

# DESTINATION MEDICAL CENTER CORPORATION

## RESOLUTION NO. 113-2021

### **Approving the Bryk on Broadway Apartments Project, Contingent Upon Evidence of Financing and Certain Conditions**

The following Resolution was offered by Pamela Wheelock, seconded by Brooke Carlson.

#### BACKGROUND RECITALS

A. Under Minnesota Statutes, Section 469.41 Subdivision 13, a project must be approved by the Destination Medical Center Corporation (“DMCC”) before it is proposed to the City of Rochester (the “City”). The DMCC must review the proposed project for consistency with the Development Plan, adopted by the DMCC on April 23, 2015, as amended (the “Development Plan”).

B. The Development Plan established certain goals and objectives of economic development, which include creating approximately 35,000 – 45,000 new jobs, attracting new business and expanding existing business, as well as implementing strategies to attract, retain, and foster the development of a highly skilled workforce. The Development Plan also directed a comprehensive strategy to address all facets of building and sustaining the development district boundaries as adopted in the Development Plan (the “Development District”).

C. The Development Plan also pursued a housing mix that includes affordable and workforce units, as well as market-rate housing. The Five-Year Update to the Development Plan, adopted by the DMCC on November 19, 2020 in Resolution No. 109-2020, further emphasized the need for housing, particularly with a range of income accessibility, workforce housing, and housing near public transit. The DMCC has determined that workforce housing within the Development District forms a necessary component of workforce development to support the overall economic development goals and strategies.

D. By correspondence to the DMCC dated March 12, 2021, and attached hereto as Exhibit A, the City has requested approval of the Bryk on Broadway Apartments Project (the “Proposed Project”) as a public infrastructure project. The City plans expenditures and financing of up to \$2,237,354 in funding from tax increment financing bonds, without seeking credit to the City’s \$128,000,000 local contribution. In addition, the City requests approval of up to \$2,200,000 in funding through general state infrastructure aid under Minnesota Statutes, Section 469.47, subdivision 3.

E. The Proposed Project advances a range of housing choices affordable to persons and families who comprise the Development District’s workforce -- with 30% of units at 50% of Adjusted Median Income (AMI), 10% of the units at 60% AMI , and 60% of the units at 80% AMI – supporting the expansion of new jobs and economic development goals of the Development Plan. In addition, the Proposed Project is designed to integrate high-density

housing into the public transit planning within the Development District, as well as achieve sustainability goals.

F. Pursuant to Minnesota Statutes, Section 469.45, subdivision 4, the City may elect to establish one or more redevelopment tax increment financing districts within the Development District to fund public infrastructure projects.

G. Minnesota Statutes, Section 469.40, subdivision 11, defines “public infrastructure project” as “a project financed in part or in whole with public money in order to support the medical business entity's development plans, as identified in the DMCC development plan” and expressly includes, among other items, the ability to

(3) remediate land and buildings as required to prepare the property for acquisition or development;

(4) install, construct, or reconstruct elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, utilities systems and related facilities, utility relocations and replacements, network and communication systems, streetscape improvements, drainage systems, sewer and water systems, subgrade structures and associated improvements, landscaping, facade construction and restoration, wayfinding and signage, and other components of community infrastructure; . . .

(5) acquire, construct or reconstruct, and equip parking facilities and other facilities to encourage intermodal transportation and public transit;

(7) make related site improvements including, without limitation, excavation, earth retention, soil stabilization and correction, and site improvements to support the destination medical center development district . . . .

(8) prepare land for private development . . . .

H. The site of the Proposed Project is located in the Development District and in the Central Station subdistrict described in the Development Plan.

I. On April 27, 2017, the DMCC approved Resolution No. 51-2017, which requires additional review of projects upon material deviation from the approvals granted, to ensure that “as-built” projects are consistent with approvals that have been granted.

J. The City and the Destination Medical Center Economic Development Agency (the “EDA”) have examined the Proposed Project applying the evaluation factors contained in the Development Plan, and now recommend the Proposed Project for approval. Copies of those reports are available and on file with the City and the EDA.

