



**TOWN OF LOS GATOS
PLANNING COMMISSION
REPORT**

MEETING DATE: 08/27/2025

ITEM NO: 2

DATE: August 22, 2025
TO: Planning Commission
FROM: Joel Paulson, Community Development Director
SUBJECT: Consider a Request for Approval to Modify Planned Development Ordinance 2025 to Allow Modifications to Building E; an Architecture and Site Application for Exterior Modifications to an Existing Commercial Building in the University/Edelen Historic District; and a Conditional Use Permit for Formula Retail Over 10,000 Square Feet and for a Restaurant with Alcohol Service on Property Zoned C-2:LHP:PD. **Located at 31 University Avenue.** APN 529-02-044. Planned Development Modification Application PD-25-001, Architecture and Site Application S-25-004 and Conditional Use Permit Application U-25-001. Categorically Exempt Pursuant to CEQA Guidelines Sections 15301: Existing Facilities. Property Owner: SRI Old Town, LLC. Applicant: Rick Nelson MBH Architects. Project Planner: Erin Walters.

RECOMMENDATION:

Forward a recommendation of denial to the Town Council for a request to modify Planned Development Ordinance 2025 to allow modifications to Building E; an Architecture and Site application for exterior modifications to an existing commercial building in the University/Edelen Historic District; and a Conditional Use Permit for formula retail over 10,000 square feet and for a restaurant with alcohol service on property zoned C-2:LHP:PD, located at 31 University Avenue.

PROJECT DATA:

General Plan Designation: Central Business District
Current Zoning Designation: Central Business District with a Landmark and Historic Preservation Overlay, C-2:LHP:PD
Applicable Plans and Standards: General Plan; Commercial Design Guidelines; and Planned Development Ordinance 2025
Parcel Size: 4.18 acres (182,080 square feet)
Surrounding Area:

PREPARED BY: Erin M. Walters
Senior Planner

Reviewed by: Planning Manager, Community Development Director, and Town Attorney

| | Existing Land Use | General Plan | Zoning |
|-------|-------------------|---------------------------|------------|
| North | Commercial | Central Business District | C-2:LHP |
| South | Commercial | Central Business District | C-2:LHP:PD |
| East | Commercial | Central Business District | C-2:LHP:PD |
| West | Parking Lot | Central Business District | C-2:LHP |

CEQA:

The project is Categorically Exempt pursuant to the adopted Guidelines for the Implementation of the California Environmental Quality Act, Section 15301: Existing Facilities. No significant effect on the environment will occur since the project uses an existing structure with no increase in floor area.

FINDINGS:

- The project is Categorically Exempt pursuant to the adopted Guidelines for the Implementation of the California Environmental Quality Act, Section 15301: Existing Facilities.
- As required by Section 29.80.095 of the Town Code for granting approval of a Planned Development Overlay Zone.
- That the amendment to the Planned Development Overlay Zone is consistent with the General Plan.
- As required by Section 29.20.190 (a) of the Town Code for granting a Conditional Use Permit.
- As required by Section 29.20.190 (b) of the Town Code for approving a Conditional Use Permit for a formal retail business greater than ten thousand (10,000) square feet.
- The project meets the objective standards of Chapter 29 of the Town Code (Zoning Regulations).
- As required by Section 29.80.290 (2) of the Town Code for approving applications in historic districts.
- As required for compliance with the Commercial Design Guidelines.

CONSIDERATIONS:

- As required by Section 29.20.150 of the Town Code for granting approval of an Architecture and Site application.

ACTION:

Forward a recommendation to the Town Council.

BACKGROUND:

The subject property is located on the west side of University Avenue at the intersection of Elm Street and University Avenue (Exhibit 1). The subject of this application is one of the Old Town commercial center buildings, referred to as Building E in the adopted Planned Development (PD) Ordinance 2025 (Exhibit 3). Building E consists of a 15,957-square foot vacant tenant space, which was previously demised into two separate units:

- A 7,233 square foot restaurant space formerly occupied by Steamer's restaurant.
- An 8,724 square foot retail space formerly occupied by The Gap, a clothing retail store.

