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City Council

Approval of Lease Agreement Renewal for Little DaNang Restaurant (301 4th Ave W)

Agenda Date: 3/18/2014
Agenda Item Number: 4.E
File Number: 14-0115

Type: contract **Version:** 1 **Status:** Passed

Title

Approval of Lease Agreement Renewal for Little DaNang Restaurant (301 4th Ave W)

Recommended Action

Committee Recommendation:

Not referred to a Committee.

City Manager Recommendation:

Move to approve an additional two-year Lease Agreement with Mr. Dung Nguyen, and authorize the City Manager to sign the attached Lease. Direct staff to continue to deposit the rental payment into the existing account dedicated to the maintenance of City-owned properties in the Fountain Block.

Report

Issue:

Determine whether to enter into another lease agreement with Mr. Nguyen for the building in which the Little Da Nang Restaurant is located.

Staff Contact:

Dave Okerlund, Parks, Arts & Recreation Department, Planning & Design Manager, 360.570.5855

Presenter(s):

None.

Background and Analysis:

The City purchased the Little DaNang Restaurant property at 301 W. 4th on November 14, 2007. At closing, the City assumed an existing lease agreement between the seller and Mr. Nguyen (Lessee) for operation of the Little DaNang Restaurant and also assumed Mr. Nguyen's security deposit of \$3,000.00. In 2010 and again in 2012 the City approved new lease agreements with Mr. Nguyen, under the same terms. The current lease will expire on March 31, 2014. All rental receipts have been deposited into an account that is dedicated to the maintenance of this building and the adjacent GHB building that is already in City ownership.

Mr. Nguyen would like to renew the lease for an additional two years. Staff recommends that the City continue leasing the site to Mr. Nguyen. Should the City desire to terminate the lessee at some point

during the lease term, this can be accomplished by providing a 120-day written notice to the lessee.

Since purchasing the property, the City has charged Mr. Nguyen a rental fee of \$1,063.45 per month plus applicable state leasehold excise tax (currently 12.84% - \$136.55). Staff proposes to continue charging this amount for the proposed two-year term. The lease also stipulates that the tenant shall maintain comprehensive liability insurance in the amount of \$2,000,000 for personal injury or death and \$1,000,000 for property damage, with the City named as an additional insured.

The attached Lease Agreement has been reviewed by City Legal staff and has been reviewed and approved by Mr. Dung Nguyen, operator of the Little DaNang Restaurant.

Neighborhood/Community Interests (if known):

At the time of purchase, this property was one of two parcels needed to fully implement the Heritage Fountain Block site plan. Acquisition of the Fountain Block and construction of the Heritage Fountain and plaza is Olympia's commitment to the State of Washington as a partner in the development of the North Capitol Campus Heritage Park.

Options:

Option 1: Move to approve and authorize the City Manager to sign the attached Lease. Direct staff to continue to deposit the rental payment into the existing account dedicated to the maintenance of City-owned properties in the Fountain Block.

Implications

1. Mr. Nguyen will be able to continue operating his business at its current location.
2. The City will receive a lease payment that can be expended for maintenance of the structure.
3. An occupied structure is less likely to be vandalized.

Option 2: Do not approve the lease.

Implications:

1. Mr. Nguyen would have to move his business to another location.
2. The City would not receive a lease payment.
3. Continued maintenance of the building would not be necessary.
4. The property could be vandalized until such time as it is razed.

Financial Impact:

The condition of the building (particularly the roof) is deteriorating. During this lease term it is likely that significant repairs will be required to keep the building in rentable condition. At that time, staff will review options on whether it is more cost-effective to repair or raze the structure. Staff will keep the lessee informed of all actions related to the property.