



Item No. 13 Town of Atherton

CITY COUNCIL STAFF REPORT – REGULAR AGENDA

TO: HONORABLE MAYOR AND CITY COUNCIL
GEORGE RODERICKS, CITY MANAGER

FROM: ROBERT OVADIA, PUBLIC WORKS DIRECTOR

DATE: JULY 20, 2022

SUBJECT: KNOX PLAYSCHOOL LEASE AMENDMENT TO EXTEND THE
LEASE AND CONTINUE THE CURRENT RENTAL RATE FOR
THE SEPTEMBER 1, 2022 THROUGH AUGUST 31, 2023 PERIOD

RECOMMENDATION:

Approve an amendment to the current lease with Knox Playschools, Inc., extending the lease and consideration of continuation of the reduced payable rent amount for the September 1, 2022, through August 31, 2023, term.

BACKGROUND

Knox Playschools Incorporated operates a playschool in Holbrook-Palmer Park in facilities leased from the Town. The current lease was initially executed in 2001 and has been amended eight (8) times, most recently in July 2020.

Knox Playschools exercised its final one-year option, after the City Council approved rent adjustments, based on student enrollment, for the current lease term expiring August 30, 2022, via Amendment No. 9.

Knox Playschools continues operations with reduced enrollment. Enrollment for the 2020-2021 academic year was limited to 12 students per classroom (48 total) through December 2020 and was increased to 14 students per classroom (56 total) beginning in January 2021. Enrollment for the current summer session is 36 students. Though the general restrictions associated with COVID-19 have eased and State mandated restrictions related to childcare enrollment are being lifted, COVID -19 continues to be a concern.

Knox has advised that enrollment for the coming academic year is low and is planning on maintaining 15 students per classroom; but will staff only three classrooms for the upcoming academic year, totaling 45 students.

Knox Playschools appreciates the support previously provided by the Council and is requesting similar consideration, continuing the linkage between the rental rates to enrollment, as were approved in the most recent lease amendment.

ANALYSIS

The current lease provides for payable rent to be based on school enrollment as follows:

- \$100 per student per month during the academic year (September 1, 2021 through May 31, 2022)
- \$134 per student per month during the summer term (June 1, 2022 through August 31, 2022)

As enrollment will be limited, Knox Playschools is requesting that there be no increase in the payable rent from the current rates. Rates for the lease extension would be as follows:

- \$100 per student per month during the academic year (September 1, 2022 through May 31, 2023)
- \$134 per student per month during the summer term (June 1, 2023 through August 31, 2023)

Without an adjustment in the payable rent, Knox Playschools may elect not to continue to lease the facilities at the park. Knox Playschools is also asking to maintain termination cause approved in the most recent amendment, which allows for termination with a 30-day notice.

Though Knox has requested maintaining the reduced rental rate tied to enrollment for two additional years, staff is not recommending approval of such at this time.

POLICY FOCUS

Though the general restrictions associated with COVID 19 have been easing, infection rates associated with variants continue to fluctuate and remain a concern. Knox Playschool has been an asset to the Town and a rent reduction would assist in the viability of this small local business. Susan has rented the Playschool for 25 years and the rent adjustment would allow Susan to rent the facilities in the park for another year.

FISCAL IMPACT

Current enrollment estimates are 45 students per month during the academic year, and approximately 36 students per month during the summer term. The payable rent for the lease year is estimated at \$4,500 per month during the academic year and \$4,824 per month during the summer term. If no reduction is approved, the Playschool may elect not to exercise its lease option.

PUBLIC NOTICE

Public notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting in print and electronically. Information about the project is also disseminated via the Town’s electronic News Flash and Atherton Online. There are approximately 1,200 subscribers to the Town’s electronic News Flash publications. Subscribers include residents as well as stakeholders – to include, but be not limited to, media outlets, school districts, Menlo Park Fire District, service providers (water, power, and sewer), and regional elected officials. The Town maintains an active and up to date Project Website at <http://ca-atherton.civicplus.com/index.aspx?NID=290>.

COMMISSION/COMMITTEE FEEDBACK/REFERRAL

This item ___ has or X has not been before a Town Committee or Commission.

- Audit/Finance Committee (meets every other month)
- Bicycle/Pedestrian Committee (meets as needed)
- PMC & Civic Center Advisory Committee (meets as needed)
- Environmental Programs Committee (meets every other month)
- Park and Recreation Committee (meets each month)
- Planning Commission (meets each month)
- Rail Committee (meets every other month)
- Transportation Committee (meets every other month)

ATTACHMENTS

1. Knox Playschools Request Letter



June 30, 2022

To the Atherton Town Council:

Playschool made it through another covid-affected school year. We had a few cases amongst our children, but were able to only close the classrooms for a few days each. Again, I thank the Council for reducing our rent and allowing the 30-day 'out' clause for the year. Playschool likely would have closed permanently without that amendment to our one-year lease option.

While some covid restrictions have eased and, as of this spring, we are no longer closing classrooms due to covid cases, we are still in uncertain times. The birth rate since 2020 is down, young families are moving out of the area for a variety of reasons, and California is now requiring that public schools offer free transitional kindergarten (TK) to the state's 4 year olds. The local districts - Menlo Park City School District (MPCSD) and Las Lomas School District (LLSD) are both offering such programs next year.

The net result of these factors is that Playschool enrollment is low this summer (36) and for the 2022-23 school year (45). We have decided to staff only 3 classrooms instead of 4 to accommodate the 45 children for the school year.

That said, I would like to request another 1 year lease term (September 2022 through August 2023) with two 1 year options to renew.

Given that most of the county/state child care restrictions are still in effect, and enrollment (and thus, revenue) are down, I am asking for commendations to continue for the one-year term.

1. I propose the payable rent to remain as follows:

\$100 per student per month during the academic year (September 1, 2022 through May 31, 2023) 45 for school year = \$4500/month

\$134 per student per month during the summer term (June 1, 2023 through August 31, 2023) 36 for summer = \$4824/month

2. While I don't think we would close mid-year, given the uncertainty of the times, I would also very much appreciate continuation of the clause which allows 30 days' notice for termination.

Thank you very much for your consideration of my requests.

Susan Knox

Knox Playschools, Inc.