



DMC
Destination
Medical Center

Destination Medical Center Corporation
Board of Directors Meeting

Thursday, May 20, 2021
9:30 A.M.

DESTINATION MEDICAL CENTER CORPORATION (DMCC)

BOARD MEETING

Thursday May 20, 2021
9:30 A.M.

Following the March 13, 2020 Declaration of Peacetime Emergency by Governor Walz (as may be amended), the Destination Medical Center Corporation (DMCC) is a special meeting on Thursday, May 20, 2021 at 9:30 A.M. by telephone or other electronic means, according to Minnesota Statutes, Section 13D.021. DMCC Chair Rybak has concluded that an in-person meeting and the regular meeting location for the DMCC are not practical or prudent because of the health pandemic declared under the Emergency Order and according to current guidance from the Minnesota Department of Health and the CDC. The public may monitor the meeting by calling the phone number listed below (#2) or on-line through the link below (#3).

In addition, public comments may be offered by submitting written comments to info@dmc.mn, or by telephone or videoconference during the Public Comment item on the Agenda, as follows:

- 1. Sign up at least one hour before the meeting by sending your full name, telephone number and email address to info@dmc.mn.**
- 2. To join the meeting by telephone, dial 1-888-788-0099; when prompted, enter meeting ID 892 6241 4353.**
- 3. To join the meeting by videoconference, use the following link:
<https://us02web.zoom.us/j/89262414353>**

AGENDA

	PAGE
I. Call to Order	
II. Roll Call	
III. Approval of Agenda	1
IV. Approval of Minutes: March 23, 2021	3
V. Public Comment	
VI. Chair's Report	
VII. Election and Appointment of Officers	
A. Election by Board:	
1. Chair	
2. Vice Chair	
3. Treasurer	

B.	Appointment by Chair:	
1.	Secretary	
2.	Assistant Treasurer	
VIII.	DMC Metrics	7
IX.	Consent Agenda	
A.	<u>Resolution A</u> : Authorizing an Extension to an Agreement with Risk Management Resources, Inc.	8
B.	DMCC 2021 Budget Year-to-Date Update: Receive and File	9
X.	DMCC Audit for Year Ending December 31, 2020 (Presenter: Craig Popenhagen, CliftonLarsonAllen)	13
XI.	Project Approvals	
A.	South of Downtown Waterfront Small Area Plan: Receive and File	47
XII.	Project Updates (City of Rochester, EDA)	
A.	Heart of the City	49
B.	Discovery Square	51
C.	Transportation	53
XIII.	2022 DMCC Funding Request: Priorities, Process and Timeline	55
XIV.	EDA Updates	
A.	Downtown Retail Recruitment Strategy	59
B.	McKnight Grant	60
C.	Downtown District Energy	62
D.	Sustainability and Resiliency Task Force	64
E.	Bryk Apartment Project Update	66
XV.	Meeting Schedule	
A.	Next Regular Meeting: September 30, 2021 at 9:30 A.M.	
XVI.	Adjournment	

DESTINATION MEDICAL CENTER CORPORATION (DMCC)
BOARD MEETING

Tuesday, March 23, 2021
8:30 A.M.

MINUTES

- I. Call to Order. Chair R.T. Rybak called the meeting to order at 8:30 a.m.
- II. Roll Call. Chair R.T. Rybak, Mayor Kim Norton, Paul Williams, Jim Campbell, Commissioner Jim Bier, Michael Dougherty, Pamela Wheelock, and Council President Brooke Carlson were present.
- III. Approval of Agenda. Commissioner Bier moved approval of the Agenda. Mr. Campbell seconded.

Ayes: Commissioner Bier, Mr. Campbell, Council President Carlson, Mr. Dougherty, Mayor Norton, Chair Rybak, Mr. Williams.

Nays: None.
- IV. Approval of Minutes: February 3, 2021. Commissioner Bier moved approval of the Minutes. Mr. Dougherty seconded.

Ayes: Commissioner Bier, Mr. Campbell, Council President Carlson, Mr. Dougherty, Mayor Norton, Chair Rybak, Mr. Williams.

Nays: None.
- V. Public Comment. No public comments were offered.
- VI. Chair's Report. Chair Rybak briefly described the meeting agenda.
- VII. April 1 Report to DEED. Patrick Seeb, EDA Executive Director, described the report. Doug Holtan, Chair of Mayo Clinic Department of Facilities and Support Services, provided an overview of Mayo Clinic's 2020 investments, which totaled \$60.3 million. Terry Spaeth, City of Rochester Assistant Administrator, described the investments made by other private developers, which totaled \$83.8 million. Mr. Seeb noted that cumulative DMC private investment now totals more than \$1.1 billion and will lead to \$24.9 million in annual state aid.

Resolution A: Authorizing and Approving the April 1, 2021 Report to DEED Pursuant to Statute. Mr. Williams moved approval of Resolution A. Commissioner Bier seconded.

Ayes: Commissioner Bier, Mr. Campbell, Council President Carlson, Mr. Dougherty, Mayor Norton, Chair Rybak, Ms. Wheelock, Mr. Williams.

Nays: None.

VIII. Project Approvals.

A. Bryk on Broadway Apartments Project. Mr. Seeb introduced Kevin Bright, EDA Energy and Sustainability Director, and Catherine Malmberg, EDA Interim Economic Development Director, to present the project recommendation. Jeremy Emmi, Coalition for Rochester Area Housing Director, and Dave Dunn, Olmsted County Housing and Redevelopment Authority Executive Director, also joined the Board meeting to present a community housing priorities update. Mr. Bright, Ms. Malmberg, and Mr. Spaeth summarized the EDA and City of Rochester project evaluations.

Resolution B: Approving the Bryk on Broadway Apartments Project, Contingent Upon Evidence of Funding and Certain Conditions. Ms. Wheelock moved approval of Resolution B. Council President Carlson seconded.

Ayes: Commissioner Bier, Mr. Campbell, Council President Carlson, Mr. Dougherty, Mayor Norton, Chair Rybak, Ms. Wheelock, Mr. Williams.

Nays: None.

B. Discovery Walk. Chris Schad, EDA Discovery Square Business Development Director, presented the EDA recommendation to expand and approve issuing a request for Discovery Walk construction bid documents. The expanded bid scope would include community shelters and a snowmelt system. Mr. Schad described the community benefits and development opportunity created by the development of Discovery Walk.

Resolution C: Approving an Expanded Scope of Construction Bid Documents for the Discovery Walk Project. Commissioner Bier moved approval of Resolution C. Mayor Norton seconded.

Ayes: Commissioner Bier, Mr. Campbell, Council President Carlson, Mr. Dougherty, Mayor Norton, Chair Rybak, Ms. Wheelock, Mr. Williams.

Nays: None.

IX. Project Updates.

A. South of Downtown Waterfront Small Area Plan. Cindy Steinhauser, City of Rochester Community Development Director, and Principal Planner Ryan Yetzer presented the small area plan, highlighting the development potential, community engagement process, and next steps. Mike Lamb, of Perkins and Will, described the conceptual site plan. It is anticipated that the small area plan will be presented to the DMCC in greater detail at its May 20, 2021 meeting.

B. Downtown District Energy. Mr. Bright outlined DMC's energy efforts to date and described the downtown district energy evaluation undertaken by DMC, the City, and Olmsted County. Mr. Bright noted that Olmsted County has recently elected to pursue an independent energy solution. Many buildings and sites could be

connected to a district energy system. The EDA expects to return to the DMCC with another update at the May 20, 2021 meeting.

- X. Rochester COVID-19 Response. Bill Von Bank, EDA Marketing and Communications Director, and Aaron Parrish, City of Rochester Deputy Administrator, described the community response to the COVID-19 pandemic over the last year, noting community collaborations, financial aid to local businesses, programmatic initiatives, and education and training efforts. Mr. Von Bank and Mr. Parrish noted the impacts of these efforts, including aid to hundreds of businesses, Rochester's best-in-Minnesota hotel occupancy rate, a high county-wide COVID-19 vaccination rate, and a limited impact to local sales tax collections.

- XI. Meeting Schedule.

