



DMC  
Destination  
Medical Center

Destination Medical Center Corporation  
Board of Directors Meeting

Thursday, May 23, 2019

9:30 A.M.

Mayo Civic Center

Rochester, Minnesota



DESTINATION MEDICAL CENTER CORPORATION (DMCC)

BOARD MEETING

Thursday, May 23, 2019  
9:30 A.M.

AGENDA

	PAGE
I. Call to Order	
II. Roll Call	
III. Approval of Agenda	1
IV. Approval of Minutes: February 5, 2019	3
V. Public Comment Period	
VI. Chair's Report	
A. Appointment of Secretary	
VII. DMC Metrics: Update	7
VIII. Consent Agenda	
A. Certification of Expenditures to DEED	11
<u>Resolution A</u> : Ratifying and Confirming the Revised April 1 Report to DEED Pursuant to Statute	
B. Commending Dana Bailey	25
<u>Resolution B</u> : Commending Dana Bailey for Her Service	
C. Amendment to Working Capital Loan	27
<u>Resolution C</u> : Approving the First Amendment to and Execution of Amendments to Working Capital Loans	
IX. DMCC Audit for Year Ending December 31, 2018 (Presenter: Craig Popenhagen, CliftonLarsonAllen)	29

X.	2020 DMCC Funding Request: Process and Timeline	67
XI.	Affordable Housing Update (Presenters: Terry Spaeth, City; Dave Dunn, Olmsted County; Kevin Bright, EDA; Jennifer Woodford <u>or</u> Steve Borchardt, Rochester Area Foundation)	71
XII.	Project Updates (City of Rochester, EDA)	
	A. Transportation	73
	B. Heart of the City	77
	<u>Resolution D</u> : Approving Design Development for the Heart of the City Project	
	C. Chateau Theatre	81
	D. Discovery Square	83
XIII.	Energy Integration Committee	85
	<u>Resolution E</u> : Receiving Energy Integration Committee Materials and Affirming Goals	
XIV.	EDA Update	
	A. Experience Update	123
	B. Development Plan 5 Year Update	125
	C. Market Studies	127
	D. Riverfront: Next Steps	129
XV.	DMCC 2019 Budget: Year to Date Update	147
XVI.	Meeting Schedule:	
	A. Next Regular Meeting: September 26, 2019 at 9:30 A.M.	
XVII.	Adjournment	

DESTINATION MEDICAL CENTER CORPORATION (DMCC)  
BOARD MEETING

Tuesday, February 5, 2019  
9:30 A.M.

MINUTES

- I. Call to Order. Chair R.T. Rybak called the meeting to order at 9:30 a.m. at Mayo Civic Center Suite 101, located at 30 Civic Center Drive, Rochester, MN 55904.
- II. Roll Call. Chair R.T. Rybak, Mayor Kim Norton, Michael Dougherty, Council Member Nick Campion, Jim Campbell, Paul Williams, Dana Bailey, and Commissioner Jim Bier were present.
- III. Approval of Agenda. Commissioner Bier moved approval of the Agenda. Council Member Campion seconded.  
  
Ayes (8), Nays (0). Motion approved.
- IV. Approval of Minutes: November 13, 2018. Council Member Campion moved approval of the Minutes. Mr. Williams seconded.  
  
Ayes (8), Nays (0). Motion approved.
- V. Public Comment Period. Che Lopez, a local organizer with Communities United for Rochester Empowerment (CURE), spoke regarding affordable housing and residential development.  
  
Nate O'Reilly, President of the Southeast Minnesota Building and Construction Trades Council, described DMC's positive economic impact to local contractors, construction trades workers, and developers.
- VI. Chair's Report. Chair Rybak noted that 2019 will include 9 grand openings totaling \$301 million investment, 285 residential units, 264 new hotel rooms, more than 600 parking stalls, 40,000 square feet of retail space, and 80,000 square feet of life-science space.  
  
Ms. Bailey described her recent and upcoming meetings in Rochester regarding workforce development. Mr. Williams noted that he will be attending an upcoming meeting of the Coalition for Rochester Area Housing.
  - A. Conflict of Interest Policy: Amendment. General Counsel Kathleen Lamb described the revised DMCC conflict of interest policy.  
  
Resolution A: Approving the Amended and Restated DMCC Conflict of Interest Policy. Mayor Norton moved approval of the resolution. Mr. Williams seconded.  
  
Ayes (8), Nays (0). Motion approved.
  - B. Appointment of Secretary to the Board. Chair Rybak indicated the Board will add a discussion of the role of the Secretary to the Agenda of the next Board meeting.

VII. Election of Officers.

- A. Vice Chair. Chair Rybak moved the appointment of Mayor Norton as DMCC Board vice chair. Commissioner Bier seconded.

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

VIII. Annual Report to the Legislature. General Counsel Lamb outlined the requirements of the annual report to the Legislature and noted that the Rochester City Council considered the report yesterday.

Mayor Norton proposed several non-substantive changes to the report.

Resolution B: Approving the February 15 Report to the Legislature. Mr. Williams moved to approve the annual report to the Legislature, including the proposed changes proposed by Mayor Norton. Council Member Campion seconded.

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

IX. DMC Metrics: Update. Lisa Clarke, EDA Executive Director, stated that the annual DMC metrics are available in the Board materials. Chair Rybak suggested that EDA staff highlight one targeted measure of DMC progress at each quarterly DMCC Board meeting.

Ms. Clarke presented the 2018 DMC Private Investment Strategy graphic to the Board. Several Board members commented on the illustration of increased tax revenues. Chair Rybak suggested that the graphic illustrate future tax revenues. Council Member Campion noted that it would be useful to understand how much new tax capacity is dedicated to tax-increment financing. Mr. Williams asked which outreach strategies were most impactful; Ms. Clarke stated that the targeted marketing to investors and developers has been productive. Mayor Norton suggested including more investment details; specifically, what portion of residential development is affordable housing and which developments qualify for TIF and are subject to the City's five percent tax increment housing fund.

X. Project Updates. Ms. Clarke introduced Steve Rymer, Rochester City Administrator, Aaron Parrish, Deputy Administrator, and Patrick Seeb, Director of EDA Economic Development and Placemaking.

- A. Status of Private Development Projects Receiving Prior Approval. Staff noted that Bloom International Realty terminated its land purchase agreement and requested time to reconsider phase two of the proposed waterfront project. Such changes would necessitate reconsideration of the proposed project by the DMCC and Rochester City Council. Mr. Rymer stated that the City Council expressed its opinion that these events should provide an opportunity to reconsider the development of the site.

Chair Rybak and other members of the Board expressed their agreement with this approach, noting that staff have expended significant time and resources on this redevelopment of a waterfront property two blocks from the Mayo Clinic and that a redevelopment of the site would be of great public benefit.

A brief update on Discovery Square was provided.

- B. Transportation. Chair Rybak stated the importance of an effective and efficient transportation system to the DMC initiative and noted that the actions included in the proposed mobility hub resolution could play an important role in improving transportation access, providing housing and other redevelopment opportunities, and connecting parking, the downtown core, and the Mayo Clinic Hospital, Saint Mary's Campus.

1. Mobility Hubs: Location.

Mr. Seeb explained the proposed resolution. The proposed northwest mobility hub is a Mayo Clinic employee surface parking lot and the proposed southeast location is in the Graham Park area. Commissioner Bier stated that the Olmsted County Board of Commissioners approves of both sites but would like the opportunity to help determine which areas of Graham Park will be redeveloped. Council Member Campion indicated that the City Council supports these locations. Mr. Dougherty inquired about the expected cost; Mr. Seeb and Mr. Parrish stated that some factors of the estimated cost, including parcel purchase/redevelopment and the interest of private developers, will determine the final DMC investment. Costs will include the transit circulator and full development of the mobility hubs.

Mr. Dougherty estimated the redevelopment could take 3-5 years. Mayor Norton asked about several issues, including property ownership and possible expansion of the DMC Development District. Commissioner Bier noted that identifying these sites is an important step toward applying for federal transportation funding. Mr. Parrish stated that the transit circulator and mobility hubs will be prototyped.

Resolution C: Preliminary Approval of Location of Mobility Hubs, Authorizing Expenditure of Funds and Directions to Staff. Commissioner Bier moved approval of the resolution. Mayor Norton seconded.

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

- C. UMR & Recreation Subdistrict (Community / Education). Ms. Clarke described ongoing discussions between the City of Rochester, EDA, and the University of Minnesota Rochester about additional development in the UMR/Recreation subdistrict. The EDA will lead the early planning phase.

D. Implementation of DMC Project Work by the City of Rochester.

Mr. Seeb described the proposal to move some DMC-related work from contractors to City staff. The workplan for these staff members will be approved annually by the DMCC Board. Mr. Williams moved approval of the proposal. Council Member Campion seconded.

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

- XI. EDA Update. Ms. Clarke noted that the EDA update is provided in the Board materials.

- XII. DMCC 2018 Budget: Year to Date Update. Commissioner Bier provided the finance update.

XIII. Remarks by Dr. Gianrico Farrugia, Mayo Clinic President and CEO. Chair Rybak invited Jeff Bolton, EDA Board President and Mayo Clinic Chief Administrative Officer, to introduce Dr. Gianrico Farrugia. Dr. Farrugia thanked the DMCC Board for its commitment to securing Rochester as the global destination medical center and acknowledged the steadfast leadership of the State of Minnesota, Olmsted County, the City of Rochester, and the EDA. Dr. Farrugia congratulated Mayor Norton on her election and thanked her for her early and continued support of DMC and Mayo Clinic.

Dr. Farrugia stated that the success of Mayo Clinic and DMC is firmly linked, and that both entities must do everything possible to create and maintain vibrant patient, resident, visitor, and employee experiences in the community and at Mayo Clinic. He described Mayo Clinic's staff as its "number one asset."

Dr. Farrugia stated that Mayo Clinic's commitment to DMC remains very strong and that the DMCC Board should expect additional Mayo Clinic development in coming years. Demand for patient services and research is strong, and investments in the Gonda Building expansion, the Saint Mary's Campus, the Mary Brigh Building, and Mayo Clinic's tissue warehouse will contribute to Mayo Clinic's capital investment of more than \$1 billion in Rochester by 2021. He stated that Mayo Clinic has hired 3,000 employees in just the last five years.

The Board thanked Dr. Farrugia for affirming Mayo Clinic's commitment.

XIV. Meeting Schedule:

- A. DMC Joint Meeting: February 5, 2019 at 11:00 A.M.
- B. Executive Committee Meeting: March 21, 2019 at 9:30 A.M.
- C. Next Regular Meeting: May 23, 2019 at 9:30 A.M.

XV. Adjournment. Commissioner Bier moved to adjourn. Mr. Williams seconded.

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



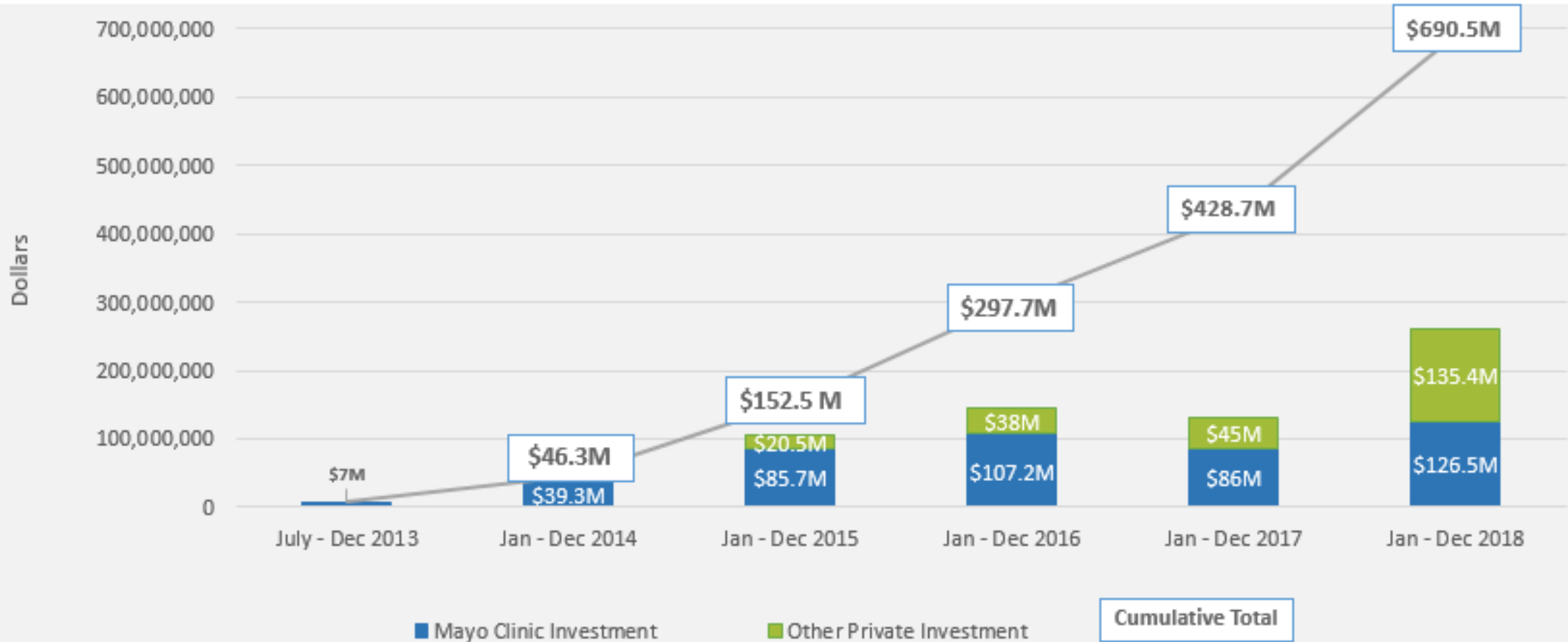


# DMC Metrics

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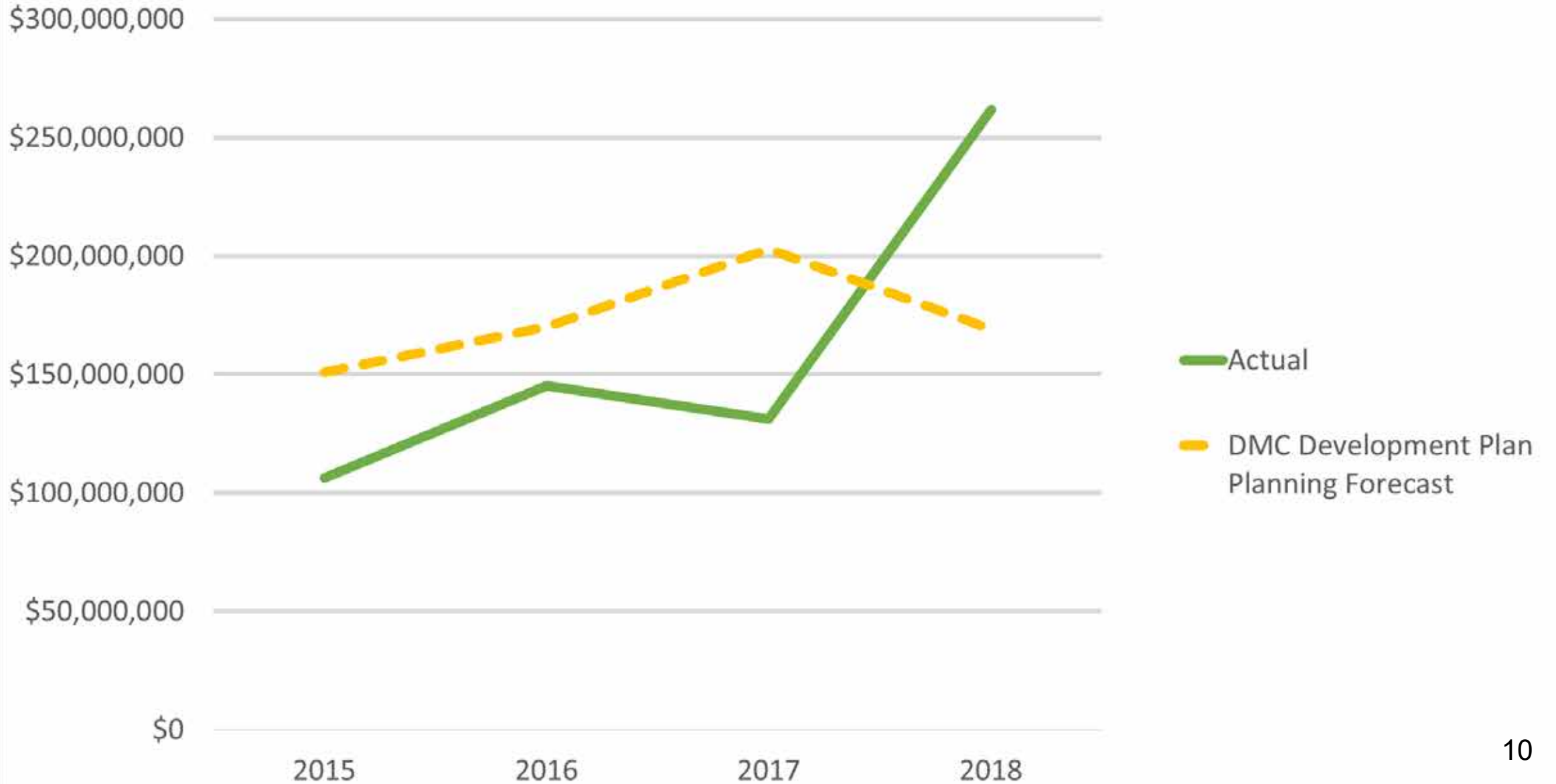


## DMC Private Investment (Construction Costs Spent To Date)



	July-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018
Mayo Clinic Inv.	\$7M	\$39.3M	\$85.7M	\$107.2M	\$86M	\$126.5M
Non Mayo Private Inv.	0	0	\$20.5M	\$38M	\$45M	\$135.4M
Total Investment	\$7M	\$39.3M	\$106.2M	\$145.2M	\$131M	\$262M

# Annual Private Investment Since Approval of DMC Development Plan 2015-2018



**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2019**

**Ratifying and Confirming the Revised April 1 Report to DEED Pursuant to Statute**

BACKGROUND RECITALS

A. Minnesota Statutes, Section 469.47, provides that by April 1 of each year, the medical business entity (Mayo Clinic) must certify to the Commissioner of the Department of Employment and Economic Development (“DEED”) the amount of expenditures made by Mayo Clinic in the preceding year. For expenditures made by an individual or entity other than Mayo Clinic, the Destination Medical Center Corporation (“DMCC”) must compile the information on the expenditures and may certify the amount to DEED. On March 21, 2019, pursuant to Resolution No. EC-5-2019, the Executive Committee of the DMCC Board authorized the Chair or Treasurer of the DMCC to execute and submit the report to DEED (the “April 1 Report”), and to modify the report as necessary upon subsequent discussions with Mayo Clinic or the City of Rochester (the “City”).

B. During DEED’s field visit to the City, it was determined that an error had occurred in the amounts certified for 2018. Therefore, staff from the City revised the April 1 Report, and the revised April 1 Report was signed by the Treasurer of the DMCC and submitted to DEED. The revised April 1 Report is attached as Exhibit A.

RESOLUTION

**NOW, THEREFORE, BE IT RESOLVED**, that the Destination Medical Center Corporation Board of Directors ratifies and confirms the action of its Executive Committee and the revised April 1 Report and its submittal to the Minnesota Department of Employment and Economic Development as required by Minnesota Statutes, Section 469.47, and authorizes the Chair or Treasurer to make such other modifications, and to take such other actions as are necessary and appropriate to effectuate the submission of the report to DEED.

**EXHIBIT A**

# 2018 Tracking Worksheet

Building Permits within the DMC Boundary  
(Does not include Mayo Projects)

Year	Completed Projects
2013	\$ 94,425.00
2014	\$ 94,498.00
2015	\$ 83,301.00
2016	\$ 5,020,000.00
2017	\$ 6,165,666.00
2018	\$ 1,731,468.00
<b>TOTAL</b>	<b>\$ 13,189,358.00</b>

2016/2017 Destination Medical Center - Partially Completed Projects Tracking

Project	Address	Total Building Permit Value	2016		2017		2018	
			Partial Completed Work Claimed	Completed Work Claimed	Partial Completed Work Claimed	Completed Work Claimed	Partial Completed Work Claimed	Completed Work Claimed
1st Avenue Flats	400 NW 1 Avenue	\$ 8,719,735.57	\$	\$ 4,976,244.00	\$	\$ 3,743,491.57		
Lofts at Mayo Park	123 SE 6 Avenue	\$ 6,900,000.00	\$	\$ 6,347,552.97	\$	\$ 552,447.03		
501 on First	501 SW 1 Avenue	\$ 12,977,182.75	\$	\$ 12,534,186.96	\$		\$	\$ 442,995.79
Flats on 4th (Buckeye)	412 SE 3 Avenue	\$ 13,082,292.00	\$	\$ 8,906,937.40	\$		\$	\$ 4,175,354.60
	Total	\$ 41,679,210.32	\$	\$ 32,764,921.33	\$	\$ 4,295,938.60	\$	\$ 4,618,350.39
	Dollar Value of building permits finalized in 2016		\$	\$ 1,555,125.00				
	Dollar amount submitted for partial work in 2016		\$	\$ 31,209,796.33				

2017/2018 Destination Medical Center - Partially Completed Projects Tracking

Project	Address	Total Building Permit Value	2017		2018		Payments AIA Documentation thru 12/31/2018
			Partial Completed Work Claimed	Completed Work Claimed	Partial Completed Work Claimed	Completed Work Claimed	
Broadway @ Center	10 East Center Street	\$ 84,282,463.00	\$	\$ 33,866,963.98	\$	\$ 50,415,499.02	\$ 85,216,473.59
Discovery Square	202 SW 4 Street	\$ 16,009,000.00	\$	\$ 2,965,073.30	\$	\$ 13,043,926.70	\$ 21,476,167.17
	Dollar amount submitted for partial work	\$ 100,291,463.00	\$	\$ 36,832,037.28	\$	\$ 63,459,425.72	

# 2018 Tracking Worksheet

## 2018 Destination Medical Center - Partially Completed Projects Tracking

Project	Address	2018	
		Total Building Permit Value	Partial Completed Work Claimed
Ronald McDonald House	850 2nd Street SW	\$ 10,126,000.00	\$ 4,872,363.01
Hotel Indigo (Holiday Inn)	220 South Broadway	\$ 5,500,000.00	\$ 1,156,333.15
Residence @ Dis. Sq.	511 3rd Ave. SW	\$ 19,000,000.00	\$ 9,820,880.09
Urban on First	429 South Broadway	\$ 28,600,000.00	\$ 12,455,954.00
Berkman (Alatus)	217 & 301 14th Ave SW	\$ 98,206,800.00	\$ 25,936,546.00
		\$ 161,432,800.00	\$ 54,242,076.25

**TOTAL \$ 135,509,210.36**



**2016 Destination Medical Center - Partially Completed Projects Tracking**

Project	Address	2016					2017					To Be Claimed	
		Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Total Permits	Balance Claimed	2017	2018	Balance Claimed
1st Avenue Flats	400 NW 1 Avenue	\$ 4,976,244.00	R16-0024MFB	\$ 622,000.00		R16-0008MFB	\$ 8,097,735.57	6/26/2017	\$ 8,719,735.57	\$ 3,743,491.57			
Lofts at Mayo Park	123 SE 6 Avenue	\$ 6,347,552.97	R15-0079MFB	\$ 794,323.00	3/6/2017	R16-0011MFB	\$ 6,105,677.00	8/17/2017	\$ 6,900,000.00	\$ 554,447.03			
501 on First	501 SW 1 Avenue	\$ 12,534,186.96	R15-0053MFB	\$ 1,555,125.00	9/2/2016	R15-0058MFB	\$ 11,422,057.75	1/28/2018	\$ 12,977,182.75			\$ 442,995.79	
Flats on 4th (Buckeye)	412 SE 3 Avenue	\$ 8,906,937.40	R15-0107MFB	\$ 2,400,000.00	12/6/2018	R16-0009MFB	\$ 10,682,292.00	7/12/2018	\$ 13,082,292.00			\$ 4,175,354.60	
<b>TOTAL for 2016</b>		<b>\$ 32,764,921.33</b>							<b>\$ 41,679,210.32</b>	<b>\$ 4,295,938.60</b>		<b>\$ 4,618,350.39</b>	
Dollar amount finalized in 2016		\$ 1,555,125.00											
Dollar amount submitted for partial work in 2016		\$ 31,209,796.33											
<b>TOTAL for 2017</b>		<b>\$ 4,295,938.60</b>											
<b>TOTAL for 2018</b>		<b>\$ 4,618,350.39</b>											

**2017 Destination Medical Center - Partially Completed Projects Tracking**

Project	Address	2017					2018					
		Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Balance to Claim
Broadway @ Center	10 East Center Street	\$ 33,866,963.98	R15-0081CB	\$ 1,000,000.00	12/5/2018	R15-0384CB	\$ 45,000,000.00		R15-0447CB	\$ 38,282,463.00		\$ 50,415,459.02
Discovery Square	202 4th Street SW	\$ 2,965,073.30	R17-0384CB	\$ 1,750,000.00	11/13/2018	R17-0054CB	\$ 1,290,000.00	11/13/2018	R17-0492CB	\$ 12,969,000.00		\$ 13,043,926.70
<b>TOTAL for 2017</b>		<b>\$ 36,832,037.28</b>										<b>\$ 63,459,425.72</b>
Dollar amount finalized in 2017		\$ -										
Dollar amount submitted for partial work in 2017		\$ 36,832,037.28										
<b>TOTAL for 2018</b>		<b>\$ 63,459,425.72</b>										

**2018 Destination Medical Center - Partially Completed Projects Tracking**

Project	Address	2018					2019					
		Partial Completed Work Claimed	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Permit Number	Value	Completion Date	Balance to Claim
Ronald McDonald House	850 2nd Street SW	\$ 4,872,363.01	R18-0048CB	\$ 10,126,000.00								\$ 5,253,636.99
Hotel Indigo (Holiday Inn)	220 South Broadway	\$ 1,156,333.15	R18-0294CB	\$ 500,000.00		R18-0389CB	\$ 5,000,000.00					\$ 4,343,666.85
Residence @ Dis. Sq.	511 3rd Ave. SW	\$ 9,820,880.09	R17-0143MFB	\$ 1,750,000.00		R17-0141MFB	\$ 17,250,000.00					\$ 9,179,119.91
Urban on First	429 South Broadway	\$ 12,455,954.00	R18-0003MFB	\$ 220,000.00		R18-0015MFB	\$ 28,380,000.00					\$ 16,144,046.00
Berkman (Arlatus)	217 & 301 14th Ave SW	\$ 25,996,546.00	R17-0157MFB	\$ 4,900,000.00		R18-0037MFB	\$ 86,237,507.00					\$ 72,270,254.00
<b>TOTAL for 2018</b>		<b>\$ 54,242,076.25</b>										<b>\$ 100,291,463.00</b>
Dollar amount finalized in 2018		\$ -										
Dollar amount submitted for partial work in 2018		\$ 54,242,076.25										

**PARTIAL PROJECTS**  
**GRAND TOTAL FOR 2018**      \$ 122,319,852.36



2017 Building Permits (Entire Year) **CLOSED BUILDING PERMITS**  
 (Within DMC Boundary - does not include Mayo Projects -  
 Completed in 2016)

