



## Item No. {{item.number}} 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: JUNE 21, 2023**

**SUBJECT: KNOX PLAYSCHOOL LEASE AMENDMENT TO EXTEND THE  
LEASE AND ADJUSTMENT TO THE CURRENT LEASE RATE**

### **RECOMMENDATION**

It is recommended that the Council consider an amendment to the current lease with Knox Playschools, Inc., extending the lease and consideration of an adjustment to the payable rent amount for the September 1, 2023, through August 31, 2024, term, with two one-year renewal options.

### **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 ten (10) times, most recently in July 2022. Amendment No. 10, approved by the City Council in July 2022, extended the lease to the Knox Playschool by one year with a reduced rent based on enrollment. The lease term is coming to an end, expiring on August 30, 2023.

Knox Playschools continues operations with enrollment reduced from pre-pandemic levels. Enrollment for the 2022-2023 academic year averaged 45 Students per month, and enrollment for the current summer session is approximately 28 students per month. Knox has advised that while COVID restrictions have eased, enrollment at Playschool continues to be a challenge due to a variety of factors including changes in California's education system where public schools are required to offer free transitional kindergarten (TK) to the state's 4 year olds.

Enrollment for the coming academic year is low, estimated at 30 'full time' (Mon-Fri) children and about 8 'part time' (Mon and Wed morning 9-12) children. The Playschool is taking steps to increase future enrollment but results will likely be gradual. While they have typically relied on word of mouth and family referrals, they are launching a new, updated website and social media campaign, and have also made some additions to their program offerings to attract more families. 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 amendments.

### **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, 2022 through May 31, 2023)
- \$134 per student per month during the summer term (June 1, 2023 through August 30, 2023)

As enrollment will be limited, Knox Playschools is requesting minor adjustments to lease rate for the proposed lease extension as follows:

- \$125 per student per month during the academic year (September 1, 2023 through May 31, 2024) – an increase of \$25/month per student
- \$125 per student per month during the summer term (June 1, 2024 through August 30, 2024) – a decrease of \$9/month per student

\*\*Estimated revenue during the academic year (September 1, 2023 through June 30, 2024): 38 children for school year = \$4,750/month

\*\*Estimated revenue during the summer camp months (July 1, 2023 through August 31, 2023): 30 children for summer = \$3,750/month

The proposed rent structure simplifies the rate to a fixed rate per student per month through the lease year and would be a net increase over the 2022-23 lease period, inclusive of accounting for the lower projected enrollment numbers.

Without an adjustment in the payable rent from the pre-pandemic level, 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.

### **FISCAL IMPACT**

Current enrollment estimates are 38 students per month during the upcoming academic year, and approximately 30 students per month during the following summer term. The payable rent for the current lease year has been approximately \$4,500 per month during the academic year and is projected at \$3,750 per month during the summer term. The proposed rent for the lease extension, with the lower enrollment numbers, would be approximately \$4,750 per month during the academic year and \$3,750 per month during the summer term, a net increase of approximately \$2,250 for the year. If enrollment were to be closer to the current lease year, there would be a greater increase in lease revenue. If no reduction from the pre-pandemic rate is approved, the Playschool may elect not to continue operations.

### **GOAL ALIGNMENT**

This Report and its contents are in alignment with the following Council Policy Goals:

- Goal Area A – Maintain Fiscal Responsibility
- Goal Area B – Preserve Small Town Character and Quality of Life
- Goal Area E – Strengthen Community Engagement and Transparency

### **POLICY FOCUS**

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 continue to rent the facilities in the park and continue to serve the local community.

### **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 Protection District, service providers (water, power, and sewer), and regional elected officials.

### **COMMISSION/COMMITTEE FEEDBACK/REFERRAL**

This item has not been before a Town Committee or Commission

### **ATTACHMENTS**

1. Knox Playschools Request Letter