A. Next Regular Meeting: May 20, 2021 at 9:30 A.M.

- XII. Adjournment. Mr. Dougherty moved to adjourn. Mayor Norton seconded.

Ayes: Commissioner Bier, Mr. Campbell, Council President Carlson, Mr. Dougherty, Mayor Norton, Chair Rybak, Ms. Wheelock, Mr. Williams.

Olmsted County COVID-19 Vaccinations

To: DMC Corporation Board of Directors

From: DMC EDA

Date: May 14, 2021



Request of the DMCC board of directors:

- No formal action requested
- For information only

Background:

DMC's 2020 COVID-19 economic impact analysis, conducted by HR&A Advisors, identified the widespread availability of COVID-19 vaccines as a key milestone along the path of economic and community recovery. Over the last several months, significant progress has been made in vaccinating residents of Rochester, Olmsted County and across the State of Minnesota.

On Tuesday, May 11, Gov. Tim Walz shared with President Joe Biden and fellow governors that Minnesota is on track to vaccinate 70% of its population of adults 16 and older against the coronavirus before the 4th of July.

The latest Minnesota Department of Health (MDH) figures (May 10) for statewide vaccinations show 60.7% of people with at least one dose and 49.9% of people with completed vaccine series.

Olmsted County is exceeding the state average with 74.4% of people receiving at least one dose and 66.7% with a completed vaccine series as reported by MDH.

Olmsted County Public Health (OCPHS) continues to make good progress on vaccinations and will ensure that any eligible resident wishing to be vaccinated against COVID-19 has the opportunity to receive the vaccine. Smaller, more focused clinics continue to be organized by OCPHS. Mayo Clinic in Rochester has begun offering patients, visitors, and staff walk-in clinic opportunities to be vaccinated for COVID-19.

Next Steps:

Support community engagement efforts to encourage all community members to get vaccinated.

DESTINATION MEDICAL CENTER CORPORATION

RESOLUTION NO. ____-2021

Authorizing an Extension to an Agreement Between Destination Medical Center Corporation and Risk Management Resources, Inc., Subject to Successful Negotiation of Terms

BACKGROUND RECITALS

A. The Destination Medical Center Corporation (“DMCC”) and Risk Management Resources, Inc. entered into a Professional Services Agreement, dated July 12, 2014, as amended (the “RMR Agreement”) for risk management consulting services.

B. It is requested that the RMR Agreement be extended for a two-year term, at a not-to-exceed amount of \$15,000 per year.

RESOLUTION

NOW, THEREFORE, BE IT RESOLVED, by the Destination Medical Center Corporation, that the Chair or Treasurer of the DMCC is authorized to negotiate and enter into an extension of the RMR Agreement, subject to the terms set forth in this Resolution.

TO: Jim Bier, Treasurer
Kathleen Lamb, Attorney

FR: Dale Martinson, Assistant Treasurer

Date: May 12, 2021

RE: April 2021 DMCC Budget Summary



The attached budget summary of activity through April of 2021 reflects total year-to-date DMCC operating expenditures of \$ 671,759 of the \$2.5 million approved 2020 budget. The remaining amount unspent represents 73% of the total budget with 67% of the year remaining. An additional payment request totaling \$70,170 has been submitted by the DMC EDA but not yet paid.

The second page of this summary provides a listing of DMCC authorized projects managed by the City of Rochester. Approximately \$2.57 million has been spent on these projects through April of this year with the majority spent on Heart of the City construction and Discovery Walk and Rapid Transit design work. Total life-to-date expenditures on these projects is just over \$63.8 million.

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

Destination Medical Center Corporation
Financial Budget Summary
April 2021

	2021 Approved Approved Budget	Current Month April 2021	April 2021 Year To Date	Amount Remaining	Percent Remaining
General Administrative Expenses	42,750	1	2	42,748	100%
Professional Services	206,000	23,674	49,068	156,932	76%
Insurance and Bonds	20,000	-	12,025	7,975	40%
		-	-	-	
Subtotal DMCC	268,750	23,675	61,095	207,655	77%
Third Party Costs - DMC EDA **					
Payroll, Staff, Administration & Benefits-EDA	997,931	57,292	333,221	664,710	67%
Operating Expenses	77,884	11,548	35,060	42,824	55%
Operational Costs - Contracted		1,222	4,593	(4,593)	
Economic Development Outreach & Support	533,161	4,230	34,945	498,216	93%
Professional Services	567,800	17,452	202,845	364,955	64%
Miscellaneous Expenses	59,000	-	-	59,000	100%
Subtotal EDA	2,235,776	91,744	610,664	1,625,112	73%
Total DMCC 2021	2,504,526	115,419	671,759	1,832,767	73%
2020 Budget Carryover - Encumbered Funds for EDA Contracts		-		-	
Totals for 2021 Including Encumbrance	2,504,526	115,419	671,759	1,832,767	73%
				1,000	
			DMCC Working Capital Note	75,000	
			EDA Working Capital Note		

DMCC Projects - Managed by the City of Rochester

As of 4/30/2021

Project	YTD Expenditures	Project Budget	Life To Date Expenditures
8601C- - COR Administrative Costs-DMCC	148,968	696,215 *	1,605,542
8611C- - Sn/S12AvSW/NW<2StSW>2StNW	33,967	2,850,000	642,463
8612C- - WZmbrRvrSn/SRlflin<CookPk>CCDr		950,000	46,592
8613C- - ChateauTheatrePre-OccupancyM&O	18,006	500,000	481,262
8614C- - DMCTransit&InfrastrctrPgrmMgmt		3,956,739	1,826,262
8617C- - Broadway @ Center Parking Ramp		10,500,000	10,500,000
8618C- - SharedParkngStudy&PrgmDevlpmnt		2,061,854	1,874,219
8620C- - City Loop Plan		1,209,938	968,732
8621C- - Transit Circulator Study		2,241,532	1,780,877
8623C- - DMCC Street Use Study		3,117,708	2,885,882
8624C- - ChateauTheatreBldgImprov/Purch	2,525	8,500,000	8,458,231
8625C- - Heart of the City	548,919	17,648,940	13,958,316
8626C- - Sn/SUsize1Av&3AvSE<4StS>1StN	14,099	8,500,000	8,633,020
8326 C - Reconst4thStSW<1stAve>6thAveSW		2,250,000	2,250,000
8628C- - Downtown Circulator Project			269,941
8629C- - Development Plan Update	6,145		154,960
8632C- - Downtown Changes COVID-19			43,524
8702C- - RPTSolarPwrdbusFleetGrntApp			51,333
8703C- - FTA TOD Pilot PrgmGrntApplctn			26,058
8704C- - FTA Low-NoEmissions PrgGrntApl			1,140
8705C- - TransitCrcltr-FTAGrntBus&Facit			19,258
8706C- - DMCTransitCirculatorTODPlnStdy			829,414
8707C- - Rapid Transit Projects	1,135,358	5,452,000	3,100,892
8708C- - Transit Villages 1&2			29,321
8709C- - Arrive Rochester Implementatn	23,610	60,000	42,979
8804C- - TH 52 LID Bld GrantApplication			22,145
8901C- - TH 14/52 InterchangeBldGrntApp			36,331
8902C- - FestivalAreaStdy&ConceptDesign			84,133
8903C- - DedctdBikeLns-3rd/4thAve&CtrSt	116,710		1,740,085
8904C- - Discovery Walk	522,031	7,000,000	1,392,796
Grand Total	2,570,338	77,494,926	63,755,708

* Note: City Project Management Budget set annually

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

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

**DESTINATION MEDICAL CENTER CORPORATION
ROCHESTER, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INTRODUCTORY SECTION

BOARD OF DIRECTORS

SECTION I – FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET	3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	5
NOTES TO FINANCIAL STATEMENTS	6

SECTION II – COMPLIANCE LETTERS

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>	12
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	14

**DESTINATION MEDICAL CENTER CORPORATION
ROCHESTER, MINNESOTA
BOARD OF DIRECTORS
AS OF DECEMBER 31, 2020**

BOARD OF DIRECTORS

R.T. Rybak	Chair
Kim Norton	Vice Chair
Paul Williams	Secretary
Jim Bier	Treasurer
James Campbell	Director
Michael Dougherty	Director
Brooke Carlson	Director
Pamela Wheelock	Director

