



## Item No. 17 Town of Atherton

### CITY COUNCIL STAFF REPORT – REGULAR AGENDA

**TO:** HONORABLE MAYOR AND CITY COUNCIL  
GEORGE RODERICKS, CITY MANAGER

**THROUGH:** ROBERT OVADIA, PUBLIC WORKS DIRECTOR

**FROM:** SALLY BENTZ-DALTON, TOWN ARBORIST/PARK MANAGER

**DATE:** JULY 15, 2020

**SUBJECT:** KNOX PLAYSCHOOL RENT WAIVER FOR MAY AND JUNE;  
PRORATED RENT FOR JULY AND AUGUST DUE TO COVID-19  
SHELTER IN PLACE ORDER AND RELATED SCHOOL  
CLOSURE; AND A BASELINE RENT REDUCTION FOR THE  
LEASE YEAR STARTING IN SEPTEMBER

#### **RECOMMENDATION:**

Consider: 1) a waiver of rent for Knox Playschool for May and June and prorating of rent for July and August; 2) a reduction of baseline rent for the upcoming lease extension based on the County mandated capacity reductions, to half the current rent; and 3) a staggered monthly rent schedule in the case of closures.

#### **BACKGROUND**

Knox Playschools Incorporated operates a playschool in Holbrook-Palmer Park in facilities leased by the Town. The current lease was initially executed in 2001 and has been amended seven (7) times, most recently in June of 2019.

Amendment No. 7, approved by the City Council, extended the lease to the Knox Playschool to August 31, 2020 and authorized two one-year extension options, potentially extending the lease to August 31, 2022.

The Town currently charges the Knox Playschool rent in the amount of \$7,369 per month. The Playschool was charged and paid rent through the month of March.

On Friday March 13, 2020, the San Mateo County Health Officer issued Order No. c19-3, a School Operations Modification Order, requiring Schools to dismiss students from regular attendance effective Monday March 16 through Friday April 3, 2020. On Thursday, March 26, 2020, the San Mateo County Health Officer issued Order No. c19-3b, revising the Operations Modification

Order issued on March 13, 2020, extending it through May 1, 2020. These orders applied to Knox Playschool.

At its April 1, 2020, Special Council Meeting, the City Council approved a rent waiver for Knox Playschools for the month of April and requested that staff return the item for reevaluation and consideration of additional waivers or reductions at its last meeting in April.

On April 13, 2020, The San Mateo County Health Officer issued Order No. c19-3c extending the School Operations Modification Order through the end of the 2019-20 academic year.

At its April 29, 2020, Special Council Meeting, the City Council approved a rent waiver for Knox Playschools for the month of May encouraged Susan Knox to apply for a grant through the San Mateo Strong Fund and rent for the month of May be paid if the Playschool received the grant. The Council deferred the consideration of the June rent waiver.

### **ANALYSIS**

Susan Knox paid the full rent through the month of March and Council waived the rent for April. Ms. Knox received a San Mateo Strong Grant in the amount of \$10,000. The Town has not received rent payment for May or June. Ms. Knox's first request is for rent to be forgiven for the months of May and June 2020.

The Playschool will be open for one 4-week summer session (July 13, 2020 – August 7, 2020) that will accommodate 36 children (3 groups of 12 with 2 teachers per group), and will follow the County mandated childcare guidelines and restrictions, including health checks, postings, social distancing, face coverings, and disinfecting procedures. Typical summer sessions are 8 weeks in length, accommodating 55 children each week.

Ms. Knox is requesting that the rent in July and August to be prorated based on one month of partial enrollment with a total for the two months not to exceed \$7,369.

Ms. Knox's current lease term will end on August 31, 2020. Council authorized two one-year lease extensions, allowing for extension of the lease to August 31, 2022. Ms. Knox was planning on exercising her first on-year option, however with uncertain times she is not sure if the Playschool is financially viable. If she moved ahead, the school year would start September 1. There are 110 families enrolled in part time schedules for the school year. If the County childcare restrictions stay the same, she can only have spaces for 48 children (4 classrooms of 12 children). The capacity and income will be reduced.

Knox Playschool is 100% tuition-funded and tuition is not charged when the students are not in session. Typical tuition ranges from \$520/month for 2 days/week to \$835/month for 5 days/week. Tuition is paid monthly September through June. Summer Camp is paid weekly, in advance, and runs as noted above. Ms. Knox employs 9 staff.

Due to Covid-19, Ms. Knox's concerns are that if a confirmed case occurs exposing teachers and children, it would lead to a partial or full shut down. If cases continue to rise, the State or County could mandate childcare closure again.

Ms. Knox's request in regards to extending the lease is for Council to consider (1) a reduced baseline rent based on County mandated reduced capacity to half of the current rent; and (2) a staggered monthly rent schedule in the case of closures to half the rent if they are to close 2 of the 4 classrooms for a month. She is also requesting a rent waiver of the full monthly rent amount if there is a school closure.

