DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. 194-2026

A RESOLUTION DESIGNATING A DMC PUBLIC INFRASTRUCTURE PROJECT AND APPROVING FUNDING (UNIVERSITY OF MINNESOTA ROCHESTER PROJECT)

The following Resolution was offered by Kristin Beckmann, seconded by Kim Norton.

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 2026-2027 Five Year Capital Improvement Plan (the "**2026-2027 CIP**") on September 25, 2025 and approved the projects set forth in the first two years of the 2026-2027 CIP as public infrastructure projects within the meaning of Minnesota Statutes Section 469.40, subdivision 11, and consistent with the Development Plan. The 2026-2027 CIP was later approved by the City.

E. The 2026-2027 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 $3,000,000 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. The University of Minnesota Rochester (the "**Applicant**") submitted a Joint Funding Application (the "**Request**") for applied life-science and health-tech workforce development space in One Discovery Square and 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 in Discovery Square at the proposed pace, scale, and alignment without DMC 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 unique in the region, creating a necessary economic driver and job creator.

6. The Proposed Project aims to locate teaching, laboratory, and workforce-development capacity inside Discovery Square, supporting one of the conditions set for Discovery Square's long-term success, talent: employers, innovators, and ecosystem partners need a visible workforce and learning pipeline embedded in the district itself.

7. The Proposed Project will serve as an anchor within the subdistrict and achieve the DMC priority to Accelerate Health Innovation, while also supporting Drive Purposeful Growth

through a district-serving investment in Discovery Square, consistent with Rochester's role as America's City for Health.

8. The infrastructure investment included within the Proposed Project has the potential to provide returns at levels in excess of other investments, through workforce and learning capacity generation, which represents one of the most strategic uses of DMC Strategic Development resources within Discovery Square.

9. 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.

10. The Proposed Project will serve as a catalyst development in the subdistrict.

11. The Proposed Project will support Discovery Square and the activation of the area.

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

13. The Proposed Project supports the economic strategies of the Development Plan by providing uses 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 $3,000,000 subject to the following conditions (collectively, the "**Conditions**"):

1. DMCC's contribution to the Proposed Project shall not exceed the investment approved and expended by the Regents of the University of Minnesota ("System investment") in the Proposed Project. For purposes of this condition, the System investment shall include only documented cash contributions, equity investments, or irrevocable funding commitments specifically allocated to the Proposed Project, and shall not include in-kind contributions, staff time, or indirect costs unless expressly approved in writing by the EDA. The Applicant shall provide satisfactory evidence of its investment to the City prior to disbursement of any DMCC funds.

2. DMCC funding for the Proposed Project shall be limited to documented eligible hard costs associated with permanent improvements. Prior to any disbursement of DMCC funds, the Applicant shall submit to the EDA and City for review and approval: (a) final test-fit plans; (b) itemized construction cost estimates from qualified contractors; and (c) such other documentation as the EDA and City may reasonably require to confirm the scope and eligibility of reimbursable expenditures.

3. Prior to the disbursement of any DMCC funds, the Applicant must provide evidence of financing for the Proposed Project satisfactory to the City and EDA. Such evidence shall include, at a minimum: (a) executed financing commitments or loan agreements from institutional lenders or other funding sources; (b) documentation of available equity or reserves sufficient to cover any funding gap; and (c) a sources and uses statement demonstrating that committed funds

are sufficient to complete the Proposed Project. The City and EDA may require updated evidence of financing at any time prior to final disbursement if material changes to project scope or costs occur.

4. 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.

5. 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.

6. Any DMC-funded improvements within the Proposed Project may not be removed, without the prior written consent of the EDA.

7. Upon reasonable request by the DMCC, EDA, or City, the Applicant shall provide financial and operating progress reports sufficient to demonstrate that the Proposed Project, as constructed, is consistent with the Proposed Project as approved in this Resolution.

8. Such other conditions as set forth on **Exhibit A**.

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

10. 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, to negotiate the Development Agreement, and any modification thereto, as may be necessary and appropriate to permit the efficient and collaborative development and operation of the Proposed Project. The EDA is further authorized to negotiate modifications to the conditions set forth in this Resolution; provided, however, that the EDA shall not have authority to (i) waive or materially modify Condition Number 1 (requiring that DMCC's contribution not exceed the System investment), or (ii) agree to any modification that would materially diminish the protections afforded to DMCC or the public interest, without prior approval of the DMCC Board of Directors.

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.

The question was on the adoption of the Resolution and there were __7__ YEAS and __0__ NAYS, as follows:

BOARD OF DIRECTORS
Destination Medical Center Corporation

	YEA	NAY	OTHER
Douglas M. Baker, Jr.	X		
Kristin Beckmann	X		
Kim Norpton	X		
Randy Schubring	X		
Mark Thein	X		
Pamela Wheelock	X		
Paul D. Williams	X		

RESOLUTION ADOPTED on May 21, 2026.



ATTEST: _____
Pamela Wheelock, Chair
Destination Medical Center Corporation

EXHIBIT A

May 13, 2026

To: Chair Pamela Wheelock and Directors of the DMC Corporation
From: Patrick Seeb, Executive Director, DMC EDA

Re: UMR Funding Request: Strategic Framing for Board Discussion

The DMC EDA has received and evaluated a University of Minnesota Rochester ("UMR") application for DMC funding to support life-science and health-tech workforce development space in Discovery Square. The DMC EDA believes there is a credible path to recommending DMC investment if funds are limited to eligible improvements and governed by conditions ensuring durable district benefit. Before the DMCC turns to the enclosed evaluation, however, the DMC EDA suggest that this request be understood not as a conventional tenant improvement, but as a strategic implementation choice about the continued development of Discovery Square itself.

That framing matters because Discovery Square was never intended to be only a collection of buildings. From the beginning, it was envisioned as the place in Rochester where research, education, innovation, and commercialization would converge to generate jobs, company formation, and long-term economic diversification. DMC and its partners have already helped establish important components of that district through public infrastructure, vertical development, Mayo Clinic research presence, and, more recently, startup-oriented lab infrastructure. The question before the board is whether DMC intends to continue that implementation logic by strengthening another essential district condition: talent and learning infrastructure embedded in Discovery Square itself.

In the DMC EDA's judgment, UMR is well positioned to help supply that missing ingredient. Rochester's next phase of economic development increasingly requires treating talent as a form of infrastructure, not merely as a downstream output of growth. Prior DMC work has already pointed in that direction. Discovery Square planning and later ecosystem analysis identified talent availability as one of the defining conditions of the district's long-term competitiveness. As BioLabs Rochester comes online and Discovery Square moves into a more mature phase, that need becomes more acute. The district requires not only physical space, but visible, proximate, and adaptable institutions capable of preparing our workforce, supporting applied learning, and connecting more directly to a growing life-science and health-tech ecosystem.

The DMC EDA therefore believes this request should be understood as more than a facility matter for UMR alone. It presents a meaningful opportunity to deepen the role of the University of Minnesota in Rochester's priority innovation district. UMR's broader Rochester trajectory suggests this investment would not be an isolated act, but part of an intended larger and evolving institutional presence in the DMC district, and staff believe that trajectory is strategically relevant.

In a district intended to grow through the convergence of research, education, and enterprise, a stronger and more durable University of Minnesota presence within Discovery Square would be a meaningful development for DMC to encourage.

At the same time, the DMC EDA does not present this request as opening a general pathway for ongoing DMC investment in future University capital expansion. The University of Minnesota has its own established campus financing and development tools, and staff do not regard DMC as a general-purpose source of support for typical academic growth. The present request is supportable because of the narrower and more unusual conditions here: the project can be immediately constructed within leased space in Discovery Square; the funded improvements can be limited to permanent, eligible elements; and the resulting space can be conditioned to function as district-serving talent infrastructure meaningfully connected to, and usable within, the broader Discovery Square ecosystem. In staff's judgment, those features distinguish this request from a conventional academic buildout and make it appropriate for DMC investment.

The long-term success of Discovery Square depends on assembling, over time, the components common to successful innovation districts: service providers; workforce development and availability; clinicians and researchers; investors; cluster organizations; and industry. DMC and its partners have already helped establish several of those conditions. Staff view the UMR request as a meaningful next step in that progression and as an early step in the deeper anchoring of the University of Minnesota in Discovery Square.

