



# COUNCIL REPORT

**DATE:** April 11, 2023  
**CATEGORY:** Consent  
**DEPT.:** Public Works  
**TITLE:** **Silicon Shores Rent Modification**

## **RECOMMENDATION**

Acting in its capacity as Board of Directors of the Shoreline Regional Park Community and the Mountain View City Council, authorize the City Manager or designee to grant an extended temporary reduction in the monthly percentage rent collected for the lease agreement with Silicon Shores, Inc. for the Shoreline Sailing Lake consisting of a 2% rent reduction for gross receipts collected on food/beverage service revenue and a 2% rent reduction of the gross receipts on all other revenue due to construction impacts from the Sailing Lake Improvements project for the months of March, April, and May 2023.

## **BACKGROUND**

The City leases the Shoreline Boathouse and Café to Silicon Shores Corporation, a small business whose operations are limited to this one facility (Figure 1). Under the lease, Silicon Shores operates the Shoreline Sailing Lake and boating facility, which includes collection of launch fees; teaching sailing and boating-related classes; rental of boats and equipment; sales of boating equipment, supplies, and clothing; and operation of a food service café. The current lease expires in 2028 with two 5-year renewal options with City approval.



**Figure 1: Lease Area of Silicon Shores**

The tenant pays rent based on a percentage of revenue: 8% of gross receipts collected on food/beverage service revenue and 10% of gross receipts on all other revenue collected without offsets of any kind. The City pays for half the utility costs, which is subtracted from the rent paid by the tenant. The tenant is required to submit to the City a monthly summary of all gross receipts for food service and any other revenues.

On [February 23, 2021](#), Council approved a 2% rent reduction, which reduced the percentage rent to 6% (from 8%) of gross receipts collected on food/beverage and 8% (from 10%) on all other revenue, retroactive to June 2020, until the COVID-19 state of emergency ended. The state of emergency ended on February 28, 2023, which also ended the rent reduction.

On [September 28, 2021](#), Council approved advertising the Shoreline Lake Improvements, Project 20-36, for construction bids. This project includes stabilizing the Sailing Lake's northeastern shoreline to resist wave-induced erosion, various improvements for the boat launch ramp, a new kayak launch area, and replacing the dock. Construction of the project started in November 2022 and is nearly complete. The installation of the new dock was delayed until some parts arrived and is expected to be completed by the end of April 2023; however, it may be May 2023 before all of the operator's boats are returned to the lake and the operator may resume full operations.

**ANALYSIS**

With a percentage-based lease, the tenant receives an automatic reduction in the net annual rent when their gross revenue declines. However, basing the percentage rent on gross revenue does not account for the loss of income beyond the tenant’s control. Reduced access to the lake due to the City’s construction project has resulted in fewer classes, less retail activity, decline in restaurant sales, and cancelled private events.

Staff recommends continuing the reduced percentage rent of 6% (from 8%) of gross receipts collected on food/beverage and 8% (from 10%) on all other revenue, retroactive to March 1, 2023 until the end of May 2023, by which time the Shoreline Lake Improvements project will no longer affect the operator’s access to the lake and dock.

**FISCAL IMPACT**

The recommended continuation of the 2% reduction of the percentage lease will result in an estimated range of \$15,000 to \$25,000 less in net rental revenue in Fiscal Year 2022-23 due to the continuation of reduced rent for March through May.

**ALTERNATIVES**—Provide other direction.

**PUBLIC NOTICING**

Agenda posting and a copy of this report to Christina Ferrari, doing business as Silicon Shores, Inc.

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