Site Type Level	Category Level	Permit Number	Permit Issue Date	Permit Number	Address Info	Permit Valuation	Work Description	Owner	Current Permit Status	Current Permit Status Date	Changed as of 1/04/2019
Commercial Bldg	Phased/Partial Permit	R15-0281CB	1/6/2017	017396	15 E CENTER ST, ROCHESTER, MN 55904	\$1,000,000	CP-3 package: Poolings, Foundation, Waterproofing (Broadway on Center)	Legacy Fund I, LLC 30 3 St SE ROCHESTER, MN 55904	Finished	12/5/2015	Yes
Commercial Bldg	Alteration	R17-0222CB	2/22/2017	070415	400 6 AVE, ROCHESTER, MN 55902	\$27,201	Alterations to add 6 units in lower level (Christ United Methodist Church)	CHRIST UNITED METHODIST CHURCH 400 6 AVE SW ROCHESTER, MN 55902	Finished	12/1/2016	Yes
Commercial Bldg	Alteration	R17-0254CB	9/2/2017	081068	222 SW 6 AVE, ROCHESTER, MN 55902	\$292,000	Footings and foundations for future vestibule addition (Phase 1). Site retaining walls and alterations to the existing parking lot. (Trinity Lutheran Church) The vestibule construction above grade will be part of Phase 2 which is a future project.	TRINITY EVANGELICAL LUTHERAN CHURCH 222 6 AVE SW ROCHESTER, MN 55902	Finished	12/17/2018	Yes
Commercial Bldg	Alteration	R17-0288CB	12/6/2017	049936	102 SE 2 ST, ROCHESTER, MN 55904	\$5,200,000	Kitchen and bathroom remodels of cabinets and sinks, unit exhaust alterations, new windows in units, corridor painting and flooring, generator replacement, new hot water boilers (Fontaine Towers)	FONTAINE TOWERS II LP 30 3 ST SE STE 600 ROCHESTER, MN 55904	C of C Issued	10/22/2019	Yes
Commercial Bldg	Alteration	R17-0365CB	10/11/2017	017990	8 NW 9 AVE, ROCHESTER, MN 56001	\$250,000	Alterations to create boiler area for disconnection from the Franklin Heating Station. (Kahler Inn & Suites)	KINN 9 3RD AVENUE LLC 29 2 AVE SW ROCHESTER, MN 55902	C of C Issued	09/10/18	Yes
Commercial Bldg	Phased/Partial Permit	R17-0364CB	12/11/2017	050075 087395	202 SW 4 ST, ROCHESTER, MN 55902	\$1,750,000	Phased partial permit for underground dry/WEP utilities, deep foundations (caissons) and basement construction. (Discovery Square Phase 1)	Mortenson Properties, Inc. 700 Meadow Lane N Minneapolis, MN 55402	Finished	11/13/2018	Yes
Demolition	Residential	R17-0358D	10/25/2017	017718	318 SW 3 AVE, ROCHESTER, MN 55902	\$64,000	demo of house	RESIDENCE AT DISCOVERY SQUARE LLC 3686 CHAPPLUS TRL FARIBAULT, MN 55921	Closed	12/07/2018	Yes
Demolition	Residential	R17-0042D	10/25/2017	017728	304 SW 8 ST, ROCHESTER, MN 55902	\$19,000	demo of house	RESIDENCE AT DISCOVERY SQUARE LLC 3686 CHAPPLUS TRL FARIBAULT, MN 55921	Closed	12/27/2018	Yes
Demolition	Residential	R17-0044D	10/25/2017	017723	609 SW 3 AVE, ROCHESTER, MN 55902	\$69,000	demo of house	RESIDENCE AT DISCOVERY SQUARE LLC 3686 CHAPPLUS TRL FARIBAULT, MN 55921	Closed	12/27/2018	Yes
Demolition	Commercial	R17-0013D	10/10/17	054926	401 S BROADWAY AVE, ROCHESTER, MN 55904	\$83,000	Demolition of Ladies Club and commercial building for 451-473 South Broadway Avenue	Daly, Jenise 620 9 AVE SW ROCHESTER, MN 55902	Closed	12/18/2016	Yes
Residential Bldg	Alteration	R17-1156RB	7/26/2017	209122	424 NW 1 ST, ROCHESTER, MN 55902	\$30,000	Kitchen and bathroom remodels, replacement windows, alterations on all 3 levels and basement.	UP Development--Henderson, Ross 1624 Echo Ridge Rd Sw ROCHESTER, MN 55902	Finished	4/10/2018	Yes
Commercial Bldg	Alteration	R17-0364CB	9/20/2017	057422	20 0E 4 ST, ROCHESTER, MN 55904	\$10,000	Interior alteration of first level. (Heich and Debar)	ROCH AND CELLAR LLC 20 4 ST SE ROCHESTER, MN 55904	C of C Issued	1/12/2018	Yes
Commercial Bldg	Alteration	R17-0318CB	13/16/2017	014310	310 S BROADWAY AVE, ROCHESTER, MN 55904	\$70,000	Interior alterations to create a new ice cream and candy shop. (The Chocolate Twist - Boys & Girls Club - Palms Building)	Boys and Girls Club - Jodi Millerbernd 1026 East Center Street ROCHESTER, MN 55904	C of C Issued	1/9/2018	Yes
Commercial Bldg	Alteration	R17-0328CB	11/09/2017	017897	100 SW 1 AVE, ROCHESTER, MN 55902	\$63,000	Remodel of space of new restaurant. (ZY Tanyaki Restaurant) - 100 1st Avenue Building - Subway level	Yang Kathy & Tom 107 Peregrine Dr SE ROCHESTER, MN 55904	C of C Issued	1/15/2018	Yes

\$8,910,866  
 \$2,750,000 covered under partial permits  
**\$6,160,866**

2019 Building Permits (Entire Year)  
**CLOSED BUILDING PERMITS**  
 (Within DMC Boundary, does not include Mayo Projects)  
 (Completed in 2018)

Item	Type Level	Category Level	Permit Number	Permit Issue Date	Parcel Number	Address Info	Permit Valuation	Work Description	Owner	Current Permit Status	Current Permit Status	Changed (As of 1/24/2019)
1	Commercial Bldg	Alteration	R16-0197CB	5/31/2018	018454	300 NW 1 AVE, ROCHESTER, MN 55901	\$26,000	Replace accessible entrance on north end of building (Broadstreet Cafe)	DM41 BROADSTREET LLC 216 1 AVE SW ROCHESTER MN 55902	Finalized	5/9/2018	Yes
2	Commercial Bldg	Addition	R16-0220C	10/24/2018	061707	20 SW 2 AVE, ROCHESTER, MN 55902	\$5,000,000	Mezzanine addition for chiller & boiler serving Kahler Grand & Marriott Hotel (Kahler Grand Hotel)	KAN 20 2ND AVENUE LLC 20 2 AVE SW ROCHESTER, MN 55902	Finalized	9/27/2018	Yes
3	Multi-Family Bldg	Phased Partial Permit	R15-0107MFB	4/23/2018	062439	412 SE 3 AVE, ROCHESTER, MN 55904	\$2,400,000	Partial phase footing and foundation with precast concrete (The Buckeye) 3 Ave & 4 St SE	Nathan Soren PO Box 89524 Sioux Falls, SD 57109	Finalized	12/15/2018	Yes
4	Multi-Family Bldg	New	H16-0009MFB	9/20/2018	082439	412 SE 3 AVE, ROCHESTER, MN 55904	\$10,682,292	New 126,925 sq ft 6 story, 52 unit apartment building with underground parking, business tenants on main level (The Buckeye) 3 Ave & 4 St SE	Nathan Soren PO Box 89524 Sioux Falls, SD 57109	C of O issued	2/12/2019	Yes

\$16,102,282  
 \$13,082,292 - Cover under partial permits  
 \$3,020,000

2015 Building Permits (Entire Year)  
**CLOSED BUILDING PERMITS**  
 (Within DMC Boundary, does not include Mayo Projects)  
 (Closed in 2018)

Sub Type Level	Category Level	Permit Number	Permit Issue Date	Parcel Number	Address Info	Permit Valuation	Work Description	Owner	Current Permit Status	Current Permit Status Date	Changed (as of 1/31/2018)
1	Demolition	R14-0043D	1/30/2015	017700	116 SW 8 ST, ROCHESTER, MN 55902	\$33,970	Demolishing the old University Village Inn	UNIVERSITY VILLAGE INN 626 LENSKE AVE PO BOX 263 NEW HAMPTON, IA 50659	Closed	12/13/2018	Yes
2	Demolition	R15-0003D	2/26/2015	012704	507 SW 2 ST, ROCHESTER, MN 55902	\$12,000	Demolish building, 1945 1-family dwelling	BROOKS EDWARDS 811 FOX POINT LN SW ROCHESTER, MN 55900	Closed	12/19/2018	Yes
3	Sign	R15-01295	02/12/2015	032802	500 SW 1 AVE, ROCHESTER, MN 55902	\$17,331	Preexisting sign "Southern MN Municipal Power Agency"	SD MN MUNICIPAL POWER AGENCY 500 1 AVE SW ROCHESTER, MN 55902	Closed	12/8/2018	Yes
4	Multi-Family Bldg	R15-0093MFB	10/16/2015	017090	507 SW 1 AVE, ROCHESTER, MN 55902	\$11,862,088	New 130,000 sq ft, 5 - story, 84 unit apartment with underground parking, main level future tenant spaces (507 on 1st Apartments)	MK DOWNTOWN LLC PO BOX 263 NEW HAMPTON, IA 50659	C of O Issued	1/29/2018	Yes

\$11,505,359  
 \$11,422,058 Cover under partial permits  
 \$83,301

2014 Building Permits (Entire Year)  
**CLOSED BUILDING PERMITS**  
 (Within OMC boundary, does not include Mayo Projects)  
 (Completed in 2018)

Sub Type Level	Category Level	Permit Number	Permit Issue Date	Parcel Number	Address Info	Permit Valuation	Work Description	Owner	Current Permit Status	Current Permit Status Date	Charged (as of 1/24/2018)
1	Demolition	R14-00010	3/4/2014	017935	8 S BROADWAY, ROCHESTER, MN 55904	\$16,666	Demolition of the building incorporates two addresses (8 and 9 South Broadway)	BROADWAY COMMONS ROCHESTER LLC 7381 AIRPORT VIEW DR SW ROCHESTER, MN 55902	Closed	12/5/2018	Yes
2	Demolition	R14-00020	3/4/2014	017937	10 S BROADWAY, ROCHESTER, MN 55904	\$16,666	Demolition of the building (10 South Broadway)	ATTN JAKOBSON MANAGEMENT CO 49 BROADWAY SOUTH ROCHESTER, MN 55904	Closed	12/5/2018	Yes
2	Demolition	R14-00030	3/4/2014	017936	12 S BROADWAY, ROCHESTER, MN 55904	\$16,666	Demolition of the building (12 South Broadway)	AMP PROPERTIES LLC 6817 WAKOTA TRAIL	Closed	12/11/2018	Yes
4	Demolition	R14-00070	4/10/2014	025324	615 SW T AVE, ROCHESTER, MN 55902	\$14,500	Demolition of building 615	OCONNOR RECREATION COMPANY LLC 600 4 ST SW ROCHESTER, MN 55902	Closed	12/11/2018	Yes
5	Demolition	R14-00240	10/18/2014	017724	507 SW 3 AVE, ROCHESTER, MN 55902	\$20,000	Demolition	MEYER, TIMOTHY D 2002 Hwy 14 ROCHESTER, MN 55904	Closed	12/11/2018	Yes

594,498

2013 Building Permits (3rd and 4th Quarter - July 1st to December 31st)

**CLOSED BUILDING PERMITS**

(Within DMC Boundary, does not include Mayo Projects)

	Sub Type Level	Category Level	Permit Number	Permit Issue Date	Parcel Number	Address Info	Permit Valuation	Work Description	Owner	Current Permit Status	Current Permit Status Date	Changed (as of 1/24/2014)
1	Commercial Bldg	Alteration	R13-0199CB	7/7/2013	010046	101 N BROADWAY, ROCHESTER, MN 55905	\$31,425	Reroof 4800 sq ft flat roof (International African Mall)	M&S OF ROCHESTER LLC 707 G AVE NW ROCHESTER, MN 55901	Final	12/13/2013	Yes
2	Commercial Bldg	Alteration	R13-0229CB	8/15/2013	077384	705 SW 2 ST, ROCHESTER, MN 55902	\$63,000	Convert 3-bathroom porch to family room (Off of Life Transplant House)	Mayo Clinic 200 1 ST SW ROCHESTER, MN 55905	Final	11/05/2013	Yes

\$94,425



2016 Building Permits (End of Year)  
**CLOSED BUILDING PERMITS**  
 (With OAC Boundary, does not include Mayo Projects)

Job Type Level	Category Level	Permit Number	Permit Issue Date	Within 1500 Boundary	Parcel Number	Address Info	Permit Valuation	Work Description	Major Project	Owner	Current Permit Status	Closed Permit Issue Date
Commercial Bldg	Placed/Partial Permit	R16-0194CB	01/20/16	Yes	000025	330 SW 4 ST ROCHESTER, MN 55902	\$1,290,000	Partial structural wall through level 2 (Discovery Square Phase 1)	No	Robinson Properties, Inc. 100 Franklin Ave N Rochester, MN 55902	Placed	11/23/16
Commercial Bldg	Placed/Partial Permit	R16-0194CB	08/22/16	Yes	010415	400 SW 5 AVE, ROCHESTER, MN 55902	\$37,000	Interior renovation (2nd floor) Methodist Church	No	2400 W. Lane NW ROCHESTER, MN 55902	Placed	12/15/16
Commercial Bldg	Alteration	R16-02087B	03/11/16	Yes	014432	326 B BROADWAY AVE, ROCHESTER, MN 55904	\$190,000	Adding catwalks, escalator system, changing stairway (Fagan Building)	No	Shawen Pappas 324 South Broadway Rochester, MN 55904	Placed	02/02/17
Commercial Bldg	Alteration	R16-02087C	02/22/16	Yes	010774	337 SW 1 AVE, ROCHESTER, MN 55902	\$50,000	Fit-up of a Write Center for Rochester Home Visitation office (Old Business building)	No	Rockwell Home Visitation 331 1st Ave SW Rochester, MN 55902	Placed	10/02/16
Commercial Bldg	Alteration	R16-0187CB	12/29/16	Yes	010181	18 SW 1 ST 102, ROCHESTER, MN 55902	\$142,000	Renovation to scale 101-102 into a salon (Luna Beauty Bar)	No	Parsons Amen Kebabbar 2481 Howe Lane SW Rochester, MN 55902	C of D Issued	10/28/16
Commercial Bldg	Alteration	R16-01887B	09/23/16	Yes	010186	111 S MCDONNELL AVE, ROCHESTER, MN 55904	\$750,000	Removal of two escalators and replace with steel stairs. (Shope at University building)	No	BCD LLC 3014 S 3rd St ROCHESTER, MN 55904	Placed	09/22/16
Commercial Bldg	Alteration	R16-02437B	11/22/16	Yes	010415	400 SW 5 AVE, ROCHESTER, MN 55902	\$89,000	Add equipment to building kitchen and storage to allow for warming kitchen for Day Care. Install new grease trap/hood into existing storage room. (First United Methodist Church)	No	CHRIST UNITED METHODIST CHURCH 400 5 AVE SW ROCHESTER, MN 55902	C of D Issued	09/22/16
Commercial Bldg	Alteration	R16-02090D	01/20/16	Yes	010772	80 SW 3 ST, ROCHESTER, MN 55902	\$15,000	Alterations to existing space for a bar and first noone (Bar Buffalo)	No	Blaze LLC 1300 1st St SW ROCHESTER, MN 55902	Placed	10/02/16
Commercial Bldg	Alteration	R16-0194CB	01/12/16	Yes	000124	400 SW 2 ST, ROCHESTER, MN 55902	\$83,000	Removal of existing bakery storefront building	No	Crackback 1612 1st St SW Rochester, MN 55902	Placed	10/02/16
Commercial Bldg	Alteration	R16-02437C	04/22/16	Yes	010775	18 SW 3 ST Suite 1, ROCHESTER, MN 55902	\$75,275	Remove equipment and built-in furniture, remove entry, install plumbing and HVAC (Bitter & Rose LLC - Merchant Exchange Building)	No	John Hachell 300 5 AVE SW ROCHESTER, MN 55902	C of D Issued	11/02/16
Commercial Bldg	Alteration	R16-02050B	01/02/16	Yes	001051	402 SW 2 AVE, ROCHESTER, MN 55902	\$475,000	Tenant improvement to existing shell space for relocated Krass-Anderson Rochester (Krass-Anderson)	No	Krass-Anderson Construction Co 416 South Broadway Rochester, MN 55901	C of D Issued	11/29/16
Demolition	Commercial	R16-0000D	02/10/16	Yes	000000	34 SW 6 ST, ROCHESTER, MN 55902	\$10,000	Demolition and removal of building, concrete and asphalt	No	SPW Paul T118 1800 1st SW Rochester, MN 55902	Placed	10/22/16
Demolition	Commercial	R16-0000E	01/10/16	Yes	000010	40 SW 8 ST, ROCHESTER, MN 55902	\$81,000	Demolition and removal of building, concrete and asphalt	No	SPW Paul T118 1800 1st SW Rochester, MN 55902	Placed	10/22/16
Demolition	Multi-Family	R16-0001D	03/22/16	Yes	010186	8 NW 1 AVE, ROCHESTER, MN 55904	\$269,000	Demolition of Structure	No	BRCH LLC 800 Victoria Ave PO BOX 263 NEW HAMPTON, MN 55902	Placed	10/22/16
Multi-Family Bldg	Alteration	R16-02087FB	02/02/16	Yes	000004	300 S BROADWAY AVE 4TH FLOOR, ROCHESTER, MN 55904	\$48,000	Remodel hallway for South #200	No	PHS, LLC 101 S BROADWAY AVE S #1404 ROCHESTER, MN 55904	C of D Issued	02/02/16
Multi-Family Bldg	Alteration	R16-02087FA	08/21/16	Yes	000010	207 SW 5 AVE APT# 502, ROCHESTER, MN 55902	\$48,000	Remodel two units and kitchen	No	PHS, LLC 207 5 AVE SW ROCHESTER, MN 55902	Placed	08/22/16

\$1,291,000  
 \$1,291,000 Cover under partial permits  
 \$1,291,000



**Certification of Expenditures  
Destination Medical Center**

For Calendar Year 2018

Due to Commissioner of Employment and Economic Development (DEED) by April 1

**REVISED AS OF MAY 6, 2019**

The Medical Business Entity and the Destination Medical Center Corporation (DMCC) Board of Directors (assisted by the City of Rochester) hereby submits to the Department of Employment and Economic Development (DEED) the following report for expenditures that relate to the Destination Medical Center (DMC) Development for the calendar year 2018, and the certifications required to support the documentation under the City of Rochester Commissioner of Employment and Economic Development State Infrastructure Aid Agreement.

**Expenditures Reported this Year**

Total Expenditures Reported This Year by Medical Business Entity <sup>1</sup>	\$ 126,492,416.01
Total Expenditures Reported This Year for other Private Entities <sup>1,2</sup>	\$ 135,509,210.36
<b>TOTAL Expenditures This Year</b>	<b>\$ 262,001,626.37</b>

**All Expenditures claimed since June 30, 2013**

Previous Years Expenditures (cumulative)	\$ 428,662,787.00
TOTAL Expenditures This Year <sup>3</sup> (from Box 3)	\$ 262,001,626.37
All Claimed Expenditures as of 12/31/18 (Box 4 plus Box 5)	\$ 690,664,413.37
<b>Qualified Expenditures claimed in 2018 (Box 6 minus \$200,000,000)</b>	<b>\$ 490,664,413.37</b>

**State Aid Qualified for this Year** (local government match also required)

General State Infrastructure Aid Qualified for (Box 7 multiplied by .0275)	\$ 13,493,271.36
State Transit Aid Qualified for (Box 7 multiplied by .0075 and then multiplied by .6)	\$ 2,207,989.86

By providing my signature below, I am hereby certifying that, to the best of my knowledge, the information stated herein is accurate, true and complies with the provisions of Statute 467.47 of the State of Minnesota and the approved methodology as outlined in the City of Rochester Commissioner of Employment and Economic Development State Infrastructure Aid Agreement.

**For Expenditures By the Medical Business Entity:**

  
 \_\_\_\_\_  
 Mayo Clinic Chief Financial Officer

  
 \_\_\_\_\_  
 Date

**For all other Expenditures:**

  
 \_\_\_\_\_  
 Destination Medical Center Corporation

  
 \_\_\_\_\_  
 Date

<sup>1</sup> Expenditures need to be after June 30, 2013  
 Other Private Entities' certification of expenses may be certified retroactively in 2014 after the Destination Medical Center District and Development Plan are adopted.

<sup>3</sup> This figure is based solely upon project building permit costs. Minn. Stat. § 469.47, subd 1(d) permits additional expenditures, and discussion is underway as to how to document such additional expenditures, which may result in adjustments.



**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2019**

**Commending Dana L. Bailey and Expressing Gratitude for Her Service  
to the Destination Medical Center Corporation**

**BACKGROUND RECITALS**

**WHEREAS**, in 2018 Dana L. Bailey was appointed by Governor Mark Dayton to serve as a member on the Destination Medical Center Corporation Board of Directors (the “Board”); and

**WHEREAS**, Ms. Bailey generously volunteered her time and expertise in the area of workforce housing, and she has been actively engaged in the establishment of Board policies and procedures, with a particular focus on transparency and good governance for the Board; and

**WHEREAS**, Ms. Bailey offered a unique perspective to the Board, by virtue of her tenure as Executive Director of Projects and Initiatives for Minnesota IT Services (MNIT), her service as former Chief of Staff to then-Saint Paul Mayor Chris Coleman, and as former Deputy Chief of Staff and Senior Advisor to Governor Mark Dayton, not to mention her participation in so many other civic, educational, cultural, and athletic organizations; and

**WHEREAS**, Whereas, Ms. Bailey’s focus and the strategic emphasis she offered in the critical area of workforce development was extremely helpful to the Board; and

**WHEREAS**, Whereas, Ms. Bailey has been instrumental in the deliberations and refinement of the Development Plan for the Destination Medical Center initiative and in framing the Board’s priorities in these areas: Discovery Square, Heart of the City, and transportation initiatives; and

**WHEREAS**, Ms. Bailey’s commitment to the citizens of Rochester and the surrounding communities has been steadfast and well-reflected in her service on the Board, and her stewardship of the Board’s mission and purpose has been unwavering.

**RESOLUTION**

**NOW, THEREFORE, BE IT RESOLVED**, by the Destination Medical Center Corporation Board of Directors that it commends Dana L. Bailey for her service to the Board, to the community and to the State of Minnesota.

**BE IT FURTHER RESOLVED**, that the Board expresses its gratitude to Ms. Bailey for her devotion of time and energy to the Board, for her leadership in establishing priorities for the Board, for her engagement on issues and willingness to share expertise, and for her resolute determination to make Rochester, Minnesota, America’s City for Health.



**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2019**

**Approving the First Amendment to the Working Capital Loan Agreement (DMCC- City)  
and the First Amendment to the Working Capital Loan Agreement (DMCC- EDA)  
and Authorizing Execution**

BACKGROUND RECITALS

**WHEREAS**, the Destination Medical Center Corporation (“DMCC”), the City of Rochester (the “City”), and the Destination Medical Center Economic Development Agency (the “EDA”) entered into a working capital loan arrangement, authorizing the City to loan to the DMCC, and the DMCC to loan to the EDA, certain approved funds for on-going operations, effective as of April 1, 2014 (collectively the “Working Capital Loan Agreements”); and

**WHEREAS**, since the approval of the Working Capital Loan Agreements, each year the EDA, the DMCC, and City have approved the extension of the Working Capital Loan Agreements as part of the annual funding request process; and

**WHEREAS**, the City, the DMCC, and the EDA have determined to amend the Working Capital Loan Agreements to efficiently process loan extensions, to streamline supporting documentation, and to implement best practices, through the First Amendment to the Working Capital Loan Agreement (DMCC- City) and the First Amendment to the Working Capital Loan Agreement (DMCC- EDA) (collectively the “Amendments”).

RESOLUTION

**NOW, THEREFORE, BE IT RESOLVED**, by the Destination Medical Center Board of Directors that the First Amendment to the Working Capital Loan Agreement (DMCC- City) and the First Amendment to the Working Capital Loan Agreement (DMCC- EDA), both on file with the DMCC, upon approval by the City and the EDA, are approved.

**BE IT FURTHER RESOLVED**, that the Chair and Treasurer are hereby authorized and directed to execute and deliver, in the name of and on behalf of the DMCC, the Amendments, in substantially the form currently on file with the DMCC, with such modifications as the Chair and Treasurer may deem necessary or appropriate, all of which may be approved, executed, and delivered without further action of this Board.

**BE IT FURTHER RESOLVED**, that the Chair and Treasurer, and other officers of the DMCC, are hereby authorized and empowered to perform in the name of and on behalf of the DMCC, the Amendments, and are hereby authorized and empowered to do all things they may deem necessary or convenient to carry out the tenor and purport of this Resolution.





Board of Directors  
Destination Medical Center Corporation  
Rochester, Minnesota

We have audited the financial statements of the governmental activities and the general fund of the Destination Medical Center Corporation (the Corporation) for the year ended December 31, 2018, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant audit findings**

#### **Qualitative aspects of accounting practices**

##### Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2018.

We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

##### Accounting estimates

There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

##### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

#### **Difficulties encountered in performing the audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### **Uncorrected misstatements**

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

**Corrected misstatements**

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

**Disagreements with management**

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

**Management representations**

We have requested certain representations from management that are included in the management representation letter dated REPORT DATE.

**Management consultations with other independent accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Significant issues discussed with management prior to engagement**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

**Other information in documents containing audited financial statements**

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the use of the board of directors and the management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
REPORT DATE



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

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

DRAFT

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2018**

**INTRODUCTORY SECTION**

**BOARD OF DIRECTORS**

**SECTION I – FINANCIAL SECTION**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE</b>	<b>4</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>6</b>
<b>SECTION II – COMPLIANCE LETTERS</b>	
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>12</b>
<b>INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE</b>	<b>14</b>



**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
BOARD OF DIRECTORS  
AS OF DECEMBER 31, 2018**

**BOARD OF DIRECTORS**

R.T. Rybak	Chair
Ardell Brede	Vice Chair
Jim Bier	Treasurer
Dana Bailey	Director
James Campbell	Director
Michael Dougherty	Director
Mark Hickey	Director
Paul Williams	Director



**SECTION I – FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Destination Medical Center Corporation  
Rochester, Minnesota

We have audited the accompanying financial statements of the governmental activities and the general fund of the Destination Medical Center Corporation (Corporation), a component unit of the City of Rochester, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Corporation as of December 31, 2018, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, on our consideration of the Corporation’s internal control over financial reporting and on our tests of its compliance with certain provisions of the laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation’s internal control over financial reporting and compliance.

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
REPORT DATE

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET  
DECEMBER 31, 2018**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,166	\$ -	\$ 1,166
Advances to DMC EDA	50,000	-	50,000
Due from Other Governments	167,134	-	167,134
Prepays	52,939	-	52,939
	<u>271,239</u>	<u>-</u>	<u>271,239</u>
Total Assets	<u>\$ 271,239</u>	<u>-</u>	<u>271,239</u>
<b>LIABILITIES</b>			
Accounts Payable	167,300	-	167,300
Due to Other Governments	51,000	-	51,000
Unearned Revenue	52,939	-	52,939
Total Liabilities	<u>271,239</u>	<u>-</u>	<u>271,239</u>
<b>FUND BALANCE/NET POSITION</b>			
Fund Balance:			
Unassigned	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 271,239</u>		
Net Position:			
Unrestricted		-	-
Total Net Position		<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2018**

	General Fund	Adjustments	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Economic Development:			
Building Rent	\$ 24,050	\$ -	\$ 24,050
Legal Consultants	160,503	-	160,503
Other Professional Services	12,044	-	12,044
Travel and Training	272	-	272
Insurance	14,171	-	14,171
Program Costs	2,370,629	-	2,370,629
Total Expenditures/Expenses	<u>2,581,669</u>	<u>-</u>	<u>2,581,669</u>
<b>PROGRAM REVENUES</b>			
Intergovernmental:			
Local Government	2,581,655	-	2,581,655
Total Program Revenues	<u>2,581,655</u>	<u>-</u>	<u>2,581,655</u>
Net Program Revenues	(14)	-	(14)
<b>GENERAL REVENUES</b>			
Investment Earnings	14	-	14
Total General Revenues	<u>14</u>	<u>-</u>	<u>14</u>
Change in Fund Balance	-	-	-
Change in Net Position	-	-	-
<b>FUND BALANCE/NET POSITION</b>			
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Over (Under) Final Budget
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>REVENUES</b>				
Intergovernmental:				
Local Government	\$ 2,977,106	\$ 2,977,106	\$ 2,581,655	\$ (395,451)
Investment Earnings	-	-	14	14
Total Revenues	<u>2,977,106</u>	<u>2,977,106</u>	<u>2,581,669</u>	<u>(395,437)</u>
<b>EXPENDITURES</b>				
Current:				
Building Rent	35,000	35,000	24,050	(10,950)
Legal Consultants	250,000	250,000	160,503	(89,497)
Other Professional Services	44,700	44,700	12,044	(32,656)
Travel and Training	6,000	6,000	272	(5,728)
Insurance	20,000	20,000	14,171	(5,829)
Program Costs	<u>2,621,406</u>	<u>2,621,406</u>	<u>2,370,629</u>	<u>(250,777)</u>
Total Expenditures	<u>2,977,106</u>	<u>2,977,106</u>	<u>2,581,669</u>	<u>(395,437)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE</b>				
Beginning of Year			-	
End of Year			<u>\$ -</u>	

See accompanying Notes to Financial Statements.

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**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Destination Medical Center Corporation (the Corporation) is a component unit of the City of Rochester, Minnesota, and was incorporated on July 23, 2013. The Corporation was established by the City of Rochester, Minnesota pursuant to Minnesota Statutes Section 469.41 as a Minnesota nonprofit corporation. The Corporation was established to benefit the City, and more broadly, Olmsted County and the state of Minnesota by researching, preparing and implementing a master development plan, including facilitating public infrastructure projects and a variety of development and redevelopment projects, all to promote and provide for the establishment of the City, the County, and the State as a world destination medical center.

The Corporation is governed by a board of directors consisting of eight directors. The composition of the board of directors include the Mayor of the City of Rochester or the Mayor's designee, the City of Rochester Council President or the President's designee, the Chair or another member of the County Board of Olmsted County, a representative of Mayo Clinic, and four directors appointed by the Governor of Minnesota.

**Basis of Presentation**

The financial statements of the Destination Medical Center Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America. (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as generally accepted accounting principles in the United States of America for state and local governments.

**Financial Reporting Entity**

The Corporation was established to oversee the planning and implementation of the Destination Medical Center initiative. The Corporation works with the City of Rochester, Minnesota and the Destination Medical Center Economic Development Agency to prepare and adopt a development plan.

Component units are legally separate entities for which the Corporation (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the Corporation.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statement Presentation**

The General Fund of the Destination Medical Center Corporation meets the definition of a Special-Purpose government and is involved in only one program, as specified in Minnesota Statutes, Sections 469.40 - 469.47. Accordingly, the Corporation is allowed to combine its government-wide statements with the fund statements. At December 31, 2018, and for the year then ended, there were no reconciling items between the two types of statements.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all financial activities of the Corporation.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used.



**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting**

The Corporation adopts an annual budget, which is adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP). Reported budget amounts represent the original adopted budget as amended by the board. For 2018, the amount budgeted for the purpose of paying the expenses of the Corporation was \$2,977,106. Actual expenditures of the Corporation were \$2,581,669 resulting in a favorable variance of \$395,437.