## RESOLUTION

**NOW, THEREFORE, BE IT RESOLVED**, by the Destination Medical Center Corporation Board of Directors, that the DMCC finds that the Proposed Project is a public infrastructure project within the meaning of Minnesota Statutes, Section 469.40, subdivision 11, which provides for: installing or constructing elements of public infrastructure required to support the overall development of the destination medical center development district including, but not limited to, streets, roadways, utilities systems and related facilities, streetscape improvements, drainage systems, sewer and water systems, landscaping, facade construction, and other components of community infrastructure; acquiring or constructing other facilities to encourage intermodal transportation and public transit; making related site improvements, excavation, and earth retention; and remediating land and prepare the property for private development; and that the DMCC approves the Proposed Project as consistent with the Development Plan.

**BE IT FURTHER RESOLVED**, that the DMCC approves the Proposed Project for the purposes of Minnesota Statutes, Section 469.47, subdivision 3, of up to \$2,200,000 in funding through general state infrastructure aid, upon final approval by the City, to reimburse eligible public infrastructure expenses.

**BE IT FURTHER RESOLVED**, that the DMCC approves the Proposed Project for the purposes of Minnesota Statutes, Section 469.47, subdivision 4, and supports the City's expenditures of up to \$2,237,354 in tax increment financing identified in the Proposed Project, upon final approval by the City.

**BE IT FURTHER RESOLVED**, that the approvals contained herein are expressly contingent upon: 1) an agreement by the parties to the development assistance agreement as to both tax increment funding and general state infrastructure aid that secures public funds and enforces the income-affordability criteria for a period of at least thirty years, requiring repayment for breach or default; and 2) evidence of financing satisfactory to the Board, such evidence to be presented within 90 days concurrent with the 90 day period set forth in the City's approved development assistance agreement.

**BE IT FURTHER RESOLVED**, that DMCC Resolution No. 51-2017 is incorporated fully herein by reference.

**BE IT FURTHER RESOLVED**, that City and EDA staff are requested to provide updates with respect to financing, schedule, and other elements of the Proposed Project.


**BE IT FURTHER RESOLVED**, that the Chair or the Treasurer of the DMCC is authorized to take such actions as are necessary and appropriate to effectuate the findings and approvals of this Resolution.

The question was on the adoption of the Resolution and there were 8 YEAS and 0 NAYS, as follows:

BOARD OF DIRECTORS  
Destination Medical Center Corporation

	<u>YEA</u>	<u>NAY</u>	<u>OTHER</u>
James V. Bier	<u>X</u>	_____	_____
James R. Campbell	<u>X</u>	_____	_____
Brooke Carlson	<u>X</u>	_____	_____
Michael E. Dougherty	<u>X</u>	_____	_____
Kim Norton	<u>X</u>	_____	_____
R.T. Rybak	<u>X</u>	_____	_____
Paul D. Williams	<u>X</u>	_____	_____
Pamela Wheelock	<u>X</u>	_____	_____

RESOLUTION ADOPTED on March 23, 2021.

ATTEST:   
\_\_\_\_\_  
R.T. Rybak, Chair  
Destination Medical Center Corporation

**EXHIBIT A**

## EXHIBIT A

**To:** DMCC Board of Directors

**Cc:** Kathleen Lamb, Kathleen Brennan, Patrick Seeb, Kevin Bright, Catherine Malmberg, Alison Zelms, Aaron Parrish, Brent Svenby, Josh Johnsen

**From:** Terry Spaeth

**Date:** March 16, 2021

**Subject:** DMCC Board approval for the Bryk project

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The City of Rochester provides the following information relating to the Bryk Project for your consideration at your March 23, 2021 meeting.

1. DMCC Board action requested. Grant approval of the prepared resolution to approve the Bryk Project (herein after “Project”) as a DMC Public Infrastructure Project that is consistent with the DMC Development Plan. The approval as a DMC public infrastructure project by the DMCC Board is required before the City Council can act to approve it as a DMC Public Infrastructure Project. Such approval would need to be made contingent upon the City of Rochester’s subsequent approval of the Project as a DMC Public Infrastructure Project and of the Development Assistance Agreement (DAA) for the Project.
2. Current project status/schedule. The City of Rochester has land use, planning and zoning authority for all projects in the City including within the DMC Development Plan Area. In addition the City has the authority to provide financial assistance, if needed, to assist in the development of projects through Tax Increment Financing (TIF) including the authority to establish TIF districts within the DMC Development Plan area.
  - a. Land Use and Zoning Status. The City’s Community Development Team has been working with the Bryk Team regarding the Site Development Plan approval process and requirements. The Site Development Plan application will be submitted on March 25, 2021 for approval by the Community Development Team.
  - b. Establishment of Tax Increment Financing (TIF) District and Development Assistance Agreement (DAA) and Approval as a Public Infrastructure Project as identified in the DMC Framework Plan. The land use approvals would allow the Project to proceed to construction by the developer and are independent of any financial assistance considerations or approval as a DMC Public Infrastructure Project. However, the Developer has indicated the Project would not be able to proceed to construction and be financially feasible without or “but for” some financial