SECTION I – FINANCIAL SECTION



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 (the Corporation), a component unit of the City of Rochester, Minnesota, as of and for the year ended December 31, 2020, 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, 2020, 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 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, 2020**

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash and Cash Equivalents	\$ 896	\$ -	\$ 896
Advances to DMC EDA	75,000	-	75,000
Due from Other Governments	62,843	-	62,843
Prepays	96,274	-	96,274
Total Assets	\$ 235,013	-	235,013
LIABILITIES			
Accounts Payable	\$ 62,739	-	62,739
Due to Other Governments	76,000	-	76,000
Unearned Revenue	96,274	-	96,274
Total Liabilities	235,013	-	235,013
FUND BALANCE/NET POSITION			
Fund Balance:			
Unassigned	-	-	-
Total Fund Balance	-	-	-
Total Liabilities and Fund Balance	\$ 235,013		
Net Position:			
Unrestricted		-	-
Total Net Position		\$ -	\$ -

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, 2020**

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Economic Development:			
Building Rent	\$ 8,190	\$ -	\$ 8,190
Legal Consultants	148,749	-	148,749
Other Professional Services	12,315	-	12,315
Travel and Training	153	-	153
Insurance	14,055	-	14,055
Program Costs	2,166,215	-	2,166,215
Total Expenditures/Expenses	<u>2,349,677</u>	<u>-</u>	<u>2,349,677</u>
PROGRAM REVENUES			
Intergovernmental:			
Local Government	2,349,677	-	2,349,677
Total Program Revenues	<u>2,349,677</u>	<u>-</u>	<u>2,349,677</u>
Change in Fund Balance	-	-	-
Change in Net Position	-	-	-
FUND BALANCE/NET POSITION			
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, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
REVENUES				
Intergovernmental:				
Local Government	\$ 2,856,647	\$ 2,856,647	\$ 2,349,677	\$ (506,970)
Total Revenues	<u>2,856,647</u>	<u>2,856,647</u>	<u>2,349,677</u>	<u>(506,970)</u>
EXPENDITURES				
Current:				
Building Rent	35,000	35,000	8,190	(26,810)
Legal Consultants	200,000	200,000	148,749	(51,251)
Other Professional Services	26,500	26,500	12,315	(14,185)
Travel and Training	5,000	5,000	153	(4,847)
Insurance	20,000	20,000	14,055	(5,945)
Program Costs	2,570,147	2,570,147	2,166,215	(403,932)
Total Expenditures	<u>2,856,647</u>	<u>2,856,647</u>	<u>2,349,677</u>	<u>(506,970)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE				
Beginning of Year			<u>-</u>	
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, 2020**

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 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, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statement Presentation

The General Fund of the Corporation meets the definition of a Special-Purpose government and is involved in only one program, as specified in Minnesota Statutes, Sections 469.40 - 469.47. Accordingly, the Corporation is allowed to combine its government-wide statements with the fund statements. At December 31, 2020, 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, 2020**

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 2020, the amount budgeted for the purpose of paying the expenses of the Corporation was \$2,856,647. Actual expenditures of the Corporation were \$2,349,677 resulting in a favorable variance of \$506,970.

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.

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.

**DESTINATION MEDICAL CENTER CORPORATION
ROCHESTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Balance/Net Position (Continued)

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.

The Corporation's deposits in banks at December 31, 2020 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:

**DESTINATION MEDICAL CENTER CORPORATION
ROCHESTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- 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 \$896 at December 31, 2020. 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.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of a failure by the counterparty, the Corporation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Corporation follows state statutes which require that investment balances be fully collateralized. As of December 31, 2020, the securities underlying the repurchase agreement are held by the counterparty in the Corporation’s name.

At December 31, 2020, the Corporation had the following deposits and investments:

DESTINATION MEDICAL CENTER CORPORATION
ROCHESTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Repurchase Agreement - Wells Fargo Bank, N.A.	\$ 896
Total Cash and Investments	<u>\$ 896</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 (the Corporation), a component unit of the City of Rochester, Minnesota, as of and for the year ended December 31, 2020, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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 (the Corporation), as of and for the year ended December 31, 2020, 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.

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 deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

CliftonLarsonAllen LLP

Rochester, Minnesota
REPORT DATE



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, 2020, 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 2020.

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

Audit Results for Year Ended December 31, 2020

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

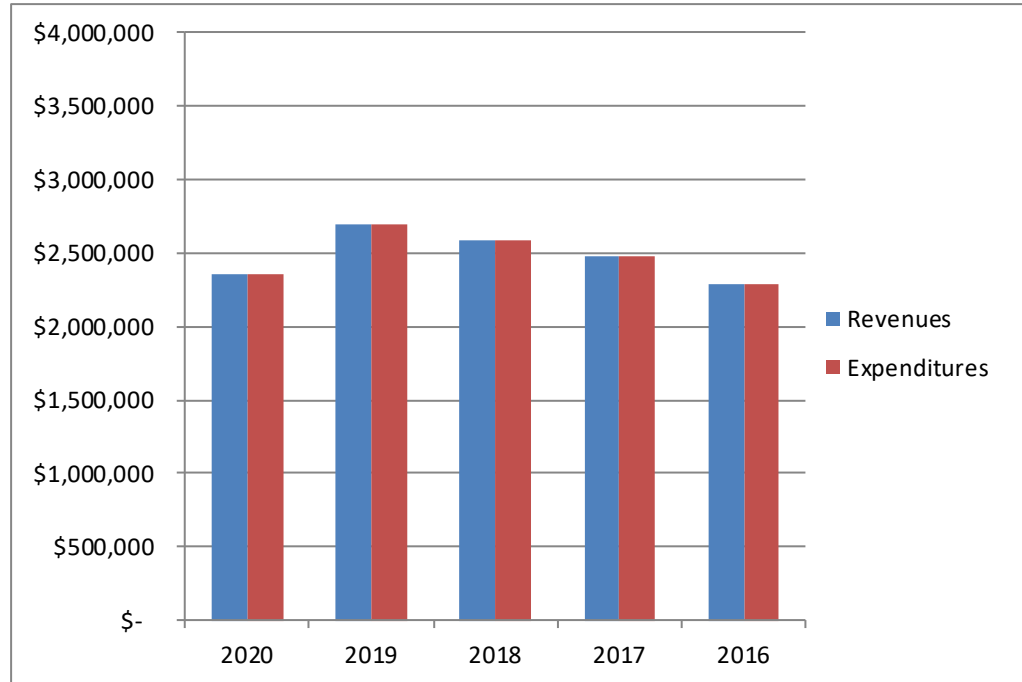
- Prepared based on Governmental Accounting Standards Board pronouncements
- Single program entity—present expenditures by type (natural classification)
- Component unit
 - DMCC is a component unit of (included in) City of Rochester’s financial statements
 - DMCEDA is *not* a component unit of DMCC
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



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CLAconnect.com



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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