**Assets, Liabilities, and Fund Balance/Net Position**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of deposits in a checking account and a repurchase agreement account for any available deposits at the end of the business day.

**Advances**

Advances consist of monies advanced to the Destination Medical Center Economic Development Agency to fund operational expenses.

**Due from Other Governments**

Due from other governments consists of program costs receivable from the City of Rochester, Minnesota.

**Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

**Unearned Revenues**

Unearned revenue is prepaid insurance and unspent dollars that were advanced to the Destination Medical Center Economic Development Agency.

**Fund Balance**

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned, or unassigned. The Corporation currently only reports unassigned fund balance. Restricted fund balances are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balance represents constraints on spending that the Corporation imposes upon itself by high-level formal action prior to the close of the fiscal period. The board of directors authorizes all assigned fund balances and their intended uses. Unassigned fund balances are considered remaining amounts.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

When an expenditure is incurred for which both restricted and unrestricted fund balance is available, it is the Corporation's policy to use restricted fund balance first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned cash fund balance is available, it is the Corporation's policy to use committed first, then assigned and finally unassigned fund balance.

**Revenues**

Intergovernmental revenues are reported under the legal and contractual requirements of the individual programs. Generally, grant revenues are recognized when the corresponding expenditures are incurred. The intergovernmental revenues are entirely provided by the City of Rochester, Minnesota.

Investment income is recognized when earned, since it is measurable and available.

**Expenditures**

Expenditure recognition in the general fund includes only amounts represented by current liabilities. Noncurrent liabilities are not recognized as governmental fund type expenditures or fund liabilities.

**Net Position**

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Deposits**

In accordance with Minnesota Statutes, the Corporation maintains deposits at depository banks as authorized by the Corporation's board of directors.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned in full. The Corporation's deposit policy for custodial credit risk follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

The Corporation's deposits in banks at December 31, 2018 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**B. Investments**

The Corporation may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- BANKER'S acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The Corporation's investments consisted of a repurchase agreement with Wells Fargo Bank, N.A. having a balance of \$1,166 at December 31, 2018. The securities sold to the Corporation include US Agency Bonds with an AAA rating. The repurchase agreement bears interest at .01% and matures overnight. As such, the repurchase agreement is presented as a cash equivalent in the financial statements.

**Interest Rate Risk** – This is the risk that arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Corporation's investment policy limits investments to a maturity of one year, or lesser period that coincides with expected disbursements by the Corporation. Operating reserves may be invested in securities with a maximum maturity of up to three years.

**DESTINATION MEDICAL CENTER CORPORATION  
ROCHESTER, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Custodial Credit Risk** – Investments – For an investment, this is the risk that, in the event of a failure by the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation state statutes which require that investment balances be fully collateralized. As of December 31, 2018, the securities underlying the repurchase agreement are held by the counterparty in the Corporation’s name.

At December 31, 2018, the Corporation had the following deposits and investments:

Repurchase Agreement - Wells Fargo Bank, N.A.	\$ 1,166
Total Cash and Investments	<u>\$ 1,166</u>

**NOTE 3 RISK MANAGEMENT**

The Corporation is exposed to various risks of loss related to torts, theft of assets, or errors and omissions. The Corporation purchases commercial insurance coverage for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the Corporation’s policies. In addition, there have been no settlements in excess of the Corporation’s insurance coverage in any of the prior three fiscal years.

**NOTE 4 RELATED ORGANIZATION**

The Destination Medical Center Economic Development Agency (DMC EDA), a related Minnesota nonprofit corporation, was established by the Mayo Clinic pursuant to Minnesota Statutes Section 469.43. The Corporation does not have a voting majority of the board of directors of DMC EDA, which is considered a stand-alone entity apart from the Corporation and thus, is excluded from the Corporation’s financial statements. Separate financial statements are issued for the DMC EDA.

**NOTE 5 CONTINGENT LIABILITIES AND COMMITMENTS**

The Corporation receives financial assistance from state and local governmental agencies. The disbursement of funds received under these programs generally require compliance with the terms and conditions specified in the agreements and are subject to audit by the funding agencies, regulators and other oversight agencies. Any disallowed claims resulting from such audits could become a liability of the Corporation. Management is not aware of any disallowed claims at this time.

**SECTION II - COMPLIANCE LETTERS**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Destination Medical Center Corporation  
Rochester, Minnesota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Destination Medical Center Corporation (Corporation), a component unit of the City of Rochester, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated REPORT DATE.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
REPORT DATE





## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors  
Destination Medical Center Corporation  
Rochester, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Destination Medical Center Corporation (Corporation), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated REPORT DATE.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

**CliftonLarsonAllen LLP**

Rochester, Minnesota  
REPORT DATE



# Destination Medical Center Corporation

Audit Results for Year Ended December 31, 2018



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

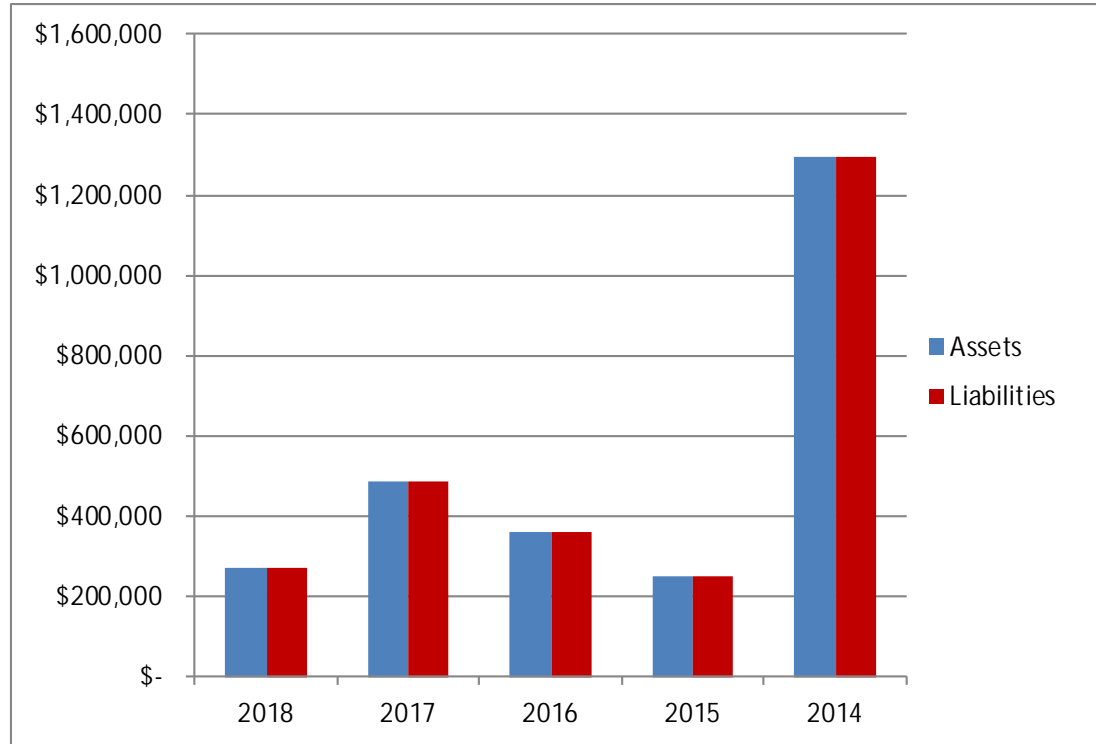
# Agenda

- Financial Statements
- Audit Results
- Required Communications

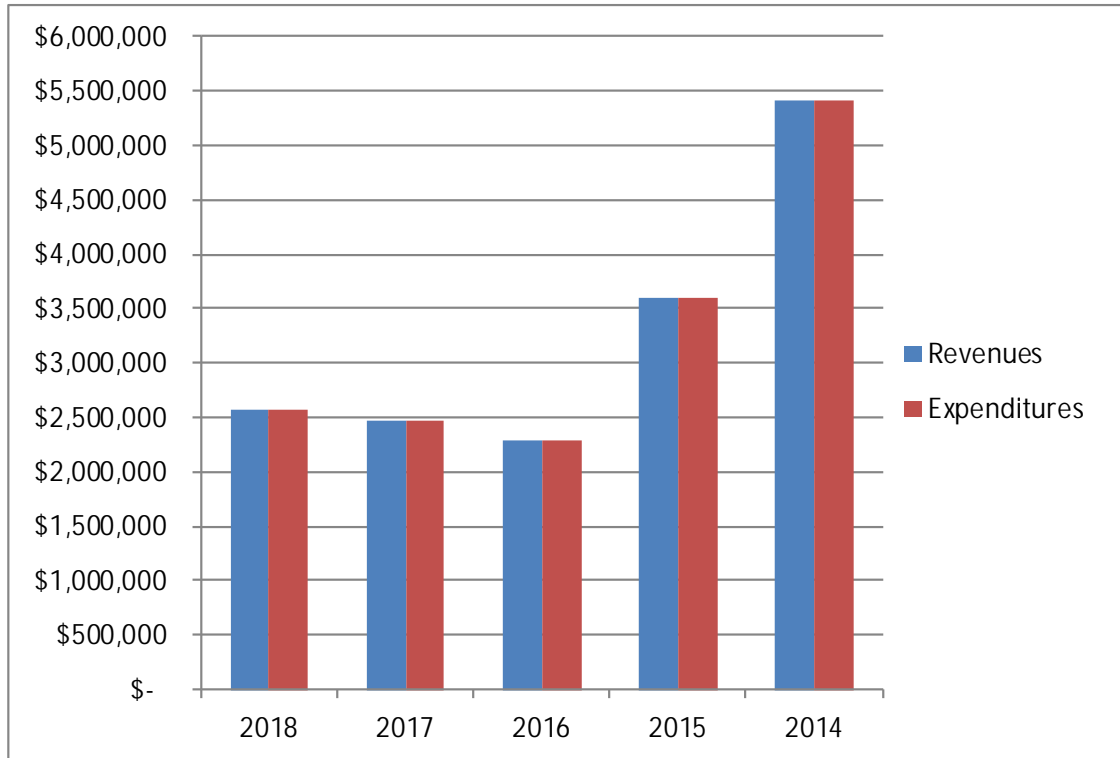
# Financial Statements

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

# Financial Statements : Assets & Liabilities



# Financial Statements : Revenues & Expenditures



# Audit Results

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





# Required Communications

- Audit provides reasonable, but not *absolute* assurance
- Accounting policies – described in Note 1 to the financial statements
- Audit adjustments – none
- No disagreement or difficulties with management



# Items to Complete

- Federal and state tax returns – due date extensions have been filed



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For our clients  
For our people  
For our communities



## 2020 DMC Funding Request

To: DMC Corporation Board of Directors

From: DMC EDA Staff

Date: May 17, 2019

### **Background:**

#### I. Overview

The DMC Corporation must annually submit a request for operating and capital project funding to the City of Rochester. The funding request, which includes funding for DMC EDA operations, is drafted by a work group consisting of DMCC board members, DMC EDA board and staff members, and City staff.

The operating budget request includes the following items:

1. Capital Improvement Program (CIP)
2. DMCC Operating Budget
3. DMC EDA Workplan and Operating Budget
4. City of Rochester Staff Workplan and Operating Budget
5. Working Capital Loan

#### II. Priorities

Based on board work sessions, recent market studies, and changes in market conditions, the DMC EDA staff have developed the following set of priorities to guide the 2020 funding request process:

1. Heart of the City subdistrict
2. Discovery Square subdistrict
3. Transportation
4. Strategic Infrastructure (public realm, streets and sewers, 5G, energy)
5. Transformative Private Investment (affordable housing, med-tech, new building technology)

These priorities also guide the business development activities of the DMC EDA required by the DMC Act and its contract with the DMCC, including marketing, community engagement, sustainability, workforce development, and experience.

#### III. Process and Timeline

The following general timeline for the creation and approval of the DMC Funding Request has been established:

1. May: DMCC and DMC EDA staff begin preparing funding request
2. June-July: City, DMCC and DMC EDA staff draft preliminary request
3. August: DMCC and DMC EDA directors advise staff
4. September 5: DMC EDA board considers funding request
5. September 26: DMCC board considers funding request
6. October 7: City Council considers funding request

IV. Background Information

CONSIDERATION	OUTCOMES AND FINDINGS
DMC Act	<ol style="list-style-type: none"> <li>1) Defines appropriate uses for DMC funds</li> <li>2) Establishes roles and authorities of DMCC, City, County, DMC EDA, Mayo Clinic, and the State of Minnesota</li> <li>3) Outlines purpose and required elements of DMC Development Plan</li> <li>4) Prescribes minimum responsibilities of the DMC EDA</li> <li>5) Requires annual reporting to the State Legislature and Executive Branch</li> <li>6) Provides City and County taxing authorities</li> <li>7) Defines public and private investments and matching contributions that may be certified for the release of State aid</li> <li>8) Outlines prevailing wage, WMBE, American-made steel requirements</li> </ol>
DMC Development Plan Goals	<ol style="list-style-type: none"> <li>1) Create a comprehensive strategic plan with a compelling vision that harnesses the energy and creativity of the entire community</li> <li>2) Leverage the public investment to attract more than \$5 billion in private investment to Rochester and the region</li> <li>3) Create 30,000+ new jobs, with workforce development strategies that support that growth</li> <li>4) Generate approximately \$7.5 - \$8.0 billion in new net tax revenue over 35 years</li> <li>5) Achieve the highest quality patient, companion, visitor, employee, and resident experience, now and in the future</li> </ol>
2015-2020 CIP Goals	<ol style="list-style-type: none"> <li>1) <i>Create a Catalyst.</i> Identify and support the development of a concentrated and dynamic “city center” (the Heart of the City) and other early phase Public Infrastructure Projects that can effect change, be a catalyst for development throughout the DMC Development District, and create reserves to provide the funding resources necessary to catalyze large-scale investments over time.</li> <li>2) <i>Drive Investment in Bio-Medical-Technology Sector.</i> Identify projects and reserve funds to support the initiation of strategies to attract and retain bio-medical-technology investments, business, and educational partners to the DMC Development District.</li> <li>3) <i>Early Phase Improvements to Support Strategic Growth and Enhance Quality of Life.</i> Unite the City, County, Rochester-Olmsted Council of Governments (ROCOG) and Mayo Clinic to identify projects that leverage DMC Funds as gap financing to support the extraordinary costs associated with the creation of a global destination medical center.</li> <li>4) <i>Initiate Detailed Planning, Strategic Investments for Long-Lead Phase 2 Strategies.</i> Initiate planning for long-lead initiatives, especially transit initiatives, that are contemplated as part of Phase II improvements.</li> </ol>

<p>September 2018 EDA Board Discussion</p>	<ol style="list-style-type: none"> <li>1) Invest in public realm</li> <li>2) Consider bonding and other financial tools that allow more immediate access to more substantial funds</li> <li>3) Given competing priorities and effect on property tax revenues, deprioritize direct subsidization of private projects</li> <li>4) Consider parking solutions for Discovery Square, Saint Marys Place</li> <li>5) Utilize Rochester as a test site for building healthy cities and create America’s City for Health</li> <li>6) All transit is not equal</li> </ol>
<p>2019 DMC Market Studies</p>	<ol style="list-style-type: none"> <li>1) Build “place” with amenities and mobility to position for the next growth cycle</li> <li>2) Double down on more Mayo partnerships &amp; Discovery Square’s supportive eco-system</li> <li>3) Focus on diversified workforce, affordable, and specialized housing to create a balanced community</li> <li>4) Prioritize investments that create more room- night demand</li> <li>5) Develop a dining/entertainment strategy to capture demand</li> </ol>
<p>2019 DMC EDA Workplan</p>	<ol style="list-style-type: none"> <li>1) Heart of the City</li> <li>2) Discovery Square</li> <li>3) Transportation</li> <li>4) Economic Development <ul style="list-style-type: none"> <li>- General Activities</li> <li>- Experience</li> <li>- Workforce</li> <li>- Affordable Housing</li> </ul> </li> <li>- Community Engagement</li> <li>- Marketing and Communications</li> <li>- Sustainability</li> </ol>
<p>February 2019 Collaborative Session</p>	<ol style="list-style-type: none"> <li>1) Community-wide concerns, including affordable housing and workforce development, remain a priority for DMC stakeholders</li> <li>2) DMC stakeholders seemed to agree that the DMC initiative is not intended to play a principal role in addressing concerns across the entire community but could model, establish, or influence replicable best practices and policies adopted to achieve DMC goals</li> <li>3) Community/DMC needs could be shared with interested developers/investors to incentivize unrealized demand/development</li> <li>4) DMC needs to factor in changing market/economic conditions and effects on business and economic development (telehealth, teleworking, sale of IBM campus, etc.)</li> <li>5) Communication between stakeholders is important</li> <li>6) DMC is primarily an economic development tool that leverages Mayo Clinic’s growth &amp; the public commitment to secure new jobs &amp; growth</li> </ol>





## Affordable Housing Update

To: DMC Corporation Board of Directors  
From: DMC EDA Staff  
Date: May 17, 2019



### Background:

In 2018, DMCC approved a workplan focused on addressing affordable housing needs for the DMC project. Its components included the following:

#### Objective A: Strategy Development

1. Evaluate the current progress and needs for affordable housing in Rochester
2. Identify parcels within the DMC District that are promising for equitable development opportunities including the creation of a tool that maps amenities and transit stops to support housing.
3. Confirm the statutory opportunities available to the DMC for affordable housing development
4. Identify and leverage community partner support in strategy development
5. Continue to engage in community groups and activities related to a workforce housing strategy
6. Develop goals for units of affordable and senior housing and share publicly in order to clearly outline expectations
7. Using data, partnerships and goals, create an affordable housing and senior housing strategy for the DMC project

#### Objective B: Project Development

1. Attract and recruit affordable housing developers to DMC District and Rochester market
2. Partner with the City to evaluate opportunities for property within the DMC District
3. Coordinate activity with other priorities and plans including the public realm projects and transportation planning
4. Identify and leverage public and private partner support in project execution

### Update:

Below, we summarize the updates regarding the affordable planning efforts. The items below are meant to update the DMC EDA Board on the activities related to affordable housing and the DMC EDA's work plan. The City, County, and Rochester Area Foundation leadership will also present to the DMCC Board at the May and future board meetings on their progress and ways that the DMC can best support their affordable housing strategy.

1. Strategy Development
  - a. Current Progress and Future Needs: The DMC EDA has been working with the County, City and Rochester Area Foundation on a data collection effort to identify the progress and needs for affordable housing in Rochester. Using a Duluth report as a reference point, a group was convened to survey existing housing unit owners to determine the number, vacancy rate and price point of units in the City as an update to the Maxfield Report completed in 2014. The timing of the data collection slipped and coincided with

the spring rental season. As a result, discussions have shifted to update the Maxfield Report, which is now close to five years old.

- b. Parcel Analysis: Regarding parcel identification, the DMC EDA worked with Visible City over the start of 2019 on an analysis to identify parcels within the DMC District with access to a range of community services that would provide for a successful affordable housing development. Visible City analyzed distances from parcels in the DMC District to schools, grocery stores, childcare facilities, transit stops, bikeways, trails, and parks to develop a heat map that identified areas that are promising for development.
  - c. The DMC EDA has continued to work with community groups and activities to develop DMC specific goals and strategy by the end of 2019.
2. Project Development
- a. Attract and Recruit Developers: Two actions have taken place since the start of 2019 focused on attracting affordable housing developers to Rochester. First, the City, County and the DMC EDA hosted an affordable housing developer in February 2019 to discuss the current and future opportunities in the City and County for affordable housing. Second, in April, the DMC EDA in partnership with the Minnesota Real Estate Journal, offered a Real Estate Summit in Rochester that was attended by nearly 300 developers, real estate businesses and other interested parties. A portion of the agenda was devoted to the affordable housing needs of Rochester as a means to demonstrate the interest of the City, County and Rochester Area Foundation to identify potential collaborators.
  - b. City Property Opportunities: The DMC EDA assisted the City in developing a request or proposals for a development above Parking Ramp #6, a DMC supported project. It is the hope of the City and DMC EDA that responders incorporate a mixed income or affordable housing component into the development. Responders to the RFP have until June to formally respond.
  - c. The DMC EDA and City are ensuring that affordable housing activities are coordinated with the other public realm and transportation projects that are ongoing.

The DMC EDA will continue to work on the plan approved the DMCC Board in late 2018 and ensure all elements are completed.

## Transportation



To: DMC Corporation Board of Directors  
From: DMC EDA Staff  
Date: May 17, 2019

### **Background:**

The DMC state statute provides for the establishment of the DMC Development District (“District”) for the purpose of guiding public investment and facilitating DMC public infrastructure projects.

The DMCC and Rochester City Council adopted the DMC Development Plan (“Plan”) in spring 2015. The Plan included a transportation vision focused on access and mobility that would reduce private vehicle dependency while improving multi-modal travel connections. The vision provided for:

- Transit services connecting the District to the community and the region
- Downtown transit circulator
- Network of bike facilities providing connections to District destinations and across the District
- Safe walkable streets
- Convenient, high-turnover downtown parking
- Long-term, low-turnover peripheral/remote parking with convenient downtown connections

DMC Development Plan transportation strategies required further study and refinement, including:

- Capital investment needs and services
- Refinement and updates of the planning-level vision
- Assessment of options and details of proposed transportation solutions
- Ensuring transportation projects best serve the needs of the City and the District
- Ensuring cost-effective solutions

To address these needs, the Rochester City Council authorized the DMC Integrated Transit Studies (“Transit Studies”). The Transit Studies assessed detailed alternatives for vehicular, transit, pedestrian, and bicycle travel in order to support the goals of the DMC Development Plan.

The Transit Studies were completed in four parts: Downtown Transit Circulator; Street Use and Operations; Parking and Travel Demand Management; and City Loop. The Transit Studies have led to the preparation of the ITS Final Report and supporting documentation for each study.

### The ITS Final Report provides:

- A framework for refining the transportation solutions and strategies needed to advance DMC
- The basis for development of a DMC Transportation Strategy and Implementation Plan that supports economic development and the realization of the DMC vision

In June and July, 2018, DMCC and City Council, respectively, accepted the ITS Final Report as a framework for the development & implementation of the DMC Development Plan transportation vision. In accepting the ITS Final Report the DMCC and City Council supported the conclusions and recommendations of the study, subject to following points of clarification:

1. Mobility Hub A & B locations.
2. BRT circulator route.

3. ITS Final Report phasing.
4. Right-of-way impacts on private property.
5. Alternative uses of general purpose vehicle travel lanes.
6. Parking space replacement.

To begin work to clarify and finalize Mobility Hub A & B Locations, five criteria were shared with the DMCC Board at the November 13<sup>th</sup>, 2018 Board Meeting. The five criteria are the following:

1. Accessibility (Ability to get to and from the site)
2. Route efficiency (Speed / ridership, etc)
3. Economic Development Opportunity (within the site, and along the route)
4. Site Acquisition (Costs, timing, etc.)
5. Relationship to existing amenities

**Update:**

1. Transit Circulator and Mobility Hubs

DMCC and City Council have supported the concept of a westerly mobility hub on Mayo owned property at Cascade Lake and an easterly location on County owned property at Graham Park.

Subsequently we have been working with both parties to develop a mutually agreeable development concepts, phasing, and financing strategies.

Furthermore, with the two ends of the circulator identified, SRF, the city's consultant, has begun work on detailed engineering, route determination, and ridership counts.

We are aiming to submit a letter of intent to the Federal Transportation Administration (FTA) for their Small Starts program by the 3<sup>rd</sup> quarter of 2019 in order to get in the queue for federal funding support.

2. Parking and Transportation Management Authority (TMA)

Parking Garage 6, the newly developed downtown ramp behind the Hilton, is completed. In April, Arrive Rochester ran a campaign focused on encouraging people to carpool and recruit new members to use the app. Usership almost doubled over the course of the campaign. A biking-focused campaign is planned for May. Additional campaigns promoting a variety of mobility types are planned throughout the rest of 2019. Moving into the summer and fall, work will begin to identify the permanent organization to run Arrive Rochester long-term. Currently, the DMC and City are contracting with UrbanTrans to provide TMA services.

3. City Loop

Beginning this summer, three portions of the City Loop will undergo construction. These include an east-west portion along Center Street. The north-south portion of the loop will run along 3<sup>rd</sup> and 4<sup>th</sup> Avenue. All three legs will provide protected bike lanes as part of the project.

4. Street Typology

- a. Within the street typology portion of ITS plan, two primary projects will be conducted in 2019. The first will be the completion of the 4<sup>th</sup> Street Reconstruction project. To date, the width and median within the road has been completed. In the spring and early summer, the landscaping, road striping and final finishes will be completed.

- b. 2<sup>nd</sup> Street Reconstruction- The last remaining segment of 2<sup>nd</sup> Street, (11<sup>th</sup>-16Ave) is being designed, with construction slated for 2021-22. The design concepts will be tested during a demonstration project in the summer of 2020.

In addition to the proposed mobility hubs we have been identifying additional sites for park and ride concepts. Options will be presented at upcoming DMCC meetings.



## Heart of the City

To: DMC Corporation Board of Directors  
From: DMC EDA Staff  
Date: May 17, 2019



### Action & Next Steps:

Approval of Heart of the City Design Development by DMC EDA, City Council, and DMCC in May 2019. Following this, Coen + Partners can proceed with the Construction Documents.

- Approval of Design Development- May 2019
- Approval of 2020 CIP- September 26, 2019
- Completion of construction documents- November 1, 2019
- Project bidding- November – December 2019
- Project construction- 2020-2021

### Overview:

The DMC led design team completed the Schematic Design for Heart of the City in 2017. It was received by the Community Advisory Group, DMC EDA, DMCC, and City Council.

Based on the opportunity associated with the redevelopment of the Wells Fargo building, recommendations to advance the detailed design for the two portions of the Heart of the City public realm: 1<sup>st</sup> Ave and the east end of Peace Plaza were made at the March, 2018 DMCC board meeting. To proceed in a timely manner, DMCC authorized and the City approved the use of CIP funds for this purpose.

During the Schematic Design Reconciliation phase of Heart of the City Phase 1 Coen + Partners, DMC, and City of Rochester have made great progress in establishing design direction for 1st Ave, Theatre Square, the Wells Fargo Building, and artist integration into the whole of the project. DMC and the City of Rochester were authorized to execute a contract with Coen + Partners to proceed with design development documents which will be presented at the May 23, 2019 DMCC board meeting.





**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_\_\_-2019**

**Approving Design Development for the Heart of the City Project and Authorizing Next Phase of the Work**

BACKGROUND RECITALS

A. The Development Plan was adopted by the Destination Medical Center Corporation (“DMCC”) on April 23, 2015, and contains a subdistrict known as “Heart of the City”.

B. Substantial work has been done since the adoption of the Development Plan to envision and begin design of Peace Plaza and the public realm space located within the Heart of the City subdistrict, led by the staff of the City of Rochester (the “City”) and the Destination Medical Center Economic Development Agency (“EDA”) and their consultants. Program and design concepts have been presented and discussed with respect to schematic design, community workshops have been held, and feedback from the public and stakeholders has been collected and received.

C. In 2018, pursuant to Resolution No. 61-2018, the DMCC approved the continuing design development and associated planning and analysis and studies related to the next phase of work on the Heart of the City, in an amount not to exceed \$350,000 and declared it to be a public infrastructure project.

D. In the 2019 Five Year Capital Improvement Plan, (the “2019 CIP”) approved by the DMCC on September 25, 2018, the DMCC preliminarily approved the next steps of the design of the Heart of the City public realm work in the amount of \$1,700,000, and found that the Heart of the City and other projects itemized in the CIP were public infrastructure projects, consistent with the Development Plan. The DMCC reserved the right to grant final approval of funding of certain projects, including the Heart of the City, upon final determination of scope, costs, and availability of funds.

E. Staff for the City and the EDA now request that the DMCC approve the design development drawings, on file with the EDA, and authorize the next phase of the work, including construction documents and bidding, provided that the final project and award of any bid for construction will come back to the DMCC for approval.

RESOLUTION

**NOW THEREFORE, BE IT RESOLVED**, by the Destination Medical Center Corporation Board of Directors that it approves the design development drawings for the Heart of the City and public realm development as presented by the EDA and City, on file with the EDA

as of the date hereof, and requests that the EDA and City continue the next phase of the work, including construction documents and bidding; provided that the final project and award of any bid for construction are subject to the approval of the DMCC.

**BE IT FURTHER RESOLVED**, that the Board requests that the City and EDA staff provide regular updates with respect to this next phase of work on the Heart of the City public realm development.

## Chateau Theatre

To: DMC Corporation Board of Directors  
From: DMC EDA Staff  
Date: May 17, 2019



### Next Steps:

- Following review of five responses to the RFP for interim management (3-5 years) of the Chateau Theatre, City Council selected Exhibits Development Group (EDG);
- EDG is a St. Paul-based, woman-owned cultural organization. It specializes in venue programming using high quality cultural, entertainment, and educational exhibits.
- Next steps included contract development, onboarding EDG in the community, finalizing capital improvement requirements, and determining whether interim activation is necessary.
- City staff will be taking the lead; DMC EDA will assist.

