

Lease Agreement Policy

Purpose

The purpose of this policy is to provide consistent criteria for evaluating, establishing, and renewing lease agreements between the City of Marshalltown and external parties. This ensures that all lease terms are in the public interest, legally compliant, and financially responsible.

Governing Law

In accordance with Iowa Code §364.7, a city may not dispose of real property—including by lease for a term exceeding three years—without following the public hearing and resolution process. The law further prohibits disposal of real property by gift, except to another governmental body for a public purpose. This has been interpreted to include leasing property for less than fair market value.

Applicability

This policy applies to all leases of City-owned real property or improvements (such as bare land, buildings, or storage spaces) to third-party tenants, including non-profits, community organizations, clubs, and private parties.

General Policy and Criteria

When evaluating lease proposals or renewals, the following criteria shall be considered:

Public Benefit

The City may apply a public benefit offset, in its discretion, under circumstances where the lessee commits to providing services or benefits to the public aligned with City goals and objectives, including the provision of recreational or education opportunities, economic advancement, and/or public safety that compliment or supplement city-provided services or opportunities. A public benefit offset acknowledges the value of these public benefits as consideration for the lease of City-owned property. The allowance and extent of any public benefit offset shall be determined by the City in its discretion considering all relevant factors including but not limited to the following: the number of residents benefitted, associated costs to residents, economic benefit, exclusivity of use, avoidance of maintenance expense, and the degree to which the public benefit provided relieves the City from providing similar benefits at public expense.

Fair Market Rent

The City shall seek rental payments that approximate fair market value unless or to the extent a public benefit offset can be clearly demonstrated.

Lease Term Limits

Standard leases shall not exceed 3 years. Leases up to 10 or 20 years may be considered with justification. All leases over three years require a public hearing and City Council approval.

Exclusive vs. Shared Use

Exclusive use must be justified by need, risk, or public service outcomes.

Liability and Insurance

All lessees must maintain the minimum insurance requirements per City Ordinance §10.009, naming the City as an additional insured. High-risk activities may require higher coverage to be determined on a case-by-case basis.

Lease Agreement Elements

All lease agreements shall include the following:

- Legal description of the premises
- Lease term and renewal conditions
- Rental rate and payment terms
- Maintenance and utility responsibilities
- Indemnity and insurance provisions
- Termination and default clauses
- Use restrictions and compliance with laws
- Public purpose or service justification (if reduced rent is proposed)

Lease Renewal or Amendment

Leases may be renewed if the lessee has maintained good standing and the rental rate has been reviewed for alignment with fair market value and/or demonstration of a sufficient public benefit. Amendments must follow the same review process.