



REQUEST FOR ACTION

University of Minnesota Rochester Tenant Improvements in One and Two Discovery Square

MEETING DATE:

June 1, 2026

ORIGINATING DEPT:

City Administration

AGENDA SECTION:

Consent Agenda

PRESENTER:

Josh Johnsen

Action Requested:

1. Adopting a Resolution approving the University of Minnesota Rochester tenant Improvements at One and Two Discovery Square as a DMC Public Infrastructure Project and authorizing up to \$3,000,000 in Strategic Development funding from General State Infrastructure Aid to support project development.
2. Adopting a Resolution approving the release of sale taxes funds to UMR in an amount not to exceed \$4,697,088 for tenant improvements in One and Two Discovery Square upon submission of invoices and documentation of expenses being reimbursed.

Report Narrative:

University of Minnesota Rochester (UMR) is proposing a \$10.38 million capital project within the Discovery Square subdistrict of the DMC. The project will convert 1,400 square feet of classroom space into hooded laboratory space in One Discovery Square and develop approximately 12,603 square feet of teaching laboratories, classrooms, and collaboration space in Two Discovery Square. Funding consists of up to \$3,000,000 in GSIA, \$4,697,088 in voter-approved local sales tax dollars (representing the remaining balance of the \$14 million approved by Rochester voters in 2012), and \$2,182,912 in committed University of Minnesota system funds.

The DMC EDA and City staff conducted a comprehensive evaluation of UMR's application, including draft lease materials, fit plans, construction estimates, lease terms, and program documentation. Staff determined the project satisfies DMC statutory eligibility requirements, with reimbursement limited exclusively to eligible permanent hard costs, including structural construction, fixed laboratory infrastructure, and integrated building systems. Movable equipment, furniture, and programmatic assets are explicitly excluded. On May 21, 2026, the DMCC adopted a resolution designating the project as a DMC Public Infrastructure Project, a prerequisite to City Council approval. Final assistance remains contingent upon execution of a Development Assistance Agreement.

Enrollment Growth and Project Urgency

UMR enrollment increased from 938 students in Fall 2024 to 1,122 students in Fall 2025, representing 20% single-year growth, with projections exceeding 2,500 students by 2030. Existing laboratory capacity is fully utilized. Without this investment, UMR would likely need to cap enrollment growth or develop additional lab capacity outside Discovery Square, reducing opportunities for collaboration within the district's innovation ecosystem. With BioLabs Rochester scheduled to open in September 2026, the project timing is critical to aligning academic programming with Discovery Square's emerging life-science

infrastructure.

UMR's expanding program portfolio further underscores this urgency. Upcoming offerings include digital health, community and mental health, and enhanced pre-med preparation, alongside expanded University of Minnesota system programs in nursing, occupational therapy, pharmacy, and dentistry. UMR's existing partnership with Mayo Clinic School of Health Sciences, which includes certificates in echocardiography, sonography, respiratory care, and radiology, demonstrates the caliber of workforce outcomes this facility will support.

Public Benefits

Workforce Pipeline: The project expands the healthcare and life-science workforce capacity through teaching laboratories, applied learning environments, and workforce development programming integrated within Discovery Square. UMR's partnership with the Mayo Clinic School of Health Sciences and its expanding academic programs in nursing, digital health, pharmacy, dentistry, and allied health underscore the project's workforce development value.

Innovation Ecosystem: Embedding academic and workforce infrastructure within Discovery Square advances the district's evolution from physical development to a fully integrated innovation ecosystem. Proximity to BioLabs Rochester creates opportunities for academic partnerships, tailored credentialing programs, and applied research pathways that support district tenants and regional employers.

DMC Strategic Alignment: The project advances all three priorities identified in the 2025 DMC Development Plan: Accelerate Health Innovation, Drive Purposeful Growth, and Design for Well-Being.

Durable Public Investment: Lease terms extend through June 30, 2037, and all permanent improvements will remain with the buildings beyond UMR occupancy. UMR will assume all operations and maintenance responsibilities, with no ongoing financial obligation to DMC or the City. The Development Assistance Agreement will also require periodic shared use of supported space by non-UMR ecosystem participants.

Conditions of Approval:

Approval is subject to reimbursement being limited to documented eligible permanent hard costs; compliance with DMC statutory requirements, including prevailing wage, American-made steel, targeted business utilization, and sustainable building guidelines; execution of a Development Assistance Agreement; and enforceable durability provisions ensuring long-term district-serving use.

Priorities & Foundational Principles:

Economic Vibrancy & Growth Management

Policy Considerations & DEI Impact:

The proposed UMR laboratory and academic expansion project advances the adopted DMC and City policy goals by strengthening Discovery Square as a health innovation district and expanding workforce development infrastructure tied to healthcare and life sciences. The project supports all three 2025 DMC Development Plan priorities: Accelerate Health Innovation, Drive Purposeful Growth, and Design for Well Being through the creation of permanent teaching laboratories, classrooms, and collaboration space that will help accommodate significant enrollment growth and deepen connections between education, research, and industry partners. Public participation is limited to eligible permanent hard construction costs and leverages substantial University and voter approved local funding while requiring long term district serving use and compliance with DMC statutory requirements.

The project is expected to have a positive DEI impact by expanding access to higher education and workforce pathways in high-demand healthcare and life-science fields. Increased educational capacity at UMR will support a broader range of students, including rural, first-generation, and historically underrepresented populations pursuing healthcare careers. Locating these facilities within Discovery Square enhances access to experiential learning, employer partnerships, and innovation-sector opportunities while supporting the development of a more diverse regional healthcare workforce. The project also includes compliance requirements related to targeted business utilization and prevailing wage standards that promote equitable economic participation during construction and implementation.

Prior Legislative Actions & Community Engagement:

February 3, 2014: City Council Meeting - approved the use of sales tax funds to purchase a number of properties

October 6, 2014: Council Meeting - approved the use of sales tax funds to purchase the Fourth Street Boxing Gym

July 7, 2017: City Council Meeting - approved the use of sales tax funds for lease fit-up in One Discovery

October 2, 2017: City Council Meeting - approved the use of sales tax funds to purchase the VFW property

November 9, 2020: City Council Meeting - approved the use of sales tax funds to renovation at 318 Commons

April 27, 2026: City Council Study Session - UMR Strategic Growth Plan review

May 21, 2026: DMCC Meeting - designating as a DMC Public Infrastructure Project and approving funding

Fiscal & Resource Impact:

Funding is from the DMC CIP Strategic Development Fund. Based on action taken by the DMCC Board on May 21, 2026, the funds allocation to this line item have been allocated for the years 2026-2031. General State Infrastructure Aid (GSIA) comes from the state as part of their DMC contributions and does not impact the City's General Level.

Funding comes from the \$14 million approved for UMR as part of the 2012 Sales Tax Referendum. The current balance of the account is \$4,697,088.

Alternative Action(s):

No alternative action is suggested at this time.

Prepared By:

Brent Svenby

Attachments:

[Exhibit - UMR Sales Tax Fund Request Letter](#)

[Exhibit - Rochester Campus Plan - Executive Summary](#)

[Resolution - UMR GSIA Funds](#)

[Resolution - UMR Sales Tax Funds](#)