



\*2001-200\*




City Of  
**Northfield**

**Office of the City Administrator**  
**Memorandum #2001-149**

DATE: June 26, 2001

TO: Mayor Covey and City Council Members

FROM: Scott H. Neal, City Administrator 

RE: PROPOSED Addendum to the Ground Lease for the Hospital Site

An addendum for the ground lease for the hospital between the City and St. Olaf College has been prepared, pursuant to past wishes expressed by the City Council. The intent of the ground lease addendum is to provide an opportunity for the original ground lease to be extended past the initial 100 year lease period.

The addendum was prepared after extensive negotiations between legal counsel representing St. Olaf and the City/Hospital. Mr. Bob Straughn represented the City and Hospital. Mr. Straughn will attend the City Council's July 2, 2001 meeting to answer questions from the City Council. He will also be attending the Hospital Board's meeting on June 28, 2001. The Hospital Board is expected to review and endorse the proposed amendment. I have prepared the resolution for this item anticipating the Hospital Board's endorsement.

**RECOMMENDATION**

The ground lease addendum was produced at the encouragement of the City Council. I believe the Hospital Board and staff have been quite responsive to the City Council's request on this matter. I recommend the City Council adopt City Council Resolution #2001-200.

## MEMO

*Resolution #2001-200*

To: Joel West  
From: Maren Swanson *MS*  
Date: July 2, 2001  
Re: First Amendment to Agreement between St. Olaf  
College and City of Northfield

There is an error in the version of Exhibit C-1 which is attached to City Council Resolution #2001-200 for tonight's meeting. At the bottom of the first page of Exhibit C-1, section (c) should read as follows (material which was left out of Exhibit C-1 is underlined):

- (c) For any Additional Term to take effect, at the date of expiration of the original Term or the prior Additional Term, as applicable, this Lease shall be in full force and effect and Lessee shall not be in default in the performance of the terms, covenants and conditions of this Lease beyond any applicable grace or default cure periods. However, if the Lease would automatically be extended . . .

The remainder of section (c) is in proper form.

Please copy this memo for the Council and the public for tonight's meeting.

Bob Straughn will ensure that the First Amendment to Agreement has the attachments in proper form when and if it is signed by the City.

Thank you.

## PROPOSAL

**ISSUE:**

Amendment to the lease with St. Olaf College that creates a "perpetual" term.

**DISCUSSION:**

Attached is a final draft of the proposed amendment to the lease with St. Olaf. The purpose of this amendment is to provide a mechanism to extend the term of the lease beyond the 100-year timeframe – in essence, making it perpetual. The structure of the amendment was developed through Bob Straughn, who has again been acting as legal counsel on behalf of Northfield Hospital/City of Northfield in negotiations with St. Olaf's legal counsel.

In broad terms, the amendment is structured as follows:

1. Unless we (the hospital/City) gives notice at least five years prior to the expiration of the second 20-year additional term, an "Indefinite Additional Term" (IAT) will go into effect.
2. The IAT remains in effect unless the hospital/City gives 5-year written notice of termination.
3. Exhibit C: Rent is substantially rewritten to include the following:
  - a. The rent payment changes to "Fair Market Annual Rent" upon any "Trigger Event". This means that instead of continuing to use the market price of agricultural land as the basis for the rent calculation, a market price based on "highest and best use" will be used in the calculation.
  - b. "Trigger Events" basically cover any transfer of the City of Northfield's interest in the lease and/or operation of the hospital to another organization other than a 501(c)(3) community foundation. The transfer of operation of the hospital must be for the operating entity's "own account or for the account of any party other than City of Northfield or community foundation ...". This means it does not apply to a management agreement arrangement where the hospital is still being operated for the account of the City.
  - c. The commencement of the IAT is another "Trigger Event". By that time, however, St. Olaf will have provided the campus site to the hospital/city at artificially low rates for 100 years.
  - d. If a "Trigger Event" occurs, the rent adjustment will be phased in over 5 years. A detailed example is included in the amendment to demonstrate how the rent adjustment would be calculated and applied.

**RECOMMENDATION:**

Administration recommends that the Board approve the amendment as proposed and, in turn, recommend it to the City Council for final approval.

FIRST AMENDMENT TO AGREEMENT

THIS FIRST AMENDMENT, made this \_\_\_ day of June, 2001, between ST. OLAF COLLEGE, a Minnesota non-profit corporation ("College") and CITY OF NORTHFIELD, a Minnesota municipal corporation ("City") amending that certain Agreement between the same parties dated November 17, 1999 ("Agreement").

WHEREAS, the parties entered into the Agreement which, in part, incorporated by reference a form of proposed Lease between College and City; and

WHEREAS, the parties have agreed upon certain amendments to the form of proposed Lease and desire to amend the Agreement to reflect those amendments.

