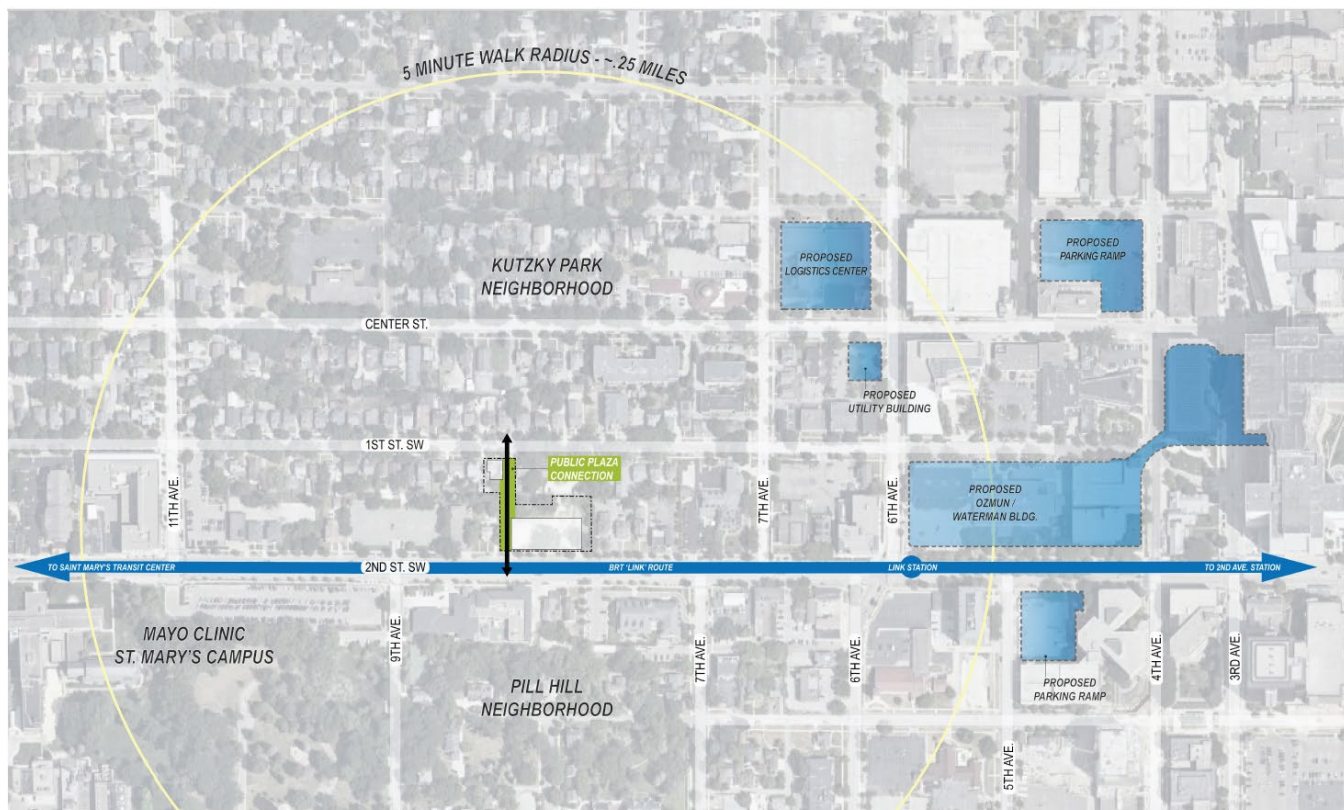
The Second Street corridor is a critical E-W connection in the DMC District and will be home to the first major transportation investment with LINK Bus Rapid Transit running down Second Street with high-frequency service.

It is anticipated that the transportation investment will have a transformative effect along the corridor and the neighborhoods that fall within the walkshed of the BRT line. Since at least 2009, there have been City- and community-led plans that call out opportunities to build public realm spaces to better connect neighborhoods to Second Street (see below from 2009 Second Street Corridor study).



One of the more significant components of these plans is to create mid-block pedestrian passageways to break up the long “superblocks” that exist along the corridor and bring a more human-scaled dimension back to the street grid.

The creation of these mid-block passageways is not possible without the participation of willing landowners. The City of Rochester has identified a developer and landowner that is interested in participating in the creation of this type of public space in conjunction with a plan to develop market rate housing on adjacent parcels under the same ownership.



At the February 6, 2025 meeting the DMCC Board (and City Council and its subsequent meeting) voted to authorize the use of \$2,372,500 of General State Infrastructure Aid (GSIA) to support this project. The City and the developer are actively finalizing the development assistance agreement in order for the project to begin construction later this year.

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 creation of neighborhood connections to this corridor through breaking up a long superblock aligns well with DMC vision and goals.

Chateau Theater: Revitalization Analysis

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2025

Request of the board of directors:

No action requested

Project Update:

The Chateau Theater revitalization analysis is currently underway to determine the best path forward for this historic downtown venue. The project consists of four phases, all scheduled for completion by the end of June 2025.

Phase 1 – Initial Assessment & Planning:

The consultant is evaluating the theater's current operations, including financial performance, equipment inventory, and marketing strategies. Early findings suggest there are opportunities to enhance facility usage and the potential to expand programming. Working closely with current operators has provided valuable insights into operational strengths and challenges.

Phase 2 – Space & Production Capability Analysis:

The physical assessment has identified several underutilized spaces within the theater that could serve additional functions. Current restroom facilities and accessibility features are being evaluated to determine potential for increased audience capacity. Sound quality issues have been noted, with recommendations for acoustic improvements. Technical equipment and structural supports for theatrical productions need upgrading to meet modern performance standards.