### Background:

2015:

1. DMCC approved acquisition of Chateau Theatre as “public infrastructure project.”
2. City Council authorized purchase of Chateau Theatre
3. Mayor Ardele Brede formed Chateau Theatre Reuse Committee

2016:

1. City finalized purchase
2. Task Force organized its work around three milestone recommendations
  - Reuse
  - Design
  - Management and Governance
3. Consultant team of Miller Dunwiddie and Webb Management were retained
4. Task Force concluded:
  - Reuse as a multipurpose performing arts center
  - Redesign within current footprint of the building and under the alleyway
  - \$23+ million cost estimate
  - Management and programming by City Music Department, with ongoing operation loss
5. City Council received report and asked for the following:
  - Further discussion with adjacent property owners to explore opportunities
  - Consideration of alternative sources of funding, inclusive and in addition to DMC funds
  - Further study of the business plan, avoiding ongoing operating loss

2017:

1. City staff modified proposed operating income and expense model, still resulting in on-going operating loss

2. Ryan Companies agreed to consider incorporating Chateau facilities in the redeveloped Wells Fargo building, pending overall project plans
3. Task Force recommended inclusion of the Chateau costs in the future CIP budget, for presentation to DMCC
4. DMCC Report and Recommendation, November 2017
  - Advance Chateau Theatre as a multiuse performing arts center, but consider a less capital intensive restoration model
  - Develop a strategy to diversify capital funding sources
  - Ensure a sustainable ongoing management, programming, and operations plan
  - Build relationships to adjacent development
  - Consider ideas for interim use and activation
  - Preliminary CIP authorization
5. Discussion at DMCC meeting and subsequent discussion with Acting DMCC Chair:
  - Would like to see an alternative to the overall plan currently on the table
  - Specifically, less capital intensive and alternative management/programming model

2018:

1. In March 2018, DMCC authorized use of CIP funds for design costs and capital improvements to Chateau Theatre to a) secure and protect the building; b) bring it up to code so that it can be used for "assembly" purposes; and c) design eventual integration with Peace Plaza and Wells Fargo building.
2. City of Rochester retained Miller Dunwiddie to develop construction and bid documents.
3. The three construction bids that were received exceeded the estimated amount. City staff recommended the denial of the bids and an alternative approach to rebid. On August 20, 2018 City Council voted to reject the bids.
4. A second construction bid process is underway- the roofing portion of the project and the interior work was kept in one bid package. Request for proposals ends October 31, 2018 and will be reviewed by City Council for a decision on November 5, 2018.

**Current Status:**

- Construction demolition (second story/escalator removal) along with other interior work has begun. Roofing has also begun.
- Proposals regarding programming and operations for the venue were reviewed by staff and City Council made a selection on May 6, 2019.
- Construction is anticipated to be completed by mid-summer 2019.

# Discovery Square



To: DMC Corporation Board of Directors  
From: DMC EDA Staff  
Date: May 17, 2019

## Background

The DMC Discovery Square (DS) sub-district is a live-work-play environment positioned immediately south of the Heart of the City sub-district. The DMC team has been executing the strategy endorsed in 2018 which is focused on six elements of the “work” environment deemed critical to the long-term success of Discovery Square. This update focuses on 1) business recruitment; 2) space development; 3) entrepreneurial ecosystem support; and 4) Discovery Walk

## Business Recruitment

- One Discovery Square Executed leases: Mayo Clinic, UMR, Epic
- Letters of intent and lease consideration being pursued with several other tenants
- Next steps
  - Continue fielding and finding tenant opportunities
  - Advance and refine tenant strategies for Two Discovery Square
  - Continue working with Mayo Clinic Business Development to keep tenancy front of mind.
  - Develop an international business recruitment strategy

## Space Development

- One Discovery Square
  - Core & Shell construction achieved Substantial Completion in March 2019
  - Interior furniture installation completed in April
  - Landscaping and exterior building signage to be installed in May
  - Tenant buildouts for Mayo, UMR and Epic progressing for May completion
- Collider 424 (aka Connolly Building)
  - Operational and full on first floor, but Mayo Clinic may soon repurpose site
- 415 Broadway building
  - Currently under renovation; will house the Rochester Public Schools INCubatorEdu programming in Fall 2019
- China Hall:
  - Now open with coworking and individual office space
- Next steps
  - Continue Two Discovery Square planning
  - Execute startup space strategy, critical to be competitive and realize Discovery Square vision
  - Develop a plan for bridge space into which businesses can move between the openings of One Discovery Square and Two Discovery Square

### **Entrepreneurial Ecosystem**

- Developing various talent and entrepreneurship programming
- Hosted a Design Workshop on MSU Mankato campus with support from a SMIF grant, with 71 participants in Mankato and remote in Minneapolis. Purpose was to groom potential applications for the Assistive Tech Challenge 2.0.
- Next steps
  - Partnering with existing groups (Collider, RAEDI, Chamber of Commerce and more) to help more startup businesses launch in Discovery Square by growing the entrepreneurial programming ecosystem.
  - Develop program to get new Discovery Square businesses integrated into the community
  - Assist Rochester Public Schools as needed with launch of INCubatorEdu curriculum
  - Launch planning for 2019 AT Challenge 2.0 with regional strategic collaborators

### **Discovery Walk**

- Current state
  - Downtown master plan completed 2010
  - DMC Development Plan completed 2015
  - Conceptual Design completed 2017
- Next steps
  - Community stakeholder group identified for developing schematic and design development plans, city staff team in place
  - Launch meeting with stakeholder group scheduled for late May
  - Test some concepts along Discovery Walk throughout 2019
  - Consider 2020 CIP funding for schematic and design development documents

### **Startup and Bridge Space Opportunity**

- The needs
  - Low cost space for startup companies
  - Holding space for companies destined for Two Discovery Square until building is available
- Opportunity: Space is available in downtown Rochester; the 2020 DMC operating or capital budget could include funding to secure space.

## Energy Integration Committee



To: DMC Corporation Board of Directors  
From: DMC EDA Staff  
Date: May 17, 2019

### Action:

As written in the Energy Integration Committee (EIC) Charter and Working Commitment Agreement, approval of the Charter commits members and the DMCC Board included to work on the strategies and actions outlined in the 2019 Committee Strategic Energy Project Plan. Assistance may include providing expert input, participation, public information sharing and championing, or financial support. The Strategic Energy Project Plan provides recommendations for coordinated action across the six-member organizations of the Energy Integration Committee.

DMC EDA staff will work on the projects included in the 2019 Committee Strategic Energy Project Plan to realize the DMC Energy and Sustainability goals included in the DMC Development Plan.

### Background:

Within the DMC Development Plan, there are a range of energy and sustainability goals for the DMC District. The Energy Integration Committee and its coordinated action is needed in order to realize the goals and resolutions passed by the DMCC Board. A summary of these goals is provided below.

1. Within the DMC Development Plan in section 6 it sets a goal for greenhouse gas emissions and energy reductions within the DMC District. These goals read as follows:
  - a. Energy:
    - i. Reduce DMC-wide emissions per square foot by 80% below 2005 levels by 2050
    - ii. Reduce energy consumption by 25% below 2012 levels by 2030
    - iii. Create a clean, reliable, and flexible energy network through an upgraded infrastructure, new efficient systems and the optimization of renewables
2. As adopted in April 2016, Resolution #39-2016 asks that the DMCC Board of Directors establish an energy integration committee. As written in the resolution, "This technical committee would be composed of representatives of the City of Rochester, Olmsted County, Rochester Public Utilities, Minnesota Energy Resources, Mayo Clinic, and the Destination Medical Center Economic Development Agency, with the purpose of making recommendations and taking practical, coordinated actions to ensure successful implementation of the climate and energy vision within the Development District; providing ongoing accountability to the DMCC Board; providing transparency to the public; helping developers with easy-to-use technical assistance; and coordinating utility and City programs."
3. Finally, as a portion of the McKnight grant to fund a focused sustainability position within the DMC EDA and City of Rochester, there is a focus to convene the Energy Integration Committee (EIC) to convene technical experts in the community to realize the energy and sustainability goals included in the DMC Development Plan.

**Update:**

Over the course of four facilitated sessions with the Center for Energy and Environment, the six-member organizations of the EIC met to develop the Strategic Energy Project Plan to develop a collection of possible coordinated actions across organizations. These projects were identified by members as having high potential in assisting the EIC achieve the energy and sustainability goals outlined in the DMC Development Plan, and the City's energy goals outlined in its Energy Action Plan. Each organization ultimately has the authority to direct funding and resources as appropriate; however, the intent of the Charter and Project Plan, is to formalize the commitment of its member to collaborate on key sustainability projects moving forward.

The product of this facilitated effort are the 22 projects identified in the Strategic Energy Project Plan to be collectively driven by the EIC over the next six years. The Strategic Energy Project Plan and six-page summary document are included in the materials for review.

Looking ahead, the EIC and DMC EDA staff will provide updates on progress towards the projects identified in the Strategic Energy Project Plan.



# Energy Integration Committee

## Charter & Working Commitment Agreement

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### Energy Integration Committee Statement of Purpose

Formed by the Destination Medical Center Corporation in 2016, the Energy Integration Committee [Committee] exists for the purpose of making recommendations and taking practical, coordinated actions to ensure successful implementation of the climate and energy vision within the DMC zone. This technical advisory Committee is a cohort for sharing expertise and ideas, communicating decisions and commitments, and coordinating activities in a way that is strategically beneficial for Committee Members and the community. Based on the shared environmental vision, goals and resources of the DMC and City of Rochester it is now the desire of the members to expand the role of the committee to include the energy and climate goals of the City of Rochester in addition to the DMC climate and energy vision. Please note that each committee organization has independent governance with ultimate decision-making authority on strategic priorities and funding decisions and it is not the role of the Committee to supersede these decision-making processes.

### Members

The Committee is comprised of six original member organizations [Members], with at least one regular representative [Representative] participating on behalf of each Member:

- *City of Rochester*
- *Destination Medical Center*
- *Mayo Clinic*
- *Minnesota Energy Resources Company (MERC)*
- *Olmsted County*
- *Rochester Public Utilities (RPU)*

Membership is voluntary and may be expanded over time to include additional local entities and organizations that can commit to action on their own energy and carbon footprints as well as those in support of forming more comprehensive collaboration and effectively carrying out the Objectives and goals outlined in this Charter and Working Commitment Agreement [Agreement].

### Committee Objectives

The objective [Objective] of the Committee is to help identify, develop, support, and/or participate in practical, cost effective efforts that achieve the Committee's goals. The Committee's goals include the energy and climate goals of both the City of Rochester and the Destination Medical Center:

#### City of Rochester's Energy & Climate Goals (Energy Action Plan, 2016):

- A. 1.5% annual retail energy savings (aligns with current state goal)
- B. 25% renewable energy by 2025 (meet MN Renewable Energy Standard)
- C. State-wide GHG emissions reductions of (15% by 2015, 30% by 2025, 80% by 2050)

#### DMC Energy & Climate Impact Goals (DMC Development Plan, 2015):

- A. Attain carbon neutrality across the DMC District
- B. 25% energy reduction below 2010 levels by 2030
- C. Reduce DMC-wide emissions per square foot by 80% below 2005 levels by 2050

### Scope of Activities & Deliverables

The Committee is dedicated to assisting in achieving these energy and climate goals and has representation from the major users and suppliers of energy in the community. The Committee is mindful of the Rochester Energy Action Plan and other efforts of the Rochester Energy Commission, and the Committee will work in coordination with the Energy Commission on shared goals and activities.

The Committee will align its efforts with the 2019 Energy Integration Committee Strategic Project Plan [Project Plan] and concentrate its efforts on five focus areas. These focus areas are subject to change as the Committee sees fit over time:

1. Organizational & Financing

2. Energy Efficient Design & Operations
3. Renewable Energy (grid-mix & on-site resources)
4. District Energy
5. Innovation & Electrification

As outlined in the 2019 Project Plan, Committee activities will include 21 strategies and efforts. Members can opt-in to participate in these strategies and efforts on a voluntary basis and will likely be the result of available resources. Examples of these activities and the resources and support that Members commit to are:

- Joint conversations and negotiations with Minnesota Energy Resources and Rochester Public Utilities (RPU) in pursuit of local or on-site renewable energy procurement
- Joint funding of a joint study or consulting services in pursuit of questions identified and agreed upon by Committee Representatives and Member leadership.
- Time, effort, and expertise to guide the development and delivery of a program, service, or tool
- Leverage professional networks and information sharing skills to engage businesses and educate the public
- Commitment to participate in a program or effort to build buy-in and experience, increase impact, and share lessons learned within the community

Deliverables of the Committee will take the form of memos, short reports, third-party technical studies, regular Member organization updates, and professional presentations. Deliverables may also come in the form of education and engagement through the oversight and coordination of events, case studies, and networking. It is the roll of the Representatives to seek input from organizational peers and Member leadership about the substance and form of Committee deliverables.

### **Reporting Plan**

Within the Committee, Representatives are responsible for sharing organizational updates for the purposes of information sharing and growing opportunities for collaboration. This will be provided on a monthly or bi-monthly (every other month) basis, and will include progress updates on the agreed upon strategies included in the EIC Strategic Energy Project Plan. Annually, the Committee will recap activities, accomplishments, and lessons learned from the previous year and provide an overview of key activities and efforts for the forthcoming year. To the extent that the EIC oversees ongoing programming or a budget, the EIC will be responsible for providing an expense and impact report to the appropriate Member personnel.

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### **Overarching Statement of Commitment**

Through the approval of this Charter and Working Commitment Agreement, each Member agrees to jointly pursue and support in good faith, efforts and activities intended to achieve the Objectives of this Committee.

Approval of this Charter and Working Commitment Agreement commits Members to work on the strategies and actions outlined in the 2019 Committee Strategic Energy Project Plan. Assistance may include one or more of the following: providing expert input, participation, public information sharing and championing, or financial support.

Approval of this Charter and Working Commitment Agreement commits Members to forming the necessary internal communication channels and coordination with decision-makers to allow Member Representatives to bring vetted support and decisions to the Committee when requested.

Further, this Charter and Working Commitment Agreement commits each Member to supply one or more Representatives to serve on the Committee at all times.

Approval of this 2019 Charter and Working Commitment Agreement establishes an ad hoc commitment that will expire at the end of 2025, with the intention of Members to renew and extend.

# Rochester EIC Strategic Energy Project Plan

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**An Output of the Energy Integration Committee  
Strategic Energy Project Planning Process 2018-2019**

**Final Report: February 2019**

**Created by Center for Energy and Environment**

**For the Rochester Energy Integration Committee**

**With Support from the Destination Medical Center and McKnight Foundation**



**MCKNIGHT FOUNDATION**

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## Table of Contents

Energy Project Planning Process & Background.....	5
I. EIC Energy & Carbon Goals.....	5
II. Timeline & Critical Path.....	5
III. Project Plan Focus Areas.....	9
IV. Phased Energy Project Plan.....	9
PHASE I – Immediate Action, 2019 & Early 2020.....	10
Phase I Actions: Actions are listed in the order in which they are to be initiated or completed by the EIC.....	11
Barriers, Solutions & Next Steps Discussion.....	13
PHASE II – Near-Term Action, 2020-2023.....	16
Phase II Actions: Actions are listed in the order in which they should be initiated or completed by the EIC.....	17
Barriers, Solutions & Next Steps Discussion.....	19
PHASE III – Mid to Long-Term Action, Beyond 2023.....	22
Phase III Actions: Strategies are listed in order of which the EIC will first initiate or launch.....	22
Discussion of Need for Services & Initial Steps.....	23
V. Metrics for Advancement & Benchmarking Progress.....	25
VI. Recommendations & Strategic Next Steps.....	27
Committee Process & Tracking.....	27
Internal & External Communication & Reporting.....	27
Maintain & Infuse Collaboration.....	28
Setting Agendas & Meeting Goals.....	28
VII. Closing.....	29
<i>Appendix A: EIC Meeting Agenda Guidance (2019).....</i>	<i>30</i>

Figure 1. Near-Term Deadlines & Opportunities (Present to 2021).....6

Figure 2. Deadlines & Opportunities for Determining Critical Path Activities (present to 2040) .....7

Figure 3. DMC and Mayo Development by Phase. The square footage captured in this figure includes growth at DMC as well as all Mayo growth across all Rochester campuses, not just downtown. ....8

Figure 4. Comparison of Strategies by Development Effort and Duration of Time Needed .....8

Figure 5. Project Plan Focus Areas.....9

Figure 6. Project Plan Phasing .....10

Figure 7. Phase I Action Timeline .....11

Figure 8. Phase I Action Summary .....12

Figure 9. Phase II Action Timeline .....17

Figure 10. Phase II Action Summary .....18

Figure 11. Phase III Action Summary .....23

Figure 12. Ongoing Strategy Goals & Milestones .....26

## Energy Project Planning Process & Background

The Destination Medical Center's (DMC) Energy Integration Committee (EIC) was formed and exists to help advance the energy and carbon goals of the DMC and the City of Rochester. As an established working group of representatives from Mayo Clinic, the City of Rochester, Destination Medical Center, Rochester Public Utilities, Minnesota Energy Resources, and Olmsted County, the EIC is tasked with the collaboration and coordination of energy infrastructure projects within the DMC as well as citywide. Though the EIC already regularly convenes to achieve its task, the intent of this Plan is to formalize the commitments and roles of the Committee, to align and build consensus on disparate goals, and to provide prioritized strategies and actions over time to achieve these goals.

The goals of this project planning process were to go beyond supporting incremental building efficiency and renewable energy generation; the intent of this process include a significantly more coordinated, actionable path toward achieving the energy and carbon goals of the EIC that is aligned with the broader goals of Committee members and the community. Over the course of four facilitated workshops, this project planning process began by elevating the vision and intent of the Committee, so that each member organization had a clearer sense of its role and ability to overcome barriers to commitment. Next, the process focused on a collective understanding of major development milestones and organizational deadlines relevant to the goals and actions of the EIC and their respective organizations. Lastly, the process refined and prioritized the most impactful, time-sensitive strategies and actions by focus area for the EIC to pursue as well as proposed solutions to potential barriers to achieving the EIC's carbon and energy goals.

As the actions and strategies of this Plan are accomplished, it will be important to celebrate successes and progress along the way. Some of these victories include increased renewable energy procurement, the roll-out of enhanced utility conservation programs and services, deeper energy savings for customers, and access to financing options available for building energy improvements.

### I. EIC Energy & Carbon Goals

During the Energy Action Planning process, the Committee reaffirmed their commitment to city-level and DMC-level goals. The objective of the Committee is to help identify, develop, support and participate in efforts that achieve the City and DMC energy and climate goals outlined below.

#### **City of Rochester's Energy & Climate Goals (Energy Action Plan, 2016):**

1. 1.5% annual retail energy efficiency savings (aligns with current state goal)
2. 25% renewable energy by 2025 (Minnesota Renewable Energy Standard)
3. Statewide greenhouse gas (GHG) emissions reductions of 15% by 2015, 30% by 2025, 80% by 2050

#### **DMC Energy & Climate Impact Goals (DMC Development Plan, 2015):**

1. Attain carbon neutrality across the DMC District
2. 25% energy reduction below 2010 levels by 2030
3. Reduce DMC-wide emissions per square foot by 80% below 2005 levels by 2050

### II. Timeline & Critical Path

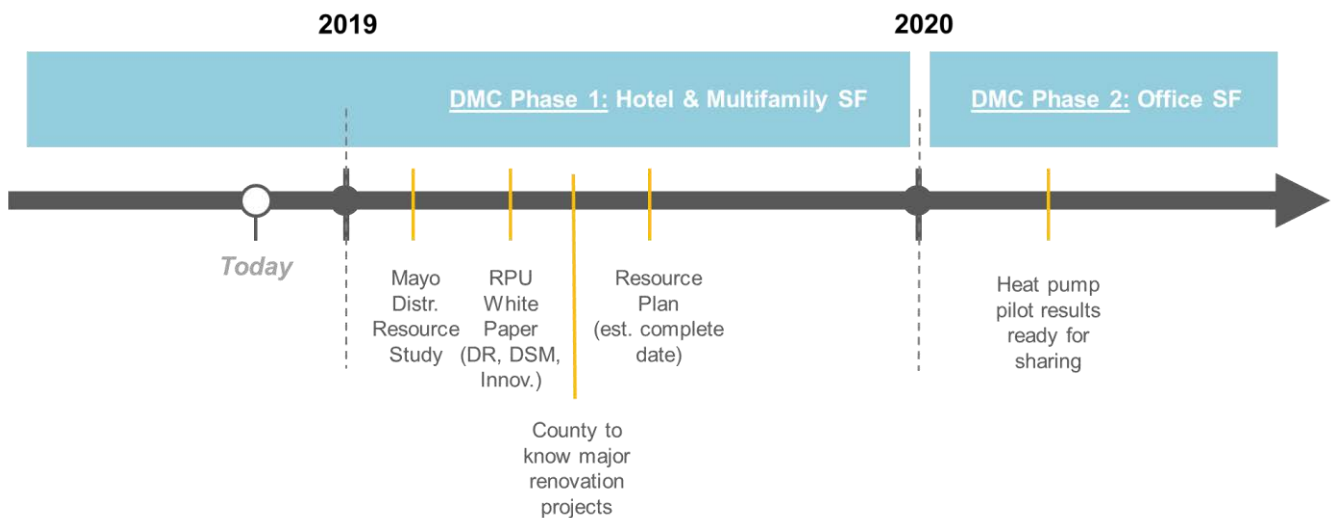
This section reflects the inventory and evaluation of deadlines and constraints that the EIC should consider as they create an organized, prioritized Project Plan. The activities inventoried during project planning include DMC and City development timelines, capital improvement planning cycles, release of reports and studies, funding

opportunities, planning and regulatory processes, contract terminations, and terms and cycles for elected and appointed officials.

The project planning process required the EIC to prioritize where they want to focus their efforts and attention. Like all organizations and businesses, the EIC is bound by the constraints of time, effort, and resources. Many opportunities lie ahead, and the prioritization effort of the EIC captured here reflects careful thought around how staging can maximize impact, as well as upcoming windows of opportunity for key decisions. Exercises such as evaluating strategies based on potential impact and considering the extent to which the EIC has influence or control over a strategy were instrumental in honing their focus.

To determine *critical path* actions (those that must be completed within a certain timeframe to leverage an opportunity), the EIC inventoried relevant events and deadlines that lie ahead in the next 12 to 18 months. Between January 2019 and April 2020, there are a number of deadlines that are relevant to the activities and goals of the EIC. These events are laid out below.

**Figure 1. Near-Term Deadlines & Opportunities (Present to 2021)**



*Rochester Public Utilities Milestones*

In 2019, RPU is publishing two major documents that the EIC can influence. The Resource Plan is the first of these and will consider the resource needs of Rochester over a 20-year period from 2020 to 2040. A proposed plan will be submitted by RPU staff to the Rochester Public Utilities Board (RPU Board) in June 2019 (anticipated) for review and approval. The Committee and its member organizations will have the formal opportunity to comment on the proposed resource plan once it is submitted to the RPU Board as the plan will have an impact on the pursuit on the organization’s internal environmental goals and planning efforts as well as broader community energy and climate goals. The Committee should consider opportunities to engage RPU staff well before this time. Earlier engagement would allow the EIC to offer substantive input and have an active conversation around interests and concerns. Further, earlier input would allow staff to consider additional technical assumptions and propose scenarios that may broaden the plan’s support once submitted to the RPU Board. This is an important opportunity for the EIC to have lasting input about the electricity resource supply mix and local renewable development, as this planning process occurs every five years.

The context that RPU will consider within this resource plan includes the planned end of life of the existing Silver Lake gas steam plant, which currently only services Mayo buildings, and the end of the Power Sales Contract between Southern Minnesota Municipal Power Agency (SMMPA) and the City of Rochester. The Power Sales Contract with SMMPA, which is in effect until April 1, 2030, is a large opportunity for RPU to rethink its resource mix.

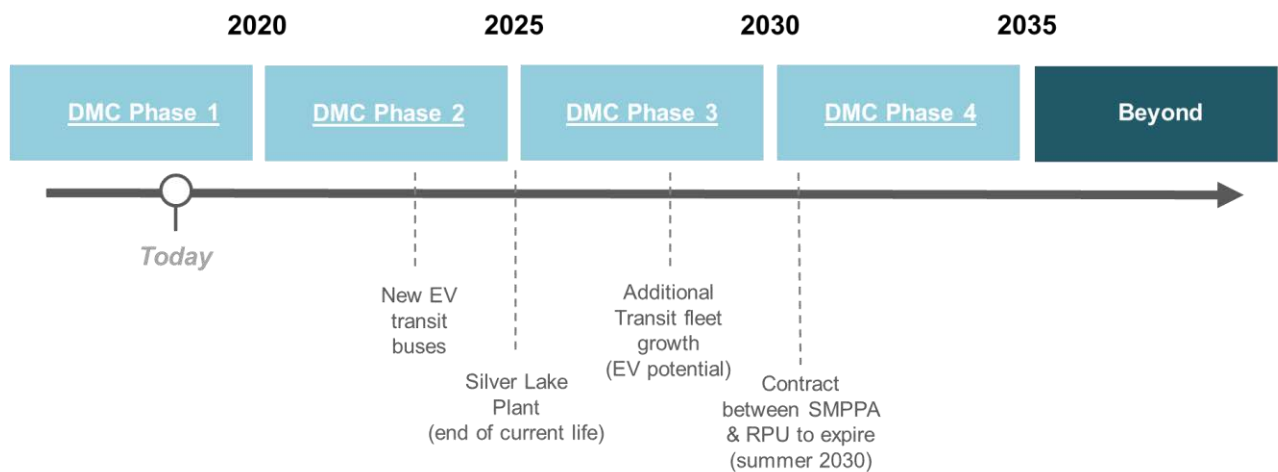


RPU is also working on a white paper exploring projections and opportunities for demand response, which it also plans to submit to the RPU Board in summer 2019 as part of its overarching Infrastructure Plan. This paper will assist RPU determine the economic value of demand response programs and understand the future implications of new technology like battery storage and electric vehicle adoption. The EIC is interested in having RPU consider these technology advancements as they map out least-cost options for addressing distribution system needs. Once released, RPU has agreed to present the findings of the white paper to the EIC as an opportunity for them to engage RPU and share information about how these alternative distribution investments may serve the energy and carbon reduction goals of the City and DMC.

*Other Deadlines*

A number of deadlines highlighted in Figure 1 and Figure 2 occur annually, such as capital improvement planning for the City, County, and Mayo (which tend to end in late summer each year). Others are unique to 2019, such as Mayo’s Electrical Supply Check-up Study. In preparation for significant growth in the next five to 10 years, in November 2016 Mayo contracted a third party to complete Mayo’s Downtown Campus Utility Master Plan, which looked at resource needs and expansion scenarios for their district energy system. In February/March of 2019, Mayo Clinic will complete its Electrical Supply Check-up Study to assess how it can reduce carbon emissions associated with energy consumption as well as increase resilience. A new mixed-use residential project being developed within the DMC district will also complete a pilot looking at the effectiveness of using air source heat pumps to serve the entire building. The initial results of this pilot should be ready for sharing in early 2020. Separately, the County is hoping to finalize an outline in 2019 of the major building renovation projects that will take place over the next few years. This, along with ongoing development across Mayo and DMC (see Figure 3), will create a ripe environment for conservation programs focused on design assistance, procurement of high-performance design, and recommissioning to have high impact.

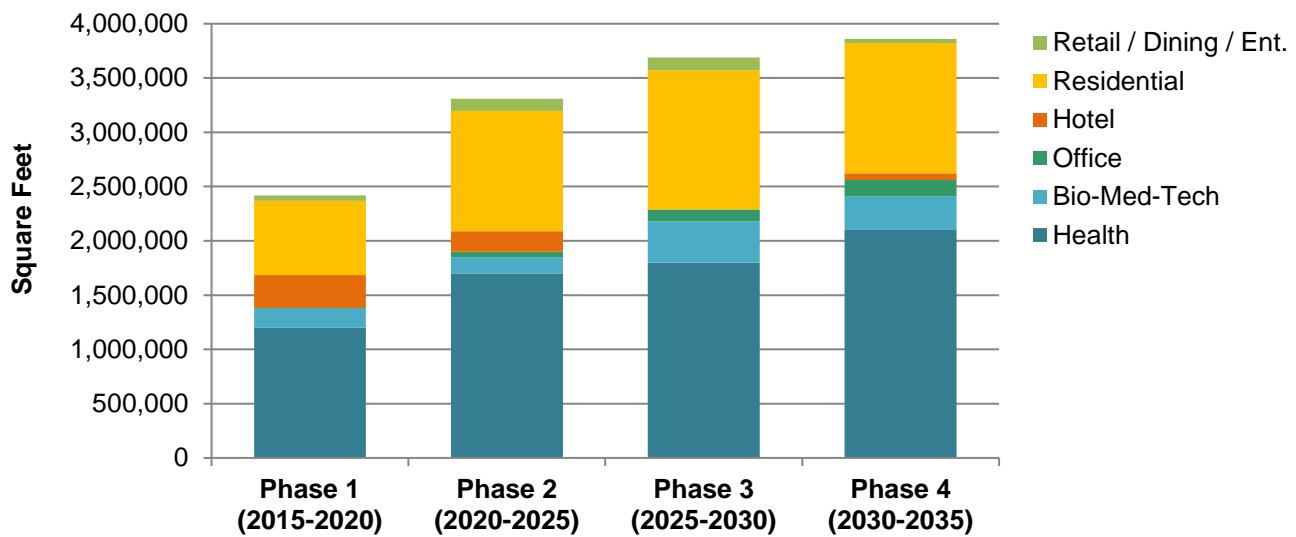
**Figure 2. Deadlines & Opportunities for Determining Critical Path Activities (present to 2040)**



Other deadlines for consideration are the Mobility Hub planning process that is currently convened through the Destination Medical Center, City of Rochester, Olmsted County, and Mayo Clinic. The west hub is planned to be sited at the Mayo west lot and the south hub is planned to be sited at Graham Park. The EIC should offer input on these developments as the planning and construction process presents many opportunities to work towards the goals identified.

