

DESTINATION MEDICAL CENTER CORPORATION (DMCC)
BOARD MEETING

Tuesday, September 25, 2018
9:30 A.M.

MINUTES

- I. Call to Order. Chair R.T. Rybak called the meeting to order at 9:35 a.m. at Mayo Civic Center Riverview Suites C & D, located at 30 Civic Center Drive SE, Rochester, MN 55904.
- II. Roll Call. Chair R.T. Rybak, Mayor Ardell Brede, Council Member Mark Hickey, Commissioner Jim Bier, Paul Williams, Dana Bailey, James Campbell and Michael Dougherty were present.
- III. Approval of Agenda. Commissioner Bier moved approval of the agenda. Mayor Brede seconded.

Ayes (7), Nays (0). Motion approved.
- IV. Approval of Minutes: June 28, 2018. Mayor Brede moved approval of the Minutes of the June 28, 2018 meeting. Ms. Bailey seconded.

Ayes (7), Nays (0). Motion approved.
- V. Public Comment Period. Chair Rybak invited members of the public to provide comment.

John Eischen, executive director of Rochester Area Builders, commented on the positive impact of DMC growth.

Buff Hennessey, executive director of the ARC SE Minnesota region, commented on the collaboration between ARC and the EDA with respect to the Assistive Technology Challenge, a competition intended to generate solutions for the challenges faced by community members with disabilities.
- VI. Chair's Report. Chair Rybak noted several recent and upcoming announcements and activities, including the August 30 DMC site visit to downtown Minneapolis; the September 25, 2018 television premiere of the Ken Burns-produced "Mayo Clinic: Faith-Hope-Science" documentary; and a future funding prioritization discussion being planned for a DMCC board meeting. Chair Rybak also commented on the recently-announced expansion of Mayo Clinic's Gonda Building.

Chair Rybak invited Ms. Bailey to share her thoughts on her recent visit to Rochester. Ms. Bailey described a sense of excitement and challenge, and noted the community partnerships evolving to capitalize on local opportunities, and that challenges, including a tight local housing market, should be addressed.
- VII. DMC Metrics: Update. Lisa Clark, EDA Executive Director, noted that development in the DMC district is generally on track against market absorption estimates produced in 2015. Patrick Seeb, EDA Director of Economic Development and Placemaking, said there is enough variation that the EDA has commissioned a new set of retail/dining/entertainment, housing, and office market demand analyses that will incorporate recent market activity. He noted that EDA staff are working with City of Rochester and Olmsted County staff to evaluate the increase in tax revenues, and also discussed local employment increases, which averaged approximately 1,500 annual new jobs in recent years, and reached approximately 2,000 new jobs in 2017. Mr. Seeb also stated that the EDA has compiled household income statistics in response to a request by Mr. Williams at the June, 2018 DMCC board meeting and that the local figures compare favorably to statewide averages. Chair Rybak asked that further analysis be completed to determine whether the shrinking share of jobs making less than \$50,000/year is the result of a loss of lower-paying jobs

or an indication of upward mobility in the job market.

VIII. 2019 DMCC Funding Request Approval.

Chair Rybak thanked the participants of the informal working group, and invited comments from the Board.

Resolution A: Approving the 2019 DMCC Funding Request and Authorizing Transmittal.

Commissioner Bier moved approval. The motion was seconded by Mr. Campbell.

- A. 2019 EDA Work Plan and Budget. Mr. Williams asked that work plan strategic objectives be amended to include a strategy to address affordable housing needs in 2019. Chair Rybak asked that potential housing strategies be presented at the November, 2018 meeting.

Mr. Williams moved to amend the Resolution to direct the EDA to add strategic objectives addressing affordable housing and workforce needs. Commissioner Bier seconded.

Chair Rybak asked that EDA staff draft a letter of thanks from the DMCC to the McKnight Foundation for the grant funding.

Chair Rybak called for a vote on the amendment offered by Mr. Williams.

Ayes (8), Nays (0). Amendment passed.

- B. Capital Improvement Program. Mr. Seeb and Aaron Parrish, Assistant City Administrator, provided an overview of the 2019 capital improvement program.

Mr. Seeb noted that transportation projects in the 2019 CIP include the transportation management association, improvement to bicycle and pedestrian infrastructure, bus acquisition, and a study of the feasibility of freeway decking on U.S. Highway 52. Federal grant funding is also being pursued. Public realm projects in the CIP include funding to advance the Heart of the City design in preparation for construction, which could begin in 2020. Funding is also provided for improvements to the Chateau Theatre.

