

SMB DOR MR FEB 16 2018



Mayor Ardell F. Brede
201 4th Street SE – Room 281
Rochester, MN 55904-3782
Phone: (507) 328-2700 Fax: (507) 328-2727
FIRST CLASS CITY • FIRST CLASS SERVICE



Received

FEB 16 2018

Commissioner's Office

February 6, 2018

The Honorable Dan Hall
Chair, Local Government Committee
Minnesota State Senate
3111 Minnesota Senate Building
95 University Ave W
St. Paul, MN 55155

The Honorable Tim O'Driscoll
Chair, Government Operations and Elections
Policy Committee
Minnesota House of Representatives
559 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Patricia Torres Ray
Local Government Committee
Minnesota State Senate
2225 Minnesota Senate Building
95 University Ave W
St. Paul, MN 55155

The Honorable Michael Nelson
Government Operations and Elections Policy
Committee
Minnesota House of Representatives
351 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Jeremy Miller
Chair, Jobs and Economic Growth Finance
and Policy Committee
Minnesota State Senate
3107 Minnesota Senate Building
95 University Ave W
St. Paul, MN 55155

The Honorable Patrick Garafolo
Chair, Job Growth and Energy Affordability
Policy and Finance Committee
Minnesota House of Representatives
485 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Bobby Joe Champion
Jobs and Economic Growth Finance and
Policy Committee
Minnesota State Senate
2303 Minnesota Senate Building
95 University Ave W
St. Paul, MN 55155

The Honorable Tim Mahoney
Job Growth and Energy Affordability Policy
and Finance Committee
Minnesota House of Representatives
345 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Julie Rosen
Chair, Finance Committee
Minnesota State Senate
3235 Minnesota Senate Building
95 University Ave W
St. Paul, MN 55155

The Honorable Jim Knoblach
Chair, Ways and Means Committee
Minnesota House of Representatives
453 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Richard Cohen
Finance Committee
Minnesota State Senate
2301 Minnesota Senate Building
95 University Ave W
St. Paul, MN 55155

The Honorable Roger Chamberlain
Chair, Taxes Committee
Minnesota State Senate
3225 Minnesota Senate Building
95 University Ave W
St. Paul, MN 55155

The Honorable Ann Rest
Taxes Committee
Minnesota State Senate
2217 Minnesota Senate Building
95 University Ave W
St. Paul, MN 55155

Commissioner Cynthia Bauerly
Minnesota Department of Revenue
600 North Robert Street
St. Paul, MN 55101

The Honorable Sheila Kiscaden
Chair, Olmsted County
Board of Commissioners
151 4th St SE
Rochester, MN 55904

The Honorable Lyndon Carlson Sr.
Ways and Means Committee
Minnesota House of Representatives
283 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Greg Davids
Chair, Taxes Committee
Minnesota House of Representatives
585 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

The Honorable Paul Marquart
Taxes Committee
Minnesota House of Representatives
261 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1206

Commissioner Shawntera Hardy
Minnesota Department of Employment and
Economic Development
1st National Bank Building
332 Minnesota Street, Suite E200
St. Paul, MN 55101-1351

Re: Destination Medical Center
February 15, 2018 Report

Dear Senators, Representatives, Commissioners and Chairs:

On behalf of the Destination Medical Center Corporation (the "DMCC") and the City of Rochester (the "City"), we are pleased to submit this report on the progress of the Destination Medical Center initiative, in accordance with Minnesota Statutes, Sections 469.40 – 469.47 (the "Act").

Since our last report, dated February 9, 2017, we can report that 2017 was a remarkable year for the Destination Medical Center ("DMC") initiative, as we reached and exceeded a major threshold. The Act required that private investment lead the way for this private-public model of partnership: over \$200,000,000 in private investment, combined with Mayo Clinic's certified expenditures, had to occur before any state funding would begin to flow. In 2017, we certified \$297,708,550 in private investments and Mayo Clinic investments. This cumulative total includes

more than \$239 million in capital expenditures by Mayo Clinic, and more than \$58 million in additional, non-Mayo private development. This early success clearly achieves the legislative intent to have the private investment lead the way for this initiative. Moreover, the City has contributed \$26,829,988 in certified expenditures from July 1, 2013, through December 31, 2016.

There are currently 21 projects either proposed, under construction, or completed, the majority of which are private investments with no DMC-provided public assistance. Approved DMC projects thus far are expected to generate over 1,000 construction jobs. This extraordinary combination of private investment, Mayo Clinic expenditures, City contributions and state funding are making Destination Medical Center a reality.

In 2017, many other important aspects of DMC planning and development were advanced:

Business Development: In addition to other private development occurring, construction began on the first phase of the Discovery Square bioscience research campus, a sixteen-block district that will serve as the space for new businesses and entrepreneurs to bring new innovations to market. This is a key job-creating initiative in the bio-science sector.

Public Realm Design Concepts: Design concepts were developed for the Heart of the City and Saint Marys Place districts.

Energy and Sustainability Goals: Efforts to achieve the energy and sustainability goals outlined in the Development Plan, including a twenty-five percent reduction in DMC Development District use by 2035, are underway.

Marketing Activities: Marketing activities were developed and implemented for state, national and international audiences.

Transportation Planning: Recommendations are expected in early 2018 with respect to preferred transportation and transit alternatives, which include analyses of street use, pedestrian trails, parking and transportation management, and public transit.

I. Destination Medical Center: Background.

A. Development Plan.

One of the primary goals of the Act was the adoption of a Development Plan. In September 2013, the DMCC established specific goals and objectives for the Development Plan: to create a comprehensive strategic plan, and over the life of the project, to stimulate over \$5 billion in private investment that will be supported by \$585 million in public funds, create 35,000-45,000 new jobs, generate \$7.5 billion to \$8.5 billion in net new tax revenue, and achieve the highest quality patient, visitor and resident experience.

The Development Plan is the strategic framework for the Destination Medical Center initiative, establishing a comprehensive business and economic development strategy. It addresses several items, including land use, transportation and infrastructure planning, market research, funding priorities, business and economic development and market strategies.

Upon making the findings set forth in the Act, including finding that the City had approved the Development Plan, the DMCC adopted the Development Plan on April 23, 2015. The Development Plan is posted on the DMCC website: www.dmc.mn.

B. Website.

The DMCC's website is: www.dmc.mn. The website contains the regular meeting schedule, meeting agendas, minutes and other information on DMCC activities, as well as project updates, investor and developer information, sub-district descriptions, market research, and ongoing activities of the Destination Medical Center Economic Development Agency ("DMC EDA"). The City's website, www.rochestermn.gov, also has a link to the DMCC website.

II. Specific Elements Required to Be Included in the Report.

The Act requires that certain elements be included in this annual report. Some of what is presented here has been referenced above.

A. "The Development Plan and any proposed changes to the Development Plan."

The Development Plan was initially adopted on April 23, 2015, and amended in 2016 to modify the Destination Medical Center Development District, the geographic area in the City of Rochester in which public infrastructure projects are implemented to support DMC. The Development Plan can be found at the DMCC website: www.dmc.mn.

B. "Progress of projects identified in the Development Plan."

According to the Act, a project must be approved by the DMCC before it is proposed to the City. The DMCC must review the project proposal for consistency with the adopted Development Plan. Since the adoption of the Development Plan on April 23, 2015, several projects have been approved by the DMCC.