Phase 3 – Market Research & Engagement:

Research comparing the Chateau to similar venues shows opportunities to expand programming and services. Community input is being gathered from city representatives and arts organizations to understand local needs and preferences. This research will help position the theater to better serve both residents and visitors to Rochester.

Phase 4 – Business Plan Development:

The final phase will produce a sustainable business model for the theater's future. The completed business plan will outline operational strategies, staffing needs, and a timeline for recommended improvements.



Quarter 1 2025 Activation Information:

The Chateau Theater hosted 56 events and welcomed over 7,057 visitors in the first quarter of 2025:

- January: 16 events, 2,159 visitors
- February: 14 events, 1,420 visitors
- March: 26 events, 3,478 visitors

Event breakdown:

- Public Events (Ticketed): 47% (3,297 visitors)
- Public Events (Free): 33% (2,347 visitors)
- Private Rentals: 16% (1,161 visitors)
- Walk-in Visitors: 4% (252 visitors)

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

As a key cultural landmark in downtown Rochester, the revitalized Chateau Theater will enhance visitor experiences, support local arts, and contribute to a vibrant city center that serves both residents and medical visitors.

Work Plan or Capital Improvement Budget Implications:

While specific costs will be detailed in the final business plan, initial findings suggest opportunities for increased revenue through expanded programming and space utilization. Some capital investments will be necessary to improve production capabilities.

Q1 2025 ACTIVATION REPORT

ACTIVATION: AT A GLANCE

56 events - and - 7,057+ visitors

January: 16 events, 2,159 visitors

February: 14 events, 1,420 visitors

March: 26 events, 3,478 visitors

PROGRAM HIGHLIGHTS

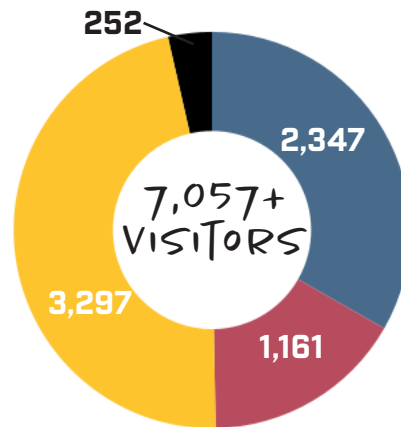
Eid Festival
 First Annual Chateau Pie Social
 Game Haven's Castle Con
 JMHS The Pitch!
 Loud Mouth Brass CD Release
 Monthly Puzzle Nights & Annual Contest
 My Town My Music's Thaw Festival
 Pamoja Women's Iftar Dinner
 Rochester Public Library Storytime
 Rochester Symphony Candlelight Concert
 SE Minnesota Poetry Readings
 Shabby Road Orchestra Concert
 Spring Equinox Yoga
 University of Minnesota Rochester:
 Ebony Night & Student Talent Show
 USA Dance - Dancing Downtown

LOOKING FORWARD

This spring we increase our daytime programming including movies, lectures, music, wellness programs, and will offer a selection of cafe refreshments for daily visitors in our Parlour Lounge. Follow our events calendar for continued updates on upcoming programs.

LEARN MORE & CONNECT WITH US

welcome@yourchateau.org | 507-226-6214 | yourchateau.org @ f



- Public Event - Free (33%)
- Private Rental (16%)
- Public Event - Ticketed (47%)
- Walk-in Visitors (4%)

FACILITY MILESTONES

- Screen and projector install: enhanced A/V capabilities
- Updated lighting controls: increased flexibility for event lighting
- Catering prep area
- Preparation for Spring and Summer alley activation



Public Realm: Downtown Riverfront

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

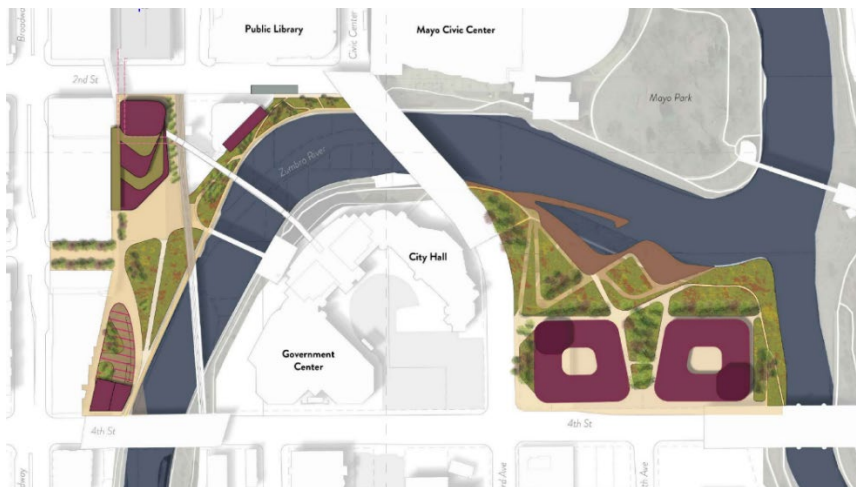


Request of the board of directors:

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:

City of Rochester in collaboration with Destination Medical Center, are working with Hunden Partners to provide preliminary market assessments and strategic advice related to a developer RFQ solicitation and selection process for the redevelopment/reuse of the two city-owned riverfront parcels. The assessment offered detailed information regarding the timing of the release of an RFQ and the current market environment. Additional work continues with Hunden Partners related to financial feasibility and economic impact.