Chair Rybak suggested that the Board and staff consider which investments need to be made now in order to secure the long-term success of the DMC initiative.

Mr. Campbell stated that transportation improvements should be accelerated and aggressively address the needs of the community. Chair Rybak agreed and suggested that Second Street SW could be a starting point, given the increasing development activity along the corridor, from Discovery Square to Saint Marys Place.

Mr. Parrish stated that transportation efforts are nearing key decision points, including the location of mobility hubs, the suitability of a freeway lid, the use of park-and-ride facilities, and the application for Federal Transportation Administration funds.

- C. Working Capital Loan. Kathleen Lamb described the working capital loans, stating that the City extends a one year loan of \$1,000 to the DMCC and \$50,000 to the EDA to provide for operational expenses.
- D. 2019 DMCC Budget. Ms. Lamb stated that the DMCC budget primarily funds legal, audit, room rental, insurance, and other costs related to the operations of the Board.

Resolution A as Amended: Approving the 2019 DMCC Funding Request and Authorizing Transmittal

Ayes (8), Nays (0). Motion approved.

- IX. DMCC Form 990: Annual Charitable Organization Report. Craig Popenhagen and Marty Lienau of CliftonLarsonAllen provided the report. The Form 990 and its related schedules will be filed by November 15, 2018.

Resolution B: Approving the 2018 State of Minnesota Charitable Organization Annual Report and 2017 Form 990. Commissioner Bier moved approval of the resolution. Council Member Hickey seconded.

Ayes (8), Nays (0). Motion approved.

- X. Project Updates (City of Rochester, EDA)

- A. Status of Private Development Projects Receiving Prior Approval. Terry Spaeth, City of Rochester Development Director, presented an update on previously-approved projects:

The Titan Hilton, Titan-Opus, and One Discovery Square developments are all scheduled to be completed by mid-2019, with the Berkman development completing construction in 2020. The Bloom Waterfront development team is working with the City and EDA to finalize the development assistance agreement and several ancillary agreements. City staff intend to advance the agreements to the City Council for approval in October 2018. Ryan Companies continues to work with the City and EDA on its redevelopment and adjacent public realm improvements. The Hotel Indigo redevelopment is underway; in order to accommodate construction, skyway access through the building will be created. The Hyatt House-City of Rochester development assistance agreement has been approved. Demolition of the current buildings on the development site will start in late 2018 or early 2019.

Mr. Spaeth noted other, non-DMC-funded development projects in and adjacent to the DMC district: twenty percent of the housing units constructed at Residences at Discovery Square will be available to residents earning less than sixty percent of the area median income, while five percent of the tax increment generated by a market-rate apartment building near Mayo Field will be dedicated to city-wide affordable housing efforts.

- B. Status of Capital Improvement Plan (CIP) Public Infrastructure. Mr. Parrish provided brief updates on approved 2018 capital improvement projects. Fourth Street SW is being reconstructed, including upgraded utilities to support future development, and is expected to be completed in 2019. 7th Avenue NW/SW will be reconstructed to provide additional sanitary and storm sewer capacity, but recent bids were rejected due to higher-than-expected costs. The reconstruction of North Broadway will upgrade utilities and enhance the public realm; property owners are being engaged in the process and construction will begin in 2019. 13th Avenue is being reconstructed to add more sewer capacity adjacent to the Second Street South corridor.
- C. Discovery Square Subdistrict Update. Ms. Clarke introduced Chris Schad, EDA Director of Business Development-Discovery Square, and Jeremy Jacobs, M.A. Mortenson Co. Director of Real Estate Development. Ms. Clarke described Discovery Square as a sixteen-block subdistrict intended to leverage Mayo Clinic's, Rochester's, and Minnesota's reputation for innovation. Ms. Clarke noted that several elements are progressing, including construction of new residential developments, planned public space, and co-working and business development activities.

Mr. Schad outlined the Discovery Square strategy, which is the result of community input, alignment with the DMC Development Plan, site visits, and tactics that will augment and amplify other existing and planned efforts. The strategy elements include space, business, capital, access to Mayo Clinic, workforce and start-up eco system.