The DMC EDA also believes this request arrives at a moment when capital allocation discipline increasingly matters. Recent and anticipated commitments materially decrease unrestricted capital in the near term, even as several large and plausible future claims on DMC resources remain in view. At the same time, DMC has reached a stage at which implementation choices must become more explicit, distinguishing between projects that are merely supportable and projects that reflect the board's highest-order strategic priorities. In staff's judgment, that kind of filtering and rank-ordering is increasingly an essential advisory responsibility of the DMC EDA. If Discovery Square is to remain a priority, then projects that strengthen its innovation ecosystem, talent infrastructure, and long-term competitiveness should receive more serious consideration than lower-leverage or more incidental claims on DMC funds.

For these reasons, the DMC EDA requests that the board affirm two related propositions: first, that Discovery Square should continue to be treated as a priority subdistrict within DMC's next phase of implementation; and second, that investments capable of strengthening Discovery Square's talent infrastructure and institutional depth should receive especially serious consideration where they can be structured to preserve durable district benefit without implying a general DMC obligation to support future institutional expansion. If the board prefers to proceed under a different theory of support, staff would benefit from discussing that now so that this and future requests may be more appropriately framed and evaluated.

City of Rochester, MN
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Memo

To: DMCC Board of Directors

From: City of Rochester, Administration

Date: May 21, 2025

Subject: Consideration of the Regents of the University of Minnesota request for GSIA funding for tenant improvements in One and Two Discovery Square GSIA Request

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The City of Rochester provides the following on the proposed improvements at One and Two Discovery Square. The Regents of the University of Minnesota (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. UMR's 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 conversion of one classroom to a hooded lab, approximately 1,400 square feet in One Discovery Square and the development of approximately 12,603 square feet of administrative space, labs, and classrooms across floors 2 and 3 in Two Discovery Square.

Enrollment Growth and Urgency:

UMR's existing lab classrooms are already operating at capacity. Enrollment grew from 938 students in Fall 2024 to 1,122 in Fall 2025 (a 20% jump in a single year), with projections reaching 1,420 in 2026, 1,779 in 2027, and over 2,500 by 2030. Without this expansion, UMR faces capping enrollment while awaiting additional facilities, directly constraining the

regional healthcare workforce pipeline this City and DMC investment is designed to support.

Expanding UMR's lab space within Discovery Square, adjacent to BioLabs Rochester, is also strategically significant. UMR plans to partner with BioLabs and its tenants on tailored workforce programs, credentials, and applied research pathways that would not be achievable outside this ecosystem. With BioLabs anticipated to open in September 2026, timing is critical. Without DMC investment, any additional lab capacity would likely be located outside the Discovery Square innovation district, diminishing the broader ecosystem impact.

UMR's expanding program portfolio further underscores this urgency. Upcoming offerings include digital health, community and mental health, and enhanced pre-med preparation, alongside expanded University of Minnesota system programs in nursing, occupational therapy, pharmacy, and dentistry. UMR's existing partnership with Mayo Clinic School of Health Sciences, which includes certificates in echocardiography, sonography, respiratory care, and radiology, demonstrates the caliber of workforce outcomes this facility will support.

Alignment of Goals:

The expansion of UMR advances shared priorities for the City, DMC, and the University of Minnesota. These goals include:

- Talent and Workforce
- Economic Engine
- Innovation and Learning
- Experiential Learning
- Built Environment and Health
- Community Vibrancy

Alignment with the DMC Strategic Priorities:

Our preliminary review suggests that the project aligns with the three strategic priorities found in the recent five-year update to the DMC Development Plan:

- **Accelerate Health Innovation**: Expanding Discovery Square and the regional innovation ecosystem through entrepreneurship, education, and capital formation.
- **Design for Well-Being:** Embedding health, sustainability, and equity into infrastructure, urban design, and public investment.
- **Drive Purposeful Growth:** Advancing Rochester's livability, culture, and visitor experience to recruit and retain talent.

Financial and Development Support

The City acknowledges that Regents of the University of Minnesota is seeking $3.0 million in General State Infrastructure Aid (GSIA) to support the tenant improvements at One and Two Discovery Square. The total projected cost for build-out of the improvements is approximately $10.38 million, with additional funding contributions from UMR and the 2012 City Sales Tax Funds.

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 UMR project as strengthening Discovery Square and advancing 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 $3.0 million in Strategic Redevelopment funds from General State Infrastructure Aid (GSIA) for the Regents of the University of Minnesota 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 continuing collaboration with the DMCC Board, DMC EDA, and the University of Minnesota Rochester as the improvements progress.

Sincerely,

Josh Johnsen
Senior Economic Development Specialist
City of Rochester

May 13, 2026

To: Chair Pamela Wheelock and Directors of the DMC Corporation
From: Clark Otley, M.D., President, DMC EDA Board of Directors
Patrick Seeb, Executive Director, DMC EDA

Re: Applied Life-Science & Health-Tech Workforce Development Facilities (University of Minnesota) DMC EDA Funding Recommendation

Dear Chair Wheelock and Members of the Board:

The DMC legislation directs the DMC EDA to evaluate development proposals and make recommendations to the DMCC and the City. Enclosed is the DMC EDA evaluation of the Joint Funding Application submitted by the University of Minnesota Rochester ("UMR") for applied life-science and health-tech workforce development space in One Discovery Square and Two Discovery Square. Following that review, the DMC EDA recommends that the board advise the DMCC to approve up to $3 million in DMC General State Infrastructure Aid, subject to final validation of eligible hard costs and conditions sufficient to ensure the project functions as durable, district-serving talent infrastructure.

The DMC EDA believes this project presents a significant opportunity to strengthen Discovery Square at an important stage in its development. DMC and its partners have helped establish the district's physical platform through One Discovery Square, Two Discovery Square, and related public investments. One of the conditions for Discovery Square's long-term success is talent: employers, innovators, and ecosystem partners need a visible workforce-and-learning pipeline embedded in the district itself. This proposal directly responds to that need by locating teaching, laboratory, and workforce-development capacity inside Discovery Square.

With BioLabs Rochester expected to open in 2026, the DMC EDA views this as a timely opportunity to better connect, training, research, and industry in one place. In that respect, the project aligns most directly with the DMC plan update priority to Accelerate Health Innovation, while also supporting Drive Purposeful Growth through a district-serving investment in Discovery Square, consistent with Rochester's role as America's City for Health.

Because the proposed facility functions primarily as district-serving workforce and learning infrastructure rather than as a conventional revenue-producing real-estate development, the DMC EDA did not apply a traditional underwriting analysis. Instead, staff evaluated whether DMC investment can be directed to eligible improvements; whether those improvements will retain durable value within Discovery Square; whether UMR has long-term operating capacity; and whether the project can be pursued in a manner that protects a meaningful public purpose. Staff also reviewed draft leasing materials, fit-plan information, and related business terms for UMR's contemplated occupancy in One Discovery Square and Two Discovery Square.

Based on the information currently available, the DMC EDA believes the project is unlikely to proceed in Discovery Square at the necessary pace, scale, and district alignment without DMC investment. The recommended funding would draw from previously authorized Strategic Development funding and would not alter DMC's long-term financial outlook. UMR would assume responsibility for operations and maintenance, and the project would impose no ongoing financial obligation on DMC. The DMC EDA recommends this project, in part, because workforce-and-learning capacity represents one of the more strategic uses of DMC Strategic Development resources at this stage of Discovery Square's evolution.

DMC EDA support for this project is tied directly to conditions that protect public value. In our view, DMCC approval should be limited to documented eligible hard costs associated with permanent improvements and remain contingent upon final review of test-fit plans, construction estimates, and related documentation sufficient to confirm reimbursable scope. Staff further recommend conditions requiring long-term operational and financial responsibility by UMR, compliance with applicable DMC statutory and policy requirements, and meaningful district-serving use of the supported space.

With appropriate cost controls and conditions, the recommended DMC investment represents a prudent and mission-consistent opportunity to strengthen the district's next stage of growth. We respectfully submit this recommendation for your consideration.

