



CITY OF

NEWPORT BEACH

City Council Staff Report

January 14, 2020
Agenda Item No. 12

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Lease Agreement with West Point Investment Corporation to Rent Office Space at the Balboa Yacht Basin Located at 829 Harbor Island Drive

ABSTRACT:

West Point Investment Corporation is a residential real estate developer and investment company relocating their offices from San Diego to Newport Beach. The tenant is seeking the City Council's consideration for a five-year lease agreement (Attachment A) to use 790 square feet of office space at the Balboa Yacht Basin, located at 829 Harbor Island Drive.

RECOMMENDATION:

- a) Find this activity exempt from 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; and
- b) Authorize the City Manager and City Clerk to execute a five-year Lease Agreement (Agreement) for use of office space at the City-owned Balboa Yacht Basin, located at 829 Harbor Island Drive, in a form substantially similar to the agreement attached to the staff report.

FUNDING REQUIREMENTS:

Revenues collected pursuant to the proposed Agreement, \$30,810 per year, which shall be increased annually by the percentage change in the cost of living as indicated by the Consumer Price Index, will be split between the General Fund and Tidelands Fund, and posted to Real Property accounts in the Community Development Department, 010-01050505 and 010-10050505.

DISCUSSION:

Background

The Balboa Yacht Basin ("BYB") located at 829 Harbor Island Drive (Attachment B) was built in Newport Harbor in 1950 on filled state tide and submerged lands and City-owned uplands. The tidelands were granted to the City in a trust to administer and oversee via the "Beacon Bay Bill." The BYB includes a 172-slip public marina, three residential apartments, storage garages, a restaurant, marine store and boatyard, various office spaces, public restrooms, and associated parking. Office space identified as "Suite D", located on the second floor of the public restroom building at BYB, is divided into two separate offices of 790 square feet and 136 square feet, respectively. Pacific Metals Group, LLC leased both offices in 2016, and exercised their option to continue leasing only the smaller office when their initial lease term expired in November 2019.

The office space was advertised for lease on several commercial listing services, and while there were many offers to lease the smaller space, staff only received one offer to lease the larger space. The proposed tenant, West Point Investment Corporation ("West Point"), is a residential real estate development and investment firm and has a focus on coastal communities. West Point is relocating their business from San Diego to Newport Beach, where the company's President resides, and requests to lease the office space at BYB for a five-year lease term, with one five-year option to extend.

City Council Policy F-7, Income and Other Property

Pursuant to City Council Policy F-7, *Income and Other Property* (Attachment C), the City conducted an open bid process to select a tenant to occupy the office space. The property was advertised for lease from July 2019 through December 2019, and while there were many inquiries about the property, staff only received one proposal from a prospective tenant. In consideration of West Point's offer to lease the office space, staff negotiated a new lease agreement. A review of recent appraisals for similar properties, and a survey of rents for comparable office spaces were used to determine the fair market rental rate for the lease agreement.

Summary of Terms

The proposed terms of the Agreement are summarized below:

1. The initial term is five years, with one (1) five-year extension option, unless terminated earlier as provided by the Agreement;
2. Rent shall be set at \$30,810 per year, due in monthly installments of \$2,567.50 on the first day of each month. Rent shall be adjusted annually, upon the effective date of the Agreement, based on the percentage change in the Consumer Price Index (CPI), limited to a maximum of 2.5% per year;

3. The tenant shall obtain and maintain during the term of the Agreement all appropriate permits, licenses, and certifications that may be required by any governmental agency to operate its business;
4. The tenant shall provide certificates of insurance to the satisfaction of the City's Risk Manager, naming the City as additional insured;
5. The tenant must comply with the Balboa Yacht Basin Rules and Regulations.

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

Contract Summary

Proposed Contract	
Vendor Name	West Point Investment Corporation
Term	5 Years, one 5-Year option
Escalation Clause	CPI, Annually
Revenue/Year	\$30,810
Cost/Year	\$0
Cost/Contract Term (est.)	\$0
Selection Process	
Sole Source or RFP/RFQ	RFP
Method (QBS vs. Low Bid)	QBS
# of Respondents	1
# of Qualified Respondents	1

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find approval of the Agreement 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 with West Point Investment Corporation
Attachment B – Maps
Attachment C – City Council Policy F-7, *Income and Other Property*