

## C-5

February 15, 2022

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

### RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary including any necessary subsequent amendments, for a Lease with Mercedes-Benz USA, LLC, a Delaware limited liability company, for the City-owned surface parking lot at the corner of East Wardlow Road and Globemaster Way at the Long Beach Airport. (District 5)

### DISCUSSION

In November 2015, Mercedes-Benz USA, LLC (Tenant), opened an approximate 1.1 million square foot facility at the 52-acre former Douglas Aircraft Company site on Lakewood Boulevard north of the Long Beach Airport (Airport). This facility includes the Long Beach Vehicle Preparation Center (VPC), which is one of four VPC facilities in the United States that prepare new vehicles destined for dealerships throughout the country. Beginning in 2016, Tenant leased a portion of the Airport's surface parking lot at the corner of East Wardlow Road and Globemaster Way (Leased Premises) for vehicle storage under a month-to-month Commercial Use Permit (CUP) to support its VPC operation.

In April 2021, Tenant terminated the CUP due to the economic impacts from the COVID-19 pandemic on the automobile sales industry. Given recent increases in vehicle demand, Tenant has expressed an interest in a long-term Lease to meet its future vehicle storage needs. A Lease has been negotiated between the parties containing the following major terms and provisions:

- Landlord: City of Long Beach, a municipal corporation.
- Tenant: Mercedes-Benz USA, LLC, a Delaware limited liability company.
- Leased Premises: Approximately 11 acres of an improved surface parking lot at the corner of East Wardlow Road and Globemaster Way.
- Commencement Date: The target Commencement Date for the Lease is March 1, 2022.
- Term: The term of the Lease will be for a period of two years through February 28, 2024.
- Use: The Leased Premises will be used solely for motor vehicle storage. No vehicle maintenance or repairs will be performed on the Leased Premises.

- Airport Use for Special Events: The Airport will have the right to use all or portions of the Leased Premises to accommodate Airport Special Events and Tenant will be provided a minimum of sixty days advance notice of the exact dates and areas of the Leased Premises that will need to be vacated and rent shall be pro-rated to accommodate these periods. The Airport will also have the right to use portions of Leased Premises for extraordinary events necessary to support public health efforts per the City Council approved Health Order and Tenant will be provided commercially reasonable notice of the areas that will need to be vacated and rent shall be pro-rated to accommodate these periods, as applicable.
- Rent: Effective on the Rent Commencement Date of the Lease, the initial rent for the Leased Premises will be \$119,790 per month (\$0.25 per square foot).
- Annual Rental Adjustment: The monthly rent for the Leased Premises will be increased on the anniversary of the Commencement Date by three percent.
- Maintenance and Repairs: Tenant at its sole cost and expense, will keep and maintain that Leased Premises in good order and repair.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on January 18, 2022 and by Budget Analysis Officer Greg Sorensen on January 31, 2022.

#### TIMING CONSIDERATIONS

City Council action is requested on February 15, 2022, to execute the Lease prior to the target Commencement Date of March 1, 2022.

#### FISCAL IMPACT

Annual lease revenue will be \$1,437,480. Effective March 1, 2023, annual lease revenue will increase by three percent to \$1,480,604. Revenue will accrue in the Airport Fund Group in the Airport Department. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

#### SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CYNTHIA GUIDRY  
DIRECTOR, LONG BEACH AIRPORT

APPROVED:



THOMAS B. MODICA  
CITY MANAGER