NOW, THEREFORE, it is agreed between the parties that the Agreement is amended as follows:

1. Section 3 of the Agreement is amended by deleting the date "July 1, 2001" where it appears in the first paragraph and inserting, in lieu thereof, the date "October 1, 2001".

2. Section 4 of the Agreement is amended in its entirety to read as follows:

"4. Lease. Attached to this Agreement as Exhibit C and Exhibit C-1 are a proposed ground lease and amendments thereto of the Hospital Property between College and City, the form of which is acceptable to the parties (the "Lease"), and which Lease is incorporated herein by reference. Contemporaneously, with the execution of the Development Agreement, the parties shall merge Exhibit C and Exhibit C-1 into one document (which shall then be the "Lease") and execute and deliver the Lease. Should this Agreement terminate before execution of the Lease, City shall have no legal or equitable interest in the Hospital Property and shall, if requested by College, promptly provide College with an executed quit claim deed to the Hospital Property in recordable form."

3. Attached to this First Amendment as Exhibit C-1 are agreed amendments to the form of proposed Lease, which Exhibit C-1 is incorporated herein by reference.

4. Except as amended by this First Amendment, the Agreement continues in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed this **FIRST AMEMDMENT**  
as of the day and year set forth above.

**ST. OLAF COLLEGE**

By \_\_\_\_\_  
Its \_\_\_\_\_

**CITY OF NORTHFIELD**

By \_\_\_\_\_  
Its Mayor

Dated By \_\_\_\_\_  
Its Finance Director/City Clerk

GP:802022 v1

EXHIBIT CRent

- (1) Except as provided in paragraph (3) of this Exhibit C, during the first twenty years, the annual ground rent payable by the Lessee under the Lease will be as follows:

Year 1 through 5: \$5,100 per year =  $(\$2,200 \times 0.0386364 \times 60)$   
Year 6 through 10: \$5,280 per year =  $(\$2,200 \times 0.04 \times 60)$   
Year 11 through 15: \$5,940 per year =  $(\$2,200 \times 0.045 \times 60)$   
Year 16 through 20: \$6,600 per year =  $(\$2,200 \times 0.05 \times 60)$

- (2) Except as provided in paragraph (3) of this Exhibit C, during the 20th, 30th, 40th, 50th, 60th, 70th, 80th and 90th year the Lessor will obtain from a Minnesota licensed appraiser an estimate of the market price for rural agricultural land in the Dakota/Rice County region that is being used by typical farm operations raising the crops common to this area, currently corn and soybeans. The estimated price per acre provided by the appraiser will be used to calculate the annual rent for the next ten years. If Lessee desires to contest the estimate of market price, it shall within thirty (30) days after receipt of Lessor's estimate of market price notify Lessor of its desire to contest Lessor's estimate of market price and give Lessor the name of the Minnesota licensed appraiser Lessee has appointed. The two appraisers shall choose a third Minnesota licensed appraiser. The three appraisers shall then determine the estimate of market price. If the three appraisers cannot agree then the decision of two appraisers shall control. Lessor and Lessee shall each pay the costs and expenses of their appraiser and shall pay equally the costs and expenses of the third appraiser. The annual rent will equal the product of the appraised price per acre times five percent times the number of acres. For example, if the estimated price in the 20th year is \$2,350 per acre, then the annual rent for Year 21 through 30 would be \$7,050 =  $(\$2,350 \times .05 \times 60)$ .

- (3) (A) Upon any Trigger Event, the rent under this Lease shall change to the Fair Market Annual Rent as hereinafter defined, subject to the initial phase-in and periodic adjustments as hereinafter set forth. As used herein, a "Trigger Event" will be the earliest to occur of (a) the date (i) substantially all of City of Northfield's interest in this Lease or in the Demised Premises is transferred or assigned within the meaning of Article XI, Section 1 of this Lease other than to a Northfield Entity as defined in Article XII, Section 5, of the Lease, or (ii) substantially all of a Northfield Entity's interest in this Lease or in the Demised Premises is transferred or assigned within the meaning of Article XI, Section 1 of the Lease other than to the City of Northfield or another Northfield Entity, or (b) the date a party other than City of Northfield or a Northfield Entity commences to operate any Hospital located upon the Demised Premises for its own account or



for the account of any party other than City of Northfield or a Northfield Entity, or (c) the commencement of the Indefinite Additional Term.

