



NEWPORT BEACH

City Council Staff Report

November 28, 2023
Agenda Item No. 15

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Lease Agreement with Newport Harbor Lawn Bowling Association for a Portion of San Joaquin Hills Park Located at 1550 Crown Drive North

ABSTRACT:

The City of Newport Beach owns and leases a portion of the San Joaquin Hills Park property to the Newport Harbor Lawn Bowling Association (Association), a non-profit membership club dedicated to the sport of lawn bowling. The City has leased a portion of the park property to the Association to operate lawn bowling facilities for the benefit of its members, the City and residents since 1973. The most recent lease agreement expires in November 2023, and a new agreement is needed to allow the Association to continue use of the property. For the City Council's consideration is a new Lease Agreement (Lease) (Attachment A) with the Association, for a new five-year term with options, updated terms and conditions, and a waiver of City Council Policy F-7.

RECOMMENDATIONS:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly;
- b) Authorize the City Manager and City Clerk to execute the Lease Agreement by and between the City of Newport Beach and Newport Harbor Lawn Bowling Association, for continued use of a portion of the property known as San Joaquin Hills Park located at 1550 Crown Drive North, 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 lease agreement, that conducting an open bid process or changing the tenant would result in excessive vacancy, and the use of the property provides an essential or unique service to the community and is of a public benefit, and might not otherwise be provided where any open bid or full fair market value rent of the property be required.

DISCUSSION:

The City acquired the land known as San Joaquin Hills Park, located at 1550 Crown Drive North in Corona del Mar (Property) (Attachment B), from The Irvine Company in 1972. The Property was deeded to the City as a public recreation facility as part of the Jasmine Creek planned community development. The dedication was subject to certain reservations and easements, and restricted use of the Property for a public park and associated uses for 50 years from the date of the deed.

History

Originally located at a park on the Balboa Peninsula, lawn bowling first started in Newport Beach in 1937, and the formal incorporation of the Association occurred shortly thereafter, in 1939. With growth in its membership over the next 30 years, the Association worked with the City and The Irvine Company to relocate to a new park site in Corona del Mar in 1972 and expanded its facilities to include two bowling greens at the Property. The Association agreed to construct the clubhouse building at the Property and donated it to the City under a 1973 lease agreement.

The most recent lease, executed between the City and Association in 1998 (1998 Lease) (Attachment C), was for a term of 25 years, and allowed the Association to continue to operate its membership club and the lawn bowling facility at the Property. The 1998 Lease also required the City to furnish all necessary water to the site, and pay the Association \$750 per month to maintain the bowling greens. In 2005, the City and Association amended the 1998 Lease to phase out the monthly maintenance payments from the City, and to not charge the Association any yearly lease payments for use of the Property (Attachment C).

With the 1998 Lease set to expire November 30, 2023, staff contacted the Association earlier this year to discuss its current use of the Property and interest in a new lease. The Association has made measurable strides in increasing its overall and Newport Beach resident membership numbers, and expanding its community programming and outreach efforts since lease negotiations began 10 months ago. Staff recommends a shorter term than prior leases, to allow the Association time to update its public programming to be more consistent with the requirements placed on similar nonprofit organizations utilizing City-owned property for no rent.

Operation

Under the terms of the proposed Lease, the Association will be permitted to continue to use approximately 45,414 square feet of the Property, improved with a clubhouse facility, two lawn bowling greens, and two storage sheds (Premises) (Attachment B). The Association will also have non-exclusive shared use of the public parking lot on the Property.

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

Due to the Association's long-term use of the Premises and the unique services provided for the community, staff did not conduct an open bid process to solicit proposals from other operators, as typically required by City Council Policy F-7, *Income and Other Property* (Attachment D) (Policy).

Staff believes the following findings can be made, as required by the Policy, when certain sections of the Policy cannot be followed, and a waiver is requested:

1. Converting the property to another use or changing the operator of the property would result in excessive vacancy, which would outweigh other financial benefits;
2. The Association provides an essential or unique service to the community that might not otherwise be provided where full market value of the property be required; and
3. Use of the Property and Premises for public recreation facilities provides a public benefit to the community and beyond and might not otherwise be provided were an open bid or full fair market value of the property be required.

Summary of Terms

The proposed terms of the Lease are summarized below:

1. The initial term is five years, with a two-year option term, and three, one-year annual extension options, for a total possible term of 10 years, unless terminated earlier as provided by the Lease.
2. Rent shall be set at \$1.00 per year.
3. Additional consideration under the Lease includes the Association's agreement to provide membership activities and limited public recreation classes and events related to lawn bowling. The Premises shall also be available for use as a community center, when not in use by the Association.
4. The Association will be responsible for payment of all utilities furnished to or serving the Premises, including reimbursing the City for its pro rata share of water used at the Property.
5. The Association will accept the Premises in its current as-is condition. All landscaping, buildings and improvements on the Premises will be maintained and repaired by the Association at its expense.
6. Annually, the City and Association will jointly walk and inspect the Premises to determine what maintenance and repairs are needed in the upcoming year.
7. Additionally, the Association will provide the City a written report each year detailing the maintenance performed, and information on the membership and programming, and tax returns for the prior year.

8. The Association shall obtain and maintain and provide certificates of insurance during the term of the Lease to the satisfaction of the City's Risk Manager, naming the City as additional insured.

The Lease was reviewed by the City Attorney's Office and has been approved as to form. The Association reviewed and approved the terms and executed the Lease.

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 §54222). Additional changes to the SLA were proposed in the 2023 legislative cycle, and several bills, including Senate Bill 747 and Assembly Bill 480, were approved and signed into law. In compliance with the updated SLA, and consistent with similar recent City transactions, staff believes this Lease is not subject to the SLA as the total term is less than 15 years and will not require demolition or development of the Property or Premises. These findings have been submitted to the California Department of Housing and Community Development (HCD) for its review and confirmation. Should HCD determine the Lease is subject to the SLA, staff will take the steps necessary to comply, including returning to City Council for its consideration.

FISCAL IMPACT:

Consideration under the Lease ensures the Premises will continue to be available to members, the public, and the community for public and club-related recreational uses during the term, at no cost to the City.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

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 – Lease Agreement
- Attachment B – Maps
- Attachment C – 1998 Lease, as Amended
- Attachment D – City Council Policy F-7, *Income and Other Property*