Additional Anticipated Pre-Development Improvements:

Several pre-development improvements are in progress. Including:

- Replacement wood decking, the area was previously closed to the public because of soft wood panels
- Additional painting on the ground to draw attention to the space and align with placemaking goals
- Lighting improvements to alley

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

DMC EDA staff worked in collaboration with City staff to select the consultant team, and DMC 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.

Public Realm: Heart of the City & Peace Plaza

To: DMCC Board of Directors

From: City of Rochester Staff and DMC EDA

Date: May 16, 2025

Request of the Board of Directors:

No action requested.

Signage to Distinguish Walk Zones:

City staff have been collaborating with ADA technical experts from two consultant firms hired to assist with this work – WHKS Engineers and RDG Planning & Design. Helpfulness of developed signage concepts will be tested with impaired mobility stakeholder groups for effectiveness and installed as the paver resetting work is being completed.

Paver Reset/Adjust Update:

The City of Rochester Project Management Team staff hired WHKS, Co. to complete a topographic survey of East Peace Plaza using 3D scanning technology to accurately detect the most critical areas of vertical height deviations involving raised letter and flat pavers. The survey was completed in mid-March and was reviewed by April 4th. The City is in the process of generating construction bid documents and is scheduled to initiate bidding on the paver project by May 11th. The PM Team has also completed field testing of methodologies to roughen the smooth surface on the bottom of the pavers to ensure they will have a nonslip surface once they are turned over. After completing field testing, technical construction specifications for thermally modifying the existing pavers that will be turned over as part of the construction work have been written. The City and DMC EDA have continued to work with the artist to provide updates and collaborate on the upcoming enhancement work.

The PM Team has been working with adjacent private construction contractors that have construction work currently underway near East Peace Plaza to coordinate construction work zone areas. Adjacent private work includes the Mayo Clinic's BFUIR work in 2nd Street SW, the Marriott Hotel roof replacement impacting 1st Avenue SW, RPU duct bank work in the Chateau Theatre alley, along with scheduled Peace Plaza special events, and Chateau Theatre activities. The adjacent construction projects are using a significant portion of the public ROW including a full closure of 1st Avenue which impacts the paver contractor's work area. The city has been actively coordinating site logistics, schedule phasing, and designated work areas with all involved parties. The map on page 3 shows the planned construction work areas related to the paver work zone. The paver project is scheduled to be awarded by the City Council at their meeting on June 2nd. Based on availability of areas for the contractor to work, paver work is expected to commence by mid-June. The contractor will take an estimated 4 weeks to complete the paver surface restoration and enhancement work through a process of turning lettered pavers over and reinstalling them.

Enhance Daily Maintenance Protocols:

The City's PM Team has met several times with the three entities involved with maintaining the Heart of the City area. The PM Team has updated existing standard operating procedures to add more detail to them so performance expectations are more clear. The PM Team has also met with each entity to clarify their ability to meet the updated performance expectations. A joint meeting with all involved parties is scheduled to for the week of May 12th to confirm expectations, identify any gaps in resources and problem solve for those gaps.

Conduct Engineering Evaluations:

The City of Rochester Project Management Team staff hired WHKS, Co. (WHKS) to complete a topographic survey of Peace Plaza using 3D laser scanning technology to accurately detect the most critical areas of vertical height deviations involving raised letter pavers adjacent to the smooth pavers. The survey was completed in mid-March and was reviewed by April 4th. The PM Team reviewed the scan results with ADA technical experts from WHKS and RDG Planning and Design who was hired by the city to advise on the paver resetting project. WHKS is under contract complete a second laser scan in early July so it can be better determined if the pavers are continuing to settle over time.

Additional Stakeholder Participation:

Stakeholder groups will be convened in a few weeks to provide input on concepts being developed for better distinguishing walk zones and thoughts regarding if the incremental paver surface improvements will produce satisfactory results.

Fulfilling the DMC Vision:

East Peace Plaza is a part of downtown area known as Heart of the City. Heart of the City creates a true center of the city, a crossroads where Mayo Clinic, commercial, hospitality, retail, and residential meet. It is designed to elevate both the patient experience and vitality of the city of Rochester. Heart of the City extends and enhances public spaces to create active and engaging experiences for residents and visitors. This work will further enhance East Peace Plaza by creating walkways that prioritize clear, accessible, walking areas, ensuring a more inclusive experience for all.

Impact to CIP:

The cost of this work described above is estimated to be \$130,000 - \$150,000.

May 5- May 8, @ 3 week time period Mid June-July

May 5- May 16

April 14- June 20

Peace Plaza Activation
 May 1 - Art Walk
 May 17 - Med City Marathon
 Health Street Expo
 May 24 - Med City Meander
 May 5 - September 30- Dancing Downtown: Sunday 2- 6pm and Monday 6-8 pm
 Music on the Plaza: Monday - Friday 11 - 1 and 4 - 6, plus Sunday 4-6 beginning May 19 (through September)

May 9- June 6

Married Phase 1
 Marriott Phase 2
 RPU
 Peace Plaza
 BFUIR Gilbane

CHATEAU
 Schedule
 Pg 2-3

STE 100 Floor 1
 STE 109 Floor 1
 STE 110 Floor 1
 STE 207 Floor 2
 STE 205 Floor 2
 STE 208 Floor 2
 STE 209 Floor 2
 STE 204 Floor 2
 STE 111 Floor 1
 STE 112 Floor 2
 STE 114 Floor 2
 STE 195 Floor 1
 STE 7 Floor 1
 STE 25 Floor 1
 STE 23 Floor 1

107
 101
 21
 19
 15
 104
 108
 110
 112
 114
 21
 25
 23
 195
 7
 153

1 St SW
 1 Ave SW

Sixth Street Connectivity

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

Request of the board of directors:
No action requested.