(B) Upon any Trigger Event, during each year thereafter on which rent is to be adjusted under paragraph (2) above, and upon commencement of the Indefinite Additional Term and each five years thereafter so long as this Lease continues in full force and effect, annual rent will be adjusted as follows:

The Lessor will obtain from a Minnesota licensed appraiser a determination of the FAIR MARKET ANNUAL RENT of the Demised Premises for the rental period in question based upon a valuation of the Demised Premises as vacant land subject to a commercially reasonable ground lease contemplating the highest and best use of the Demised Premises with all necessary developmental infrastructure and zoning and public and private permits and approvals in place. The appraiser in making his or her determination of Fair Market Annual Rent shall ignore the existence of this Lease and any existing improvements on the Demised Premises other than developmental infrastructure. If the Lessee desires to contest the determination of FAIR MARKET ANNUAL RENT, it shall within thirty (30) days after receipt of the determination of FAIR MARKET ANNUAL RENT, notify Lessor of its desire to contest Lessor's determination of FAIR MARKET ANNUAL RENT and give Lessor the name of the Minnesota licensed appraiser Lessee has appointed. The two appraisers shall choose a third Minnesota licensed appraiser. The three appraisers shall then determine the FAIR MARKET ANNUAL RENT utilizing the standard set forth above. If the three appraisers cannot agree then the decision of two appraisers shall control. Lessor and Lessee shall each pay the costs and expenses of their appraiser and shall pay equally the costs and expenses of the third appraiser.

(C) Notwithstanding the foregoing, the first time that FAIR MARKET ANNUAL RENT is determined under this paragraph (3) the appraiser (and the three appraisers if the Lessee does not accept the appraiser's determination) shall also determine what annual rent would have been if the agricultural model under paragraph (2) had been applicable; provided, however, if the first time that FAIR MARKET ANNUAL RENT is determined under this paragraph (3) occurs during the first twenty (20) years of this Lease, the rent schedule set forth in paragraph (1) above shall be used as the rent under the agricultural model. The rent payable under the Lease following a Trigger Event shall be the lesser of (i) FAIR MARKET ANNUAL RENT or (ii) an amount equal to what annual rent would have been under the agricultural model increased or decreased by ten percent (10%) (but not above or below FAIR MARKET ANNUAL RENT) depending upon whether FAIR MARKET ANNUAL RENT is higher or lower than what annual rent would have been under the agricultural model. The first annual rent determined under this paragraph (3) shall be in effect from the occurrence of the Trigger Event until the first anniversary of the Commencement Date of this Lease occurring more than twelve (12) calendar months following the date of the Trigger Event. Within ten (10) days following the determination of the amount of

the first annual rent under this paragraph (3), Lessee shall pay Lessor as rent an amount equal to the determined first annual rent increased for any additional stub period until the first anniversary of the Commencement Date of this Lease more than twelve (12) calendar months following the date of the Trigger Event less any credit for annual rent previously paid under the Lease for the period in which the Trigger Event occurred.

(D) On the first anniversary of the Commencement Date of this Lease more than twelve (12) calendar months following the date of the Trigger Event and on each anniversary of the Commencement Date thereafter, the annual rent under this Lease shall be increased or decreased by ten percent (10%) until the Lessee is paying FAIR MARKET ANNUAL RENT; provided, however, if annual rent is being determined and paid under this paragraph (3) and has not been adjusted to FAIR MARKET ANNUAL RENT within five (5) years (excluding any first year stub period) following the Trigger Event, the annual rent shall nevertheless be adjusted to FAIR MARKET ANNUAL RENT on the next anniversary of the Commencement Date of this Lease following said five (5) year period. Thereafter annual base rent under this Lease shall be FAIR MARKET ANNUAL RENT.

(E) Following is an example of the rent determination under this paragraph (3):

- (1) assume that the Commencement Date of this Lease is March 1, 2001. On January 1, 2023, a Trigger Event occurs due to the City of Northfield transferring its Lessee's interest in the Lease to a party which is not a Northfield Entity, thereby triggering the rent adjustment under this paragraph (3). The appraiser (or three appraisers) determine that FAIR MARKET ANNUAL RENT on the date of the Trigger Event is \$12,000 and that the annual rent under the agricultural model under paragraph (2) is \$7,500. Annual rent under the Lease before the Trigger Event was \$7,000 computed under paragraph (2) for the period beginning March 1, 2021.
- (ii) Based upon such assumptions, the annual rent due from Lessee for the period from January 1, 2023 until March 1, 2024 (14 months) would be \$8,458.34 computed as follows: \$7,500 (agricultural rent model as FAIR MARKET ANNUAL RENT is higher than \$7,500 and more than 10% higher than \$7,000) plus \$750 (10% of \$7,500); \$1,375 (two month stub period of 1/6th of \$8,250) less \$1,166.66 (two month stub period credit of 1/6th of \$7,000). On March 1, 2024, annual rent would adjust to \$9,075 (\$8,250 plus \$825 or 10%); on March 1, 2025, to \$9,982.50 (\$9,075 plus \$907.50 or 10%); on March 1, 2026, to \$10,980.75 (\$9,982.50 plus \$998.25 or 10%) and on March 1, 2027, to \$12,000, the FAIR MARKET ANNUAL RENT as determined by the appraiser.

