

LEASE AGREEMENT

THIS LEASE (hereinafter the “**Agreement**”) is entered into by the CITY OF SANFORD, a municipal corporation of the State of North Carolina d/b/a TriRiver Water (hereinafter the “**City**” or “**Sanford**” or “**TriRiver**”), and the COUNTY OF CHATHAM, one of the one hundred counties of the State of North Carolina and body both politic and corporate, (hereinafter referred to as “**County**” or “**Chatham**”) (sometimes singularly, the “**Party**,” and collectively, the “**Parties**”).

WITNESSETH:

WHEREAS, the County owns and operates property located at 82 County Services Rd, Pittsboro, North Carolina, with a Chatham County Parcel ID number of 0012489 hosting government services, including improvements consisting of a workshop from which water and wastewater services are dispatched (the improvements generally referred to as the “**Water Shop**”);

WHEREAS, effective November 5, 2024, the Parties agreed to merge the water and wastewater utility system within the County lines (the “**County Utility System**”) and the water and wastewater utility system maintained by the City (the “**City Utility System**”) (and the merger referred to herein as the “**Merger**”) by entering into an interlocal agreement providing details of the Merger (the “**Merger Agreement**”); and

WHEREAS, the County has authority pursuant to N.C. Gen. Stat. § 153A-176 and N.C. Gen. Stat. §160A-274 to lease property to another local government upon such terms and conditions as it deems wise, with or without consideration; and

WHEREAS, the County and City desire to set out the details of the City’s access and use of the Water Shop consistent with the Merger Agreement in order to implement the Merger Agreement; and

NOW, THEREFORE, for and in consideration of the premises set forth above, and the terms and conditions set forth below, County and City agree as follows.

ARTICLE I LEASED PREMISES

1.1 Leased Premises. County hereby leases for use by City the improvements generally known as the Water Shop along with the surrounding parking area that serves the Water Shop and the land upon which the improvements and parking are situated, described and depicted on **Exhibit A** (the “**Leased Premises**”) and located at 82 County Services Rd, Pittsboro, North Carolina, with a Chatham County Parcel ID number of 0012489. The Leased Premises are limited to the improvements known as the Water Shop, access to the Water Shop from County Services Rd., the surrounding parking area that serves the Water Shop, and the land upon which the improvements and parking are situated, and do not extend to the remainder of the approximately 0.49-acre parcel.

1.2 Encumbrances on Leased Premises. The Leased Premises shall be accepted by City subject to any and all then-existing easements or other encumbrances, and County shall have the right to install, lay, construct, maintain, repair and operate such drains, storm water sewers,

pipelines, manholes, connections, oil or gas pipelines, and telephone and telegraph power lines and such other appliances and appurtenances necessary or convenient over, in, upon, through, across and along the Leased Premises, or any part thereof, and to enter the Leased Premises at reasonable times for any and all such purposes; provided, however, that no right of County provided for in this section shall be so exercised as to interfere unreasonably with the City's operations.

1.3 Condition of Leased Premises. Subject to the terms of this Agreement, City accepts the Leased Premises in "as is" condition.

1.4 Title to Leased Premises in County. At all times, County shall have title to the Leased Premises. City agrees that its sole interest in the Leased Premises shall be that of a tenant.

1.5 No Rent. The County accepts as consideration for this Agreement the benefits received from the City from its use of the Water Shop as well as all consideration and benefit given in the Merger Agreement, which Agreement contained the covenant for the County to lease the Water Shop to the City without compensation, and therefore the City shall not be required to pay rent or other compensation for consideration.

1.6 County's Right to Enter and Inspect. Upon reasonable notice to City (except for emergency or safety matters, in which event, no notice shall be required) the County shall have the right to enter any part of the Leased Premises at reasonable or necessary times for the purposes of inspection, protection or exercising any rights under this Agreement.

ARTICLE II LEASE TERM AND RESTRICTIONS ON USE

2.1 Effective Date. The Effective Date is July 1, 2025.

2.2 Term. The Agreement shall commence on the Effective Date and, unless terminated earlier, shall extend until a date five (5) years after the Effective Date (the "**Initial Term**"). City shall have the right to request the County to extend the Term for five (5) additional years (the "**Extension Term**") upon the same terms and conditions. The County shall have sole discretion on the final decision to extend the Lease. City shall make the request to extend by giving the County written notice at least ninety (90) days prior to the expiration of the then-current term. "**Term**" refers to the Initial and Extension Term collectively.

2.3 Surrender of Leased Premises at Termination. Upon termination or other expiration of this Agreement, City shall immediately surrender the Leased Premises, to County in substantially the same condition in which the Lease Premises were delivered to City, reasonable wear and tear excepted.

2.4 Restrictions on Use. The City's use of the Water Shop shall be restricted to the Water Shop's intended use at the time of the Effective Date.