South-of-Downtown Waterfront Small Area Plan

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 14, 2021



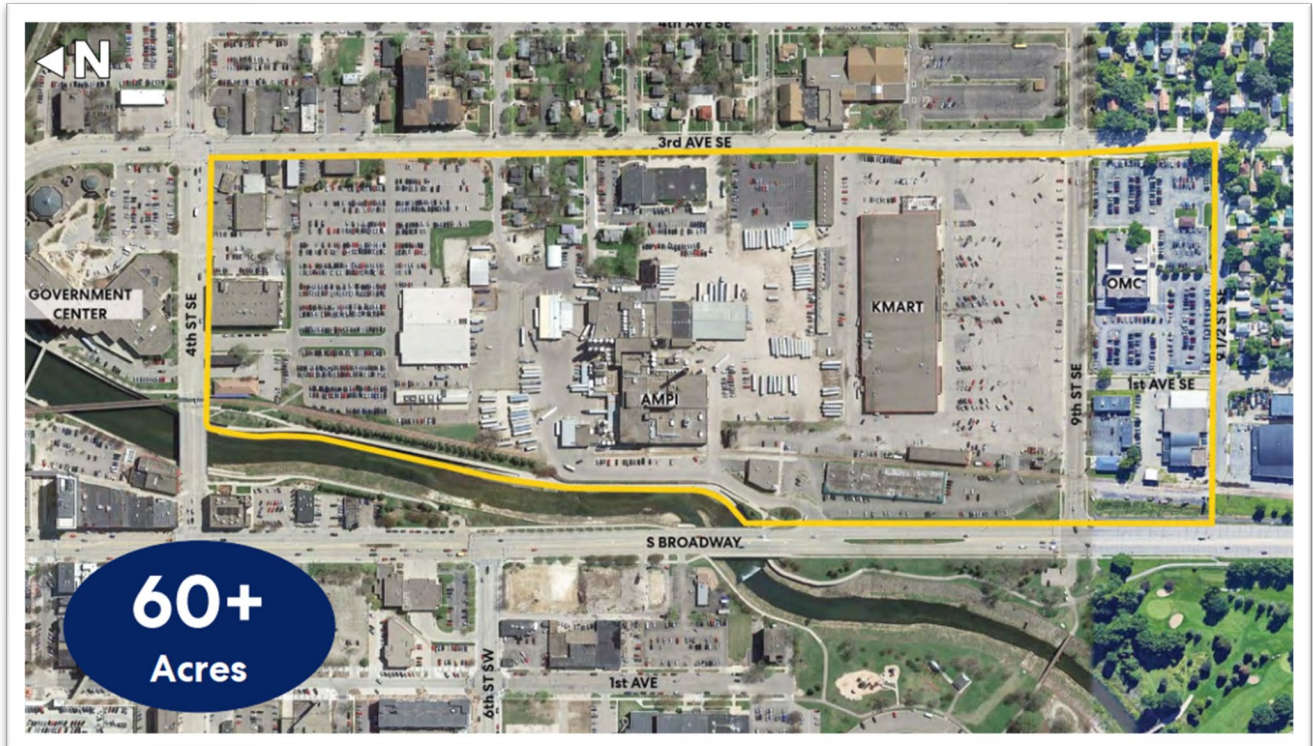
Request of the DMCC board of directors:

- Formal action requested: Receive and file small area plan
- For discussion:
 - Review and comment on the small area plan

Background:

In Rochester’s most recent comprehensive plan, adopted in 2018, the South-of-Downtown Waterfront Area was identified for revitalization due to its proximity to the downtown, frontage along the Zumbro River, and the presence of large tracts of underutilized property (i.e., vacant properties and/or parking lots). However, the comprehensive plan did not provide specific direction for what the area should become in the future. Recently several large parcels within the Project Area have been sold or are in the process of being sold, which is an indication that significant change may occur in the future.

The City of Rochester felt that it would be beneficial to work with stakeholders, including DMC EDA, to prepare a collaborative, community-driven plan that represents a shared vision for the future of the Project Area. This plan is nearing completion and is called the Downtown Waterfront S.E. Small Area Plan (DWSE SAP).

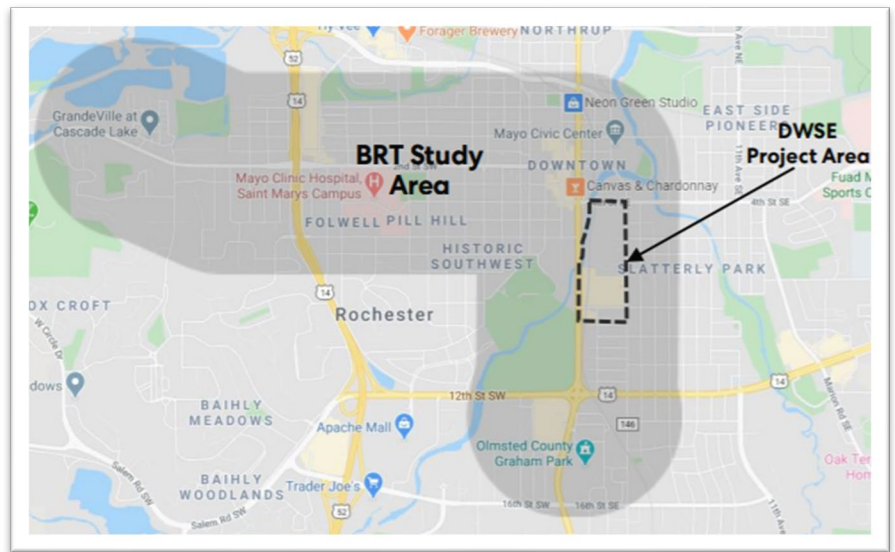


Fulfilling the DMC Vision, Mission, and/or Goals:

DMC EDA staff have participated in the DWSE SAP process in collaboration with partners to determine how a former industrial site better connects the downtown to nearby neighborhoods while fulfilling the DMC vision. This area was also identified in the Urban3 tax capacity analysis completed as part of the DMC's 5-year update as "low hanging fruit" for thoughtful and targeted redevelopment, due to the central location and large areas of open surface parking. The site also represents an opportunity to connect the walkable street grid that exists in surrounding areas and increase green space and recreational path connections to better leverage the Zumbro River frontage as a community asset.

The Process

The City engaged Perkins & Will to help develop the DWSE SAP. This effort included monthly meetings with a core stakeholder group beginning in July of 2020 that included representation from property owners within the project site, the Sunnyside Neighborhood Association, the Slattery Park Neighborhood Association, City staff and DMC staff. There were also several community engagement opportunities, including three community forums, two property owner workshops, three neighborhood workshops, and one community poll.



Approvals, milestones, and decision points:

After the third and final community forum that occurred on Jan 27, 2021, the project team will begin the process of seeking public approval of the plan. It should be noted that many of the recommendations that come out of the plan may take many years before they are realized. This is because most of the land in the project area is privately-owned and any change that occurs on such parcels will need to be initiated and funded by landowners.

The plan was approved by the Planning and Zoning Commission on March 24, 2021, and Rochester City Council on April 19, 2021.

In order to achieve this vision and the economic potential associated with the plan, there will need to be considerable infrastructure investment. This includes roads, bridges, blue/green systems, etc. DMCC will likely be one of the sources of support.

Heart of the City

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 14, 2021



Request of the DMCC board of directors:

- No formal action requested
- For board discussion:
 - Evolution of public art elements

Background:

Heart of the City Phase 1 Description

The first phase of Destination Medical Center's Heart of the City public realm project is a renovation of the east side of Peace Plaza and surrounding areas. The new design will create active, engaging experiences for residents, visitors and patients in the heart of downtown Rochester.

Known as Heart of the City Phase 1, it is focused on the redevelopment of three areas in the heart of downtown Rochester: East side of Peace Plaza, 1st Ave. SW between 2nd Street SW and W. Center Street and the adjacent alleys. The updates will provide enhanced safety measures, including curbsless streets, and provide greater accessibility for people of all abilities. Movable seating options will allow for a variety of public programming. The addition of more trees as well as interactive art displays and water features will create a family-friendly space to gather in the downtown area.

The project broke ground in April 2020 and is expected to finish in August 2021.

Business Forward Strategy

The Heart of the City team continues to use the Business Forward Strategy as a guide while working with the downtown stakeholders to finish construction. Business Forward Strategy principles include:

- Access, Safety and Smart Micro-Construction Phasing
- Communication
- Activation and Programming

**These principles are being applied in ways that are mindful of the social-distancing and other safety precautions necessary to avoid COVID-19 transmission.

These improvements, plus continual aggressive planning will have a dramatic impact on the final completion dates benefiting the local businesses and community. The team feels that the following dates are achievable with a favorable 1conditions.

<u>Project Component</u>	<u>Schedule</u>
• Second Street Completion	08/25/2020 (COMPLETE)
• First Avenue South	07/15/2021
• First Avenue North	07/15/2021
• Peace Plaza	**8/01/2021

Art Evolution Update

The five major art installations continue to progress as the team prepares for installation. The Heart of the City team is currently reviewing the catenary light system. Due to custom engineering and supply chain issues, design modifications are being evaluated. The Heart of the City team is focusing on a design that aligns with the integrity of the project. As

shared in a previous meeting, there are also significant cost increases and the team is working through potential solutions. These delays and solutions may have an impact on the final timeline and layout of the lighting web design.

