



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 01/16/2024

ITEM NO: 9

DATE: January 10, 2024
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Authorize the Town Manager to Negotiate and Execute a Lease Agreement with Candler for LTFJ S Corp for 41 North Santa Cruz Avenue, in Substantially the Form Presented for a 23-Month Initial Term with One Option to Extend for an Additional 24 Months

RECOMMENDATION:

Authorize the Town Manager to negotiate and execute a lease agreement with Candler for LTFJ S Corp for 41 North Santa Cruz Avenue, in substantially the form presented for a 23-Month initial term with one option to extend for an additional 24 months (Attachment 1).

BACKGROUND:

On December 30, 2021, the Town completed the transfer of the Los Gatos Theatre property to the Town's ownership. The property acquisition included assuming landlord oversight and the two respective leases for the existing retail properties at 41 and 45 North Santa Cruz Avenue. The lease at 41 North Santa Cruz Avenue expired December 31, 2022 and has been month to month since. Lisa T Fine Jewelry has been the business operating at this lease space since the Town acquired the property. This business was recently sold to Jennifer Candler, the new owner of Candler for LTFJ S Corp, dba Lisa T Fine Jewelry, and as such staff is bringing forward a new lease agreement (Attachment 1). The property consists of approximately two hundred and forty-five (245) square feet of space and is currently utilized for the sale of jewelry.

DISCUSSION:

Provided on the following page are the salient elements of the draft Lease Agreement (Agreement) staff is recommending.

PREPARED BY: Katy Nomura
Assistant Town Manager

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

DISCUSSION (continued):

Agreement Elements	Comments		
Term	23-month initial agreement ending on December 31, 2025, with one 24-month option.		
Base Rent Schedule (@ \$7.21 per square foot per month with a 3% annual escalator)	Year	Monthly Base Rent	Annual Base Rent
	Year 1 (Months 1-11)	\$1,766	\$19,426 (11 months)
	Year 2 (Months 12-23)	\$1,819	\$21,828

The proposed monthly rent per square foot is the same as the existing rental rate established for 45 N Santa Cruz Avenue. The only difference is that the timing of the annual 3% escalator occurs in January instead of July for 41 N Santa Cruz Avenue. This is due to the fact that the 45 N Santa Cruz Avenue lease is on a July renewal cycle while the 41 N Santa Cruz Avenue lease would be on a January renewal cycle, should renewal be considered.

CONCLUSION:

Lisa T Fine Jewelry is an established business which complements the reactivation of the Los Gatos Theatre well. Staff recommends leasing 41 North Santa Cruz Avenue to Candler for LTFJ S Corp dba Lisa T Fine Jewelry to allow Lisa T Fine Jewelry to continue to operate at this location.

COORDINATION:

This staff report was coordinated with the Town Manager, Town Attorney, and Finance Director.

FISCAL IMPACT:

Income derived from this agreement will be deposited to a Special Revenue Fund and would be utilized for the ongoing capital needs of the Theatre.

ENVIRONMENTAL ASSESSMENT:

In accordance with CEQA Guidelines Section 15301, this lease is categorically exempt from CEQA because it is a lease of an existing structure and will involve negligible expansion of an existing structure.

Attachment:

1. Draft Lease Agreement