



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 03/19/2024

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DATE: March 7, 2024  
TO: Mayor and Town Council  
FROM: Laurel Prevetti, Town Manager  
SUBJECT: Authorize the Town Manager to Negotiate and Execute a Sub-Lease with the United States Postal Service (USPS) for Parking Spaces Located at 15 Montebello Way

**RECOMMENDATION:**

Authorize the Town Manager to negotiate and execute a sub-lease with the United States Postal Service (USPS) for parking spaces located at 15 Montebello Way.

**BACKGROUND:**

In 2002, the Town entered into a 15-year lease agreement with Frontier California Inc. (formerly Verizon) for the use of the parking lot at 15 Montebello Way. On March 17, 2003, the parking lot lease was amended to allow for the sub-leasing of a portion of the lot to the United States Postal Service (USPS). The Frontier agreement was further amended in 2006, 2009, and 2018 with a final amendment in December 2023 to extend the lease through April 2029. Since the 2003 amendment, the Town has continued to sub-lease a portion of the parking spaces to the USPS concurrently with the lease agreement with Frontier California Inc.

**DISCUSSION:**

The current sublease with the USPS is scheduled to expire on April 30, 2024. Consistent with the five-year extension on the Frontier California Inc. agreement completed in December, staff negotiated a new five-year sub-lease (Attachment 1) with USPS through April 30, 2029. Similar to the prior sub-lease, the agreement covers approximately 10,800 square feet or 35 parking spaces. The table on the following page illustrates the terms of the prior agreement and the proposed agreement with the USPS.

**PREPARED BY:** Katy Nomura  
Assistant Town Manager

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

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DISCUSSION (continued):

TERM	ANNUAL LEASE	MONTHLY LEASE
Prior lease 5-year lease ending April 30, 2024	\$32,400	\$2,700
New 5-year lease ending April 30, 2029	\$46,322	\$3,860.17

The new sub-lease terms represent a 43% increase from the prior agreement to be more commensurate with the terms of the lease with Frontier California Inc. The sub-lease amount also includes a 4% commission for the USPS' lease manager Jones Lang LaSalle (JLL). The USPS requires the Town to pay this fee to JLL as part of a Commission Agreement (Attachment 2). The proposed sub-lease takes into account this commission and ensures the Town recovers costs related to leasing this subset of parking spaces from Frontier.

CONCLUSION:

Authorization of the sub-lease with the USPS will continue the long-standing practice of subsidizing the lease with Frontier California Inc., providing additional parking to the USPS, and utilizing a fee structure more commensurate with the primary lease terms.

COORDINATION:

This report was coordinated with the Town Manager's Office, the Town Attorney's Office, and the Finance Department.

FISCAL IMPACT:

If executed, the sublease would provide annual revenue generation of \$46,322.

Attachments:

1. USPS Sub-Lease
2. Commission Agreement