Background:

The 6th Street Bridge, Roadway Safety and Riverfront Improvements project will construct a bridge over the Zumbro River that connects East and West 6th Street South as well as redevelop the area's existing flood control system into an accessible riverfront space. In 2020, the City led the Downtown Waterfront Southeast Small Area Plan to create a vision for the area. The 6th Street Bridge and Riverfront Improvements project was a key component of this plan and during the study process a preferred bridge concept was identified. This next phase of the project will develop the detailed design for the preferred concept in preparation for construction in 2026.

In addition to the bridge and riverfront access, additional roadway improvements will be constructed including:

- Streetscape enhancements along Sixth Street SW between Second Avenue SW and South Broadway
- Traffic calming features for a new Sixth Street SE between the new bridge and Third Avenue SE
- Traffic mitigation for the existing Sixth Street SE between Third Avenue SE and Ninth Avenue SE

Updates:

- The City of Rochester awarded \$3.2 million contract to engineering firm Bolton and Menk in August 2023. The contract authorizes the firm to begin designing and engineering a project.
- City and DMC staff implemented an extensive community engagement strategy throughout the project, including engagement with Riverside Elementary School, nearby neighborhoods and the general public. This information helped to inform the design of the project.
- The project team is in the final design stage.

Project Cost & Funding Sources:

Total estimated project cost \$29.9M including:

- RAISE Grant: \$19.9M
- DMC Local match: \$10M

Timeline:



West Transit Village

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025



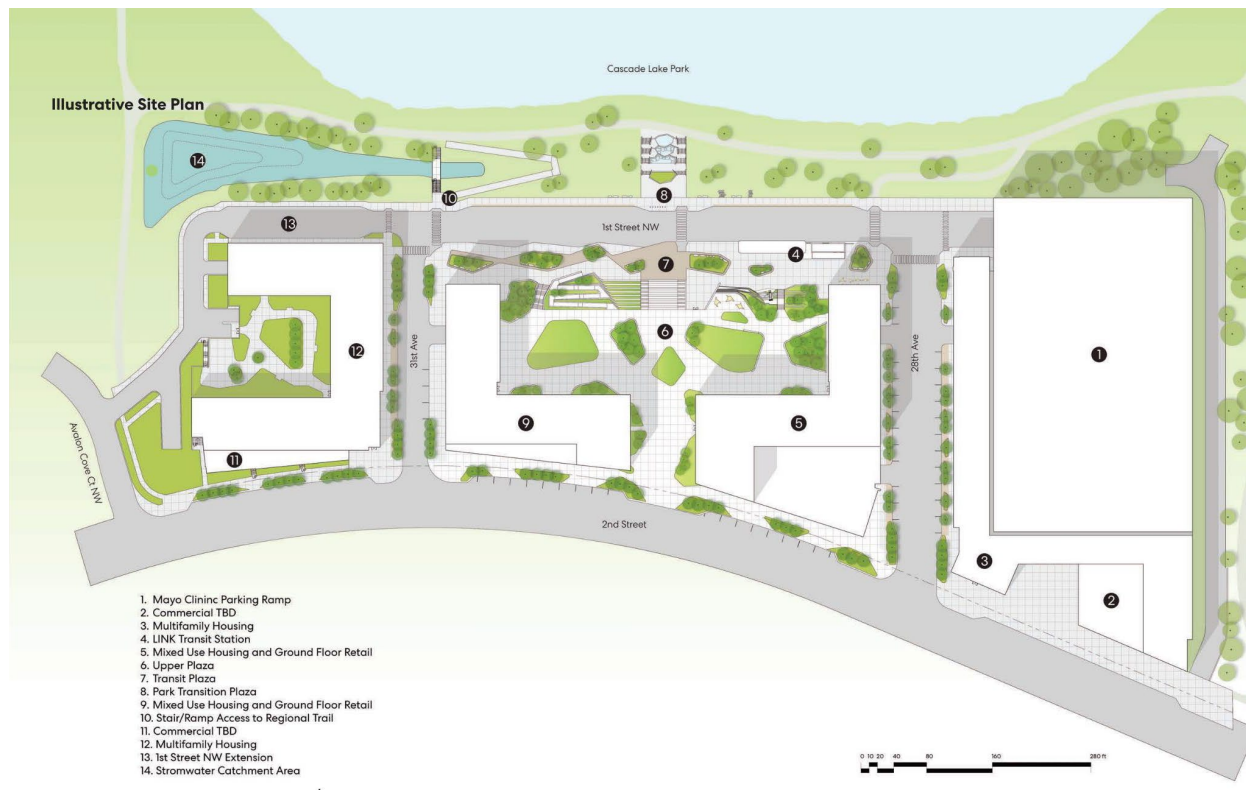
Request of the board of directors:

No action requested.

Background:

The DMC vision for the West Transit Village is to provide an authentic place for living, shopping and recreating (the “village”) in addition to the transit infrastructure that forms the western terminus of the BRT LINK corridor, which will 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 almost two years. 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.

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:

- May 2025: review and action on updated Aeon Phase 1 request
- Ongoing: review of housing and infrastructure components of WTV site to evaluate against the TIF opportunity for potential request later in 2025

Business Forward Strategy

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

Request of the board of directors:

No action requested.



