



CITY OF

NEWPORT BEACH

City Council Staff Report

June 24, 2025
Agenda Item No. 15

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Office Lease Agreement with HF&H Consultants, LLC for Use of Suite 585 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 15 tenants and is being marketed for lease. For the City Council's consideration is a new Office Lease Agreement (Attachment A) with HF&H Consultants, LLC, for use of Suite 585 for a term of five and a half 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, Division 6, 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 Office Lease Agreement between the City of Newport Beach and HF&H Consultants, LLC for use of City Property, office space Suite 585 located at 1201 Dove Street, in a form substantially similar to the agreement attached to the staff report.

DISCUSSION:

The City of Newport Beach purchased the office building at 1201 Dove Street (Property) in anticipation of developing a new headquarters for the Newport Beach Police Department (NBPd) in approximately 10 years. 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.

Proposed Office Lease Agreement

HF&H Consultants, LLC (Tenant) is a California-based consulting firm serving primarily local governments, and specializing in recycling and solid waste services, water and wastewater, and stormwater services.

Although the Tenant has provided utility rate analysis consulting services to the City in the past, it does not have a current contract with the City. The proposed Office Lease Agreement (Lease) would allow the Tenant to occupy Suite 585, which comprises 1,031 square feet, or 1.24% of the building (Premises). City staff and the Tenant have negotiated the terms of the Lease, which reflect current market conditions, and submit it for City Council's consideration. 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 are consistent with recent leases approved by City Council for this Property.

While not an exhaustive list, highlights of the proposed Lease terms are summarized below:

1. The term shall commence on August 1, 2025, and will terminate on December 31, 2030, with one option to extend the term for an additional 24 months.
2. Monthly base rent during the 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>
1-12	\$3,196.10*	\$3.10
13-24	\$3,288.89	\$3.19
25-36	\$3,391.99	\$3.29
37-48	\$3,495.09	\$3.39
49-60	\$3,598.19	\$3.49
61-65	\$3,701.29	\$3.59

*Subject to abatement as set forth in item 3.

3. Base rent shall be abated in its entirety for five months of the new term, from September 1, 2025, through January 31, 2026.
4. A landlord work allowance in an amount not to exceed \$20,877.75 (\$20.25 per square foot of the leased Premises, which comprises 1,031 square feet) may be used towards the payment of improvements to the 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 \$10,567.75 and must be requested on or before the allowance deadline of June 30, 2026, and shall be credited towards the rent beginning September 1, 2027.
6. Should the Tenant remain in possession of the Premises after expiration of the Lease term, rent shall be subject to hold over provisions under the Lease. For the first 90 days of hold over, the monthly rental rate shall be set at 125% of the then fair market gross rent for the Premises, as determined by the City; thereafter the hold over rent shall be set at 150% of the then fair market gross rent for the Premises, as determined by the City.

7. The property manager on the City's behalf, will annually provide the Tenant with \$400.00 per month in complimentary visitor parking validations for use by the Tenant's clients.
8. Brokers from CBRE, Inc. who represented the property manager and the City, and from U.S. Realty Group who represented the Tenant in negotiating the transaction, will be paid a commission for this Lease.
9. The Tenant shall provide certificates of insurance to the satisfaction of the City's property manager, naming the City as additional insured.

The Lease 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 Lease.

FISCAL IMPACT:

Revenues collected pursuant to the proposed Lease, which amount to \$19,176.60 in Fiscal Year 2025-26 (FY25-26), increasing annually as prescribed in the Lease, will 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 FY25-26.

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 it has no potential to have a significant effect on the environment. The City Council's action authorizes execution of the Lease for the Tenant's use of an existing commercial office space and the Tenant may pursue tenant improvements (i.e., remodeling) pursuant to the Lease.

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).

ATTACHMENT:

Attachment A – Office Lease Agreement