DMC
Destination Medical Center
Rochester, MN

Talent Development Infrastructure: University of Minnesota Rochester
Evaluation Report
May 13, 2026

EXECUTIVE SUMMARY & RECOMMENDATION

I. STATEMENT OF RECOMMENDATION

After reviewing materials submitted by the University of Minnesota Rochester ("UMR"), together with additional information provided during the staff evaluation process, staff of the Destination Medical Center Economic Development Agency ("DMC EDA") conclude that the proposed tenant improvements in One Discovery Square and Two Discovery Square may be understood as district-serving talent infrastructure within the Discovery Square subdistrict. UMR proposes improvements within leased space consisting of approximately 12,603 rentable square feet in Two Discovery Square and approximately 1,400 square feet of laboratory conversion space in One Discovery Square. The project is intended to support teaching, laboratory, workforce preparation, and related research and learning functions within Discovery Square.

UMR requests $3.5 million in DMC investment as part of a larger $10.38 million capital stack that also includes a pending request for City of Rochester UMR sales tax funds and committed University of Minnesota system funds. Based on materials currently available, staff conclude that the proposed project has the potential to function as district-serving workforce and learning infrastructure if it is constructed and operated under conditions that ensure long-term alignment with the Discovery Square innovation district and the objectives of the DMC initiative.

Additional information provided during the staff review strengthens that conclusion. UMR has stated that the project would not proceed as contemplated without the requested DMC participation, that current laboratory space is already at capacity relative to enrollment, and that absent this investment any additional laboratory expansion would likely occur outside the Discovery Square ecosystem. UMR also emphasizes that timing matters both to accommodate projected enrollment growth and to connect academic programming to the opening of BioLabs and related district activity.

This proposal is not a conventional municipal public-works project, nor is it a typical private real-estate gap-financing request. Its suitability for DMC investment depends on whether the funded improvements can be shown to function as district-serving infrastructure within Discovery Square and whether those improvements can be limited to permanent elements that retain enduring value for the district.

Because the DMC statute requires a connection to “medical business entity” (Mayo Clinic) development plans, staff also reviewed the extent to which Discovery Square reflects and implements the research and innovation strategy associated with Mayo Clinic’s growth. The public record supports that connection. Mayo Clinic publicly advanced Discovery Square as a research, commercial, and product-development district, selected the district developer, and later anchored the first building with Mayo Clinic research functions intended to catalyze collaboration with future tenants and partners.

Within that context, staff do not evaluate the UMR proposal as a stand-alone academic project disconnected from DMC strategy. Rather, staff evaluate it as a workforce-and-learning facility proposed within Discovery Square, a subdistrict developed to support research, innovation, education, and commercialization activities closely tied to Rochester’s broader medical and health-innovation economy. The longstanding partnership between UMR and Mayo in mentorship, internships, scholarship support, and workforce preparation further supports this conclusion, but staff’s recommendation ultimately rests on the project’s district-serving role within Discovery Square and the extent to which DMC investment can be limited to permanent improvements that provide durable district value.

Staff have also evaluated the proposal in light of the priorities adopted in the DMC plan update. The strongest and most direct connection is to Accelerate Health Innovation, given the project’s proposed role in supporting Discovery Square’s teaching, laboratory, workforce, and research environment. The project also supports Drive Purposeful Growth by reinforcing district-serving talent infrastructure within an existing innovation subdistrict and aligning that investment with Discovery Square’s next-stage needs. Its relationship to Design for Well-Being is more indirect, arising primarily through the project’s location within an existing walkable, connected district and its contribution to a more integrated environment for education, research, and daily district activity.

Staff also acknowledge that the project would benefit UMR as an institution by supporting its enrollment growth, instructional capacity, and long-term facilities needs. Importantly, the project can also be constructed and conditions to generate sufficiently concrete, durable, district-serving benefits justifying DMC investment. UMR’s own application states that the project is intended to support enrollment growth, affordable lease rates, and long-range expansion, and staff believe the report should acknowledge that institutional dimension directly.

UMR further explains that the proposed laboratory expansion is intended to increase the number of seats available for enrollment, support recruitment of larger student cohorts, and strengthen UMR’s ability to offer laboratory space for teaching and learning in direct proximity to Discovery Square’s research and innovation environment. Staff believe those institutional objectives should be acknowledged directly, even as the recommendation continues to depend on whether the resulting improvements also produce durable district benefit.

As part of its due diligence, staff have reviewed not only UMR's application materials, but also draft letters of intent and related leasing materials for the proposed occupancy in One Discovery Square and Two Discovery Square. That review included proposed lease terms, rentable square footage, estimated commencement timing, rent schedules, operating-expense structure, permitted-use language, renewal provisions, and delivery conditions for the contemplated tenant improvements. Staff considered those materials in evaluating project durability, operational responsibility, and the extent to which the proposed improvements may retain value within the Discovery Square district over time.

Staff also requested and reviewed additional written information from UMR regarding operating support, enrollment growth, program expansion, workforce-development outcomes, timing considerations, anticipated ecosystem interaction, and alternatives if DMC funding were unavailable. That information informs staff's assessment of project need, institutional capacity, and the proposal's intended Discovery Square role.

Because the proposed project includes both potentially eligible permanent improvements and clearly non-eligible programmatic, equipment, furnishing, and technology costs, staff have requested from UMR and Mortenson additional construction estimates, final test-fit plans, and related documentation sufficient to confirm the scope and amount of reimbursable hard costs. Accordingly, staff's final recommendation regarding the amount of DMC investment should remain contingent upon review of final design and cost documentation and execution of agreements sufficient to ensure durable district benefit.

Staff therefore recommend that the DMCC consider authorizing the expenditure of up to $3 million in "Strategic Development" General State Infrastructure Aid (GSIA) and designation as a DMC "public infrastructure project" only if:

- DMC reimbursement is limited to documented eligible hard costs associated with permanent improvements;
- the final reimbursement amount is established only after staff confirmation of the specific permanent improvements to be constructed;
- the project complies with applicable DMC statutory and policy requirements, including American-made steel requirements, prevailing wage requirements, targeted business and workforce utilization requirements, and DMC sustainable building guidelines;
- the project is governed by enforceable lease, compliance, reporting, and durability conditions; and
- no ongoing DMC obligation for operations or maintenance is created.

Additionally, to ensure that the proposed project deliver sufficient public benefit, staff recommend that certain conditions accompany DMC funding approval:

Alignment with Destination Medical Center and Discovery Square: The project should contribute to talent development aligned with Discovery Square's key industry needs, strengthen connections among BioLabs tenants and other ecosystem participants, support collaboration between education and industry, and advance the long-term success of Discovery Square.

Workforce Development and Industry Engagement: UMR should ensure that programs utilizing the supported space remain substantially aligned with the workforce needs of Discovery Square and the broader ecosystem.

Collaboration with the Discovery Square Ecosystem: UMR should maintain active collaboration with organizations participating in the Discovery Square innovation district and should use the supported space in ways that reinforce those connections.

Shared Use of Project Space: Because DMC investment is intended to support infrastructure serving the broader innovation district, the agreement should provide for reasonable opportunities for periodic use of the supported space by non-UMR ecosystem participants where such use is consistent with the facility's operations and district-serving purpose.

Academic Program Development and Expansion: To support workforce needs within the Discovery Square ecosystem, UMR should work with the University of Minnesota system to identify opportunities to deliver relevant degree, certificate, and professional education offerings in Rochester.

Workforce and Innovation Advisory Collaboration: UMR, DMC, and ecosystem partners should establish a mechanism for periodic engagement regarding workforce needs, program alignment, and opportunities for collaboration.

Recognition of DMC Investment: UMR should provide reasonable acknowledgment of DMC investment in communications, materials, or signage.

Timely Project Completion: The project will proceed according to the anticipated development timeline, subject to reasonable adjustments.

II. STATEMENT OF ELIGIBILITY

The proposed project is located within the Discovery Square subdistrict of the DMC Development District, satisfying the geographic threshold for DMC consideration. Geographic location alone, however, is not sufficient for eligibility.

