



MEMORANDUM

TO: City Council

FROM: Brian Pedrotti, Director of Community Development

BY: Patrick Holub, Associate Planner

SUBJECT: Authorization of a Lease Agreement for City Property; Location – 138 E. Branch Street

DATE: February 11, 2025

RECOMMENDATION:

- 1) Adopt a Resolution authorizing the City Manager to execute a new lease agreement between the City of Arroyo Grande and Gina's Italian Restaurant subject to any minor, technical, or non-substantive changes as approved by the City Manager in consultation with the City Attorney; and
- 2) Determine that the authorization of a lease agreement for the right-of-way adjacent to 138 E. Branch Street is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Under the terms of the lease agreement, the City will receive \$5,100 in annual revenue. Accordingly, this item also supports the City's economic development efforts.

BACKGROUND:

The City has a current lease with Gina's Italian Restaurant that is set to expire on February 28, 2025. At this time, Gina's Italian Restaurant seeks to enter into a new lease..

ANALYSIS OF ISSUES:

The outdoor patio at Gina's Italian Restaurant is 425 square feet and is located within City-owned right-of-way. The installation of the patio was previously approved by the Planning Commission on February 15, 2011. The original lease agreement allowed for the placement of the patio for an annual rental fee of \$1,140 with an initial term of 5 years and two additional 5-year extension options. A new lease is required to allow continued use of the City right-of-way.

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The proposed lease agreement allows for an initial lease term of three (3) years, with two, 2-year extension options. The proposed lease includes an increase in the rental terms from the previous lease. The proposed terms reflect a rental rate of one dollar per square foot (\$1/sqft) and is substantially similar to outdoor dining leases in our geographical area. For reference, this is the same rental rate being utilized by the [City of San Luis Obispo](#)¹ for outdoor dining areas. In addition, the proposed terms are generally consistent with the recently adopted parklet ordinance for the City, which allows outdoor dining for restaurants in the Village. .

ALTERNATIVES:

1. Adopt a Resolution authorizing the City Manager or designee to execute the lease agreement subject to any minor, technical, or non-substantive changes as approved by the City Manager in consultation with the City Attorney;
2. Modify and adopt a Resolution authorizing the City Manager or designee to execute the lease agreement subject to any minor, technical, or non-substantive changes as approved by the City Manager in consultation with the City Attorney;
3. Do not authorize the City Manager to execute the lease agreement; or
4. Provide other direction to staff.

ADVANTAGES:

Authorization of a lease agreement for outdoor dining is mutually beneficial to the applicant and the City, as it adds to the character of the Village and supports the City's economic development objectives.

DISADVANTAGES:

No disadvantages have been identified.

ENVIRONMENTAL REVIEW:

The authorization of a lease agreement for the right-of-way adjacent to 138 E. Branch Street is not a project subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3), 15378). The lease of the right-of-way, where no development or demolition is proposed, constitutes an administrative activity of the City. Alternatively, the adoption of a resolution to enter a lease agreement is exempt from CEQA on the basis that it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment (State CEQA Guidelines, § 15061subd.(b)(3).)

¹<https://www.slocity.org/government/department-directory/public-works/programs-and-services/transportation-planning-and-engineering/outdoor-dining>

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PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

ATTACHMENTS:

1. Proposed Resolution