Inaugural Year Activation

The goal of the inaugural strategy is to create a welcoming new Peace Plaza environment now and, in the future, focusing on inviting community, downtown workforce, and visitors. The timeline for this initiative is Q2 2021 – Q3 2022 and includes the following activities:

- Sidewalk Sessions (daily live music sessions - partnership with Rochester Downtown Alliance (RDA))
- Beautification and horticulture (adding additional tables, chairs, and flowers – led by RDA)
- New signage (Opening Soon messaging and enhanced wayfinding – led by DMC)
- Additional programming aligned with art installations (led by DMC)
 - o Peace Fountain Installation (June or August 2021)
 - o Ann Hamilton Paver Installation (Installation will start mid-May)
 - o Inigo Installation (end of June 2021)
- Grand Opening (August 2021 - TBD)

Other programming will be added throughout the year.

Chateau Theatre

The Chateau Theatre is under the management of a St. Paul-based company, EDG and has been paused during the pandemic. Programming and activation will resume August 1, 2021. This scheduled reopening is dependent on public health milestones associated with COVID-19. During this downtime, EDG will work with the community to develop new programming initiatives, assess and recommend building modifications, and develop future marketing strategies. A new operating strategy is in development.

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

Heart of the City subdistrict is a long-standing priority for the DMC Corp. board. It is home to many hotels, restaurants, entertainment venues, and medical facilities, many of which have been undergoing reinvestment. Transformation of the public realm, Peace Plaza, will be an asset to the downtown core, improve the patient, visitor and resident experience, and help spur future investment.

Work plan or capital improvement budget implications:

This project is funded via state GSIA funds generated through the DMC initiative, approved by both DMCC and Rochester City Council.

Approvals, milestones, and decision points:



Discovery Square

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 14, 2021



Request of the DMCC board of directors:

- No formal action requested
- For information only

Background:

- Economic Development Activities
 - Continue business development and recruitment activities to pitch Discovery Square as the best place in Minnesota for companies that want to grow.
- Discovery Walk
 - Rochester City Council approved a resolution authorizing the advertisement for bids to provide the material, equipment, and labor for Discovery Walk.
 - Project timeline being realigned for Fall '21 bids and Spring '22 start for multiple reasons.
 - Unpredictable bidding environment – There seems to be a lack of capacity by contractors, resulting in seeing only one or two bid submissions for major projects.
 - Commodity pricing – Current prices on labor and materials are currently extremely volatile creating unpredictability within budget estimates.
 - Completion of Heart of the City – Heart of the City can then be used as an example of a great public space which will help put Discovery Walk into context.
 - Reprieve for Downtown traffic – Waiting until 2022 provides a little extra breathing room before starting another major downtown construction project.
 - –The project team anticipates that if we have another favorable winter, we can start Potential to condense a three-year project into two years in 2022 and still be complete in 2023.
 - Additional time to refine construction documents – The extra time to work with Mayo and RPU on their utility duct bank designs will, hopefully, reduce the potential for change orders during construction.
 - One on one meetings with adjacent property and business owners are taking place, to better understand accessibility and wayfinding concerns.
- Two Discovery Square
 - Construction is ahead of schedule.
 - Discussions under way with several interested businesses.
- One Discovery Square
 - The building is 100% leased now that Cytotheryx (startup company) and Themo Fisher (multinational \$30B) have both agreed to lease terms.
 - Exact Sciences has started moving into 2nd floor space.
 - Construction about to begin for expansion of RION on the 4th floor.
- Business and Economic Development Collaboration

- Exploring opportunities with collaborators to expand and enhance the Discovery Square ecosystem by re-utilizing vacant downtown space to support entrepreneurship plus business and economic development activities.
- Potential co-location and/or drop-in space for local and regional economic development collaborators.
- Other Discovery Square development, residential and retail activities
 - Mayo Clinic Kellen Building construction announced, and plans are still being developed for a 1,200 car parking structure on the 400 block of 3rd Ave SW.
 - University of Minnesota Rochester to use Residence @ Discovery Square for student housing.

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

Discovery Square is a new address for the future of bio-medical, research and technology innovation and a keystone to the DMC economic development strategy. The sub-district borrows from Mayo Clinic’s integrated care model to create an integrated district founded in the principles of translational medicine.

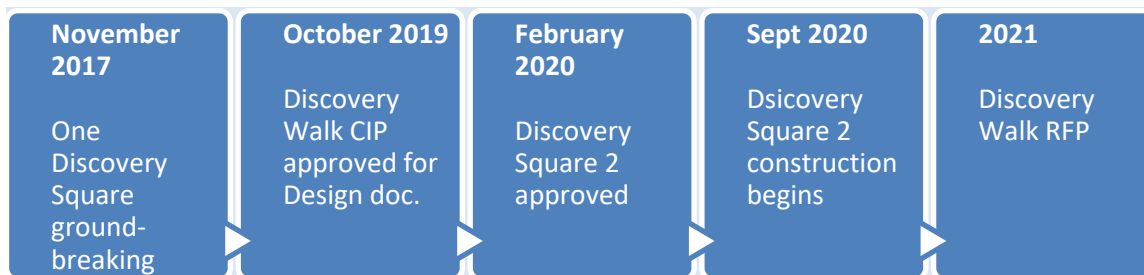
Technology and innovation are core to the DMC economic strategy. Our vision is to promote an economic development structure that fosters advancement and growth of the medical, research, innovation, education, entrepreneurial and general business environment in Rochester.

By attracting new businesses, supporting the launch and development of new startup businesses, and creating new public realm space, we aim to diversify the local economy, create jobs, generate new tax revenue, and create a place that fosters a vibrant community and attracts the workforce of the future.

Work plan or capital improvement budget implications:

The current DMC work plan describes a variety of initiatives supported by DMC 2020 operating and CIP funds, including the design documentation of Discovery Walk.

Approvals, milestones, and decision points:



Transportation

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 14, 2021



Request of the DMCC board of directors:

- No formal action requested
- For discussion:
 - Upcoming key decisions, including West Transit Village site and development plan, vehicle selection, final station designs, operating agreement

Background:

TRANSPORTATION STRATEGY:

The DMC Development Plan (2015) and subsequent Integrated Transit Studies (2018) projections (number of people commuting downtown daily will almost double by 2035, while the existing street grid will remain fixed) were revisited as part of the COVID-19 economic impact analysis and indicated that the growth projections post-recovery will still support these figures. A multi-modal mobility strategy for the DMC has been developed that includes the implementation of a Rapid Transit Circulator, and many key decisions have already been made for that line, including:

- The location of the Bus Rapid Transit (BRT) corridor along 2nd Street from Cascade Lake to Government Center
- Station locations
- Experience goals
- FTA Application submitted

KEY CHARACTERISTICS OF ROCHESTER RAPID TRANSIT

 <p>Service early in the morning to late at night.</p>	 <p>Service every 5 minutes during rush hours & 10 minutes other times.</p>	 <p>Located within a half-mile of over 16,000 residents and 48,000 jobs.</p>	 <p>Connect people to jobs, healthcare, education & recreation. Support economic development.</p>	 <p>Stations with shelter, heating, light, fare payment machines, and real-time signage.</p>
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Fulfilling the DMC Vision, Mission, and/or Goals:

