



# **DMC Corporation Board of Directors Meeting**

Thursday, May 22, 2025

9:30 A.M.





*We'll get you there.*

CPAs | CONSULTANTS | WEALTH ADVISORS

Destination Medical Center Corporation

Annual Results for Year Ended December 31, 2024

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# Agenda

- Financial Statements
- Audit Results
- Required Communications

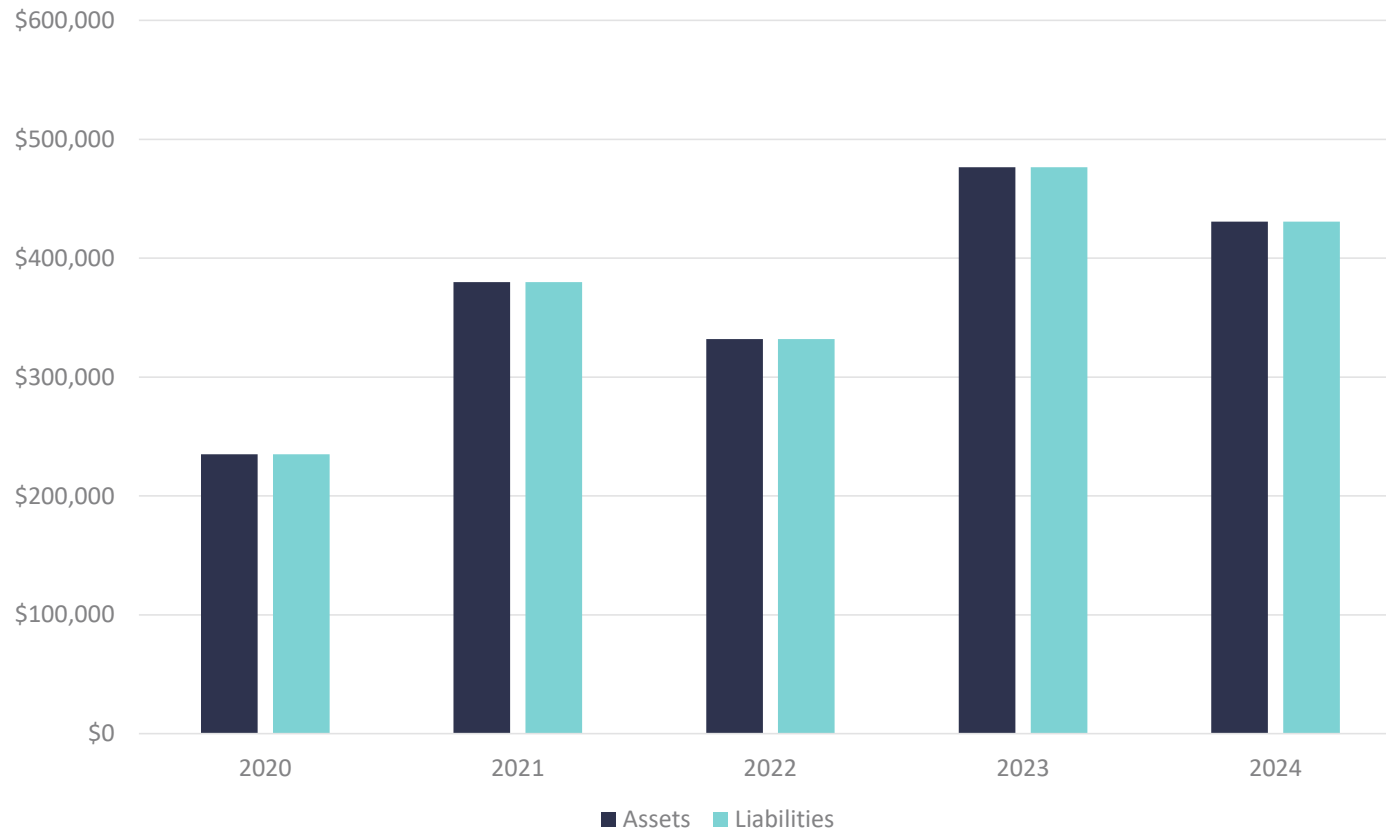


## Financial Statements

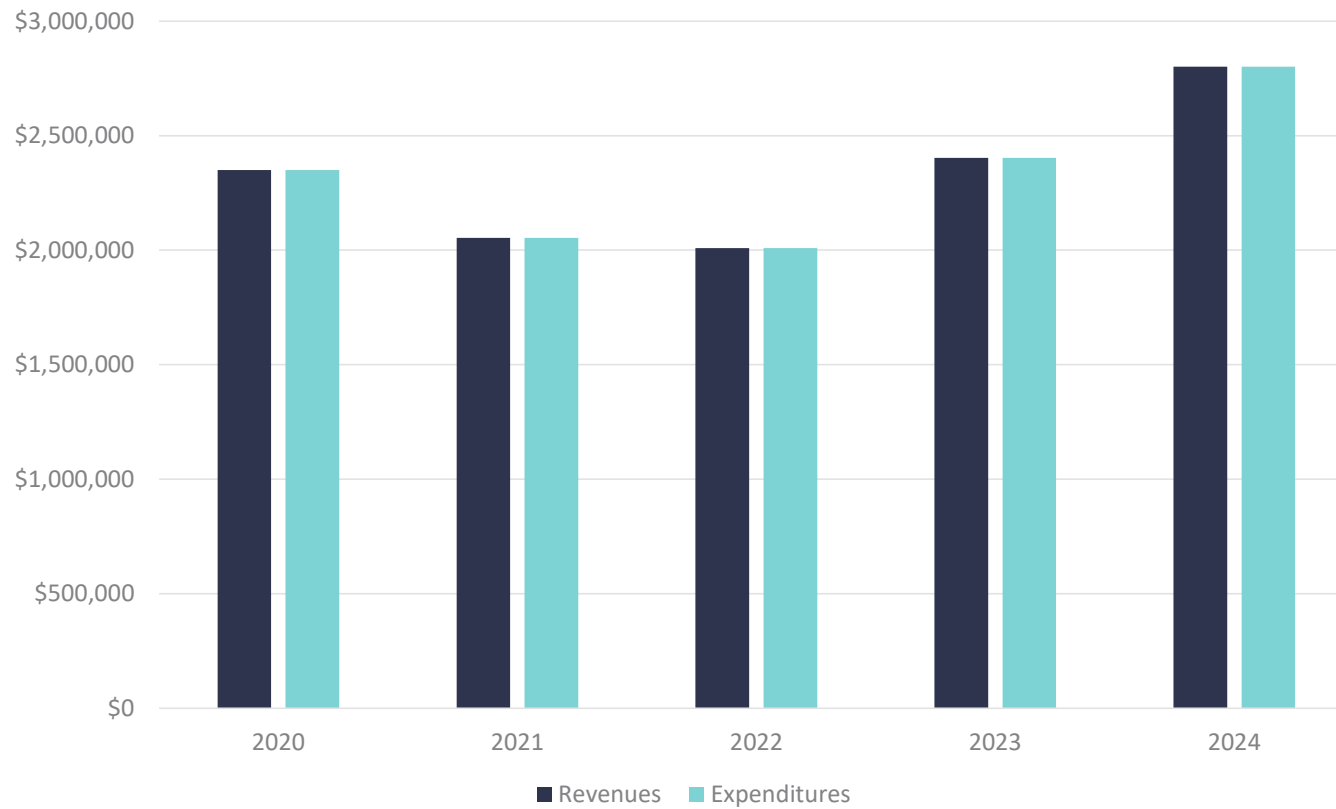
- Prepared based on Governmental Accounting Standards Board pronouncements
- Single program entity—present expenditures by type (natural classification)
- Component unit
  - DMCC is a component unit of (included in) City of Rochester's financial statements
  - DMC EDA is not a component unit of DMCC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



## Financial Statements: Assets & Liabilities



## Financial Statements: Revenues & Expenditures



## Audit Results

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



## Required Communications

- Audit provides reasonable, but not absolute assurance
- Accounting policies
  - Described in Note 1 to the financial statements
  - No impact from new accounting standard for software subscriptions
- Audit adjustments – one unrecorded adjustment for 2024 activity recorded in 2025 = \$28,358. Net zero impact to DMCC
- No disagreement or difficulties with management



## Items to Complete

- Federal and state tax filings



# *Thank you for allowing us to serve you!*

*Craig Popenhagen, CPA*

*Principal*

*Direct (507) 280-2327*

*Craig.popenhagen@claconnect.com*



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# BIOLABS and ROCHESTER

May 2025



DMC

Destination Medical Center  
Rochester, MN

# TODAY

1

Introduction

2

Action Requested

3

Background

4

Discussion





Investing in HealthTech infrastructure isn't just spending, it's **future-proofing**. It **drives innovation**, **creates local jobs**, and **expands access to care** - strengthening our health systems while delivering lasting value to the community.





