

City Council Memorandum

To: Mayor Fasbender & City Councilmembers From: Julie Flaten, Interim City Administrator

Date: September 16, 2019

Item: Cost Sharing and Lease Agreement with ISD 200

Council Action Requested:

Approve the enclosed Cost Sharing and Lease Agreement with ISD 200

Background Information:

In 2011 ISD 200 proposed to the City of Hastings to relocate the Senior Center to the Tilden Center Campus and to move the Alternative Learning Center (ALC) into the facility owned by the City, which was the Senior Center at that time.

Two agreements were created. One was a lease agreement where ISD 200 would make \$34,000 annual lease payments to the City for the use of the Ramsey Street property as the ALC location. The second agreement was a cost sharing agreement where the City would make payments totaling \$30,000 annually for costs associated with renovating the Tilden Campus for use a Senior Center. The excess \$4,000/year was for future expenses for the City owned building on Ramsey Street. Both agreements ended earlier this month.

ISD 200 is asking to enter into new seven-year agreements to keep the ALC at the City owned Ramsey Street location and make lease payments to the City in the amount of \$34,000 annually to the City. The school district is also asking the City to help pay for needed improvements to the Tilden Center for deferred maintenance, lighting, security cameras, tuckpointing, doors, and a new roof. The City would pay \$30,000 annually to assist in funding these improvements for the Senior Center portion of the Tilden Center Campus.

Attachments:

Lease Agreement and Cost Sharing Agreement

LEASE AGREEMENT

This lease is entered into on the ____ day of ____, 2019, between the City of Hastings, a Minnesota Municipal Corporation, with a principal place of business at 101 East 4th Street, Hastings, MN 55033, referred to herein as "Landlord" or "City", and Independent School District No. 200, with its principal place of business at 1000 West 11th Street, Hastings, MN 55033, referred to herein as "Tenant" or "School District". This agreement is sometimes referred to herein as "this Agreement" or "this Lease".

RECITALS

WHEREAS, the City is the owner of improved real property located generally at 213 Ramsey Street, Hastings, MN 55033 and legally described on the attached Exhibit A (hereinafter referred to as "the Ramsey Street Property");

WHEREAS, the City and School District desire to enter into a lease agreement whereby the City will lease the Ramsey Street Property to the School District for use in conducting educational programs, including the School District's ALC program;

NOW, THEREFORE, the City and School District hereby agree as follows:

1. **Demised Premises.** Landlord, in consideration of the covenants herein contained, to be kept and performed by Tenant, does hereby lease to Tenant and Tenant does hereby lease from Landlord the Ramsey Street Property as legally described on the attached Exhibit A, including all improvements thereon, and including specifically the non-exclusive right to use the improved parking lot located generally on the South 100 feet of Lot 5, Block 15, Town of Hastings, Blocks 1-99, Dakota County, Minnesota, which parking lot parcel is co-owned between Landlord and Patrick A. Walker and Vivian D. Walker (hereinafter collectively referred to as "the Premises"). Tenant shall not unreasonably interfere with the co-owner's use of the parking lot portion of the Premises.

2. Term, Possession and Rent Commencement.

- 2.1 **Term.** The term of this Lease shall be from the Possession Date until September 1, 2026, unless earlier terminated, provided that Tenant's obligation to pay rent shall begin on the Rent Commencement Date as defined herein. Both parties shall have the right to terminate this Lease at any time during the term hereof by giving written notice to the other party at least one (1) year prior to the intended date of termination and upon the date of termination, Tenant shall vacate the Premises and return possession of the Premises to Landlord. The term of this Lease may be extended by written agreement of both the Landlord and Tenant.
- 2.2 **Possession Date.** Landlord shall deliver possession of the Premise to Tenant on October 1, 2019 provided Tenant's obligation to pay rent shall begin on the Rent Commencement Date. Tenant's obligations to pay utility charges, secure