Chair Rybak noted the significant amount of surface parking lots in Discovery Square. He asked if consideration had been given to the idea of providing climate-controlled pedestrian corridors from Second Street SW to the center of the Discovery Square subdistrict about two blocks south. Ms. Clarke stated that the next phase of Discovery Square public realm planning will include more details.

Mr. Jacobs outlined the progress of the One Discovery Square development. Chair Rybak asked how One Discovery Square will complement the pedestrian experience in Discovery Square; Mr. Jacobs described the café and outdoor space that will be adjacent to Discovery Walk, and announced that the University of Minnesota Rochester and Wisconsin-based Epic Systems will occupy ground floor space in One Discovery Square, which will help establish the culture of the building.

D. Public Realm

1. Chateau Theatre. Mr. Seeb noted that the DMCC Board authorized funding to provide for the preservation and activation of the Chateau Theatre. Bids for roof repairs and interior renovations were received but were higher than anticipated. The bid package will be re-evaluated and re-issued. The City will request bids for a third party management and programming company.
2. Heart of the City. Mr. Seeb reported that schematic design reconciliation is underway. EDA and City staff presented to the City of Rochester Committee of the Whole on Monday, September 24, 2018 and determined that more information is needed before proceeding, particularly related to funding for operations, maintenance, and priorities. Mr. Seeb also stated that staff remain sensitive to community concerns about the final location of the fountain that is currently on Peace Plaza.
3. Discovery Walk. Mr. Seeb noted that development of Discovery Walk is now expected to begin in 2020 or later, unless the DMCC and City Council elect to accelerate the work.
4. Saint Marys Place. Mr. Seeb stated that Second Street SW remains a topic of community conversation, particularly as development of the corridor continues.

Chair Rybak state that operations and maintenance costs need to be factored in. Mr. Parrish stated that operations and maintenance costs for all publicly-funded projects is a priority for City staff and elected officials. Chair Rybak acknowledged these financial concerns and stated that the DMCC Board ought to contribute to these discussions so that solutions can be generated and the public space and infrastructure can be developed as a sustainable model.

- E. Transportation Planning. Mr. Seeb reported that the 2019 CIP includes resources to advance the transportation plan, including funding for the bike-pedestrian system, freeway decking, the Federal Transportation Administration funding process, park-and-ride, and bus acquisition. Mr. Campbell asked that the Board be provided a full transportation update prior to the next Board meeting. Mr. Parrish stated that the transportation management association (“TMA”) is being developed, and a firm will be engaged in a public-private partnership to administer the TMA. The City continues to

construct parking ramp #6, immediately east of the Titan Hilton, and recently approved a parking rate increase, which could provide funding for a seventh city-owned downtown parking ramp.

- XI. EDA Update. Ms. Clarke delivered a brief EDA update. Market demand study findings will be shared at the November, 2018 board meeting.
- XII. Discovery Square Trademark. The proposed trademark resolution allows the EDA to manage the DMCC-owned Discovery Square trademark on behalf of the DMCC. Mr. Williams moved approval. Mr. Campbell seconded.

Resolution C: Authorizing EDA as Agent for Discovery Square Trademark Licensing on Behalf of DMCC

Ayes (8), Nays (0). Motion approved.

- XIII. DMCC Insurance: League of Minnesota Cities Insurance Trust (LMCIT) Waiver. Ms. Lamb described the waiver, stating the DMCC must annually elect whether or not to waive the statutory tort limitation provided to the Board as a public entity. Ms. Lamb recommended electing not to waive the statutory limit. Commissioner Bier moved approval of the motion. Council Member Hickey seconded.

Ayes (8), Nays (0). Motion approved.

- XIV. DMCC 2018 Budget Year to Date Update. Commissioner Bier stated that the budget update is available in the Board materials and that with thirty-three percent of the year remaining, fifty-one percent of the budget has been spent.
- XV. DMCC 2019 Regular Meeting Schedule. Commissioner Bier moved approval. Council Member Hickey seconded.

Resolution D: Approval of 2019 Regular Meeting Schedule

Ayes (8), Nays (0). Motion approved.

- XVI. Meeting Schedule:

A. Next Regular Board Meetings: November 13, 2018 at 9:30 A.M.
February 5, 2019 at 9:30 A.M.

B. Next Executive Committee Meeting: March 21, 2019 at 9:30 A.M.

- XVII. Adjournment. Council Member Hickey moved to adjourn the meeting. Mayor Brede seconded.

Ayes (8), Nays (0). Motion approved.