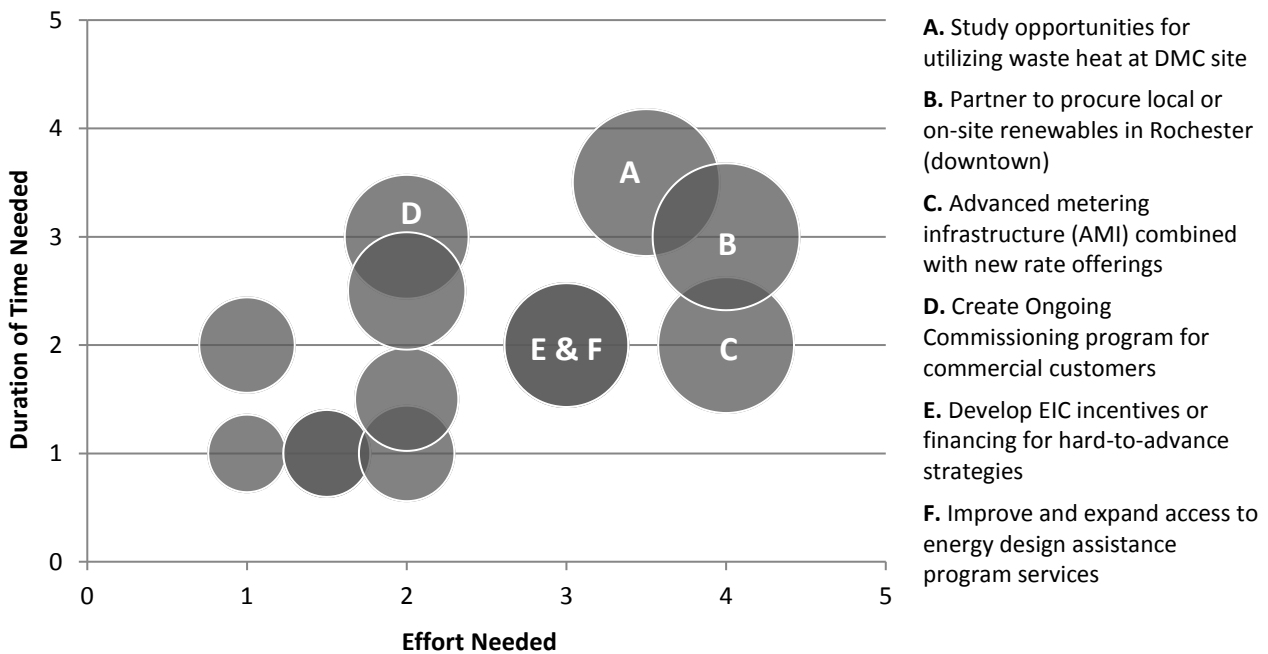
Other transportation-related deadlines include purchasing decisions that the Rochester Public Transit (RPT) (Rochester’s public transit authority) will make regarding vehicle replacements and purchasing electric buses. While it has already been decided that RPT will purchase nine electric buses to put in service by approximately 2023, the fleet plans to grow and will require additional turnover and purchasing by 2028. Knowing this timeline creates an opportunity for the EIC to coordinate with RPT and other potential partners, such as other mobility service providers and the broader business community.

**Figure 3. DMC and Mayo Development by Phase.** The square footage captured in this figure includes growth at DMC as well as all Mayo growth across all Rochester campuses, not just downtown.



Level of effort and the duration of time<sup>1</sup> needed to develop a strategy are important factors that the EIC considered when prioritizing actions. As seen in Figure 4, seven of the 13 strategies ranked by the EIC for impact require a relatively high degree of effort, duration or time, or both. These high-impact activities or strategies were identified as those that should be positioned in the “immediate-action EIC and facilitators from the Center for Energy and Environment made during the project planning process.” or “early-action” phases of the Project Plan. It is important to note that participation in these strategies will be done on a voluntary basis by the organizations, and in some cases, involvement will require board or council approval.

**Figure 4. Comparison of Strategies by Development Effort and Duration of Time Needed**



- A.** Study opportunities for utilizing waste heat at DMC site
- B.** Partner to procure local or on-site renewables in Rochester (downtown)
- C.** Advanced metering infrastructure (AMI) combined with new rate offerings
- D.** Create Ongoing Commissioning program for commercial customers
- E.** Develop EIC incentives or financing for hard-to-advance strategies
- F.** Improve and expand access to energy design assistance program services

<sup>1</sup> Duration may extend due to approval processes, annual budgets, or the human capacity available to complete a project.

While not shown in Figure 4, there are other strategies that may benefit from being implemented in later phases of the Project Plan, such as developing incentives and financing options for projects that meet City and DMC environmental goals. While tackling this strategy earlier may increase incremental impact over time, waiting allows the EIC to target resources based on areas where opportunities are greatest and incentives or awareness are needed the most.

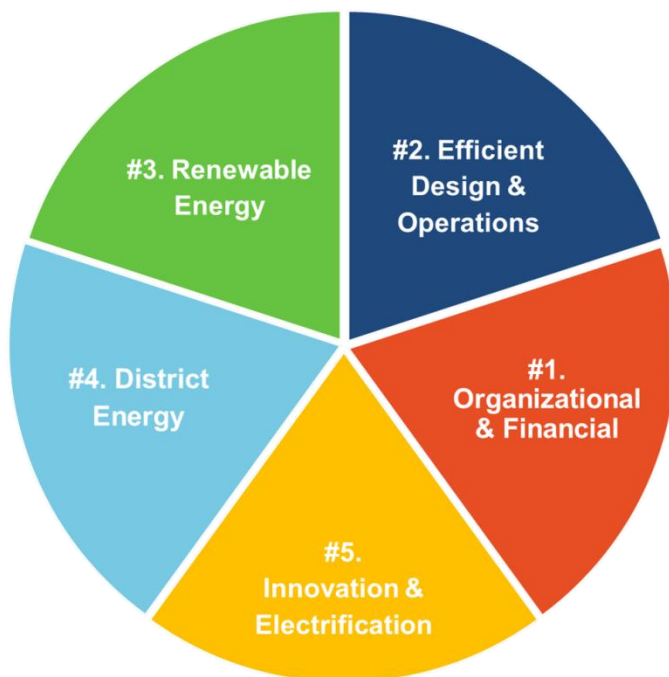
### III. Project Plan Focus Areas

This section outlines the five focus areas into which the strategies of this Project Plan are categorized. EIC members developed these focus areas during the planning process, as part of strategy refinement and prioritization activities. While numbered below, the focus areas numerical value assigns no weight indicating its potential value or impact toward the EIC’s goals, as each focus area will serve an important role going forward. Using these focus areas, the EIC considered which strategies fell into each category and considered opportunities under each for the Plan’s phasing.

To meet goals, EIC’s strategies fall in to five primary categories:

1. Organizational and Financing
2. Energy Efficient Design and Operations
3. Renewable Energy (grid-mix and on-site)
4. District Energy
5. Innovation and Electrification

Figure 5. Project Plan Focus Areas



### IV. Phased Energy Project Plan

To focus on urgent actions and foundational activities and processes that will help instill Committee collaboration and accountability, this project plan focuses on strategies and efforts that will take place primarily over the next five years.

This plan is organized in three phases. The first of these phases is the “immediate action” phase with strategies that should be implemented in the next 12-15 months. The second phase is the “near-term action” phase and

outlines strategies that should be initiated or completed between 2020 and 2022. The third phase is the “mid-term action” phase, focused on activities and strategies that are less urgent compared to other activities.

Figure 6. Project Plan Phasing



### PHASE I – Immediate Action, 2019 & Early 2020

Phase I includes 10 priority actions, which fall across four of the five focus areas identified by the EIC. (See Figure 5.) The intent is that the EIC will initiate each of these activities before the end of 2020. In some cases, these activities are to be completed within 12 to 18 months.

**Phase I Actions:** Actions are listed in the order in which they are to be initiated or completed by the EIC.

**Complete by January through March 2019**

1. Create an EIC commitment/charter document – **by end of March 2019**
2. Support Building Benchmarking roll-out through recruitment and recognition – **ongoing**
3. Input from future District Energy subcommittee representatives on consulting services – **by April 2019**

**Complete by April through July 2019**

4. (a) EIC informed about RPU’s pending Resource (Infrastructure) Plan via presentation – **by April 2019**  
 (b) Evaluate alignment between City and DMC environmental goals and Resource Plan; Members will provide input to RPU Board – **by May/June 2019**
5. Respond to pending RPU white paper findings on long-term clean energy and carbon benefits and further consideration of innovative technology integration – **by end of April/May 2019**
6. Begin member procurement of local or on-site renewable energy – **by end of May 2019**

**Initiate or Complete by August through March (Q1 2020)**

7. Participating organizations to fund an EIC member electric vehicle (EV) fleet conversion study – **begin by end of May 2019**
8. Provide input on DMC Mobility Hub decision-making criteria and design – **by end of 2019**
9. Integrate life cycle costing analysis into member capital improvement plans to evaluate decisions against DMC/City environmental goals – **begin by end of 2019**
10. Evaluate the possibility of a formal joint commercial design assistance program (RPU + MERC) – **begin by end of 2019**

Figure 7. Phase I Action Timeline

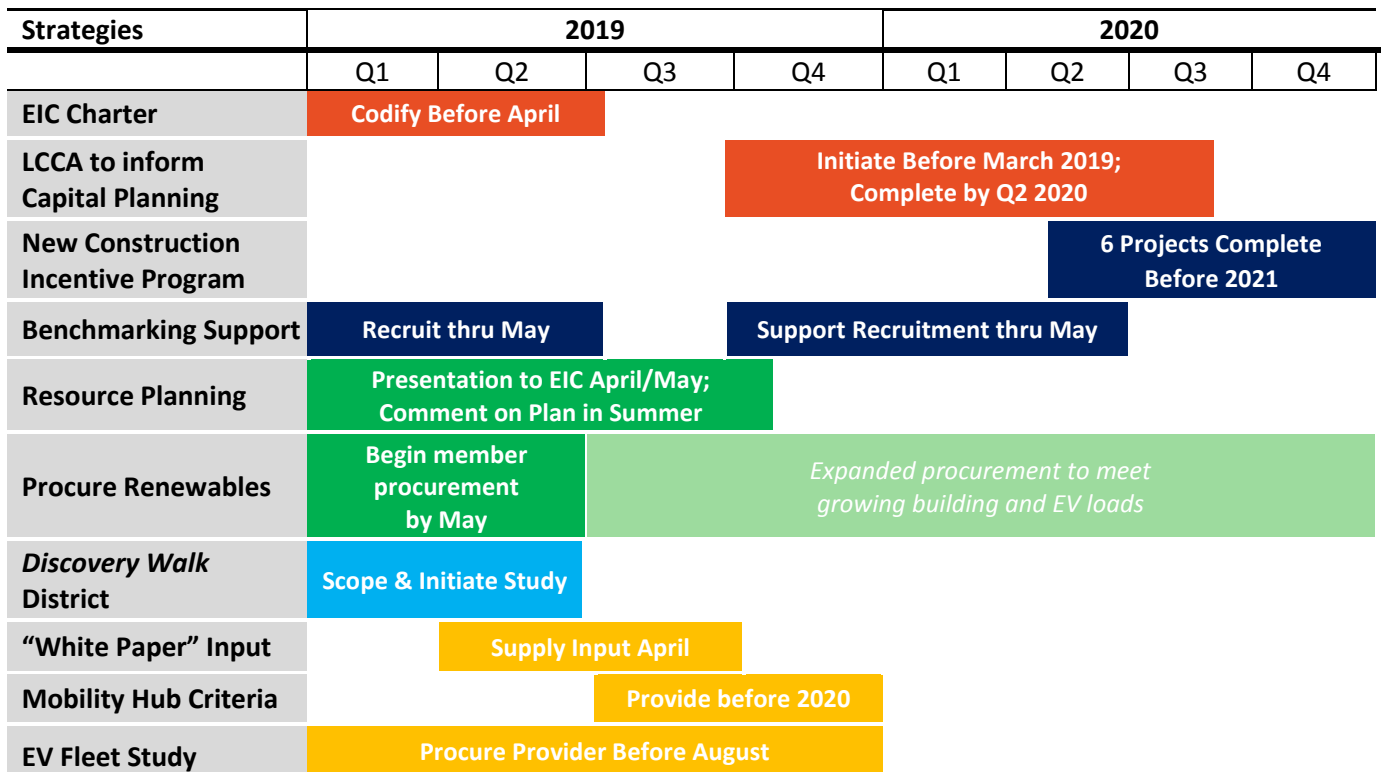


Figure 8. Phase I Action Summary

	Objective	Ask	Approach
<b>O&amp;F</b> <b>EIC Commitment &amp; Charter Document</b>	Strengthen the EIC’s action capacity and accountability through collective commitment and buy-in at the leadership-level	Member organizations commit to advancing goals through the advising, studying or implementation of priority actions	Formal commitment document with 1 or 2 tiers of commitment; initial commitment through 2025, with recurring renewal
	<b>Integrate LCCA into Capital Improvement Plan decision-making</b>	Create reoccurring opportunities to align investments with goals, at the department budget level	Identify and adopt one or more investment decision-making criteria that help align decision-making with goals
<b>EE</b> <b>Streamline Joint New Construction Incentive Program</b>	Increase access to and use of energy design assistance program offerings	Utility collaboration (RPU, MERC, and SMMPA) to build one of the most impactful conservation programs in Rochester	Review pilot outcomes to streamline program process, increase user friendliness, and expand marketing breadth
	<b>Support Benchmarking Recruitment and Recognition</b>	Increase building operator awareness and accountability of facility performance through benchmarking participation	Help increase benchmarking participation through joint and individual program championing and sharing of participation benefits
<b>RE</b> <b>RPU Infrastructure/ Resource Plan Input</b>	Reduce City carbon emissions as cost-effectively as possible	Ensure that achievable, high-penetration renewable scenarios are considered in RPU’s resource plan	Review and comment on proposed resource plan recommendations that align with City/DMC environmental goals
	<b>Local Member Renewable Energy Procurement</b>	Increase installed capacity of local renewable energy and help reduce carbon emissions	Work collaboratively to lay out renewable options; members determine solar capacity needs to meet City/DMC environmental goals
<b>DE</b> <b>Input on Scope of District Energy Study</b>	Avoid missed opportunities for near-term district energy integration at <i>Discovery Walk</i>	Ahead of forming a District Energy Subcommittee, get key EIC reps to provide insight on what info is vital for studying <i>Discovery Walk</i> options	Prepare technical and financial analysis to evaluate district energy opportunities at <i>Discovery Walk</i> in prep for the Dist. Energy Subcommittee
<b>Inv</b> <b>Respond to RPU Innovative Tech White Paper</b>	Communicate with RPU about supply-side, demand-side, and grid technologies that align with City/DMC goals to avoid missed integration opportunities	Collaborate with RPU to understand findings, ensure appropriate assumptions were evaluated, and how to take a long-term benefit approach to technology options and pilots	Request early presentation of white paper findings to discuss which options could further advance goals, particularly under deep electrification and high-performance scenarios.
	<b>Provide Input in Transit Hub planning</b>	Ensure that DMC/City environmental goals are represented in Mobility Hub development criteria to maximize carbon reduction	Promptly supply EIC input regarding Mobility Hub criteria

## Barriers, Solutions & Next Steps Discussion

The following section offers a discussion of the barriers that will need to be overcome to make these strategies successful. It also offers solutions to some of these challenges and guidance on first steps.

### Create EIC Commitment Document and Charter

After being established in 2016, the Energy Integration Committee has met monthly and has worked on priorities including a voluntary benchmarking program, a sustainability resolution, and a sustainable building policy. However, the impetus for each member organization varies and no formal or informal commitment to collaboration has been established. While member organizations identified how their involvement and support for one strategy will vary, such as co-funding an electric vehicle fleet study versus investing in local renewable energy, they agreed that a joint commitment to collaborate and assist in strategy implementation would be helpful.

This commitment document and charter will serve two purposes: first to codify that the EIC is a voluntary collaborative committee and forum for all members to bring forward ideas and strategy opportunities that are in pursuit of the City and DMC environmental goals; second, to provide accountability between members and stability of commitment in the face of changing leadership and EIC representatives.

To find balance between accountability, commitment, and value for each member organization, the commitment from members would be renewed on a regular basis. This allows for flexibility in the role of the EIC over time. The first period of commitment would last through 2025 ensuring that the Committee can rely on the EIC as a central hub for Phase I and Phase II strategy collaboration. Additionally, the document might be designed with two commitment tiers so that members are coordinated, but perhaps involved in implementation at different levels. This approach may not be necessary as the document is developed and adopted, but is a potential approach to overcoming barriers to commitment and approval at the organization level.

This strategy is foundational to this plan as it will be an area of first action for all EIC member representatives and involve engagement with local government and business leaders. Without consensual commitment, there is the risk that other strategies will not be achieved on time or at all due to insufficient collaboration.

### Integrate City and DMC Environmental Goals into Member Organization Capital Improvement Plans through Life-Cycle Costing Analysis

The objective of this strategy is to create a reoccurring opportunity for EIC organizations to align investments and capital improvement decisions with environmental goals. While budget allocations that require Council, Commission, or Board approval are necessary steps for advancing some energy and carbon reduction opportunities, many decisions are made at the department level. Here, there is opportunity to make small and large impact decisions and, in many cases, to have less uncertainty in the investment decision-making process. Thus, this is a strategy that may only require moderate effort to implement but have significant impact.

Barriers to carrying out this strategy are that organizations have different requirements and cultural norms around decision-making at all levels. Thus, the EIC will work to establish a select number of decision-making criteria or processes that could be adopted and embedded at the organizational level. EIC members will share back to the Committee on how these processes are working and report on emerging best practices that can inspire and ensure that other EIC member organizations are maximizing their learning and investment benefits. Broadly speaking, the goal of this strategy will be to encourage capital improvement decisions to look at value over a moderate- to long-term horizon, considering “lifecycle cost” instead of “first cost.”

### Expand and Improve New Construction Incentive Program

As of 2018, Rochester Public Utilities (RPU) and Minnesota Energy Resources (MERC) initiated an energy design assistance pilot for commercial customers in Rochester. The pilot provides new construction and major renovation projects with building energy modeling services as well as cost-assistance to pay for recommended design elements that achieve performance beyond energy code. While this pilot is now available, it is in the nascent stages of implementation. As the community undergoes significant development between now and 2040 – from DMC, Mayo, school district, City, and County new construction projects – there will be numerous opportunities for this service to have an impact.

The EIC is interested in not only seeing this pilot program evolve in to an ongoing program offering, but one that is user-friendly and widely utilized. To make this a robust energy conservation tool to achieve City and DMC goals, the EIC is interested in helping RPU and MERC evaluate the pilot services, so they can be expanded and improved. A few of the committee organizations like the County, City, DMC and Mayo Clinic are heavily involved in construction projects in town, and as a result have case study information that could be helpful for program development. As a two-utility collaborative program, the EIC will aim to offer input regarding how the program can be streamlined in terms of promoting the program (i.e., effective marketing) and start-up efficiency, as well as receiving incentives in a timely manner. As is helpful, the EIC could help gather input from pilot participants and future participants to assess opportunities for improvements, including how early energy design assistance is offered in the design process. The EIC could also help to expand program recognition through its own outreach and education about the program.

It is important to note the expansion of an incentive program is determined by the RPU Board and will be based on staff and financial resource limitations.

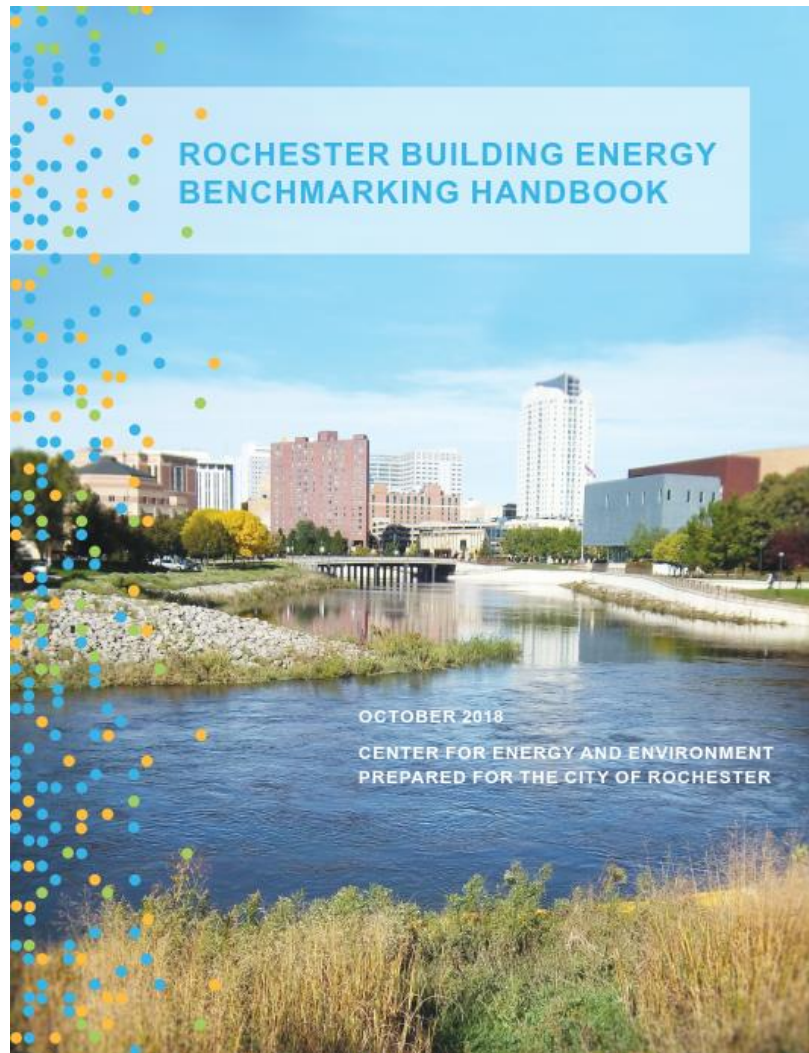
#### **Support Building Benchmarking Roll-out Through Recruitment and Recognition**

In 2018, the City, County, and DMC Board all approved resolutions to implement and participate in a voluntary commercial building benchmarking program. In 2018, the City and DMC contracted with Center for Energy and Environment to develop an energy benchmarking implementation handbook, providing guidance on how to carry out a successful program and what types of capacity, expertise, and resources are necessary to do so. This report was delivered in October and is already being put in to action as the first year of the benchmarking program gets under way.

In the first year of implementation, all City, County, and DMC buildings over 25,000 square feet, as well as a portion of Mayo facilities, are committed to participating in the program. However, because the program is voluntary, the EIC will be invaluable in recruiting additional participants. As leaders in commercial building operations, the EIC will leverage opportunities to speak at events on the benefits of participation and even host one or more events to build community awareness, buy-in, and curiosity about the program.

Successful benchmarking programs across the country engage local stakeholder groups to build local capacity and help create a culture of participation and sharing of lessons learned. Further, successful programs leverage participant recognition as a way of telling success stories and best practices. The EIC, in conjunction with the Rochester Energy Commission (REC), will use its energy expertise to lead recognition efforts for the program. This may include the selection of awardees, hosting public events to celebrate awardees, and to help build local industry pride in earning these awards.





**Provide Resource Planning and Infrastructure Planning Input to RPU and the RPU Board (2019)**

Due to the deadlines approaching in summer 2019 for both resource planning and infrastructure planning, the EIC identified action around both of these processes as very important. While some conversations have started within the EIC as well as among City, DMC, and RPU staff, the EIC has not provided structured input for either process.

The Committee would like to see assumptions and scenarios for both resource and infrastructure planning that reflect their relative impact on the City and DMC renewable energy, energy efficiency, and carbon reduction goals. This includes moderate to high-penetration of renewables in the grid mix, levels that may not be aligned with the City’s 100% renewable by 2031 goal,<sup>2</sup> but is cost-effective and allows the City and DMC to build toward its long-term goals. With these carbon reduction goals that go beyond the use of energy in buildings alone, the EIC would like to see resource and infrastructure planning scenarios that consider varying degrees of transportation electrification, storage, and demand response. Both the resource and infrastructure plans should analyze the lifetime cost-effectiveness of alternative technology investments and non-traditional procurement of renewable energy resources. Again, the RPU Board and City Council are the ultimate decision-making authorities on the infrastructure plan.

<sup>2</sup> <https://www.utilitydive.com/news/minnesota-town-targets-100-renewable-energy-by-2031/407381/>

### **Input on Transit Hub Planning & Siting**

In early 2019, the DMC is working through siting for two transit hubs that will be centers for local circulators and regional bus transit stations, as well as large parking areas. The location of these hubs and coordination to supply sufficient electric infrastructure at these sites will be vital to support adoption of electric vehicles. The EIC has a very immediate opportunity to provide input on the siting of these hubs and can ensure that there are now distribution system advantages to some sites over others. Additionally, the EIC can be sure to communicate the value EV and EV charging visibility in the community, as these are important factors to reduce range anxiety and increase consumer confidence in purchasing an EV.

The EIC should engage the transit hub planning process as a first action in 2019, either through process participation or in writing.

### **Participating Organizations to Fund an Electric Vehicle (EV) Fleet Study**

The City of Rochester is already planning to pursue its own EV fleet study, which will assess which city vehicles are most appropriate for conversion to electric vehicles. This is based on driving patterns (e.g., miles driven per day, length of trips, hours available for charging) and type of vehicle and provides recommendations based on total cost of ownership and carbon impacts. While the City plans to pursue this activity on its own, the EIC identified this as an activity that should be pursued jointly by organizations that voluntarily elect to do so. By collectively funding an EV fleet study, the participating EIC organizations will benefit from sharing lessons learned along the way and likely be motivated to act collectively once study results are in hand.



## **PHASE II – Near-Term Action, 2020-2023**

Phase II includes nine priority actions, which fall across four of the five focus areas. These strategies are where the EIC will focus their efforts starting in the second and third quarters of 2020 after completing, or in some cases initiating, the strategies outlined in Phase I of the project plan.

Outlined in Figure 9 are the defining factors of each Phase II strategy. This includes the objective, asks, and approach that the EIC plans to take and is intended to function as a reference for the EIC and other stakeholders during Phase II development and implementation.

**Phase II Actions:** Actions are listed in the order in which they should be initiated or completed by the EIC.

**Initiated in 2020**

1. Leverage PACE financing for conservation and renewable energy projects – **begin promotion early 2020**
2. Study opportunities for innovative financing and ownership of district energy to serve the DMC – **goal: initiate a survey of innovative models by summer 2020**

**Initiated in 2021 or 2022**

3. Investigate expansion of County district energy services for DMC and UMR – **goal: initial technical and economic feasibility study complete by 2021**
4. Develop and pilot an ongoing commissioning program – **goal: initiate pilot offering by 2021**
5. Develop and promote vendor education (e.g., an energy fair) – **goal: start targeted workshops by 2021**
6. Pass Citywide EV ready ordinance to increase charging access (for new public and private parking) – **goal: in place by 2021**
7. Evaluate the use of real-time utility data and rate structures to reduce electric demand and consumption – **goal: Evaluate options and path forward by spring 2021**
8. Assess key opportunities for creating and leveraging incentives and financing – **goal: begin to assess funding gaps and financing needs by summer 2021**
9. Centralize building operations within the City – **goal: effort completed by summer 2021**

Figure 9. Phase II Action Timeline

Strategies	2020 (post Q1)	2021	2022
PACE Promotion	Promote PACE Starting in 2020 (ongoing)		
Incentives / Financing		Assess & Design Incentives	
Ongoing Commissioning	Design & Roll-Out by 2021	Expand Roll-Out	
Vendor Education		Develop Education by Spring 2021	Deliver on an Ongoing Basis
Centralize Operations	Initiate by Summer 2020		
Study Dist. Energy	Survey of Models by Fall 2020; Recommendations by Spring 2021		
Expand Co. Dist. Energy	Study County District Energy Expansion Options Complete by 2022		
EV Ordinance	Adopted by Spring 2021		
AMI + New Rates		Launch Pilot by Spring 2021	Expand Roll-Out

Figure 10. Phase II Action Summary

	Objective	Ask	Approach
<b>O&amp;F</b> <b>Assess Needs and Develop Incentives/ Financing</b>  <b>Promote PACE Financing</b>	Identify and leverage key incentives and financing opportunities to assist achievement of City and DMC goals	EIC members to survey local businesses and developers to assess what immediate conservation or clean energy options would be utilized if funding were available so EIC can consider & disburse funds	EIC members review local input (applications) regularly (quarterly or monthly) for high-impact opportunities  Elevate awareness of PACE financing in the community by using it and developing a disseminating a case study or presentation on benefits
	Increase the quantity of local conservation and renewable energy projects by leveraging PACE financing	Work with RPU and MERC to promote PACE financing; Collaborate with the St. Paul Port Authority to complete one local example project	
<b>EE</b> <b>Support and Inform Ongoing Commissioning Pilot</b>  <b>Develop and Promote Vendor Education</b>  <b>Centralize City Building Operations</b>	Create a collaborative, ongoing recommissioning and commissioning program that engages commercial customers for continuous impact	RPU and MERC to collaborate to design a joint program optimizing customer convenience and energy savings	EIC members provide input on program design features before and during pilot; EIC promotes the pilot and full-scale offering
	Communicate to contractors and businesses the benefits and value of utility and City energy services and incentives	EIC members to help establish an ongoing source of education by identifying existing engagement channels or creating anew	Help outline the education needed and find expert speakers; individually share energy efficiency case studies and lessons learned
	Increase building operation best practices by centralizing knowledge and decision-making	Advocate for centralized building operations within the City and educate leaders on the benefits	EIC members who have already centralized operations report to City leaders by quantifying the costs and benefits
<b>DE</b> <b>Study Financing &amp; Ownership Models for DMC District Energy</b>  <b>Investigate Technical Potential to Expand County District Energy</b>	Identify a financially viable path forward for expanding Mayo or County district system capacity and delivery infrastructure to serve DMC	Finance and district energy experts from the EIC form a district energy subcommittee to investigate and brainstorm alternative funding and ownership models	Explore innovative financing models, infrastructure synergies, and ownership structures that reduce first costs or lifecycle costs to determine a lowest cost expansion price
	Determine the technical potential and economic feasibility for the County district system to expand and serve DMC west of Broadway	Start conversations with the County, DMC, and utilities about the right value proposition and costs that could create a path forward	EIC district energy subcommittee and County to outline expansion scenarios (capacity and technologies) that should be investigated

<p><b>Inv</b></p> <p><b>Pass Citywide EV Ready Ordinance</b></p> <p><b>Evaluate the use of real-time utility data and rate structures to reduce electric demand and consumption</b></p>	<p>Increase the opportunity to meet EIC carbon reduction goals through supporting citywide EV adoption</p> <p>Increase use of smart meters so utilities can grow opportunities for lower-cost M&amp;V, dynamic or time-based pricing signals, and rewarding actual energy/demand savings</p>	<p>EIC to advocate for and support drafting of ordinance language in collaboration with City staff and the Energy Commission</p> <p>Ask RPU to design at least one peak-load rate offering for piloting in coordination with AMI to study the benefits for RPU and key customer segments</p>	<p>Work with RPU and SMMPA to match EV load growth with renewable resources; help RPU establish <i>make-ready</i> solutions at time of construction</p> <p>Learn the current constraints and costs of installing smart meters and work with RPU to collect lessons learned across key use cases during this pilot</p>
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### Barriers, Solutions & Next Steps Discussion

The following section offers a discussion of the barriers that will need to be overcome to make these strategies successful. It also offers solutions to some of these challenges and guidance on first steps.