The central statutory question is whether the specific improvements proposed for reimbursement qualify as public infrastructure supporting district development under the DMC framework and whether those improvements provide durable district value rather than merely institutional benefit. The DMC statute requires that projects approved by the DMCC be reviewed for consistency with the Development Plan, and it defines a public infrastructure project as one financed with public money to support the medical business entity's development plans, as identified in the Development Plan.

In this matter, staff conclude that the necessary statutory connection is found through Discovery Square itself. The public record shows that Discovery Square was advanced as a research, commercial, and product-development district associated with Mayo Clinic's Rochester growth and innovation strategy. Mayo Clinic publicly described Discovery Square as part of its Rochester growth, selected the district developer, and anchored the first building with research functions intended to catalyze collaboration with other tenants and partners.

Within that context, staff do not evaluate the UMR proposal as a stand-alone academic project disconnected from DMC strategy. Rather, staff evaluate it as a workforce-and-learning facility proposed within Discovery Square, a subdistrict developed to support research, innovation, education, and commercialization activities. The longstanding partnership between UMR and Mayo Clinic in mentorship, internships, scholarship support, and workforce preparation further supports this conclusion, though staff's recommendation ultimately rests on the project's district-serving role within Discovery Square and the extent to which DMC investment can be limited to permanent improvements that provide durable district value.

The proposed project consists of tenant improvements in existing privately owned buildings. As a result, staff have applied a limiting principle to the eligibility analysis. DMC investment is not recommended for movable laboratory equipment, classroom furnishings, computers, research instruments, or other programmatic assets belonging to the tenant institution. Rather, DMC-eligible costs must be limited to hard construction and fit-out associated with permanent fixtures and integrated building systems, including purpose-built laboratory infrastructure where such elements are essential to the intended function of the space and remain with the building. This distinction is necessary to preserve the boundary between district-serving infrastructure and institutional subsidy.

Staff therefore conclude that the proposed project may satisfy the minimum statutory eligibility requirements of the DMC Act, provided that DMC reimbursement is limited to documented eligible hard costs, that final test-fit and build-out documentation confirms the permanent scope of the improvements, and that the resulting improvements are governed by enforceable conditions ensuring durable district benefit.

The following tables illustrate how the proposed project's permanent improvements may qualify as public infrastructure under state law and how specific project-cost categories are treated for DMC eligibility purposes.

Statutory "Public Infrastructure" Eligibility vs. Project Elements

Statutory Category	Project Elements	Determination	Staff Rationale
Acquire real property and other assets associated with the real property	Permanent laboratory infrastructure such as fixed casework, integrated ventilation systems, plumbing systems, electrical upgrades, and other permanently installed building systems	**Eligible**	These elements are permanent improvements to the real property that would remain with the building and could convey to a future tenant or operator.
Demolish, repair, or rehabilitate buildings	Interior renovation and build-out of shelled space within Two Discovery Square and conversion of classroom space to laboratory space in One Discovery Square	**Eligible (hard construction costs only)**	These improvements represent rehabilitation of existing building space to support the Discovery Square innovation district.
Install, construct, or reconstruct elements of public infrastructure supporting district development	Mechanical, electrical, plumbing, ventilation, and data infrastructure required to support laboratory and research uses	**Eligible**	These systems function as integrated building infrastructure supporting innovation district uses.
Make related site improvements and other improvements supporting district development	Structural and mechanical improvements required to support laboratory operations within existing buildings	**Eligible (where permanent)**	These improvements are integral to making the space usable for the intended innovation district purposes.

Project Cost Categories vs. Eligibility for DMC Investment

Project Cost Category	Eligibility	Rationale
Structural construction and interior buildout	**Eligible**	Hard construction costs that permanently modify the building.
Laboratory ventilation systems and mechanical infrastructure	**Eligible**	Permanent building systems associated with the real property.
Electrical, plumbing, and integrated building utilities	**Eligible**	Permanent infrastructure required to support laboratory use.
Fixed laboratory casework and built-in lab infrastructure	**Eligible**	Permanent fixtures integrated into the building.
Movable laboratory equipment	**Not eligible**	Institutional equipment not associated with the real property.
Classroom furniture and movable furnishings	**Not eligible**	Movable FF&E not considered public infrastructure.
Computers, research instruments, and program equipment	**Not eligible**	Programmatic assets belonging to the tenant institution.

The 2015 DMC Development Plan described Discovery Square as "a new address for the future of bio-medical, research and technology innovation" and "a keystone to the DMC economic development strategy," intended to bring together Mayo Clinic, private partners, and institutions in a collaborative environment organized around translational medicine. The same plan established DMC's broader goals of attracting private investment, creating jobs, and implementing workforce development strategies that support long-term growth.
The 2020 update to the DMC Development Plan preserved that core direction while emphasizing the need for resilience, continued implementation, and refinement of DMC's strategic approach considering changing market conditions.

The 2025 update to the DMC Development Plan carries that logic forward and makes it more explicit. It identifies *Accelerate Health Innovation, Design for Well-Being,* and *Drive Purposeful Growth* as the central organizing priorities for DMC's next phase, and it repeatedly frames Discovery Square as DMC's innovation engine and as a place where research, education, talent, and commercialization must be intentionally linked. Within that evolving framework, the UMR proposal serves as a direct response to the next-stage needs of Discovery Square. Related to the Development Plan, the proposed project:

- Advances the commitment to technology, research, education, and innovation as mutually reinforcing drivers of economic development by placing applied learning and laboratory capacity inside Discovery Square.
- Supports job creation goals by strengthening one of the enabling conditions for growth in a health-innovation district: a durable and visible talent pipeline. The 2022 DMC awareness and perceptions study found that talent pipeline strength was a top factor influencing life-science location decisions.
- Reflects DMC's *Accelerate Health Innovation* and *Drive Purposeful Growth* priorities in the proposed creation of talent development infrastructure.
- Conforms DMC's performance-based, infrastructure-first public-private partnership, leveraging public investment to build the conditions that allow private and institutional growth to take root over time.

For these reasons, the proposed project conforms with the Development Plan, as updated. Properly conditioned, the proposed project can translate DMC's next-phase priorities into a concrete, district-serving investment.

III. PROJECT SUMMARY

UMR has submitted a joint funding application requesting $3.5 million in DMC investment as part of a $10.38 million capital project. The proposal consists of tenant improvements within leased space in the Discovery Square subdistrict, including approximately 12,603 rentable square feet in Two Discovery Square for teaching laboratories, classrooms, administrative, and collaboration space, and approximately 1,400 square feet in One Discovery Square through conversion of an existing classroom to hooded laboratory space. The Two Discovery Square leasing materials further indicate that the 12,603 rentable square feet consist of approximately 2,607 rentable square feet on the second floor and approximately 9,996 rentable square feet on the third floor, with final square footage contingent upon mutually agreed design. UMR's application states that the project is intended to expand instructional, laboratory, and workforce-development capacity in direct proximity to Discovery Square's research and innovation ecosystem, including BioLabs and other district tenants.

The proposed funding sources and uses for the project are as follows:

Source	Amount	Status
City of Rochester – UMR City Sales Tax Funds	$4,697,088	Pending request
DMC GSIA	$3,500,000	Requested
U of M System Funds	$2,182,912	Committed
TOTAL	**$10,380,000**	

Use	Amount
Construction	$6,100,000
Design, Project Management (“Soft Costs”)	$750,000
Furniture, Fixtures, Equipment, and Technology	$1,800,000
Contingency (20% at current project phase)	$1,730,000
TOTAL	**$10,380,000**

UMR’s local sales tax request is expected to proceed to Rochester City Council in spring 2026, with anticipated consideration of allocation at the same time as DMCC action ratification. UMR further indicates that University of Minnesota funds are currently supporting design work through a reimbursement arrangement with Mortenson, with full project budget allocation anticipated through the FY27 University budget process beginning July 1. These details support staff’s view that the broader funding structure is active rather than merely conceptual, even though final approvals remain pending.

The leasing materials also add useful context regarding project durability and operations. For Two Discovery Square, the proposed expansion term would commence upon substantial completion of tenant improvements and expire on June 30, 2037, with an estimated commencement date of July 1, 2027 if design is completed by September 1, 2026. The existing first-floor lease in that building would also be extended through June 30, 2037.