# ACTION REQUESTED

**DMC support for a BioLabs operation in Rochester, not to exceed \$8M**

For the construction of shared lab infrastructure in Two Discovery Square.

This infrastructure investment **further**s **the goal of creating 30,000 new jobs** in Rochester by providing unique, business critical infrastructure required by high-growth HealthTech companies.





# WHAT WE'RE REALLY FUNDING

WHAT SUCCESS COULD LOOK LIKE BY YEARS 3-5

**20-25**

Active  
Resident  
Companies

**70-80**

Active  
Resident  
Employees

**\$40M+**

Annual  
Investor  
Funding

**2-5**

Exits or  
Acquisitions  
To-Date

**4-5**

"Graduations"  
to Larger Space  
To-Date

**+10%**

Clinical  
Trials  
Annually

**50+**

Total  
Companies  
Incubated



# Success of the Model is in the Numbers

**\$30B+**

Total funding raised by  
residents since inception

**30+**

IPOs by resident companies

**50+**

Mergers & acquisitions

**1600+**

Startups supported

 biolabs & affiliates

**295+**

Clinical trials by  
resident companies

**>20,000**

Patients dosed/enrolled

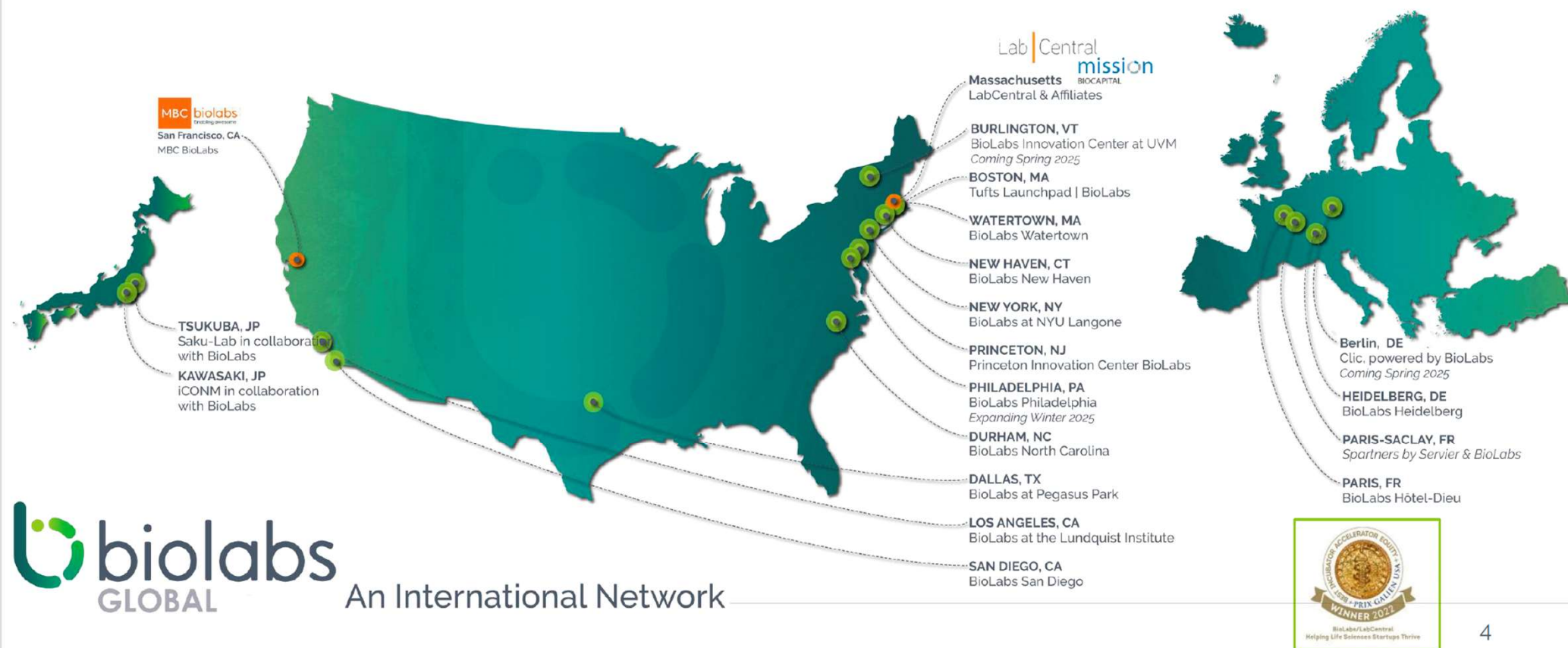
**250+**

Patents granted

# Your Gateway to Global Innovation



Founded in 2009, now the largest global network of biotech startup incubators





# The BioLabs Difference



## Best-in-Class Labs

- Fully permitted
- Flexible lab & office options
- Premium shared lab equipment
- Collaborative spaces
- Facilitated access to partner cores



## Smart Operations

- All-inclusive model
- Lean & time efficient starts with accelerated launch
- Concierge level site management
- Centralized purchasing platform, consolidated billing, access to 1000's of vendors



## Powerful Community

- Impactful content-driven events & programming
- Active industry, capital & sponsor connections
- Access to worldwide network of labs, founders & scientists
- Curated community of residents



## Strategic Industry Insight

- VC partner org: offers: custom regional analysis, targeted recommendations, growth roadmap, platinum program

# BioLabs

## Examples of public support for new site launches



New York City, New York	New Haven, CT	Heidelberg, Germany	Paris, France	Kawasaki, Japan
<ul style="list-style-type: none"><li>• 2018 BioLabs in collaboration with NYU Langone receives two grants to build out 50k SF site<ul style="list-style-type: none"><li>• \$2M from State of NY</li><li>• \$5M from NYCEDC</li></ul></li></ul>	<ul style="list-style-type: none"><li>• 2022 Local developer receives funding and tax incentives from City of New Haven to cover all BioLabs TI's and equipment costs, 47k SF &gt;\$16m</li></ul>	<ul style="list-style-type: none"><li>• 2022 City of Heidelberg supports launch of temp site TI costs \$750k and City constructs new building and pays 100% of 60k SF building construction costs and BioLabs' TI's, 21k SF &gt;\$8m</li></ul>	<ul style="list-style-type: none"><li>• 2024 BioLabs receives grant for from French central gov't to support the expansion of lab facility in Paris 15k SF 1m €</li><li>• 2019 Servier receives central government funds to build BioLabs incubator in Saclay 20k SF &gt;2.6m €</li></ul>	<ul style="list-style-type: none"><li>• 2021 City of Kawasaki Japan underwrites project costs for iCONM in collaboration with BioLabs to launch pilot site, 5k SF &gt;\$500k and ongoing operations support</li></ul>

