

LEASE

This Lease is an agreement for Landlord to rent to Tenant the Property described below, subject to the terms and conditions of this Lease.

The Landlord is Independent School District No. 206, a school district under the laws of the State of Minnesota (Landlord). Landlord's address is _____, Alexandria, MN 56308.

The Tenant is City of Carlos, a Minnesota municipal corporation (Tenant). Tenant's address is: _____.

1. **Description of Leased Property ("Property").** This is a Lease of ground only. The Property is shown on the attached map and is designated as _____.
2. **Condition of Property.** Tenant accepts the Property "as is." Landlord has no obligation to provide water, sewer, or private utilities or services to the Property.
3. **Term of Lease.** This Lease is for a term of 20 years beginning on _____, at 12:01 o'clock a.m. and ending on _____, at 11:59 o'clock p.m., unless otherwise terminated as provided herein. This Lease shall automatically be renewed on the same terms and conditions for successive 10 year terms unless either party gives written notice of termination at least 60 days prior to the expiration of the initial 10 year term or one of the a 10 year renewal terms. If not terminated sooner in accordance with the foregoing, this Lease shall terminate in 99 years. In the event the Landlord terminates this Lease by giving said 60 day notice to Tenant at the end of the initial 20 year term, the procedures set forth in section 29 below shall apply
4. **Rent.** The rent for the initial year of this lease shall be \$0.10 per square foot (there are ___ square feet). The rent shall increase annually over the previous year's rate by the percentage increase in the consumer price index.
5. **Payment of Rent.** Rent is due on January 1 of each year; provided, however, that Tenant shall have the option to pay the entire year's rent on January 1, or to pay rent in two equal installments on January 1 and July 1. Rent shall be paid at Landlord's address. Landlord does not need to give Tenant notice to pay Rent. Landlord may refuse to accept a partial payment of Rent that does not comply with this Section.
6. **Taxes.** Tenant shall pay when due all taxes or assessments that may be levied against the improvements located on the Property.
7. **Quiet Enjoyment.** If Tenant pays the Rent and complies with all other terms of this Lease, Tenant may use the Property for the terms of this Lease.
8. **Use of Property.** The premises shall be used by Tenant solely for the following purposes:

- a. constructing and maintaining a fire hall;

The Premises shall be used for no other purpose without the prior written consent of the Landlord or an individual or committee delegated such approval by the Landlord. This prohibition includes, but is not limited to, the use of the Premises for any commercial activities. Likewise, no signs or advertising matter shall be erected by Tenant without the prior consent of Landlord.

9. **Maintenance of Property.** Tenant shall maintain the Property and all improvements thereon in good order and repair and in a clean and neat condition. In the event of fire or any other casualty, Tenant shall repair or replace any damaged improvements within 120 days of the date of damage occurred. Upon Tenant's request, Landlord may grant a written extension of time if, in its sole discretion, Landlord believes such extension is warranted. If Tenant fails to make timely repairs, in addition to any other remedy, Landlord may remove any damaged improvements and restore the Property to its original condition, all at Tenant's expense.
10. **Unlawful Uses of Property.** Tenant shall not use the Property for any unlawful activity. In particular, Tenant agrees that (a) Tenant shall not unlawfully allow controlled substances on the Property; and (b) the property shall not be used by the Tenant or others acting under his or her control to manufacture, sell, give away, barter, deliver, exchange, distribute, or possess a controlled substance in violation of any local, state, or federal law, including Minn. Stat. Chapter 152. Tenant does not violate this agreement if a person other than Tenant possesses or allows controlled substances on the Property, unless Tenant knows or has reason to know of the activity.
11. **Tenant Improvements to Property.** Tenant may erect, maintain and alter improvements, including a fire hall upon the Property. All details related to construction of Tenant improvements must be approved in writing by Landlord. Tenant may arrange for utilities to serve the Property at Tenant's expense. Tenant improvements shall conform to all laws, codes, rules, regulations and ordinances now in effect or later adopted. All plans for such utilities and improvements shall be approved in writing by Landlord prior to construction. Landlord will not unreasonably withhold consent for Tenant to install, at its expense, water, sewer, or natural gas utilities to serve the property. Title to the improvements erected by the Tenant shall remain with the Tenant.
12. **Removal of Tenant Improvements.** Notwithstanding anything to the contrary in this Lease, when this Lease terminates, for whatever reason, either voluntarily or involuntarily, Tenant shall have the right to remove from the Property all improvements and personal property belonging to Tenant, but only if Tenant has paid all taxes, assessments, rent and other charges payable by Tenant under this Lease. If Tenant chooses to remove improvements and personal property, Tenant shall comply with all of the following:
 - a. Tenant shall restore the Property to as good condition as it was in when Tenant first took possession, including removal of cement slabs, footings and other

