

AGENDA REPORT

TO: Mayor Pat Humphrey & the Clare City Commission
FROM: Ken Hibl, City Manager
DATE: April 10, 2019
RE: Renewal of Lease Agreements – Rawson Farms

For the Agenda of April 15, 2019

Background. The City currently enjoys two lease agreements (*see att'd copies of proposed agreements*) with Rawson Farms to allow Rawson Farms to farm approximately 153 acres of property at the Clare Municipal Airport and to farm approximately 15 acres in the South Industrial Park owned by the Clare Industrial Corporation. Both leases have expired. The City Commission is asked to renew both leases.

Issues & Questions Specified. Should the City Commission renew the farm leases?

Alternatives.

1. Renew both farm leases.
2. Renew one but not the other farm lease.
3. Renew one or both farm leases with amendments or changes.
4. Do not renew the farm leases.
5. Set aside decision regarding this matter to a later date.

Financial Impact. The IDC property garners \$1,020 in revenues annually; the airport property lease generates \$10,913 annually.

Recommendation. I recommend that the City Commission renew both farm leases by adoption of Resolutions 2019-0045 and 2019-046.

Attachments.

1. Agreements.
2. Resolution 2019-045.
3. Resolution 2019-046.

FARM LEASE

THIS LEASE made this 15th day of April, 2019 by and between, the City of Clare, hereinafter referred to as "**LESSOR**"; and Rawson & Rawson of 7413 North Nottawa Road, Farwell, MI 48622, hereinafter referred to as "**LESSEE**".

This lease is made upon the following terms and conditions, all and every one of which the parties hereto agree to perform:

1. Description of Leased Premises

LESSOR hereby rents and leases to **LESSEE** the premises legally described on Schedule "A" attached hereto (the "Premises").

2. Term

The term of this lease shall be for a period of 3 Years commencing on April 15, 2019 and terminating on April 14, 2022. However, this Lease may be renewed on the same terms and conditions set forth herein by mutual consent of the parties. The parties hereto may renegotiate the rental price and the number of years of renewal.

3. Rental

LESSEE shall pay to **LESSOR** rents for the Premises leased in the manner outlined on the attached schedule "B".

4. Taxes

The **LESSOR** agrees to pay the real estate taxes.

5. Use of Premises

The **LESSEE** covenants and agrees to farm the land according to reasonable agricultural methods, and being that part of this involves soil testing, fall tillage, liming and fertilization, that **LESSEE** shall be reimbursed in full for such soil testing, tillage, fertilization and liming done, by or for **LESSEE**, prior to planting of spring crop if farm is no longer farmed for reason of Death or Disability of **LESSEE** or Development by **LESSOR**, any other reason will be negotiable. **LESSOR** also agrees that **LESSEE** is entitled to all Agricultural, Insurance, and Disaster Payments earned as operator of this farm during the duration of this lease.

Lessee agrees to install waterways and maintain them for the term of the lease. Lessee will also maintain road ditches for the duration of the lease.

6. Insurance

LESSEE shall carry adequate public liability insurance in an amount not less than \$ 500,000.00.

7. Holding Over By Lessee

If the **LESSEE** holds over after the expiration of the term specified in this lease, thereafter the tenancy shall be from month to month in the absence of a written agreement to the contrary, subject, however, in all other respect, to all of the other terms and conditions of this lease.

8. Lessee's Right to Crops in Cycle

In the event of the termination of this Lease, or in the event of default by the **LESSEE**, **LESSEE** may continue to cultivate and harvest the crops then growing on the leased Premises, but **LESSOR** shall have a security interest in the crops and the proceeds of the sale of the crops to secure payment of the rental due and to become due during the balance of the then current lease term.

9. Assignment

This Lease cannot be assigned except with written consent of the parties and, at the expiration of said term, or upon any sooner termination of this Lease as herein provided, the **LESSEE** agrees to deliver up the said Premises in as good a condition and order as the same or now in, reasonable wear and damage by the elements excepted.

10. Effect of Agreement

It is mutually agreed that the covenants and agreements herein contained shall extend to and be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, representatives, and assigns.

LESSOR: City of Clare

Pat Humphrey, Mayor
FEIN: 38-6004529
202 West Fifth Street
Clare, Michigan 48617

LESSEE: Rawson & Rawson

Ray Rawson, President

SCHEDULE-A

Legal Description of Leased Premises

152.89 Acres located in Section 25 of Grant Township, Clare County, Michigan. Identified by the Farm Service Agency as Farm No. 1676, Tract No. 10700.

Lessor Acknowledgement (Initials) _____

Lessee Acknowledgement (Initials) _____

Date of Schedule A Agreement: April 15, 2019

SCHEDULE-B

Rental

The **LESSEE** shall pay to the **LESSOR**, as rent for said Premises, \$ 65 per acre, per year for all land subject to this lease agreement. Said rental shall be paid annually on or before July 1 of each contract year. Provided, however, that it may be mutually agreed upon by the parties that said rental payment may be paid at a later date to be determined by the parties.

This lease shall automatically terminate on March 1st of any year if the rent for the previous year has not been paid in full, or other satisfactory arrangements have been made between the **LESSOR** and the **LESSEE**.

FARM LEASE

THIS LEASE made this 15th day of April, 2016 by and between, the City of Clare, hereinafter referred to as "**LESSOR**"; and Rawson & Rawson of 7413 North Nottawa Road, Farwell, MI 48622, hereinafter referred to as "**LESSEE**".

This lease is made upon the following terms and conditions, all and every one of which the parties hereto agree to perform:

1. Description of Leased Premises

LESSOR hereby rents and leases to **LESSEE** the premises legally described on Schedule "A" attached hereto (the "Premises").