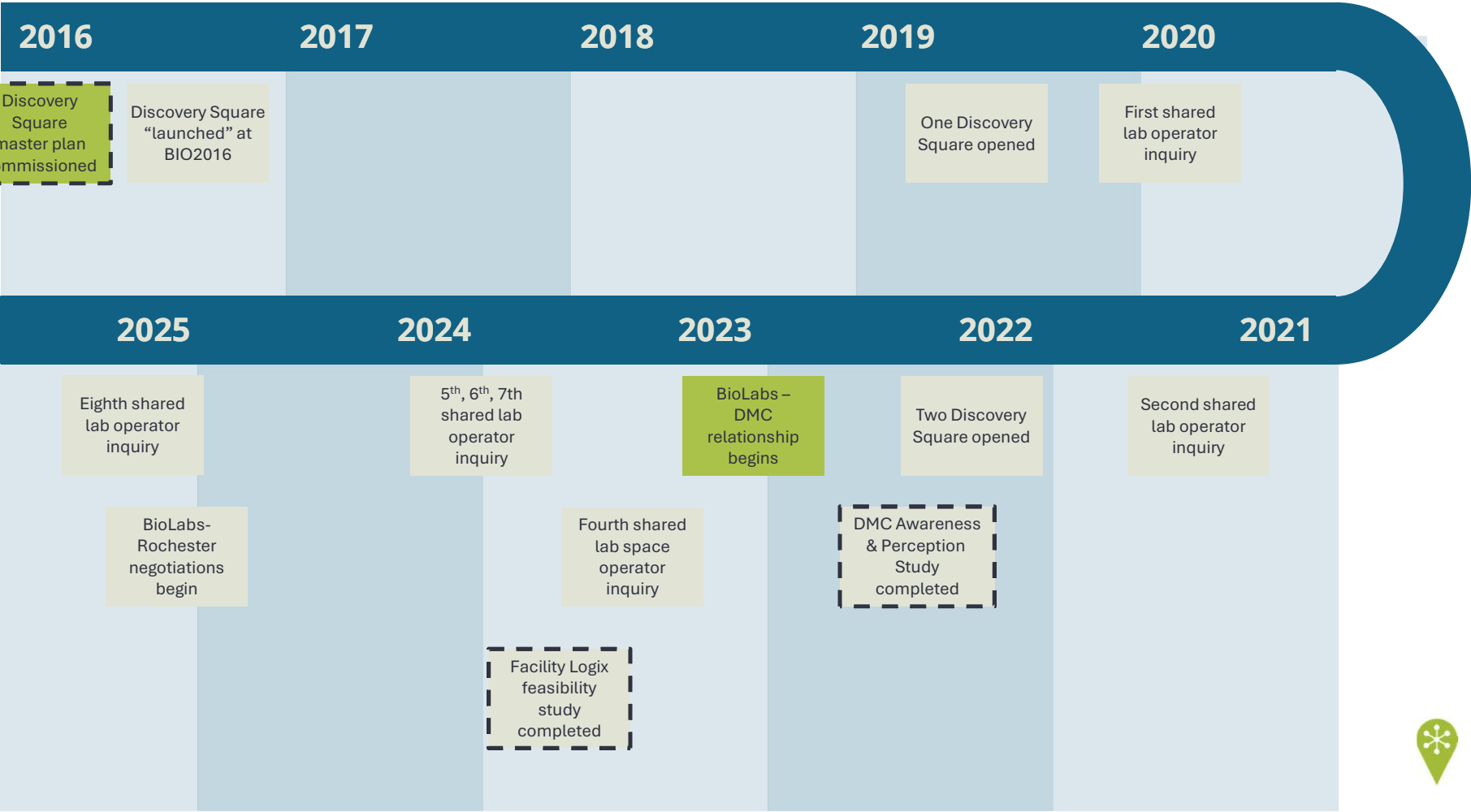
**Berlin: 2025** (To be announced) BioLabs and Charite/Berlin Institutes of Health collaborate on new clinical incubator in Berlin with support from federal and State funds.

**LabCentral** – received 2 \$5m grants in 2013/2023 from the MLSC (state funds) to renovate lab space in Cambridge

# WHY NOW?



# DELIVERING ON A VISION



# DELIVERING ON A STRATEGY

## KEY FINDINGS

- Awareness of Rochester as a life sciences destination is low (31%)
- Our market is perceived as being small, isolated, and unknown
- 90%+ of expanding life science companies don't consider Rochester when making a location decision

## GOALS AND TACTICS

*DMC should work to grow the general level of **awareness** of Rochester as a place to do business*



Kylle Jordan, DMC Business Development Manager

*DMC should work to build a thriving **ecosystem** that is broad, connected, and engaged*



Chris Schad, DMC Director of Business Development and Rochester Ecosystem Manager

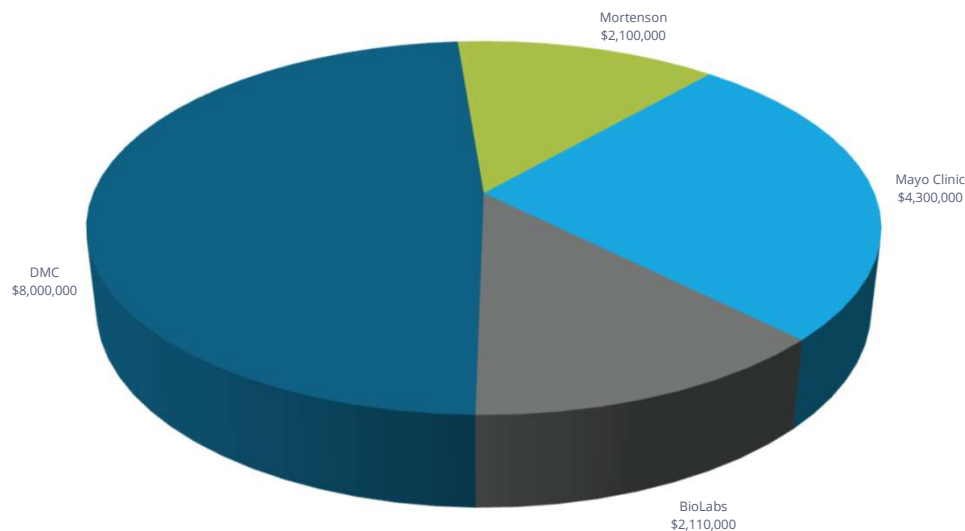
*DMC should work to develop turnkey lab **infrastructure** to make Rochester more competitive with larger, safer, "faster," places.*



BioLabs-Rochester 16k sf shared lab.



# DELIVERING A PARTNERSHIP



	DMC	Mortenson*	Mayo Clinic	BioLabs**	TOTAL
Construction	\$8,000,000	\$800,000			\$8,800,000
Equipment			\$3,100,000	\$1,400,000	\$4,500,000
Operations		\$1,300,000	\$1,200,000	\$710,000	\$3,210,000
TOTAL	\$8,000,000	\$2,100,000	\$4,300,000	\$2,110,000	\$16,510,000

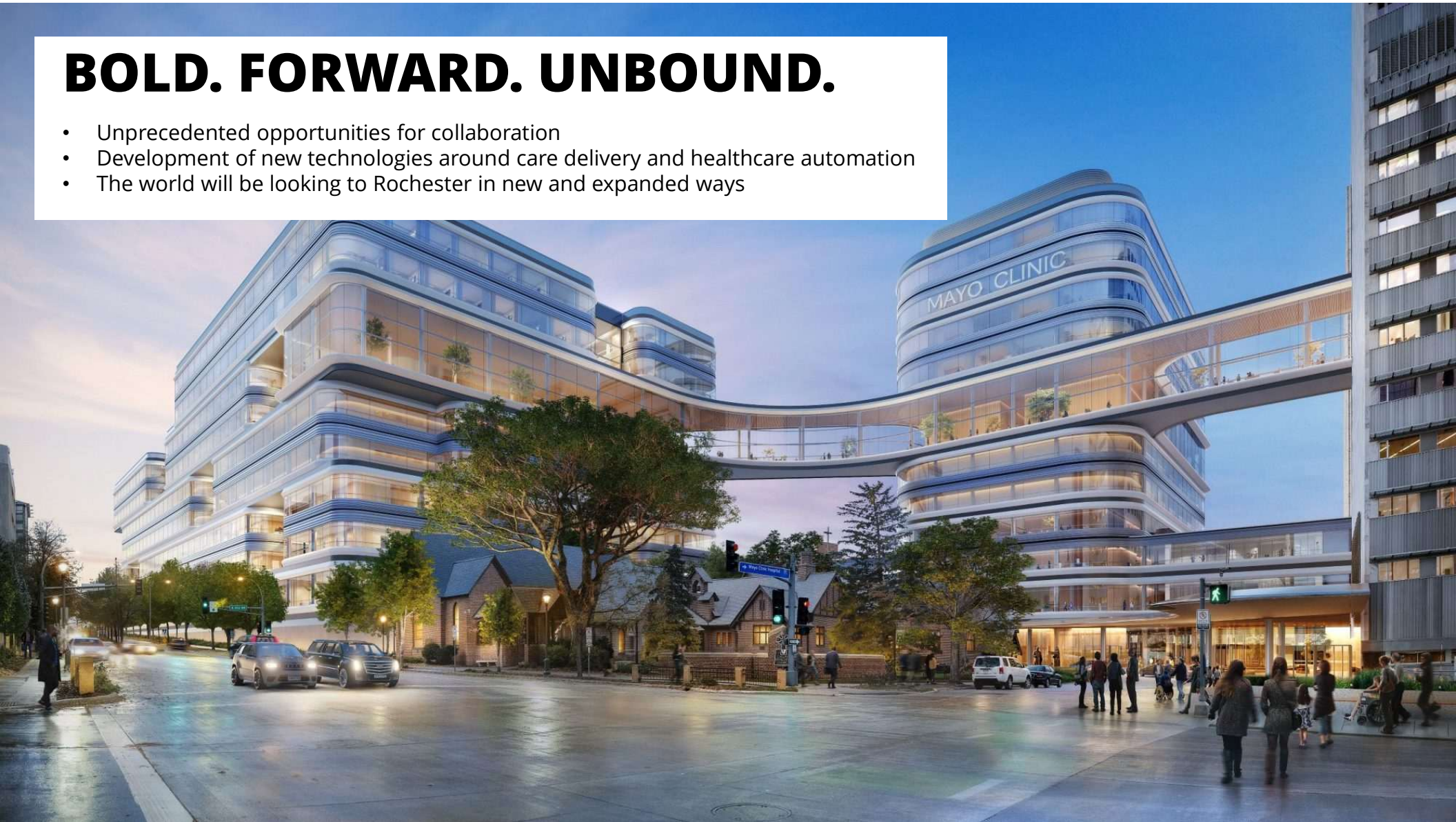
\* Mortenson is contributing \$1.3M in rent reductions.