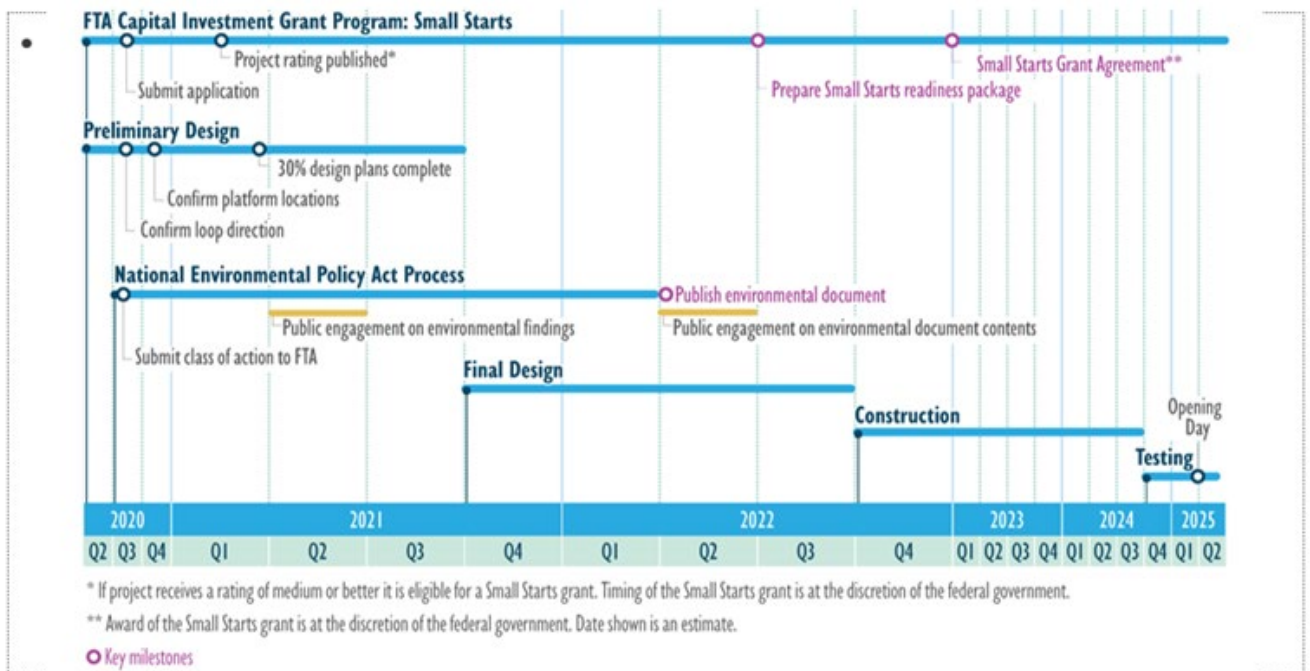
DMC EDA Staff are working in collaboration with the City staff and external consultant team led by SRF to develop the design of Rochester Rapid Transit. DMC is particularly focused on the end-to-end user experience of transportation across every mode of mobility, with the goal of creating a world-class experience that centers equity of access and foregrounds BRT as a desirable consumer choice. Several key decisions lie ahead:

- West Transit Village site and development plan
- Vehicle selection
- Final station designs
- Operating Agreement

Approvals, milestones, and decision points:



ROCHESTER RAPID TRANSIT DEVELOPMENT PROCESS



2022 DMCC Funding Request

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 14, 2021

Request of the DMCC board of directors:

- No formal action requested
- For discussion:
 - Proposed funding framework (follows this memo)
 - Identify 2-3 board members to contribute to the development of the 2022 DMCC Funding Request

Background:

Each year, the DMC Corporation must submit a funding request to the City of Rochester. The funding request includes a proposed:

- Capital Improvement Program (with five-year projections)
- DMCC operating costs
- City administrative and project management costs
- DMC EDA work plan
- Working capital loan renewal

The funding request is developed within a set of parameters defined in the 2020 update to the DMC Development plan, describing DMC investment priorities and likely available funding through 2024:

	Phase 1 Actual 2015-2019	Phase 2 Proposed 2020-2024
Mobility	\$21.5M (22%)	\$60-75 million (30-37.5%)
Public Realm	\$9.8M (10%)	\$35-50 million (17.5-25%)
Streets / Sewers	\$17.3M (18%)	\$35-50 million (17.5-25%)
Private Development	\$28.9M (29%)	\$20-45 (10-22.5%)
Operations	\$20.7M (21%)	\$15-20 million (7.5-10%)
Total	\$98.5M	\$200 million +/-

During Q2 - Q3, DMC EDA and City staff will work with DMC EDA and DMCC board members to prepare a funding request for consideration by the DMC EDA board, DMC Corp. board, and Rochester City Council

Next Steps:

- May-August 2021: Staff and board members prepare the 2022 DMCC funding request
- September 30, 2021: DMCC board considers the 2022 DMCC funding request
- October 2021: Rochester City Council considers 2022 DMCC funding request

Funding Evaluation Framework Discussion

PREFACE

The DMC EDA presents this draft funding evaluation framework for DMCC board consideration. The framework is intended to serve as a tool for the assessment of DMC investment opportunities, totaling up to \$200 Million over the next five years, that will enable DMC to achieve it’s twenty-year goals..

Additionally, the funding framework will improve transparency around the DMC EDA’s considerations when advising the DMC Corp. board and Rochester City Council regarding public and private project funding, trade-offs, opportunity costs, and liabilities.

DMC investment recommendations are made in consideration of:

- The availability and allowed uses of DMC funding
- Strategic direction provided by the DMC Corp. board, primarily through its approval of the DMC Development Plan and annual capital and work plans
- Investment and development decisions made by DMC partners and stakeholders (City, County, Mayo Clinic, private developers, others)

Availability and allowed uses of DMC funds

1. The availability of DMC funds over the next five years is estimated to total +/- \$200 Million
2. The funds may be directed toward the uses allowed under state law
3. The DMC Corp. board adopted a board allocation framework in the 2020 update to the DMC Development Plan:

	Phase 1 Actual 2015-2019	Phase 2 Proposed 2020-2024
Mobility	\$21.5M (22%)	\$60-75 million (30-37.5%)
Public Realm	\$9.8M (10%)	\$35-50 million (17.5-25%)
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Operations	\$20.7M (21%)	\$15-20 million (7.5-10%)
Total	\$98.5M	\$200 million +/-

Strategic direction provided by the DMC Corp. board

1. Five goals for the use of these funds were established in the DMC Development Plan:
 - i. Create a comprehensive strategic plan
 - ii. Leverage DMC's public investment to generate more than \$5.6 billion in private investment
 - iii. Create 30,000+ new jobs
 - iv. Generate \$7.5-8 billion in new taxes over 35 years
 - v. Achieve the highest quality experience
2. The DMC development plan includes "guiding principles" for the implementation of the plan; these guiding principles will serve as the framework for the evaluation of DMC investment opportunities described later in this document:
 - i. Establish A Bold And Compelling Vision For Rochester And The Destination Medical Center
 - ii. Sustain Rochester and Southeast MN as a Destination Medical Center and Economic Engine for the State
 - iii. A Comprehensive Strategy to Drive Economic Development and Investment
 - iv. A Market Driven Framework & Strategies
 - v. A Dynamic And Accessible Urban Core
 - vi. Develop Mobility and Transit Solutions to Support Growth
 - vii. A Model for Sustainability
 - viii. Technology and Innovation to Promote a Globally Competitive Destination
3. For the last several years, the DMC EDA has used several criteria to prioritize DMC capital project investments, in addition to considering planned capital investments by the City of Rochester, Olmsted County, Mayo Clinic, and others:
 - i. Finish projects already approved and underway
 - ii. Use "pay-as-you-go" as a primary financing tool
 - iii. Focus on time-sensitive, shovel-ready projects
 - iv. Be responsive to community priorities and market demand
 - v. Leverage other sources of funding
 - vi. Consider medium- and long-term capital & infrastructure needs prior to committing resources
4. In 2015, the DMC Corp. board identified three areas of priority—Heart of the City, Discovery Square, and Transportation—while also being responsive to market opportunities throughout the DMC district. Recently, two additional priorities—development along the planned rapid transit corridor and riverfront—have emerged through board planning and discussion.
5. The DMC state statutes also required that DMC identify "planned and anticipated projects, to indicate its relationship to definite state and local objectives", and in recent years, the DMC Corp. board has identified several such objectives, including:
 - i. Business development, diversification and retention
 - ii. Workforce recruitment and retention
 - iii. Equitable economic recovery and growth
 - iv. Housing affordability, diversification and availability

Downtown Retail Recruitment Strategy

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 14, 2021



Request of the DMCC board of directors:

- No formal action requested
- For discussion:
 - Retail recruitment strategy

Background:

A workplan priority for DMC EDA is the creation of a retail recruitment strategy for downtown Rochester. The impact of COVID-19 has made this priority critically important. We are beginning to see vacant storefronts and the likelihood of more as we emerge from the pandemic. Several of our DMC team members have had conversations with various downtown businesses related to challenges they are facing and the need to develop a plan to recruit and retain business, all with a goal of maintaining a resilient and vibrant downtown for residents, workers and visitors.

