



REQUEST FOR ACTION

**Design Cost Allocation Agreement as part of Bold.
Forward. Unbound. in Rochester**

MEETING DATE:

July 20, 2026

ORIGINATING DEPT:

City Administration

AGENDA SECTION:

Consent Agenda

PRESENTER:

Cindy Steinhauser

Action Requested:

Authorizing a Resolution for the execution of a Design Cost Allocation Agreement with Mayo Clinic, a Minnesota nonprofit organization, as part of Bold. Forward. Unbound. in Rochester.

Report Narrative:

As part of the City's coordination with Mayo Clinic's *Bold. Forward. Unbound. in Rochester* initiative, the City Council previously approved approximately \$38 million in Destination Medical Center (DMC) funding to support coordinated public infrastructure improvements adjacent to Mayo Clinic's downtown campus. Since construction activities began in late 2024, approximately fifteen blocks of downtown have been affected by Mayo Clinic's private investment. To maximize the public benefit of these investments while minimizing disruption to businesses, residents, patients, visitors, and the traveling public, the City and Mayo Clinic have committed to coordinating the planning, design, and construction of improvements occurring within the same geographic areas.

To support this coordinated approach, staff is requesting approval of a Design Cost Allocation Agreement that will govern future collaborative design efforts within Mayo Clinic's downtown campus. The agreement establishes the framework for allocating design costs between the City and Mayo Clinic when both parties have design responsibilities within the same project area. It defines each party's roles and responsibilities, establishes invoicing and cost-sharing procedures, outlines project coordination expectations, and includes standard contractual provisions related to schedule, change management, dispute resolution, insurance, and performance protections. Once approved, this master agreement will provide a consistent and efficient process for future projects, eliminating the need to negotiate a new agreement each time collaborative design work is undertaken.

Each individual project will be implemented through a project-specific Statement of Work, the form of which is attached to the agreement as Exhibit A. Each Statement of Work will identify the project limits, design consultant, scope of work, schedule, cost allocation methodology, and designated project representatives for that specific effort. Future projects will require execution of a new Statement of Work to reflect the unique scope and cost allocation for each corridor or project area. While the Master Agreement establishes the framework for future projects, each project-specific Statement of Work will be brought forward separately for City Council review and approval before work proceeds.

Staff recommends approval of the Design Cost Allocation Agreement to govern future collaborative design efforts with Mayo Clinic. This approach establishes a consistent contractual framework that supports coordinated project delivery, improves administrative efficiency, and ensures transparent allocation of design costs while allowing individual project scopes and cost allocations to be presented to the Council through project-specific Statements of Work.

Priorities & Foundational Principles:

Fiscal Responsibility & Sustainability
Transformational Capital Projects

Policy Considerations & DEI Impact:

Execution of a cost allocation agreement will serve to memorialize the City's and Mayo Clinic's obligations related to the anticipated infrastructure improvements within the greater framework of applicable City policies.

Prior Legislative Actions & Community Engagement:

September 23, 2024: City Council Meeting Final Alternative of Urban Areawide Review approved.

December 2, 2024: City Council Meeting West Transit Village Agreement approved.

June 2, 2025: City Council Meeting Development Agreement for vacation of 3rd and 4th Avenue SW approved.

September 22, 2025: City Council Meeting Utility Power Underground Infrastructure Agreement approved.

October 6, 2025: City Council Meeting 2026 and 2027 DMC Corporation Operating and Capital Budget approved.

December 1, 2025: City Council Meeting Approval of Site Development Agreements for North Arrival Center and South Parking ramp.

January 21, 2026: City Council Meeting Site Development Agreement with Mayo Clinic for West Logistics Center and Ozmun/Waterman building approved.

Fiscal & Resource Impact:

Mayo Clinic is responsible for its costs associated with improvements under approved Statements of Work. The source of funding for the City's responsibility for costs associated with approved Statements of Work is the previously approved Downtown Public-Private Infrastructure Investment 2026–2027 DMC CIP budget of \$38,371,000.

Alternative Action(s):

There are no alternatives being proposed at this time.

Prepared By:

Cindy Steinhauser

Attachments:

Agreement - BFU Design Cost Allocation

Resolution - BFU - Design Cost Allocation