



Item No. 15 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 21, 2020

SUBJECT: KNOX PLAYSCHOOL AMENDMENT TO LEASE TO ADDRESS
COVID-19 RELATED RENT REDUCTIONS FOR THE
SEPTEMBER 1, 2021 THROUGH AUGUST 30, 2022 PERIOD.

RECOMMENDATION:

Consider an amendment to the current lease with Knox Playschools, Inc., reducing the payable rent amount for the September 1, 2021, through August 31, 2022, 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.

Amendment No. 7, approved by the City Council in July 2019, extended the lease to the Knox Playschool by one year (through July 2020) with two additional 1-year options available per mutual agreement. The first one-year extension was approved and ends August 2021. Knox Playschools would like to exercise the second one-year option, which would extend the lease to August 31, 2022.

Due to COVID-19, the City Council also approved rent adjustments, based on student enrollment, for the current lease term, expiring August 2021, via Amendment No. 8.

Knox Playschools continues operations with reduced enrollment, to comply with COVID-19 protocols and distancing requirements. 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 are easing and State mandated restrictions related to childcare enrollment are being lifted, Knox has been advised to limit enrollment and maintain some distancing between students/classrooms until vaccines are

approved for young children. Knox is planning to on a small increase in enrollment (15 students per classroom) for the upcoming academic year.

Knox Playschools appreciates the support previously provided by the Council and is requesting similar consideration, linking 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:

- \$66.99 per student per month during the academic year (September 1, 2020 through May 31, 2021)
- \$133.98 per student per month during the summer term (June 1, 2020 through August 30, 2021)

As enrollment is expected to be steady over the next year, Knox Playschools is proposing to increase the payable rent 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 30, 2022)

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

POLICY FOCUS

Though the general restrictions associated with COVID 19 are slowly easing, restrictions related to childcare will likely remain in place until vaccines are approved for young children. 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 24 years and the rent adjustment would allow Susan to rent the facilities in the park for another year.

FISCAL IMPACT

Current enrollment estimates are 60 students per month during the academic year, and 36 students per month during the summer term. The payable rent for the lease year is estimated at \$6,000 per month during the academic year and \$4,824 per month during the summer term (approximately \$68,472 for the year). If no reduction is approved, the Playschool may elect not to exercise its lease option.

Pre-COVID-19, the lease amount for Knox Playschools was \$7,369 per month (\$88,428 per year). Per the original agreement, the rent would increase based on the Consumer Price Index (CPI) on September 1 of each year.

The reduction in the rent for the ensuing term would result in a revenue loss of approximately \$20,000.

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 29, 2021

To the Atherton Town Council:

Playschool made it through the 2020-21 school year! We were quite cautious (and anxious) but the families and teachers were very grateful that we were open. We had only one covid case which required us to close one of the four classrooms for two weeks in April.

Thank you very much for the Council's help in reducing rent and allowing the 30-day 'out' clause for the year. I would have closed the school permanently last summer without that amendment to my one-year lease option.

Child care restrictions are gradually easing, but we must still comply with all health checks, postings, social distancing, face coverings, and disinfecting procedures. We must keep parents out of the classrooms, keep siblings together, and cohorts of children must stay separate both inside and outside (separate classrooms, bathrooms, and sections of the play yard). We are now allowed slightly larger groups of children, but the classrooms must be large enough to allow for social distancing. Given that, Playschool can accommodate about 15 children per room for a total school enrollment of 60 children.

I would like to exercise my last one-year lease option – covering September 2021 through August 2022. But, given that most of the county/state child care restrictions are still in effect, I am asking for further commendations for the one-year term.

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

\$100 per student per month during the academic year (September 1, 2021 through May 31, 2022) 60 for school year = \$6000/month

\$134 per student per month during the summer term (June 1, 2022 through August 30, 2022) 45 for summer = \$6030/month

2. Our teachers are all vaccinated, but vaccines are still not available for young children. 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 for the consideration of my requests.

Susan Knox
Knox Playschools, Inc.