

SUBJECT – CITY PROPERTY Real Property - Lease	Number 155.6	Revised 4-13-09	Effective Date 9-17-01 10-25-25 12-29- 2501-12- 26	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. The City leases to Nonprofit and For-Profit Organizations only, except as to City-owned residential properties. 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

1. Lease authority and approvals on any property owned by the City of Fayetteville is governed by N.C.G.S. § 160A-272 unless otherwise provided herein.
2. The public notice requirement is governed by N.C.G.S. § 160A-272. Before executing any real property lease, including a renewal, the City shall provide public notice of the intent to enter into the lease, at least thirty (30 calendar)days before execution.
3. In addition to the publication method used to satisfy the public notice requirement, the City willr e-are multiple channels used to advertise the leasing opportunitiess as they become available, by posting each leasing opportunity on -such as the City’s website and ,-social media accounts for 10 calendar ten (10)-days-and other available channels that are cost effective.

B. Leasing Authority Delegated to City Manager

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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 and the City's Code of Ethics.
- ~~2.3.~~ All conflict of interest laws as provided procedures under are governed by the City's Code of Ethics apply, except that no City Council member or City employee may lease from the City.:

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.
 - 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.

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- 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.

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.

2.3. No lease may be renewed without first publishing the notice of the leasing opportunity via the City’s website and social media accounts. If multiple organizations (or individuals for residential leases) apply for the lease, each lease application

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shall be treated as a negotiated offer and be subject to the advertisement and upset bid provisions as outlined in N.C.G.S. § 160A-269.

- 3.4. 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.

G. Procedures by Lease Term

1. Term of the lease is one year or less: Public notice for 30 days before execution is required. The City Manager may approve and execute without City Council action.
2. Term of the lease is more than one year up to 10 years:
 - a) Step 1 - Publish advertisement of City Council's intent to authorize the lease in a newspaper of general circulation. The advertisement must describe the property to be leased, state the annual lease payments, and announce the City Council's intent to adopt a resolution authorizing the lease at its next regular meeting. Notice must be published once and at least 30 days prior to the regular meeting at which the City Council will adopt the resolution authorizing the lease.
 - b) Step 2 - City Council adopts a resolution at a regular meeting authorizing the lease.
 - c) Step 3 - The lease may be executed at any time after the City Council has adopted the resolution authorizing the lease.

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3. **Term of the lease is over 10 years:** The lease must be authorized using one of the three competitive sale methods authorized under Article 12 of Chapter 160A: sealed bid (N.C.G.S. § 160A-268), upset bid (N.C.G.S. § 160A-269), or public auction (N.C.G.S. § 160A-270).

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.

V. EFFECTIVE DATE:

Approved and adopted by the **City Council** of the City of Fayetteville, North Carolina on [Date].

Initiating Department:

Approved By:

Douglas J. Hewett, City Manager

Date