



KBA6845, LLC (6845 ATLANTIC AVENUE)

Long Beach City Council

April 6, 2021

January 19, 2021

CITY OF
LONG BEACH

6845 Atlantic Avenue

Background

- **Acquisition**: City Council approved purchase February 2019, City took ownership in July 2019.
- **Tenant**: Purchase included lease to KBA6845, LLC for warehouse building + 44 parking spaces.
- **Term**: July 1, 2017 through June 30, 2026.
- **Rent**: \$40,000/month.
- **Use**: Cannabis cultivation and general storage.
- **Status**: Building remains vacant - interior improvements and cannabis licensing process have not been completed by Tenant.



KBA6845, LLC (Tenant)

Tenant Communications

- **February 2019:** City Council approved purchase.
- **July 2019:** City became owner and Landlord to warehouse tenant, KBA6845, LLC.
- **August 2019:** City staff met with tenant to negotiate potential termination settlement of the Lease.
- **September 2019 to March 2020:** City continued negotiation of settlement. Tenant held rent payment effective December 1st in anticipation of settlement.
- **March 2020:** Onset of health emergency due to COVID-19 and negotiations placed on hold.
- **April 2020:** Tenant notified of rent deferment available.
- **August 2020:** City issued 90-day notice to pay or quit.
- **December 2020 to January 2021:** City attempted collections and notified Tenant of potential eviction process.
- **March 2021:** Tenant attorney proposes termination agreement.

Termination Agreement

Proposed Terms

- **Termination Date:** April 6, 2021.
- **Tenant Obligations:** Tenant abandons all rights in the property, any personal property and releases the City from any claims.
- **City Obligations:** City forgives unpaid rent due and releases the Tenant from claims.
- **Unpaid Rent:** \$560,000 (\$640,000 thru March 1st less security deposit of \$80,000).
- **Fiscal Impact:** None.
 - ✓ Revenues are unbudgeted as City Council directed staff to negotiate termination
 - ✓ Potential cost of settlement agreement or buyout avoided

Recommendation

- Authorize the City Manager, or designee, to execute all documents necessary for a Termination and Release Agreement for the Lease with KBA6845, LLC, for City-owned Property at 6845 Atlantic Avenue, effective April 6, 2021.