DMC EDA will take a three-pronged approach to the re-opening of downtown Rochester. First, we will collaborate with other organizations to partner with willing property owners to activate vacant store fronts with interim pop-up retail to drive customer traffic and engagement in downtown Rochester. Second, we will pursue opportunistic business inquiries. Third, DMC EDA will lead the retail recruitment strategy effort and work collaboratively with the downtown business community across sectors to identify challenges and opportunities and develop a roadmap and a plan with goal to fill storefronts with the right mix of retail, dining and entertainment.

Additionally, DMC EDA is partnering with the Rochester Downtown Alliance on a downtown resident consumer research project to gain insights on the residential consumer base near downtown.

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

This work aligns with DMC 2021 workplan priorities.

Work plan or capital improvement budget implications:

Retail strategy development is included in 2021 operations budget.

Approvals, milestones, and decision points:



Equity and Sustainability

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 14, 2021



Request of the DMCC board of directors:

- No formal action requested
- For discussion:
 - In March 2021, McKnight awarded \$335,000 to the DMC EDA to complete the objectives included in the Vibrant and Equitable Communities and Climate and Energy Grant opportunities outlined below.
 - DMC EDA is collaborating with the key project partners (City of Rochester and Diversity Council) to create a governance approach across organizations and execute the work plan objectives for both grant programs

Background:

- The McKnight Foundation has supported the DMC EDA's sustainability activities since 2017 in the sum of \$150,000 over two years.
- In 2019, the Foundation, increased their commitment to the EDA's sustainability programs by supporting its efforts for another two years, through 2021 in the sum of \$185,000 over two years.
- Toward the end of 2020 and early 2021, the City of Rochester and DMC EDA finalized another application for McKnight funding through their Climate & Energy Program, and through their Vibrant and Equitable Communities Program.
 - The Climate & Energy Program invited the DMC EDA to apply again for a \$185,000 grant over a two-year period. The DMC EDA prepared an application in collaboration with the City of Rochester. This funding will help support the following initiatives:
 - Electric Vehicle Infrastructure Community Plan
 - Active Commuter Resource Center: Community Co-Design
 - Sustainability and Resiliency Downtown Demonstration Development
 - Sustainability and Resiliency Action Plan Implementation
 - Staff Support
 - In collaboration with the City of Rochester, Diversity Council, the DMC EDA prepared an application for the Vibrant and Equitable Communities Program in the sum of \$154,000 over a 12-18 month period. This funding will help support the hire of an Equitable Development Coordinator within the DMC EDA to work on the following initiatives:
 - **Accelerate Economic Mobility:** Within this objective, the Coordinator will support local initiatives that foster economic equity and inclusion and advance ownership opportunities. This work is critically important to promote the myriad of projects and initiatives within the City, foster connections, and as possible develop strategies to form a coordinated approach and strategy to entrepreneurship.
 - **Cultivate a Fair and Just Housing System:** Over the past year, an extensive housing analysis has shown there is a considerable need for affordable

housing within the DMC District and throughout the region at varied rental and price points. The DMCC and the City of Rochester have identified affordable housing as a strategic objective. With the results of the recent market demand studies in hand, the Coordinator will research housing development models that foster ownership opportunities for BIPOC communities and identify partners to deliver on the vision.

- **Strengthen Democratic Participation:** Based on the success of piloted equitable community engagement approaches coined community co-design, the Coordinator will work to operationalize this process into DMC infrastructure projects in 2021 and beyond.

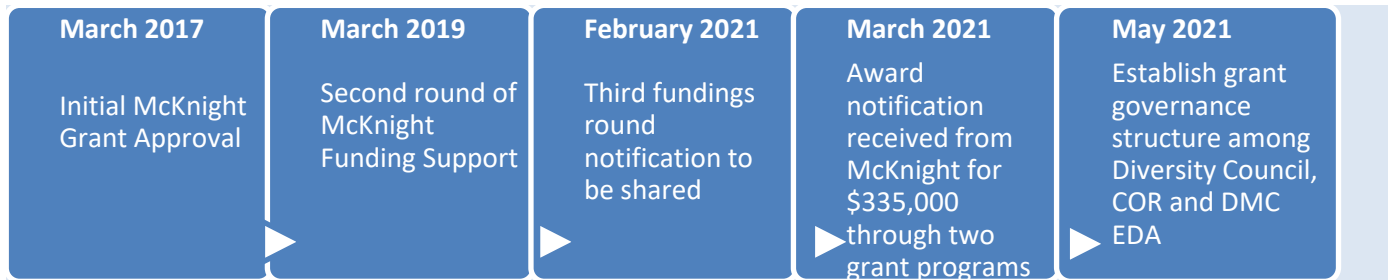
Fulfilling the DMC Mission, Vision, and/or Goals:

Energy and sustainability is a key piece of the DMC principles, development plan and goals for the project. The DMC EDA team is working to implement a range of projects, programs, and initiatives to realize the ambitious goals included in the DMC Development Plan across a range of impacts including community health, workplace health, energy, greenhouse gases, water consumption, waste, and transportation.

Work plan or capital improvement budget implications:

The current DMC work plan describes a variety of initiatives supported by the McKnight Foundation, DMC 2021 operating and CIP funds. The McKnight funds would help to support the work plan objectives outlined above.

Approvals, milestones, and decision points:

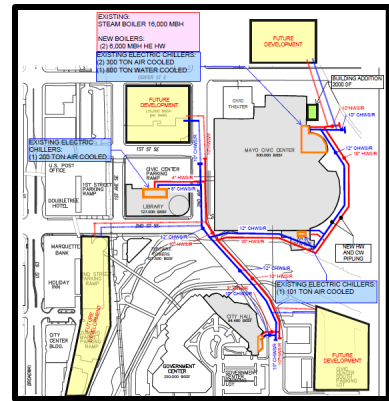


Downtown Government Buildings – District Energy System

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 14, 2021

Request of the DMCC Board of Directors:

- No formal action requested
- For discussion:
 - Understand action taken since 2020 on Downtown District Energy System
 - Recognize the next steps for the Downtown District Energy System Project



Background:

In 2015, DMCC adopted the DMC Development Plan where the principles of sustainability planning are interwoven throughout, through an integrated mix of medium-to-high density uses, integrated live-work environments and green/park space features throughout the downtown. Subsequent action by the DMCC board further reinforces its commitment energy, environmental sustainability and the evaluation and strategic pursuit of district energy systems (DES):

- 2015: DMC Sustainability Goals Adoption within DMC Development Plan
- 2015: Sustainable Energy Options Report Accepted by DMCC
- 2016: District Energy System Resolution Passed by DMCC
- 2019: EIC Strategic Energy Project Plan Approval by DMCC

Recognizing the role that a downtown district energy system could have on realizing its energy consumption and carbon footprint reduction goals, DMCC authorized \$2 million in the 2021 and 2022 Capital Improvement Program, building off prior investment in preliminary engineering studies in 2019 and 2020.