The Historic Chateau Theatre: is located in the "Heart of the City" district as described in the Development Plan. The DMCC approved the acquisition of the Chateau Theatre by the City in the purchase price amount of \$6,000,000, of which Mayo Clinic contributed \$500,000. The acquisition of this historically-designated landmark is considered key to the planning and enhancement of the Heart of the City district. The City, DMCC and Mayo Clinic have agreed to work cooperatively to determine the best use of this building and a comprehensive planning process is currently underway.

The Titan Hilton Hotel: (formerly known as the "Broadway at Center" project), is located in the "Downtown Waterfront" district as described in the Development Plan. This mixed-use project includes a 264-room hotel, restaurants, retail space, a skyway connection, and a five level parking ramp with 630 spaces. The project is expected to generate approximately \$125 million in private investment and create 200-250 jobs, and is under construction. Completion of the hotel is expected in 2019.

The Alatus Project: is located on 2nd Street SW in the "Saint Marys" district as described in the Development Plan. This mixed-use project involves the construction of an approximately 350,628 square foot, thirteen-level commercial and residential complex. It will include 374

market-rate rental units, create 240 jobs, and is expected to generate \$115 million in private investment. Site work has begun, with project completion targeted for late 2019.

Urban on First: is located south of 4th Street SW between 1st Avenue SW and Broadway Avenue, and is in the "Discovery Square" district as described in the Development Plan. This approximately \$38 million mixed use project includes 156 market rate rental units and street level commercial and retail space. Groundbreaking is expected in early 2018.

Discovery Square Phase One Building by Mortenson: is on First Avenue SW in the "Discovery Square" district as described in the Development Plan. This approximately \$35 million bio-science building will be a center of innovation, and will house companies whose mission is to accelerate bio-science discoveries to market. The building will include laboratory, office, collaborative and retail space. As noted above, this project is the first phase of achieving a key component of the Development Plan: providing jobs in the bio-science sector. Groundbreaking occurred in November, 2017, and construction is underway.

Finally, there are several other projects underway in the initial stages of planning, and are expected to come to fruition in 2018. The status of these projects will be reported in a future annual report.

In addition to the approved projects noted above, the DMCC and the City have approved a Capital Improvement Plan ("CIP") for public infrastructure projects for 2016-2018. Projects identified in the CIP include the following:

1. 3rd Street SW Reconstruct/Design
2. Titan Hotel Ramp
3. Parking and Travel Demand Study
4. City Loop Plan
5. Transit/Transportation/Infrastructure Management
6. Transit Circulator Study
7. Heart of the City Design
8. Chateau Theatre Re-Use Study
9. Downtown Street Use and Operations Study
10. Public Utility Upgrades to Support DMC Development
11. Street Improvement Projects to Support DMC Development
12. Sanitary Sewer Projects to Support DMC Development
13. St. Marys Place Public Realm Study
14. Discovery Walk Study

C. "Actual costs and financing sources, including the amount paid under Minnesota Statutes Section 469.47, and required local contributions of projects completed in the previous two years by the DMCC, City, Olmsted County and Mayo."

The Act requires that an annual certification of private investment by Mayo Clinic or other private investors be made to DEED by April 1 of each year, and DEED must certify that \$200,000,000 of private investment has been made before any state funding may be paid. In 2017, the cumulative amount of private and Mayo Clinic certified investments was \$297,708,550, thus exceeding the statutory threshold.

In compliance with Minnesota Statutes Section 469.47, attached is the annual certification of Mayo Clinic and other private investment that was submitted to DEED on March 23, 2017, and the annual certification of City expenditures, that was submitted to DEED on March 28, 2017 (Exhibit A). DEED then conducted its own audit process of the certified expenditures, and approved them. The DEED certifications, dated June 27, 2017, are also attached (Exhibit B).

In addition, we offer the following information:

1. Through December 31, 2017, State Infrastructure Aid in the amount of \$2,686,985.13 has been received. No State Transit Aid has been received.
2. Actual costs paid by the City from commencement through December 31, 2017 have totaled \$26,029,988, based on year-end unaudited costs. The funding source has been City internal borrowing, which will be repaid by the City's 0.25% DMC sales tax. Just as the Mayo Clinic investments and other private investments have underscored the commitment to DMC, so too have the City contributions.
3. Through December 31, 2017, Olmsted County has contributed \$4,500,000.
4. The 2018 combined operating and capital improvements budget for the DMCC totals \$22,191,908. Of this amount \$3,000,000 will be provided by Olmsted County from its 0.25% DMC sales tax. The remaining \$19,191,908 is to be provided by the City of Rochester from a variety of City funding sources. In addition, Mayo Clinic has pledged financial and in-kind funding to the DMC EDA in the amount of \$1,272,220, which represents an increase of \$337,800 from the \$934,420 provided by Mayo in 2017.

D. "Estimated costs and financing sources for projects to be started in the next two years by the DMCC, City, Olmsted County and Mayo."

The Development Plan sets forth a framework and examples of projects that may be considered for funding in the next several years. Each project will be approved on an individual basis. See also the response to "B" and "C," above.

February 6, 2018

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E. "Debt service schedules for all outstanding obligations of the City for debt issued for projects identified in the plan."

The City has provided the funding required for approved projects thus far, and no debt has been issued as yet.

CONCLUSION

Thank you for your consideration of this annual report. On behalf of both the DMCC and the City, we welcome your comments or questions. We look forward to continued progress on the Destination Medical Center initiative in 2018.



RT Rybak, Vice Chair
Destination Medical Center Corporation



Ardell F. Brede, Mayor
City of Rochester

Enclosures

cc: Legislative Reference Library

1070307-7.DOC

EXHIBIT A

Annual Certification of Mayo Clinic and Other Private Investment Submitted to DEED
on March 23, 2017

and

Annual Certification of City Contributions to DEED on March 28, 2017

EXHIBIT A

DESTINATION MEDICAL CENTER CORPORATION
201 4th St. SE.
Rochester, Minnesota 55904

March 23, 2017

Shawntera Hardy
Commissioner
Minnesota Department of Employment and Economic Development
1st National Bank Building
332 Minnesota Street, Suite F-200
Saint Paul MN 55101

Dear Commissioner Hardy:

On behalf of the Destination Medical Center Corporation ("DMCC") and Mayo Clinic, I am pleased to forward the following materials for the April 1, 2017 certification, pursuant to Minnesota Statutes Section 469.47, Subdivision 2:

1. DMCC Certification: I enclose the DMCC certification of expenditures made by an individual or entity, other than Mayo Clinic, for the period ending on December 31, 2016. The City of Rochester, Minnesota, assisted with the compilation of this report. The amount of expenditures set forth in this report is \$38,089,951.

2. Mayo Clinic Certification: I enclose correspondence and accompanying materials from Jeffrey W. Bolton, Vice President of Administration at Mayo Clinic, dated March 23, 2017. Mayo Clinic is certifying expenditures for the period of January 1, 2016 through December 31, 2016 in the amount of \$107,211,567.

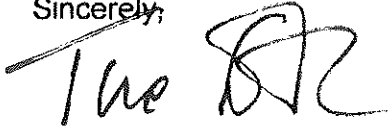
3. Summary of Expenditures: The summary page, entitled, "Certification of Expenditures, Destination Medical Center" is enclosed, setting forth total cumulative expenditures through December 31, 2016, in the amount of \$297,708,550.

