



# Council Communication

Office of the City Manager

Date

August 25, 2008

Agenda Item No. 39  
Roll Call No. ~~08-~~  
Communication No. ~~08-529~~  
Submitted by: Jeb E. Brewer, P.E.  
City Engineer

## AGENDA HEADING:

Hearing for the approval of lease of City owned property in the lower level of the 7<sup>th</sup> and Grand Avenue parking garage to R. K. Corporation d/b/a Mr. Filet Steakhouse for \$912 per month.

## SYNOPSIS:

Recommend approval of lease agreement between R. K. Corporation, 510 7<sup>th</sup> Street, George Hatzigiannakis, President, and the City of Des Moines for property located in the street level of the 7<sup>th</sup> and Grand Parking Garage. The lease allows R. K. Corporation to use the leased premises for the operation of a restaurant - Mr. Filet Steakhouse. The lease shall be for a period of one year and eight months, beginning on the 1<sup>st</sup> day of September, 2008 and ending on April 30, 2010, subject to termination of the lease by either party with sixty (60) days written notice. R. K. Corporation shall have the unilateral right at its option to renew the lease agreement for a period of two separate, distinct and successive five-year terms. Consideration shall be \$912 per month for the initial term of the lease agreement.

## FISCAL IMPACT:

Amount: \$18,240 (Total revenue through April 2010)

Funding Source: 2007-08 Operating Budget, Page 124, T & T – Parking Administration, EN051, ENG100701.

## ADDITIONAL INFORMATION:

In 1990, R. K. Corporation entered into a lease agreement with the City for space in the lower level of the 7<sup>th</sup> Street and Grand Avenue Parking Garage. The initial term of the lease agreement was 10 years, with two successive five-year renewal terms.

In January of 2000, R.K. Corporation provided proper written notice to the City of Des Moines exercising the first five-year renewal option. Prior to the expiration of the first 5-year renewal option, R. K. Corporation failed to provide proper written notice to the City to exercise the second 5-year renewal option, so in April of 2005, City staff prepared a new lease agreement to be approved and signed by the parties. The term of the new lease agreement was five years, and included a clause allowing R. K. Corporation to unilaterally renew the agreement for two successive 5-year terms. The president of R. K. Corporation, George Hatzigiannakis, signed this new lease agreement in May 2005 and returned it to the City; however, it was never submitted to the Des Moines City Council for consideration. Although the

lease was never signed by the City, R. K. Corporation was invoiced and made the rent payments in accordance with the terms of the partially executed May 2005 lease.

The City's Engineering Department – Real Estate Division has worked with R. K. Corporation to update the terms of the lease and the lease agreement now being presented to Council, which includes two 5-year renewal options, is essentially the same agreement as was signed by R. K. Corporation in May 2005 except with the following changes:

- The new lease has an effective date of September 1, 2008
- Consideration was corrected from \$914.20 to \$912.00 to reflect the actual amount that the City of Des Moines has been invoicing R. K. Corporation since May of 2005.
- The 'Notices' paragraph was changed to reflect the transfer of City property management responsibilities to the Engineering Department – Real Estate Division.
- Attachment A was updated to reflect changes made to insurance and indemnification requirements since 2005.

The rental rate of \$912 per month is equal to the estimated fair market rent value for this space. The Engineering Department is recommending the approval of this lease agreement, as it provides revenue that helps offset the operating costs of the parking ramp facility.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: May 7, 1990

Roll Call Number: 90-1972

Action: Approval of lease of property in the vicinity of 510 7<sup>th</sup> Street to R. K. Corporation; \$700 per month for a 5 year term. Moved by Vlassis to adopt. Motion Carried 7-0.

#### **BOARD/COMMISSION ACTION(S): NONE**

#### **ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Hold hearing for approval of proposed lease of City-owned property in the vicinity of 510 7<sup>th</sup> Street to R. K. Corporation for \$912 per month.

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