In December 1996, the Town Council adopted PD Ordinance 2025, amending the zoning ordinance effecting a zone change from C-2:LHP to C-2:LHP:PD at 50 University Avenue, Old Town commercial center (Exhibit 3). PD Ordinance 2025 authorized the redevelopment of Old Town, including the construction of several new buildings, among them Building E. The construction of Building E was completed in 1999.

In January 2023, the clothing retail store, The Gap, ceased operations, and the restaurant, Steamer's, closed in December 2024. Both tenant spaces in Building E have remained vacant since their respective closures.

In January 2025, the applicant, RH (Restoration Hardware), applied for a modification to the existing PD Ordinance to allow modifications to Building E, an Architecture and Site application for exterior modifications to the existing commercial building, and a Conditional Use Permit (CUP) for a formula retail use over 10,000 square feet with a restaurant use with alcohol service.

The Old Town Commercial Center is located within the University-Edelen Historic District, and any exterior modifications to buildings within the district are subject to review by the Historic Preservation Committee (HPC).

On February 26, 2025, the HPC reviewed the proposed exterior modifications to Building E, continued the item for further consideration, and provided feedback to the applicant's team (Exhibits 7, 8, 9, and 10).

On March 26, 2025, the HPC reconsidered the item, and made a recommendation of denial to the Planning Commission (Exhibits 11, 12, 13, and 14).

The proposed project includes a request for a PD Amendment and therefore requires a recommendation from the Planning Commission, with the final decision to be made by the Town Council. The application also requires Planning Commission consideration and recommendation, with the Town Council serving as the final decision-making body for the Architecture and Site, CUP, and PD Amendment applications. The applicant has provided a

Project Description and Letter of Justification (Exhibit 15), and proposed Development Plans (Exhibit 20).

PROJECT DESCRIPTION:

A. Location and Surrounding Neighborhood

The subject property is located on the west side of University Avenue (Exhibit 1) and is developed as one of the Old Town commercial center buildings. The subject vacant 15,957-square foot tenant space was formerly two tenant spaces, a restaurant space formerly occupied by Steamer's, and a retail store space formerly occupied by The Gap, located on the ground floor in the northern building (Building E) adjacent to the corner of University Avenue and Elm Street. The property abuts commercial properties to the north, east, and south and a parking lot to the west.

B. Project Summary

The applicant is requesting approval for a modification to the existing PD Ordinance to allow modifications to Building E, an Architecture and Site application for exterior modifications to the existing commercial building, and a CUP for a formula retail use over 10,000 square feet with a restaurant with alcohol service in an existing tenant space. The proposed project occupies existing tenant spaces. No additional square footage is proposed.

When reviewing a CUP, the deciding body should consider the information in the applicant's business plan; however, the key consideration should be the proposed use since the business plan can change from owner to owner. The CUP runs with the land, and the deciding body should review the application based on the use described in the recommended Conditions of Approval (Exhibit 6) as opposed to the applicant's business plan.

C. Zoning Compliance

The C-2 zone permits formula retail businesses exceeding 10,000 square feet and restaurant uses with alcohol service, subject to approval of a CUP. The proposed project includes a request to modify the existing PD Ordinance to allow exterior modifications to Building E. The project meets the parking and height requirements outlined in the Town Code.

DISCUSSION:

A. Planned Development Amendment

The applicant is requesting approval to modify PD Ordinance 2025. In December 1996, the Town Council adopted PD Ordinance 2025 Performance Measures and Standards #15 b, c, and d, which governs the subject building, Building E, as part of the Old Town commercial center (Exhibit 3). The applicant requests an amendment to PD Ordinance 2025, removing the requirements that Building E be modified as follows (Exhibit 4):

- Design structure so that it appears to be a collective of individual structures that abut each other.
- The roof design shall be reflective of the individual structures (break-up rooflines).
- Corner tower shall be redesigned into a clipped corner design.

The applicants requests these change to allow for a more cohesive and contextually appropriate façade. The subject building's façade currently appears as three distinct structures. The applicant states, "the styles represented by the existing façade largely do not correspond to the architectural character of the University-Edelen Historic District, which includes the contributing styles of Mission Revival, Mediterranean, Craftsman, and Victorian."

