

SUBJECT – CITY PROPERTY Real Property - Lease	Number 155.6	Revised 4-13-09 12-XX-25	Effective Date 9-17-01 10-25	Page 1 of 3
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I. SUBJECT:

Lease of City-Owned Residential Real Property and City-Owned Real Property to Nonprofit and For-Profit Organizations

II.PURPOSE:

To establish formal procedures and requirements for leasing municipal real property owned by the City of Fayetteville, North Carolina. This policy ensures compliance with North Carolina General Statutes, particularly N.C.G.S. § 160A-272, and provides a framework for equitable, transparent leasing practices.

III. PROCEDURES:

A. Lease Authority and Approvals

Lease authority and approvals on any property owned by the City of Fayetteville is governed by N.C.G.S. § 160A-272.

B. Leasing Authority Delegated to City Manager

1. The City Manager may approve and execute leases for terms of one year or less without City Council action under N.C.G.S. § 160A-272(b).
2. Such leases must remain consistent with the goals and standards of this policy.

C. Lease Terms and Agreement Requirements

1. All leases must be documented in a written lease agreement, signed by both the lessee, finance authority, and an authorized municipal official.
2. Leases must:
 - Include a termination clause allowing the municipality to end the lease “for cause” or “if the property is required for a public purpose”.
 - Specify responsibilities for maintenance, utilities, and repairs.

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- Require lessees to maintain adequate insurance and indemnify the municipality.
- Prohibit assignment or subleasing without prior written consent.

D. Rate Structure and Cost Recovery

1. **General Lease Rates:**

- Rates should reflect the fair market value unless a reduced rate is justified (e.g., public benefit, nonprofit use).
- Lessees are responsible for utility costs, janitorial services, and parking, unless otherwise specified in the lease.
- Rates will be re-evaluated on an annual basis and may include periodic CPI adjustments.
- Late fees will be collected pursuant to the lease terms and fee schedule
- The City’s Finance Department shall notify the Real Estate Division once lease payments, including all late fees, are more than 90 days in arrears.
- The Real Estate Division shall confer with the City Attorney’s Office on the appropriate legal process moving forward.

2. **Residential Properties:**

- Rates must reflect the fair market rental value.
- Properties affected by special conditions (e.g., airport noise) may be eligible for up to a 10% rent reduction.

E. Special Cases

1. **Nonprofit Organizations**

- The municipality may lease property to nonprofits for nominal or below-market rates when the use aligns with a recognized public purpose (e.g., education, cultural, or charitable functions) under N.C.G.S. § 160A-272.

2. **Economic Development Projects**

- Leases associated with economic development are governed by N.C.G.S. § 158-7.1.

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F. Review and Oversight

1. All lease applications must be submitted to the City of Fayetteville Real Estate Division.
2. Lease terms should align with the fiscal year (July 1–June 30) and property values must be revalidated annually.
3. Lease agreements shall be maintained in the office of the City of Fayetteville Real Estate Division and monitored for compliance with the aid of the City of Fayetteville Finance Division, including:
 - Rent payments.
 - Insurance coverage.
 - Renewal or termination deadlines.

IV. AMENDMENTS:

This policy may be amended by a majority vote of the City Council of the City of Fayetteville, NC at a regularly scheduled meeting.