



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 03/21/2023

ITEM NO: 9

DATE: March 16, 2023
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Approve Partial Rent Relief for Los Gatos-Saratoga Recreation and the New Museums of Los Gatos (NUMU) for Fiscal Year (FY) 2023/24, Using Available American Rescue Plan Act (ARPA) Dollars.

RECOMMENDATION:

Approve partial rent relief for Los Gatos-Saratoga Recreation (LGS Rec) and the New Museums of Los Gatos (NUMU) for Fiscal Year (FY) 2023/24, using available American Rescue Plan Act (ARPA) dollars.

BACKGROUND:

In 2020, the Town Council agreed to lease abatements for both tenants. These are scheduled to expire at the end of June 2023. As each tenant assessed their financial outlooks, during the Strategic Priorities discussion, both NUMU and LGS Rec presented proposals for reduced or zero rent. Attachment 1 contains the NUMU proposal and Attachment 2 contains the LGS Rec proposal.

DISCUSSION:

The Town has provided reduced rents to both tenants as well as other support. Below is information regarding the depth of the existing subsidy for both entities. Please note that the data does not include community grants for specific programs which are awarded on a competitive basis and outside of the lease arrangements.

NUMU

The table below shows the market value of the rent and free utilities, yielding a subsidy over \$500K.

Reviewed by: Town Manager, Town Attorney, and Finance Director

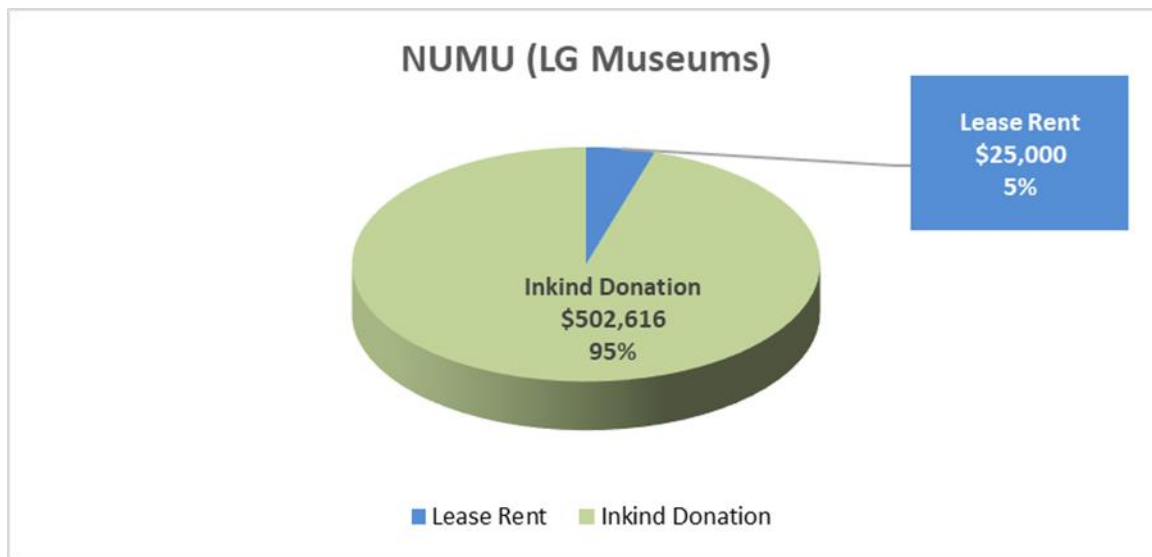
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DISCUSSION (continued):

NUMU (LG Museums)	
110 E. Main St	
10-Year Lease	
Market Price Per Square Foot/Month*	\$3.7
Square Footage	10,630
Value of Rent- Annual	\$474,230
Utilities - Annual	\$53,386
Total Rent Value and Other Expenses	\$527,616
 <i>Rent Paid to Town - Annual (Under Current Lease Agreement)</i>	 \$25,000
<i>Utilities Paid - Annual</i>	<i>\$0</i>
Total Value of Annual Town Donation/Subsidy	\$502,616

Graphically, the chart below shows that the Town is subsidizing the space at a rate of 95%.



The Town made significant capital investments on behalf of NUMU at Tait, Forbes Mill, and Town Hall to maintain the structures and prepare Town Hall for the museum's occupancy, as shown in the table below.

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DISCUSSION (continued):

Capital Investment	
NUMU (LG Musuem)	
Expenditure Type	Actuals (FY 2007/08 - 2016/17)
Building Remodel	\$ 1,125,458
HVAC	1,074,293
Roofing	141,984
Total	\$ 2,341,736

**Expenditures includes \$72,460 roof repair at Tait location*

Los Gatos Recreation

The table below shows the market value of the rent for the **Adult Recreation Center**, yielding a subsidy of approximately \$289K. The reduced rent was in exchange for the provision of senior services.

<i>Adult Recreation Center</i>	
208 E. Main St.	
20-Year Lease	
Market Price Per Square Foot/Month*	\$3.7
Square Footage	12,000
Value of Rent- Annual	\$527,537
Utilities - Annual	N/A
Total Rent Value and Other Expenses	\$527,537

Rent Paid to Town - Annual (Under Current Lease Agreement)

45% of Market Value	\$237,537
Utilities Paid - Annual	<i>Paid Directly to Utilities</i>
Elevator Maintenance	\$510
Total Value of Annual Town Donation/Subsidy	\$289,490

Graphically, the chart below shows that the Town is subsidizing the space at a rate of 55%.