improvements made to the property

- b. Weather permitting and subject to the terms of 15.d. below, Tenant shall complete removal of improvements and personal property within 90 days after the termination of this Lease.
 - c. If Tenant's improvements and personal property are not removed within the 90 day period, Landlord may remove such improvements and personal property and Tenant shall pay all costs and fees incurred by Landlord in connection therewith. In the alternative, Landlord may keep such improvements and personal property and Tenant hereby conveys the same absolutely to the Landlord. Should Landlord exercise the option to keep the improvements and personal property, upon the expiration of said 90 day period, the title thereto shall vest in the Landlord without further act of conveyances.
 - d. If Tenant begins to remove improvements or personal property pursuant to the terms of this Lease, and Tenant can demonstrate to Landlord the removal cannot be completed within the 90 day period for reasons beyond Tenant's control, Landlord shall allow Tenant a reasonable extension of time to complete the removal.
- 13. **No Nuisances.** Tenant shall not suffer or permit any waste materials or nuisance items to remain on the Property including, without limitation, specifically, but not exclusively, building materials, fuel tanks.
 - 14. **No Outside Storage.** Tenant shall not store anything outside Tenant's hangar without prior written permission from Landlord.
 - 15. **Other Laws and Rules.** Tenant shall observe and obey all federal, state, and local laws, ordinances, rules and regulations.
 - 16. **No Assignment.** Tenant shall not, voluntarily or involuntarily assign, hypothecate or transfer this Lease, or any interest therein, nor sublease the Property to other Tenants, without the prior written consent of Landlord. Landlord gives its consent to Tenant assigning the Lease to Tenant's lender for security purposes if required by lender upon terms and conditions acceptable to Landlord.
 - 17. **Defense and Indemnity.** Tenant shall defend, indemnify and hold Landlord harmless from loss, from each and every claim and demand, of whatever nature, made upon behalf of or by any person for any act or omission of Tenant, its agents, employees, subsidiaries, licensees, and invitees. Tenant shall make no claim against Landlord on account of any injury, loss or damage to the Property, the improvements thereon, the personal property and facilities located thereon, or to any person or property at any time on the Property, however occasioned unless said claim is made because of intentional acts or gross negligence by the Landlord.
 - 18. **Insurance.** Tenant shall maintain liability insurance on the Property during this Lease.

Tenant shall include Landlord as an additional named insured on the policy. Tenant shall continuously maintain a current certificate of insurance on file with Landlord. Landlord reserves the right to revise the minimum insurance requirements upon reasonable notice. Tenant's insurance shall meet one of these minimum requirements:

- a. Owners-landlords and Tenants bodily injury insurance of \$500,000 for all damages arising out of bodily injuries to, or death of, one person, and \$1,500,000 for damages arising out of the bodily injuries to, or death of, two or more persons in any one accident, and owners-landlords and Tenant's property damage liability insurance of \$500,000; or
- b. Owners-landlords and Tenants combined single limits insurance of \$1,000,000.

19. **Right of Reentry.** Landlord reserves the right to enter upon the Property at any reasonable time for any purpose necessary for, incidental to, or connected with the exercise of its governmental functions including specifically, but not exclusively, fire protection, and compliance with the terms and conditions of this Lease. Before entering the Property in a non-emergency situation, Landlord shall make a good faith effort to give Tenant at least 24 hours notice of Landlord's intent to enter the Property and an opportunity to be present, but Tenant's failure to receive notice or failure to be present shall not prohibit Landlord from exercising its rights.

20. **Termination of Lease.**

- a. **Voluntary Termination.** Tenant may terminate this Lease at any time by giving Landlord 60 days notice of intent to terminate. If Tenant voluntarily terminates this Lease, Tenant shall pay all rent, additional rent, surcharges and fees due for the remainder of the year of termination, without pro-ration. Landlord reserves the right to voluntarily terminate this Lease. If Landlord voluntarily terminates this Lease, Landlord shall refund all rent, additional rent, surcharges and fees paid in the year of termination, with pro-ration. If such termination occurs within the initial 20 year term, the procedures set forth in section 29 below shall apply
- b. **Effect of Termination.** At the termination of this Lease, whether due to expiration of the Lease, voluntarily termination, or involuntary termination, Tenant shall vacate the Property in accordance with Section 12. Voluntary Termination by Tenant as set forth in this Section shall not trigger the right of the Tenant to payment as compensation for improvements as set forth in Section 29. If Tenant remains in possession of the Property after the termination of this Lease, such holding over shall not be deemed to operate as a renewal or extension of this Lease.

