

A low-angle, close-up photograph of the Queen Mary cruise ship. The ship's white hull is prominent, with the name "QUEEN MARY" painted in large, black, sans-serif capital letters. Above the hull, a red and black funnel is visible. The ship's complex rigging and masts are silhouetted against a clear blue sky. A semi-transparent white banner is overlaid across the middle of the image, containing the title and date.

Queen Mary Update

Sept. 18, 2018



CITY OF
LONG BEACH

Site

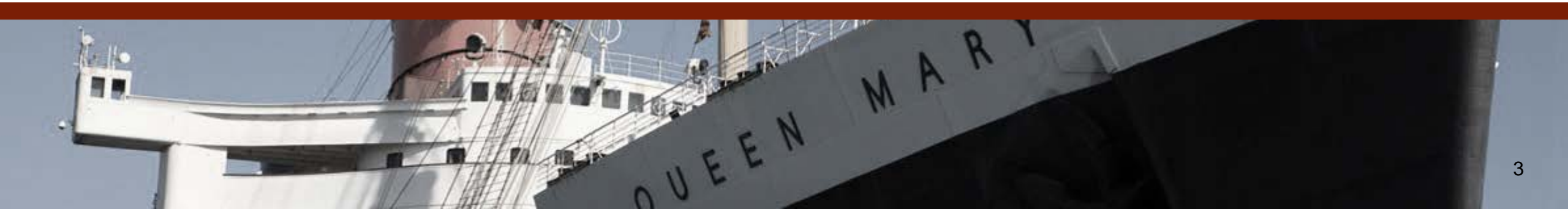
Premises: 64+ acres (43.38 land / 20.84 water)

Leasehold area includes
Carnival Cruise Lines,
Catalina Express, and
Island Express Helicopters



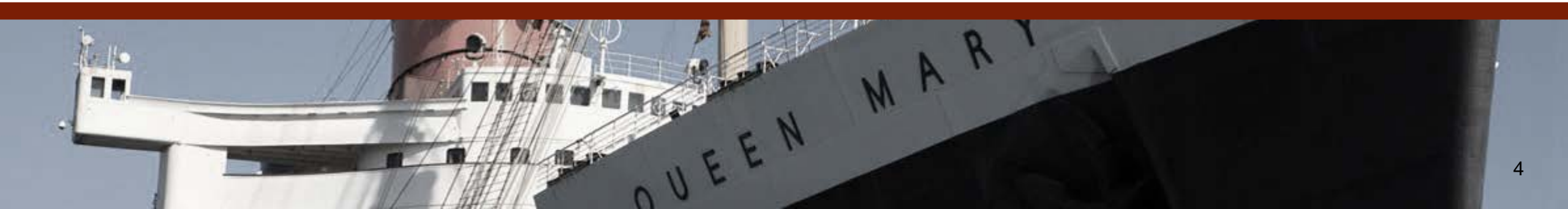
Recent History

- January 2009: City Council assigned lease to Garrison Investment Group following default of previous operator
- November 2015: Council approved assignment of lease to Urban Commons
- November 2016: Council approved 66-year lease with Urban Commons for the operation, management, and preservation of the Queen Mary; and rights to develop the 64+ acre site.



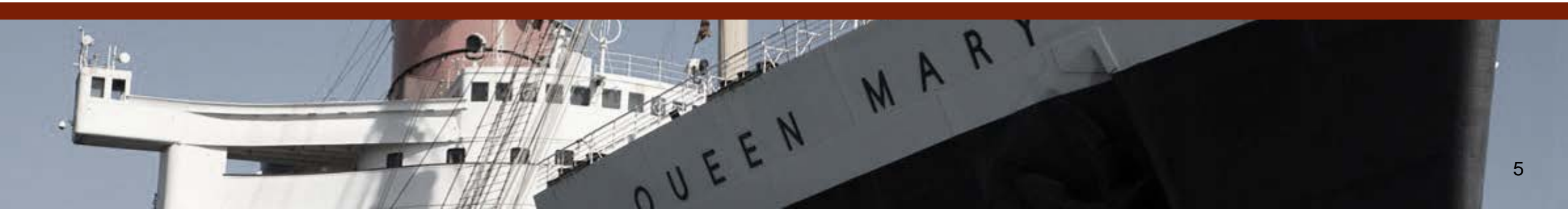
Lease Details

- 66-year term
- Base Rent
 - \$300,000/year
- Per Passenger Fee Rent (based on Carnival passenger counts:
 - Approx. \$2.15M/year through 2021, then split between City and Urban Commons
- Pass-through Rent
 - Approx. \$89,000/year
- Percentage Rent
 - 10 percent of net site revenues after a priority rate of return (9 percent)



