

COMMERCIAL LEASE WITH OPTION TO PURCHASE

1244 Long Street, Sweet Home, Oregon

City of Sweet Home / Four Seasons

1. PARTIES AND PROPERTY

This Commercial Lease with Option to Purchase ("Agreement") is entered into by and between the CITY OF SWEET HOME, an Oregon municipal corporation ("City" or "Lessor"), and _____, an Oregon _____ doing business as "Four Seasons" ("Lessee").

City leases to Lessee, and Lessee leases from City, the commercial real property commonly known as 1244 Long Street, Sweet Home, Oregon, together with all City-owned buildings and improvements located thereon (collectively, the "Property"). The legal description shall be attached as Exhibit A before execution.

2. PURPOSE AND AUTHORIZED USE

The Property may be used for operation of a grocery store and lawful activities reasonably incidental to that use. Lessee shall obtain and maintain all licenses, permits and approvals required for its operations and shall comply with applicable federal, state and local laws, building and fire codes, land use requirements, and health and safety requirements. No material change in use is permitted without City's prior written consent.

3. TERM

The lease term is ten (10) years, beginning _____, 2026 ("Commencement Date") and ending _____, 2036 ("Expiration Date"), unless earlier terminated or the purchase closes under this Agreement. Lessee may exercise the purchase option at any time during the Term, subject to the terms below.

4. INITIAL PURCHASE CREDIT

Upon execution, Lessee shall pay City Ten Thousand Dollars (\$10,000.00). The payment is non-refundable consideration for the purchase rights granted by this Agreement and, if the purchase closes, shall be credited dollar-for-dollar against the Final Purchase Price. It is not rent or a security deposit and may not be applied to utilities, taxes, maintenance, insurance, damages, late charges, or other obligations.

Except where City's failure to convey constitutes a breach of this Agreement, the Initial Purchase Credit is non-refundable if Lessee does not complete the purchase or loses its purchase rights because of an uncured material default.

5. BASE RENT AND PURCHASE CREDIT

Base Rent is structured to generate \$365,000.00 in scheduled rent over the full ten-year Term. Together with the \$10,000.00 Initial Purchase Credit, the parties intend total scheduled purchase credits at the end of the Term to equal \$375,000.00. Base Rent increases by 2.5% annually.

Lease Year	Monthly Base Rent	Annual Base Rent	Cumulative Credits*
1	\$2,714.95	\$32,579.40	\$42,579.40
2	\$2,782.83	\$33,393.96	\$75,973.36
3	\$2,852.40	\$34,228.80	\$110,202.16
4	\$2,923.71	\$35,084.52	\$145,286.68
5	\$2,996.80	\$35,961.60	\$181,248.28
6	\$3,071.72	\$36,860.64	\$218,108.92
7	\$3,148.51	\$37,782.12	\$255,891.04
8	\$3,227.23	\$38,726.76	\$294,617.80
9	\$3,307.91	\$39,694.92	\$334,312.72
10	\$3,390.61	\$40,687.32	\$375,000.04

* Cumulative credits include the \$10,000 Initial Purchase Credit. Because monthly amounts are rounded to cents, the final scheduled Base Rent payment will be adjusted by the few cents necessary so

aggregate Base Rent credits equal exactly \$365,000.00 and total scheduled purchase credits equal exactly \$375,000.00.

Base Rent is due monthly in advance on or before the fifth (5th) day of each month. Provided Lessee is not in uncured material default, 100% of Base Rent actually paid and received by City shall be credited dollar-for-dollar toward the Final Purchase Price if the purchase closes.

LATE PAYMENT CHARGE. Any Base Rent payment not received by City when due shall be subject, beginning on the first calendar day after the due date, to a late-payment charge equal to one percent (1%) per month of the then-outstanding delinquent Base Rent balance for each month or portion of a month the payment remains unpaid. The late-payment charge is separate from Base Rent, shall not constitute a purchase credit, and shall not reduce the Final Purchase Price. Acceptance of a late payment or late-payment charge does not waive City's rights regarding default or future timely payment.

Utilities, property taxes, assessments, insurance, maintenance, structural maintenance and repairs, improvements, late charges, damages, and other expenses are separate obligations and do not constitute Base Rent or purchase credits.

6. UTILITIES

Lessee shall be solely responsible for all utilities and services furnished to or used at the Property, including water, wastewater, stormwater, electricity, natural gas, garbage, recycling, telecommunications, internet, security, and other public or private utility services. Lessee shall place utilities in its name where practicable. Utility payments do not reduce the Final Purchase Price.