For One Discovery Square, the proposed amended lease expiration date is likewise June 30, 2037. Both letters of intent indicate that the contemplated fit-out is landlord-built at tenant cost, with no tenant improvement allowance provided by the landlord.

The permitted-use language in both leasing proposals is broader than ordinary classroom use and includes general office, educational, training, teaching, bio-science, bio-business, life science research, healthcare research, medical research, and educational teaching and research purposes, subject to the terms and limitations of the applicable ground lease. In the case of Two Discovery Square, the draft leasing terms also indicate that third-party lab-use agreements may be an option with respect to certain lab space. These provisions do not by themselves establish shared use, but they do inform staff’s understanding of the contemplated functions of the space and its possible role within the broader Discovery Square ecosystem.

Additionally, UMR projects growth in total students served from 1,122 in 2025 to 2,502 by 2030, inclusive of UMR and University of Minnesota system partner programs. UMR further identifies planned and potential program growth in digital health, community and mental health, enhanced pre-med preparation, and Rochester-based or accelerated pathway programs in fields including nursing, occupational therapy, pharmacy, public and environmental health, dentistry, and bioinformatics, together with continued collaboration with Mayo Clinic School of Health Sciences. Staff view these details as relevant to understanding the proposal's anticipated workforce-development scale and institutional purpose.

IV. RELEVANT PROJECT HIGHLIGHTS

Several features of the proposal are especially relevant to staff evaluation:

Location within Discovery Square: The proposed project would be delivered within One Discovery Square and Two Discovery Square, placing the facility directly within DMC's research and innovation subdistrict rather than at a peripheral location. The proposed expansion space includes approximately 12,603 rentable square feet in Two Discovery Square and additional laboratory conversion space in One Discovery Square.

Tenant-improvement structure in existing district assets: The proposal is not for a new building. It consists of tenant improvements in existing leased Discovery Square space. Draft leasing materials indicate a landlord-built, tenant-paid fit-out structure, no landlord tenant-improvement allowance, and lease terms extending to June 30, 2037, subject to final lease documentation. These details are relevant to staff's evaluation of durability, cost eligibility, and successor-use risk.

Alignment with Discovery Square's next-stage needs: Discovery Square's early development focused primarily on establishing physical innovation space. With One Discovery Square, Two Discovery Square, and BioLabs now helping define the district's physical platform, the next-stage challenge increasingly concerns talent, training, and stronger workforce connections to the innovation ecosystem. Staff evaluate the present proposal against that backdrop.

Workforce and learning functions compatible with district strategy: The contemplated permitted uses extend beyond general classroom activity and include educational, training, teaching, bio-science, life science research, healthcare research, medical research, and related purposes. These uses are relevant because they suggest a facility intended to operate within Discovery Square's broader research and innovation environment rather than as a conventional stand-alone academic site.

Response to workforce and ecosystem needs. The proposal is framed around talent development in health sciences, research, and innovation-related fields. Regional business-development efforts and prior DMC materials have consistently emphasized workforce availability and skills alignment as important conditions for continued employer and innovation growth in Rochester. Adjacency to BioLabs is intended to support academic partnerships, tailored credentialing, research-skills preparation, and workforce-development solutions for Discovery Square tenants and employers in ways UMR could not otherwise provide. Staff find that this strengthens the case that the project is intended to function as more than general academic expansion.

Consistency with UMR's institutional direction. UMR's application materials indicate continued institutional interest in using Discovery Square to support health-science education, applied learning, and workforce preparation in Rochester. UMR projects substantial enrollment growth through 2030 and identifies additional degree, certificate, and workforce-oriented program development tied to healthcare, research, and innovation. This supports staff's conclusion that the project is not speculative in character, even though final design and cost documentation remain under review

Timing and location. UMR states that its current laboratory facilities are already at capacity and that delayed expansion could require enrollment limits while awaiting additional space. UMR further states that, absent the requested DMC investment, new laboratory capacity would likely be placed outside the Discovery Square ecosystem. Staff find this relevant because it suggests that DMC participation may influence whether the project is delivered in the district, at the needed time, and in a form aligned with Discovery Square's next-stage needs.

Staff due diligence beyond the application. As part of the evaluation process, staff reviewed not only UMR's funding application, but also draft letters of intent, initial fit plans, proposed lease terms, delivery conditions, and related leasing information for both One Discovery Square and Two Discovery Square. That review informed staff's understanding of the project's rentable area, lease duration, operating-cost framework, permitted uses, and delivery timing.

EVALUATION REPORT

1. PROJECT OVERVIEW

Applicant:	University of Minnesota Rochester (UMR)
Project Location:	One and Two Discovery Square Discovery Square Subdistrict
Project:	Workforce and learning facility supporting laboratory and applied research training
Total Project Cost:	$10,380,000
"Hard Costs":	$6,100,000
Requested DMC Investment:	$3,500,000
Recommended DMC Investment:	NTE $3M, with conditions
Estimated Facility Area:	~14,000 square feet
Estimated Construction Timeline:	Completed by August 2027

2. MINIMUM ELIGIBILITY REQUIREMENTS OF DMC ACT

Minnesota's DMC Act authorizes public infrastructure projects financed with public money to support the medical business entity's development plans, as identified in the Development Plan. Under the DMC framework, the DMCC must review proposed projects for consistency with the Development Plan before they advance for City consideration. Accordingly, the threshold question at this stage is not whether the proposed UMR project is beneficial in a general sense, but whether the specific improvements proposed for reimbursement may legally and reasonably be treated as DMC public infrastructure.

Two threshold conditions govern eligibility for DMC investment. First, the proposed project must be located within the DMC Development District. Second, the proposed reimbursable improvements must include elements that qualify as public infrastructure within the meaning of the statute and the Development Plan framework. These are separate inquiries. Satisfaction of the geographic requirement alone does not establish eligibility for DMC reimbursement.

The proposed project satisfies the geographic threshold. The contemplated improvements are located within One Discovery Square and Two Discovery Square, both within the Discovery Square subdistrict of the DMC Development District. Draft leasing materials reviewed by staff confirm the proposed leased premises in One Discovery Square and the proposed expansion and continued occupancy space in Two Discovery Square.

The more substantive eligibility question concerns whether the proposed improvements can reasonably be understood as public infrastructure supporting district development. Historically, many DMC investments have involved conventional public infrastructure such as streets, utilities, and public realm improvements that enable development within the district.

In other cases, DMC investment has supported infrastructure associated with privately developed projects such as housing, hotels, or mixed-use development, often with accompanying pro formas and gap-financing analyses. The present proposal differs from both of those categories. It is not a municipal public-works project, nor is it a conventional private real-estate financing-gap request. Instead, it asks the DMCC and City to determine whether DMC investment may appropriately support permanent, district-serving workforce and learning improvements within Discovery Square.

In this matter, staff conclude that the required statutory connection to the medical business entity's development plans is found through Discovery Square itself. The public record shows that Discovery Square was advanced as a research, commercial, and product-development district associated with Mayo Clinic's Rochester growth and innovation strategy. Mayo publicly described Discovery Square as part of a major Rochester expansion, selected the district developer, and later anchored the first building with Mayo research functions intended to catalyze collaboration with other tenants and partners. Staff therefore evaluate the present proposal not as a stand-alone academic project, but as a workforce-and-learning facility proposed within a district developed to support research, innovation, education, and commercialization activity tied to Rochester's broader medical and health-innovation economy.

For staff's part, the relevant eligibility issue is not whether UMR is a worthy institution. Nor is it whether all costs associated with its proposed expansion can be supported with DMC funds. The relevant issue is whether the permanent improvements proposed for investment may be treated as public infrastructure because they create laboratory, learning, and collaboration environments that support workforce preparation, applied learning, and interaction among academic programs and the Discovery Square innovation ecosystem. In a research-driven medical economy, such environments may function as economic-development infrastructure when they are embedded in the district, designed around compatible innovation uses, and structured to retain long-term value within the district.

At the same time, staff recognize the importance of maintaining a clear limiting principle between district-serving infrastructure and institutional subsidy. For that reason, staff do not treat the full project budget as DMC-eligible. DMC investment, if approved, should be limited to hard construction and fit-out associated with permanent fixtures and integrated building systems, including purpose-built laboratory infrastructure where such elements are essential to the intended function of the space and remain with the building. Movable laboratory equipment, furniture, computers, research instruments, and other programmatic or tenant-specific assets should not be treated as DMC-eligible infrastructure.