The applicants proposes a unified Mediterranean-style design of the façade that reflects the proportions, window styles, and architectural details seen in the Old Town commercial center. The applicant believes the proposed design will create a more balanced and harmonious look that better fits Old Town and the University-Edelen Historic District (Exhibit 12 and 20).

B. Architecture and Site Analysis

The project proposes exterior modifications to Building E to establish a cohesive Mediterranean-style architectural character for a new single-tenant occupancy (Exhibit 20). The scope of work includes updates to all four building elevations for overall design consistency and visual appeal. Proposed exterior modifications include:

- Roof alterations to create symmetrical and consistent massing;
- Integration of arched and rectangular window and door openings;
- Installation of new fabric awnings and metal/glass canopy awnings;
- Addition of a new central pyramidal skylight; and
- Application of new stucco siding.

The existing one-story, 15,957-square foot commercial building will maintain its current footprint, with no increase in floor area. The overall building height would be slightly

reduced from 27 feet, four inches to 26 feet, eight inches, within the 45-foot height limit permitted in the C-2 zoning district.

The project retains the building's existing structural system and introduces a new multi-coat cement plaster exterior finish, accented with decorative steel and aluminum architectural elements. Architectural aluminum windows are proposed along all elevations.

The design incorporates step-backs at the ground level along the street-facing facades, alternating rectangular and semicircular fenestration, and introduces a varied parapet line at the roof. The proposed windows have deep recesses creating shadow lines and the design includes louvered and fabric awnings which add texture and depth to the new façade. The project proposes a centrally located restaurant, which will be illuminated by the new pyramidal skylight, bringing natural light into the interior space.

The proposed project is within the C-2A subdistrict of the Commercial Design Guidelines, which specifies site development and building design guidelines for projects within its boundaries. The proposed building remodel is consistent with the applicable provisions of the Commercial Design Guidelines as the project emphasizes display windows and storefront entries, maintains transparent storefronts and public right-of-way walls, utilizes high-quality store front materials, and uses awnings.

The applicant has provided a Project Description and Letter of Justification (Exhibit 15) discussing the proposed project in the context of the historic district, the Commercial Design Guidelines, and proposed Development Plans providing details of the proposed exterior work (Exhibit 20).

C. Historic Preservation Committee

The Old Town commercial center is located in the University-Edelen Historic District. Although the subject building was constructed in 1999, any exterior modifications to buildings within the district are subject to review by the HPC. Newer buildings support the district, although are not included as Contributors to the district.

Pursuant to Town Code Section 29.80.290 (2), in evaluating applications, the HPC considered the architectural style, design, arrangement, texture, materials and color, and any other pertinent factors. Applications shall not be granted unless:

In historic districts, the proposed work will neither adversely affect the exterior architectural characteristics or other features of the property which is the subject of the application, nor adversely affect its relationship, in terms of harmony and appropriateness, with its surroundings, including neighboring structures, nor adversely affect the character, or the historical, architectural or aesthetic interest or value of the district and its site.

On February 26, 2025, the HPC reviewed the proposed exterior modifications to Building E, continued the item for further consideration, and provided the following feedback to the applicant's team (Exhibits 7, 8, 9 and 10):

- Although the proposed design is a Mediterranean style, it is not as compatible with the existing Old Town buildings; it is not consistent with the Planned Development; or the character of the University/Edelen Historic District;
- The design should convey a collective of individual structures rather than one consistent and symmetrical massing;
- Consider the addition of tile roofing material; and
- Consider the impact of the skylight from all elevations.

On March 26, 2025, the HPC reconsidered the continued item. The applicant considered the Committee's direction from the February 26, 2025, meeting and decided not to modify the proposed exterior modifications and provided a response letter (Attachment 6 of Exhibit 12).

In the response letter the applicant thanked the HPC and stated "after careful consideration, we have chosen to maintain our current design. When developing our Proposal, we closely studied the existing Mediterranean components of the building and the Old Town Shopping Center, its proportions, window types and architectural details. We also considered the buildings immediately adjacent and incorporated their unified design into our building, both in color and articulation, with the goal of creating a harmonious façade design that assimilates into, rather than competes with the larger Historic District. At RH, we strive to obtain balance, symmetry and perfect proportions with our architectural approach and believe our design does exactly that. With respect, we would like to maintain our Proposal."