Background:

The Business Forward Strategy is a community-centered construction mitigation methodology used by the City of Rochester on DMC-funded projects during the construction of public infrastructure in downtown Rochester. It prioritizes collaboration with local businesses, neighborhoods, and users of public spaces to minimize disruptions that are caused by construction.

Project Update:

Last board meeting, both DMC EDA and DMCC boards received a bound copy of the *Business Forward Playbook*. DMC and the City of Rochester worked with consultant Jess Roberts of Culture of Health By Design, who also helped to build the Community Co-Design Toolkit, to develop the *Business Forward Playbook*. This playbook, is a new tool that will allow project managers and construction partners to implement Business Forward into future public infrastructure projects. All downtown public infrastructure projects will utilize this playbook.

Discovery Square Ecosystem & Awareness

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2025

Request of the board of directors:

No action requested.

Background

Destination Medical Center (DMC) has a three-pronged business development strategy around expanding Discovery Square into a top tier innovation district. This strategy involves 1) building awareness of the Rochester area as a place to launch and grow a business; 2) building the physical and operational infrastructure necessary to support business growth; and 3) building a supportive ecosystem that accelerates business success.

Here we articulate the framework for the first comprehensive strategy for the Rochester biotechnology ecosystem, referred to here under the working title of “RST Bio”.

RST Bio ecosystem strategy objectives

We aspire to have an effective and self-sustaining ecosystem that 1) helps tech companies and individual innovators advance their technologies advance, thus improving patient care around the world; and 2) attracts more tech companies to the region.

What is ecosystem

Ecosystem can be defined as a set of trusted relationships within a defined geography that are aligned to a common goal. For RST Bio, the ecosystem includes relationships among people working in and adjacent to healthcare technology industries. For this effort, we define the RST Bio ecosystem components as follows:

1. **Service providers:** the total collection of knowledge and expertise in the Rochester-to-Twin-Cities region (the “Medical Alley”, or “MA” region) required to help companies in the industry node be successful.
2. **Education:** sources of talent for our industry node. Primarily higher ed institutions in the upper Midwest
3. **Investment Capital:** the network of organizations who invest in promising technology companies.
4. **Biotech Companies:** These are the “end users” at the center of our ecosystem support work, the startups and established companies in the Rochester MSA.
5. **Economic development professionals:** local, regional, state, national and international partners charged with assisting our industry in economic growth.
6. **Clinical and research organizations:** the source of new intellectual property emerging from clinical operations and research-funding initiatives. This is primarily Mayo Clinic, though there are untapped opportunities with other higher education institutions.

Current State

In the past several months, staff have met with local tech companies, service providers (24), capital groups (8), other economic development groups (5), and higher ed institutions (5). Additionally, there have been numerous connection points with Mayo Clinic colleagues and with numerous groups at the University of Minnesota in the Twin Cities.

Staff also participated in the Global Institutes for Innovation Districts (GIID) Summit, learning valuable information about effective multi-institutional governance models and tools to develop a financially self-sustaining innovation district.

Next Steps

Staff will continue to build connections with various groups in the ecosystem nodes. In Q2 staff participated in panel discussions at a tech event and an investor event to build awareness of the Rochester ecosystem for new audiences and made a visit to Winona State University for conversations with students about career opportunities in their College for Science & Engineering.

In early Q3 we will take learnings from Q1/Q2 activities to start framing up a workplan for 2026, likely focusing on the following: 1) workforce development strategy; 2) business-building programming; and 3) a communications plan that shares information about what's happening in our ecosystem.

2025 Business Development Metrics

To: DMCC Board of Directors

From: DMC EDA

Date: May 16, 2025

Request of the board of directors:

No action requested.

Background

Destination Medical Center (DMC) is advancing Discovery Square as a premier innovation district through a comprehensive, three-part business development strategy: Awareness, Infrastructure and Ecosystem. The addition of new staff members allowed for a better and bigger bandwidth for all activities along with the completion of several marketing initiatives (BD-focused webpage, refined pitch materials and sales collateral), there is a significant increase in overall metrics in the first quarter of 2025 compared to last year.

Awareness Metrics

Awareness	2024 Q1	2025 Q1	Q1 Delta	2025 Goal
Lead Generation Campaigns	3	6	(200%)	15
Company Pitches	111	206	(186%)	1,000
Awareness Opportunities Generated	18	43	(240%)	250
Industry Events Attended	4	8	(200%)	30
Amplifier Pitches	11	29	(264%)	100

Ecosystem	Goal	Actual	Progress
Partner Connects	200	78	On Track
Events – Higher Education	3	0	1 planned
Events – Investment Groups	3	0	2 planned
Events – Local Startups	2	0	-
Research Project	1	0	-
Ecosystem Opportunities Generated	200	50	On Track

What We Learned

Given the tumultuous nature of current events, our team has received questions about whether or not an internationally focused awareness-building campaign is still effective. Through dozens of conversations with early-stage companies, foreign government partners and international organizations - the overarching theme is 'companies are still interested in the US market, but uncertain about regulatory pathway'. Companies still see great value in the US market - we are still the largest healthcare market in the world. At LSI, for example, we heard that uncertainty around firings and regulatory role of FDA puts the US on the same footing as the EU's MDR (slow and opaque regulatory regime) or UK's MHRA (post-Brexit regime that is still under construction). Investors are still keen to invest in technology from overseas, but the perennial challenge for founders is finding a lead investor. That said, large corporates are feeling some pressure - Medtronic has stopped sponsoring visas for engineers from places like India (though contract manufacturers are swooping in to hire that talent). Early-stage companies are weighing whether to find US-based contract manufacturers in order to avoid proposed tariffs and questioning where to perform clinical trials. They're also still asking questions about opening offices in the US, especially in places where healthcare - particularly for women - is still valued. The effects of pauses on NIH funding and HHS downsizing have not fully rippled through the industry, so this cautiously optimistic outlook could change tomorrow if FDA loses the ability to continue programs like the wraparound services for companies receiving breakthrough designation (TAP), or if retaliatory tariffs focus on US-based service providers (e.g. legal, regulatory).

