



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Administrative Services

Meeting Date: December 18, 2023

Report #:2311-2218

TITLE

Approval of Two Lease Agreements for a Five Year Term Between the City of Palo Alto (Landlord) and Palo Alto Community Child Care (Tenant) for Community Child Care Spaces at the College Terrace and Ventura Sites; CEQA Status – Not a Project

RECOMMENDATION

Staff recommends that the City Council authorize the City Manager or their designee, to execute two (2) Lease Agreements between the City of Palo Alto and Palo Alto Community Child Care (Tenant) for Community Child Care Spaces at the College Terrace and Ventura Sites. The term will be January 1, 2024 through December 31, 2028.

BACKGROUND

On September 12, 2016 the City entered into two lease agreements with Palo Alto Community Child Care (PACCC) for the College Terrace Library (2300 Wellesley Street) and Ventura School (3990 Ventura Court) sites for the purpose of providing full-service community child care centers. The term of both lease agreements commenced on July 1, 2016. The College Terrace Library lease expired on December 31, 2019 and the Ventura School lease expired on June 30, 2019; both have been in holdover since. Now, the City and Palo Alto Community Child Care desire to enter into new lease agreements for both sites. The term of the new lease agreements will be January 1, 2024 to December 31, 2028. PACCC is requesting a longer term to apply for a Childcare Expansion Grant¹ which requires a 5-year lease. They intend to use this grant to fund tenant improvements such as upgrading the HVAC systems. The improvements to the HVAC systems will be entirely grant funded and at no cost to the City.

¹ Childcare Expansion Grant - <https://valleyhealthfoundation.org/how-we-help/childcare-center-programs.html>

ANALYSIS

The language for the new lease agreements is similar to the existing agreement with changes only to the term, base rent amounts, and annual increase rate. See below for a breakdown of general terms.

Site	Approximate Space	Commencement Date	Expiration Date	Annual Base Rent	Annual Increase	Operating Expense Responsibility
College Terrace Library	2,000 sq. ft.	January 1, 2024	Dec. 31, 2028	\$33,132	3%	PACCC
Ventura School	21,000 sq. ft.	January 1, 2024	Dec. 31, 2028	\$540,559	3%	PACCC

The base rent for the College Terrace Library site will be \$2,760.98 per month for a total annual rent of \$33,132. The base rent for the Ventura School site will be \$45,046.60 per month for a total annual rent of \$540,559. Consistent with the existing agreement, the City will waive the annual base rent as long as PACCC provides all services as outlined in the updated FY2024 Annual Work Plan exhibits in the lease agreements. The Annual Work Plan remains largely unchanged. However, notable updates include additional annual reporting for quality and volunteering metrics to be provided to the City.

FISCAL/RESOURCE IMPACT

This will have no projected impact to the FY 2024 Budget as the base rent is expected to be waived in agreement with PACCC subject to the provision of services. This is consistent with the current lease agreements.

STAKEHOLDER ENGAGEMENT

The City and PACCC collaborated on development of the new lease agreements. City staff has been in open communication with PACCC to assist with requirements to apply for the Childcare Expansion Grant.

ENVIRONMENTAL REVIEW

This activity is not a project under California Environmental Quality Act (CEQA) as defined in CEQA Guidelines, section 15378(b)(5), because it has no potential for resulting in either a direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS

Attachment A: Palo Alto Community Child Care Lease Agreement – College Terrace

Attachment B: Palo Alto Community Child Care Lease Agreement – Ventura

APPROVED BY:

Kiely Nose, Assistant City Manager