



CITY OF

NEWPORT BEACH

City Council Staff Report

August 26, 2025
Agenda Item No. 30

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: First Amendment to Lease with Risk Placement Services, Inc. for Use of Suite 100 at 1201 Dove Street

ABSTRACT:

The City of Newport Beach acquired the office building located at 1201 Dove Street, Newport Beach in May 2023. The building currently has 16 tenants and is being marketed for lease. For the City Council's consideration is a First Amendment to Lease (Attachment A) with Risk Placement Services, Inc., for use of Suite 100 for a term of six years at market rate rents.

RECOMMENDATIONS:

- a) Find this matter is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15301 (Existing facilities) and Section 15302 (Replacement or Reconstruction) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential to have a significant effect on the environment; and
- b) Authorize the City Manager and City Clerk to execute the First Amendment to Lease between the City of Newport Beach and Risk Placement Services, Inc. for use of City Property, office space Suite 100 located at 1201 Dove Street, in a form substantially similar to the amendment attached to the staff report.

DISCUSSION:

The City purchased the office building at 1201 Dove Street (Property) in anticipation of developing a new headquarters for the Newport Beach Police Department (NBPD). The early acquisition of the Property, in advance of starting the NBPD facility replacement, will allow the City to continue leasing the office spaces at the Property and recoup a portion of the purchase price with the existing net income stream.

Lease History

Risk Placement Services, Inc. (Tenant) is an Illinois-based wholesale insurance brokerage agency specializing in complex and unique risks and is a division of Arthur J. Gallagher & Co., a global insurance, risk management and consulting services

firm. The Tenant currently occupies a portion of the Property in Suite 240 which contains 2,812 rentable square feet, or 3.39% of the building (Existing Premises), under an Office Lease Agreement dated June 17, 2021 (Lease) (Attachment B). The initial five-and-a-half-year term of the Lease is set to expire in March 2027.

With its business continuing to grow in Southern California, the Tenant seeks additional space for staff. The proposed First Amendment to Lease (Amendment) would allow the Tenant to relocate to Suite 100 at the Property, which contains 6,240 rentable square feet, or 7.53% of the building (New Premises). City staff and the Tenant have negotiated the terms of the Amendment, which reflects current market conditions with a slight reduction in the rental rate on a per square foot basis. Rent abatement and a tenant improvement allowance are included and are consistent with market rate deal terms offered by competitive office properties in the area, and consistent with recent leases approved by the City Council for this Property.

Proposed First Amendment to Lease

While not an exhaustive list, key terms of the proposed Amendment are summarized below:

1. The extension of the term shall commence on the New Premises Commencement Date, defined as the earlier to occur of (a) the date Tenant commences business operations in the New Premises, or (b) the date that is 14 days after Substantial Completion of the Landlord Work which is estimated to be November 1, 2025, and will terminate on the date that is 72 months thereafter (Extended Term).
2. Monthly base rent during the Extended Term shall be set as follows:

<u>Months of Term</u>	<u>Monthly Base Rent</u>	<u>Monthly Base Rent Per Rentable Square Foot</u>
New Premises Commencement Date – 12 th full calendar month of Extended Term	\$19,344.00**	\$3.10
13-24 of Extended Term	\$19,905.60	\$3.19
25-36 of Extended Term	\$20,529.60	\$3.29
37-48 of Extended Term	\$21,153.60	\$3.39
49-60 of Extended Term	\$21,777.60	\$3.49
61-72 of Extended Term	\$22,401.60	\$3.59

**Subject to abatement as set forth in item 3.

3. Base rent shall be abated in its entirety for five months, from the second through the sixth months of the Extended Term.
4. A landlord work allowance in an amount not to exceed \$124,800 (\$20.00 per square foot of the New Premises which contains 6,240 rentable square feet) may be used towards the payment of improvements to the New Premises, to be performed by the property manager on the City's behalf. The allowance must be used by June 30, 2026, or the allowance will be forfeited.
5. The Tenant may request to credit unused monies from the landlord work allowance towards its base rent. This credit must be for the lesser of the unused allowance or \$62,400 and must be requested on or before the allowance deadline of June 30, 2026, and shall be credited towards the rent beginning the first day of the 19th month of the Extended Term.
6. Possessory Interest language related to the Tenant's taxable leasehold possession of the Property has been included in the Amendment, with reimbursement of the taxes owed included in the base year calculation of their pro rata share of common area maintenance expenses.
7. Twenty-five unreserved parking spaces have been allocated to the Tenant, with fees commencing and escalating after the first 60 months of the Term and an option to convert up to four parking passes to reserved spaces for a fee.
8. A rider waiving the Tenant's right to relocation benefits after expiration of the Term was included in the Amendment.
9. Brokers from CBRE, Inc. represented the property manager and the City, and CBRE, Inc. represented the Tenant in negotiating the transaction and will be paid a commission for this Amendment.
10. The Tenant shall continue to provide certificates of insurance to the satisfaction of the City's property manager, naming the City as additional insured.

The Amendment has been reviewed by the City Attorney's Office and has been approved as to form, and the Tenant has reviewed and approved the terms of the Amendment.

FISCAL IMPACT:

Revenues currently collected under the Lease and pursuant to the proposed Amendment, estimated to be \$135,408 in Fiscal Year 2025-26 (FY25-26) and increasing annually as prescribed, will continue to be posted to the General Fund Real Property accounts in the Community Development Department, 010-01050505-551305. The revenues, net of any tenant improvement allowance, rent abatement, or broker fees are included in the budget for FY 2025-26.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this matter is exempt from the California Environmental Quality Act (CEQA) pursuant to Section 15301 (Existing facilities) and Section 15302 (Replacement or Reconstruction) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because this project has no potential to have a significant effect on the environment. The City Council's action authorizes execution of the First Amendment for the Tenant's use of an existing commercial office space and the Tenant may pursue tenant improvements (i.e., remodeling) pursuant to the First Amendment.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENTS:

Attachment A – First Amendment to Lease
Attachment B – Office Lease Agreement