

NORTH PINE AREA HOSPITAL DISTRICT
Board of Directors
September 9, 2015
Meeting Minutes

Chairman Ron Osladil called the special session meeting of the North Pine Area Hospital District Board to order at 6:32 PM and led the Pledge of Allegiance.

Roll Call

Board:

Jane Brown, Myrna Nelson, Dennis Liebelt, Mary Deming, Gary Klein, Ray Thieling, Scott Hendricks, Merv Becker, Chuck Sprado, Ron Osladil, Wayne Oak, Andrew Hanley
Excused: Fran Levings

Others Present:

Melissa Maloney, Matt Hauka, Ty Erickson, Scott Nigon, Josh Muro, Michael Hedrix, Tim Franklin, Melissa Polster, Sam Griffith, Leonard Bonander, Kyal Klawitter

Presentation of Documents

Chairman Osladil explained that the purpose of the meeting was to distribute the Essentia lease and act on the City of Sandstone land deal documents for the proposed hospital project.

He then handed the meeting over to Chuck Sprado, chair of the Steering Committee. Chuck presented the agenda for the meeting and distributed a packet of documents including the Essentia Health Lease, the Amended and Restated Contract for Private Development, the Amended and Restated Purchase Agreement and the Development Agreement.

Chuck presented the Essentia Health Lease which the Steering Committee has in a fairly completed state. It is currently being reviewed by the lenders and is planned for action by the board at its next regular meeting. It is a triple net lease with an initial term of 25 years and 3 ten-year extenders. It holds Essentia responsible for all costs over the next 25 years and is tied to the bond terms. Chuck stated that the Steering Committee has spent considerable time negotiating this lease and has it in what they feel is a final version with only possible minor edits needed. No action on it was required at this meeting; Directors were encouraged to review it prior to the 9/22 meeting.

Chuck handed out the Overview of Agreements which was prepared by Chris Virta (legal counsel) that summarized the three agreements being considered this evening. The Overview is attached to these minutes.

Chuck then presented the Amended and Restated Purchase agreement. This is an agreement with the city of Sandstone to purchase 22.86 acres for \$37,350 that will be the site for the proposed Hospital. A question was raised as to if it included a right of first refusal by the district to purchase the parcel that Essentia Health is purchasing for the clinic. It was answered that none of the agreements include this as this equity position is required by the bank and Essentia needs to have ownership of the clinic in order to pledge it back as equity in the project.

Chuck presented the Amended and Restated Contract for Private Development. This is an agreement with the city of Sandstone that states the Hospital District's assessment for the approximately \$5M infrastructure project to build the road and utilities to the site will be \$690,000. Due to the FEDA grant approval, this is down from a \$1.2 million assessment in the purchase

agreement. Chuck reminded the board that the assessments are passed through to Essentia Health through the lease. A question was asked about when the road project will start. Sam Griffith, Sandstone City Administrator, answered that the city is working toward a construction start in October and that the work on the Military Road construction route to the site is starting yet this week.

Chuck presented the Development agreement. This is a new agreement that relates to the other 2 agreements. It outlines the city infrastructure and speaks to how NPAHD property is to connect to that infrastructure in their project.

Chuck next presented a resolution to execute the three previously discussed documents: Resolution Approving Various Agreement with the City of Sandstone and the Sandstone Economic Development Authority. (see attached resolution). Chuck made a motion to approve Resolution No. 2015-9-1. Merv Becker seconded this motion. Ron called for any additional comments or questions. None were heard. Ron called for a vote and Resolution No. 2015-9-1 passed unanimously.

Chuck reported to the group that the next regularly scheduled board meeting is set for September 22 and agenda items will include:

- a. Lease agreement with Essentia Health
- b. Building agreement
- c. General Contractor agreement
- d. Approval of finance documents with MB&T
- e. Early start document

Ron called for any other business. Leonard Bonander inquired about a ground breaking event and stated that elected officials should be invited. Sam indicated that the City of Sandstone would like to participate in the event. Jane Brown responded that she is working with Kris Sundberg through the communications plan and will know more by the next board meeting on the specifics of this event. Michael Hedrick added that a committee is working on it. The date will be dependent on the actual construction start date, which is planned to be in the first week of October.