**Annual rent would remain at \$12,000 until March 1, 2031, when under the Exhibit C rental adjustment schedule, rent is to be adjusted for the next ten (10) year lease period. As a Trigger Event has occurred, the rent adjustment would be to the FAJR MARKET ANNUAL RENT as of March 1, 2031.**

*GP:802063 v1*

GP:802063 v1

## EXHIBIT C-1

## Amendments to EXHIBIT C Lease

1. Article II, Section 2, is amended in its entirety to read as follows:

"2. Extension Options. Lessee shall have the right to extend the term of this Lease for additional terms (each, an "Additional Term"), as follows:

- (a) Lessee shall have the right to extend the term of this Lease for two (2) consecutive Additional Terms of twenty (20) years each (each, a "Twenty Year Additional Term"). Each Twenty Year Additional Term shall be automatic unless, at least three (3) years prior to the expiration of the Original Term or first Twenty Year Additional Term, as applicable, Lessee gives written notice to the Lessor of Lessee's election to not extend the Lease beyond its then current term.
- (b) Following the second Twenty Year Additional Term, Lessee shall have the right to extend the term of this Lease for an indefinite Additional Term (the "Indefinite Additional Term"). The Indefinite Additional Term shall be automatic unless, at least five (5) years prior to the expiration of the second Twenty Year Additional Term, Lessee gives written notice to Lessor of Lessee's election to not extend the Lease beyond the second Twenty Year Additional Term. The Indefinite Additional Term shall continue and remain in force and effect, subject to the terms of this Lease including but not limited to Lessor's right to terminate this Lease for Lessee's default or breach of this Lease as provided in Article XVI, until such date as Lessee shall terminate this Lease by written notice to Lessor given not less than five (5) years prior to the date of termination specified in such notice.
- (c) For any Additional Term to take effect, at the date of expiration of the Original Term or the prior Additional Term, as applicable, this Lease shall be in full force and effect and Lessee shall not be in default in the performance of the terms, covenants and conditions of this Lease beyond any applicable

Lease would automatically be extended because Lessee has not given notice to Lessor of its election not to extend the term of this Lease for an Additional Term but for a default by Lessee in the performance of any of the terms, covenants and conditions of the Lease, which default has not been cured within any applicable grace or default cure periods, Lessor will have the option to extend the term of this Lease for the applicable Additional Term. Lessor shall give written notice to Lessee of Lessor's exercise of this option prior to the expiration of the Original Term or preceding Additional Term as applicable. Lessor's exercise of its option under this subparagraph (c) shall not constitute a waiver of Lessee's default or of any of Lessor's remedies with respect to such default or any other default.

(d) The Lease for any Additional Term shall be on the terms, covenants and conditions of this Lease.

(e) In the event this Lease is not effectively extended for an Additional Term, all options for Additional Terms following the expiration of the Original Term or Additional Term then in place shall terminate and be null and void."

2. Article XII, Section 5, is amended by deleting subsection (i) therefrom and inserting in lieu thereof the following:

"(i) while the City of Northfield, any entity directly or indirectly owned or controlled by the City of Northfield, or a community foundation established for the benefit of the City of Northfield and its residents, determined to be a Section 501(c)(3) organization by the Internal Revenue Service, and whose organizational documents have been found to be reasonably acceptable in form and content to Lessor (each, a "Northfield Entity") is the Lessee; or".

3. Article XIII, Section 8, is amended in its entirety to read as follows:

"8. New Lease. If this Lease is rejected or disaffirmed pursuant to bankruptcy law or other law affecting creditor's rights and the mortgagee or trustee of a Qualifying Mortgage cures all defaults under this Lease other than personal defaults which are susceptible of being cured only

by the defaulting Lessee, then Lessor shall, at the request of mortgagee or trustee given not later than the effective date of such rejection or disaffirmance, execute and deliver a new lease with the mortgagee or trustee or its nominee, purchaser, assignee or transferee, as the case may be, for the remainder of the term of this Lease with the same terms as are contained in this Lease; provided, however, if the new lessee is not a Northfield Entity, then the rent under the new lease shall be Fair Market Annual Rent as defined and calculated in Exhibit C attached hereto and incorporated herein by reference, with initial phase-in (if applicable) and periodic adjustments on the same dates as provided in this Lease. Any new lessee, other than the mortgagee or trustee, shall be considered an assignee requiring Lessor's consent under Article XI of this Lease."

4. Exhibit C, Rent, of the Lease is amended in its entirety to read as Exhibit C, Rent, attached to this Exhibit C-1 of this FIRST AMENDMENT and incorporated herein by referenced.