- insurance coverage, and maintain the Premises as provided herein shall begin on the Possession Date.
- 2.3 **Rent Commencement Date**. The Rent Commencement Date shall be October 1, 2019.
- 3. **Improvements**. The Premises is being leased in an "AS IS" condition. With the written consent of Landlord, Tenant may undertake reasonable modifications and alternations of the Premises, such consent not to be unreasonably withheld, provided that Landlord may impose reasonable conditions to providing such consent.
- 4. **Use of the Demised Premises**. It is agreed that the Premises shall be used by Tenant solely for the following purpose: School education programs. With the prior written consent of Landlord, such consent not to be unreasonably withheld, the Premises may be used for any other lawful purpose.
- 5. **Rent, Taxes and Utilities**. Tenant shall be responsible for payment of rent and other costs associated with the Premises as follows:
 - Rent. During the term of this Lease and beginning on the Rent Commencement Date, Tenant shall pay rent to Landlord in the amount of \$34,000.00 annually (\$10.00 per square foot) payable in monthly installments of \$2,833.34, payable in advance on the 1st day of each month. Rent shall be paid to Landlord at the Hastings City Hall, 101 East 4th Street, Hastings, MN 55033.
 - 5.2 Taxes, Utilities and Assessments. Landlord is exempt from the assessment of real estate taxes against its properties under Minnesota law. The parties contemplate that Tenant's use of the Premises will not cause real estate taxes to be assessed against the Premises. However, if for any reason real estate taxes or special assessments are lawfully assessed against the Premises during the term of this Lease, Tenant shall be responsible for the payment of the assessed real estate taxes and installments of special assessments prior to delinquency, subject to Tenant's right to terminate the Lease as provided herein. Tenant shall be responsible for the payment of all utility charges applicable to the Premises during the term of this Lease beginning on the Possession Date including all electric, natural gas, telephone, internet/data, and garbage removal services, the costs of which shall be billed directly to, and paid by, Tenant. Tenant shall independently determine the electrical utility servicing the Premises is adequate for Tenant's intended use of the Premises and Tenant shall not cause any overload to the electrical utility service.
- 6. **Maintenance**. Landlord and Tenant shall have the following responsibilities for maintenance of the Premises:

- 6.1 **Landlord Obligations.** Landlord's maintenance obligations shall include maintaining, at its cost, only the following:
 - 6.1.1 The roof, external walls and other structural components of the building;
 - 6.1.2 Sweeping, resurfacing, repairing and striping of the parking lot;
 - 6.1.3 Maintaining any grass, trees and shrubs at the Premises; and
 - 6.1.4 Snow and ice removal from the parking lot, driveways and sidewalks for the Premises on days Tenant is not obligated to remove the snow and ice because its education programs are not in session.
- 6.2 **Tenant's Obligations.** Tenant's maintenance obligations shall include maintaining, at its cost, the following:
 - 6.2.1 Snow and ice removal from the parking lot, driveways and sidewalks for the Premises except on days Tenant's education programs are not in session and to the extent snow and ice accumulation does not create a hazard for Tenant, its employees, agents or invitees.
 - 6.2.2 All plumbing fixtures and components including sewer and water pipes contained within the Premises.
 - 6.2.3 All electrical components including wiring and fixtures within the Premises.
 - 6.2.4 All HVAC systems including all air conditioning and heating systems within the Premises which shall include regular, routine maintenance of the HVAC systems as necessary to keep the systems operating and in good condition.
 - 6.2.5 All other items of maintenance not specifically delegated to Landlord under this lease and related to the Premises, including the obligation to keep the premises in an orderly, clean and sanitary condition as required by the laws and ordinances applicable thereto which shall include removal of all garbage and debris generated on the Premises.

7. **Insurance.**

7.1 **Tenant's Obligations.**

7.1.1 **Property Insurance**. At all times during the Lease Term, Tenant shall procure and maintain, at its sole expense, "all-risk" property insurance, in an amount not less than one hundred percent (100%) of the replacement cost covering (a) all leasehold improvements in and to the Premises which are made at the expense of Tenant; and (b) Tenant's trade fixtures, equipment and other personal property from time to time situated in the Premises. The proceeds of such insurance shall be used for the repair or replacement of the property so insured, except that if not so applied or if this Lease is terminated following a casualty, the proceeds applicable to the leasehold improvements shall be paid to Landlord and the proceeds applicable to Tenant's personal property shall be paid to Tenant.

