



MEMO

To: Northfield City Council

From: Northfield Hospital + Clinics Administration

Date: December 27, 2018

RE: Faribault Clinic Lease Agreement

The Northfield City Council is asked to approve a Commercial Lease for clinic space at 1645 Lyndale Avenue North, Suite 101, Faribault, MN, between Northfield Hospital + Clinics and ABC 5 Financing, LLC.

For many years residents from Faribault have used Summit Orthopedics (and formerly Orthopedic Fracture Clinic) to meet their orthopedic needs. Patients are seen in the Faribault clinic and have surgery at the Northfield Hospital. In January 2019, the relationship between Summit Orthopedics and NH+C will change with NH+C assuming full operations of the orthopedic clinics and Summit providing sub-specialty orthopedic services.

For the Faribault practice, this includes hiring the Summit staff and assuming the clinic space. While a majority of the clinic space is already located in a suite owned by NH+C, 657 sq. ft. of additional space has been leased by Summit in an adjacent suite. This is office space used by staff who support the clinic practice. For business purposes, it is important for NH+C to maintain this additional space.

To maintain this space, NH+C has negotiated a lease at the same rate Summit has paid. This is a fair market rate of \$18.72/sq. ft. (all inclusive). The initial term is for one year and can be extended for one-year periods with a 60-day termination notice. As the space is currently used for this purpose, no additional remodeling costs are required.

If the lease is approved, the orthopedic clinic can continue to provide services without interruption.