2. Term

The term of this lease shall be for a period of 3 Years commencing on April 15, 2019 and terminating on April 14, 2022. However, this Lease may be renewed on the same terms and conditions set forth herein by mutual consent of the parties. The parties hereto may renegotiate the rental price and the number of years of renewal.

3. Rental

LESSEE shall pay to **LESSOR** rents for the Premises leased in the manner outlined on the attached schedule "B".

4. Taxes

The **LESSOR** agrees to pay the real estate taxes.

5. Use of Premises

The **LESSEE** covenants and agrees to farm the land according to reasonable agricultural methods, and being that part of this involves soil testing, fall tillage, liming and fertilization, that **LESSEE** shall be reimbursed in full for such soil testing, tillage, fertilization and liming done, by or for **LESSEE**, prior to planting of spring crop if farm is no longer farmed for reason of Death or Disability of **LESSEE** or Development by **LESSOR**, any other reason will be negotiable. **LESSOR** also agrees that **LESSEE** is entitled to all Agricultural, Insurance, and Disaster Payments earned as operator of this farm during the duration of this lease.

Lessee agrees to install waterways and maintain them for the term of the lease. Lessee will also maintain road ditches for the duration of the lease.

6. Insurance

LESSEE shall carry adequate public liability insurance in an amount not less than \$ 500,000.00.

7. Holding Over By Lessee

If the **LESSEE** holds over after the expiration of the term specified in this lease, thereafter the tenancy shall be from month to month in the absence of a written agreement to the contrary, subject, however, in all other respect, to all of the other terms and conditions of this lease.

8. Lessee's Right to Crops in Cycle

In the event of the termination of this Lease, or in the event of default by the **LESSEE**, **LESSEE** may continue to cultivate and harvest the crops then growing on the leased Premises, but **LESSOR** shall have a security interest in the crops and the proceeds of the sale of the crops to secure payment of the rental due and to become due during the balance of the then current lease term.

9. Assignment

This Lease cannot be assigned except with written consent of the parties and, at the expiration of said term, or upon any sooner termination of this Lease as herein provided, the **LESSEE** agrees to deliver up the said Premises in as good a condition and order as the same or now in, reasonable wear and damage by the elements excepted.

10. Effect of Agreement

It is mutually agreed that the covenants and agreements herein contained shall extend to and be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, representatives, and assigns.

LESSOR: City of Clare

Pat Humphrey, Mayor
FEIN: 38-6004529
202 West Fifth Street
Clare, Michigan 48617

LESSEE: Rawson & Rawson

Ray Rawson, President

SCHEDULE-A

Legal Description of Leased Premises

15.07 Acres located in Section 2 of Vernon Township, Isabella County, Michigan. Identified by the Farm Service Agency as Farm No. 106, Tract No. 136.

Lessor Acknowledgement (Initials) _____

Lessee Acknowledgement (Initials) _____

Date: April 15, 2019

SCHEDULE-B

Rental

The **LESSEE** shall pay to the **LESSOR**, as rent for said Premises, _\$65 per acre, per year for all land subject to this lease agreement. Said rental shall be paid annually on or before July 1. Provided, however, that it may be mutually agreed upon by the parties that said rental payment may be paid at a later date to be determined by the parties.

This lease shall automatically terminate on March 1st of any year if the rent for the previous year has not been paid in full, or other satisfactory arrangements have been made between the **LESSOR** and the **LESSEE**.

RESOLUTION 2019-045

A RESOLUTION OF THE CLARE CITY COMMISSION APPROVING THE RENEWAL OF A LEASE AGREEMENT WITH RAWSON FARMS.

WHEREAS, the City of Clare enjoys a lease agreement with Rawson Farms wherein Rawson Farms leases 152.89 acres of property at the Clare Municipal Airport for agricultural purposes (raising crops); and

WHEREAS, said lease agreement has expired; and

WHEREAS, Rawson Farms desires to renew said lease for the same price per acre (\$65 per acre) as the previous lease; and

WHEREAS, the City Staff has recommended renewal of said lease; and

WHEREAS, the City Commission has considered said recommendation and deems it prudent and sound.

NOW THEREFORE BE IT RESOLVED that the Clare City Commission hereby approves the renewal of a lease agreement with Rawson Farms for the lease of property at the Clare Municipal Airport, the terms and conditions of said lease agreement as outlined therein.

The Resolution was introduced by Commissioner _____ and supported by Commissioner _____. The Resolution declared adopted by the following roll call vote:

YEAS:

NAYS:

ABSENT:

Resolution approved for adoption on this 15th day of April 2019.

Diane Lyon, Clare City Clerk

RESOLUTION 2019-046

A RESOLUTION OF THE CLARE CITY COMMISSION APPROVING THE RENEWAL OF A LEASE AGREEMENT WITH RAWSON FARMS.

WHEREAS, the City of Clare enjoys a lease agreement with Rawson Farms wherein Rawson Farms leases 15.07 acres of property in the South Clare Industrial Park for agricultural purposes (raising crops); and

WHEREAS, said lease agreement has expired; and

WHEREAS, Rawson Farms desires to renew said lease for the same price per acre (\$65 per acre) as the previous lease; and

WHEREAS, the City Staff has recommended renewal of said lease; and

WHEREAS, the City Commission has considered said recommendation and deems it prudent and sound.

NOW THEREFORE BE IT RESOLVED that the Clare City Commission hereby approves the renewal of a lease agreement with Rawson Farms for the lease of property at the South Industrial Park, the terms and conditions of said lease agreement as outlined therein.

The Resolution was introduced by Commissioner _____ and supported by Commissioner _____. The Resolution declared adopted by the following roll call vote:

YEAS:

NAYS:

ABSENT:

Resolution approved for adoption on this 15th day of April, 2019.

Diane Lyon, Clare City Clerk