- 7.1.2 **Liability Insurance**. At all times during the Lease Term, Tenant shall procure and maintain, at its sole expense: general liability insurance applying to the use and occupancy of the Premises and the business operated by Tenant written on an occurrence basis. Such insurance shall have a minimum combined single limit of liability of at least \$1,000,000 per occurrence and a general aggregate limit of \$1,000,000. All such policies shall be written to apply to all bodily injury, property damage, and personal injury losses and shall be endorsed to include Landlord, its agents and employees, as additional insureds. Such liability insurance shall be primary and not excess or contributing to any other insurance as may be available to the additional insureds.
- 7.1.3 **Workers' Compensation Insurance**. At all times during the Lease Term, Tenant shall procure and maintain Workers' Compensation Insurance in accordance with the laws of the State of Minnesota.
- 7.1.4 **Policy Requirements**. All insurance required to be maintained by Tenant shall be issued by insurance companies authorized to do insurance business in the State of Minnesota. Tenant shall deliver to Landlord upon execution of this Lease a certificate of insurance (or, at Landlord's option, copies of the applicable policies) evidencing the insurance required. No such policy shall be subject to cancellation or modification without thirty (30) days prior written notice to Landlord. Tenant shall furnish Landlord with a replacement certificate with respect to any insurance not less than thirty (30) days prior to the expiration of the current policy. Tenant shall have the right to provide the insurance required by this Article pursuant to blanket policies, but only if such blanket policies expressly provide coverage to the Premises and the Landlord as required by this Lease.
- 7.2 **Landlord's Obligations.** Landlord shall keep the Premises insured against loss by fire and extended coverage perils in the amount of replacement coverage as determined by Landlord. The insurance shall be written by companies licensed to do business in the State of Minnesota.

8. Alterations and Liens.

- 8.1 Tenant shall not be allowed to alter or remodel the Premises without the prior written consent of Landlord, which consent will not be unreasonably withheld, provided that Landlord may impose reasonable conditions upon granting of consent.
- 8.2 In the event that a lien is placed against the Premises as a result of any construction or alteration done by or at the request of Tenant, Tenant shall satisfy or remove the same within ten (10) days of receipt of notice from

Landlord. So long as the laws of this State shall provide for the filing of a statutory bond to eliminate the attachment of mechanic's or materialmen's liens to real estate, Tenant shall require that its contractor or itself shall take such steps as are provided by law for the filing of said statutory bond to remove any such lien in the event Tenant contests the validity of such lien. If the same is not removed within ten (10) days from the date of written notice from Landlord, Landlord shall have the right at Landlord's option of paying the same or any portion thereof and the amounts so paid, including attorney's fees and expenses connected therewith, shall be deemed to be additional rent due from Tenant to Landlord and shall be paid to Landlord immediately upon provision to Tenant of a bill for same. Tenant shall indemnify and save harmless Landlord from and against all losses, claims, damages, costs or expenses suffered by Landlord by reason of any repairs, installations or improvements made by Tenant.

- 9. **Damage.** If the Premises is damaged or destroyed by Tenant or any person under its control, Tenant shall repair or replace the same to substantially the same condition as existed immediately prior to such damage or destruction unless Landlord agrees that repair or replacement is not necessary.
- 10. **Default**. In the event Tenant should (a) default in the payment of any of the rentals within thirty (30) days of notice that same is due hereunder or (b) default in the keeping or performing of any other term or condition of this Lease and fail to remove such default within thirty (30) days after receipt of notice in writing from Landlord specifying the nature of such default, then and in any such event Landlord is hereby authorized to re-enter said Premises, to eject Tenant, and take full possession of said Premises and to terminate this Lease at it's option.
- 11. **Condemnation.** If the whole or part of the Premises shall be taken by any public authority under the power of eminent domain, this Lease shall terminate when possession thereof shall be required by the appropriating or condemning authority, or when legal title to the Premises shall vest in the appropriating or condemning authority, whichever shall first occur.
- 12. **Landlord's Access to Premises.** Subject to Tenant's consent which shall not be unreasonably withheld, Landlord shall have the right to enter the Premises to make inspections, provide necessary services, or show the unit to prospective buyers, mortgagors, tenants or workers. As provided by law, in the case of emergency, Landlord may enter the Premises without Tenant's consent provided that Landlord shall first make all reasonable efforts to give notice to Tenant and following such emergency access, shall provide notice of such access which shall include, but not be limited to, posting written notice on the Premises.
- 13. **Assigning or Subletting**. Tenant shall not assign this Lease, and shall not sublet any part of the Premises without the prior consent in writing of Landlord and it shall be within Landlord's sole discretion to grant or withhold such consent.