Upcoming Activities

Staff members will continue to build new connections with growing companies and various trade groups, both nationally and internationally, while also strengthening relationships with existing partners. Below are programs currently in the pipeline for Q2.

1. Out-of-market events
 - a. Design of Med Device
 - b. BOMA MOB
 - c. SelectUSA
 - d. Web Summit
 - e. HIMSS
 - f. BIO
 - g. HLTH Europe
 - h. MedTech MVP
2. In-market events
 - a. Real Estate Summit (completed)
 - b. JETRO visit
 - c. Findland Delegation visit
 - d. Netherlands Trade Mission

Team members are also working to put together a summit to further improve the awareness of Rochester and Discovery Square. The Global HealthTech Innovation Summit (GHTIS) is envisioned to become the signature event for Rochester's business recruitment efforts. For the inaugural event we are targeting mid-July for a two-day deep dive into all things Mayo Clinic, Medical Alley, and Minnesota. In partnership with our colleagues from the Mayo Clinic Innovation Exchange, we look to host 10-15 international trade authorities in Minnesota where we can teach them everything they need to know about US market access for high-growth HealthTech companies, what make Minnesota unique, and how Mayo Clinic represents the best collaboration partner for them when it comes to commercializing technology.

Energy and Sustainability

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

Request of the board of directors:

No action requested.

Project Updates:

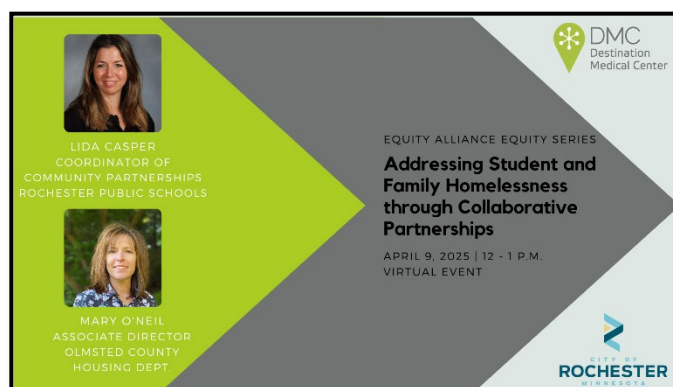
1. Sustainability Series
 - a. [“When Driving is Not an Option” with an evening with author Anna Zivarts](#) on February 11, 2025, drew 80 attendees and focused on how improving our transportation system with nondrivers in mind can create a better quality of life for all. This event was in partnership with BikeMN.
 - b. [Lights! Camera! Climate! Sustainability Film Series](#) features thought-provoking films that explore critical environmental and sustainability topics, followed by dynamic panel discussions with local experts and community leaders. Hosted by EarthFest Rochester, films are co-sponsored by DMC, Sierra Club, Conservation MN, City of Rochester – Sustainability, and Izaak Walton League. All films are hosted at Pop’s Art Theater in Rochester.
 - i. February: [Plastic People](#), sold out at 80 tickets
 - ii. March: [Women of Carbon](#), sold out at 80 tickets
 - iii. April: [Bad River](#), sold out at 80 tickets
2. Electrify Everything MN
 - a. The City of Rochester, in collaboration with DMC, has launched the [Electrify Everything MN](#) residential education workshop series hosted by Center for Energy and Environment (CEE). A spring and fall series will each feature three workshops with supporting “homework” to assist residents in transitioning their home off fossil fuels and going all electric. We will also be working with CEE and a local partner to offer two Spanish workshops in the summer and fall.
 - i. April 3, 2025 – Get Amped: The Basic of Electrifying Your Home
 1. 36 in-person registrations, 13 virtual registrations
 - ii. May 8, 2025 - Stay Cool, Stay Warm: Heat Pumps Demystified
 - iii. June 12, 2025 – Hot Stuff: Electrifying Water Heating, Cooking, and Clothes DryingIn addition to residential workshops, workshops were held in April 2025 for Contractors and Developers to assist in providing education on and resources related to home electrification.
3. Active Transportation
 - a. On April 12th, 2025 DMC hosted a Downtown Walk and Roll Audit in partnership with AARP, Family Service Rochester, Rochester Downtown Alliance (RDA), and the City of Rochester. The four routes of the audit focused on wayfinding, the historic district, central park transit hub, and navigating construction. The audit is an interactive way to assess the pedestrian experience, identifying potential improvements to sidewalks, crosswalks, lighting, and traffic flow, while checking the pedestrian-friendliness and walkability of downtown. After the audit, participants joined in a series of roundtable discussions led by DMC, the City of Rochester, and RDA. Over 50 community members of all ages and abilities joined for the audit and expressed appreciation for this type of community engagement activity.

Equitable Economic Development

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

Request of the board of directors:
No action requested.

