



## City Council Staff Report

**From: City Manager**

**Report Type: CONSENT ITEM**

**Lead Department: Administrative Services**

**Meeting Date: June 19, 2023**

Report #:2305-1568

### **TITLE**

Approval of Amendment No. 1 to the Lease Agreement between the Palo Alto Unified School District (PAUSD) (Landlord) and the City of Palo Alto (Tenant) for Extended Day Care Spaces for an Initial 12-Month Term, Rent Not to Exceed \$707,676 per Year; CEQA Status – Not a Project

### **RECOMMENDATION**

Staff recommends that the City Council authorize the City Manager or their designee to execute the Amendment No. 1 to the Lease Agreement between the Palo Alto Unified School District (PAUSD) and the City of Palo Alto (City) for Extended Day Care premises. Amendment No. 1 renews the term of the lease for an additional 12 months ending June 30, 2024 at the same base annual rent of \$707,676 and may be renewed for three additional one-year terms upon mutual written agreement.

### **BACKGROUND**

On June 20, 2022, the City Council approved a lease for elementary school sites from PAUSD to sublease to providers of afterschool care (CMR: 14456<sup>1</sup>). The current lease is scheduled to expire on June 30, 2023. An amendment for the Extended Day Care sites has been negotiated to renew the term for one year and provide options to renew for three additional one-year terms, not to exceed 5 total years, upon the mutual written agreement of the parties.

The agreement with PAUSD to provide space for extended day care at elementary school sites began in 1989 as a component of the parties' lease agreement that also included a lease on the former 35-acre Cubberley High School site and a Covenant Not to Develop five neighborhood elementary school sites. The current agreement was amended several times before the current standalone agreement for the 12 extended day care sites was executed on July 1, 2022. The

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<sup>1</sup> 06/20/2022 City Council, Approval of Lease Agreement between Palo Alto Unified School District (Landlord) and City of Palo Alto (Tenant) for Extended Day Care Sites for 12 months, Rent Not to Exceed \$707,676 per Year <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/agendas-minutes/city-council-agendas-minutes/2022/20220620/20220620pccsm-amended-final-final.pdf>

current agreement is scheduled to expire on June 30, 2023 and the parties desire to extend the terms of the agreement to continue City-operated extended day childcare services provided by Palo Alto Community Child Care (PACCC)<sup>2</sup> and Kid's Choice<sup>3</sup>.

## **ANALYSIS**

Staff has negotiated an amendment to the lease agreement with PAUSD for the Extended Day Care Sites under the same general terms as the current agreement (Attachment A). PAUSD is accepting an amendment to allow for one-year extensions currently to align with their operating agreements with the childcare providers. The amendment extends the expiration date to June 30, 2024 and provides the option for three additional one-year extensions, up to June 30, 2027, 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 will remain \$58,973 per month per site for an annual total rent of \$707,676. The City will continue to be responsible for minor maintenance and utilities, estimated at approximately \$4,000 per month per site for an approximate annual total of \$48,000. Otherwise, the terms remain the same.

## **TIMELINE**

The lease agreement went to PAUSD's Board on June 6, 2023 for an initial discussion and will be presented again on June 20, 2023 for action. If approved, the amendment will commence on July 1, 2023. After the amendment is fully executed, staff will extend the City's sublease to PACCC and Kid's Choice for the 2023 – 2024 school year, which does not require Council approval.

## **FISCAL/RESOURCE IMPACT**

The base rent for the new Extended Day Care lease will remain at \$58,973 per month or \$707,676 per year. The current base rent collected from PACCC and Kid's Choice for the Extended Day Care Sites total \$7,380.17 per month or \$88,562.04 per year, with a 3% increase annually. There are sufficient funds in the FY 2024 Proposed Operating Budget to support the recommendations in this report. Funding is subject to City Council approval through the annual budget process.

## **POLICY IMPLICATIONS**

Continuing to lease the Extended Day Care Sites from PAUSD is consistent with policies and programs in the Comprehensive Plan promoting City-PAUSD collaboration and the effective provision of community services.

## **STAKEHOLDER ENGAGEMENT**

The City and PAUSD collaborated on development of the new amendment to provide options to extend the existing agreement in one (1) year terms through 2027.

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<sup>2</sup> Palo Alto Community Child Care (PACCC); <https://paccc.org/>

<sup>3</sup> Kids Choice After School Program; <https://kidschoiceafterschoolcare.org/>

**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: Amendment No. 1 to Extended Day Care Lease with City of Palo Alto and PAUSD

**APPROVED BY:**

Kiely Nose, Assistant City Manager