RESOLUTION #99-342

A RESOLUTION BY THE MAYOR AND CITY COUNCIL OF THE CITY OF NORTHFIELD, MINNESOTA APPROVING A GROUND LEASE BETWEEN THE CITY OF NORTHFIELD AND ST. OLAF COLLEGE.

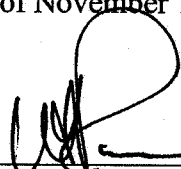
WHEREAS, the City Council has received a recommendation from the Northfield Hospital Board to enter into a lease with St. Olaf College to secure land for the site of a new municipal medical campus; and,

WHEREAS, the City Council is required to approve the lease documents for them to become effective.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL THAT:

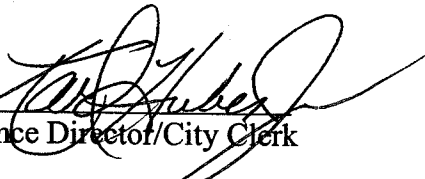
The proposed ground lease agreement [see attached] between the City of Northfield and St. Olaf College is approved.

PASSED by the City Council of the City of Northfield on this 1st day of November 1999.

  
\_\_\_\_\_  
Mayor

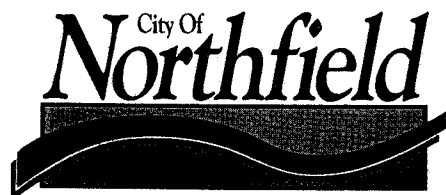
ATTEST

  
\_\_\_\_\_  
Council Member

  
\_\_\_\_\_  
Finance Director/City Clerk

  
\_\_\_\_\_  
Council Member


VOTE:      Y   ROSSMAN      Y   MALECHA      Y   LINSTROTH  
           Y   GARWOOD-DELONG      Y   HANSEN      Y   PROWE      Y   KOENIG



*Office of the City Administrator*  
*Memorandum #99-205*

DATE: October 28, 1999

TO: Mayor Rossman and City Council

FROM: Scott H. Neal, City Administrator 

RE: City Council Resolution #99-342: Hospital Ground Lease With St. Olaf College

The Hospital Board has reviewed and approved a proposed ground lease for land for a new hospital site on land owned by St. Olaf in Greenvale Township. The Board, Administrator, and their legal counsel made a presentation to the City Council on the proposed lease terms at the Council's October 26, 1999 Work Session.

The Hospital Board, Administrator, staff and various consultants have worked many months in the development of this proposed ground lease. They have included City staff in their deliberations, when necessary, and we have provided them with our input on how the project might best be implemented.

There is a limit to how far the Hospital can proceed with the development of this project without the approval of the City Council. I believe we have reached that limit. The new hospital campus development project must have a firm site before much more can be done in terms of land development planning, architectural design, utility and street planning, etc.

There are many more steps that must be accomplished before the groundbreaking can be scheduled for the new hospital. The approval of the proposed site for the development is the first, and maybe the most important, of these steps.

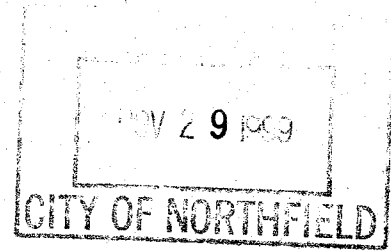
**RECOMMENDATION**

I recommend the City Council approve City Council Resolution #99-342.





**Northfield  
Hospital**  
and  
Skilled Nursing Facility



## MEMOFORM

**TO:** Scott Neal, City Administrator  
Maren Swanson, City Attorney

**FROM:** Ken Bank  
Administrator

**DATE:** November 23, 1999

**RE:** Land Lease Agreement

Enclosed is a fully executed agreement of the land lease between St. Olaf College and the City of Northfield.

**CC:** Bob Straughn, McGrann, Shea, Franzen, Carnival, Straughn & Lamb  
John Donnelly, Frauenshuh Companies

## AGREEMENT

THIS AGREEMENT, made this 17<sup>th</sup> day of November, 1999, between ST. OLAF COLLEGE, a Minnesota non-profit corporation ("College") and CITY OF NORTHFIELD, a Minnesota municipal corporation ("City").

WHEREAS, College owns approximately 400 acres of undeveloped land in Dakota County, Minnesota, lying north of its existing college campus and legally described in Exhibit A attached hereto and incorporated herein by reference (the "Dakota County Property");

WHEREAS, College desires to develop the Dakota County Property for uses compatible with its college and community activities and its college campus; and

WHEREAS, City desires to be an anchor tenant of the Dakota County Property and to build a hospital and related facilities on an approximately 60-acre site on the Dakota County Property and legally described in Exhibit B attached hereto and incorporated herein by reference (the "Hospital Property").