assistance from the City or the DMCC. The developer has provided detailed financial information to document the need for \$4,437,354 in assistance to close the financial “gap” for this Project. Of that amount, \$2.2 Million in DMC funding will be provided to the project and \$2,237,354 in PAYGO TIF assistance will be provided. A public hearing on the establishment of a Tax Increment Financing District is being scheduled for April 5, 2021.

- c. The City EDA will consider this as a component of the Development Assistance Agreement (DAA) at a future meeting. It should be noted that the City team has been working closely with the DMC EDA team in the review of all aspects of this Project including the proposed amount of financial assistance that is recommended for the Project. The DMC EDA will be providing their comments on the Project separately and independently from the City team. The DMC EDA and City teams are in agreement regarding the recommended amount of assistance and the developer has indicated that they can proceed with the Project with the recommended level of assistance. Approval by the DMCC Board of the Bryk Project as a DMC Public Infrastructure Project will also mean that DMC provisions relating to prevailing wage rates, WMBE, and American-made steel will also apply for the construction of the Project.

The City’s review of the financial information provided by the developer which showed a financing gap, was based on our experience in reviewing other TIF projects over the years and a financial analysis of the submitted developer information by Baker Tilly, the City’s financial consultant, which performs such reviews for many communities. The TIF assistance is estimated to equate to approximately 95% of the available annual tax increments for 11 years.

### 3. Private Financial Investment Impact Information.

The request for public funding, as a proposed Public Infrastructure Project, is what requires DMCC approval before the presentation to the City Council.

#### a. Bryk Project Capital Project Investment.

- (1) General State Infrastructure Aid (GSIA). The project developers have submitted information that shows that the overall project cost is estimated at \$39,482,751. That investment is multiplied by 2.75% to determine the amount of General State Infrastructure Aid (GSIA) annual payments, which equates to an estimated \$1,085,776.
- (2) State Transit Aid (STA). That same \$39.5 Million investment amount is multiplied by 0.75% to determine the State Transit Aid (STA) annual payment amount, which is estimated at \$296,121 per year, payable annually over several years. An estimated 40% of the annual STA amount would be from the required local match provided by Olmsted County.

### 4. Summary of the Proposed Project.

- a. The project is a mixed use redevelopment project consisting of an approximately 6-story, 180-unit workforce residential apartment building to be known as “Bryk on Broadway

Apartments,” with approximately 100 underground parking stalls and 40 street level parking stalls, an exercise facility, board room, indoor and outdoor community spaces, and approximately 7,000 square feet of commercial/retail space to be located on N Broadway Avenue between 5th Street NW and Civic Center Drive NW in the City. The project provides for rental housing that meets identified needs indicated in the recently updated Maxfield Housing Study.

- 30% of the units (54 units) will be affordable at 50% area median income and rents
- 10% of the units (18 units) will be affordable at 60% area median income and rents
- 60% of the units (108 units) will be affordable at 80% area median income and rents.

5. How does the proposed Project address the DMC Development Plan goals and objectives?

- a. The Project is within the DMC Central Station subdistrict and the proposed development will provide opportunities for persons to reside in close proximity to downtown employers and is located along the North Broadway primary transit corridor, so provide excellent pedestrian and transit opportunities.
- b. The Project will provide a capital investment of nearly \$40 million within the DMC Development Plan area and will increase tax base by over \$284K annually, based upon existing tax rates.
- c. The Project develops an underutilized property in a manner that is consistent with the Rochester Downtown Master Plan and the City’s Comprehensive Plan.
- d. The project incorporates various sustainability elements, which is consistent with the DMC vision.
- e. The project construction will include wage rates, WMBE and American made steel provisions.