Workplan Update:



1. Community Co-Design Updates:

a. Community Co-design 2025 Plans:

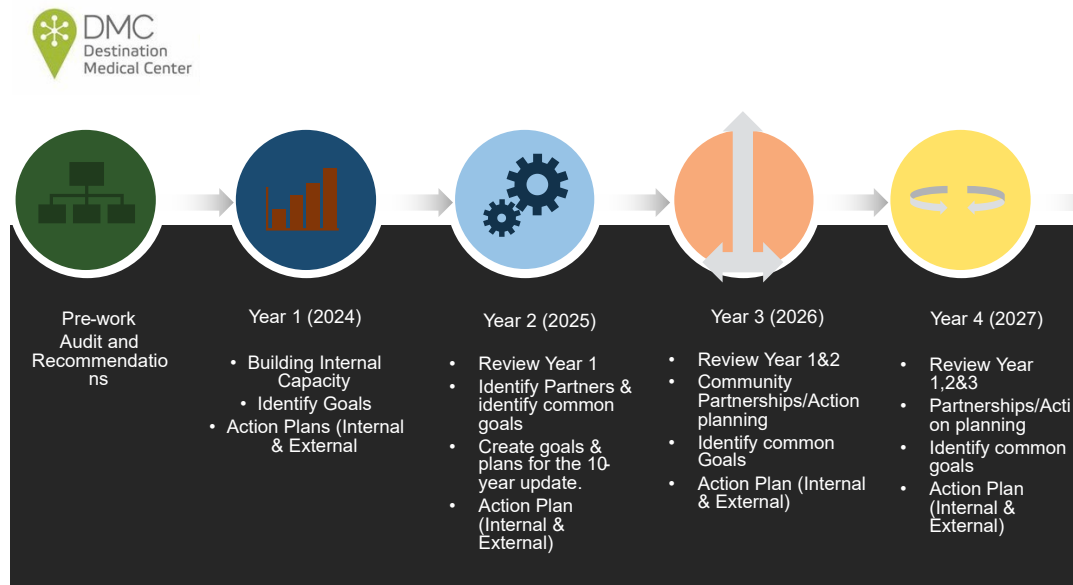
- i. **Community Co-design Leadership Training:** We scheduled the 5th cohort of Community Co-design Leadership Training in October of 2025. This training is ideal for organization leaders, community leaders, municipalities and department leaders, community developers, project managers, communication managers and professionals, and anyone who specializes in equitable community engagement and decision-making.

b. Rochester Public Library Co-design Project:

- i. **Background:** The Rochester Public Library and MSR Design are collaborating on developing strategic goals and priorities that will guide future RPL programming and facility design. City of Rochester, DMC EDA, and By Design LLC are partnering with the RPL team to assist with the identifying of co-designers and facilitators for the project. Two of the Co-design Facilitator Training graduates were hired to facilitate this project to hear from the communities who currently don't utilize the library resources and services. Surveys, assessments of current library members, and listening sessions are some resources that helped identify the missing perspectives from the following populations: residents who live in the 55904 ZIP code area, BIPOC communities who specifically speak Spanish and Somali, and the Seniors community. We hope to conclude the Community Co-design sessions this spring.
- ii. **Community Co-design Findings:** The Rochester Public Library and MSR Design shared a presentation to the City Council on the 14th of April during the study session to provide the City Council a status update on the development of Rochester Public Schools' first ever Facilities and Operations Master Plan. Here are the themes our co-designers have identified so far:
 1. **Safety:** Develop strategies, spaces, and programming that ensure safe and welcoming experiences for everyone, especially women (of all ages), LGBTQIA+ individuals, and under-represented communities.
 2. **Physical Space:** Develop spaces that are broadly welcoming and respond to the community's sense of place, safety, and wellbeing.
 3. **Programing & Offerings:** Develop strategies, spaces, and programming that align with a diversity of community values, beliefs, rituals, and hopes without being overwhelming or confusing to navigate.
 4. **Connection & Access:** Develop culturally nourishing strategies, spaces, and programming that proactively reaches communities that have not traditionally visited the library or used its services.

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.
- b. **DMC EDA's Diversity, Equity, & Inclusion Priorities:**
 - i. **DMC's Equitable Economic Development Steering Committee:** We established an internal steering committee to assist our staff with the implementation of the JEDI (Justice, Equity, Development, & Inclusion) Audit's recommendations.
 - ii. **Equity Definition for the Organization:** Our steering committee have created a top line definition for "Equity": **Inclusive Access to Rochester's Growing Prosperity.**
 - iii. **Action Plans and Goals Setting:** Below is a timeline of our future implementation of Equitable Economic Development for the organization:



Minnesota Main Street Economic Revitalization Program

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

Request of the board of directors:

No action requested.

Background:

A third round of the Main Street Economic Revitalization Program was announced the week of October 23, 2024. DMC EDA staff and the City of Rochester partnered to submit a proposal by the due date of November 22, 2024. Program criteria for Round 3 were the same as the previous two Rounds of funding that DMC participated in.

DEED announced that DMC was awarded \$750,000 as a partner organization at the end of February 2025. Once the contract was executed between DEED and the DMC EDA, the third round Main Street Grant Program could be launched. On March 31, 2025, window one opened accepting applications.

On May 1, 2025 the DMC EDA board of directors endorsed grant consideration criteria for window one applications. Based on that endorsed grant criteria the board approved a set of applications and recommend grant awards that will be sent to DEED for their final approval.

Funding Available to Award:

- Total Funding Available for Projects: \$721,153 (the \$750K award minus 4% for recoverable administrative expenses incurred by DMC EDA).
- Grant funding for any particular project is capped at \$175,000 and cannot exceed 30% of the total project cost.