Thank you for your consideration, and please do not hesitate to contact either DMCC or Mayo Clinic if you need further information. We look forward to continuing to

Commissioner Shawntera Hardy
March 23, 2017
Page 2

work with the State of Minnesota, City of Rochester, Olmsted County, Mayo Clinic, and our other partners on the Destination Medical Center initiative.

Sincerely,

A handwritten signature in black ink, appearing to read "Tina F. Smith". The signature is stylized and written in a cursive-like font.

Tina F. Smith
Chair
Destination Medical Center Corporation

Encl.

cc: Destination Medical Center Corp Board of Directors
Jeffrey W. Bolton, Mayo Clinic

Attachment 1

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

| Year | Completed |
|--------------|------------------------|
| 2013 | \$ 8,500.00 |
| 2014 | \$ 3,500.00 |
| 2015 | \$ 5,537,282.00 |
| 2016 | \$ 1,330,873.00 |
| TOTAL | \$ 6,880,155.00 |

2016 Destination Medial Center - Partially Completed Projects Tracking

| Project | Address | 2016 |
|------------------------|-----------------|--------------------------------|
| | | Partial Completed Work Claimed |
| 1st Avenue Flats | 400 NW 1 Avenue | \$ 4,976,244.00 |
| Lofts at Mayo Park | 123 SE 6 Avenue | \$ 6,347,552.97 |
| 501 on First | 501 SW 1 Avenue | \$ 12,534,186.96 |
| Flats on 4th (Buckeye) | 412 SE 3 Avenue | \$ 8,906,937.40 |

Total for 2016 \$ **32,764,921.33**
 Dollar Value of building permits finalized in 2016 \$ **1,555,125.00**
 Dollar amount submitted for partial work in 2016 \$ **31,209,796.33**

TOTAL \$ 38,089,951.33

2013 Building Permits (Entire Year)
COMPLETED BUILDING PERMITS Incorporated into the 2013 reports by date 11/20/2014
(Within DAC Boundary, does not include Mayo Projects)

| SLT Type Locat | Category Locat | Permit Number | Permit Issue Date | Parcel Number | Address Info | Permit Value \$ | Work Description | EC Firm | Owner | 2013 Permit Status | 2013 Permit Status Date | Current Permit Status | Current Permit Status Date | |
|----------------|------------------|---------------|-------------------|---------------|--------------|----------------------------------|------------------|--|---|--|-------------------------|-----------------------|----------------------------|---|
| I | Residential Bldg | Altston | R13-1058RB | 7/21/2013 | 005091 | 618 SIVT ST, ROCHESTER, MN 55007 | \$8,600 | 18 replacement windows in bedrooms on 2nd and 3rd floor. Removng exs'ng fire escape. | CREEKWOOD CONSTRUCTION RYAN SCHULTZ 5421 CREEKWOOD CT SE ROCHESTER, MN 55904 | WOMEN'S SHELTER INC PO BOX 487 ROCHESTER, MN 55903 | Issued | 12/11/2013 | Final | 6/27/2014 (5) not there on per 90 because of a hard freeze |

\$8,600

2018 Building Permits (End of Year)
COMPLETED BUILDING PERMITS (Completed since the 2018 report to 12/31/2018)
 (Within DSC Boundary, does not include Mayo Projects)

| Sub Type Level | Category Level | Permit Number | Permit Issue Date | Permit Number | Address Info | Permit Valuation | Work Description | Use Prof | Owner | 2018 Permit Status | 2018 Permit Subj. Date | Current Permit Status | Current Permit Subj. Date |
|----------------|----------------|---------------|-------------------|---------------|----------------------------------|------------------|---------------------------------------|----------|---|--------------------|------------------------|-----------------------|---------------------------|
| 1 | Demolition | R14-00010 | 6/7/2014 | 011344 | 133 SW 2 ST, ROCHESTER, MN 55502 | \$2,500 | Removal of structure on 2nd | OWNER | SCHLUSTER, CURTIS J 4655 STATE HWY 109 EASTON, MN 55025 | Issued | 6/7/2014 | Issued | 12/31/2018 |
| 2 | Sign | R14-00785 | 6/5/2014 | 014316 | 4 SW 3 ST, ROCHESTER, MN 55502 | \$1,000 | Projecting sign (Sutter's Restaurant) | OWNER | DAVID, TERRY 720 NORTHERN HILLS DR NE ROCHESTER, MN 55909 | Issued | 6/5/2014 | Issued | 2/11/2016 |

\$3,500

2015 Building Permits (BY CATEGORY)
 COMMERCIAL BUILDING PERMITS
 (Excludes those that still require but are not in 2015/2016)
 (Within DMC Boundary, does not include Major Projects)