2.5 Additional Compliance Requirements. In its maintenance and use of the Leased Premises, the City shall comply with all applicable governmental laws, ordinances and regulations, and in the event that any of said laws, ordinances and regulations shall be more stringent than the

standards, duties and obligations imposed on City hereunder, then City shall comply with such laws, ordinances and regulations in its operations under this Agreement.

ARTICLE III MAINTENANCE, ALTERATIONS, REPAIRS AND UPKEEP

3.1 Maintenance of the Leased Premises. City shall be obligated, without cost to the County, to maintain the Leased Premises and every part thereof in good appearance, repair and safe condition.

3.2 Utilities. The City shall be responsible for water and wastewater utilities serving the Water Shop.

3.3 Repairs. The City agrees to make all reasonably necessary repairs and replacements of the Water Shop. All such repairs and replacements shall be of quality equal to the original in materials and workmanship.

3.4 Alterations to Leased Premises. The County consents to the City making alterations to the parking area of the Leased Premises. Before making any other alterations to the Water Shop, City shall first obtain the written consent of the County, such consent to be not unreasonably withheld or delayed. All alterations to the Leased Premises made by the City shall be funded by the City pursuant to the Merger Agreement, and shall be made in a workmanlike manner without damage to the Leased Premises, except such that are repaired or corrected by the City. The County shall have the right to review and approve in writing the plans and specifications for such alterations and to impose requirements for insurance and bonding.

ARTICLE IV INSURANCE AND DAMAGE

4.1 Insurance. The City shall provide and maintain at its expense during the Term of this Lease insurance of the same or similar quantity and scope as a similarly situated lessee in North Carolina.

4.2 Damage. In the event of damage or casualty to any part of the Leased Premises including the Water Shop, City shall repair such damage or replace damaged property to the extent the insurance proceeds are sufficient to pay for such repair and replacement. Any replacement shall be subject to the review and approval of the County.

ARTICLE V GENERAL PROVISIONS

5.1 Assignment. Except as provided in this Agreement, City shall neither assign nor transfer this Agreement or any right or leasehold interest granted to it by this Agreement without the consent of the County.

5.2 Right of City to Terminate by Cancellation. City may terminate this Agreement and cancel all of its obligations hereunder at any time by giving written notice.

5.3 Other Agreements. Unless expressly stated herein, this Agreement does not modify the Merger Agreement or any other agreement between the Parties, which remain in full force and effect. To the extent the provisions of this Agreement conflict with the provisions of the Merger Agreement, this Agreement shall control.

5.4 Governing Law. This Agreement shall be governed by and interpreted in accordance with the law of the State of North Carolina.

5.5 Signatures. This Agreement, together with any amendments or modifications, may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be considered one and the same agreement.

5.6 Interpretation. The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either County or City. The section headings appearing herein are for the convenience of the Parties and shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning or intent of provisions of this Agreement. If any provision of this Agreement is determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement and all such other provisions shall remain in full force and effect; and it is the intention of the Parties hereto that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning that renders it valid.

5.7 Memorandum of Lease in Lieu of Recording. The Parties agree that should either desire that adequate legal notice of this Agreement be given on the public records of Chatham County, North Carolina, the other will agree to the execution of a memorandum of this Agreement containing a sufficient description of the Parties, the Leased Premises and term of this Agreement to comply with the minimum requirements for the giving of such notice.

5.8 Warranty of Title. The County represents and warrants that it has good and merchantable fee simple title to the Leased Premises and has full right to lease the Leased Premises to City.

5.9 Notices. Unless specifically provided otherwise by this Agreement, any notice that a Party is required to or may give to another Party shall be in writing and shall be delivered or addressed to the other applicable Party at the address set forth below or to such other address as such Party may from time to time direct by written notice given in the manner herein prescribed. Such notice or communication shall be deemed to have been given or made when communicated by personal delivery or independent courier service or by facsimile or email with a hard copy to be delivered by independent courier service by the next business day.

All notices to the County shall be addressed to:

County Manager
County of Chatham
12 East Street
P.O. BOX 1809
Pittsboro, NC 27312

All notices to the City shall be addressed to:

City Manager
City of Sanford
225 E Weatherspoon Street
P.O. BOX 3729
Sanford, NC 27331

With a copy to the City Attorney:

Susan Patterson
City Attorney
225 E Weatherspoon Street
P.O. BOX 3729
Sanford, NC 27331
Phone: 919-777-1104
Electronic Mail: susan.patterson@sanfordnc.net

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Parties hereto, acting by and through their duly authorized representatives pursuant to the resolutions of their respective governing bodies, have caused this Agreement to be executed as of the day and year first above written.

ATTEST:

City of Sanford

City Clerk

By: _____
Rebecca Wyhof Salmon, Mayor

[SEAL]

ATTEST:

County of Chatham

County Clerk

By: _____
Chair Mike Dasher

[SEAL]

Exhibit A
Leased Premises