14. **Indemnity**.

- 14.1 Tenant agrees to indemnify, defend and hold Landlord, its public officials, officers, employees and agents harmless from and against any claim, loss or expense arising out of injury, death or property loss or damage occurring in the Premises, except to the extent caused by the negligent act or intentional misconduct of Landlord, its employees, agents, or invitees.
- 14.2 Landlord agrees to indemnify, defend and hold Tenant, its public officials, officers, employees and agents harmless from and against any claim, loss or expense arising out of injury, death or property loss or damage occurring as a result of Landlord's acts or omissions, to the extent caused by the negligent act or intentional misconduct of Landlord, its employees, agents or invitees. Nothing in this Agreement constitutes a waiver by the City of any statutory or common law defenses, immunities, or limits on liability. The obligation of the City of Hastings under this section cannot exceed the amount that the City would be obligated to pay under the provisions and limitations of Minn. Stat. Chap 466.
- 15. **Mutual Release**. Landlord and Tenant hereby release one another and their respective public officials, officers, agents and employees from any and all liability (to the other or anyone claiming through or under them by way of subrogation or otherwise) for any loss or damage covered by property insurance or coverable by a customary policy of insurance even if such loss or damage shall have been caused by the fault or negligence of the other party, or anyone for whom such party may be responsible.
- 16. **Notices**. All notices, consents, demands and requests which may be or are required to be given by either party to the other, shall be in writing, and shall be deemed given or served when deposited in the United States mail by registered or certified mail, postage prepaid, addressed as follows:

If to Landlord: City of Hastings

Attn: City Administrator 101 Fourth Street East Hastings, MN 55033

If to Tenant: Independent School District No. 200

Attn: District Superintendent

1000 West 11th Street Hastings, MN 55033

Such addresses may be changed from time to time by either party by serving notices as above provided.

- 17. **Attorneys Fees**. In the event either party hereto institutes legal action or proceedings arising out of or in any way connected with this Lease, the non-prevailing party shall reimburse the prevailing party for all reasonable attorney fees and costs incurred in connection herewith.
- 18. **All Agreements Included**. Except as identified herein, this Lease embodies all the agreements between the parties hereto respecting the Premises hereby demised. All subsequent changes and modifications to be valid shall be embodied within a written instrument duly executed by the parties hereto.
- 19. **Paragraph Headings.** The headings of the several paragraphs contained herein are for convenience only and do not define, limit, or construe the contents, construction or meaning of the provisions of this Lease.
- 20. **Laws of Minnesota**. The laws of the State of Minnesota shall govern the validity, performance and enforcement of this Lease.
- 21. **Saving Clause**. The invalidity or unenforceability of any provision of this Lease shall not affect or impair the validity of any other provision.
- 22. **Successors and Assigns**. All of the terms, covenants, provisions and conditions of this Lease shall be binding upon and inure to the benefit of the parties hereto, their respective successors and assigns.
- 23. **Consents.** Landlord and Tenant covenant and agree that except where withholding of consent is expressly authorized as to a specific matter, whenever, pursuant to the terms of this Lease, consent, satisfaction, determination or approval is required or permitted of Landlord and Tenant, such consent, satisfaction, determination or approval shall not be unreasonably determined, withheld or delayed.

24. Hazardous Materials.

- 24.1 Tenant shall not use, store, manufacture, dispose of or discharge any pollutants, contaminants, or harmful or hazardous substances in excess of the USDOT reportable quantities for Dangerous Goods and Hazardous Materials from or on the Premises or otherwise occupy or permit the Premises to be occupied or used in a manner which:
 - 24.1.1 violates any law, regulation, rule or other governmental requirement;
 - 24.1.2 impairs the health, safety or condition of any person or property; or
 - 24.1.3 adversely affects the use, enjoyment or value of the Premises or the surrounding property.
- 24.2 Tenant shall promptly notify Landlord of the breach, or the potential or threatened breach, of any of the provisions of this Article. Landlord shall have

the right of access to the Premises to inspect, test and, in Landlord's sole discretion, remedy any potential environmental problem. Tenant shall indemnify and hold Landlord, its public officials, officers, employees and agents harmless from any loss, claim, liability or expense (including, without limitation, attorneys' fees, court costs, consultant fees, expert fees, penalties, fines, removal, clean-up, transportation, disposal, restoration expenses, diminution in value of the Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, and damages arising from any adverse impact on marketing of space) arising in connection with Tenant's failure to comply with the provisions of this Article.