| Sub Type Level | Category Level | Permit Number | Permit Issue Date | Permit Expiration | Address Info | Permit Value | Work Description | LC Firm | Owner | 2016 Permit Status | 2016 Permit Issue Date | Current Permit Status | Current Permit Issue Date |
|----------------|-------------------|---------------|-------------------|-------------------|---|--------------|--|---|---|--------------------|------------------------|-----------------------|---------------------------|
| 2 | Commercial Bldg | R14-0451CB | 1/21/2015 | 01/15/16 | 4 BW 3 ST, ROCHESTER, MN 55904 | \$128,482 | Alterations to existing restaurant include a brewery and bar (Grand Rouen Brew Pub) | KRAUS-ANDERSON CONSTRUCTION CO 1016 Park Plaza 418 S BROADWAY ROCHESTER, MN 55904 | INDIGO FUSION HOLDINGS LLC 720 NORTHERN HILLS DR NE ROCHESTER, MN 55904 | Issued | 4/23/2015 | C of O Issued | 2/4/2016 |
| 3 | Commercial Bldg | R14-0391CB | 1/21/2015 | 01/15/16 | 101 E CENTER ST, ROCHESTER, MN 55904 | \$50,000 | Alterations for three new rooms on main level and one in the lower level. Update past violations as per letters of investigation. Adding showers in 10 rooms and existing plumbing at existing for 32 other rooms (Cafe & Small Hotel) | OWNER | Andrew Fiedorich 10017 110 BREE Charlotte, NY 13923 | Issued | 1/21/2015 | C of O Issued | 8/15/2016 |
| 4 | Commercial Bldg | R15-0022CB | 12/14/2015 | 02/24/16 | 14 SW 4 ST, ROCHESTER, MN 55907 | \$2,000,000 | Restoration and change of use to existing building (Courtly Building) | ALUMN E BEITKE, LLC ALAN E BEITKE 2533 W Hwy 14 ROCHESTER, MN 55901 | CMB HOLDINGS LLC 3200 DUDLEY HILLS DR SW ROCHESTER, MN 55902 | Issued | 12/14/2015 | C of O Issued | 8/15/2016 |
| 4 | Multi-Family Bldg | R15-0031MFP | 2/9/2015 | 01/17/16 | 22 N BROADWAY AVE, ROCHESTER, MN 55906 | \$4,800 | Partial phase interior demolition for alterations of existing mechanical room (space saving to exterior) (Park Towers) | HWEC, INC New Roch 11607 S HW ROCHESTER, MN 55901 | Park Towers 22 North Broadway Rochester, MN 55906 | Issued | 2/9/2015 | Permit | 2/9/2016 |
| 6 | Multi-Family Bldg | R15-0035MFB | 2/19/2015 | 01/16/16 | 22 N BROADWAY AVE, ROCHESTER, MN 55906 | \$269,000 | Alterations of existing mechanical room (space saving to exterior) (Park Towers) | HWEC, INC Joe DeJani 11607 S HW ROCHESTER, MN 55901 | Park Towers 22 North Broadway Rochester, MN 55906 | Issued | 2/19/2015 | Permit | 2/29/2016 |
| 7 | Commercial Bldg | R15-0037CB | 6/9/2015 | 01/24/16 | 715 SW 7 ST, ROCHESTER, MN 55902 | \$1,201,872 | New central office with 3 apartments (Alvarez LLC) | FLS COMPANIES Todd Peterson 1831 Kewy Dr NE Rochester, MN 55901 | ALTA REST LLC 1408 WOODLAND DR SW ROCHESTER, MN 55902 | Issued | 6/9/2015 | C of O Issued | 9/15/2016 |
| 8 | Multi-Family Bldg | R15-0038MFB | 6/9/2015 | 01/16/16 | 501 SW 1 AVE, ROCHESTER, MN 55902 | \$1,555,123 | Partial phase roofing and foundation, U.G. plumbing and washability - 84 unit residential with underground parking (501 on 1st Apartments) | KRAUS-ANDERSON CONSTRUCTION CO Adam Kraus 418 S BROADWAY ROCHESTER, MN 55904 | MX DOWNTOWN LLC PO BOX 283 NEW HAVEN, IA 50659 | Issued | 1/12/2016 | Permit | 9/2/2016 |
| 9 | Commercial Bldg | R15-0390CB | 10/22/2015 | 01/14/16 | 30 SE 3 ST 291, ROCHESTER, MN 55904 | \$155,000 | Alterations for office space (Cushman Capital Management - Historic on 3rd) | DAKOTA Ben Mossy 10 1515E Suite 620 Rochester, MN 55904 | Cushman Capital Management 116 4 ST SE Hastings, MN 55933 | Issued | 10/22/2015 | C of O Issued | 2/23/2016 |
| 10 | Commercial Bldg | R15-0331CB | 10/29/2015 | 08/16/16 | 216 N BROADWAY AVE, ROCHESTER, MN 55903 | \$12,500 | Alterations to existing space for new tenant (U & AS Signs) | Horizon Retail Construction, Inc John Muzaleva 1500 Horizon Dr Rochester, MN 55917 | Andy Anderson 2109 S Ave ROCHESTER, MN 55902 | Issued | 10/29/2015 | C of O Issued | 4/20/2016 |
| 11 | Commercial Bldg | R15-0321CB | 11/6/2015 | 01/12/16 | 159 S BROADWAY AVE, ROCHESTER, MN 55904 | \$68,000 | Alterations to existing three new rooms (Quintessence Hotel) | SCHWAB LLC Vita Hansen 1500 Governor Dr SW St 109 Rochester, MN 55902 | Metalk Hospitality 150 South Broadway ROCHESTER, MN 55904 | Issued | 11/6/2015 | Permit | 2/29/2016 |
| 12 | Demolition | R15-0023D | 12/4/2015 | 01/14/17 | 411 N BROADWAY AVE, ROCHESTER, MN 55905 | \$53,000 | Removal of two story brick | OWNER | PRUEFF, MICHAEL A 4012 S PL NW ROCHESTER, MN 55901 | Issued | 12/4/2015 | Permit | 10/16/2016 |
| 13 | Demolition | R15-0074D | 12/4/2015 | 03/18/16 | 600 HWY 1 AVE, ROCHESTER, MN 55901 | \$50,000 | Demolition of one story building | OWNER | INVERWOOD LLC 7845 LYNDLE AVE S MINNEAPOLIS, MN 55423 | Issued | 12/4/2015 | Permit | 10/16/2016 |
| 14 | Demolition | R16-0025D | 12/4/2015 | 08/14/17 | 410 HWY 1 AVE, ROCHESTER, MN 55901 | \$30,000 | Demolition of one story brick building | OWNER | INVERWOOD LLC 7845 LYNDLE AVE S MINNEAPOLIS, MN 55423 | Issued | 12/4/2015 | Permit | 10/16/2016 |
| 15 | Sign | R15-0155S | 10/20/2015 | 02/26/16 | 711 S BROADWAY AVE, ROCHESTER, MN 55904 | \$0,500 | Wall sign "RUNNING ROOM LPO" | OWNER | THM LLC ALBERTA, CANADA, T3E6P3 | Issued | 10/20/2015 | Permit | 2/6/2016 |
| 16 | Sign | R15-0146S | 11/24/2015 | 05/17/17 | 18 SW 3 ST, ROCHESTER, MN 55902 | \$4,000 | Wall sign "Blue City SERIAL Cosmetics & Beauty Designer" | OWNER | LANGTON, DIANE | Issued | 11/24/2015 | Permit | 2/9/2016 |

\$8,637,282

2016 Building Permits (Entire Year)
COMPLETED BUILDING PERMITS (Completed prior to 12/31/2016)

| Permit No. | Building Type | Alteration | Permit No. | Issue Date | Address | Value | Description | Contractor | Owner | Status | Completion Date | |
|------------|------------------|------------|------------|------------|---------|---|-------------|---|--|--|-----------------|------------|
| 14 | Commercial Bldg | Alteration | R16-0242CB | 8/12/2016 | 050419 | 519 SW 1 AVE, ROCHESTER, MN 55902 | \$70,000 | Alterations from meeting room to retail space (Peoples COOP - Metro Marketplace) | WRESER BROTHERS GENERAL CONTRACTOR, INC. Todd Hase 200 WHITE ST LA CRESCENT, WI 56647 | METROPOLITAN MARKET PLACE LLC 420 5 AVE S SUITE A LACROSSE, 54601 | Finald | 11/15/2016 |
| 15 | Commercial Bldg | Alteration | R16-0297CB | 8/16/2016 | 025240 | 400 S BROADWAY AVE, ROCHESTER, MN 55902 | \$275,000 | Alterations for third level tenant space (Winona State University - Riverside Building) | ALVIN E BENIKE, INC Teresa E Longa 2900 W Hwy 14 ROCHESTER, MN 55901 | Winona State University 859 23 Ave SE ROCHESTER, MN 55904 | C of C Issued | 12/23/2016 |
| 16 | Residential Bldg | Alteration | R16-1138RB | 7/26/2016 | 005859 | 403 NW 6 AVE, ROCHESTER, MN 55901 | \$200 | Alterations - Egress window replacement, main door 08' x 42" casement single unit (Rapid) | OWNER | PROW, THOMAS (TRUSTEE) 403 6 AVE NW ROCHESTER, MN 55901 | Finald | 7/27/2016 |

\$1,330,873

Attachment 2



200 First Street SW
Rochester, Minnesota 55905
507-284-2511
mayoclinic.org

March 23, 2017

Shawntera Hardy
Commissioner
Minnesota Department of Employment and Economic Development
1st National Bank Building
332 Minnesota Street, Suite E-200
Saint Paul, MN, 55101-1351

Dear Commissioner Hardy:

Attached with this letter is Mayo Clinic's certification of qualified expenditures of the medical business entity for the Destination Medical Center (DMC) initiative for the period starting January 1, 2016 and ending December 31, 2016. The amount of qualified investment is approximately \$107.2 million.