The Committee made a motion to recommend denial and has forwarded this recommendation to the Planning Commission for consideration. In support of its decision, the Committee cited the same feedback provided at the February 26, 2025 meeting, along with the subtle design changes discussed at the March 26, 2025 meeting, such as revisions to paint, lighting, materials, trees, landscaping, roof color, and other elements, to better achieve the appearance of a collection of individual structures (Exhibits 11, 12, 13 and 14).

Audio recordings of the HPC meetings held on February 26, 2025, and March 26, 2025, are available on the Town of Los Gatos website: <https://losgatos-ca.municodemeetings.com/>

D. Conditional Use Permit

The proposed project requires a Conditional Use Permit (CUP) application for a formula retail establishment exceeding 10,000 square feet, which will include the sale of home furnishings, interior design services, and an integrated restaurant. The restaurant

component will offer on-site alcohol service and is designed to complement the retail experience within the same space.

Town Code Section 29.10.020 defines formula retail business as a retail business which, along with 11 or more other business locations, is required by contractual or other arrangement to maintain any of the following: standardized merchandise, services, decor, uniforms, architecture, colors, signs, or other similar features.

The proposed business operates 60 retail locations in the United States, including 15 in California. Additionally, RH has five retail locations in Europe and four in Canada. The applicant has provided a Project Description and Letter of Justification (Exhibit 15), and Development Plans (Exhibit 21). Hours of operation are included in the recommended Conditions of Approval (Exhibit 6)

E. Conditional Use Findings

Pursuant to Town Code Section 20.20.109(a), the deciding body, on the basis of evidence submitted at the hearing, may grant a conditional Use permit when specifically authorized by the provisions of this chapter if it finds that:

1. The proposed uses of the property are essential to the public convenience or welfare;
2. The proposed uses will not impair the existing uses of the zone;
3. The proposed uses would not be detrimental to the public health, safety or general welfare; and
4. The proposed uses of the property are in harmony with the various elements or objectives of the General Plan and the purposes of this chapter.

The applicant has provided the following justifications as found in the Project Description and Letter of Justification, Exhibit 15.

In regard to the first finding, the proposed use would be considered desirable to the public convenience or welfare in that the “proposed uses provide for a bespoke dining and shopping experience which will be desirable to both residents and visitors as a destination within Los Gatos. Further, the proposed project will be an addition to an existing RH gallery at 26 N Santa Cruz Ave, which has been an integral part of the Los Gatos community for over 10 years.”

As required by finding two, the proposed application would not impair the integrity and character of the zone “it is a commercial use located in a commercial zone. Further, the Proposed Project is consistent with the Commercial Design Guidelines for C-2A zones and as a non-contributing structure within a historic preservation district. The Proposed Project maintains the existing building’s massing and density, reimagines the existing façade variation, and maintains the pedestrian pass-through along the southern wall”.

In regard to the third finding, the proposed use would not be detrimental to public health, safety, or general welfare as “the proposed uses, formula retail use and restaurant use with the selling of alcoholic beverages for consumption on-premises, represent no change from the current uses of the most recent tenants at the existing building (Gap and Steamer’s), and would not be detrimental to public health, safety, and general welfare.

In regard to the final finding, the proposed use meets the objectives of the General Plan and Town Code as “they contribute to the variety of commercial uses in the Central Business District and meet the goals and policies of the 2040 General Plan (2020 Land Use and Community Development Elements).”

Pursuant to Town Code Section 29.20.190 (b), the deciding body, on the basis of the evidence submitted at the hearing, may deny a conditional use permit for a formula retail business greater than ten thousand (10,000) square feet if any of the following findings are made:

1. The proposed use of the property is not in harmony with specific provisions or objectives of the General Plan and the purposes of this chapter;
2. The proposed use will detract from the existing balance and diversity of business in the commercial district in which the use is proposed to be located;
3. The proposed use would create an over-concentration of similar types of businesses, or
4. The proposed use will detract from the existing land use mix and high urban design standards including uses that promote continuous pedestrian circulation and economic vitality.