\*\* Additionally, Mission BioCapital is contributing \$2M toward the BioLabs-Rochester operation through a unique investment relationship with Mayo Clinic



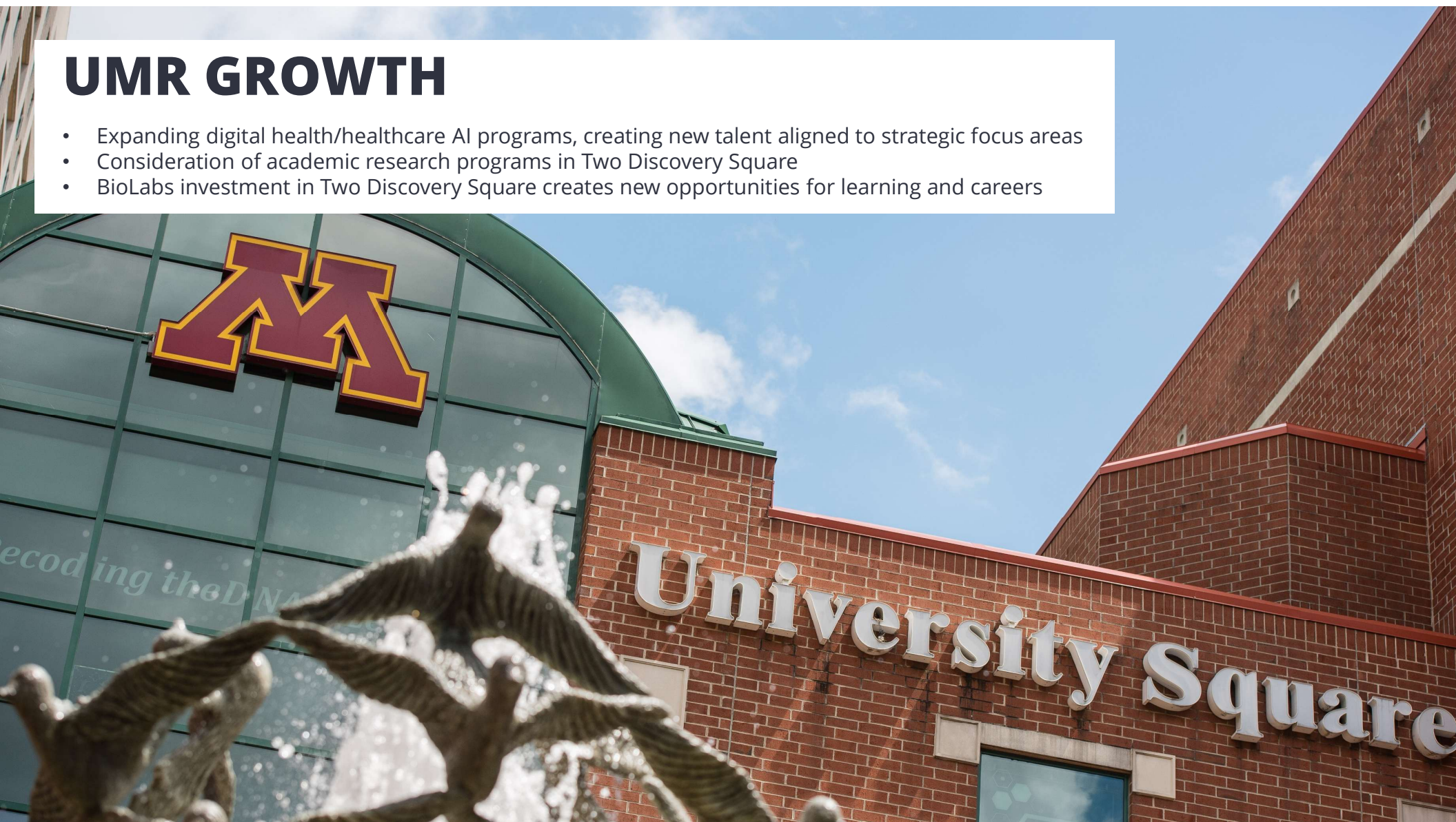
# **BOLD. FORWARD. UNBOUND.**

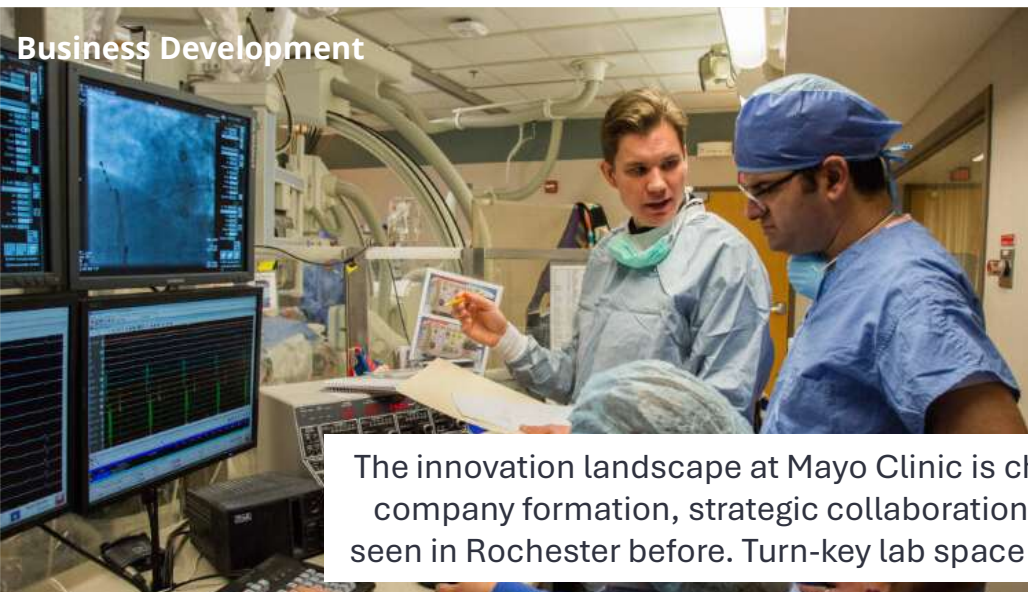
- Unprecedented opportunities for collaboration
- Development of new technologies around care delivery and healthcare automation
- The world will be looking to Rochester in new and expanded ways



# UMR GROWTH

- Expanding digital health/healthcare AI programs, creating new talent aligned to strategic focus areas
- Consideration of academic research programs in Two Discovery Square
- BioLabs investment in Two Discovery Square creates new opportunities for learning and careers





The innovation landscape at Mayo Clinic is changing, supercharging entrepreneurship, new company formation, strategic collaborations, and corporate relocation in ways we've not seen in Rochester before. Turn-key lab space will ensure we **capitalize on this opportunity**.