24.3 Tenant will indemnify, defend, save and hold harmless Landlord, its public officials, officers, agents, employees, invitees, and their respective heirs, successors and assigns (collectively "Indemnified Parties") against and from, and shall reimburse the Indemnified Parties with respect to, any and all damages, claims, liabilities, loss, costs and expenses (including, without limitation, all attorney's fees and expenses, court costs, administrative costs and costs of appeals), incurred by or asserted against the Indemnified Parties by reason of or arising out of Tenant's failure to comply with the provisions of this Article.

{SIGNATURE PAGES TO FOLLOW}

IN WITNESS WHEREOF the respective parties hereby have executed this Lease Agreement on the day and year first above written.

	LANDLORD:
	City of Hastings, a Minnesota Municipal Corporation
(SEAL)	By: Mary Fasbender, Mayor
	By:
	TENANT:
	Independent School District No. 200,
	By: Tim Collins, Superintendent Hastings Public Schools
STATE OF MINNESOTA	
COUNTY OF DAKOTA) ss.)
2019 by Mary Fasbender, Mand by Julie Flaten, Interim	s acknowledged before me this day of yor of the City of Hastings, a Minnesota municipal corporation City Admin & Administrative Services Director of the City of pal corporation, on behalf of said corporation.
	Notary Public

STATE OF MINNESOTA	
COUNTY OF DAKOTA) ss.)
e e	s acknowledged before me this day of tendent for Hastings Public Schools.
	Notary Public

Exhibit A Legal Description-Ramsey Street Property

Lot 6 except the South 70 feet thereof and an undivided ½ interest in Lot 5, except the South 100 feet thereof, all in Block 15, Town of Hastings, according to the recorded plat thereof, Dakota County, Minnesota (Abstract Property); and

An undivided ½ interest in the South 100 feet of Lot 5, Block 15, Town of Hastings, according to the recorded plat thereof, Dakota County, Minnesota, (Torrens Property).

COST SHARING AGREEMENT

This agreement is entered into on the ____ day of ____, 2019, between the City of Hastings, a Minnesota Municipal Corporation, with a principal place of business at 101 East 4th Street, Hastings, MN 55033, referred to herein as "City", and Independent School District No. 200, with its principal place of business at 1000 West 11th Street, Hastings, MN 55033, referred to herein as "School District". This agreement is sometimes referred to herein as "this Agreement".

RECITALS

WHEREAS, the City and School District entered into a joint powers agreement (hereinafter referred to as "the Joint Powers Agreement") dated as of May 2, 2001 pursuant to Minnesota Statute Section 471.59 which provides for the operation of a community education program within the City of Hastings pursuant to Minnesota Statute Section 121.85;

WHEREAS, the City is the owner of improved real property located generally at 213 Ramsey Street, Hastings, MN 55033 and legally described on the attached Exhibit A (hereinafter referred to as "the Ramsey Street Property");

WHEREAS, the City and School District currently operate a senior center community education program in the Tilden Center Property pursuant to the Joint Powers Agreement;

WHEREAS, the School District is the owner of improved real property located generally at 855 4th Street West, Hastings, MN 55033 and legally described on the attached Exhibit B (hereinafter referred to as "the Tilden Center");

WHEREAS, the City and School District have relocated the senior center operations from the Ramsey Street Property to the Tilden Center;

WHEREAS, to make the Tilden Center and associated improvements suitable for operation of the senior center, the School District is willing to undertake certain improvements, repairs and maintenance of the Tilden Center with an estimated cost of \$1.2 million on the condition that the City agrees to contribute \$30,000.00 each year, for a period of 7 years, totaling \$210,000.00, to the School District to partially offset the School District's costs of improving, maintaining and repairing the Tilden Center;

WHEREAS, the City and School District wish to reduce to writing their agreements regarding relocation of the senior center to the Tilden Center.