Staff's eligibility review is also informed by the proposed lease structure. Draft letters of intent reviewed by staff indicate a landlord-built, tenant-paid fit-out structure, no landlord tenant improvement allowance, lease terms extending through June 30, 2037, broad permitted uses including educational, bioscience, healthcare research, and medical research purposes, and no obligation for UMR to restore the premises to original shell condition at surrender. These details do not resolve final eligibility, but they do support staff's view that at least some of the proposed improvements may be permanent in character and potentially capable of retaining value within the Discovery Square district over time.

With these considerations in mind, staff conclude that the proposed project may satisfy the minimum statutory eligibility requirements of the DMC Act, provided that DMC reimbursement is limited to documented eligible hard costs, that final fit-plan and build-out documentation confirms the permanent scope of the improvements, and that the resulting improvements are governed by enforceable conditions ensuring durable district benefit. Satisfying statutory eligibility, however, is only the threshold step in the DMC evaluation process. Once eligibility is established, the central question becomes not whether the DMC program can invest in a project, but whether it should. The remainder of this report therefore evaluates the proposal against the broader framework that guides DMC investment decisions, including Development Plan alignment, institutional capacity, financial and operational structure, and the opportunity cost of committing limited Strategic Development resources.

3. 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

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?

Yes. Staff find that the proposed project supports several of the core goals and objectives associated with the DMC initiative, particularly those tied to Discovery Square and Rochester's long-term health-innovation economy. Discovery Square was established to support the translation of research and medical discovery into new technologies, companies, and economic activity. Achieving that objective requires more than physical research space alone. It also requires institutional systems that support applied learning, workforce preparation, collaboration, and talent development within the district.

The proposed project responds to that need by expanding laboratory, teaching, and collaboration environments within Discovery Square. In doing so, it may strengthen the educational and workforce pathways that help supply skilled talent to the broader innovation ecosystem. Staff therefore find that the proposal supports multiple Development Plan goals related to job creation, innovation, and long-term economic growth.

Is the project consistent with the DMC Vision?

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

Yes. Staff find that the proposed project is broadly consistent with the DMC vision of Rochester as a global center for health, discovery, and innovation. Early implementation of Discovery Square focused on establishing the district's physical platform through laboratory, office, and research space. As that platform has matured, the district's continued success increasingly depends on stronger workforce and learning infrastructure capable of supporting research activity, employer engagement, and talent development.

In that respect, the proposed project is consistent with the more aspirational dimensions of the DMC vision. It reflects an understanding that a successful innovation district is not defined only by buildings, but by the systems that connect education, research, industry, and opportunity in one place.

Does the project fit with the principles of the vision?

Yes. Staff find that the proposed project is broadly consistent with several guiding principles that underpin the DMC Development Plan.

First, the project supports the principle of sustaining Rochester and southeast Minnesota as an economic engine for the state and as a premier destination for health-related innovation. The Development Plan emphasizes the importance of leveraging Rochester's strengths in medicine, research, and education to support broader economic growth.

The proposed project contributes to that objective by strengthening the talent-development capacity needed to support research, innovation, and employer growth.

Second, the proposal is consistent with the Development Plan's emphasis on fostering an economic structure that supports medical research, technology development, entrepreneurship, and education. Those activities depend not only on physical infrastructure, but also on a prepared and adaptable workforce.

Third, the project is consistent with the Development Plan's market-responsive framework. The Plan does not prescribe a single fixed list of projects. Rather, it establishes a strategic direction and allows partners to bring forward proposals that respond to evolving district needs. Staff find that the present proposal responds to an identified next-stage need within Discovery Square: stronger learning and workforce infrastructure embedded in the innovation district itself.

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

Yes. Staff find that the proposed project may contribute to Discovery Square by strengthening one of the foundational systems required for a successful innovation district: a durable workforce and talent pipeline aligned with the needs of the health-innovation economy. The proposal would expand the district's capacity to support teaching, laboratory learning, and interaction between students, faculty, and the broader Discovery Square ecosystem.

For that reason, staff view the project not simply as additional institutional space, but as a proposal that may help advance the next stage of Discovery Square's development, provided that the facility is operated in a manner that maintains a meaningful district-serving role.

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

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

Unlike many private real-estate projects previously considered for DMC investment, the proposed project is not structured around a revenue-producing development pro forma demonstrating a conventional financing gap. UMR has instead identified a need to expand laboratory and learning space in a location integrated with the Discovery Square ecosystem. From staff's perspective, the strategic value of potential DMC investment is less about enabling a conventional real-estate transaction and more about shaping how and where this workforce-and-learning infrastructure is delivered.

In that respect, DMC investment can influence whether the project is delivered in a form, location, and structure that strengthens Discovery Square's innovation ecosystem. Staff therefore view the potential public role here not as general subsidy, but as a means of helping ensure that any supported improvements function as district-serving infrastructure rather than solely as institutional expansion.

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 investment would support facilities used by UMR, and staff believe the report should acknowledge that directly. At the same time, staff find that the project may also support broader DMC objectives by strengthening the conditions for interaction among education, research, workforce preparation, and innovation activity within Discovery Square.

That broader district value is not automatic. It depends on how the facility is ultimately built, used, and governed. For that reason, staff recommend that any DMC investment be accompanied by conditions addressing eligible cost scope, durable use, reporting, and the project's ongoing relationship to the Discovery Square ecosystem.

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

Staff find that the relationship between the proposed project and private investment is indirect but potentially meaningful. Innovation districts depend on several enabling conditions, including research capacity, institutional anchors, collaboration opportunities, and workforce availability. Employers and innovation-oriented firms often evaluate the depth and visibility of local talent systems when making location and expansion decisions.

By strengthening workforce and learning infrastructure within Discovery Square, the proposed project may reinforce one of those enabling conditions. Staff therefore view the project less as a direct generator of private investment and more as a measure that may improve the district's long-term competitiveness and attractiveness to employers, researchers, and innovation partners.

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?

Staff find that the proposed project can contribute to the continued development of Discovery Square. Since adoption of the Development Plan, implementation in Discovery Square has focused first on establishing the district's physical environment through buildings, public improvements, and foundational innovation assets. As the district has matured, attention has increasingly shifted toward the systems needed to support long-term performance, including talent development and stronger institutional connections within the innovation ecosystem.

The proposed project fits within that next-stage logic. It does not solve every remaining need within Discovery Square, and staff recognize that the district continues to face other ecosystem development challenges. Even so, the project may reasonably be viewed as supporting an approved district strategy by strengthening one of the key enabling conditions for sustained innovation growth: the presence of visible, embedded workforce-and-learning infrastructure.

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

N/A

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?

Yes. Staff find that the proposed project is compatible with the broader infrastructure and urban-development framework supporting Discovery Square. DMC investments in and around the district have emphasized a walkable, connected, higher-intensity urban environment capable of supporting research, employment, educational, and institutional activity in close proximity. The proposed facility would locate additional students, faculty, laboratory users, and related activity within a district already shaped by those investments, reinforcing the concentration of uses that the transportation and infrastructure planning frameworks were intended to support.

Because the project consists of tenant improvements within existing Discovery Square buildings rather than construction of a new stand-alone facility, it fits within an established district form and does not require a new planning concept for the area. Staff therefore find that the project is consistent with the DMC Master Plan and compatible with the transportation and infrastructure frameworks supporting Discovery Square.

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

Staff find that the proposed project is supportive of DMC implementation strategies related to Discovery Square, business development, and ecosystem strengthening. Discovery Square's long-term competitiveness depends not only on physical innovation space, but also on the presence of institutional and workforce systems that support research, employer engagement, and talent development. A facility designed to support teaching, laboratory learning, and applied workforce preparation within Discovery Square is compatible with that implementation direction.

At the same time, staff note that consistency with DMC implementation strategies does not by itself resolve whether DMC investment should be approved, at what amount, or under what conditions. Those questions are addressed later in this report through financial, policy, and opportunity-cost analysis. This subsection is limited to the finding that the proposal is broadly supportive of DMC's Discovery Square implementation direction.