Innovation Exchange

Platform

# RISK MITIGATION

## Private Investment

Private sector investments from Mayo Clinic, Mortenson, and BioLabs are significant, and will precede the public sector investments being made.

## World-Class Operator

Eight alternative operators have been reviewed, and the collective determination has been made that BioLabs is our best possible partner.

## Clawback Provisions

Development agreements will include clawback provisions enabling us to recoup some portion of the public investment should this not succeed.

## Strategic Alignment

Targeted areas of scientific focus and partnership opportunities are aligned with Mayo Clinic research shield strategic priorities and expertise.

## Engaged Governance

Management at the highest level of Mayo Clinic and DMC will be actively engaged in the governance of this initiative and monitoring success metrics.

## Coordinated BD Efforts

Mayo Clinic, Mortenson, BioLabs, and DMC will have coordinated business development efforts ensuring an aligned approach to filling this space.



# AN EXTRAORDINARY OPPORTUNITY

## Revenue Effect

We are investing in infrastructure that has the potential to create a financial 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 in the country, 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

The formation of new HealthTech companies in Rochester will create 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.



# Housing Development

May 2025



**DMC**

Destination Medical Center  
Rochester, MN

## **Today's Discussion**

- Three housing projects coming forward for action, totaling 557 units



# AFFORDABLE LIVING – Rochester, MN

To enhance the quality of life of Rochester residents.



Lower rent/mortgage costs



Lower transportation costs



Lower utility costs



## **Civic Center North (Sherman)**

Review revised application for DMCC Request for TIF and \$3M of DMC GSIA Infrastructure Funds

To realize:

- 341 units of mixed income housing
- Within 2-block walking distance of:
  - Downtown retail
  - Major employment centers
  - Community trail system



# PROJECT LOCATION



Directly north of  
Mayo Civic Center

Existing City-owned  
public surface  
parking lot

Along Riverfront

Subject of City RFP



# Revised Project Details

Mixed-income apartment complex  
Shared parking  
Riverfront connection

## Revisions:

Increase in number of market rate units  
No longer first private development customer of Downtown Thermal Energy Network

	Current Proposed Unit Counts	Prior-Approved Unit Counts
30% AMI Unit Count	14 (+1)	13
50% AMI Unit Count	36 (-2)	38
60% AMI Unit Count	26 (+1)	25
Market Rate	265 (+22)	243
TOTAL	341	319



# Community Benefits

Mixed Income Housing  
Priority parcel improvement  
Increased Tax Base  
Designed to meet Sustainability Goals  
Targeted Business Requirements  
Walkability to downtown and employment  
Riverfront connectivity



## **Funding Recommendation**

DMC EDA Recommendation:

Authorize the use of TIF, up to \$13.5M

Up to \$500,000 in DMC GSIA exclusively for  
riverfront public realm improvements

(from Strategic Development fund)



## **Loom Apartments (Onward)**

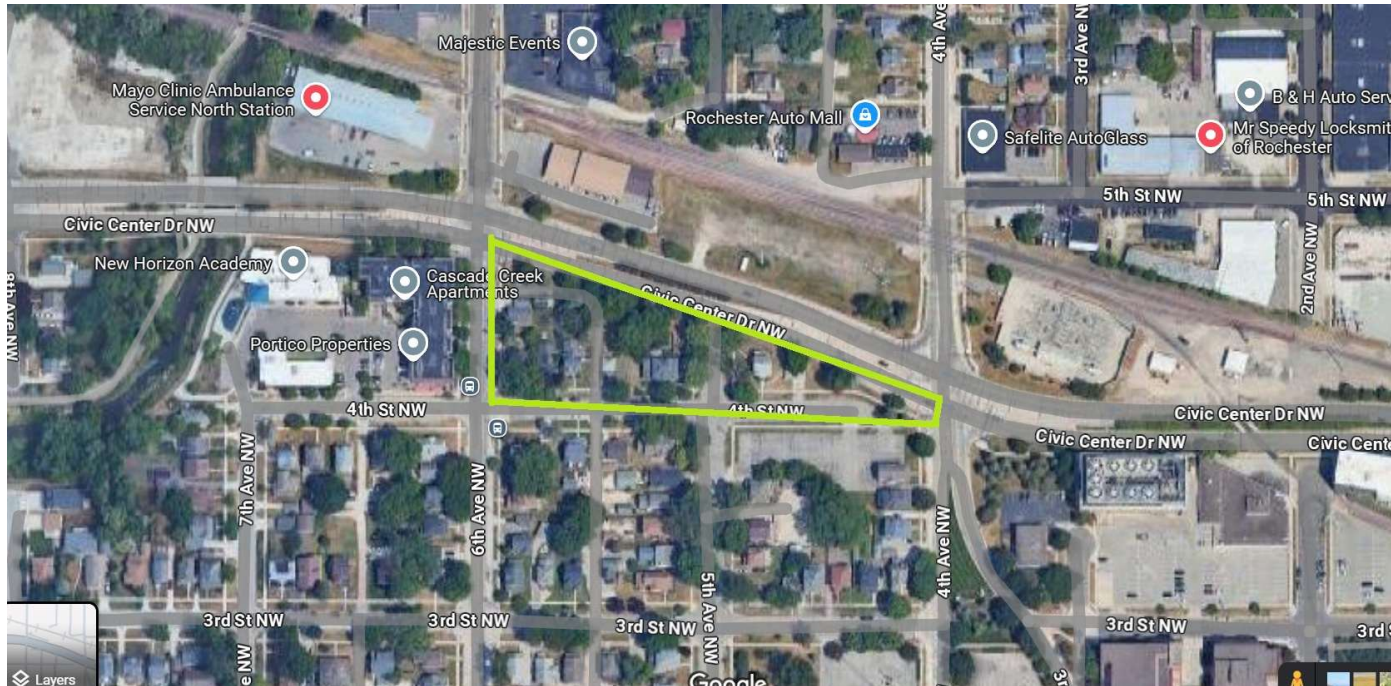
Review new application for  
DMCC Request for TIF and  
\$5.5M of DMC GSIA

To realize:

- 141 units of all-affordable housing
- Community-oriented retail, bike and EV amenities within short walking distance of:
  - Mayo Bold. Forward. Unbound.
  - 6<sup>th</sup> Street/Civic Center Drive gateway



# PROJECT LOCATION



On Civic Center Drive  
gateway

Existing low density  
housing assemblage



# PROJECT DETAILS

All-affordable 50% AMI apartment complex

Community-oriented retail space  
(below market rents)

On-site geothermal and solar  
Bike, EV and public realm  
improvements

Aiming for speed-to-market (July  
closing)



# Community Benefits

- Revitalizes underutilized gateway site
- Provides balanced, sustainable housing stock
- Promotes neighborhood stabilization and revitalization
- Project goes beyond the City and DMC sustainability requirements, including on-site geothermal and solar
- Mid-block public breezeway
- Community-oriented commercial space on the ground floor
- Enhanced ground floor design to encourage pedestrian activity
- Curbside public EV parking collaboration partner



## GSIA Funds 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
- 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
- No developer adverse tax event as part of receiving GSIA funds
- Site development commences before year-end 2025



# Funding Recommendation

Up to \$4M in DMC GSIA

(from Strategic Development fund)



## **WTV**

### **Aeon Phase 1**

Review revised project DMCC Request for \$3.9M of DMC GSIA Infrastructure Funds and TIF request