Overall, Mayo Clinic expended more than \$240.0 million on capital projects and equipment in Rochester in 2016. Major projects included: Saint Marys East Bed Tower Expansion and Modernization, Precision Medicine and Saint Marys Radiology Consolidation. Again, Mayo Clinic is taking a conservative approach this year when counting eligible investments and expenditures for purposes of meeting the DMC investment goals.

We look forward to working with the State of Minnesota, City of Rochester, Olmsted County, and other stakeholders to strengthen our economy and further strengthen Minnesota's position as the world's premier destination medical center.

Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey W. Bolton".

Jeffrey W. Bolton
Vice President, Administration
Mayo Clinic

cc: Kevin McKinnon, Deputy Commissioner Economic Development,
Minnesota Department of Employment and Economic Development

Permitted Expenditures from July 1, 2013 to December 31, 2016

| Approval Date | Project/Req Number | Project/Equipment Name | Total | Total Spent as |
|---------------|------------------------|--|--------------------------------|-----------------------|
| | | | Expenditures reported for 2016 | of December 31st 2016 |
| 02/18/11 | 7R100580 | Mary Brigh East Expansion | 5,455.79 | 2,015,230.89 |
| 11/09/12 | 7R110910 | Dermatology Remodel | - | 9,123,648.24 |
| 11/09/12 | 7R121480 | Sports Medicine Center | - | 5,686,939.49 |
| 07/03/13 | 7R121370 | 2915 Warehouse Infrastructure | - | 693,219.52 |
| 07/10/13 | 7R130470 | Core 200 SMH Operating Room Renovation | - | 1,411,411.46 |
| 07/10/13 | 7R100320 | Anatomic Pathology Offices Remodel | - | 476,041.94 |
| 07/10/13 | 7R121480 | Psychiatry and Psychology Master Plan, Phase 1A - Generose Main | - | 1,213,985.91 |
| 07/11/13 | 7R120570 | Development Remodel | - | 2,679,274.32 |
| 08/01/13 | 7R130980/7R130981 | Bed Tower Modernization MB east | 23,246,729.42 | 38,086,427.33 |
| 08/01/13 | 7R130990/7R130991 | Domitilla 3 Modernization | 1,184,304.29 | 7,751,953.95 |
| 08/14/13 | 7R130650 | Remodeling laboratory space on Guggenheim 5. | - | 265,065.75 |
| 08/29/13 | 7R130810 | Saint Marys Hospital Chiller Addition | 1,517,071.81 | 4,462,004.12 |
| 09/25/13 | 7R130180 | Institute Hills Chiller Replacement | - | 441,903.16 |
| 11/06/13 | 7R130820 | Radiation Oncology Room "E" Linear Accelerator Replacement | - | 188,793.94 |
| 12/11/13 | 7R110200 | DLMP Phlebotomy Remodel | 11,612.22 | 1,615,648.60 |
| 02/05/14 | 7R120870 | Mary Brigh Electrical Upgrades (Phase 3) | 118,429.78 | 2,002,781.62 |
| 02/21/14 | 7R121420 | SDSC Expansion Construction Only | 244,255.29 | 21,175,162.03 |
| 02/26/14 | 7R120580 | Creation of the consolidated freezer and BAP facility at the 2915 Warehouse | - | 4,006,693.46 |
| 02/26/14 | 7R130690 | Remodeling of multiple laboratories on Guggenheim 8 | - | 774,090.58 |
| 03/19/14 | 7R131440 | Four Operating Rooms Off Core 700 | - | 3,082,756.73 |
| 04/23/14 | 7R131300 | Remodeling within the Metabolomics Core on Alfred 5 | 4,509.00 | 616,212.48 |
| 2Q2014 | R2007523 / 7R131300 | Thermo TSQ Triple Quadrupole MS (assets 147506 & 145344) | - | 596,292.00 |
| 04/23/14 | 7R131420 | Remodeling within Opus 1 to accommodate space for a new CT machine. | - | 460,162.90 |
| 04/30/14 | 7R131270 | Employee and Community Health Southeast Clinic | - | 4,326,200.60 |
| 04/30/14 | 7R120690 | Cardiac Catheterization Procedure Room 103 Remodel - Saint Marys, Mary Brigh 4 | - | 412,584.91 |
| 06/04/14 | 7R140130 | Gonda 5, 5th PET/CT Installation & Uplake | - | 301,874.69 |
| 06/18/14 | 7R140540 | Executive, Development and International Program Expansion - Mayo East 5 | (45.48) | 1,389,522.23 |
| 07/02/14 | 7R131400 | DOM 3/4 Infrastructure Revisions for Remodeling | 84,726.60 | 2,044,173.65 |
| 07/23/14 | 7R130760 | Clinical Genome Sequencing, Lab Expansion | - | 296,600.82 |
| 08/14/14 | CPC20104723 / 7R130820 | Varian Medical Systems (asset 145374) | - | 3,334,879.00 |
| 08/20/14 | 7R140460 | GMCT and Prev. Med. Relocation Gonda 18 to Mayo East 17 | - | 358,383.16 |
| 03/04/15 | 7R140790 | Cancer Center Station Eisenberg 4-3 | 532,186.23 | 891,708.54 |
| 03/18/15 | 7R140780 | CT Simulator 1 Replacement Charlton S-259, S-261 | 6,258.38 | 191,170.81 |
| 11/13/14 | CPC20104737/7R140780 | CT Scanner - 5yr (Asset 162815) | - | 687,812.80 |
| 04/29/15 | 7R150070 | Charlton 2 Incremental 3T Body Scanner | 730,551.93 | 807,129.65 |
| 04/29/15 | CPC20151487/7R150070 | 3T Siemens Skyra MRI (asset 166875, 167065-167082) | 1,637,261.00 | 1,637,261.00 |
| 05/13/15 | 7R150080 | SMC, Mary Brigh Main NH, MR-MCR 1.5T Replacement Scanner | 203,888.23 | 444,248.23 |
| 05/13/15 | CPC20154380/7R150080 | GE; 1.5T Optima MR450W (asset 165084, 165346-165359) | 1,130,292.00 | 1,130,292.00 |
| 05/13/15 | 7R150090 | SMC, Mary Brigh Main NH, MR-MCR 1.5T Replacement Scanner | 523,684.25 | 558,882.68 |
| 05/13/15 | CPC20154367/7R150090 | DISCOVERY MRI Mary Brigh (assets 169437,171643, 171651, 171681-171672) | 1,513,704.55 | 1,513,704.55 |
| 07/22/15 | 7R130230 | Renovation Mary Brigh Main, PACU - Phase 4 | 3,670,059.65 | 3,914,875.81 |
| 05/14/15 | 7R140380 | SMH Mary Brigh East Corridor Relocation | 5,177,804.87 | 5,428,497.83 |
| 02/25/15 | 7R140970 | Dr. Lee Diamond Reactor Lab Remodel on Med Sci SL | 7,021.36 | 226,408.57 |
| 7/23/2014 | 7R131280 | MR-RO-CN-1-MR/PET Installation | 21,262.34 | 781,558.09 |
| 3rd qtr 2014 | CPC20070087/7R131280 | GE; DISCOVERY MR750 PET (Assets 149876, 150145-150157, 150668-150670) | - | 3,698,538.02 |
| 8/20/2014 | 7R140140 | CT Scanner Replacements (3L, 3Z & 4J) - somatom - CH 2 | 179,211.37 | 561,057.62 |
| 3rd qtr 2014 | CPC20101967/7R140140 | Somatom Force CT (Asset 157628) | - | 1,831,372.00 |
| 12/11/2014 | 7R140770 | Linear Acc Replace Rm "C" | - | 165,937.00 |
| 08/14/14 | CPC20107237/7R140770 | VARATHON MEDICAL; TRUE BEAM (Asset 162800) | - | 2,895,908.00 |
| 08/14/14 | CPC20101847/7R140770 | SIEMENS; CT EDGE (Asset 163463) | - | 855,459.02 |
| 08/14/14 | CPC20101897/7R140770 | SIEMENS; SOMATOM DEFINITION (Asset 164325) | - | 862,578.20 |
| 10/9/2014 | 7R140160 | Incremental MRI Body Scanner | 2,970.00 | 603,049.67 |
| 08/14/14 | CPC20100687/7R140160 | SIEMENS; SKYRA 3TMRI (Asset 157191, 157322-157339) | - | 1,859,239.00 |
| 12/12/2013 | 7R121290 | GO3 Build 2 CT Bays | 1,095.00 | 856,293.35 |
| 11/13/14 | CPC20101887/7R121290 | SIEMENS; SOMATOM FORCE CT (Asset 149943) | - | 1,750,000.00 |
| 05/08/14 | CPC20087787/7R120690 | PHILIPS; XPER FD20 (Assets 147302, 147339, 147392) | - | 1,649,213.30 |
| 1/9/2015 | 7R140090 | Neurology Renovation, Mayo 8 | 1,291,836.43 | 5,056,333.46 |
| 8/21/2014 | 7R140220 | Mayo 8 - Lobby Remodel | 526,465.74 | 1,024,865.07 |
| 4/28/2015 | 7R140700 | Vascular OR Core 801 SMH | 355,373.77 | 1,016,450.36 |
| 5/30/2014 | 7R140170 | Rad Vascular Imaging Site 90 | - | 144,461.29 |
| 5/8/2014 | CPC20084687/7R140170 | SIEMENS MEDICAL; ARTIS ZEE (Asset 146871,146872) | - | 985,408.00 |
| 2/4/2014 | 7R130050 | CT MBM Incremental Interventional CT | 17,509.31 | 1,268,114.01 |
| 8/1/2013 | CPC20022207/7R130050 | SIEMENS; DEFINITION EDGE CT (Asset 148622, 148623) | - | 1,315,697.00 |
| 10/15/2014 | 7R140150 | CH N Neuro Scanner CN-119C | (28,365.98) | 561,796.54 |
| 8/14/2014 | CPC20100827/7R140150 | SIEMENS; PRISMA 3T MRI and Accessories (Asset 157677, 157935-157946) | - | 2,241,875.00 |
| | | USPS Building Purchase (Asset 156757, 156758) | - | 2,185,017.25 |
| 12/11/14 | | Land for Ronald McDonald House (Asset 147588, 147589) | - | 1,000,203.16 |
| 8/14/2014 | CPC20076167/7R140130 | GE; DISCOVERY 710 PET Scanner (Asset 148389) | - | 2,103,046.58 |
| 2/17/2016 | 7R151530 | Fixed Wing Building | 533,262.51 | 533,262.51 |
| 5/25/2016 | 7R151390 | Hematopathology Consolidation, Hilton Building 7th Floor | 182,846.09 | 182,846.09 |
| 6/29/2016 | 7R150870 | Vacate EI 7-1/7-2 Dermatology Phototherapy Phototherapy Relocation | 400,071.64 | 400,071.64 |
| 8/31/2016 | 7R160520 | Relocation of Respiratory Care Unit | 47,364.42 | 47,364.42 |
| 3/31/2016 | 7R151490 | Linen Service Depot-3939 Building | 1,638,649.12 | 1,638,649.12 |
| 6/30/2016 | 7R150740 | Media On Demand Replacement Project | 425,929.66 | 425,929.66 |
| 7/8/2016 | 7R151570 | Temporal Bone Lab remodel (original \$600k) | 13,936.90 | 13,936.90 |
| 4/27/2016 | 7R150760 | Dr. Misra Laboratory, Gugg 6 | 177,303.69 | 177,303.69 |
| 6/8/2016 | 7R160650 | Lab Remodel Gugg 17 and 18 | 28,413.05 | 28,413.05 |
| 9/14/2016 | 7R160340 | Space assignment for Dr. Burns and Dr. Scarisbrick surgery - Guggenheim 6 | 39,068.41 | 39,068.41 |