NOW, THEREFORE, the City and School District hereby agree as follows:

1. **Cost Sharing Agreement**. The City shall contribute \$30,000.00 each year, in monthly installments, for a period of 7 years, totaling \$210,000.00, to the School District to partially offset the School District's costs of improving, maintaining and repairing the Tilden Center

currently estimated to be \$1.2 million. The City shall make eighty-four (84) monthly payments to the School District in the amount of \$2,500.00 each month beginning on the first day of September, 2019 and continuing on the first day of each month thereafter through August 1, 2026 when the entire contribution of \$210,000.00 by the City shall have been paid in full. The City and School District agree to work cooperatively to facilitate the relocation of the senior center facility and operations to the Tilden Center. This Agreement shall not modify the Joint Powers Agreement and except as provided for herein, operation of the senior center at the Tilden Center shall continue in the same manner and to the same extent as undertaken by the parties in the past with cost sharing controlled by the terms of the Joint Powers Agreement.

2. **Notices**. All notices, consents, demands and requests which may be or are required to be given by either party to the other, shall be in writing, and shall be deemed given or served when deposited in the United States mail by registered or certified mail, postage prepaid, addressed as follows:

If to City: City of Hastings

Attn: City Administrator 101 Fourth Street East Hastings, MN 55033

If to School District: Independent School District No. 200

Attn: District Superintendent

1000 West 11th Street Hastings, MN 55033

Such addresses may be changed from time to time by either party by serving notices as above provided.

- 3. **All Agreements Included**. Except as identified herein, this Agreement and the Joint Powers Agreement embody all the agreements between the parties hereto respecting the relocation of the senior center to the Tilden Center. All subsequent changes and modifications to be valid shall be embodied within a written instrument duly executed by the parties hereto.
- 4. **Dispute Resolution**. In the event of a dispute between the parties to this Agreement, before either party may initiate any lawsuit or other court action, the parties agree to undertake reasonable efforts in good faith to resolve the dispute through negotiation or another form of non-binding alternative dispute resolution mutually agreed to by the parties.
- 5. **Paragraph Headings.** The headings of the several paragraphs contained herein are for convenience only and do not define, limit, or construe the contents, construction or meaning of the provisions of this Agreement.
- 6. **Laws of Minnesota**. The laws of the State of Minnesota shall govern the validity, performance and enforcement of this Agreement.

IN WITNESS WHEREOF the respective parties hereby have executed this Agreement on the day and year first above written.

	City of Hastings, a Minnesota Municipal Corporation
(SEAL)	By: Mary Fasbender, Mayor
	By: Julie Flaten, Interim City Admin & Administrative Services Director
	Independent School District No. 200,
	By: Tim Collins, Superintendent Hastings Public Schools
STATE OF MINNESOTA	
COUNTY OF DAKOTA) ss.)
by Mary Fasbender, Mayor Julie Flaten, Interim City A	as acknowledged before me this day of, 2019 of the City of Hastings, a Minnesota municipal corporation, and by dmin & Administrative Services Director of the City of Hastings, a ation, on behalf of said corporation.
	Notary Public
STATE OF MINNESOTA	
COUNTY OF DAKOTA) ss.)
	ras acknowledged before me this day of, ntendent for Hastings Public Schools.
	Notary Public

Exhibit A Legal Description-Ramsey Street Property

Lot 6 except the South 70 feet thereof and an undivided $\frac{1}{2}$ interest in Lot 5, except the South 100 feet thereof, all in Block 15, Town of Hastings, according to the recorded plat thereof, Dakota County, Minnesota (Abstract Property); and

An undivided ½ interest in the South 100 feet of Lot 5, Block 15, Town of Hastings, according to the recorded plat thereof, Dakota County, Minnesota, (Torrens Property).

Exhibit B Legal Description-Tilden Center

Lots 1, 2, 3, 4, 5, 6, and 7, Block 18;
Lots 14 and 15, Block 18;
All of Lots 16 and 17, Block 18;
The West 20 feet of Lot 18, Block 18;
The East 20 feet of Lot 18, Block 18; and
All of Lots 19 and 20, Block 18;
All of the foregoing being part of Addition No. 13 to the City of Hastings, Dakota County,

Minnesota.