Matt Hauka, Fryberger Law, was recognized for his great work on the detachment proceedings. Mr. Hauka expressed his appreciation for the board's process and careful implementation.

Dennis Liebelt made a motion to adjourn the meeting. Ray Thieling seconded. The motion passed unanimously.

R. Jane Brown
Acting Secretary

Attachments:
Overview of Agreements
Resolution No. 2015-9-1

Overview of Agreements

Amended and Restated Contract for Private Development

This agreement amends and restates the Contract for Private Development that was approved by the Board at its January 27, 2015 meeting, as amended by the Board at its March 31, 2015 meeting (that extended the closing deadline on the real estate transaction to accommodate the Federal EDA grant application). The agreement updates the description of the project to reflect a different owner for the medical office building (the "Clinic"). The agreement also reduces the amount the Hospital District agrees to have assessed against its property from \$1,200,000 to \$690,000. The assessments will be paid over 25 years and will amount to an annual payment of principal and interest of approximately \$42,000 (which will be paid by the hospital tenant through its lease with the Hospital District). The reduction in assessments is due to the City receiving the Federal EDA grant and state bonding proceeds this summer, as well as an Essentia entity now owning the Clinic that will be assessed \$145,000.

To summarize, in exchange for the Hospital District i) building the new hospital and ii) agreeing to pay \$690,000 in assessments over 25 years, the City is agreeing to i) issue improvement bonds and ii) undertake an approximate \$5,000,000 public infrastructure project that will benefit the new hospital and future development near the new hospital.

Amended and Restated Purchase Agreement

This agreement amends and restates the Purchase Agreement that was approved by the Board at its September 23, 2014 meeting, as amended by the Board at its March 31, 2015 meeting (that extended the closing deadline on the real estate transaction to accommodate the Federal EDA grant application). This agreement reduces the purchase price for the real estate from \$45,000 to \$37,350 to reflect that an Essentia entity will now be purchasing a portion of the real estate for \$7,650.

Development Agreement

This agreement does not amend or restate any agreement previously approved by the Board, but it relates directly to the other agreements. This agreement outlines the public infrastructure that the City will build to the real estate the Hospital District plans to acquire for the new hospital and also outlines the infrastructure that the Hospital District is responsible to build that will connect to the City's public infrastructure. Future maintenance and repair obligations that arise out of this agreement are assumed by the hospital tenant through the lease with the Hospital District.

**RESOLUTION APPROVING VARIOUS AGREEMENTS WITH THE CITY OF
SANDSTONE AND THE SANDSTONE ECONOMIC DEVELOPMENT
AUTHORITY**

BE IT RESOLVED, by the Board of the North Pine Area Hospital District (the "District"), as follows:

Section 1. Findings.

1.01 The District has proposed the development of a replacement hospital to be owned by the District (the "Project") to be located within the City of Sandstone, Minnesota.

1.02 The development will require extensive public infrastructure, including the construction of streets, sanitary sewer, and water mains (the "Public Improvements"), and the District has requested that the Sandstone Economic Development Authority (the "Authority") and the City of Sandstone (the "City") explore the use of certain public assistance, including the issuance of improvement bonds to finance the Public Improvements (the "Public Assistance") and also for the Authority to sell to the District the land on which the Project will be located (the "Public Assistance").

1.03 The terms and conditions for the Public Assistance are set forth in a Development Agreement between the District and City (the "Development Agreement"), an Amended and Restated Contract for Private Development between the District, City and Authority (the "ARCPD"), and an Amended and Restated Purchase Agreement between the District and Authority (the "ARPA" and together with the DA and ARCPD, the "Agreements"), the form of the Agreements are on file in the office of the Chair of the District.

Section 2. Approval.

2.01 The Board approves the execution of the Agreements in accordance with the terms, conditions and restrictions set forth in the Agreements.

2.02 The forms of the Agreements, as presented to the Board, are approved. The Chair and the Clerk of the District are authorized and directed in the name and on behalf of the District to execute the Agreements, with such changes as do not materially change the substance thereof as the Chair and the Clerk, in consultation with legal counsel, shall deem necessary and appropriate.

2.03. The Board hereby authorizes and directs the Chair and Clerk of the District to perform all actions and execute all instruments necessary to satisfy the terms and conditions set forth in the Agreements.

Adopted: September 9, 2015.

Attest:

Chair

Clerk