Permitted Expenditures from July 1, 2013 to December 31, 2016

| Approval Date | Project/Req Number | Project/Equipment Name | Total Expenditures reported for 2016 | Total Spent as of December 31st 2016 |
|---------------|-----------------------------|---|--------------------------------------|--------------------------------------|
| 9/28/2016 | 7R151450 | Guggenheim 13 Space Remodel | 30,325.06 | 30,325.06 |
| 6/30/2016 | 7R140810 | Charlton Desk R Lobby Remodel | 128,690.67 | 128,690.67 |
| 11/1/2015 | 7R151060, 7R15106E | Jacobson Building Operating Rooms | 983,662.71 | 983,662.71 |
| 2/17/2016 | 7R150100 | Charlton 1 PET/CT (DRX- 1 Replacement) E-3006 | 16,670.07 | 16,670.07 |
| May 2016 | 7R150010 | Gastroenterology & Hepatology Renovation | 535,775.84 | 535,775.84 |
| Aug 2016 | 7R160670 | 7T MRI Scanner | 45,420.51 | 45,420.51 |
| 2/1/2014 | 7R140100 | SMH Campus Radiology Consolidation | 14,855,292.49 | 14,855,292.49 |
| 11/1/2015 | 7R150830 | Mary Brigh East Tower Additional Floors | 13,047,032.20 | 13,047,032.20 |
| | 7R150670 | Eisenberg 7-1 and 7-2 | 722,930.77 | 722,930.77 |
| 12/1/2015 | 7R150970 | Pre Post Expansion on Gonda 2 Gonda 2-467 | 266,028.69 | 266,028.69 |
| 11/19/2015 | 7R131510 | Franklin Heating Station Chiller #4 Replacement | 327,251.66 | 327,251.66 |
| 11/4/2015 | 7R141050 | Mary Brigh 4, Room 108 Heart Rhythm Services Remodeling | 475,304.78 | 475,304.78 |
| 5/5/2016 | CPC2023942/7R141050 | Siemens - Fluoroscopy 106 (Asset 172294) | 1,508,299.00 | 1,508,299.00 |
| 11/4/2015 | 7R141060 | Mary Brigh 4, Room 111 Heart Rhythm for Equipment Replacement | 52,249.31 | 52,249.31 |
| 11/4/2015 | 7R150850 | Charlton North MR-MCR NU 3T Replacement Scanner | 346,848.81 | 346,848.81 |
| | CPC2019384/5/7R150850 | MAGNETOM Prisma 3T (asset 173601) | 2,184,842.00 | 2,184,842.00 |
| 11/4/2015 | 7R150840 | Charlton North MR-MCR NT 1.5 Replacement Scanner | 584,533.06 | 584,533.06 |
| | CPC2019387/7R150840 | SIEMENS; 1.5T OPEN 70CM (assets 169436,171642,171650,171652-171660) | 1,188,732.00 | 1,188,732.00 |
| 5/1/2016 | 7R141150 | Research Biplane Angiography System Replacement | 78,970.28 | 78,970.28 |
| 5/1/2015 | R2017007/7R141150 | SIEMENS; ARTIS ZEE BIPLANE (asset 165045-165046) | 1,158,442.00 | 1,158,442.00 |
| | May-16 | 41st Street Professional Complex | 9,831,862.38 | 9,831,862.38 |
| | 2Q16 | Precision Medicine Initiative | 1,636,857.55 | 1,636,857.55 |
| | 2Q16 | Motoman (PO 20026936) | 2,516,220.00 | 2,516,220.00 |
| | 2Q16 | Autogen (Assets 175437-175447) | 1,992,857.97 | 1,992,857.97 |
| | 2Q16 | Hamilton Star (Assets 171685, 172326) | 440,763.20 | 440,763.20 |
| | 2Q16 | Hamilton Bios Freezer | 2,503,726.93 | 2,503,726.93 |
| | 2Q16 | PerkinElmer Spectrophotometer | 39,920.00 | 39,920.00 |
| | 3Q16 | Hamilton Robotic Upgrades | 45,951.00 | 45,951.00 |
| | 4Q16 | Hamilton Tube Handler - REQ# 2027700 | 34,358.20 | 34,358.20 |
| | 3Q16 | Verso M2 - REQ# R2026141 | 340,609.88 | 340,609.88 |
| 11/1/2015 | 7R150570, 7R15057A-7R15057D | Mary Brigh East Operating Rooms | 621,741.12 | 621,741.12 |
| 12/1/2015 | 7R151480 | Gonda 14 Radiographic Room DR Conversion E153011 RAD-MCR-GO14-R | 15,040.23 | 15,040.23 |
| 12/1/2015 | 7R151470 | Gonda 14-158 Duo DR Replacement, E15-3014 RAD-MCR-GO14-158 | 153,017.27 | 153,017.27 |
| 12/1/2015 | 7R150980 | West Pre/Post Remodel, Mary Brigh Main | 12,363.15 | 12,363.15 |
| 8/19/2015 | 7R150650 | Radiology - Charlton 1, VG6 Replacement E15-3003 | 138,704.91 | 138,704.91 |
| 8/19/2015 | CPC2015772/7R150650 | GE; DISCOVERY 670 PRO | 948,408.45 | 948,408.45 |
| | | | 107,271,056.79 | 230,100,812.80 |