7. PROPERTY TAXES AND ASSESSMENTS

Lessee shall be responsible for real property taxes and assessments attributable to the Property during the Term to the extent lawfully chargeable or reimbursable to Lessee. To the extent such amounts are billed to City as owner of record, City shall separately invoice Lessee and provide reasonable supporting documentation. Lessee shall reimburse City within thirty (30) days after billing. Lessee is also responsible for taxes, fees, permits, and charges arising from its business, inventory, equipment, fixtures, or personal property. These payments do not reduce the Final Purchase Price.

8. CONDITION; MAINTENANCE AND STRUCTURAL REPAIRS

Lessee accepts the Property in its existing "AS IS" condition, subject to any written condition report attached as Exhibit B.

Except for the City responsibilities specifically identified below, Lessee shall, at Lessee's sole cost and expense, maintain the Property in good, safe, clean, sanitary, and serviceable condition and perform all general, routine, preventive, and nonstructural maintenance and repairs. Lessee is responsible for all components, fixtures, equipment, surfaces, improvements, grounds, parking and loading areas, sidewalks, landscaping, doors, windows and glass, interior finishes, and other items serving the Property that are not expressly assigned to City below.

CITY MAINTENANCE RESPONSIBILITIES. City shall be responsible for maintenance, repair, and replacement, as reasonably necessary, of the roof, foundation, structural and exterior walls, HVAC systems, plumbing systems, and electrical systems, except to the extent damage or required repair is caused by the negligence, misuse, unauthorized alteration, or intentional act of Lessee or Lessee's employees, contractors, agents, customers, or invitees.

Lessee shall promptly notify City in writing of any condition affecting an item for which City is responsible and shall take reasonable measures to prevent additional damage. Lessee shall not undertake material repairs or alterations to City-maintained systems without City's prior written approval, except for reasonable emergency measures necessary to protect persons or property when City cannot reasonably be reached.

All maintenance and repair expenditures by either party are separate from Base Rent and do not create or increase a purchase credit unless expressly stated otherwise in this Agreement.

9. IMPROVEMENTS AND FIXTURES

Lessee may install trade fixtures and make nonstructural improvements reasonably necessary for its grocery operations, subject to required permits and City's prior written approval where the work materially alters the Property. Structural alterations require City's prior written approval. Lessee shall keep the Property free of construction liens.

Before execution, the parties should identify in Exhibit B any existing City-owned equipment or fixtures included with the Property and any restoration obligations applicable to Lessee-installed improvements.

10. HAZARDOUS SUBSTANCES

Lessee shall not cause or permit unlawful storage, release, disposal, or handling of hazardous substances on the Property. Lessee shall comply with applicable environmental laws and promptly notify City of any release or condition requiring reporting or remediation. Lessee is responsible for contamination caused by Lessee or its agents, employees, contractors, customers, or invitees, but not for pre-existing contamination not caused or exacerbated by Lessee.

11. INSURANCE

During the Term, Lessee shall maintain commercial general liability insurance, property coverage for Lessee's property and improvements, workers' compensation coverage when required, and other coverage reasonably required by City's risk manager or insurer. The City shall be named as an additional insured on liability coverage where appropriate. Required limits, endorsements, and evidence of coverage shall be established before execution consistent with the City's then-current risk-management requirements.

12. INDEMNIFICATION

To the fullest extent permitted by law, Lessee shall defend, indemnify, and hold harmless City and its officers, employees, and agents from claims, losses, liabilities, damages, and expenses arising from Lessee's use or occupancy of the Property, Lessee's acts or omissions, or Lessee's breach of this Agreement, except to the extent caused by City's negligence or willful misconduct. Nothing in this Agreement waives any defense, immunity, limitation, or protection available to City under Oregon law, including the Oregon Tort Claims Act.

13. RIGHT OF ENTRY

City may enter the Property at reasonable times upon reasonable notice to inspect, verify compliance, perform work City is entitled to perform, show the Property to governmental officials, appraisers, lenders, or prospective purchasers as appropriate, or respond to an emergency. No advance notice is required in an emergency.

14. ASSIGNMENT AND SUBLETTING

Lessee shall not assign this Agreement, sublease all or a material portion of the Property, or transfer the purchase option without City's prior written consent. Any unauthorized transfer is voidable by City. A permitted assignment does not release Lessee unless City expressly agrees in writing.