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DISCUSSION (continued):



The Town had made and continues to make capital investments in the Adult Recreation Center as shown in the table below.

Capital Investment				
Adult Recreation Center				
Expenditure Type	Actuals Prior to FY 2022/23	Budgeted FY 2022/23	Actuals + Encumbrances FY 2022/23	
Floor Repair	\$ 4,560	\$ 195,440	\$ 154,051	
HVAC	-	310,000	195,000	
Restroom Remodel	-	183,000	-	
Roofing	71,336	-	-	
Cable & Control System Repair	17,125	-	-	
Total	\$ 93,021	\$ 688,440	\$ 349,051	

**Prior year expenditures occurred in FY 2011/12, 2015/16, 2021/22*

In terms of the **Youth Recreation Center**, the market value of the rent yields a subsidy of approximately \$256K.

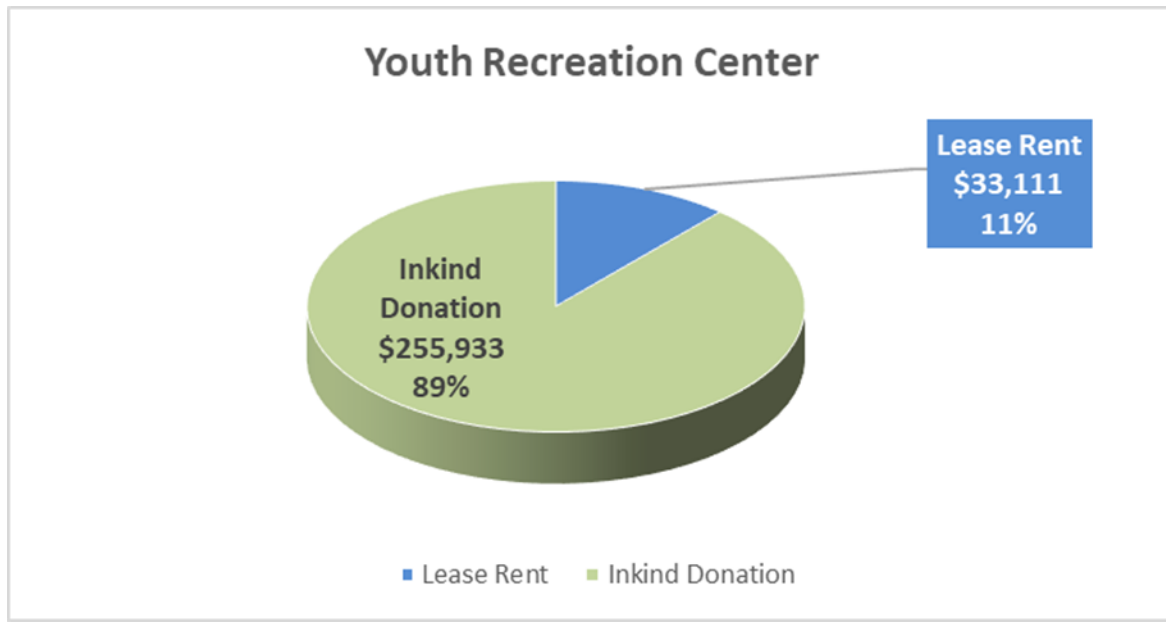
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DISCUSSION (continued):

Youth Recreation Center	
123 E. Main St.	
Market Price Per Square Foot/Month*	\$3.7
Square Footage	6,479
Value of Rent- Annual	\$289,044
Utilities - Annual	N/A
Total Rent Value and Other Expenses	\$289,044
<i>Rent Paid to Town - Annual (Under Current Lease Agreement)</i>	
10% of Market Value	\$28,905
Utilities Paid - Annual	Paid Directly to Utilities
Landscaping Services Paid - Annual	\$4,206
Total Value of Annual Town Donation/Subsidy	\$255,933

Depicted graphically, Town is subsidizing the space at a rate of 89%.



The Town had also made capital investments in the Youth Recreation Center as shown in the table below.

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DISCUSSION (continued):

Capital Investment		
Youth Recreation Center		
Expenditure Type	Actuals	
	(FY 2010/11 & 2014/15)	
Building Remodel	\$	69,610
Roofing		49,540
Total	\$	119,150

CONCLUSION:

Based on this information, it is recommended that each entity receive an 84% subsidy for the FY 2023/24 rent. For LGS Rec, this is a subsidy of \$200,000 and LGS Rec would pay the Town \$38,088 for the ARC and full rent of \$33,111 for the YRC. For NUMU, this subsidy would be \$21,000 and NUMU would pay the Town \$4,000. All provisions of both leases remain unchanged.

COORDINATION:

The preparation of this report was coordinated with the Finance Director, Town Manager, and Town Attorney.

FISCAL IMPACT:

Through the use of ARPA funds, the additional year of rent relief will have minimal impact on the Town's budget.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under the California Environmental Quality Act, and no further action is required.

Attachments:

1. NUMU Proposal
2. LGS Rec Proposal