Current Findings:

- Olmsted County's Waste to Energy Facility Steam Line will be decommissioned in October 2023
- Olmsted County decided to move forward with a building-based heating and cooling system and not participate in a district energy opportunity
- RPU has created a business plan for the DES including it is anticipated operating costs and utility rates to customers
- RPU Board supported an approach to construct, operate and maintain a DES pending City Council direction
- Rochester City Council in March 2021 had a study session summarizing the work, progress, and next steps for the DES opportunity and asked that the City identify options to reduce the first cost and risk associated with identifying private developments to connect to the system

Next Steps:

- The Project Team identified a pathway to connect the City buildings and create the initial district energy plant within the Mayo Civic Center using additional space. City Staff will operate the system in its initial stages.
- DMC infrastructure funds are being used to upsize the system’s piping connect 500,000 SF of future private developments around the government building sites. As more buildings are brought onto the system, a future DES plant can be placed behind the Civic Center.
- Additional planning will be conducted to connect the system to the South of Downtown Waterfront Site Development.
- City Council approved the DES option on May 3rd to move forward with the design of the initial district energy infrastructure.

Approvals, milestones, and decision points:



Sustainability and Resiliency Action Plan

To: DMC Corporation Board of Directors

From: DMC EDA

Date: May 14, 2021

Request of the DMCC Board of Directors:

- No formal action requested
- For discussion:
 - Actions taken since 2020 on the City of Rochester's first Sustainability and Resiliency Action Plan
 - Next steps for the Sustainability and Resiliency Plan
 - Consideration of DMCC board resolution in support of action plan at September 2021 board meeting

Background:

The DMC project offers a transformational opportunity for the downtown core of Rochester to invest in strategic infrastructure projects that can prepare the City to meet the sustainability and equity challenges that lie ahead. With collaboration and careful planning, our current and future pressing environmental and equity challenges can be met. Within the City's Sustainability and Resiliency Action Plan there are several developing strategies that the DMC project can contribute toward to and participate in to meet the City's and DMC's shared environmental and equity vision.

In 2019, Mayor Norton created the Sustainability and Resiliency Task Force with the direction to create the City's first Sustainability and Resiliency Action Plan. The plan's intent is to adopt and modify policies, services and practices that help meet the City's social, economic, and environmental goals while integrating a focus, strategies and tactics that address environmental justice disparities within our community. The DMC EDA's Sustainability Director played an integral role in convening the Task Force, identifying membership from frontline communities and community-based organizations, and working through a facilitated process to create a plan. Equitable engagement approaches were applied in this process to center community members and populations in our community most impacted by the impacts of climate change that historically have had limited opportunity to participate in public decision-making processes.

Since 2015, actions by the DMCC board have reinforced its commitment to energy, resiliency, environmental sustainability, and community health and well-being.

- 2015: DMC Sustainability Goals Adoption within DMC Development Plan
- 2015: Sustainable Energy Options Report Accepted by DMCC
- 2019: EIC Strategic Energy Project Plan Approval by DMCC

Current Progress:

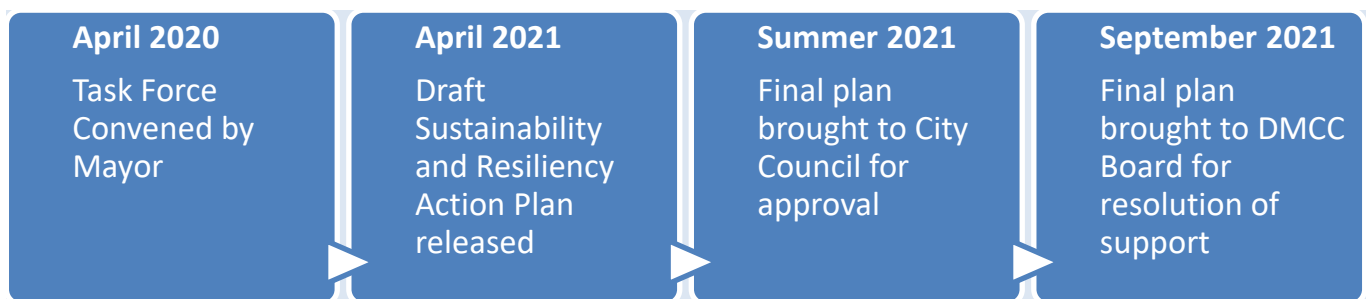
- April 2020: Convened 45-member Task Force prioritizing the involvement of communities of color, historically disenfranchised populations, and community-based organizations
- July - August 2020: Conducted 37 community listening sessions to reach sections of the community not represented in the Task Force. These listening sessions identified pressing community needs to be addressed by the plan
- September – November 2020: Task Force drafted sustainability and resiliency strategies using community needs input sourced from the listening sessions

- January – March 2021: Finalized strategies and tactics to include in the plan. Reviewed the strategies with City staff, identified partners for their implementation and included accountability strategies for the plan moving forward.

Next Steps:

- April 2021: The Task Force will release a draft version of the plan with the community.
- April – May 2021: Project Team staff will review the strategies and tactics within the plan with the community listening groups engaged during the summer of 2020.
- Summer 2021: Sustainability and Resiliency Plan will be finalized once community input is incorporated and brought to City Council for approval.
- September 2021: Sustainability and Resiliency Plan will be brought to DMCC Board for consideration of a resolution of support
 - These findings though in draft form will inform and impact the DMC’s budget process for 2022

Approvals, milestones, and decision points:



Bryk Apartments

To: DMC Corporation Board of Directors
From: DMC EDA
Date: May 14, 2021



Request of the DMCC board of directors:

- No formal action requested
- For information only:
 - The Rochester City Council approved the tax increment financing and DMC funding support for the Bryk Project in early April
 - The project is continuing its path to complete design and begin construction this summer

Background:

Site: Land is officially purchased and owned by Bryk Apartments Rochester LLC. The property is located on the NW corner parcel of the intersection between N Broadway and Civic Center Drive.

Team:

- Project Team: John and Marcia Bouquet & Dirk Erickson (Investors & Developers)
Kristina Larson (Operations consultant) Ben Kall (Real Estate Consultant): 30 years of local multi-family experience
- Design: ISG Architects
- Construction: Kraus Anderson



Project Objectives:



The project team is planning a mixed-use, mixed-income apartment building consisting of 180 workforce housing apartments and approximately 7,000 sf of commercial space with construction to begin summer of 2021 and be completed by Fall 2022.

The project will provide units at varying rent levels as outlined below. For reference, the 2019

Area Median Income (AMI) for Rochester was \$73,106. Typically, affordable housing cost is considered to be 30% of gross income.

- 54 units (30% of total) @ 50% AMI
- 18 units (10% of total) @ 60% AMI
- 108 units (60% of total) @ 80% AMI

The overall unit count and affordability targets are aiming to provide affordable workforce housing opportunities in the downtown that are a quick commute via bus or bike to the downtown core.

DMC/City Priority Alignment:

The project aligns with the following DMC and City priorities as follows:

- Workforce housing project within the City, Transit-Oriented Development (TOD) and DMC zones.
- Revitalizes blighted site
- Provides a balanced and sustainable housing stock
- Promotes neighborhood stabilization and revitalization in coordination with the North Broadway reconstruction project.
- Increase to the city's tax base.
- Commercial space is considering a few possibilities to address food insecurity or childcare needs. Portions of space will be intentionally held at below market rates to promote local small business integration into the project.
- Sufficient parking will also be included for the commercial tenants.
- Project is being designed to meet City and DMC Sustainable Design Requirements which will also benefit occupants in terms of lowering their monthly utility costs via improved building efficiency

Financing:

The project is utilizing the following sources of funding:

- First Mortgage (project team is meeting with multiple lenders)
- Equity (from Development team)
- Public Infrastructure funding (City TIF + DMC proposed funding)
- DEED (\$853,000 clean up grant)
- PACE
- TIF Loan



Funding Application Review Process:

- Developer submitted DMC joint application for funding to DMC EDA and City of Rochester; DMC EDA and City staff began professional review of funding application
- DMC EDA staff conferred with the DMC EDA board's informal project review committee, comprised of Jerry Bell and Tom Fisher, and prepared a draft evaluation report, including a funding recommendation
- The DMC EDA board reviews the report and issues a project recommendation to the DMCC board
- DMC EDA staff, joined by City staff, present the DMC EDA recommendation to the DMCC board
- DMCC board makes a determination regarding whether or not to designate development as a DMC project, and the amount of DMC funding to allocate to the project
- DMCC board determination is considered by the Rochester City Council, which must agree with the DMCC's decision for the project to be approved for DMC funding