15. DAMAGE OR DESTRUCTION

Lessee shall promptly notify City of material casualty damage. The parties shall cooperate regarding insurance claims, restoration, and any legally required closure. If the Property is substantially destroyed or cannot lawfully be restored for the authorized use within a commercially reasonable period, either party may request termination on terms approved in writing. Purchase credits already earned shall be addressed consistently with Sections 21 and 22 and applicable law.

16. CONDEMNATION

If all or a material part of the Property is taken by eminent domain so that the authorized use is no longer reasonably practicable, either party may terminate this Agreement. Rights to condemnation proceeds

shall be determined by applicable law and the parties' respective interests. Lessee shall have no claim against City for City's condemnation award except as required by law.

17. DEFAULT AND CURE

A monetary default occurs if Lessee fails to pay Base Rent or another amount when due and does not cure within ten (10) days after written notice. A nonmonetary default occurs if Lessee materially breaches this Agreement and does not cure within thirty (30) days after written notice; provided that, if the breach cannot reasonably be cured within thirty days, Lessee must begin cure within that period and diligently pursue completion.

Upon an uncured material default, City may exercise remedies available under this Agreement and Oregon law. Because substantial Base Rent may accumulate as purchase credits, the parties expressly acknowledge that the treatment of accumulated purchase credits following default is a material term requiring City Attorney review before execution. No provision shall be interpreted to impose a forfeiture or remedy prohibited by applicable law.

18. PURCHASE OPTION

Provided Lessee is not in uncured material default, Lessee may purchase the Property at any time during the Term by delivering written notice to City. There is no early-buyout penalty, premium, prepayment charge, or obligation to pay unearned future Base Rent.

If Lessee exercises the option before the appraisal otherwise scheduled near the end of the Term, City shall obtain the commercial appraisal at that time using the same valuation procedure described below. Base Rent continues through closing and qualifying Base Rent paid through closing remains eligible for purchase credit.

19. APPRAISAL AND FINAL PURCHASE PRICE

Approximately six (6) months before expiration of the Term, or earlier following an early exercise of the purchase option, City shall obtain an independent commercial appraisal of the Property from an Oregon-certified commercial real estate appraiser or appraisal firm mutually agreed upon by City and Lessee.

The appraisal shall determine the fair market value of the fee-simple interest in the Property based on its then-current condition and legally permissible uses. City shall contract with and pay the appraiser unless the parties agree otherwise in writing. Both parties shall receive the final appraisal.

The Final Purchase Price shall be determined as follows:

- If appraised fair market value is \$400,000 or greater, the Final Purchase Price is \$400,000.
- If appraised fair market value is greater than \$355,000 but less than \$400,000, the Final Purchase Price equals the appraised fair market value.
- If appraised fair market value is \$355,000 or less, the Final Purchase Price is \$355,000.

Thus, the Final Purchase Price may not exceed \$400,000 and may not be less than \$355,000. The appraisal establishes fair market value for this contractual purpose and is not the property's assessed or taxable value for property-tax purposes.

20. APPRAISER SELECTION AND DEADLOCK

No later than seven (7) months before expiration of the Term, City shall provide Lessee with the names of at least three qualified commercial appraisers or appraisal firms reasonably acceptable to City. The parties shall endeavor in good faith to select an appraiser within thirty (30) days. If they cannot agree, the method for resolving the selection deadlock shall be established before execution of this Agreement.

21. PURCHASE-PRICE RECONCILIATION AT CLOSING

At closing, City shall apply the \$10,000 Initial Purchase Credit and all qualifying Base Rent purchase credits actually received through closing against the Final Purchase Price.

The closing calculation shall be:

**Final Purchase Price
LESS Initial Purchase Credit and Earned Base Rent Credits
EQUALS Closing Purchase-Price Adjustment**

If the Final Purchase Price exceeds accumulated purchase credits, Lessee shall pay the difference at closing. If the Final Purchase Price equals accumulated purchase credits, no additional purchase-price payment is due. If accumulated purchase credits exceed the Final Purchase Price, the excess shall be treated as a purchase-price reconciliation or credit on the closing statement, rather than as a separate refund of rent, to the extent legally and administratively permissible.

For illustration, if the full ten-year scheduled credits total \$375,000 and the Final Purchase Price is \$400,000, Lessee pays \$25,000 at closing. If the Final Purchase Price is \$355,000, the closing statement reflects a \$20,000 purchase-price reconciliation/credit, subject to final escrow and City Attorney-approved treatment.