Attachment 3

Certification of Expenditures Destination Medical Center

For Calendar Year 2016

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

Pursuant to Minnesota Statutes, Section 469.47, the Medical Business Entity and the Destination Medical Center Corporation (DMCC) Board of Directors (assisted by the City of Rochester) respectively submit to the Department of Employment and Economic Development (DEED) the following expenditures that relate to the Destination Medical Center (DMC) Development for the calendar year 2016, and the information required to support the approved methodology provided in the City of Rochester/Commissioner of Employment and Economic Development State Infrastructure Aid Agreement (State Infrastructure Aid Agreement).

Expenditures Reported This Year

| | |
|---|----------------------|
| Total Expenditure Reported for 2016 by Medical Business Entity ¹ | \$107,211,567 |
| Total Expenditure Reported for 2016 for individuals and other private entities ^{1,2} | \$38,089,951 |
| TOTAL Expenditures for This Year | \$145,301,518 |

Cumulative Expenditures


| | |
|---|----------------------|
| Cumulative Previous Expenditures | \$152,407,032 |
| Previous Qualified Expenditures (Cumulative Previous Expenditures less \$200,000,000 Required Initial Investment) | \$(47,592,968) |
| TOTAL Expenditures This Year (from above) | \$145,301,518 |
| Cumulative Qualified Expenditures as of 12/31/16 | \$297,708,550 |

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

| | |
|---|-------------|
| General State Infrastructure Aid Qualified for (Cumulative Qualified Expenditures less \$200,000,000 Required Initial Investment multiplied by .0275) | \$2,686,985 |
| State Transit Aid Qualified for (Cumulative Qualified Expenditures less \$200,000,000 Required Initial Investment multiplied by .0075) | \$732,814 |

By providing my signature below, I certify that the information state herein, to the best of my knowledge, is accurate, true, and complies with the provisions of Minnesota Statutes, Section 469.47 and the approved methodology as outlined in the State Infrastructure Aid Agreement.

For Expenditures by the Medical Business Entity:




 Mayo Clinic Chief Financial Officer

3/20/2017

 Date

For all other Expenditures:



 Destination Medical Center Corporation

3/23/2017

 Date

¹ Expenditures need to be after June 30, 2013.

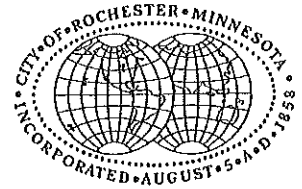
² Private expenditures for the period of July 1, 2013 – December 31, 2016, after adoption of the Development Plan. Certain additional expenditures for this time period are currently under discussion with DEED, and may be included in the certification for calendar year 2017.



March 28, 2017

Mayor Ardeff F. Brede
201 4th Street SE – Room 281
Rochester, MN 55904-3782
Phone: (507) 328-2700 Fax: (507) 328-2727

FIRST CLASS CITY • FIRST CLASS SERVICE



Shawnterra Hardy
Commissioner
Minnesota Department of Employment and Economic Development
Economic Development Division
1st National Bank Building
332 Minnesota Street Suite E200
St Paul, MN 55101-1351

RE: City of Rochester DMC Certificate of Contributions for January 1, 2016 through
December 31, 2016

Dear Commissioner Hardy:

The City of Rochester is hereby certifying local contributions of \$2,960,428.54 for calendar year 2016 towards the local matching contributions for the Destination Medical Center development. This amount is in addition to the City's previous certification of \$9,846,771.68 for the period from June 30, 2013 through December 31, 2015. This brings the total amount for the period from June 30, 2013, to December 31, 2016, to \$12,807,199.22. This certification is pursuant to the executed agreement between DEED and the City of Rochester. The certification is made based on unaudited numbers. Pursuant to that agreement, the City may revise this certification based on adjustments made prior to June 1 of this year.

The City looks forward to working with your staff to review this information and to provide any explanations or documentation that they should require.

The City sincerely appreciates the assistance that has been and continues to be provided to us from you and your staff as we undertake this important DMC Development for Minnesota.

Sincerely,

Ardeff F. Brede, Mayor
City of Rochester

c: Kevin McKinnon
Jeremy Lacroix
Tina Smith, Chair, DMC Corporation
Stevan Kvenvold
Lisa Clarke

Gary Neumann
Brent Svenby
Kathleen Lamb
Dale Martinson
Eric Theuer

**Certification of Contributions
City of Rochester**

For Calendar Year 2016

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

The City of Rochester hereby submits to the Department of Employment and Economic Development (DEED) the following report for Contributions that relate to the Destination Medical Center (DMC) Development for the calendar year 2016, as required by the City of Rochester Commissioner of Employment and Economic Development State Infrastructure Aid Agreement. The city may revise this certification based on audit adjustments prior to June 1.