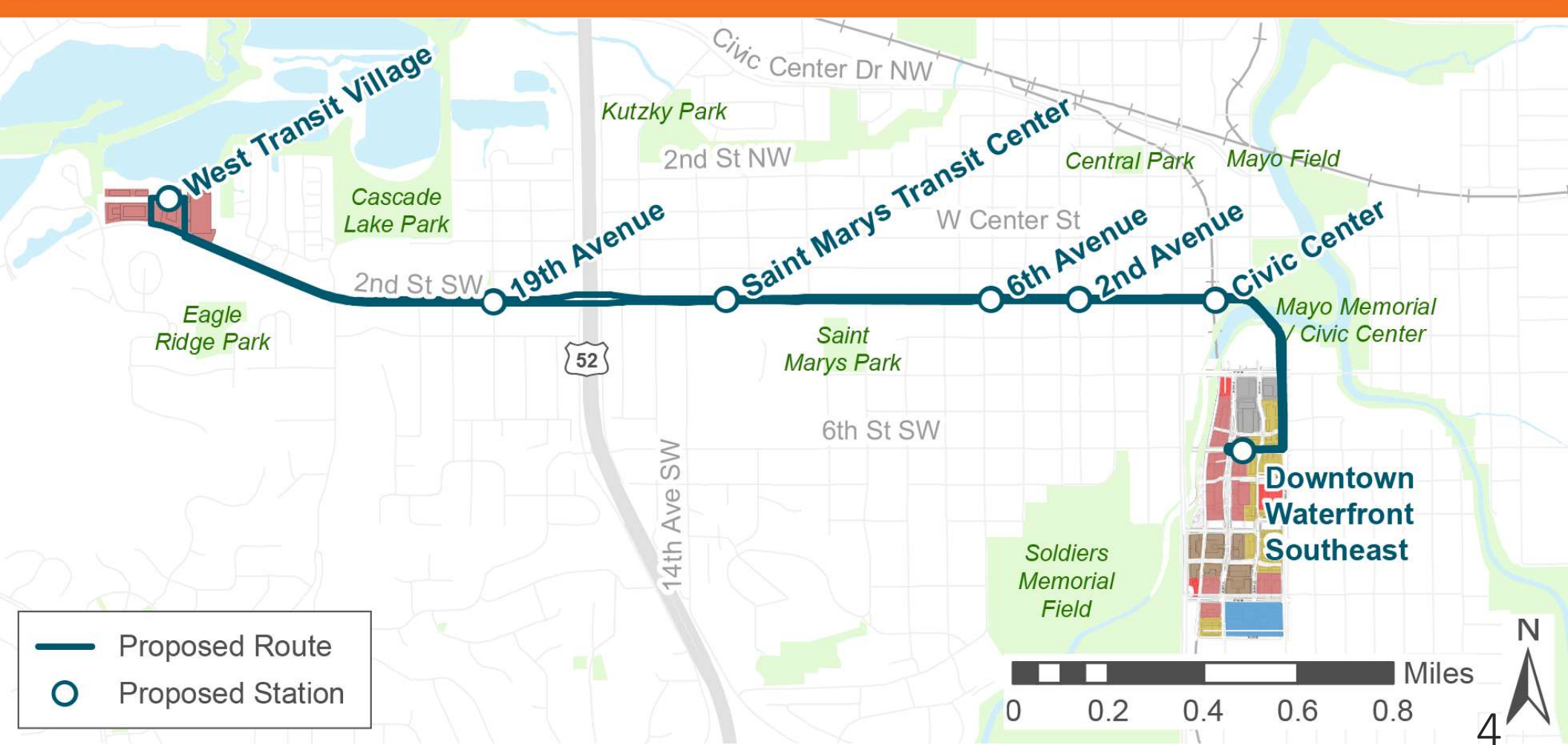
To realize:

- 75 units of senior affordable housing
- First step of creating a “village” alongside the transit infrastructure
- Leverage access to additional funding
- Align with the BRT construction schedule



Runs every 5 minutes during peak – opens spring 2026

# New LINK Bus Rapid Transit



# West Transit Village

## Transit:

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



## Village:

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



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

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



## Revised Project Details

- Number of units has been revised to 75 total units to better position the project for MN State funding request in July
- TIF district has been established and now an amount the City is supporting in TIF resources can be allocated to this project



## **Community Benefits**

Senior affordable housing

Priority parcel improvement

First step in building the village

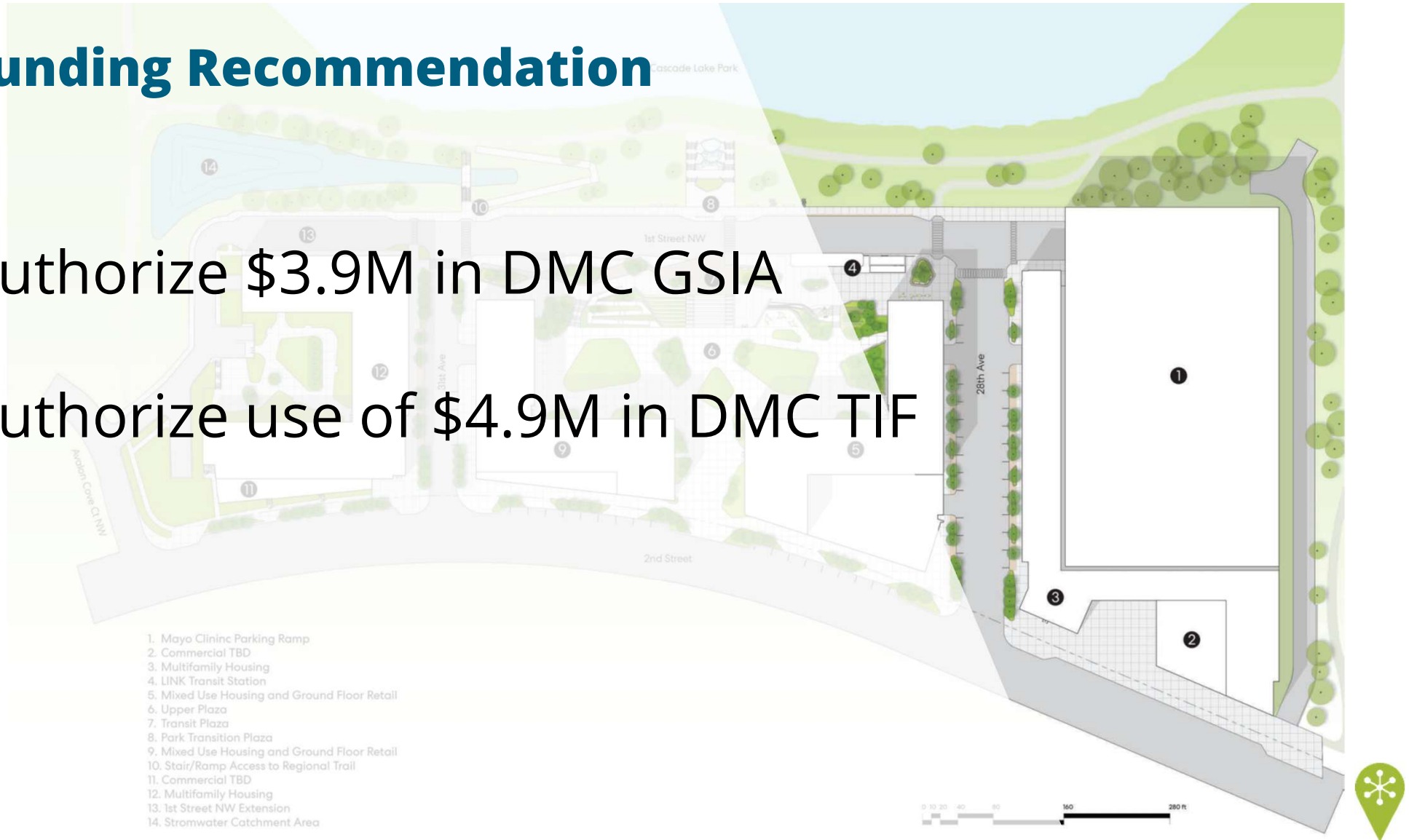
Direct connection to BRT system



# Funding Recommendation

Authorize \$3.9M in DMC GSIA

Authorize use of \$4.9M in DMC TIF



# DMC HISTORIC PROPERTY SUPPORT

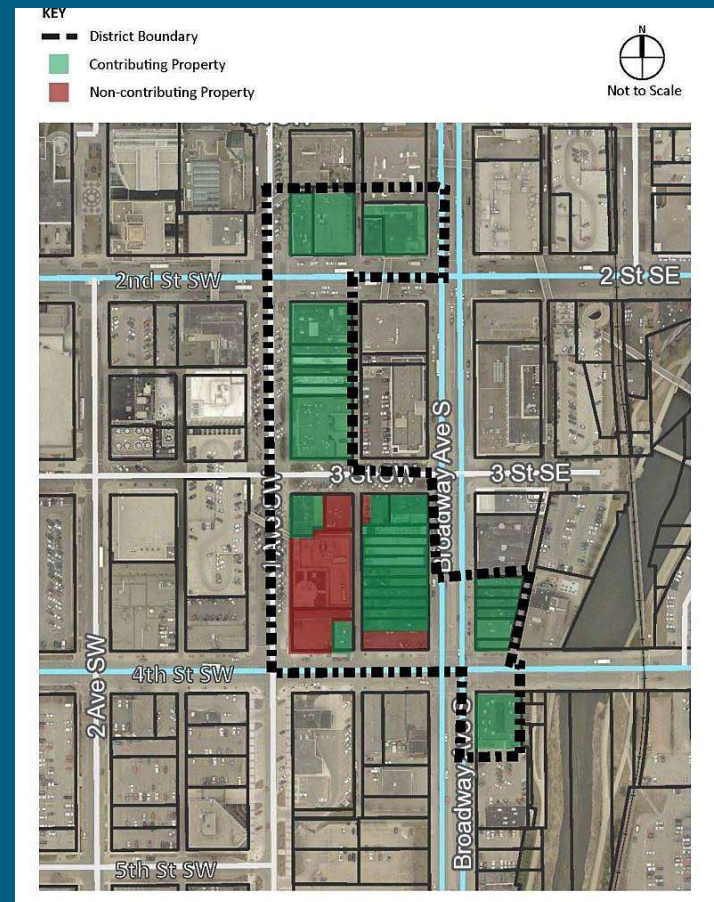
May 2025



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Destination Medical Center  
Rochester, MN