### **POLICY FOCUS**

The rental contract with the Town and Knox Playschool Inc does not directly provide for a rent reduction or deferral. The current situation associated with COVID 19 is unprecedented for the Town and the County and is having a significant impact to the livelihood of small businesses. Knox Playschool has been an asset to the Town and a reduction/deferral would assist in the viability of this small local business. Susan has rented the Playschool for 22 years and with the flexibility in the year extension it would allow Susan to rent the facilities in the park for another year.

### **FISCAL IMPACT**

Knox Playschools Inc. pays monthly rent to the Town in the amount of \$7,369 (\$88,428 annually) with the price to be adjusted per the Consumer Price Index (CPI) on September 1 of each year.

The reduction would reduce the Park Budget as follows: (\$7,369) for the month of May, (\$7,369) for the month of June, (\$3684.50) for the month of July and (\$3684.50) for the month of August.

For the lease extension the fiscal impact would reduce the rent by 50% due to the reduced classroom size and could possibly be no rent due to full closure.

### **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. Letter from Susan Knox, dated June 30th, 2020, asking for rent waiver and rent reduction including San Mateo Heath Order Childcare FAQ's



June 30, 2020

To the Atherton Town Council:

Background:

Playschool has been closed since the shelter-in-place order came in mid-March. The teachers did circle times for each classroom on zoom, held zoom music class, and handed out weekly activity bags to about 80 children (total enrollment was 110) for the months of April and May. We finished the school year in early June with drive-by celebrations for each class. We did not charge our families tuition for May and June and refunded April tuition to those families who requested it. Teacher salaries were paid for all pay periods.

We typically run 8 week-long sessions of summer camp with about 55 children each week. This year we are preparing to open for one 4-week summer camp session from July 13 - August 7. We will accommodate up to 36 children (3 groups of 12 with 2 teachers per group). We are spending a lot of time preparing ourselves and our facilities for the county mandated child care guidelines/restrictions. The child care specific restrictions are outlined on the next page. In addition, we must also comply with all health checks, postings, social distancing, face coverings, and disinfecting procedures of general commercial establishments.

Action Items:

1. Rent for this lease term:

We paid full rent through the month of March. Council excused rent for April. Council excused the rent for May with the caveat that if Playschool received the San Mateo County grant of \$10,000 (which we did) that we would pay the rent for May (\$7369). Council did not address rent relief for June, July, or August.

Since the only time that Playschool will be in operation since March 13 will be the 4-week session from 7/13-8/7, I request that rent be forgiven for May and June and that rent for July and August = prorated amount based on 1 month of partial enrollment not to exceed one payment of \$7369.

2. Amendment/exercise of 1-year lease option:

I have been agonizing over what to do about Playschool in the fall. We were scheduled to begin our new school year on September 1. I was planning on exercising the 1-year lease option for September 2020 - August 2021. But with times as uncertain as they are, I need to evaluate my financial liabilities and create a viable business plan.

## ATTACHMENT 1

We have 110 families enrolled in part time schedules for the school year. If the county childcare restrictions stay the same, we will only have spaces for 48 children (4 classrooms of 12 children). So, our capacity (and therefore, our income) is much reduced. There are further concerns: What if Playschool has a confirmed case of or exposure to COVID-19 and needs to shut down partially or fully? What if the state or county mandates childcare closure again? We will not charge families tuition for closures as distance learning for preschoolers has shown itself to be largely unsatisfactory.

If I am to exercise the 1-year option for the new school year, would Council consider (1) a reduced baseline rent based on county mandated reduced capacity (say half of the current rent, \$3684.50) and (2) a staggered monthly rent schedule in the case of closures (i.e. 1/2 rent if we must close 2/4 classrooms for a month, rent forgiven for full school closure)?

If Atherton could share some of the burden of lost revenue due to reduced capacity and potential closures, it could make opening in September a viable option for Playschool.

Once again, thank you for the consideration of my requests.

Susan Knox  
Knox Playschools, Inc.

Most recent San Mateo County requirements - found under 'FAQs' for childcare:

Yes, childcare facilities are open to all children. In addition to childcare establishments, summer camps, and other educational or recreational institutions or programs providing care or supervision for children of all ages are also allowed to operate. To the extent possible and compliant with any licensing requirements, these operations must also comply with the following conditions:

- They must be carried out in stable groups of 12 or fewer children (“stable” means that the same 12 or fewer children are in the same group each day and for at least three consecutive weeks).
- While within their stable group, children and caregivers/counselors are not required to social distance from each other and may share equipment.
- Children shall not change from one group to another or attend more than one childcare establishment, summer camp, other educational or recreational instruction or program simultaneously.
- If more than one group of children is at one facility, each group shall be in separate rooms or spaces that cannot be accessed by children or adults outside the stable group. Groups shall not mix with each other.
- If different groups will access a shared area, they must do so at different times, and any shared equipment or high-touch surfaces must be sanitized between uses.
- Providers, educators and other staff cannot serve more than one group of children and shall remain solely with that group of children during the duration of the childcare establishment, summer camp, or other educational or recreational institution’s program.