Purchase-price reconciliation does not reduce or offset Lessee's separate obligations for utilities, taxes, assessments, insurance, maintenance, repairs, damages, closing costs, or other amounts due.

22. LESSEE-FUNDED CAPITAL IMPROVEMENTS

Before execution, the parties shall establish appraisal instructions addressing whether, and to what extent, the appraised value used for the Final Purchase Price excludes contributory value attributable to City-approved permanent capital improvements funded solely by Lessee. Ordinary maintenance, structural maintenance, repairs, replacement of worn or failed components, and code-compliance work required of Lessee shall not create a separate purchase credit unless expressly approved in writing by City.

23. TITLE, DUE DILIGENCE, AND CLOSING

After exercise of the purchase option, City shall cause a preliminary title report to be provided. Lessee shall have fifteen (15) business days after receipt to identify title objections. Closing shall occur through a mutually acceptable Oregon title and escrow company within sixty (60) days after exercise and completion of the appraisal, unless the parties agree otherwise.

At closing, City shall convey the interest authorized by the City Council by a deed approved by the City Attorney, subject to permitted exceptions. Closing costs, recording fees, title charges, prorations, and other customary costs shall be allocated as stated in escrow instructions approved by the parties.

24. FINANCING

Lessee is solely responsible for arranging financing necessary to complete the purchase. City's obligations are not contingent upon Lessee's ability to obtain financing unless City expressly agrees otherwise in writing.

25. NO EQUITABLE OWNERSHIP BEFORE CLOSING

Until the deed is delivered and recorded, City retains legal title to the Property. Purchase credits and the purchase option do not by themselves transfer title or create ownership rights beyond those expressly stated in this Agreement.

26. SURRENDER; HOLDING OVER

If the purchase does not close and the Agreement expires or terminates, Lessee shall surrender the Property in the condition required by this Agreement, ordinary wear and casualty excepted as applicable. Holding over does not extend or revive the purchase option unless City expressly agrees in writing.

27. NOTICES

Notices shall be in writing and delivered personally, by recognized overnight service, or by certified U.S. mail, return receipt requested, to the following addresses, or to another address designated in writing:

CITY:
City Manager's Office
City of Sweet Home

3225 Main Street
Sweet Home, OR 97386

LESSEE:

Four Seasons

Attn: _____

Address: _____

28. ATTORNEY FEES; GOVERNING LAW; VENUE

This Agreement is governed by Oregon law. Venue for litigation shall lie in Linn County, Oregon, unless applicable law requires otherwise. In any action or proceeding to enforce this Agreement, the prevailing party may recover reasonable attorney fees and costs to the extent permitted by law.

29. WAIVER; SEVERABILITY; ENTIRE AGREEMENT

A waiver is effective only if in writing and applies only to the specific matter waived. If a provision is held invalid or unenforceable, the remainder shall continue to the extent permitted by law. This Agreement and its exhibits constitute the entire agreement concerning the Property and supersede prior oral or written understandings concerning the lease and purchase option. Amendments must be in writing and signed by authorized representatives of both parties.

30. CITY AUTHORIZATION AND STATUTORY PROCESS

The parties acknowledge that this transaction is subject to all legally required municipal procedures and approvals. No City officer or employee may bind City to convey the Property except pursuant to lawful authority and applicable City Council authorization. Execution and conveyance are subject to completion of any required public notice, public hearing, valuation disclosure, and other procedures applicable to disposition of City real property.

31. SUCCESSORS; AUTHORITY

Subject to the restrictions on assignment, this Agreement binds and benefits the parties and their permitted successors and assigns. Each person signing represents that the person has authority to execute the Agreement on behalf of the identified party.

32. SIGNATURES

CITY OF SWEET HOME

By: _____

Name/Title: _____

Date: _____

LESSEE: _____

dba FOUR SEASONS

By: _____

Name/Title: _____

Date: _____

Approved as to form:

City Attorney

Date: _____

EXHIBIT A - LEGAL DESCRIPTION

[Insert legal description and tax lot/parcel information before execution.]

EXHIBIT B - PROPERTY CONDITION / INCLUDED IMPROVEMENTS

DRAFT - City of Sweet Home / Four Seasons - 1244 Long Street

[Identify existing City-owned fixtures/equipment, condition items, approved Lessee improvements, and any agreed restoration obligations.]

EXHIBIT C - PURCHASE CREDIT SCHEDULE

The Base Rent schedule in Section 5 is incorporated as Exhibit C. The final monthly payment shall be adjusted to make total scheduled Base Rent credits exactly \$365,000.00.