



NEWPORT BEACH

City Council Staff Report

March 25, 2025
Agenda Item No. 9

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Concession Agreement with Kit at the Library, Inc. for Use of the Concession Facility at the Central Library Located at 1000 Avocado Avenue

ABSTRACT:

In 2013, as part of the Newport Beach Civic Center project, the Central Library was expanded to include a small retail concession space. When the last tenant vacated the concession space in 2023, it was advertised for lease and the City of Newport Beach collected proposals from interested food-service operators. After evaluating the proposals, Kit Coffee, a local coffee and tea house was determined to meet the needs of the site. For the City Council's consideration is a new Concession Agreement (Agreement) (Attachment A) with Kit at the Library, Inc. (Tenant), for operation of the concession space in the Central Library for an initial term of 5 years, including a request to waive City Council Policy F-7.

RECOMMENDATIONS:

- a) Find this project 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;
- b) Authorize the City Manager and City Clerk to execute the Concession Agreement between the City of Newport Beach and Kit at the Library, Inc., for use of the concession facility at the Central Library, located at 1000 Avocado Avenue, in a form substantially similar to the agreement attached to the staff report; and
- c) Approve a waiver of City Council Policy F-7 – *Income and Other Property* based on the findings contained in this staff report and the Agreement, that charging less than fair market rent promotes the City's goals to provide essential or unique services to the community, that cannot otherwise be provided if full market rates were charged.

DISCUSSION:

The Newport Beach Civic Center project was completed in 2013 and included an approximately 17,000-square-foot expansion of the Central Library located at 1000 Avocado Avenue (Library). The expansion area, on the north side of the library closest to the new city hall building, included a small, ancillary retail space on the second floor intended to accommodate a concession. The 757-square-foot concession space is made up of a ground floor receiving and storage area and a second floor “grab-and-go” style cafe (Space).

The Space must operate consistent with the library’s days and hours of operation, including closing on public holidays. The location on the second floor provides the operator the opportunity to place seating and furniture in the atrium area, as well as customers using the outdoor patio area furniture. The kitchen does not have a hood or grill for cooking and limits the menu items at the Space to re-heated items, pre-packaged, or cold foods. The concession is intended to serve library patrons, Civic Center and park visitors, event attendees, and City staff.

Selection Process

In consideration of the target tenant for the concession, the Space was listed for lease on the commercial real estate listing platforms. The listing showcased the unique location, convenient parking, and local demographics. Staff hosted an open house on November 8, 2023, and toured dozens of interested parties through the Space. Seventeen proposals were received and evaluated by staff, with emphasis on the proposers’ prior experience operating a similar concession or café, menu offerings with broad appeal that included high quality items at reasonable price points, and the proposed operating and administrative structure. The proposers’ ability to independently drive foot traffic and business to the Space was also considered by evaluating their marketing and social media plans. The proposal from KIT Coffee stood out as meeting the needs of the Space and was selected as the most qualified to operate the concession.

Kit Coffee

Kit Coffee (operating under Kit at the Library, Inc.) is a locally owned coffee shop with existing locations in Newport Beach and Irvine. Kit Coffee offers high quality coffee and tea-based drinks, and a limited menu focused on brunch items like toasts, burritos and pastries. The Tenant proposes to operate the Space, given the size and cooking limitations, with a focused food menu that includes avocado toasts, sandwiches and several salads (Attachment B). The menu may change seasonally and based on customer feedback.

The Tenant proposes to make limited cosmetic tenant improvements to the Space, in keeping with the modern architecture and design of the Central Library and Civic Center as shown below and in Attachment C. The proposed tenant improvements and equipment needed to operate the Space will be provided by the Tenant, at no cost to the City.



City Council Policy F-7, *Income and Other Property*

Due to the unique services provided to the community, and the operational limitations of the Space, only percentage rent is to be paid by the Tenant under the Agreement with no base rent due, as typically required by City Council Policy F-7, *Income and Other Property* (Policy) (Attachment D).

Staff believes the following findings can be made, as required by the Policy, when less than fair market value rent is received, and a waiver is requested:

1. The Tenant provides an essential or unique service to the community that might not otherwise be provided were full market value of the property required; and
2. With the proposed rent charged at less than fair market value, the use provides an important amenity to the City and might not otherwise be provided were full fair market value of the property required.

Concession Agreement

The proposed terms of the Agreement, for use of the Space, are summarized below:

1. The initial term is 5 years, with two 5-year extension options, for a total possible term of 15 years, unless terminated earlier as provided by the Agreement.
2. Percentage rent equal to 5% of the gross revenues up to \$300,000, and 6% of the gross revenues over \$300,001 per calendar year shall be paid by the Tenant, with payments submitted to the City each month.
3. In consideration of the Tenant's proposed capital improvements to the Space, the Tenant shall have 12 months from the effective date of the Agreement to construct the improvements and begin operating the concession. Should the Tenant not commence operations before such time, base rent of \$500.00 per month shall be due to the City until the Tenant opens for business.

4. Percentage rent shall be abated during the first 12 months of the term for construction of the tenant improvements, however, should the Tenant commence operations during the first 12 months of the Agreement, the amount of percentage rent abatement shall not exceed \$25,000.
5. The Tenant shall operate the Space consistent with the library's hours of operation, including closing on City-observed holidays.
6. Due to the land use restrictions on the Civic Center and Central Library properties, the Tenant must comply with the limitations on exterior signage and marketing of the Space.
7. Tenant shall pay its prorated share of the utilities serving the Space.
8. The Tenant must keep the Space, including the seating areas in the library atrium and patio, free of food waste, trash and debris, and in good condition at its sole cost and expense.
9. The Tenant shall provide certificates of insurance to the satisfaction of the City's risk manager, naming the City as additional insured.

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

California Surplus Land Act

Assembly Bill 1486 was signed into law in 2019, went into effect in 2020, and made significant changes to the California Surplus Land Act (SLA) (Government Code §54220, et seq.). With further updates to the legislation in 2024, and in compliance with the updated SLA, the Agreement is not subject to the SLA as its terms are limited to 15 years total, is less than half an acre in size, and does not provide for a "disposition of surplus land" as the Tenant is limited to tenant improvements and no development or demolition of the Premises shall occur.

FISCAL IMPACT:

Revenues collected pursuant to the proposed Agreement will be posted to the General Fund (01050505) accounts in the Community Development Department and will be included in future years' budgets.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this project 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.

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 – Concession Agreement

Attachment B – Proposed Menu

Attachment C – Proposed Tenant Improvements

Attachment D – City Council Policy F-7, *Income and Other Property*