#### District Energy: Expansion and Innovative Financing or Ownership Structures

With two district heating and cooling systems adjacent to much of the DMC development, the opportunity to use these resources is unique. In the Mayo’s 2016 Downtown Campus Utility Master Plan, Mayo explored the first costs and technical feasibility of expanding generation and distribution infrastructure for two scenarios beyond Mayo: first, DMC west of Broadway; and second, DMC west of Broadway, as well as the expanding University of Minnesota, Rochester (UMR) campus. While there is the technical potential to make this expansion, the first costs of expansion do not make a cost-effective case to do so. To date, the County has not conducted a study to understand the technical constraints or costs to expand to service parts of DMC or UMR.

A primary obstacle for DMC to leverage the adjacent district energy services (steam and chilled water) are first costs. Some important details that have not yet been explored about expanding access to these district systems are alternative ownership structures and innovative models for financing. With many examples of district energy development across the U.S. and Europe, there are a number of models by which these systems have been built and funded. The EIC is interested to further investigate whether there are precedents for working around first-cost challenges. Additionally, are there specific district services that could be cost-effective to expand that would compartmentalize costs or allow for incremental development as the DMC grows.

To determine what the right questions are, the EIC will form a district energy subcommittee to outline the key questions and find partners or consultants to explore creative district energy development models. It will also outline the key questions that need to be further explored to assess the opportunity and cost of expanding the County district energy system. Adding waste heat through future composting services or the sourcing of biogas are options that some EIC members have expressed interest in exploring further.

#### Support and Inform an Ongoing Commissioning (and Recommissioning) Pilot

Currently, there is a lack of utility program offerings that target deep energy efficiency improvements that can have a large impact on energy usage in moderate and large commercial buildings. In 2018 RPU



initiated a pilot recommissioning program, but this program is not designed to provide recurring recommissioning services to continually track and uncover new energy savings that “grow back” overtime. RPU’s pilot is also a standalone one that only looks at electric energy savings, which poses a lost opportunity to achieve natural gas energy savings.

To offer Rochester commercial customers a service that will optimize the performance of mechanical and lighting equipment on an ongoing basis (supporting recommissioning studies every five to seven years), the EIC is interested to help RPU and MERC collaborate in developing such a program. By developing a collaborative electric and natural gas savings program, the EIC will be able to offer input about program design to help increase customer usefulness during delivery. Mayo Clinic, in particular, could support the program by sharing its experience and learnings about its own recommissioning program that it has pursued even in the absence of utility incentives. Further, as operators of some of Rochester’s largest buildings, the EIC will work with facilities teams within their respective organizations to help the program scale and achieve cost-effective program delivery.

While this offering could be developed as a new program, there may be benefits to making this an extension of RPU’s current recommissioning pilot. Joining these programs could offer marketing benefits as well as encourage those receiving commissioning services to partake in ongoing recommissioning services. The program could even incorporate building operator training as a part of ongoing operational services, adding to the scholarships that MERC and RPU currently offer for completing Building Operator Certification.

It is important to note that the creation of a new incentive program is ultimately the decision of the RPU Board and is based on financial and resource availability.

### **Develop and Promote Vendor Energy Education**

As growth occurs within Rochester, new businesses will enter the local market and energy related contractors and vendors will be in demand. At the same time, both RPU and MERC, the City, and DMC are developing a significant portfolio of new program services and pilot offerings. To help build programs that are supported by the community and that customers and vendors are aware of, program education will be an important resource in the community.

In support of this need, the EIC will help lead the development of a Rochester vendor fair. The fair will offer informational presentations and continuing education sessions for businesses, contractors, and design professionals. The EIC will sponsor this event and support its development and organization directly or through contracting with a third party. The intent will be to host this energy fair on an annual basis and to help highlight the energy performance conservation expertise and resources available to business in Rochester (and southern Minnesota).

### **Support Community wide EV-ready Ordinance**

The EIC has identified an EV-ready ordinance as a strategy for decreasing carbon emissions in the city. With over 13 million square feet of new building development planned before 2040, there is a significant opportunity to integrate EV charging infrastructure at the time of new construction. Not only will this help raise the visibility of EV infrastructure, which combats consumer “range anxiety”, it will also save building owners from having to invest more in infrastructure updates that would be more expensive post-construction.

Beyond commercial development, an EV-ready ordinance that requires at least appropriate wiring could expand access to EV charging infrastructure for renters of multifamily properties. With 84% of EV charging in the U.S. currently happening at home<sup>3</sup>, educating homeowners about electrical upgrades during home or garage renovations is one opportunity for the EIC to cost-effectively support the EV transformation.

To successfully complete this effort, education and engagement of businesses and City leaders may be necessary to assuage concerns that such an ordinance will be a barrier and unwanted cost for developers and businesses. By using its professional network, the EIC will collaborate with City and RPU staff to build buy-in around this policy and help develop a business case for passing such an ordinance. This may include the creation of one or more case studies, presenting to professional associations, or speaking at city council hearings. As owners and developers of building space, the EIC will also be able to offer important input about the intent and design of a charging access ordinance.

### **Support and Participate in a Time-Based Rate Pilot Program**

Installing advanced metering infrastructure (AMI) or smart metering can be a first step to engage building owners on actual energy performance and provide rate offerings that reward them for optimizing building operations to conserve and save peak energy. This can be particularly effective for sophisticated building operators and users. Rochester has a high density of buildings with trained, on-site building operators where performance-based incentives and time-based rates could be valuable to the utility and offer customers cost savings.

The EIC organizations are interested to experience and test the potential benefits of having advanced bi-directional meters, or other types of real-time energy sharing devices coupled with alternative dynamic rate structures. The EIC members would like to collaborate with RPU (and possibly MERC) to test this concept in a sample of buildings and to pilot one or more time-based rates. To overcome the barrier of upfront costs, the EIC would work with RPU to find a way to share the cost; a value that otherwise could be cost-prohibitive to recruitment. They would then work to help create one or more case studies that demonstrate the benefits and challenges of switching to time-based rates. From this experience, both the building operator community as well as RPU would gain hands-on experience with the value and costs of offering different metering technology and rates, which could lead to an ongoing or expanded customer offering package.

It is important to note that the creation of a new rate design program is ultimately the decision of the RPU Board and is based on financial and resource availability.

### **Assess Opportunities to Leverage Incentives and Financing through the EIC**

A unique asset identified by the project planning process was the potential for the EIC to use Destination Medical Center Corporation resources, along with possible other partner and third-party resources, to create financing and incentive options. These funding mechanisms could be established to help meet the goals of the EIC or specific project plan targets outlined in this plan.

Because funding mechanisms represent strategies that can be applied to multiple focus areas, such as investment in renewable energy or energy efficiency, and can serve as methods to achieve multiple actions within a focus area, this strategy cuts across many of the previously discussed strategies. For this

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<sup>3</sup> Idaho National Laboratory (INL). (2015). Plugged-In: How Americans Charge Their Electric Vehicles. INL/EXT-15-35584. Idaho Falls: INL. <https://avt.inl.gov/sites/default/files/pdf/arra/PluggedInSummaryReport.pdf>

reason, the EIC feels that this opportunity may be best used in response to what is and is not working well without targeted funding support.

After prioritizing other first actions outlined in Phase I and Phase II, it will likely be a good time for the EIC to engage in a “deep dive,” collaborative brainstorming process. At this time, existing gaps and opportunity for funding support can be assessed to maximize existing efforts as well as new innovative opportunities still to come.

### **Centralize City Building Operations**

To maximize the benefits of energy efficiency programs and building operator certifications, there can be a significant benefit to having facility operators with specific energy expertise. However, it is challenging to have those experts in all facilities, as operational budgets and work force supply might not support this. Centralizing building operations across an organization or local government to one individual or team of energy managers can help increase building efficiency. This helps a whole portfolio of buildings to get similar attention and helps one decision to affect more square footage.

Following the County’s example, the City is exploring an opportunity to move all energy-related building operations to a central manager or team to make the best use of engagement with utility efficiency programs and the sharing of outcomes and best practices that result. In turn, the City and County will share the benefits of centralization to encourage other large businesses and organizations to do the same.

## **PHASE III – Mid to Long-Term Action, Beyond 2023**

Phase III includes three priority actions. These actions fall across two of the five focus areas outlined in this Project Plan, with a primary focus on energy efficiency. However, the EIC will have the ongoing responsibilities from the implementation of strategies that have come before as well as new emerging opportunities. This phase of the Project Plan serves as a list of strategies that need to be implemented but are provided in less detail and focus more on guidance around these actions’ intentions to remain relevant for their time of implementation.

As in previous sections,

**Figure 11** outlines the defining factors of each Phase III strategy. This includes the objective, asks, and approach that the EIC plans to take. Unlike in previous sections, the discussion section that follows does not address barriers and solutions, but rather the need for these strategies. This will help the EIC reassess the need and urgency of implementing these strategies as Phase II activities are wrapping up.

**Phase III Actions:** Strategies are listed in order of which the EIC will first initiate or launch.

1. Code compliance support program for city plan reviewers and inspectors – **goal: initiate a pilot program by spring 2023**
2. Streamline benchmarking participation through customer data aggregation tool or service – **goal: make operational by spring 2024**
3. One-stop conservation offering for mid-size commercial customers – **goal: pilot this offering before 2024**



Figure 11. Phase III Action Summary

	Objective	Ask	Approach	
<div style="border: 1px solid white; border-radius: 50%; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin-bottom: 10px;"> <span style="color: white; font-weight: bold; font-size: 18px;">EE</span> </div> <p><b>Energy Code Compliance City Support Program</b></p>	Increase commercial energy code compliance, especially during periods of high growth, to increase energy conservation	The EIC will work together to launch this program with a third-party provider and support by championing the program within the City and development community to provide a project pipeline	Champion the program concept early and help a third-party provider engage local code officials, developers, and utilities early about the benefits and flexibility of the service	
	<b>Utility Energy Data Aggregation Tool for Benchmarking Participants</b>	Streamline the building benchmarking process for current participants and reduce barriers for new participants	Work with potential benchmarking participants to understand the barriers to participation; help educate RPU and MERC about the type of tool(s) that would be helpful for participants	Help conduct an engagement event and/or survey to gather feedback from existing and prospective benchmarking participants for utility sharing
	<b>Launch One-Stop Conservation Program for Small and Medium-sized Businesses</b>	Support conservation opportunities beyond the largest projects with programs that link audit information to quality contracting	Engage the business community to understand the types of conservation program services and rates that interest customers	Help MERC and RPU collaborate in the development of a one-stop type of program and work with business owners and associations to increase awareness

### Discussion of Need for Services & Initial Steps

The following section offers a discussion of the barriers that will need to be overcome to make these strategies successful. It also offers solutions to some of these challenges and guidance on first steps.

#### Develop Utility Data Aggregation Tools for Benchmarking Program

Building energy benchmarking provides whole-building energy efficiency metrics by combining two silos of information that have never before been brought together: building characteristic information and utility meter consumption data. For the City of Rochester’s benchmarking program, this information is to be entered into ENERGY STAR Portfolio Manager, the standard online benchmarking tool provided by the U.S. Environmental Protection Agency. Of the two silos of information needing entry into the tool, building characteristic information is entered during initial set-up and is fairly static going forward. Meter consumption data, on the other hand, is constantly developing and therefore must be entered on a more regular basis. Developing a utility data aggregation tool is an important step toward streamlining a building energy benchmarking program in the City of Rochester. Without one, buildings must manually enter a full calendar year of water and energy data for all fuel sources. The benefit of a utility data aggregation tool is two-fold: not only does the tool make the process of benchmarking and reporting use easy and convenient for the customer, but also ensures a greater level of data accuracy through

automation. The EIC discussed the importance of a streamlined benchmarking process for buildings because the more properties that are entered into ENERGY STAR Portfolio Manager and disclosing their energy use to City, the more targeted and effective energy conservation programs can serve customers.

While there are known barriers to launching a utility data aggregation tool, the EIC unanimously agreed on the benefits such a tool could have for Rochester's voluntary benchmarking program. The group acknowledged that developing new utility software can incur increased cost and complexity, even when the development is contracted out to a third party. There are administrative burdens such as the Municipal Privacy Act, which currently would require RPU to manually enroll customers into the tool. However, there are models that exist in Minnesota that provide aggregation services, and these can serve as guidance for next steps.

It should be noted that additional programming needs will likely need additional financial resources that will require the approval of the respective organization's decision-making bodies.

#### **Energy Code Compliance Support Program**

Significant energy savings can be captured by cities rigorously enforcing energy code compliance for new construction and major renovation projects. For larger commercial projects in particular, the enforcement of the energy code's commissioning requirements helps ensure that systems operate correctly at the point of occupancy, thereby preventing discomfort and potential air quality issues in the building while saving energy. Enforcement of the energy code at the time of construction or major renovation leverages a unique opportunity to fold energy efficiency into a building's structure as it is built, preventing the greater expense of retroactively pursuing energy improvements.

Oftentimes, city plan reviewers and city inspectors do not have a complete knowledge of the state energy code and lack available time to enforce code more stringently. Typically, a review of commercial projects is complicated by separate permits for the building itself, such as for electrical and mechanical systems. To encourage better energy code compliance, the EIC should explore opportunities for training or programs aimed to support code enforcement officials on the energy code and its enforcement. Even encouragement from the top levels of city government that energy code enforcement is a priority can spur confidence among code officials that their work is supported. Alternatively, the EIC could explore and provide recommendations for third-party expert review services that would allow the City to gain better compliance without putting considerable time and effort into detailed, technical training of their staff.

#### **Mid-size Commercial Customer One-Stop Conservation Program**

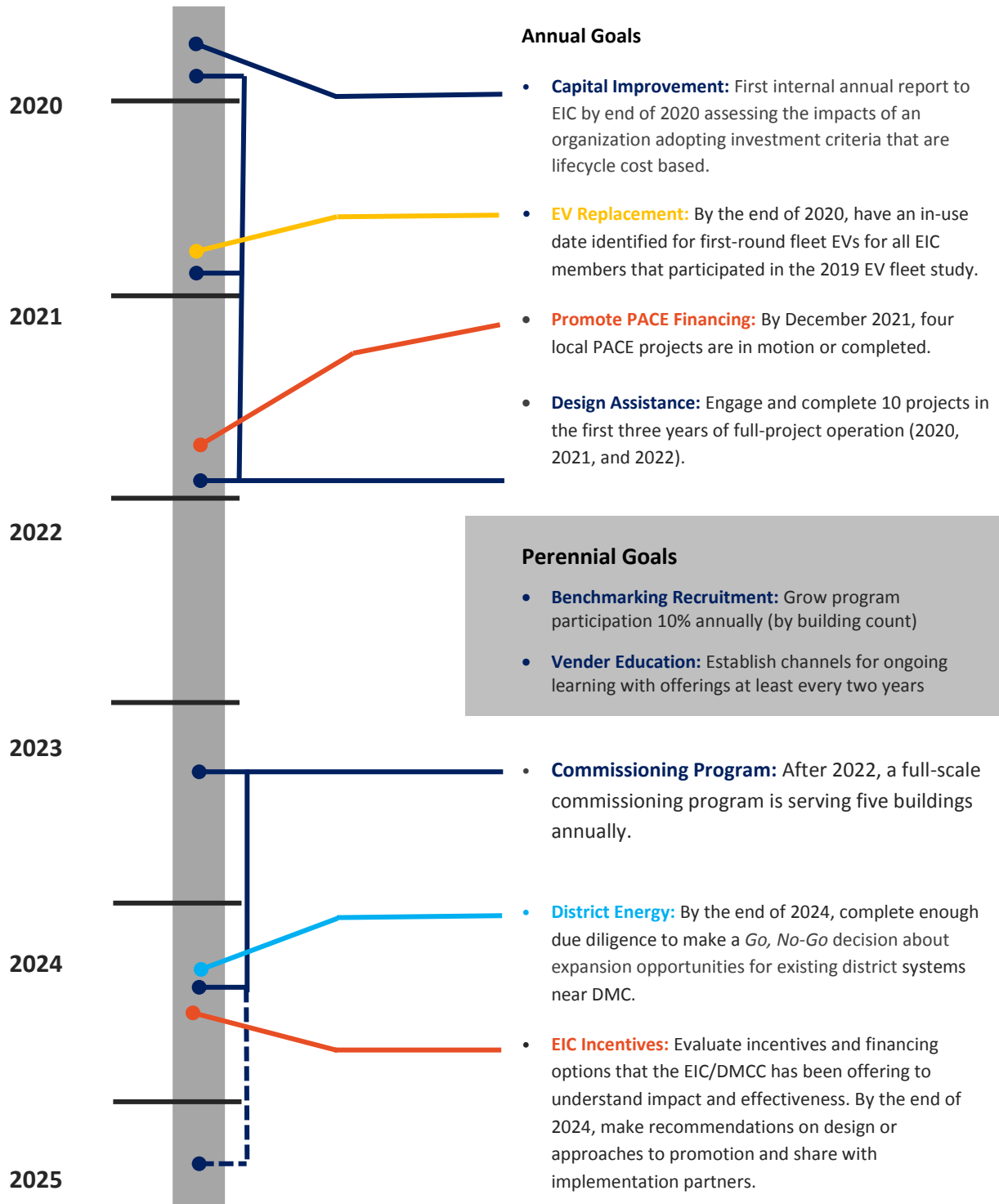
Mid-sized commercial customers are often one of the hardest audiences for conservation programs to engage. Unlike the largest buildings in the sector, mid-sized commercial buildings may not have a designated energy manager on-site or centralized facility services dedicated to pursuing energy saving opportunities. Further, mid-sized commercial buildings often do not have the resources or time to seek

out which utility programs they are eligible for much less complete the required paperwork and follow up after receiving an energy audit. This supports the need for a “one-stop” conservation program that provides full door-to-door services and assistance for mid-sized commercial customers. In such a program, customers receive a free energy audit to identify no- and low-cost energy saving opportunities as well as assistance filling out rebate applications and procuring qualified contractors to complete projects. As resources and focus allows, the EIC should consider supporting RPU and MERC in designing a one-stop conservation program for this market sector.

## **V. Metrics for Advancement & Benchmarking Progress**

The EIC has identified the most helpful and measurable metrics for tracking their achievements. Ultimately, the EIC determined that progress toward the DMC and City’s climate goals are the primary milestones that should be tracked and reported on. It is also recognized that many, if not all, of these metrics are collected by agencies within the City of Rochester. Most of these milestones are captured in the graphic on the following page and are organized by the time in which they will be accomplished. While there are many ways to share progress, the EIC discussed the possibilities of publishing of annual report, presenting accomplishments both to the public and internal leadership, and/or sharing successes with the community through the local newspaper. These efforts would be done in collaboration with the City’s Energy Commission, Sustainability Office, and other environmental organizations. In particular, presentations made to the DMCC and leadership could reinforce the value and efficacy of the EIC’s work to ensure that resources continue to be invested in this work. Though it is unlikely that the EIC will need to pursue all three forms of communication each year, communicating advancement toward energy and climate goals can help build community identity around clean energy solutions and inspire residents and businesses to take action as well.

Figure 12. Ongoing Strategy Goals & Milestones



## VI. Recommendations & Strategic Next Steps

To help the EIC transition from the energy project planning process back to a mode of implementation, this section summarizes additional recommendations that the Committee may want to consider to improve efficiency, process, or engagement with stakeholders. These recommendations were collected during the energy project planning process from EIC conversations and built upon by Center for Energy and Environment to incorporate best practices and additional detail.

### Committee Process & Tracking

- **Bottom-Up Strategy Tracking:** Establish a method for tracking progress of individual strategies that help the Committee as a whole and individual representatives take stock regularly of whether or not the Committee is on track with the timeline of the Project Plan. The underlying intent is to provide collaborative accountability for EIC member representatives at an individual-level while also building a realistic understanding of the Committee's capacity for the future. This will keep up committee morale and help it function as a team.
- **Top-Down Goal Tracking:** Establish which broader metrics are the most helpful and feasible metrics to track the overarching goals of the City and DMC, such as carbon emission reductions, and percent of load or demand (define which) is being served by renewables. By selecting two or three goal-based metrics, the EIC will be positioned well to report to the member organizations and the public about their value and effectiveness. These metrics will also help increase organizational accountability and recognition for their efforts.
- **Meeting Frequency & Format:** As a Committee, establish a pace of meetings that is commensurate with the work that needs to be accomplished; determine if EIC meetings should occur more often.
- **Establish Subcommittees:** When a topic requires a deep dive, such as district energy systems or utility program design and delivery, form a subcommittee to focus those with the most expertise and interest on the task at hand. The EIC may determine what the objective of a subcommittee is and should be responsible for setting a deadline that aligns with the phasing in this Project Plan. The subcommittee is then responsible for establishing the questions that they will explore and answer, when a sufficient conclusion has been reached, and the form of a final deliverable.

### Internal & External Communication & Reporting

- **Increase Communication & Coordination:** Increase coordination across EIC member organizations and to be able to create momentum within the Committee and a pace of work and collaboration that is commensurate with rolling opportunities. This could be accomplished by having the expectation for reporting in during each EIC meeting and out within your organization on a regular basis.

- Share updates, upcoming decisions, and deadlines from within your own organizations.
- Bring back EIC updates and share information with vital colleagues and leaders. Establish who these people are and determine if you need their input or they need your information, or both. This will help you determine how often you communicate and the level of information detail that is necessary to share.
- **EIC Visibility:** Increase EIC visibility within each respective member organization and within the community.
  - Establish meetings with organizational leaders or establish regular opportunities to present to councils or boards.
  - Annually or semi-annually, invite leadership from each EIC organization to participate in a roundtable EIC meeting. This will increase visibility of EIC activity as well as provide a forum for discussing resources and collaboration on initiatives moving forward.
  - Consider selecting one or two opportunities each year for the EIC to publish a press release and disseminate to major news sources in Rochester and the Twin Cities that helps communicate the work that the EIC is doing, the role that they play in achieving the City and DMC climate and energy goals, their efforts to collaborate with other environmentally-focused bodies, like the Energy Commission, and to support accountability and recognition for EIC representatives and organizations.

### Maintain & Infuse Collaboration

- **Chatham House Rule:** During the energy project planning process, the EIC agreed to operate under the Chatham House Rule, suggesting of meeting participants that: *participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.* During project planning, the Committee decided they would adopt Chatham House Rule as an ongoing practice. In keeping with decision, the EIC hopes to maintain trust and the most open and effective collaboration possible.
- **Deep Dives:** Financing and incentives were called out as a unique and potentially powerful strategy that the EIC could develop. The Committee is drawn to incentives and financing as a strategy that is created and applied when non-incentive strategies are not doing the job. This strategy area is ripe for EIC member to explore through a “deep dive,” a brainstorming process that focuses on opportunities and innovative thinking first and constraints and barriers second. It is recommended that such a process be undertaken after 2019 along with or in response to an evaluation of current strategy and implementation effectiveness.

### Setting Agendas & Meeting Goals

- **Setting Agendas to Meet First-year Action Goals and Timeframes:** With many time-sensitive strategies scheduled to take place in Phase I of this Plan, the EIC will need to further strategize

the responsible lead organization/member, resources needed, and intermediate actions required to meet deadlines in the first year. Further guidance on this process can be found in Appendix A.

- **Establishing Metrics for Success and Committee Effectiveness:** The EIC still needs to collectively establish metrics for evaluating its efficacy and success, other than obtaining its overarching goals. While Metrics for Advancement & Benchmarking Progress (Section V) offers some annual goals and milestones to be mindful of, establishing a more rigorous evaluation process can improve Committee accountability and likelihood of staying on target toward the goal.

## VII. Closing

Through working collectively on the actions and strategies outlined in this Plan, the EIC has the potential to significantly reduce energy use and carbon emissions in pursuit of the EIC's goals. In a rapidly changing climate, the efforts of the EIC will not only save businesses and residents money, but provide a healthier, more competitive and sustainable future for the DMC and the Rochester community at large.

As with all static documents, the strategies outlined in this Plan are organized by their level of urgency and potential impact as assessed in the present. While opportunities and barriers for carbon-savings are fairly well understood for Phase I and Phase II strategies, there is naturally less certainty of around the priority, impact, and feasibility of strategies categorized in Phase III given their more distant timeline for implementation. This allows the EIC to devote more attention to the possibilities of the present while leveraging the growing relationships among Committee members to sustain communication and commitment to collaboratively work on shared goals going forward. With rapidly advancing technology and fluctuating political support, new strategies will emerge and actions that are currently inconceivable may become more important to follow than those included in this plan. That said, many of the strategies provided in Phase I require immediate attention from the EIC as a means of setting the stage for a decarbonized future at a time of intense development in the City of Rochester.

To conclude, the engagement and time commitment provided by the EIC to date holds significant promise that the Committee will make progress toward meeting deadlines and accomplishing its energy and climate goals. With sustained commitment and communication — both among EIC members and their respective organizations — the strategies presented in this plan will be obtainable and provide cost and environmental benefits to those that participate.

## Appendix A: EIC Meeting Agenda Guidance (2019)

To maximize the impact of the opportunities identified during Phase I of this Project Plan, the organization and sequencing of activities in the first six months will require concerted effort and organized planning. During this time the Committee will acclimate to some new operational practices established during project planning, and work to further build a culture of collaboration. For this reason, an initial schedule of activities is offered in this plan to help guide the Committee to focus on the work at hand and keep momentum into 2020 and the beginning of Phase II.

Below is a guide for what the EIC will tackle each of the first six months in 2019. The agendas will contain one or more of three elements: 1.) information gathering or reporting, 2.) decision-making, or 3.) production and completion of efforts. These elements are best practices that the Committee could choose to adopt as an ongoing structure – a decision they could assess in the second half of 2019.

### **Definitions:**

**Information Gathering:** Educate and inspire EIC members by bringing in fresh information that is relevant to current or upcoming topics. This would include presentations from external experts as well as regular updates and sharing of lessons learned from other EIC members (e.g. incorporating City and/or DMC environmental goals into capital improvement plans or feedback from a utility pilot program).

- *Tip:* Ask each member to provide organizational updates at each meeting. This will enhance the value of the meetings for members as this information will be helpful beyond the work of the EIC and will increase the opportunity for timely collaborations.
- *Tip:* Inviting outside speakers to present on a bi-monthly basis is a good starting rhythm.

**Decision-Making & Approval:** Call out to the EIC in the agenda ahead of time which topics will require decision-making so that they can coordinate as needed with colleagues before attending.

**Working Sessions & Production:** Some meetings will be best spent co-creating an end product. Through shared discussion, the Committee will build a more durable approach to framing a topic or delivering information. When this is needed, call this out as a “working session” ahead of time so that people come prepared to actively participate. These sessions can result in requesting that one or two EIC members take the lead on translating the discussion or decisions in to a deliverable that can be shared beyond the Committee.



