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An Innovative P3 for a Multibillion-Dollar Medical Center

Destination Medical Center is one of the largest economic development projects in the country, with billions of dollars supporting the medical center in downtown Rochester, Minnesota – and ultimately enhancing the entire community. The innovative approach to this public-private partnership (P3) funding can serve as an example for other mid-market cities looking to support similar initiatives. We interviewed Lisa Clarke, Executive Director, Destination Medical Center Economic Development Agency at the 2019 Area Development Women's Forum in Chicago about some of these insights. Below are some excerpts from our interview, which you can also watch here.

Lisa Clarke, Executive Director, Destination Medical Center Economic Development Agency

Q2 2020



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09:54

Lisa Clarke, Executive Director, Destination Medical Center Economic Development Agency, spoke with Area Development about the largest public-private economic initiative in Minnesota's history, at our Women in Economic Development Consultants Forum. Interview conducted by Margy Sweeney, Founder and CEO, Akrete, Inc. and Area Development Editorial Board member.

Creating a Global Destination for Health and Wellness

Destination Medical Center (DMC) is the largest economic development initiative in the state of Minnesota. It's a \$5- to 6-billion investment in Rochester, Minnesota, [and it has] a \$585-million public investment attached to that. So, it's a public-private partnership, and it's really about growing the base in Rochester, Minnesota. We're transforming Rochester to fit the brand, or fit up to the brand, of Mayo Clinic, and really creating this urban, dense, walkable, livable, vibrant downtown in Rochester, Minnesota, [which] is the heart of Minnesota. It's basically 90 minutes south of the Minneapolis Twin Cities area.

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It's been really exciting to see this Destination Medical Center come forward in Minnesota. It really took a trusted and brave effort by the state of Minnesota, the Olmstead County, the city of Rochester and Mayo Clinic. And really, what we're seeing is [that] Mayo Clinic is going to grow. It's the largest private employer in the state of Minnesota. They want to grow in Minnesota. Of course, the state of Minnesota wants to make sure that that happens. The city, of course, wants to make sure that happens, and the county. We are all working together, all facing the same direction, to really create this dense,

urban wonderful place called Rochester, Minnesota, and really add to the vibrancy of that. They've worked with the city of Rochester, [which] has worked with Mayo Clinic for over 100 years and done a great job. But what we realized through a bunch of research that we did a few years ago is that a city of 110,000 really doesn't have the tax capacity to support the growth of \$5-6 billion over 20 years. So, this [investment] is over time, which also includes about 30,000 new employees. So, in order for us to make sure that happens and [that] we stay strong in southern Minnesota, we want this initiative to work. So, all these partners are coming together to say: "Come to Rochester, let's grow Rochester. Let's invest in Rochester." Then, that of course floats all boats for the state of Minnesota.

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Building a Community with a Medical Center

So, what we did with our DMC plan, we did a plan starting in 2015. We brought planners from all over the country together to really talk about what could this thing called “Destination Medical Center” look like? What would our community look like? What would change? What would grow? They came together and put a fabulous plan that really looks at multiple sectors, not just the healthcare industry. DMC is really about driving visitation to Rochester and supporting healthcare, but not necessarily healthcare visitation. We want people to come to Rochester for other things, along with healthcare. Putting things together like hotels – we needed to add to the hospitality and hotel market housing. Rochester had very little downtown housing. We want to attract talent just like everybody else across the country wants to attract the same talent we seem to be searching for. So, let's create an environment where we can bring those jobs and those employees to the downtown area where they can walk to work... they can work and live in the same environment. Areas like that.

We also are creating a new bioscience and life science campus. We did a bunch of research on the front end of this to say: Should we create a bioscience / life science campus? Many people across the country want to do just that. But we found out not only should we, but we could, because we have Mayo Clinic right in our downtown area. People want to work with Mayo, they want to touch Mayo, they want to create products and services with Mayo Clinic. What we're creating is what we call Discovery Square, which is a campus downtown Rochester that will do just that.

Urban Planning for Destination Medical Center

So, we're building a lot in Rochester. We started out doing a really thoughtful, deliberate plan. So, the fortunate part about what we're doing with DMC is that Rochester now will not be what I call a “pop-up city.” It's going to be very deliberate and very thoughtful about how we want to grow, where we want to grow, and what we want to grow. And these partners are all coming together, including our community partners, nonprofits, for-profits, arts and culture, entertainment, hospitality – they're all coming together to create this environment. This environment really now will help not only our patients, because we want to make sure that our patients needs are being met. Sometimes they're finding in Rochester that those needs are not being met. We also want to meet the needs of people like me that live and work in Rochester.