21. **Events of Default.** The following shall be Events of Default:

- a. Tenant fails to pay Rent within 15 days after the due date;
- b. Tenant, by act or omission, violates any other term, covenant or condition of this Lease and fails to correct such violation within 30 days after notice in writing to

Tenant;

- c. Tenant is declared insolvent or adjudicated a bankrupt, or makes a general assignment for the benefit of creditors;
 - d. A receiver or trustee of an insolvent Tenant's property is appointed by any Court, other than a trustee of a living trust established for estate planning purposes; or,
 - e. Tenant abandons the property;
 - f. Tenant no longer owns an aircraft to be stored in the hangar constructed on the leased premises.
22. **Remedies on Default.** In event of default, and after Landlord provides written notice of default to Tenant and Tenant fails to cure the default within 30 days thereafter (no notice is required nor is there a right to cure in the event Tenant fails to pay Rent within 15 days after the due date), Landlord may terminate this Lease by giving written notice to Tenant. After giving said notice of termination, Landlord may re-enter the Property and take possession of the Property. Landlord may re-enter and take possession of the Property immediately after giving notice to Tenant, or may delay re-entry, at Landlord's option. Termination of the Lease due to default shall not trigger the right of the Tenant to payment as compensation for improvements as set forth in Section 29. If Landlord chooses to terminate this Lease, Landlord may also bring legal proceedings to collect the rent, additional rent, rent surcharges and other fees to be paid under this Lease and for properly measured damages to the Property. Tenant shall pay Landlord the present value of all the rent due for the remainder of the Lease, and shall reimburse Landlord for all the expenses Landlord has suffered or paid because of the termination. In addition to the above rights and remedies, Landlord shall have all other rights and remedies allowed by law, including specifically but not exclusively, injunctive relief, ejection or summary proceedings in unlawful detainer. Landlord's rights and remedies shall be cumulative and not exclusive.
23. **No Waiver.** The waiver by Landlord of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition herein contained.
24. **Notices.** All notices required by law or by this Lease to be given to Tenant or Landlord shall be in writing delivered to the addresses on the first page of this Lease. Landlord or Tenant may designate a new address by giving written notice. Notice shall be deemed given as of the date such notice is deposited postage paid in the United States mail.
25. **Condemnation.** If it shall be in the public interest, Landlord shall have the power to condemn this Lease even though it is itself a party to the Lease.
26. **Independence of Contract.** Nothing in this Lease shall be construed as creating any partnership or relationship between the parties other than that of Landlord and Tenant.

27. **Entire Agreement.** This Lease constitutes the sole agreement between the parties governing the lease of school land. There are no oral or contemporaneous agreements which are not contained in this document. This Lease may not be modified except in writing. The provisions of this Lease are severable. If any term of this Lease is determined by a court of competent jurisdiction to be invalid, that determination shall not affect the validity of any other term of this Lease.
28. **Execution.** This document has been executed in duplication. Tenant shall retain one copy. Landlord shall retain one copy. Both copies shall be considered an original.
29. **Payment of Compensation for Improvements.** In the event of a termination based on the Landlord's exercise of its right to not renew this Lease following the initial 20 year term as set forth in section 3 and if Tenant has paid all taxes, assessments, rent and other charges payable by Tenant under this Lease, the following rules and procedures shall apply:
- a. Tenant will have the option to remove Tenant's personal property, the Tenant's building, and all fixtures from the Property as allowed and as set forth in section 12 of this Lease, or Tenant can require the Landlord to purchase Tenant's interest in the Improvements (as hereafter defined) by providing a written notice to Landlord of Tenant's election to require Landlord's purchase of the Improvements ("Tenant's Notice") not later than 15 days after Tenant receives Landlord's notice of Lease termination.
 - b. In the event Tenant elects to require the Landlord's purchase of Improvements, the purchase price shall be the lesser amount of (1) the outstanding bonds or (2) the depreciated value for Improvements as set forth in the IRS Code (39 years) ("Purchase Price") to be paid in cash within 30 days after such value is determined.
 - c. "Improvements" is defined to mean the fire hall and fixtures and does not mean personal property or trade fixtures.
 - d. In the event the Tenant elects to require the Landlord to purchase the Improvements, Tenant shall remove Tenant's personal property from the Property not later than 45 days after Tenant provides Tenant's Notice to Landlord. During said 45 day period, this Lease shall continue and the parties shall continue to abide by its terms.

(the remainder of this page is intentionally left blank – signature pages to follow)

TENANT

CITY OF CARLOS

By: _____

,

By: _____

,

STATE OF MINNESOTA)

)ss.

COUNTY OF DOUGLAS)

The foregoing instrument was acknowledged before this ____ day of _____, 2020, by _____ and _____ the _____ and _____ of City of Carlos, a Minnesota municipal corporation.

Notary Public