



# City Council Staff Report

**From: City Manager**

**Report Type: CONSENT CALENDAR**

**Lead Department: Administrative Services**

**Meeting Date: November 27, 2023**

Report #:2311-2204

## **TITLE**

Approval of Two Sublease Agreements with Palo Alto Community Child Care and Kids Choice for an Initial 12-Month Term

## **RECOMMENDATION**

Staff recommends that the City Council authorize the City Manager or their designee to execute two (2) Sublease Agreements with Palo Alto Community Child Care and Kid's Choice for the Extended Day Care Services at Palo Alto Unified School District Elementary School Sites. These agreements establish an initial term of 12 months and may be renewed for four additional one-year terms upon mutual agreement.

## **BACKGROUND**

The City of Palo Alto (City) currently has a leasing arrangement with the Palo Alto Unified School District (PAUSD) for spaces dedicated to delivering afterschool child care services. The City is a tenant of PAUSD. Subsequently, the City has subleased these spaces to Palo Alto Community Child Care (PACCC) and Kids Choice, two childcare providers. On June 19, 2023, the City Council approved the first amendment to the lease for elementary school sites from PAUSD to sublease the sites to providers of afterschool care<sup>1</sup>. The current sublease agreements were amended several times before the current standalone sublease agreements for extended day care services were executed in July 2022. The current agreement went into holdover status on June 30, 2023. Now, the parties desire to enter new sublease agreements to continue City-operated extended day childcare services provided by PACCC and Kid's Choice.

## **ANALYSIS**

Staff has negotiated the sublease agreements with terms that align with the lease agreement the City has with PAUSD for the Extended Day Care Sites (Attachments A & B). The subleases extend

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<sup>1</sup> June 19, 2023 Staff Report, Item 37 - <https://cityofpaloalto.primegov.com/Portal/viewer?id=2393&type=0>  
PAUSD Lease Amendment - <https://cityofpaloalto.primegov.com/Portal/viewer?id=1933&type=2>

the term to June 30, 2024 and provide options for four additional one-year extensions, up to June 30, 2028, exercisable upon ninety (90) day notice from either party and mutual agreement. All other the terms of the lease remain the same. The base rent and utilities will remain unchanged at \$10,423 per month for PACCC (at eleven sites) and \$961 per month for Kid's Choice (at one site). The rent and utilities shall not exceed \$115,640 per year for PACCC and \$11,528 per year for Kid's Choice.

#### **FISCAL/RESOURCE IMPACT**

The base rent and utilities are \$10,423 per month for PACCC and \$961 per month for Kid's Choice. The rent and utilities shall not exceed \$115,640 per year for PACCC and \$11,528 per year for Kid's Choice. These amounts did not change from the previous agreement and align with the FY 2024 Adopted Budget estimate for rental income.

#### **STAKEHOLDER ENGAGEMENT**

The Administrative Services and Community Services departments collaborated with PACCC and Kids Choice to develop an initial 12-month term sublease that includes options to extend in one (1) year terms through 2028. The subleases were developed in coordination with PAUSD to align with the first amendment to the lease for elementary school sites that was approved by Council on June 19, 2023.

#### **ENVIRONMENTAL REVIEW**

The California Environmental Quality Act (CEQA) categorizes this action as "Not a Project" as it does not involve any commitment to a specific project which may result in a potentially significant physical impact on the environment.

#### **ATTACHMENTS**

Attachment A: Sublease Agreement with Palo Alto Community Child Care

Attachment B: Sublease Agreement with Kids Choice

#### **APPROVED BY:**

Kiely Nose, Assistant City Manager