



Chatham County, NC

Legislation Text

File #: 17-2185, **Version:** 1

Vote on a request to Approve the Lease Inducement Agreement with Town of Pittsboro and authorize the county manager to sign the Agreement.

Action Requested:

Vote to Approve the Lease Inducement Agreement with Town of Pittsboro and authorize the county manager to sign the Agreement.

Introduction and Background:

The Town has approached the County about becoming a tenant in a proposed new town hall and office building (the “Building”) that the Town intends to construct on the Justice property located at 50 West Salisbury Street in Pittsboro, North Carolina (the “Site”). The Town has not acquired the Site, nor designed the Building.

It desires to put the Site under contract and then proceed to design the Building with input and advice from the County concerning the layout of the space to be leased to the County and the terms of the Lease. However, the Town is unable to move forward with the purchase of the Site and the design of the Building without an indication of interest from the County in the form of a lease prepayment the County has agreed to make a lease prepayment to the Town to induce the Town to explore the possibility of the design and construction of the Building as follows:

1. County's Lease Prepayment. The County shall make a lease prepayment (the “Lease Prepayment”) to the Town in the amount of Four Hundred Fifty Thousand (\$450,000.00) Dollars within fifteen (15) days of the Effective Date of this Agreement, which Lease Prepayment will either be refunded to the County if this Agreement is terminated, or credited to the County's rental payments during the final year of the term if the parties execute a lease for the Building.

2. Lease Negotiations. The County and the Town agree to negotiate in good faith regarding the design of the Building and the terms of the lease of space in the Building to the County (the “Negotiation Period”).

3. Termination Rights. Either party may terminate this Agreement at any time during the Negotiation Period, or at any time thereafter unless a lease has been executed, by providing written notice of termination to the other party.

4. Town's Lease Prepayment Refund Obligation. In the event of the termination of this Agreement during the Negotiation Period, or at any time thereafter unless a lease has been executed, the Town shall repay the Lease Prepayment to the County in five (5) equal annual installments of \$90,000 each, plus interest on the outstanding balance at the rate of one percent (1%) per annum until paid in full with the first annual payment being due 365 days from the date of the receipt of notice of termination by a party, and each of the remaining four (4) installments being due and payable on the anniversary of the first annual payment. Any installment made more than fifteen (15) days past its due date shall bear interest at the rate of eight percent (8%) per annum.

5. Lease Prepayment if Lease is Executed. In the event the County and the Town enter into a lease for space in the Building, the Lease Prepayment will be credited to the County's rental obligations under the lease during the final year of term (or the year of termination if earlier terminated) with interest on the Lease Prepayment at a rate of one percent (1%) per annum from the Effective Date of this Agreement until credited or paid in full. Any remaining balance of the Lease Prepayment, with interest as aforesaid, shall be paid to the County within thirty (30) days after the lease is terminated, or as otherwise mutually agreed by the parties.

Discussion & Analysis:

Budgetary Impact: Lease Prepayment will be credited to the County's rental obligations under the lease during the final year of term (or the year of termination if earlier terminated) with interest on the Lease Prepayment at a rate of one percent (1%) per annum from the Effective Date of this Agreement until credited or paid in full. Any remaining balance of the Lease Prepayment, with interest as aforesaid, shall be paid to the County within thirty (30) days after the lease is terminated, or as otherwise mutually agreed by the parties,

Recommendation:

Vote to Approve the Lease Inducement Agreement with Town of Pittsboro and authorize the county manager to sign the Agreement.