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

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

Formal findings regarding consistency with the City of Rochester Comprehensive Plan and other municipal planning documents are made through the City's own processes. Accordingly, staff do not present this report as a substitute for City planning review. Staff have, however, considered the proposal in light of the City's stated strategic priorities and economic-development direction. Those priorities emphasize economic resilience, innovation, long-term competitiveness, and stronger coordination among institutions and organizations supporting business growth, research activity, and entrepreneurship in Rochester. The proposed project is broadly supportive of those priorities because it would strengthen workforce and learning capacity within Discovery Square and reinforce connections among higher education, research activity, and innovation-oriented employers in the community. Staff therefore find that the project is generally compatible with the City's broader strategic and economic-development direction.

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?

Yes, in a limited but relevant sense. The proposed project would occupy space within One Discovery Square and Two Discovery Square, which were developed using sustainability measures consistent with DMC expectations and the broader sustainability character of the district. Because this proposal consists of tenant improvements within those existing buildings, it benefits directly from the performance characteristics and building systems already incorporated into them. Staff therefore find that the project is compatible with the sustainability principles embedded in the existing Discovery Square facilities, even though the present proposal is not itself primarily a stand-alone sustainability initiative.

3.3 FINANCIAL VIABILITY

Does the project include a plan that is financially viable?

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

The project is supported by several indicators suggesting demand for expanded workforce and research-adjacent infrastructure within the Discovery Square innovation district. Prior DMC awareness and perception research identified the availability of qualified workforce as an important factor in life-science location decisions, and regional economic analysis has likewise identified workforce availability and skills alignment as ongoing employer constraints in relevant sectors. UMR's own planning materials also anticipate continued growth in health-science education and emphasize the value of proximity to Rochester's research and health-innovation environment. While the project is not supported by a conventional market-feasibility study typical of speculative private development, the available planning and market indicators support staff's conclusion that the underlying workforce and district need is plausible.

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

The project is structured as a multi-source capital stack rather than as a stand-alone DMC-funded improvement. UMR's application identifies total project costs of $10.38 million, supported by a pending request for $4,697,088 in City of Rochester UMR sales-tax-related funds, $3.5 million in requested DMC investment, and $2,182,912 in committed University of Minnesota system funds.

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

At a preliminary level, yes. The project is proposed by UMR and supported by University of Minnesota system funding, and the contemplated build-out would be delivered in buildings owned and managed by established Discovery Square landlords with construction responsibility assigned to the landlord under an approved fit plan and design. Staff therefore find that the project team and basic delivery structure are credible. At the same time, the finance plan is not yet final for DMC purposes because staff have requested additional construction estimates, final test-fit plans, and related documentation necessary to determine the amount of permanent improvements that may properly be treated as DMC-eligible infrastructure.

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

Because the project is structured as a public-university-operated workforce and learning facility, it is not supported by a traditional real-estate operating pro forma typical of income-producing private development. Instead, operations and maintenance responsibilities are expected to be incorporated into UMR's broader institutional budget framework. Staff have requested additional information regarding long-term operational responsibility and maintenance obligations associated with the facility to confirm that the proposed operating structure is sustainable over time and does not create an ongoing expectation of DMC operating support.

UMR clarifies that common-area maintenance and operating expenses would be paid through the lease structure, that furniture, fixtures, and equipment replacement would be addressed through the University's annual budget and equipment-replacement planning, and that UMR intends to operate the leased premises in a manner consistent with its existing Rochester operations.

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

Not in the conventional sense. The proposed project is not structured as a private real-estate investment seeking a market-rate financial return, and staff therefore do not rely primarily on a traditional “but-for” financing-gap analysis of the type used for housing, hotel, or other revenue-producing developments. Instead, staff evaluate the appropriateness of DMC investment through the public-value underwriting framework described above.

Under that framework, the key financial questions are not whether the project can produce a private return, but whether public investment can be limited to clearly eligible permanent improvements, whether the costs of those improvements appear reasonable, whether they will retain value within the district over time, and whether enforceable district-serving benefit is sufficient to justify use of limited DMC resources. In this context, the requested investment should be understood not as conventional gap financing, but as potential support for the creation of durable district-serving talent infrastructure that may not emerge in the same location, at the same scale, or with the same degree of ecosystem alignment absent targeted public investment.

Staff’s cost review begins with a limiting principle: not all project costs are potentially eligible for DMC investment. UMR’s application includes hard construction, soft costs, furniture, fixtures, equipment, technology, and contingency. Staff do not treat the full project budget as DMC-eligible. Rather, potential DMC investment must be limited to permanent hard-cost improvements integrated into the building, such as structural build-out, fixed laboratory infrastructure, and related mechanical, electrical, plumbing, ventilation, and similar systems where properly documented. Movable laboratory equipment, furnishings, computers, research instruments, and other programmatic assets are not treated as eligible infrastructure.

Construction cost estimates for the contemplated build-out were prepared by the project team, including Mortenson and HDR, and the draft Two Discovery Square leasing materials indicate that landlord and tenant continue to refine design and construction estimates in advance of tenant approvals. Staff have therefore requested final test-fit plans, construction estimates, and related documentation to identify the specific permanent improvements that may qualify for reimbursement. Until those materials are reviewed, staff can comment on the structure of the project and the apparent reasonableness of the approach, but should not yet present a final DMC reimbursement amount as fixed.

Durability is also a central part of financial viability in this case because the project consists of tenant improvements in privately owned buildings. Public investment is more defensible where funded improvements are permanent, integrated into the real property, and capable of retaining value for the district over time. Staff's review of draft leasing materials is relevant here. In both One Discovery Square and Two Discovery Square, the proposed lease terms extend through June 30, 2037; the fit-out is to be landlord-built at tenant cost; and UMR is not obligated to restore the premises to original shell condition at surrender, although specialized equipment, furniture, and cabling may be removed at landlord discretion. These details suggest that at least some improvements may remain in place and continue to benefit the buildings after the initial UMR occupancy period. That said, durability is not self-executing. Any DMC investment should be conditioned on executed lease documents, development-agreement terms, and successor-use protections sufficient to ensure that publicly supported improvements continue to provide district value if UMR's use changes.

Is the proposed operating structure sustainable?

Based on current information, staff find that the proposed operating structure appears sustainable, subject to confirmation of final lease and operating arrangements. UMR would occupy and operate the space as part of its broader academic and facilities management structure, and the University has already demonstrated capacity to manage leased academic and laboratory space in Rochester. Draft leasing materials also confirm a long-term occupancy structure, broad permitted uses including educational, bioscience, healthcare research, and medical research purposes, and 24/7 building access consistent with the contemplated functions of the space.

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

No ongoing operational or maintenance obligations for the City of Rochester or the DMCC are currently contemplated as part of the proposed project. Staff view that as an important condition of viability. Any DMC investment should remain limited to approved capital improvements and should not create an expectation of future operations or maintenance support.

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

As with all projects receiving DMC funding, UMR would be required to enter into a Development Agreement. Execution of this agreement is a prerequisite to any disbursement of DMC funds.

Staff evaluate financial viability here in light of DMC's constrained capital framework. Even if the project is financially and structurally credible on its own terms, the board must still consider whether allocation of Strategic Development resources to this proposal represents a prudent use of limited DMC capital relative to other district-serving opportunities. In that respect, financial viability is not only a question of whether the project can proceed, but also whether the theory of public value supporting DMC investment is strong enough to justify this use of public resources at this stage of Discovery Square's development.

Taken together, staff find that the project can be evaluated within a financially credible framework, provided that DMC investment is limited to documented eligible hard costs, final fit-plan and cost documentation confirm the permanent scope of the improvements, the lease and operating structure remain consistent with current materials, and the project is governed by enforceable conditions sufficient to protect durable district benefit.

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?

Yes. Staff find that the proposed project is broadly consistent with the current implementation phase of the DMC initiative, particularly as it relates to the continued maturation of Discovery Square.

Since adoption of the Development Plan, Discovery Square implementation has proceeded in stages. Earlier efforts were focused primarily on establishing the district's physical environment through new buildings, public improvements, and the foundational infrastructure needed to support research, employment, and innovation activity.