Rochester, Minnesota, has been a very strong community for over 100-some years working with Mayo Clinic. We needed to be more deliberate in terms of how we're going to create this urban environment. We needed to create density downtown. We needed to add more amenities for patients, visitors, and people that live and work in Rochester. We needed to add more entertainment and culture and lifestyle amenities, and so we brought planners together to do just that. How do we create this environment? And what we learned is that Rochester is a very walkable community, we just didn't know it yet. We turned downtown Rochester into six different segments, and we call them the riverfront area, or the heart of the city (which is where hospitality and healthcare meet); we've got the bioscience life science corridor, which we call Discovery Square; we've got an education area where we have the University of Minnesota, Rochester and some recreational opportunities there. So, we segmented these out, and that way we can create areas that have this urban and dense feel. But [we] connect[ed] them to one



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another so that you can walk from one to the other.

5. Q4 2023

One example of doing just that is we have heart of the city, which is really the heart of Rochester. It's right downtown, and then we've got this bioscience/life science campus, which is really only two or three blocks south of downtown. But it feels like it's a distance to walk because there's not an experience in between these two areas, and ... with our research that we did, people [will go] about 1,000 to 1,200 steps, and if they don't find what they're looking for, they turn around and go back to the hotel. So, what we're creating is a linear park. We're calling it Discovery Walk. This park takes us from the downtown core, through this vibrant life science campus called Discovery Square, all the way down to a city park. So people can walk it, they can engage there, they can hang out. We've got coffee shops there now, and we've got bioscience/life science companies, and we've got Mayo Clinic. People are starting to walk it. It can be for families. It'll be a park-like environment. So, it's just one example of creating a space that people want to be, and they want to engage, and they want to play, and they want to work, and it all makes us together today.

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Private and Public Funding for Destination Medical Center

So, we brought DMC to the state of Minnesota in 2013 and we did a really nice job, I believe, of making that case for change. Why do [we] want to make sure that we continue to grow Rochester, and continue to, of course, grow Mayo Clinic, which is the largest private employer in the state of Minnesota? So, people really listened, and everybody has a wonderful story about Mayo Clinic. You know, it helps so many people ... [and] it's this generous opportunity at the same time. So, we brought it forward in a different manner than what they were used to.

Usually, people would bring an economic development initiative forward and they'll say... [let's] use a stadium, for example. [They'll say,] "We're going to build a stadium, and we know a bunch of people are going to come. Please give us the money on the front end and we'll show you on the back end." What we did is we tipped it on its head. We said, "State of Minnesota, we don't want a nickel of state dollars until we show you that we put \$200 million in the ground." The first year we were busy putting \$200 million in the ground, and once that was proven, the state dollars started to flow. So, [the] private dollars go in first and public dollars follow, which takes away a lot of the risk for the state of Minnesota. If we aren't growing and if we aren't developing, they don't have to add any more dollars. It really has become a model that people are really interested in watching and we are in a successful place. Our model is working right now, and we're always happy to share those stories with people.

All of the private investment will be a combination of Mayo Clinic and other private investment. Initially, Mayo was the biggest investor, of course, because it's such a large entity in Rochester, and now the other private investment is larger than the Mayo Clinic investment each year. We certify this through the state of Minnesota every year, so we actually tracked what kind of investment and our goal was just that. Let's start to attract private developers and investors to Rochester, Minnesota, a city they wouldn't normally be investing in. They understand the model, and they're starting to see all the investment happening right now. I think we have \$700 million in the ground right now, and they're like: "We're in. We want to be part of this deal. What are you doing down there? And we want to be in." It's really captured investment from all over the country and the world right now.

Lisa Clarke, Executive Director, Destination Medical Center Economic Development Agency



As executive director of the Destination Medical Center (DMC) Economic Development Agency (EDA), Lisa Clarke leads the \$5.6 billion, public-private economic development partnership, the largest in Minnesota's history. DMC is creating America's City for Health, the world's premier destination for health and wellness, made possible by the support of the world-renowned Mayo Clinic, private investors and partners, community organizations, and local and state government. Clarke oversees services that include economic development, marketing, finance, investor and developer relations, business development, and stakeholder engagement. Clarke spent 20 years with Mayo Clinic in progressive roles before assuming her current position. Previously, she served as Division Chair in Mayo Clinic's Department of Public Affairs. She earned a Master of Business Administration from the University of St. Thomas, Minneapolis, and a Bachelor of Science from the University of Wisconsin, La Crosse.

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