## JANUARY

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### WORKSHOP 4

**Working Session:** Review draft EIC Energy Project Plan & Commitment Document

### JANUARY MEETING

**Information & Working Session:** Transit Hub speaker to inform EIC of decision and gather input (including input about pairing transit hubs with local renewables)

## FEBRUARY

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**Information:** Benchmarking Speaker to learn about program roll-out

**Decision:** 1.) Approve final Energy Project Plan; 2.) Determine a date for an EIC benchmarking recruitment meeting/event

**Working Session:** Identify and document EIC concerns and asks of RPU's resource planning process; Propose assumptions or scenarios to be evaluated

## MARCH

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**Information:** RPU to present on innovation/non-wires alternatives white paper

**Decision:** 1.) Confirm the need for and formally establish a district energy subcommittee and who comprises it; 2.) Approve EIC comments on RPU resource planning and submit or present to RPU

**Working Session:** Outline comments to submit to RPU regarding considerations for demand response opportunities and how to the EIC can act in support

## APRIL

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**Information:** 1.) EV fleet study scope of work and benefits presented to EIC plus guests; 2.) External expert presentation on approaches to achieving local or on-site renewable

**Decision:** 1.) Approve EIC comments on RPU distribution planning and submit or present to RPU; 2.) Determine which Q1 efforts to include in a press release

**Working Session:** Consider RPU's Resource Plan and discuss EIC member procurement of local renewables

## MAY

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**Information:** External presentation on best practices for embedding "lifecycle cost" as decision-making criteria for capital improvement planning

**Decision:** Approve EV fleet study and confirm that all organizational approvals are complete or underway

**Working Session:** Create steps for each EIC organization to embed long-term returns in to capital improvement decision-making or City or DMC environmental goals

## JUNE

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**Information:** External expert presentation to further open ideas and opportunities local or on-site renewables (i.e., presentation from RPU)

**Decision:** Determine if and when a EIC leadership round-table should be held for 2019

**Working Session:** Second discussion about investment in or procurement of on-site or local renewable energy

## **Beyond the First Six Months**

There are too many moving pieces to determine which new information would be helpful to bring to the Committee once we look out more than three to six months. The agenda guide will help ensure that top priorities are getting addressed in the order with which decisions and deliverables need to be produced. Beyond the first six months. However, there are a number of topics that the EIC may consider inviting presentations from external experts or having discussions around for the purposes of information gathering and inspiration.

External information gathering opportunities include:

1. Innovation in financing offerings or incentives for development. Consider speakers from the green banking industry.
2. Successful and emerging commercial programs that could be applied to large commercial new construction, operator training, or small business segments.
3. Hear from the builders and building owners that participated in performance-based procurement at the Mayo, and what benefits were received and lessons learned.
4. RPU and MERC to share out what has been learned to date from the commercial design assistance pilot and describe opportunities for improvement and expansion.
5. Innovative district energy financing and ownership structures from around the world. This may be achieved through the district energy subcommittee.
6. Strategies to build community awareness of the EIC and elevate visibility to the impact being achieved within the City, Minnesota, and across the country.
7. External presentation on best practices for tracking progress against goals as a committee and organizational structures for improving and maintaining committee impact and culture. Could include an evaluation of process and a one-year check-in.
8. EV Fleet study findings report and discussion around clear next steps, what additional information is needed, and how the EIC can expand the value of implementation by selecting different opportunities across organizations to maximize information sharing along the way.
9. Performance based incentives, such as pay-for-performance can help building operators to achieve deeper, real energy savings and ease measurement of energy conservation.

Internal reporting and information gathering opportunities include:

10. Self-evaluation of how well the Committee is sharing information in a timely and robust manner to help advance goals and maintain an open and collaborative environment.
11. Track and evaluate efforts in motion:
  - Sustainable Building Policy: what is working well, what is not, and how to improve the impact of this approach.
  - Benchmarking program uptake, data quality, and participant feedback.
  - Lessons learned from a first year of utilizing “lifecycle cost” as criteria to determine capital improvements.

**DESTINATION MEDICAL CENTER CORPORATION**

**RESOLUTION NO. \_\_-2019**

**Receiving Energy Integration Committee Materials and Affirming Energy and Carbon Goals as Consistent with the Development Plan.**

BACKGROUND RECITALS

- A. In Resolution 39-2016, the Destination Medical Center Corporation (“DMCC”) set forth sustainability and energy goals consistent with the Development Plan and established a technical advisory committee, composed of representatives of the City of Rochester (the “City”), Olmsted County, Rochester Public Utilities, Minnesota Energy Resources, Mayo Clinic, and the Destination Medical Center Economic Development Agency (“EDA”). This committee is now known as the Energy Integration Committee (the “EIC”). The DMCC also requested regular updates from the EIC, including implementation plans.
- B. The EIC has prepared and adopted a Charter and Working Commitment Agreement to guide and govern the interactions among members. With assistance from the Center for Energy and the Environment, the EIC has also prepared and adopted the Rochester EIC Strategic Energy Project Plan 2018-2019 (the “Plan”), which reaffirms City and Development Plan energy and carbon goals, sets forth the timeline and four phases of contemplated activities through 2035, as well as five primary focus areas (organization and finance, energy-efficient design and operations, renewable energy, district energy, and innovation and electrification), with a particular emphasis on strategies and activities in the immediate term.

RESOLUTION

**NOW, THEREFORE, BE IT RESOLVED**, by the Destination Medical Center Corporation Board of Directors, that the Board receives the update from the EIC, including the Plan, and affirms the energy and carbon goals as consistent with the Development Plan.

**BE IT FURTHER RESOLVED**, that the Board requests regular updates from the EIC as it continues its work, including implementing activities under the Plan. The Board anticipates that proposed actions to implement the Plan will be considered in the 2020 budget process, and encourages the continued work and endeavors of the EIC.



## Experience Update

To: DMC Corporation Board of Directors

From: DMC EDA Staff

Date: May 17, 2019



### Background:

The Destination Medical Center (DMC) Initiative set forth a plan to transform Rochester from what is perceived to be largely a medical campus into a vibrant urban center and one of America's model cities. To accomplish this, an overall "Experience Strategy" has been created and aligned to enhance the quality of experience for patients, visitors and community members in Rochester. This comprehensive strategy is built upon the research and recommendations within the DMC Development Plan and collaboration with community partners/stakeholders.

DMC Development Plan Goal #5: Achieve the highest quality patient, companion, visitor, employee, and resident experience, now and in the future

#### Specific Objectives:

- Create strategies, programs and services that support a world class destination
- Develop strategies to enhance the quality of the experience for patients, visitors and residents In Rochester

### Current Experience Projects:

#### Experience Strategy Update

- DMC created an Experience Framework to achieve DMC Development Plan objectives
- In 2019, the framework and supporting tools are being used as DMC and primary partners identify experience projects. Examples include:
  - o Public Art in Heart of the City Phase 1
  - o Rochester App Project
  - o Rochester Experience Project: Phase 2

#### Public Art in Heart of the City Phase 1

- Multiple International artists have been identified to contribute work to Heart of the City Phase 1 design lead by Coen+Partners along with el Dorado. The DMC Experience Strategy Framework is being applied to help guide the artist as they finalize their art installations. Applying the framework in this way will help align the vision of the public space with the experience expectations of our community.
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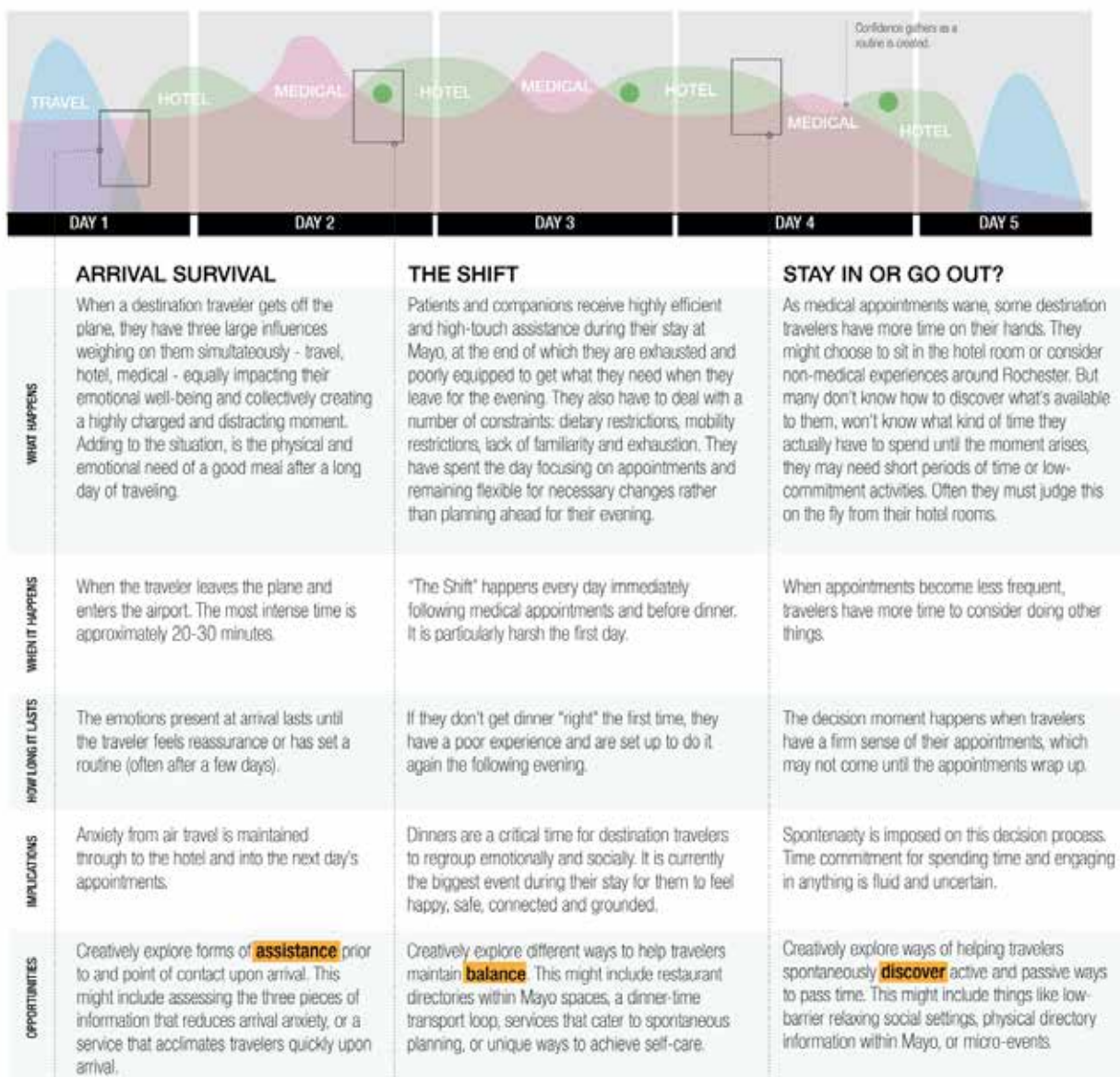
#### Rochester App Project

- Experience Rochester, Mayo Clinic and DMC have been partnering on the development of a mobile app that will serve the unique needs of community members, patients and visitors

- Creed Interactive from St. Paul, MN has been retained to build two app formats (ios, Android)
- The first version of the Rochester App will be available in summer 2019

### Rochester Experience Project: Phase 2

- Rochester Experience Project, Phase 2 documented and analyzed the experiences of destination travelers who arrive via Rochester International Airport as they proceed through our community, including their time at the airport and Mayo Clinic.
  - o Almost 300,000 people traveled through Rochester International Airport in 2018. It is the first stop in every destination patient's experience.
- Findings have been shared with community stakeholders.
- DMC is working with stakeholders to identify improvement opportunities.



# DMC Development Plan Five-Year Update

To: DMC Corporation Board of Directors

From: DMC EDA Staff

Date: May 17, 2019

## Background:

In accordance with the DMC Act, the DMC EDA is planning to propose updates to the DMC Development Plan in 2020. These efforts will ensure that the plan:

- Meets the statutory requirements of the DMC Act
- Reflects the successful implementation of DMC to-date
- Provides the strategic framework necessary to achieve DMC mission and goals
- Incorporates and/or complements other planning documents and strategies which may impact DMC
- Addresses community priorities, including affordable housing and workforce development
- Creates opportunity to reaffirm primary mission, vision, and purpose of DMC initiative and tools

## Next Steps:

Recommended course of action to complete five-year update by May 2020:

- 1) Audit to determine scope of update, to include:
  - Identification of required Plan elements per DMC Act
  - Review of current Plan, to include identification of elements of the Plan which are:
    - Strictly required by DMC Act, including ensuring the plan is:
      - § An outline for development of Rochester as a destination medical center, including planned and anticipated development activity and its relation to state and local objectives
      - § Creating maximum opportunity for private development
      - § Conforming to general city development
      - § Consistent with City comprehensive plan
      - § Defining strategic planning in core industries and commercial and market segments
      - § Forecasting short- and long-term fiscal impacts
      - § A framework for identifying and prioritizing public investment & private development, including criteria for evaluating project proposals
      - § Inclusive of information regarding:
        - Land use planning
        - Transportation
        - DMC operational planning
        - Ongoing market research

- Not strictly required by DMC Act. When considering updating information not strictly required, EDA staff may want to consider whether the information is:
    - § Critical to developing Rochester as a destination medical center
    - § Relevant to the means by which DMC achieves its goals
    - § Important to particular stakeholders
    - § Supportive, detractive, or augmentative of the primary DMC mission
    - § Available elsewhere
    - § The result of policy or planning that is outside of DMC Corp. control
  - Obviously outdated (e.g., Five-year CIP, private investment forecasts)
  - Superseded or augmented by subsequent plans or programs
  - Ignorant of current community or board priorities (e.g., affordable housing, workforce development)
  - Irrelevant due to/ignorant of market activity/investment activity since adoption of the Plan (IBM campus purchase, Mayo five-year plan, DMC district development, etc.)
  - Inconsistent with current practices, policies, municipal or regional plans, and/or other considerations
- 2) Following the conclusion of the audit, recommend a course of action for making any necessary/prudent updates (*e.g., changes are relatively insignificant and EDA staff completes update in-house; changes are moderate and EDA contracts with consultant to update Plan; changes are significant and EDA or DMCC issues RFP for consultant to complete update*)
- 3) Recommended course of action for completing the update should include a roadmap/timeline which considers:
- Time necessary to complete recommended course of action (*perhaps less time if updates are relatively insignificant, perhaps more time if an RFP is issued*)
  - Consideration of public hearing process and board/council schedules

A scenario to complete the update of the DMC Development Plan:  
*(Assumes most intensive course of action and most aggressive timeline)*

- **May 2019:** DMC EDA and DMCC board meetings include introduction of plan update, report of initial steps and potential to return to September 2019 meeting with RFP for plan updates
- **May-August 2019:** Recommended course of action completed
- **September 2019:** DMC EDA and DMCC boards approve funding and potential RFP as a part of 2020 Work plan and budget (including resources for printing new plan, web updates, etc.); RFP issued
- **October 2019:** Potential RFP Responses received
- **November 2019:** Potential RFP responses reviewed, contract negotiated, update process outlines, team mobilized
- **January-April 2020:** Plan updates proposed, reviewed and approved by DMC EDA staff
- **May 2020:** Proposed plan updates presented to DMC EDA, DMCC boards and City Council; public comment period opens
- **July 2020:** Special meetings to approve development plan; updated plan in effect
- **Q3-Q4 2020:** Print and disseminate updated plan, update website



## Market Studies Update

To: DMC Corporation Board of Directors  
From: DMC EDA Staff  
Date: May 17, 2019

### **Background:**

In 2018, AECOM was retained by the DMC EDA to conduct a market demand study for the Destination Medical Center (DMC) initiative. The studies goal was to inform the DMC EDA's baseline market projections which were originally prepared in 2014 and provide market analysis information that may help guide development and investment on the DMC initiative over the next five years. Data sources include public and private information available to AECOM, plus from interviews with public and private individuals engaged in the market sectors analyzed, public officials, property and business owners. Data were collected and analyzed during August – December, 2018.

Summary excerpts from AECOM's report are below.

### Office & Med-tech

- In recent years: Analysis of data show no or negative growth in the DMC/Downtown Rochester office market from 2014 to 2017.
- In future years: AECOM estimates incremental demand between approximately 100,000 and 130,000 additional square feet of Non-Mayo Downtown Office Space for the 5-year period from 2019-2024 (37,000-55,000 square feet of professional office space and 65,000-75,000 square feet of med-tech space). From 2019-2034, AECOM estimates incremental demand between approximately 230,000 and 340,000 square feet of Non-Mayo Office Space (115,000-190,000 square feet of professional office and 115,000-150,000 for med-tech space).
- Economic Development Opportunity: The Med/Tech rate of growth is driven by Mayo partnerships and discrete users, as opposed to general market demand to support speculative development. More partnerships = more demand for more space. Support network and potential DMC funding for start-ups in Discovery Square may accelerate growth.

### Hotel

- In recent years: Analysis of data show positive growth in the DMC/Downtown Rochester hotel market from 2014 to 2017.
- In future years: AECOM estimates total supportable rooms at target occupancy rate (70%) for Downtown hotels to increase from around 3,000 to 3,400 from 2019 to 2024. By 2034, AECOM estimates total supportable rooms to reach approximately 4,100. If the Downtown hotel market adheres to the average historical occupancy rate of approximately 64%, demand for hotel rooms would be greater.
- Economic Development Opportunity: With continued growth of the University of Minnesota-Rochester, Discovery Square, and Mayo Clinic's global reputation, Rochester has the potential to position itself as a unique national meeting destination centered on innovations in health and well-being, as well as a regional convention center. Development of event programming with the Civic Center's renovation, Chateau Theatre, and marketing by new meeting hotels will grow room-night demand for more hotels. Accelerated growth in the near term is possible with price-point differentiation and the development of new facilities that generate additional room-night demand.

## Residential

- In recent years: Analysis of Multi-family Residence (MFR) data show positive growth in the DMC-Vicinity/Downtown Rochester housing market from 2014 to 2017.
- In future years: AECOM estimates incremental demand of between approximately 900 and 1,400 additional Multi-family Residence (MFR) housing units in the DMC-Vicinity/Downtown region for the 5-year period from 2019-2024. From 2019-2034, AECOM estimates incremental demand between approximately 3,400 and 5,000 additional housing units before deducting projects from the current pipeline.
- Economic Development Opportunity: As the DMC initiative is successful in attracting firms that generate jobs and increase household growth and building amenities to position the downtown market, plus demographic and price-point differentiation of market segment niches, demand for multi-family housing should continue to increase. There is some near term market caution due to the length of the national economic growth cycle. Efforts to improve affordability through design, product differentiation, parking strategies, and subsidy for low-income households will help create a balanced community.

## Retail, Dining, Entertainment

- In recent years: Analysis of data show both stability and flux in the DMC/Downtown retail market.
- In future years: AECOM estimates incremental demand of between approximately 68,000 and 128,000 additional square feet of Retail, Dining and Entertainment for the 5-year period between 2019- 2024 for the downtown market. From 2019-2034, AECOM estimates between approximately 195,000 and 360,000 square feet of supportable space.
- Economic Development Opportunity: Retail/dining and entertainment demand is a function of growth in captured buying power. Visitor growth, more downtown residents and workers, and a larger market share of regional demand for dining and entertainment will support more retail/dining and entertainment over time. As the residential community grows and matures, demand for neighborhood services will increase. A critical mass of dining and entertainment in emerging districts should induce greater demand from the regional market.

## Demographics, Population, and Jobs

The foundation of most of the market analyses, household and job growth continues to be positive for Rochester and Olmsted County, with both jurisdictions ahead of statewide averages. Falling unemployment rates and rising incomes offers continuing strong support for DMC's development.

## AECOM Suggestions for Phase 2

- Build "Place" with amenities & mobility to position for the next growth cycle.
- Double down on more Mayo partnerships & Discovery Square's supportive eco-system.
- Focus on diversified workforce, affordable, and specialized housing to create a balanced community.
- Prioritize investments that create more room- night demand.
- Develop a dining/entertainment strategy to capture demand.

## Next Steps:

The market study findings were presented at the April DMC real estate summit and will be incorporated into the five-year update of the DMC Development Plan.

## Riverfront Next Steps

To: DMC Corporation Board of Directors

From: DMC EDA Staff

Date: May 17, 2019

**Background:**

The riverfront discussion is focused on City-owned property. The City and Bloom International Realty had a four year exclusive development agreement which was terminated in 2019.

**Next Steps:**

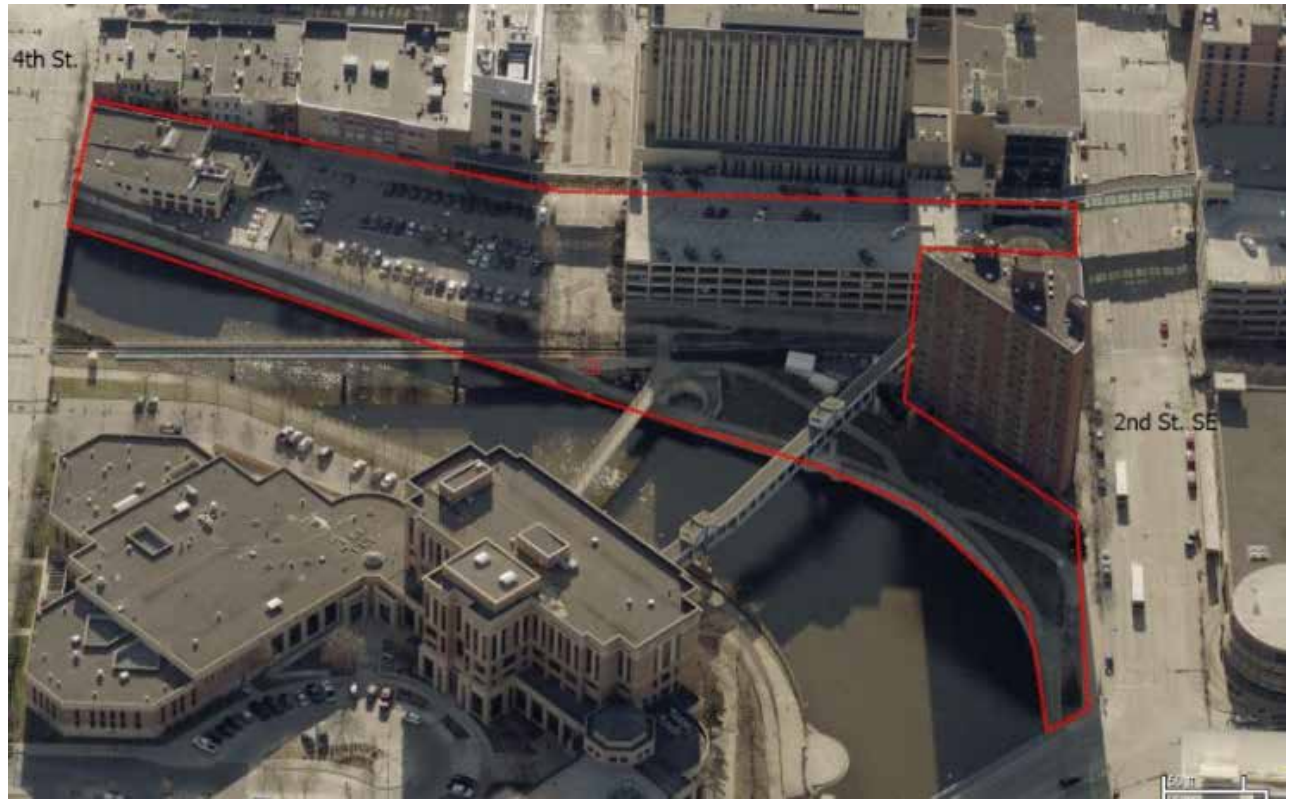
The City of Rochester is establishing a vision for Rochester's riverfront which is to serve our community and create a global destination for innovation, education, culture and opportunity.

Phase 1: Engage Community Visioning

Phase 2: Define Policy Direction & RFQ

Phase 3: Design and Refinement

Phase 4: Implementation and Impact





# April 2019



**Destination Medical Center  
Economic Development Agency**

[dmc.mn](http://dmc.mn)

**DMC Real Estate  
Summit April 25, 2019**

I am pleased to provide you with the Destination Medical Center Economic Development Agency April 2019 Monthly Report. This monthly report highlights projects and activities within the DMC District, economic development, finances, sustainability, experience, marketing & communications, and community engagement.

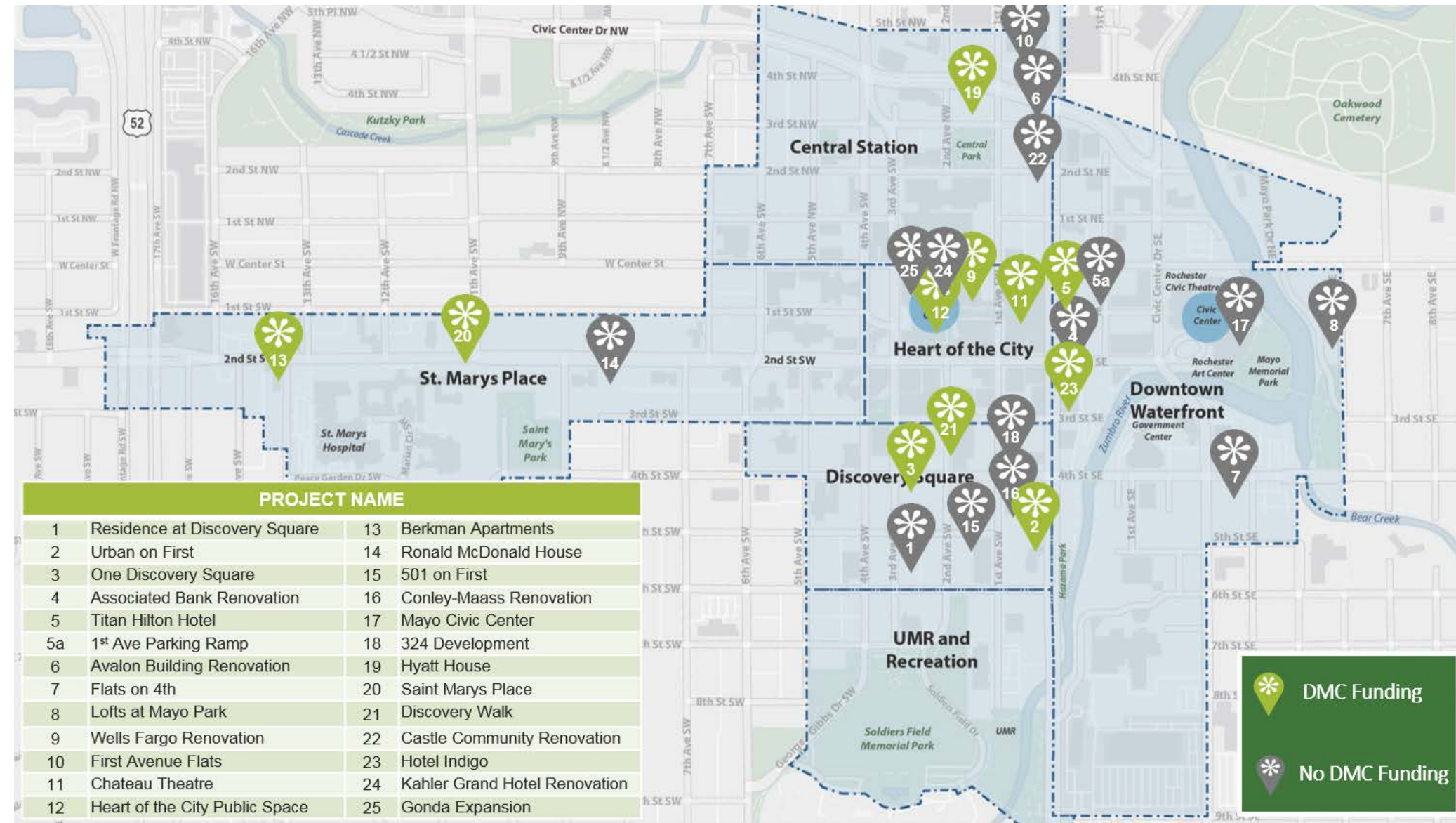
-Lisa Clarke, Executive Director

# DMC Development Projects in the District

	Development Name	Developer	Purpose	Subdistrict	Project Address	Project Status	Anticipated Completion Date	Estimated Project Investment	DMC Funding	Joint Application Submittal Date
1	Residence at Discovery Square	Vance Sr. & Barbara Vinar	Residential	Discovery Square	Third Ave. SW and Sixth St. SW	Under Construction	2019	\$ 20,000,000.00	No	NA
2	Urban on First	Titan Investments and Opus Group	Residential/ Commercial	Discovery Square	Between 1 <sup>st</sup> Ave. SW and Broadway Ave. S	Under Construction	2019	\$ 38,000,000.00	\$3,800,000	Fall 2016
3	One Discovery Square	M.A. Mortenson and Mayo Clinic	Research & Innovation	Discovery Square	First Ave. SW	Under Construction	Spring 2019	\$ 35,000,000.00	\$ 4,900,000.00	Spring 2017
4	Associated Bank	Bloom Properties	Commercial	Downtown Waterfront	206 Broadway Ave. S	Completed	Spring 2018	\$ 7,000,000.00	No	NA
5	Titan Hilton Hotel	Titan Investments	Hotel/ Commercial	Downtown Waterfront	Broadway Ave. S and Center St. E	Under Construction	2019	\$ 125,000,000.00	\$6,500,000	Spring 2015
5A	1st Ave Parking Ramp	City of Rochester	Parking Ramp	Downtown Waterfront	55 1st Street SE	Under Construction	Fall 2018	\$ 25,000,000.00	Yes	NA
6	Avalon Building	ABM Ideations LLC	Commercial	Central Station	301 N Broadway	Under Construction			No	NA
7	Flats on 4th	Stencil Group	Residential, Affordable Housing	Downtown Waterfront	410 3rd Ave. SE	Completed	Spring 2018	\$ 17,000,000.00	No	NA
8	Lofts at Mayo Park	Pougiales Trust Properties	Residential	Downtown Waterfront	123 Sixth Ave. SE	Completed	Spring 2017	\$ 7,500,000.00	No	NA
9	Wells Fargo	Ryan Companies	Commercial	Heart of the City	21 1st Street SW	Under Construction	Summer 2019	\$ 26,600,000.00	\$ 2,400,000.00	Spring 2018
10	First Avenue Flats	Joseph Development	Residential, Affordable Housing	Central Station	400 1st Ave. NW	Completed	Spring 2017	\$ 13,700,000.00	No	NA
11	Chateau Theatre	City of Rochester	TBD	Heart of the City	15 1st St. SW	Under Construction	Interim Construction Fall 2018	\$ 1,000,000.00	Yes \$ TBD	NA
12	Heart of the City Public Space	City of Rochester and RSP Architects	Public Space	Heart of the City	Heart of the City	Phase I / Predevelopment		\$ 46,800,000.00	Yes \$ TBD	NA
13	Berkman Apartments	Alatus, LLC	Residential/ Commercial	Saint Marys Place	Second St. SW and 14 <sup>th</sup> Ave. SW	Under Construction	2019	\$ 115,000,000.00	\$10,500,000	Fall 2016
14	Ronald McDonald House Rochester, MN	Ronald McDonald House Charities	Residential	Saint Marys Place	850 2nd St. SW	Under Construction		\$ 15,000,000.00	No	NA
15	501 on First	501 on First, LLC	Residential/ Commercial	Discovery Square	501 1st Ave. SW	Completed	Fall 2016	\$ 16,000,000.00	No	NA
16	Conley-Maass Building	Hunter & Traci Downs	Commercial	Discovery Square	14 4th St. SW	Completed	Fall 2016	\$ 2,200,000.00	No	NA
17	Mayo Civic Center Addition	Mayo Civic Center	Commercial	Downtown Waterfront	30 Civic Center Dr. SE	Completed	Spring 2017	\$ 84,000,000.00	No	NA
18	324 Development	North Rock Real Estate	Residential/ Commercial	Discovery Square	4th St. SW and 1st Ave. SW	Phase II / Under Review			No	NA
19	Hyatt House	EKN Development Group	Hotel	Central Station	315 1st Ave. NW	Phase III / Approved	Winter 2019	\$ 44,200,000.00	\$ 3,900,000.00	Spring 2018
20	Saint Marys Place Public Space	City of Rochester and S.E.H Architects	Public Space	Saint Marys Place	Saint Marys Place	Phase I / Predevelopment			Yes \$ TBD	NA
21	Discovery Walk	City of Rochester and RSP Architects	Public Space	Discovery Square	Discovery Square	Phase I / Predevelopment			Yes \$ TBD	NA
22	Castle Community Rochester	Castle Community LLC	Commercial	Central Station	121 N Broadway Ave.	Completed	Fall 2018	\$ 2,900,000.00	No	NA
23	Hotel Indigo	EKN Development Group	Hotel/ Commercial	Downtown Waterfront	220 S Broadway	Under Construction	Spring 2019	\$ 41,600,000.00	\$ 2,980,000.00	Spring 2018
24	Kahler Grand Hotel	Kahler Management	Hotel	Heart of the City	20 2nd Ave. SW	Phase I / Predevelopment		\$ 30,000,000.00	No	NA
25	Gonda Expansion	Pontiac Land Group	Hotel	Heart of the City	200 1st St. SW	Phase I / Predevelopment			No	NA



# DMC Development Project Map



# April 2019 Updates

## DMC funded project updates:

- Titan Hilton Hotel- Was completed spring 2019. The restaurant and hotel opened in April 2019.
- Berkman Apartments- Anticipated completion early summer 2020.
- Urban on First - anticipated completion summer 2019.
- One Discovery Square- Anticipated completion summer 2019.
- Wells Fargo Renovation- Construction is underway and work continues on public realm integrated with Heart of the City design.
- Hotel Indigo- Anticipated completion fall 2019.
- Hyatt House- Construction began April, 2019..