# Rochester Historic District



# — Tracking DMC Historic District Support

	Projected		Actual	
	Number of Projects	DMC Support	Number of Projects	DMC Support
Adaptive Reuse	5 - 8	\$2.5 – 4M	2	\$370,473
Building System Upgrades	12 -16	\$600 – 800K	2	\$184,035
Building Safety + Preservation	12 -16	\$300 – 400K	5	\$801,960
Code Modernization	7 -12	\$175 – 300K	0	\$0
Total Investment into the Historic District				
\$1,756,468				



**216 First Ave SW**

**Bebap Korean Eats**



**324 S Broadway**

**Second Floor, Fagan Studios**



**22 3<sup>rd</sup> St SW**

**Kruesel's General  
Merchandise**

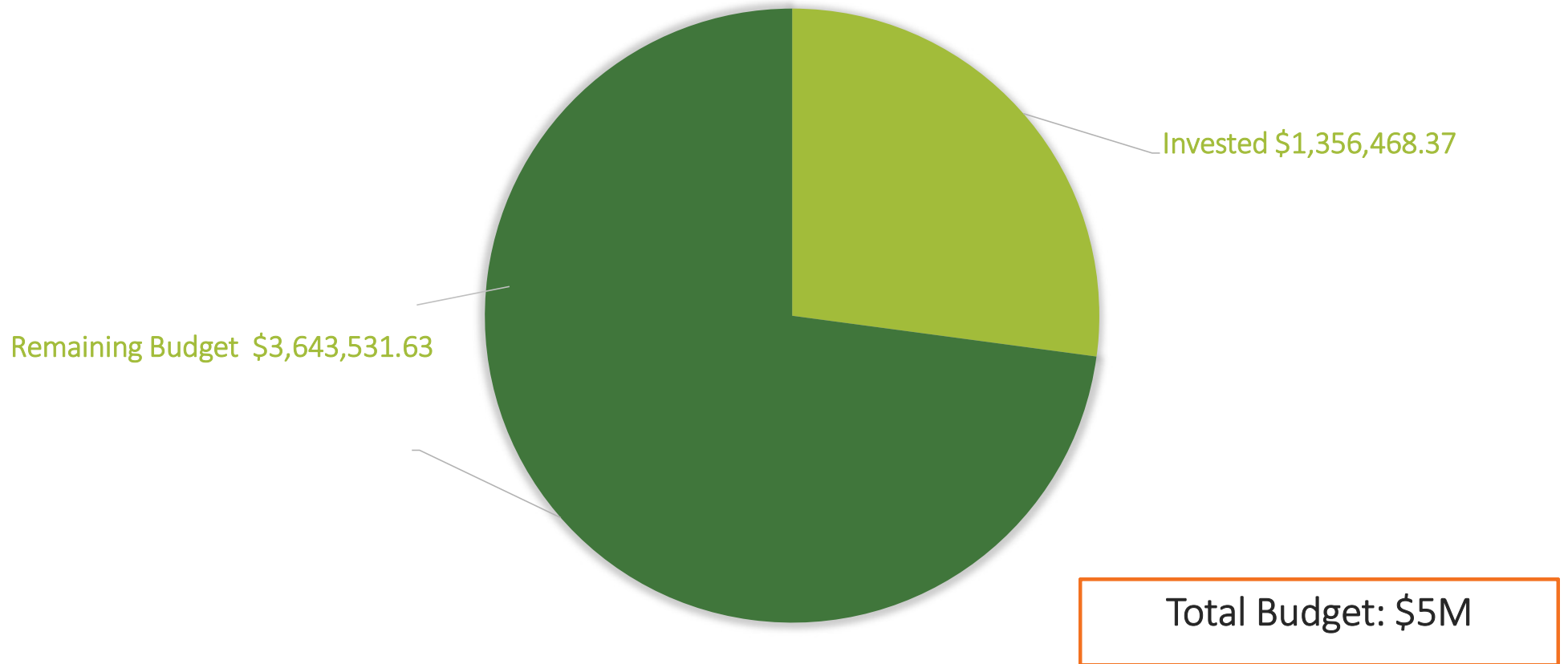


**326-328 S Broadway**

## Funding Applications

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 <sup>nd</sup> story into occupiable tenant space	Adaptive Reuse	\$490,370	\$245,185
22 3 <sup>rd</sup> 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

## IF APPROVED - TOTAL DMC INVESTMENT IN HISTORIC DISTRICT



# Recommendation

Advance the projects for funding under the DMC Downtown  
Property Preservation Program



# LINK BRT



**DMC**

Destination Medical Center  
Rochester, MN

# Updated Project Budget & Resources



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
<b>Total project estimate</b>	<b>\$ 157,016,156</b>
Additional Unallocated Contingency	\$ 18,477,359
<b>Revised Total Project Estimate</b>	<b>\$ 175,493,515</b>

Funding Source	Amount
DMC County Transit Aid	\$ 22,713,332
DMC State Transit Aid	\$ 51,965,532
DMC GSIA	\$ 11,132,843
City Water Assessment	\$ 150,000
City Sewer Assessment	\$ 225,000
MNDOT State Grant	\$ 4,389,640
FTA Small Starts Grant	\$ 84,917,168
<b>Total project resources</b>	<b>\$ 175,493,515</b>

## Request of the Board

- Overall project budget is inclusive of:
  - Professional Technical Services for A&E Design
  - Procurement
  - Construction (Civil Infrastructure, Stations & Platforms)
  - Construction Management Services
  - Bus Contingency
- Authorize City of Rochester to expend up to \$9.75M of unallocated contingency to secure project bids, if required.



# DMC DISTRICT BOUNDARY MODIFICATION



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Destination Medical Center  
Rochester, MN

# Background and Recommended Modifications

- State DMC statutes authorize creation of the DMC development district and define process for modification
- District has been modified before to incorporate entirety of Berkman Apartments parcels and West Transit Village + corridor
- Recommended modifications would:
  - Incorporate easements for LINK BRT infrastructure
  - Incorporate additional property into WTV, allowing for infrastructure improvements
  - Allow for construction of an off-site BRT vehicle maintenance facility
- Costs associated with these modifications and capital improvements are funded through the approved Link BRT project budget.