NOW, THEREFORE, it is agreed between the parties as follows:

1. Representations and Warranties of Parties.
  - (a) College represents and warrants that it is a Minnesota non-profit corporation duly organized and validly existing in good standing under the laws of the State of Minnesota, has been determined to be a Section 501(c)(3) organization under the Internal Revenue Code as amended and knows of no event or circumstance why such determination would be called into question, and is not in violation of any provisions of its corporate charter or bylaws and has full power and authority to enter into this Agreement and perform its obligations hereunder.
  - (b) City represents and warrants that it is a Minnesota municipal corporation duly organized and validly existing in good standing under the laws of the State of Minnesota, is exempt from federal income taxes under Section 115 of the Internal Revenue Code as amended and is not in violation of any provisions of its corporate charter or bylaws and has full power and authority to enter into this Agreement and perform its obligations hereunder.
2. Hospital Due Diligence.
  - (a) College shall promptly at its expense furnish City with a commitment for a lessee's title insurance policy to the Hospital Property issued by Old Republic National Title Insurance

Company or other title insurance company selected by College and reasonably acceptable to City, naming City as the proposed tenant-insured of the Hospital Property and including copies of each instrument listed as an exception to title or referred to therein and searches for special assessments (the "Title Evidence"). In addition, College shall promptly at its expense furnish City with an ALTA survey of the Hospital Property to be prepared by a Minnesota registered land surveyor which ALTA survey shall at a minimum show boundaries, encroachments, wetlands as defined under the Federal Clean Water Act or the Minnesota Wetlands Conservation Act and the computation of the area of the Hospital Property and the wetlands, if any. City, within thirty (30) days after receipt of the later of the Title Evidence or the ALTA survey, shall make objections to the marketability of the title to the Hospital Property based upon examination of the Title Evidence and the ALTA survey, said objections to be made by written notice or to be deemed waived.

If any objections are so made to the marketability of the title to the Hospital Property, College shall be allowed 180 days after the making of such objections by City to cure such objections and make the title to the Hospital Property good and marketable in College.

Once the City has approved title to the Hospital Property, College shall not prior to the execution of the Lease, without the prior written consent of City, undertake any voluntary actions or permit any liens (other than liens for real estate taxes and special assessments not yet due and payable) which affect title to the Hospital Property.

- (b) At City's expense, City, its agents and designees, are hereby granted the right at any time or times after the date hereof to enter upon and to inspect, analyze, survey and test the Hospital Property. City shall give College copies of all written documents received relating to the Hospital Property. City shall hold College harmless from any liability including attorneys' fees resulting solely from the entering upon the Hospital Property or the performing of any of the tests or inspections referred to in this Paragraph by City, its agents or designees. The Hospital Property is subject to a farm lease for the 1999 crop season and may have crops on it. Any injury or damage to crops shall be the responsibility of City.
- (c) If title to the Hospital Property, as evidenced by the Title Evidence, is not good and marketable of record in College and is not made so

within 180 days after the timely, proper making of objections by City (or if all uncured objections to title have not been waived in writing by City), or if City objects in writing to the physical condition of the Hospital Property in its sole discretion due to soil conditions, environmental matters, elevation or other matters within ninety (90) days following the later of the date of this Agreement or City's receipt of a survey showing the boundaries and general topography of the Hospital Property (which survey need not be an ALTA survey), then this Agreement shall automatically terminate and neither party shall have any liability to the other except that City's hold harmless under Paragraph 2(b) above and Paragraph 12 below shall survive the termination of this Agreement.

3. Development Matters. College and City agree to cooperate in good faith and to diligently pursue all approvals, agreements and other matters necessary for the development of the Dakota County Property and the Hospital Property as hereinafter set forth. However, except for this agreement, neither party shall be obligated to take any irrevocably binding action or enter into any binding agreement with any government authorities with jurisdiction unless and until a complete development plan has been agreed to in writing among College, the City and all other applicable governmental authorities. (the "Development Agreement"). Notwithstanding any provision of this Agreement, neither College nor City shall be obligated to enter into a Development Agreement which it finds objectionable in the exercise of good faith. Without limiting the foregoing College shall not be obligated to enter into any Development Agreement which requires College to donate land for public improvements, pay for movement of existing utilities or, except as specifically set forth in this Agreement, waive other costs in connection with or related to development of the Hospital Property. If all governmental development approvals, consents, licenses, permits, agreements and actions sought by College and City with respect to or related to the development of the Dakota County Property and the Hospital Property have not been obtained or waived by the affected party or parties prior to July 1, 2001, then, unless this Agreement is mutually extended, either party may at any time thereafter terminate this Agreement by written notice to the other party and neither party shall have any liability to the other except that City's hold harmless under Paragraph 2(b) above and Paragraph 12 below shall survive the termination of this Agreement.
  - (a) Matters of Primary College Responsibility. Promptly upon City's acceptance of the condition of title to the Hospital Property and its physical condition, College shall at its expense take the following actions:

- (i) Make formal application to the City that the City annex all or part of the Dakota County Property as determined by the College in its sole discretion but including at a minimum the annexation of the Hospital Property. The annexation shall not be effective unless and until the Development Agreement and the Lease as hereinafter defined are executed and effective.
  - (ii) Make formal application to the City that the City rezone and amend its Comprehensive Use Plan to that part of the Dakota County Property proposed to be annexed to a category or categories satisfactory to College in its sole discretion but consistent with the use of the Hospital Property for hospital purposes.
  - (iii) Make formal application to the City that the City plat that part of the Dakota County Property proposed to be annexed if required by the City or desired by the College in a manner satisfactory to the College in its sole discretion but, if platted, including the Hospital Property as one or more lots and/or outlots separate from the balance of the Dakota County Property. City shall have the right to approve any roadway and utility easements included in any plat which approval shall not be unreasonably withheld or delayed. If College determines not to plat the Hospital Property, College will make formal application to create the Hospital Property as a separate tax parcel.
  - (iv) Although College's plans for the Dakota County Property have not been finalized, College will make reasonable efforts to identify such proposed uses and plans (including site plans) for the Dakota County Property as may be needed or desirable to address pre-development matters and lead to a Development Agreement.
- (b) Matters of Primary Hospital Responsibility. Promptly upon City's acceptance of the condition of title to the Hospital Property and its physical condition, City shall at its expense take the following actions:
- (i) Enter into discussions and finalize with the City, Dakota County, Rice County, Minnesota Department of Transportation, College and others as appropriate with respect to the design, development and financing of roadways and transportation to serve the Dakota County

Property, Hospital Property and surrounding areas, subject to the approval of College which approval shall not be unreasonably withheld or delayed. It is contemplated that the roadway and transportation projects will be the paving of North Avenue from Eveleth Avenue to a new City arterial street (sometimes referred to as Cedar Avenue) connecting trunk Highway 19 and North Avenue and the extension of such new City arterial street from North Avenue to trunk Highway 19 and such other roadway and transportation projects, if any, approved by College at the request of City in connection with the initial development of the Hospital Property pursuant to this Agreement (the "Roadway Projects"). College shall not be liable for any roadway construction costs arising out of or related to the Roadway Projects and should the Dakota County Property, the Hospital Property or any other land of College be subjected to any liens or assessments arising out of or related to the design, development or financing of said roadways payment thereof shall be a rent obligation of City under the Lease.

- (ii) Enter into discussions and finalize with Dakota County, Rice County, College and others as appropriate with respect to the design, development and financing of utilities to serve the Dakota County Property, Hospital Property and surrounding areas subject to the approval of College which approval shall not be unreasonably withheld or delayed. College shall not be liable for any utilities construction costs arising out of or related to City's development discussions pursuant to this Agreement, nor shall the Dakota County Property, the Hospital Property or other land of College be subjected to any liens or assessments arising out of or related to the design, development or financing of said utilities; provided, however, College agrees that the balance of any annexed Dakota County Property excluding the Hospital Property may be subjected to deferred SAC/WAC charges on a per acre basis payable in cash or by assessment upon the first to occur of final platting, or if not platted, of site plan approval or building permit approval, whichever first occurs, based upon the number of acres platted, built upon or developed as the case may be. If the City requires the platting of the Dakota County Property to be annexed or any other condition to development of such property which would cause deferred SAC/WAC charges to become immediately payable on the

Dakota County Property (other than the Hospital Property) in connection with the development of the Hospital Property, College shall have no obligation to enter into the Development Agreement or the Lease. City shall pay in cash or by assessment at the time the Hospital Property is platted or when a site plan or building permit is approved for the Hospital Property, whichever first occurs, all SAC/WAC charges to which the Hospital Property is subjected (which shall be on a per acre basis equal to the per acre SAC/WAC charge on the balance of the annexed Dakota Property).

(iii) Identify and resolve with applicable governmental authorities all issues relating to the construction, operation and financing of a hospital on the Hospital Property which need to be addressed prior to execution of the Development Agreement and the Lease including without limitation obtaining any licenses or approvals as may be required to relocate the hospital to the Hospital Property.

(iv) Although City's plans for the Hospital Property have not been finalized, City will make reasonable efforts to identify such proposed uses and plans (including site plans) for the Hospital Property as may be needed or desirable to address pre-development matters and lead to a Development Agreement.

(c) Preparation. Following the execution of this Agreement but prior to City's acceptance of the condition of title to the Hospital Property and its physical condition, College and City agree to make reasonable preparation in order to implement subsections (a) and (b) above promptly upon City's acceptance of the condition of title to the Hospital Property and its physical condition. Without limiting the foregoing, College agrees to begin informational meetings with City and appropriate governmental authorities regarding annexation and, within a reasonable period of time, to determine how much of the Dakota County Property College desires to be annexed and to begin the formal application process for annexation.

