



## ADMINISTRATIVE POLICY

Number:

Issued:

Jurisdiction: City Council

### CITY-OWNED PROPERTY LEASING

#### **I. PURPOSE**

The purpose of this policy is to establish clear guidelines for the leasing of City-owned properties to balance the City's financial interests with community benefits, ensuring the responsible and equitable management of publicly owned assets.

#### **II. LEASING OBJECTIVES**

The City's objectives in leasing property include:

- a. Generating fair market revenue to support City services.
- b. Supporting economic opportunity and public benefits.
- c. Ensuring responsible stewardship of public assets.

#### **III. CRITERIA FOR LEASE**

City-owned property may be leased when any of the following criteria are met:

- a. The property is in a high-demand public location where public services can be provided by a lessee other than the City more efficiently.
- b. Lease of the property would enhance the growth of long-term revenue sources.
- c. The City has a future use, but no immediate need, for the property.
- d. The property is adjacent to commercial use.
- e. The property has been explicitly developed or renovated for non-City use.
- f. The City requires substantial control over development, use, and reuse of the property to enhance the planned development of that particular area.
- g. The property has the immediate potential of a high return to the City because of its high demand and type of use, such as commercial building.
- h. The City Council determines it is in the City's best interest to lease the property.

#### **I. LEASE APPROVAL PROCESS**

All leases of City property shall be subject to approval by the City Council. Unless the Council determines otherwise, competitive processes, such as Requests for Proposals (RFPs), shall be used to solicit interest. The City may negotiate leases to non-profits and public agencies directly. The City Council may consider the below factors in selecting a lessee:

- a. Rent or improvements that will produce the highest return to the City.
- b. Whether the lessee possesses the financial ability to develop and maintain the property over the term of the lease at the property's highest level.
- c. Whether the lessee possesses a high level of expertise regarding the proposed development and operation.



- d. Proposals for a development whose appearance and design meets the City's land use and development criteria.
- e. Public benefits to be derived, including:
  - i. Services available to the public;
  - ii. Public open space;
  - iii. Public infrastructure;
  - iv. Pedestrian and bicycle facilities;
  - v. Low-cost visitor-serving amenities; and
  - vi. Increased transportation options.
- f. Other considerations identified by the Council as in the best interest of the City.

## **II. LEASE TERMS AND CONDITIONS**

- a. Commercial lease terms shall reflect fair market value, determined through appraisal, comparative market analysis, or RFP process, unless otherwise deemed appropriate and in the best interests of the City by the City Council.
- b. Standard lease terms shall include property maintenance, applicable insurance requirements and, where appropriate, rent escalations.
- c. Leases will not include provisions that allow for automatic extension or renewal without authorization by the City Council.
- d. The longest term lease the City will enter is        years. Leases shall be subject to an RFP process at least every        years, subject to the following exceptions:
  - i. The property includes a structure of at least \$1 million dollars developed for a specific use.
  - ii. The property is physically connected to a commercial use, and any non-affiliated or unrelated use of the property is inconsistent with its intended purpose.
  - iii. Outdoor dining permitted pursuant to the Village Outdoor Dining Program (Policy I-36), which shall be governed by the terms of that policy.
  - iv. This provision shall not affect leases in effect as of the adoption of this policy, during their current terms.

## **III. COMPLIANCE WITH LEASE PROVISIONS & TRANSPARENCY**

The City reserves the right to audit leases as warranted by the City Manager.

- a. The City Manager or designee, in partnership with the Community Development Department, may establish an inspection schedule to ensure compliance with lease provisions, such as adherence to the lease area.
- b. City staff will present an annual report summarizing the status of all City-owned property leases, revenue generated, and audit findings to the City Council.
- c. Current lease agreements shall be published on the City website.

## **IV. CONFLICTS OF INTEREST**

City staff involved in lease negotiations must adhere to all applicable State laws regarding conflicts of interest.