## Economic Development

- **Chateau Theatre** construction is underway while engagement with Ryan Companies continues. City Council selected a program and management model that will be shared at the May 2019 DMC Corporation board meeting.
- The **transportation plans** continue to progress. The City of Rochester and DMC EDA provided updates at the DMC Corporation board meeting on February 5, 2019. A resolution was also passed providing preliminary approval for further assessment of the two mobility hub locations.
- The **Heart of the City** public realm design team is currently under contract for the design development phase. The areas of focus include: Schematic design reconciliation; defining public art process; integrating design with Ryan Companies; developing prototyping scenarios. A final design plan will be presented for action to the DMC Corporation board in May 2019.
- **Discovery Walk** public realm design will continue to move forward using the Heart of the City concepts south to Soldiers Field. The schematic design was completed and next steps include: integrate the project with design of 4th Street reconstruction; develop interim activation strategies to test design concepts; projecting catalytic impact on future development.

## Finance

- Continuing to explore opportunities for various tax credit programs for use in the DMC district, including New Market Tax Credits and Low-Income Housing Tax Credits (LIHTC).
- DMC EDA staff continue to work with the city regarding the opportunity zone tax credits. The DMC EDA and the city have met with investors that have created opportunity zone funds and are interested in learning more about the opportunities in the DMC District.
- Private, Public Partnership (P3) model being explored with partners.

## Sustainability

- Energy Integration Committee – The EIC has generated a Project Plan for the group to implement over the next six years. It is reviewing the workplan and collaboration charter agreement with respective organizations. This project plan focuses on project implementation in 21 key areas across organizations on a voluntary basis over the next six years to realize the goals of the DMC Plan and the City of Rochester. The workplan will be brought forward for DMCC review and approval in May.
- Voluntary Energy Benchmarking – The DMC and City of Rochester have launched the Voluntary Energy Benchmarking Program in February 2019. The County, City and Rochester Public Schools have partnered to provide data. The program is available to buildings inside and outside of the district. Support has been provided by the DMCC and City Council, and work has begun to recruit commercial businesses in Rochester and currently 20 businesses are signed up to participate. The goal for the first year of the program is to reach 100 buildings and we expect about 120 buildings will enter the benchmarking program overall.
- Sustainability Series – DMC continues its monthly Sustainability Series. This year, the series is provided in partnership with the United States Green Building Council Minnesota Chapter in order to provide credentialing education units to attendees. In April, we hosted a presentation focused on the Transportation Management Authority named Arrive Rochester, its mode shift goals for the City and reviewed case studies from other cities that have had success with TMA programs to influence travel behaviors.



# April 2019 Updates

## Marketing & Communications

### Social Media:

- Social media growth continued in April with gains on all platforms: Facebook +34, Twitter +11, LinkedIn +49. YTD growth: Facebook: +118, Twitter: +87, LinkedIn: +112

### Blog:

- Four blogs were published in April
- YTD: 22 blogs have been published

### Media News Stories:

- During April, 343 DMC-related stories were published in the media and 75 social media mentions.
- Highlights: DMC/Rochester Real Estate Summit; Rochester Earth Fest Week; Three Chateau Theatre finalists present to Rochester City Council
- YTD: 829 DMC-related stories, with \$2.94M estimated media value and 317.89M potential reach.

### Traffic to DMC.MN:

- April traffic showed 13.4K visits and 20.7K pageviews.
- Discovery Square, Investors & Developers, home page, maps and what is DMC? were the top pages visited.
- Top 5 states: Minnesota, District of Columbia, Kansas, Maryland, Virginia
- Top 5 cities outside of Rochester: Washington, Coffeyville, Minneapolis, Reston (VA), Chicago,
- YTD traffic: 41.5K visits and 69.5K pageviews.

### Newsletter:

- Two newsletters were delivered to 3030 subscribers in April. The average open rate was 36% (industry average: 21.8%) and the average click rate was 9.3% (industry average: 2.2%).
- YTD: 8 newsletters distributed.

### DMC Marketing Campaign: Q1 results

- Delivered 16.7M impressions in paid digital advertising in Q1 with 14.1K clicks and average click-through-rate of 0.08% and within the benchmark average.
- LinkedIn Leads generated: 42
- Top lead generating regions: Greater New York City area, Greater Chicago area, Phoenix area, Greater Minneapolis – St. Paul area, San Francisco Bay area

## Community Engagement

- Attended the following events: USGBC Impact Conference; Hyatt House Ground Breaking; Real Estate Awards Event; International Conference on Business Incubation; Opportunity Zones Summit; Finance and Commerce Progress MN Awards; 2019 Chamber Legislative Preview; United Way event; Medical Alley Annual Meeting; Retail and Restaurant Summit; Beyond MN Nice event.
- Provided DMC updates to the following groups: Mayo Clinic; St. Catherine's University; RCTC; Journey to Growth.
- Supported and had a community presence at: University of Minnesota Rochester VIP Days- Resource Fair; 2019 Chamber Annual Member and Community Celebration.
- Co-hosted a LEED for Cities Plaque Ceremony and the City of Rochester Energy Benchmarking Data Jam.
- DMC's community engagement strategy includes reaching out to fourteen regional communities to learn more about their strategic priorities with an emphasis on building strong relationships between communities. A community meeting was held in Lanesboro.
- Hosted our 3rd Annual DMC Rochester Real Estate Summit. (300 attendees)
- Hosted our first Monthly Lobby Talks which provides an opportunity for the community and DMC staff to connect and have conversations.

## Experience

- The development of the Rochester App (created in partnership with DMC, Mayo Clinic, and Experience Rochester) continues to see progress and meet the defined milestones within the plan. Wireframes for the app have been approved. The first version of the app is set to be released in early summer of 2019 with a final version later in the fall.



Destination Medical Center  
Economic Development Agency  
**2019 Workplan**

Status Updates: May 10, 2019

## Executive Summary

In 2019, the Destination Medical Center (“DMC”) initiative will focus on continuing robust economic development, further developing the DMC District and the continued implementation of programs and initiatives to transform America’s City for Health.

Anchored by the DMC Development Plan and influenced by the engagement and participation of our stakeholders, the Destination Medical Center Economic Development Agency (“DMC EDA”) will continue to pursue the Phase 1 and 20-year goals of the DMC initiative.

Twenty year goals include:

- Create a comprehensive strategic plan
- Leverage the public investment of \$585 million
- Create approximately 35,000 new jobs
- Generate approximately \$7.5 - \$8.0 billion in new net tax revenue
- Achieve the highest quality patient, companion, visitor, employee, and resident experience

To date, the DMC Corporation board of directors has made strategic investments in public realm planning and design, including Heart of the City and Chateau Theatre, Saint Marys Place, and Discovery Walk; the development of Discovery Square; transportation; energy and sustainability; targeted marketing; meaningful public engagement; and significant private development projects. These investments are direct examples of the successful implementation of the DMC Development Plan.

This work plan outlines the objectives and allocates the resources necessary to capitalize on these public investments; continue to pursue private investment and development opportunities; implement business and workforce recruitment and retention activities; and exceed patient, visitor and resident experience expectations in order to achieve DMC’s twenty-year goals. To this end, several significant one-time activities and targeted new investments have been incorporated into the work plan, including:

- Advancing Heart of the City public space for construction
- Programming Discovery Square in support of new business development
- Activating Chateau Theatre reuse

## DMC EDA Statutory Role and Responsibilities

The DMC EDA assists the Destination Medical Center Corporation (“DMCC”) and the City of Rochester (“City”) in implementing the development planning and promotion, development services, and marketing, outreach and communication activities required to achieve the goals of the DMC development plan.

The DMC legislation identified several key responsibilities of the DMC EDA in addition to its role as an advisory agency to the DMCC and City. The 2019 DMC EDA work plan serves these responsibilities, which have been organized as follows: (A) development planning and promotion, (B) development services, and (C) marketing, outreach and communications. The specific statutory responsibilities are listed below:

- A. **Development Planning and Promotion**, including:
  - Drafting and implementing the development plan, including soliciting and evaluating proposals for development and evaluating and making recommendations to the DMCC and the City regarding those proposals
  - Seeking financial support for the DMCC, the City, and projects
  - Partnering with other development agencies and organizations, the city, and the county in joint efforts to promote economic development and establish a destination medical center
  - Supporting and administering the planning and development activities required to implement the development plan
  
- B. **Development Services**, including:
  - Developing and updating the criteria for evaluating and underwriting development proposals
  - Providing transactional services in connection with approved projects
  - Working with the corporation to acquire and facilitate the sale, lease, or other transactions involving land and real property
  - Assisting the DMCC or City and others in applications for federal grants, tax credits, and other sources of funding to aid both private and public development
  
- C. **Marketing, Outreach, and Communications**, including:
  - Facilitating private investment through development of a comprehensive marketing program to global interests
  - Developing patient, visitor, and community outreach programs
  - Preparing and supporting the marketing and promotion of DMC
  - Preparing and implementing a program for community and public relations

All objectives contained within this work plan address one or more of these statutory responsibilities, demonstrating the commitment of the DMC Corporation, City of Rochester, and DMC EDA to the DMC Development Plan and to the intent of the State Legislature and Governor indicated by the support and enactment of the DMC legislation.

### DMC Mission

With Mayo Clinic at its heart, the Destination Medical Center (DMC) initiative is the catalyst to position Rochester, Minnesota as the world's premier destination for health and wellness; attracting people, investment opportunities, and jobs to America's City for Health and supporting the economic growth of Minnesota, its bioscience sector, and beyond.



### DMC Goals

Create a comprehensive Strategic plan with a compelling vision that harnesses the energy and creativity of the entire community

Leverage the public investment to attract more than \$5 Billion in private investment to Rochester and the region

Create approximately 35,000 new jobs with workforce development strategies that support growth

Generate approximately \$7.5-8 Billion in new tax revenue over the next 35 years

Achieve the highest quality of patient, companion, visitor, employee, and resident experience, now and in the future



### DMC Priorities

Transportation

Heart of the City

Discovery Square

#### Economic Development

-Community Engagement

-Marketing & Communication

-Experience

-Energy & Sustainability

-Workforce Development

-Affordable Housing

Completed

On Track

Delayed

Postponed

**DMC Priority: Heart of the City**

**Objective A: Project Development-** Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.

	Outcome	Timeline	Status	Lead or Participate
1	Build a strong business relationship between the Wells Fargo project and public realm	Q1-Q4		Lead
2	New private development growth underway (execute development recruitment strategy using updated market research)	Q1-Q4		Lead
3	Building renovation complete for Chateau with operator identified	Q1-Q2		Participate

**Objective B: Public Realm-** Includes design, development and/or operational activities that result in active use of public spaces within the DMC District.

	Outcome	Timeline	Status	Lead or Participate
1	Community embraced Heart of the City design (manage stakeholder group, manage design team, execute community engagement strategy)	Q1-Q4		Lead

**Objective C: Experience/Programming-** Includes design and operational activities that result in increased use of public amenities and private development opportunities.

	Outcome	Timeline	Status	Lead or Participate
1	Community embraced Chateau Theatre vision (grand opening and activate the Chateau and Theatre Square)	Q1-Q4		Lead
2	Evaluate ideas and concepts that support HoC public space (2 prototypes to test and evaluate ideas)	Q1-Q4		Lead
3	New retail strategies tested (introduce pop up retail opportunities)	Q1-Q4	Q3	Lead

### DMC Priority: Discovery Square

**Objective A: Project Development-** Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.

	Outcome	Timeline	Status	Lead or Participate
1	One Discovery Square: plan developed to have market rate shared office space, maker space, wet lab space available plus below-market startup space available	Q1-Q3		Lead
2	Two Discovery Square: design completed and construction underway	Q1-Q4		Participate

**Objective B: Public Realm-** Includes design, development and/or operational activities that result in active use of public spaces within the DMC District.

	Outcome	Timeline	Status	Lead or Participate
1	Discovery Walk: interim prototyping deployed	Q1-Q4		Lead

**Objective C: Business Development-** Includes activities related to formation, recruitment, growth and/or retention of businesses and the ecosystem needed to support those businesses.

	Outcome	Timeline	Status	Lead or Participate
1	Community development: enable success of new businesses through intentional assimilation into the business and scientific community and introductions to key resources	Q1-Q4	Q2	Lead
2	Programming: implement social, scientific and business programming that ensures success in building community, encouraging startups, and equipping business leaders	Q1-Q4		Lead and Participate
3	Tenants: 1) One Discovery Square highly occupied; and 2) Business recruitment under way for all available spaces in the subdistrict.	Q1-Q4		Lead



<b>DMC Priority: Transportation</b>				
<b>Objective A: Project Development- Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.</b>				
	<b>Outcome</b>	<b>Timeline</b>	<b>Status</b>	<b>Lead or Participate</b>
1	Complete Phase 1 design and planning exercises for transit and infrastructure projects	Q1-Q4		Participate
2	Complete Phase 1 design and planning exercises for pedestrian and bicycle system	Q1-Q4		Participate
3	Evaluate a lid concept for the northwest mobility hub identified in the Transit Studies	Q1-Q4	Q3	Participate
<b>Objective B: Public Realm- Includes design, development and/or operational activities that result in active use of public spaces within the DMC District.</b>				
	<b>Outcome</b>	<b>Timeline</b>	<b>Status</b>	<b>Lead or Participate</b>
1	Integrate public realm and transportation design on 2nd Street	Q1-Q4		Participate
<b>Objective C: Experience/Programming- Includes design and operational activities that result in increased use of public amenities and private development opportunities.</b>				
	<b>Outcome</b>	<b>Timeline</b>	<b>Status</b>	<b>Lead or Participate</b>
1	Develop a measurement and monitoring system for transportation plan	Q1-Q4		Participate
2	Communicate changes effectively and celebrate successes and share with the community	Q1-Q4		Lead
3	Identify the next bike share system for Rochester	Q1-Q4		Lead
4	Continue to introduce new ways of thinking and technology through participation in state-wide autonomous vehicle research	Q1-Q4		Lead
5	Engage the developer community in transit-oriented development policy	Q1-Q4		Lead
6	Identify strategies to encourage alternative commuting habits through participation in the Transportation Management Association (TMA)	Q1-Q4		Participate

**DMC Priority: Economic Development**

**Objective A: Project Development-** Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.

	Outcome	Timeline	Status	Lead or Participate
1	Complete review of development projects as proposed	Q1-Q4		Lead

**Objective B: Business Development-** Includes activities related to formation, recruitment, growth and/or retention of businesses and the ecosystem needed to support those businesses.

	Outcome	Timeline	Status	Lead or Participate
1	Strong developer relationships built (support and attend: Rochester Real Estate Summit; ULI; ICLV; RECON; ICSC; APA; TIAACREF)	Q1-Q4		Lead
2	Opportunities identified to create new revenue streams for public infrastructure and operations	Q1-Q4		Lead
3	New retail strategy developed for DMC District	Q1-Q4	Q3	Lead

**Objective C: Experience/Programming-** Includes design and operational activities that result in increased use of public amenities and private development opportunities.

	Outcome	Timeline	Status	Lead or Participate
1	Educate stakeholders and gain advocacy support (best practice research and site visit re. Heart of the City and Discovery Walk design elements, transportation and retail)	Q1-Q4		Lead

**DMC Priority: Economic Development: Community Engagement**

**Objective A: Community Engagement-** Includes establishment of a community engagement strategy that builds a community of stakeholders that trust the DMC vision.

	Outcome	Timeline	Status	Lead or Participate
1	Continue to identify and support community and regional partnerships that help to realize the vision of the DMC initiative (Chamber, RAEDI, SMIF, DEED, Greater MSP ect.)	Q1-Q4		Lead
2	Continue to monitor and acknowledge new business activity and positive change in the DMC district though direct business and community engagement activities	Q1-Q4		Lead
3	Build community awareness and ownership by hosting events that create opportunities for communicating progress, partnerships and future planning (4 Peace Plaza events, 1 annual meeting, DMC lobby talks)	Q1-Q4		Lead
4	Develop visual acknowledgment of DMC private projects and the DMC presence in the public realm space	Q1-Q4		Lead

**DMC Priority: Economic Development: Experience**

**Objective A: Experience-** Includes implementing DMC patient, visitor, and community experience strategy that identifies the needs of the community while becoming the catalyst for change and fueling private sector and growth.

	Outcome	Timeline	Status	Lead or Participate
1	Implement DMC experience strategy that includes experience framework, score card and monitoring metrics collaboratively with experience partners	Q1-Q4		Lead
2	Determine and implement best practices in experience methodology	Q3	Q3	Lead
3	Continue to implement new experience improvement projects in partnership with Mayo Clinic, Experience Rochester and Rochester Downtown Alliance	Q1-Q4		Lead

**DMC Priority: Economic Development: Marketing & Communications**

**Objective A: Marketing & Communications-** Includes executing the state, national and international marketing and communications strategy to attract identified target audiences (investors, developers, bioscience companies and entrepreneurs) to Rochester, MN and elevate the DMC brand.

	Outcome	Timeline	Status	Lead or Participate
1	Increase brand awareness and targeted lead generation via multi-channel marketing campaign: local, regional and national international audiences	Q1-Q4		Lead
2	Implement subdistrict brand integration program starting with Heart of the City & Discovery Square (Ensure the consistent and appropriate use of the Discovery Square brand by licensing and managing the trademark on behalf of the DMC Corporation)	Q1-Q4		Lead
3	Provide leadership to Market Rochester Collaborative (community marketing collaborative group)	Q1-Q4		Lead
4	Content development, social media, website analytics, podcasts, event activation	Q1-Q4		Lead
5	Regional and national media placement and media tracking	Q1-Q4		Lead
6	Maintain regional and statewide communication, engagement and advocacy	Q1-Q4		Lead
7	Develop marketing asset inventory and media photo library development	Q1-Q4		Lead
8	Upgrade website	Q1-Q4		Lead

**DMC Priority: Economic Development: Workforce Development**

**Objective A: Business Development-** Includes activities related to formation, recruitment, growth and/or retention of businesses and the ecosystem needed to support those businesses.

	Outcome	Timeline	Status	Lead or Participate
1	Collaborations are developed where DMC can participate and support workforce initiatives that are led by other organizations	Q3-Q4	Q3	Participate

**Objective B: Project Development-** Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.

	Outcome	Timeline	Status	Lead or Participate
1	Operational plan for intern placement program is developed and implemented- template potential for other sectors	Q1-Q3	Q2	Lead
2	Undergrad and grad school students are placed into internships with Discovery Square businesses via DMC workforce development strategy	Q4	Q4	Lead
3	Discovery Square workforce has opportunities to integrate into DMC subdistrict programming to support growth of the entrepreneurial ecosystem.	Q4	Q4	Lead

<b>DMC Priority: Economic Development: Sustainability</b>				
<b>Objective A: Project Development- Includes design, development and/or operational</b>				
	<b>Outcome</b>	<b>Timeline</b>	<b>Status</b>	<b>Lead or Participate</b>
1	Assist with the development of housing inventory and promotion of affordable housing projects	Q1-Q4		Participate
2	Accelerate environmental program progress	Q1-Q4		Lead
3	Ensure development meets DMC environmental goals	Q1-Q4		Lead
4	Meet DMC MBE/WBE participation targets	Q1-Q4		Participate
<b>Objective B: Experience/Programming- Includes design and operational activities that</b>				
	<b>Outcome</b>	<b>Timeline</b>	<b>Status</b>	<b>Lead or Participate</b>
1	Finalize strategy and process to realize DMC vision of "creating America's City for Health"	Q1-Q4		Participate
2	Grow voluntary energy benchmarking program	Q1-Q4		Lead
3	Develop GHG reduction action plan to meet DMC and City GHG Goals	Q1-Q4		Lead
4	Continue to introduce new ways of thinking and technology	Q1-Q4		Lead
5	Identify a rating system to measure and benchmark sustainability success	Q1-Q4		Lead

<b>DMC Priority: Economic Development: Affordable Housing</b>				
<b>Objective A: Strategy Development- Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.</b>				
	<b>Outcome</b>	<b>Timeline</b>	<b>Status</b>	<b>Lead or Participate</b>
1	Understanding of the current progress and needs for affordable housing in Rochester	Q1		Participate
2	Public and private parcels are identified within the DMC District that are promising for equitable development opportunities including the creation of a tool that maps amenities and transit stops to support housing	Q1		Participate
3	Confirmation of the statutory opportunities available to the DMC for affordable housing development	Q1		Lead
4	Community partners are identified and leveraged to support strategy development	Q1-Q4		Participate
5	Continued engagement with community groups and activities related to a workforce housing strategy	Q1-Q4		Participate
6	Goals are identified for units of affordable and senior housing (#, % of AMI) and shared publicly in order to clearly outline expectations	Q1-Q4		Participate
7	Using data, partnerships and goals, complete an affordable housing and senior housing action plan for the DMC initiative	Q1-Q4		Lead
<b>Objective B: Project Development- Includes design, development and/or operational activities that result in new buildings or infrastructure within the DMC District.</b>				
	<b>Outcome</b>	<b>Timeline</b>	<b>Status</b>	<b>Lead or Participate</b>
1	Attraction and recruitment of affordable housing developers to DMC District and Rochester market	Q1-Q4		Participate
2	Identified property opportunities within the DMC District with City and County partners	Q1-Q4		Participate
3	Coordinate activities with other priorities and plans including the public realm projects and transportation planning	Q1-Q4		Lead
4	Public and private partners are identified and leveraged to support project execution	Q1-Q4		Lead

TO: Jim Bier, Treasurer  
Kathleen Lamb, Attorney

FR: Dale Martinson, Assistant Treasurer

Date: May 15, 2019

RE: April 2019 Budget Summary



The attached financial summary through April 2019 reflects total year-to-date DMCC operating expenditures of \$412,475 of the approved 2019 budget plus carryover encumbrances totaling \$3,028,852. The remaining amount unspent represents 86% of the available budget.

The second page of this summary provides a listing of DMCC authorized projects managed by the City of Rochester. A total of \$888,665 has been spent on these projects so far in 2019. Total life-to-date expenditures on these projects is \$33.3 million.

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



Destination Medical Center Corporation  
**Financial Budget Summary**  
April 2019

	2019 Approved Approved Budget	Curent Month April 2019	April 2019 Year To Date	Amount Remaining	Percent Remaining
<b>General Administrative Expenses</b>	41,200	2	17,501	23,699	58%
<b>Professional Services</b>	265,000	17,008	36,373	228,627	86%
<b>Insurance and Bonds</b>	20,000		10,307	9,694	48%
<b>City Support Expenses</b>		-	-	-	
<b>Subtotal DMCC</b>	<b>326,200</b>	<b>17,011</b>	<b>64,180</b>	<b>262,020</b>	<b>80%</b>
<b>Third Party Costs - DMC EDA **</b>					
Payroll, Staff, Administration & Benefits-EDA	902,613	54,476	198,576	704,037	78%
Operating Expenses	28,760	2,746	39,146	(10,386)	-36%
Operational Costs - Contracted	46,580	1,429	1,681	44,899	96%
Economic Development Outreach & Support	860,789	17,711	29,228	831,561	97%
Professional Services	680,164	36,482	56,607	623,557	92%
Miscellaneous Expenses	52,500	97	405	52,095	99%
<b>Subtotal EDA</b>	<b>2,571,406</b>	<b>112,941</b>	<b>325,644</b>	<b>2,245,762</b>	<b>87%</b>
<b>Total DMCC 2018</b>	<b>2,897,606</b>	<b>129,951</b>	<b>389,825</b>	<b>2,507,781</b>	<b>87%</b>
<b>2018 Budget Carryover - Encumbered Funds for EDA Contracts</b>	<b>131,246</b>	<b>12,910</b>	<b>22,650</b>	<b>108,596</b>	<b>83%</b>
<b>Totals for 2019 Including Encumbrance</b>	<b>3,028,852</b>	<b>142,861</b>	<b>412,475</b>	<b>2,616,377</b>	<b>86%</b>
Note: An additional MAP request of \$192,544 has been submitted in May for April Activity					
		DMCC	Working Capital Note	1,000	
		EDA	Working Capital Note	50,000	

DMCC Projects  
 Managed by the City of Rochester  
 As of April 30, 2019

Project	YTD Expenditures	Project Budget	Life To Date Expenditures
8611C- - Sn/S12AvSW/NW<2StSW>2StNW	60,075	2,850,000	475,352
8612C- - WZmbrRvrSn/SRIfLin<CookPk>CCDr		950,000	46,592
8613C- - ChateauTheatrePre-OccupancyM&O	32,756	4,726,802	304,436
8614C- - DMCTransit&InfrastrctrPgrmMgmt	32,064	2,600,000	1,701,577
8617C- - Broadway @ Center Parking Ramp		10,500,000	10,500,000
8618C- - SharedParkngStudy&PrgmDevlpmnt	29,321	2,061,854	1,683,586
8620C- - City Loop Plan		1,209,938	968,732
8621C- - Transit Circulator Study		2,241,532	1,773,272
8623C- - DMCC Street Use Study		3,117,708	2,885,882
8624C- - ChateauTheatreBldgImprov/Purch	134,002		6,986,551
8625C- - Heart of the City	257,878	2,648,940	1,076,008
8626C- - Sn/SUsize1Av&3AvSE<4StS>1StN	65,642	5,000,000	1,926,708
7326 C - Reconst4thStSW<1stAve>6thAveSW	221,375		2,668,875
8627C- - Property & ROW Acquisition			
8702C- - RPTSolarPwrdbusFleetGrntApp			51,333
8703C- - FTA TOD Pilot PrgmGrntApplctn			26,058
8704C- - FTA Low-NoEmissions PrgGrntApl			1,140
8705C- - TransitCrcltr-FTAGrntBus&Fact			19,258
8804C- - TH 52 LID Bld GrantApplication			22,145
8901C- - TH 14/52 InterchangeBldGrntApp			36,331
8902C- - FestivalAreaStdy&ConceptDesign	29,847		54,881
8903C- - DedctdBikeLns-3rd/4thAve&CtrSt	25,705		51,779
<b>Grand Total</b>	<b>888,665</b>	<b>37,906,774</b>	<b>33,260,496</b>

\* Note: Broadway @ Center Parking Ramp Maximum DMCC Local Share Credit = \$10,500,000