With One Discovery Square, Two Discovery Square, and related public investments now in place, Discovery Square is no longer defined only by the need to create physical space. Increasingly, its long-term performance depends on the systems that activate and sustain that space, including talent development, stronger institutional connections, and workforce pathways aligned with district uses.

Staff evaluate the proposed UMR facility within that context. By expanding teaching, laboratory learning, and related workforce-development functions within Discovery Square, the project may support the district's transition from early physical buildout toward a more mature innovation ecosystem.

In that respect, the project is consistent with the current strategic focus on strengthening the underlying conditions necessary for long-term innovation growth in Rochester.

Is the project outlined as an approved strategy for the project within the Development Plan?

The Development Plan does not identify this specific project by name. Staff do not present the proposal as implementation of a specifically enumerated project already adopted in the Plan.
Rather, staff find that the proposal is consistent with several strategies reflected in the Development Plan, particularly those related to Discovery Square as a collaborative district supporting research institutions, innovation-oriented businesses, and economic activity linked to education, research, and technology development.

For that reason, staff view the present proposal not as a pre-identified project required by the Plan, but as a project type reasonably responsive to the strategic direction the Plan established for Discovery Square.

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

The Development Plan establishes a long-term implementation framework rather than a rigid sequence of individually prescribed projects. Within that framework, staff find that the proposed project is compatible with the present phase of Discovery Square implementation.

Earlier phases of the district emphasized physical buildout and foundational public improvements. The current phase increasingly raises questions about how that environment is populated, connected, and supported by institutions capable of sustaining research and innovation activity over time. Staff therefore find that a workforce-and-learning facility embedded in Discovery Square may reasonably be understood as aligned with the district's next-stage implementation needs, provided that the facility is governed in a way that preserves a meaningful district-serving role.

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. Staff find that the proposed project is compatible with the public infrastructure investments already implemented or planned in Discovery Square through the DMC CIP. Prior DMC investments in the district have focused on streetscape, utilities, public-realm improvements, and other physical infrastructure intended to support a walkable, connected, innovation-oriented urban environment. The proposed UMR facility would occupy and build upon that existing investment rather than conflict with it. For that reason, staff find that the project is compatible with the broader capital-improvement context of Discovery Square, even though the project itself is not a separately listed public works item within the CIP.

3.5 TARGETED BUSINESS ENTERPRISE STRATEGIES

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

The proposed project is expected to be subject to the City of Rochester's Targeted Business and Workforce Utilization requirements applicable to DMC projects. Final compliance requirements and investment goals would be coordinated as part of the project approval process.

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?

Not in the same direct sense as a private development project that creates taxable value, tenant payroll, or immediately measurable permanent employment. Staff do not rely on this project as a primary source of direct economic-fiscal gain of that type. Instead, staff find that the principal economic contribution of the project is expected to occur through workforce development, applied learning, and the preparation for employment in high-demand sectors relevant to Discovery Square and Rochester's health-innovation economy. In that sense, the project's economic effect is indirect but potentially meaningful: by strengthening the workforce pipeline, the project may improve one of the conditions that allow employers to locate, expand, and invest in the district. Construction activity associated with the interior buildout would also generate temporary construction employment and related economic activity, but staff do not treat that temporary effect as the project's primary justification.

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

Potentially, yes, though again in an indirect rather than immediate way. Staff find that a visible and durable workforce-and-learning presence within Discovery Square may strengthen one of the conditions that innovation-oriented firms and life-science employers consider when evaluating location and expansion decisions.
The proposal therefore may support future private investment by reinforcing the district's competitiveness, talent depth, and proximity-based collaboration environment. Staff do not suggest that the project alone will attract or unlock private capital in the same way that certain public infrastructure or catalytic private developments might. Rather, staff view it as part of the broader ecosystem conditions that can make Discovery Square more credible and investable over time.

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

The project is not a traditional public works project constructed to serve district development in the manner of streets, utilities, or major public-realm infrastructure. Staff do not characterize it that way.

However, staff do find that the proposed facility may function as a form of enabling infrastructure within Discovery Square by strengthening the educational and workforce systems that support sustained research, innovation, and economic activity in the district. In that more limited sense, the project may help reinforce the conditions under which continued district investment can occur.

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 primary purpose of the proposed facility is not to provide civic or cultural programming in the traditional sense, and staff do not rely on such a rationale here. Instead, staff find that the project may support DMC business-development and economic-development strategies by strengthening the education and workforce-development components of the Discovery Square innovation district.

The Development Plan and subsequent Discovery Square implementation logic treat research, innovation, education, and collaboration as mutually reinforcing drivers of long-term economic growth.

A facility that supports teaching, laboratory learning, and workforce preparation within that district may therefore support the same broader economic strategy, particularly where it strengthens interaction among academic institutions, researchers, entrepreneurs, and industry participants in proximity.

Taken together, staff find that the project may support the economic-fiscal goals and objectives of the DMC initiative, but in a way that is primarily enabling rather than directly revenue-generating.
For that reason, the strength of the project's economic-fiscal case depends less on immediate measurable return and more on whether the board finds the theory of public value sufficiently concrete, durable, and enforceable to justify DMC investment.

3.7 OTHER PROJECT POLICY CONSIDERATIONS

Is the project inside the DMC Development District?

Yes. The proposed project is located within One Discovery Square and Two Discovery Square in the Discovery Square subdistrict of the DMC Development District. As discussed earlier in this report, location within the district satisfies the geographic threshold for DMC consideration, though it does not by itself determine whether DMC investment is warranted.

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. The proposed project can provide several broader community and district benefits that extend beyond the specific requirements of the DMC Act. The project strengthens educational and workforce pathways connected to Rochester's health sciences economy. By situating those functions within Discovery Square, the project may create additional opportunities for interaction among students, researchers, entrepreneurs, and industry participants, supporting experiential learning and applied research opportunities that extend beyond traditional classroom settings.

The project can also contribute to Rochester's long-term position as a center for health innovation and education. Expanding the visibility and capacity of health-science teaching and learning within Discovery Square reinforces Rochester's identity as a place where education, research, and innovation occur in close proximity and mutual support.

These broader benefits are also consistent with the framework adopted in the DMC plan update. Most directly, the project may advance Accelerate Health Innovation by strengthening Discovery Square's workforce and learning environment, and it may support Drive Purposeful Growth by reinforcing district-serving activity within Rochester's innovation core. Its connection to Design for Well-Being is less direct, but still present through the project's location in an existing walkable district and its contribution to a more integrated environment for education, research, and daily community activity in America's City for Health

At the same time, staff believe this question also warrants acknowledgment of several broader policy considerations accompanying those benefits. The proposed project would provide clear institutional benefit to UMR by supporting instructional capacity, laboratory programming, enrollment growth, and long-term presence within Discovery Square. Staff do not view that institutional benefit as disqualifying in itself. However, its presence means the board should remain disciplined in asking whether the project's broader district-serving benefits are sufficiently concrete, durable, and enforceable to justify DMC investment.

Staff also believe the recommendation should be understood through a clear limiting principle. This report should not be read to suggest that DMC investment is appropriate for ordinary academic expansion or tenant improvements merely because a project is located within the district. Rather, staff's recommendation is tied to a narrower set of circumstances: the project is located within Discovery Square; it is proposed as workforce-and-learning infrastructure compatible with the district's research and innovation role; potential DMC investment would be limited to permanent, DMC-eligible improvements; and public support would be conditioned on lease durability, district-serving use, and ongoing compliance and reporting. Those limitations are important to the present recommendation and to the precedent it may set.

Finally, because publicly supported improvements would be made within leased space in privately owned buildings, staff believe the board should place weight on durability, successor-use protections, and the continued district value of publicly supported improvements if occupancy or programming changes over time. The draft leasing materials reviewed by staff provide useful evidence of long-term occupancy and fit-out structure, but those materials should be reinforced through final agreements and conditions if DMC investment is approved.

Taken together, staff find that the project may provide meaningful social, community, and district benefits beyond those specifically required by the DMC Act, but that those benefits support DMC investment only to the extent they are paired with a disciplined, durable, and enforceable theory of public value.