In regard to the first finding, the proposed use of the property is in harmony with specific provisions or objectives of the General Plan and the purposes of Chapter 29 of the Town Code. As required by finding two, the proposed use will not detract from the existing balance and diversity of business in the commercial district in which the use is proposed to be located. In regard to the third finding, the proposed use would not create an over-concentration of similar types of businesses. In regard to the final finding, the proposed use will not detract from the existing land use mix and high urban design standards including uses that promote continuous pedestrian circulation and economic vitality.

F. Parking

The tenant spaces were previously a restaurant use (7,233 sf) and a retail use (8,724 sf) with a parking requirement of one space for every 300 square feet of floor area, or 54 spaces. The proposed use requires the same number of parking spaces as the existing tenant spaces will be merged. The site is part of the Old Town commercial center, which provides parking through 215 spaces onsite and 464 spaces in the Parking Assessment

District (PAD). Based on an analysis of the existing uses in the Old Town commercial center, the proposed use would not require any additional parking and would be accommodated through the spaces located onsite and in the PAD.

G. Traffic and Sidewalk Improvements

In 2018, the Town's Traffic Impact Fee Policy was modified to address changes in use within existing shopping centers. Changes in use are considered a continuation of the previously applied shopping center rate. No additional fees will be charged as the use from an ITE perspective will remain the same. Since no additional square footage is proposed for the project, no traffic study or traffic mitigation fee is required for the CUP.

The proposed project reconfigures a portion of the sidewalk to align with the proposed building façade entrances, the draft Conditions of Approval require the applicant to replace the sidewalk, curb, gutter and curb ramp on the east and north side of the project site and provide dedication of a new sidewalk easement (Exhibit 5).

H. Trees

The Town's Consulting Arborist provided a peer review report of the applicant's arborist report (Exhibits 16 and 17). There are 12 protected trees on this site. Two of the protected trees are recommended for removal as they conflict with the sidewalk reconfiguration. The sidewalk along University Avenue will be removed and replaced and the location of the two tree wells and Tree #11 (three-inch diameter, Crape myrtle) and #12 (seven-inch diameter, Coast live oak) will be removed. A 24-inch box Coast live oak will be planted in a new tree well for symmetry. Tree protection recommendations and replacement requirements are contained in the Conditions of Approval (Exhibit 5).

I. General Plan

The 2020 General Plan Land Use designation for the site is Central Business District. The proposed formula retail/restaurant use is consistent and meets the Central Business District requirements for the property with the approval of a CUP. A formula retail/restaurant space would support the mixture of community-oriented commercial goods, services, and lodging unique to the Central Business District and would maintain the small-town character of the downtown area.

In addition to maintaining neighborhood quality, the 2020 General Plan Land Use Element focuses on maintaining a "full-service" Town that provides a range of goods and services that support economic vitality, while limiting adverse impacts on the quality of life of all the residents.

The applicable goals and policies of the 2040 General Plan (2020 Land Use Element and 2020 Community Design Element) include, but are not limited to:

- Policy LU-1.4: Infill projects shall be designed in context with the neighborhood and surrounding zoning with respect to the existing scale and character of surrounding structures, and should blend rather than compete with the established character of the area;
- Policy LU-1.8: Commercial development of any type (office, retail, research and development, etc.) shall be designed in keeping with the small-town character of Los Gatos;
- Goal LU-9: To provide residents with adequate commercial and industrial services;
- Policy LU-9.2: Maintain a variety of commercial uses, including a strong Downtown commercial area combined with Los Gatos Boulevard and strong neighborhood commercial centers to meet the shopping needs of residents and to preserve the smalltown atmosphere;
- Goal CD-1: Preserve and enhance Los Gatos's character through exceptional community design;
- Goal CD-9: To preserve the character of Downtown Los Gatos and the quality of life for its citizens through high quality building design;
- Policy CD-9.1: Exterior building materials in the Central Business District should be consistent with those used in existing, tastefully executed surrounding buildings;
- Goal CD-10: To maintain the historic character of the Downtown; and
- Policy CD-10.1: Encourage the preservation, restoration, rehabilitation, reuse, and maintenance of existing buildings Downtown.