# West Transit Village

Property Adjacent to West Transit Village



4/22/2025, 10:55:09 PM  
Centerlines  
— <all other values>  
— City Street  
— County Road

0 0.01 0.02 0.04 mi  
0 0.01 0.02 0.04 km

1:1,128

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

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City Property Adjacent to West Transit Village



4/22/2025, 10:42:24 PM  
Centerlines  
— <all other values>  
— City Street  
— County Road

0 0.03 0.06 0.11 mi  
0 0.04 0.09 0.17 km

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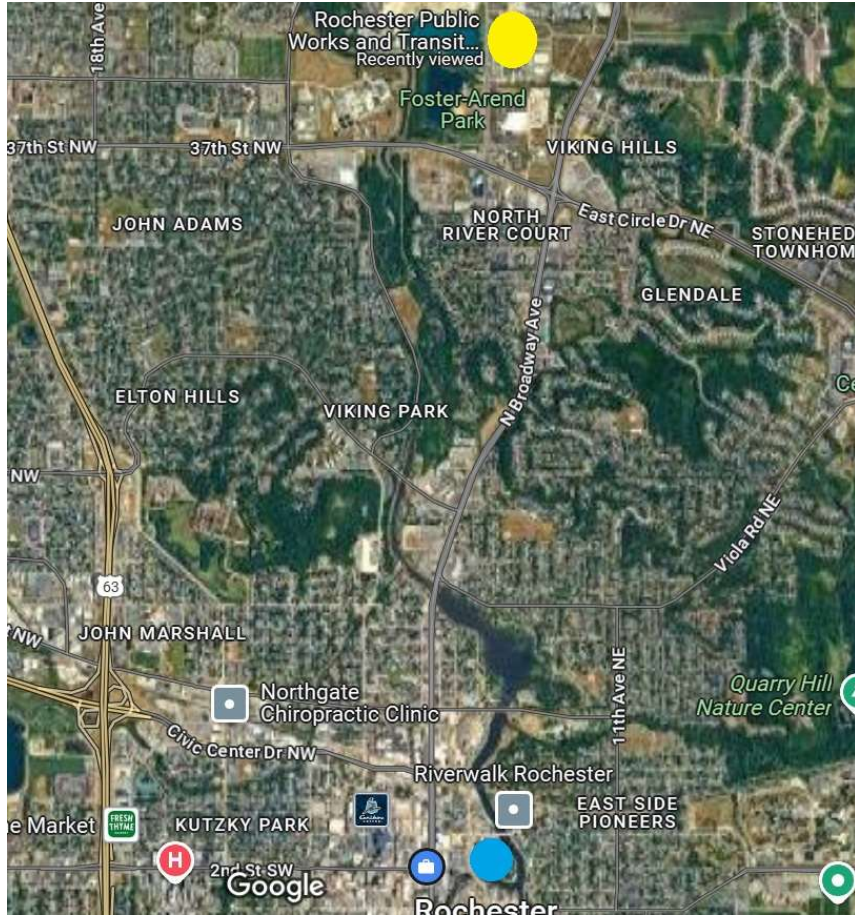
Olmsted County, MN GIS Division and Olmsted County, MN Property Records and Licensing. Sources: Esri, HERE, Garmin, Intermap, increment P Corp., GEBCO, USGS, FAO, NPS, NRCAN, Geobase, IGN, Kadaster NL, Ordnance Survey, Esri Japan, METI, Esri China (Hong Kong), (c) OpenStreetMap

Web AppBuilder for ArcGIS

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# Public Works and Transit Operations Center



# 2026 DMC CAPITAL AND OPERATING BUDGET

May 2025



DMC

Destination Medical Center  
Rochester, MN

# Today's Discussion



**Identify board volunteers to informally advise DMC EDA and City staff**

**Affirm 2026 Work Plan and Budget development direction**





# ANNUAL WORK PLAN & BUDGET

Includes:

Capital Improvement Program

DMC EDA workplan and operating budget

City DMC Project Management team

DMCC operating budget

Annual working capital loan renewal





## TIMELINE

**May-August 2025:** Workplan and budget prep

**September 11, 2025:** DMC EDA board consideration

**September 25, 2025:** DMCC board consideration

**October 2025:** Rochester City Council consideration



A photograph of a modern interior space, likely a library or community center. The room features large windows on the left side, providing a view of the outdoors. In the foreground, there are several rows of wooden bleachers with blue and yellow cushions. To the left of the bleachers, there is a seating area with yellow and brown armchairs and small round tables. A digital display on the wall shows a colorful graphic with the text "ACCESS | MAYO CL". The ceiling has exposed ductwork and lighting fixtures.

## 2026 CAPITAL PLAN DIRECTION

**Complete current projects  
Sufficiently support infrastructure  
adjacent to Bold. Forward. Unbound.  
Preserve resources for 5-year update  
priorities.**



# Today's Discussion



**Identify board volunteers to informally advise DMC EDA and City staff**

**Affirm 2026 Work Plan and Budget development direction**



# 2025 DMC Plan Update

May 2025



DMC

Destination Medical Center  
Rochester, MN

# LEGISLATIVE REQUIREMENTS

- **DMC Plan must be updated at least every five years, was last updated in 2020**
- **The plan must include specific elements:**
  - Known DMC projects
  - Maximum opportunity for private development
  - Conformity with the City Comprehensive Plan
  - Planning specific to certain market segments (housing, research, education, etc.)
  - Fiscal and economic impacts
  - Framework to prioritize public investment and facilitate private development, including the criteria and process for evaluating and underwriting development proposals
  - Land use, transportation, operations, and market research plans



# CONTINUOUS + ONGOING PLANNING

First 5-year update to the 20-year Plan

Guiding Document for DMC 20-year vision



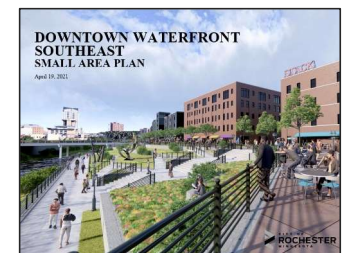
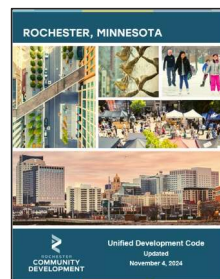
Regional +  
City  
Strategies

Area  
Plans

Updated  
Market  
Studies



Sample 2020-2024 Strategic Planning



# LOOK AHEAD: SCOPE

**Review** of all past work

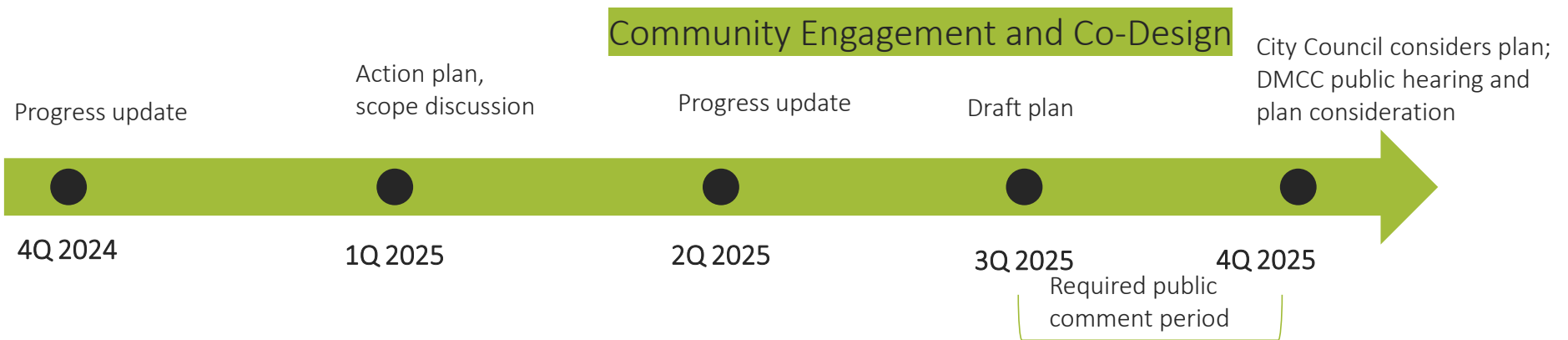
**Synthesize** and **playback** the results with stakeholders and public

**Re-articulate** a Shared, Actionable, Vision of DMC that tells the story of transformation

Out of that shared vision, a set of potential **projects are identified**, along with **framework for viability that centers people and place**



# Timeline



# ALIGNING INFRASTRUCTURE



DMC

Destination Medical Center  
Rochester, MN

# Background

- Mayo Clinic, the City of Rochester, and Destination Medical Center are aligned on principles guiding development and infrastructure improvements.
- Guiding Principles:
  - Provide the best experience possible throughout construction
  - Maximize opportunities
  - Connectivity
  - Elevated experience in and around development
  - Communication and engagement.



# **DMC Corporation Board of Directors Meeting**

**Thank you for joining us.**

**Today's other events:**

**\*Luncheon Marking 10 Years' of DMC:**

**12:00-1:30 P.M.**

**Third Floor, Hilton Hotel**

***\*Event is ticketed and is sold out.***

**2025 DMC-City-County Collaborative Session**

**1:30-3:00 P.M.**

**Fourth Floor, Hilton Hotel**