4. Lease. Attached to this Agreement as Exhibit C is a proposed ground lease of the Hospital Property between College and City, the form of which is acceptable to the parties (the "Lease"), and which Lease is incorporated herein by reference. Contemporaneously, with the execution of the Development Agreement, the parties shall execute and deliver the

Lease. Should this Agreement terminate before execution of the Lease, City shall have no legal or equitable interest in the Hospital Property and shall, if requested by College, promptly provide College with an executed quit-claim deed to the Hospital Property in recordable form.

5. Exclusive Negotiations. Each party anticipates considerable expense and effort to be expended on its part in connection with its activities under this Agreement. Accordingly, City agrees that it will not, while this Agreement remains in force and effect, have discussions with, negotiate with, or enter into an agreement with any other party with respect to the purchase or lease of land or facilities for use as a new hospital facility; and College agrees that it will not, while this Agreement remains in force and effect, have discussions with, negotiate with, or enter into an agreement with any other party with respect to the sale or lease of the Hospital Property, or with respect to the sale or lease of the balance of the Dakota County Property for use as a hospital facility or for medical clinics or medical offices. Elderly housing including assisted living is not included within the use of a hospital facility, medical clinics or medical offices.
6. Notices. All documents to be delivered and all correspondence and notices to be given in connection with this Agreement shall be in writing and given by personal delivery or sent by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to College:                    St. Olaf College  
                                          1520 St. Olaf Avenue  
                                          Northfield, MN 55057-1098  
                                          Attn: Alan J. Norton, Ph.D.  
                                          Vice President and Treasurer

If to Hospital:                    City of Northfield  
                                          801 Washington Street  
                                          Northfield, MN 55057-2598  
                                          Attn: City Administrator

cc: Northfield Hospital  
                                          801 W. First Street  
                                          Northfield, MN 55057  
                                          Attn: Hospital Administrator

Each such mailed notice or communication shall be deemed to have been given to or served upon, the party to whom it is addressed on the date the same is deposited in the United States registered or certified mail, return receipt requested, postage prepaid, properly addressed in the manner above provided. Either party hereto may change such party's address for the service of the notice hereunder by written notice of such change to the



other party hereto, in the manner above specified ten (10) days prior to the effective date of change.

11. Assignment. This Agreement may not be assigned by either party without the consent of the other party which consent may be withheld in a party's sole discretion; provided, however, City may, without the prior consent of College, assign this Agreement to an agency of the City. A change in control of a party, whether by operation of law or otherwise, shall be deemed an assignment requiring consent.
12. Commission. Each party represents and warrants to the other that it has not engaged or made use of any agent or broker in connection with this Agreement including the Lease and that no commission or fee is due to any agent or broker by reason such party's actions except that City has engaged Frauenshuh Companies to assist it in the development of a new hospital facility and medical campus. City shall hold College harmless from any commission or fee payable to Frauenshuh Companies.
13. Miscellaneous. This is a final agreement between the parties and contains their entire agreement and supersedes all previous understandings and agreements, oral and written, relative to the subject matter of this Agreement.

Time is of the essence in the performance of this Agreement.


Each party shall be responsible for its own fees, costs and expenses incurred in connection with the negotiation and implementation of this Agreement including attorneys' fees; provided, however, in the event of any litigation between the parties arising out of or connected with this Agreement (but not the executed Lease which shall be governed by its own provisions), the prevailing party shall be entitled to recover its costs and expenses including reasonable attorneys' fees.

In applying rules of interpretation to the provisions of this Agreement, this Agreement shall be considered the joint work product of College and City.

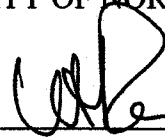
14. Termination. This Agreement shall terminate upon the earlier to occur of:
  - (a) Automatic termination as provided in Section 2(c) of this Agreement.
  - (b) Written notice of termination as provided in Section 3 of this Agreement.
  - (c) Execution and recording of a short form of Lease as provided in Article XXII, Section 2 of the Lease.

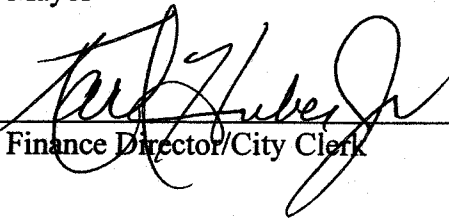
IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year set forth above.

ST. OLAF COLLEGE

By   
Its Vice President + Treasurer

CITY OF NORTHFIELD

By   
Its Mayor

Dated By   
Its Finance Director/City Clerk

GP:563934 v8