PUBLIC COMMENTS:

Story poles and signage were installed on the site and written notice was sent to property owners and tenants within 300 feet of the subject property.

The applicant provided a summary of their neighborhood outreach efforts in Exhibit 20. Staff has included all public comments received by 11:00 a.m., Friday, August 22, 2025, as Exhibit 21.

ENVIRONMENTAL REVIEW:

The project is Categorical Exempt pursuant to the adopted Guidelines for the Implementation of the California Environmental Quality Act, Section 15301: Existing Facilities. No significant effect on the environment will occur since the project uses an existing structure with no increase in floor area.

CONCLUSION:

A. Summary

The applicant is requesting approval of a modification to the existing PD Ordinance (2025) to allow modifications to Building E, and an Architecture and Site application for exterior modifications to the existing one-story commercial building located in the Old Town commercial center within the University-Edelen Historic District. In addition, the applicant is requesting approval of a Conditional Use Permit application to allow for formula retail use over 10,000 square feet (home furnishings store) with a restaurant use with alcohol service in the C-2:LHP zone. On March 26, 2025, the Historic Preservation Committee reviewed the proposed exterior modifications and forwarded a recommendation of denial to the Planning Commission as they were not able to make the findings for approving applications in historic districts.

B. Recommendation

Based on the analysis above, staff recommends that the Planning Commission forward a recommendation of denial of the proposed project application to the Town.

C. Alternatives

Alternatively, the Commission can:

1. Forward a recommendation of approval of the applications to the Town Council with the following findings:
 - a. Find the proposed project is Categorically Exempt pursuant to the adopted Guidelines for the implementation of the California Environmental Quality Act, Section 15301 (Exhibit 2);
 - b. Make the findings required by Section 29.80.095 of the Town Code for granting approval of the Planned Development Ordinance (Exhibit 2);
 - c. Make the required findings that the Planned Development Overlay Zone is consistent with the General Plan (Exhibit 2);
 - d. Make the findings required by Section 29.20.190(a) for granting a Conditional Use Permit (Exhibit 2);
 - e. Make the findings required by Section 29.20.190(b) for granting a Conditional Use Permit for a formal retail business greater than ten thousand (10,000) square feet (Exhibit 2);
 - f. Make the required findings that the project complies with the objective standards of Chapter 29 of the Town Code (Zoning Regulations) (Exhibit 2);
 - g. Make the findings required by Section 29.80.290(2) for approving applications in historic districts;

- h. Make the required finding that the project complies with the Commercial Design Guidelines (Exhibit 2);
 - i. Make the required considerations as required by Section 29.20.150 of the Town Code for granting approval of an Architecture and Site application (Exhibit 2);
 - j. Adopt the amended Planned Development (Exhibit 4); and
 - k. Approve Architecture and Site application S-25-004 and Conditional Use Permit U-25-001 with conditions contained in Exhibit 5 and Exhibit 6 and the development plans in Exhibit 20.
2. Forward a recommendation to the Town Council for approval of the Planned Development Amendment application, Architecture and Site Application, and Conditional Use Permit with modified performance standards, additional and/or modified conditions; or
3. Continue the matter to a date certain with specific direction.

EXHIBITS:

1. Location Map
2. Required Findings and Considerations
3. Planned Development Ordinance 2025
4. Draft Planned Development Ordinance
5. Recommended Conditions of Approval A&S
6. Recommended Conditional of Approval CUP
7. HPC Action Letter, February 26, 2025
8. HPC Staff Report, February 26, 2025
9. HPC Desk Item, February 26, 2025
10. HPC Desk Minutes, February 26, 2025
11. HPC Action Letter, March 26, 2025
12. HPC Staff Report, March 26, 2025
13. HPC Desk Item, March 26, 2025
14. HPC Minutes, March 26, 2025
15. Project Description and Letter of Justification
16. Applicant Arborist Report
17. Consulting Arborist Peer Review
18. Applicant Response to Consulting Arborist Peer Review
19. Neighborhood Outreach Summary
20. Development Plans
21. Public comments received by 11:00 a.m., Friday, August 22, 2025

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