DEED-required Grant Eligibility for Round Three:

- Projects are in one of these two areas:
 - Area 1: The DMC District, prioritization will be given near the future Bus Rapid Transit (BRT) stations and along the transit corridor.
 - Area 2: The Lowertown Neighborhood which is an area with over 100+ businesses within walking distance of downtown Rochester.
- Funding (a match) to pay for the project. Matching funds cannot be from other federal or state sources.
- Grant funds spent on things like: property repair or renovation, building construction, landscaping and street scaping, demolition and site preparation, predesign and design, engineering, non-publicly owned infrastructure or related site amenities.
- All spending must happen before June 30, 2026, to get reimbursed.

Window One:

- Funding available to award in May: \$360,576
- Application Window Opened: March 31, 2025
- Application Deadline: April 16, 2025

In Window One, DMC EDA received 27 applications totaling eligible costs of \$1.8 million, far exceeding the available funds of \$360,576. Using a set of grant criteria the board recommended grant awards that will be sent to DEED for their final approval.

Rochester Downtown Task Force

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

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.



In mid-2024, the Task Force evolved their focus from pandemic recovery to construction impact mitigation. Using the Business Forward strategy, the Task Force is working together to create and implement a communications and engagement strategy focusing on *Thriving During Transformation*, as stakeholders prepare for multiple years of large transformational projects.

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

Task Force Progress:

On March 24, 2025, the Downtown Task Force hosted an in-person kick-off meeting with 75+ attendees. The Rochester Downtown Alliance, City of Rochester, and Mayo Clinic gave presentations about upcoming construction and support for stakeholders. This kick-off session is part of a larger strategy that includes monthly and in-person information sessions that kick off the week of April 21.

The purpose of the meeting is to share what has been accomplished, what is to come, share general downtown updates, resources to downtown business/property stakeholders, and listen to feedback.

The City of Rochester, in partnership with DMC and Mayo Clinic, developed the website downtownrochesterconstruction.org. This site is designed to share all information related to construction with community members and downtown stakeholders. The site is updated with specific construction impacts weekly.

Thriving During Transformation Goals:

- Sustain economic activity and public confidence in downtown Rochester.
- Foster community engagement and pride during a period of change.
- Set a national example of how transformative growth can prioritize people and place

The group will use the Business Forward Strategy as a guide to work toward developing a collective work plan. As construction plans continue to be finalized, DMC will work with Task Force members to mitigate the impact of downtown in key areas, including construction phasing, communications, marketing, wayfinding, and business vitality.

Targeted Business and Workforce Participation Plan for Sustainable Growth

To: DMCC Board of Directors
From: DMC EDA
Date: May 16, 2025

Request of the board of directors:
No action requested.

Workplan Update:



1. Community Connections and Capacity Building:

- a. **Certification Workshops:** DMC EDA, in partnership with the City of Rochester, the Equity in the Built Environment Program, the Minnesota Department of Administration (Equity in Procurement), and the Minnesota Department of Administration (APEX Accelerator), hosted the first certification workshop of a series of four (virtual and in-person) on Saturday, November 9th, 2024, at John Marshall High School. Our second workshop was held on Saturday, February 1st, 2025, via Zoom, and provided information about the following certifications: CERT, MNUCP, and TG/ED. The third workshop took place on Saturday, April 12th, 2025, with 20 attendees participating virtually to continue building awareness and support for certification opportunities. Our fourth and final workshop in the series will be held in person at John Marshall High School on Saturday, June 21st, 2025.
- b. **Minority Business Academy:** DMC EDA is sponsoring the MBA Program, an 8-week business and professional development initiative designed by the Minority Owned Business Foundation to equip minority entrepreneurs and professionals with the skills, resources, and connections necessary for long-term success. The program offers targeted education in business growth strategies, leadership, and professional development. Through partnerships like this, DMC continues to invest in building a stronger, more inclusive business and workforce ecosystem that aligns with our commitment to equitable economic development.

2. Bloomberg Philanthropies Mayor's Challenge: Equity In the Built Environment

- a. **The Pitch Event March 21st, 2025:** The Equity in the Built Environment Program (Bloomberg Philanthropies Mayor's Challenge) hosted the spring edition of the "Pitch" event in the Chateau Theatre. This event is focused on career exposure and promotes innovations while introducing students to the world of design-thinking and built environment. The students are eleventh grade Economics students from John Marshall High School. DMC, City of Rochester, and Workforce Development Inc. partnered to provide the students with an opportunity to experience great Downtown Rochester tours, presentations from entrepreneurs and community leaders, and provide mentorship opportunities for their proposed projects.

3. Targeted Business/Targeted Workforce Goals and Reports on Current Active Projects:

Current Goals	2025
Workforce Participation-Women	9%
Workforce Participation-Minority	15%
Targeted Business-Commercial	9%
Targeted Business-Heavy/Highway	4%

DMC Funded Projects	2017-2024
Women Construction- Workforce Participation	3.68%
Women Professional Technical Services- Workforce Participation	34.17%
Minority Construction- Workforce Participation	12.05%
Minority Professional Technical Services- Workforce Participation	10.57%
Targeted Business Construction	12.70%
Targeted Business Professional Technical Services	7.71% (Goals TBD)
Payments Made	2017-2024
Targeted Business Construction	\$ 36,961,632.00
Targeted Business Professional Technical Services	\$ 3,567,968.00

Active DMC Projects	Total TB %	TB % Q1
Link (Professional Technical)	6%	0.08%
Link (Land Acquisition)	19.8%	18.07%
Link(WTV-Sewer) Starting in May 2025	n/a	n/a

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.