GENERAL STATE AID

General Aid Contributions Reported this Year

TOTAL Contributions Reported This Year by the City of Rochester¹ 2,960,428.00 1

General State Aid Qualified for this Year (Medical Entity/DMCC match also required)

General State Infrastructure Aid Qualified for (Annual Exp. multiplied by \$2.55) 7,549,091.00 2

Cumulative City General Aid Contributions

Cumulative Previous Contributions 9,846,771.00 3

Contributions This Year From Box 1 2,960,428.00 4

Cumulative Contributions as of 12/31/16 Add Box 3 and Box 4 12,807,199.00 5

Cumulative State Aid Qualified for as of 12/31/16 cumulative contributions multiplied by 2.55 32,658,357.00 6

State GSIA expended this year 0 7

TRANSIT AID

Transit Aid Contributions Reported this Year

Transit Aid Contributions Reported This Year by the City of Rochester^{1,2} 0 8

Transit State Aid Qualified for this Year (Medical Entity/DMCC match also required)

State Transit Aid Aid Qualified for includes 40% contributions, 60% State 0 9

Cumulative City Transit Aid Contributions

Cumulative Previous Contributions 0 10

Contributions This Year From Box 8 11

Cumulative Contributions as of 12/31/___ Add Box 10 and Box 11 0 12

Cumulative State Aid Qualified for as of 12/31/___ includes 40% contributions/60% State 0 13

State Transit Aid expended this year 0 14

By providing my signature below, I am hereby certifying the information stated herein is accurate, true and complies with the provisions of Statute 469.47 of the State of Minnesota and the approved methodology as outlined in the City of Rochester Commissioner of Employment and Economic Development State Infrastructure Aid Agreement.

Andrew F. Brade
Mayor, City of Rochester

March 28, 2017
Date

Arvan S. Kumbho
City Administrator, City of Rochester

3/28/17
Date

¹ Funds expended need to be after June 30, 2013

² Transit Aid match may come from the City or Olmsted County

EXHIBIT B

DEED Certifications Dated June 27, 2017



EMPLOYMENT AND ECONOMIC DEVELOPMENT

June 27, 2017

EXHIBIT B

Tina Smith, Chair
Destination Medical Center Corporation
4720 West Lake Harriet Parkway
Minneapolis, MN 55410

Jeff Bolton, Chief Administrative Officer
Mayo Clinic
200 First Street SW
Rochester, MN 55905

Dear Ms. Smith and Mr. Bolton:

Thank you for submitting the 2016 Certification of Expenditures for Destination Medical Center (DMC). We are excited to assist with this initiative to make the Mayo Clinic, Rochester, and Minnesota a premier medical destination.

Your certification listed \$107,211,567 in Mayo Clinic expenditures and \$38,089,951 in other expenditures. The Mayo Clinic provided DEED with information on all invoices and payments to account for their certification amount. They also provided an independent third party report from RSM US LLP stating the law and procedures for certifying expenditures which are being followed properly. Additionally, DEED staff reviewed invoices and payments in your certification. We selected 96 of your listed expenditures totaling more than \$24.3 million. We selected one expenditure from each of the 72 projects listed. All invoices for the selected expenditures were on file and payments were made in a timely fashion. DEED staff also confirmed that projects had building permits after June 30, 2013. DEED acknowledges the expenses and payments met guidelines and the internal accounting and auditing system the Mayo Clinic has in place is sufficient.

Additionally, the DMCC and the City of Rochester provided DEED with a list of 32 completed projects for \$6,880,155 in expenditures. DEED randomly selected 16 permits and was provided the permit application, permit, project closeout, and map of projects. From this information, DEED confirmed the projects' values, dates, eligibility, and completion. The city also approved \$31,209,796 in expenditures on four projects that are partially completed. DMCC contracted with Clifton Larson Allen (CLA) to complete a review on its Certification to insure it is correct. CLA issued an opinion that the amount of the DMCC certification process was correct.

Economic Development Division

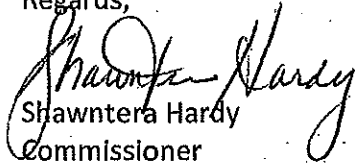
1st National Bank Building ■ 332 Minnesota Street ■ E200 ■ Saint Paul, MN 55101-1351
651-259-7432 PHONE ■ 800-657-3858 TOLL FREE ■ 651-296-5287 Fax ■ www.mn.gov/deed

AN EQUAL OPPORTUNITY EMPLOYER AND SERVICE PROVIDER

As required by law, I have determined that the amount of 2016 Destination Medical Center expenditures is \$145,301,518 as you certified. DMC cumulative expenditures are now \$297,708,550. The \$200 million cumulative expenditure threshold has been met and Qualified Expenditures have been determined to be \$97,708,550. Based on this figure and adequate general aid contributions from the city, I have determined the City of Rochester has qualified for \$2,686,985.13 of General State Infrastructure Aid in 2016. As per state statute, this payment will be made prior to September 1.

Thank you again for your efforts on this groundbreaking economic development effort.

Regards,


Shawntera Hardy
Commissioner

C: Patricia Simmons, Chair of Economic Development Agency Board of Directors
Lisa Clarke, Economic Development Agency Executive Director
Gary Neumann, City of Rochester



EMPLOYMENT AND ECONOMIC DEVELOPMENT

June 27, 2017

Ardell F. Brede, Mayor
City of Rochester
201 4th Street SE – Room 281
Rochester, MN 55904-3782

Dear Mayor Brede:

Thank you for submitting the 2016 Certification of Contributions for Destination Medical Center (DMC). We are excited to assist with this initiative to make the Mayo Clinic, Rochester, and Minnesota a premier medical destination.

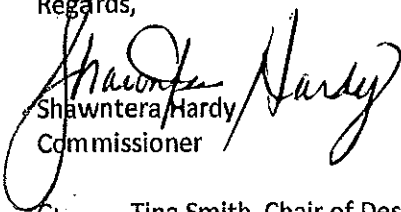
Your revised 2016 Certification listed \$3,586,223 in city contributions between July 1, 2013 and December 31, 2016. You provided a detailed listing of 946 expenditures. These expenditures consisted of direct DMC expenses paid by the city as well as DMC Corporation and DMC Economic Development Authority expenses paid for by the city. From that list, DEED randomly selected 29 expenses for review. We reviewed invoices, payments and city payroll files for accuracy and eligibility.

Additionally, the city provided DEED with an independent third party report from Clifton Larson Allen stating the law and procedures for certifying contributions are being followed properly.

The amount of your contributions qualifies you for \$34,143,763.05 million of general aid, however expenditures from Mayo Clinic and others were \$297,708,550. These expenditures reduced the amount of general aid to the city to \$2,686,985.13. Your excess contributions will be credited towards future years. We will be providing payment of \$2,686,985.13 to you prior to September 1 as mandated by statute.

Thank you again for your efforts on this groundbreaking economic development effort.

Regards,


Shawntera Hardy
Commissioner

C: Tina Smith, Chair of Destination Medical Center Corporation
Jeff Bolton, Chief Administrative Officer Mayo Clinic
Patricia Simmons, Chair of Economic Development Agency Board of Directors
Lisa Clarke, Economic Development Agency Executive Director

Economic Development Division

1st National Bank Building ■ 332 Minnesota Street ■ E200 ■ Saint Paul, MN 55101-1351
651-259-7432 PHONE ■ 800-657-3858 TOLL FREE ■ 651-296-5287 Fax ■ www.mn.gov/deed

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