Addressing Repairs and Preservation

- Queen Mary Heritage Foundation Support Payments
 - 5 payments of \$25,000
- Base Maintenance and Replacement Plan (BMRP) Fund
 - Funded by UC, percentage of site revenues
 - \$196,643 (2016-2017) for improvements, replacements, renovations
- Historical Preservation and Capital Investment Plan (HPCIP) Fund
 - Funded by Queen Mary rental streams
- Marine Survey, commissioned by previous operator, identified short- mid- and long-term repairs at cost of \$235 million to \$289 million.
- City committed to funding \$23 million for most urgent repairs, through the HPCIP
 - \$5.8 million — existing reserves
 - \$17.2 million — bonds
- City and UC agreed to invest 7 to 10 years of rent revenues toward \$17.2 million debt service

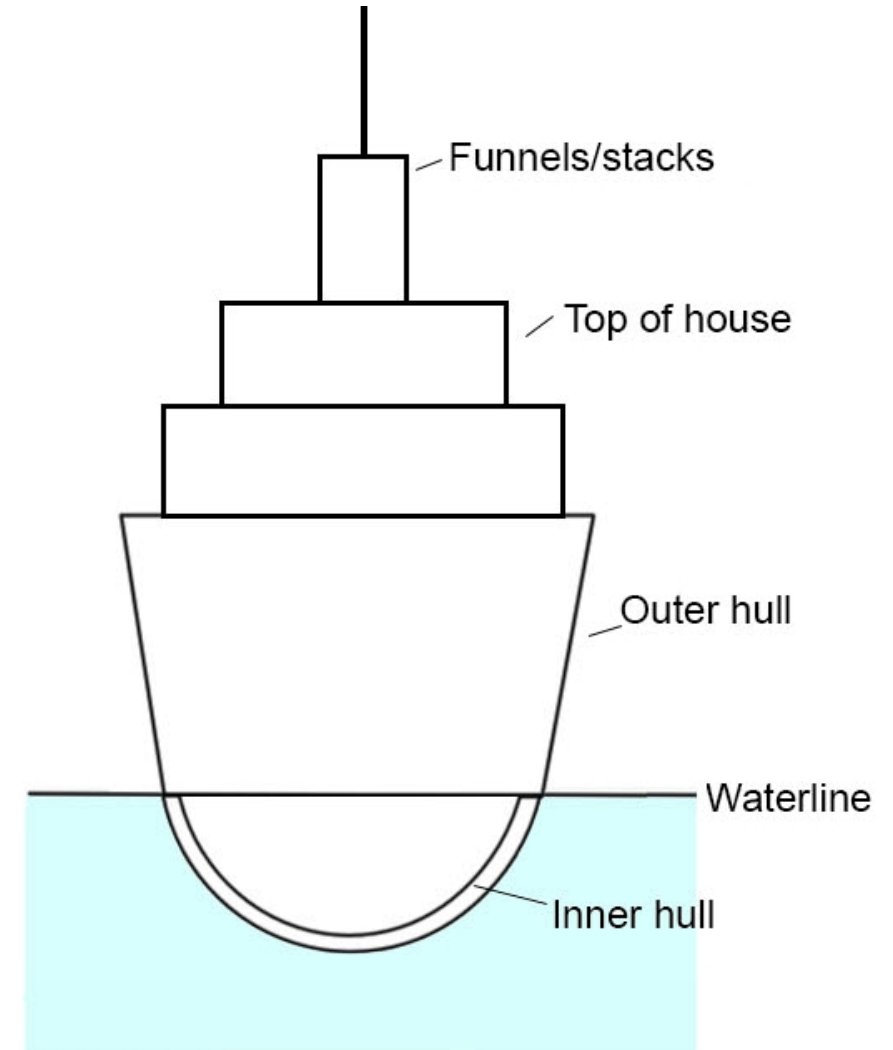
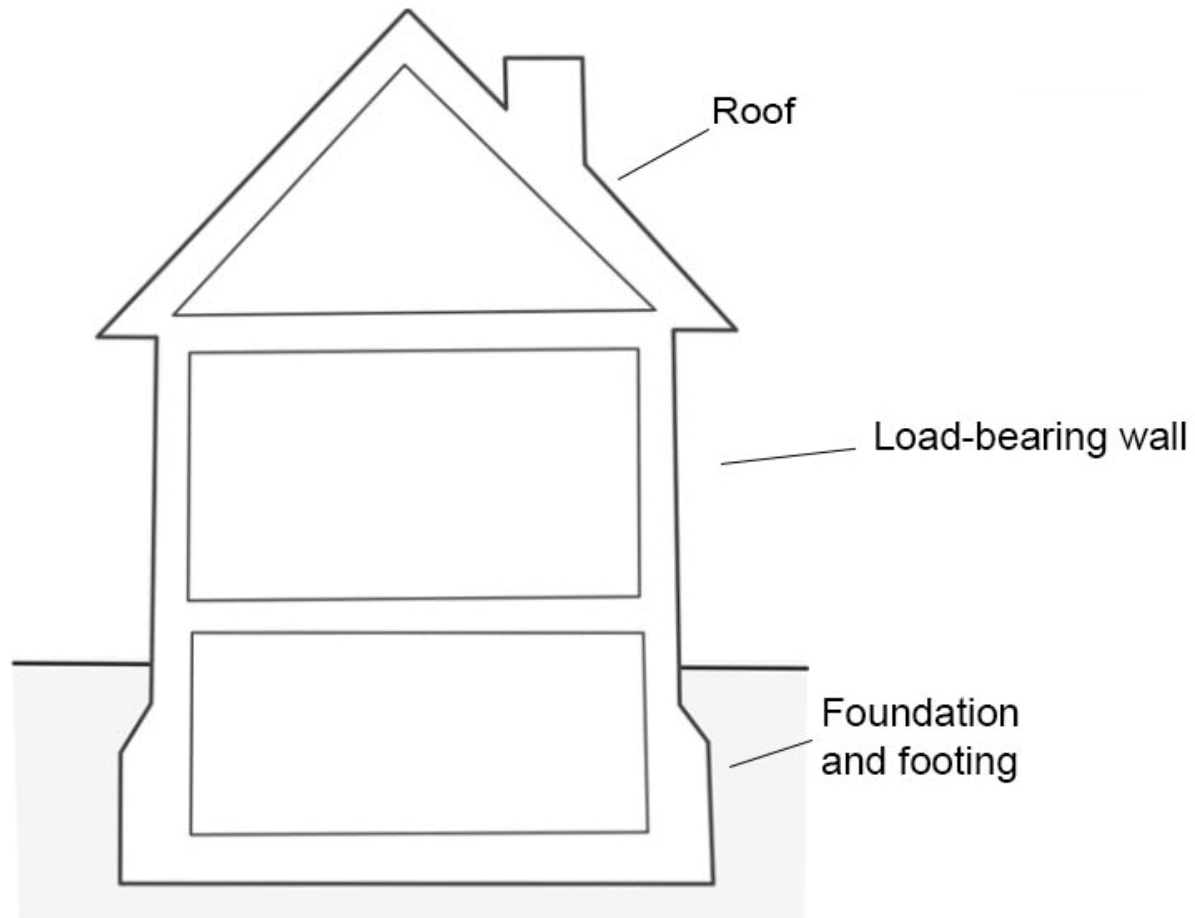


Historic Preservation and Capital Investment Plan Projects

- Original list included 27 projects (2017 HPCIP)
 - As work progressed, projects were reprioritized to address critical safety and structural concerns, and unforeseen expansions in scope
 - Completed and in-progress projects (2018) prioritize fire- and life-safety issues, water intrusion, and structural integrity



Structure of the Queen Mary



Progress on HPCIP

Complete/To Be Completed	Partially Complete	Work Not Started
Structural: M/A Decks	Top of House Roofing/Deck	Misc. Safety Issues
Fire Systems	Marine Survey Projects	Cabled Lighting/Hoisting System
Exhibit Hall & Boiler Rooms	Electrical System	Prop Box
Expansion Joints	Side Shell/Bridge Wings	Demo Lifeboats
Exterior Hull Paint & Rust Repair	Landside Utility Lines	Relocate Sewage & Mechanical Room
Exterior TOH Paint & Rust Repair	Storm Drain System	Bilge System
Side Tanks at Exhibit Hall	TOH Hand Fence & Railing	Replace Lifeboats
	Domestic Water Line	Exhibit Hall Floor Rebuild
	Sewer System	Health Dept. Upgrades
	Condensate Pump System	
	HVAC Repairs	

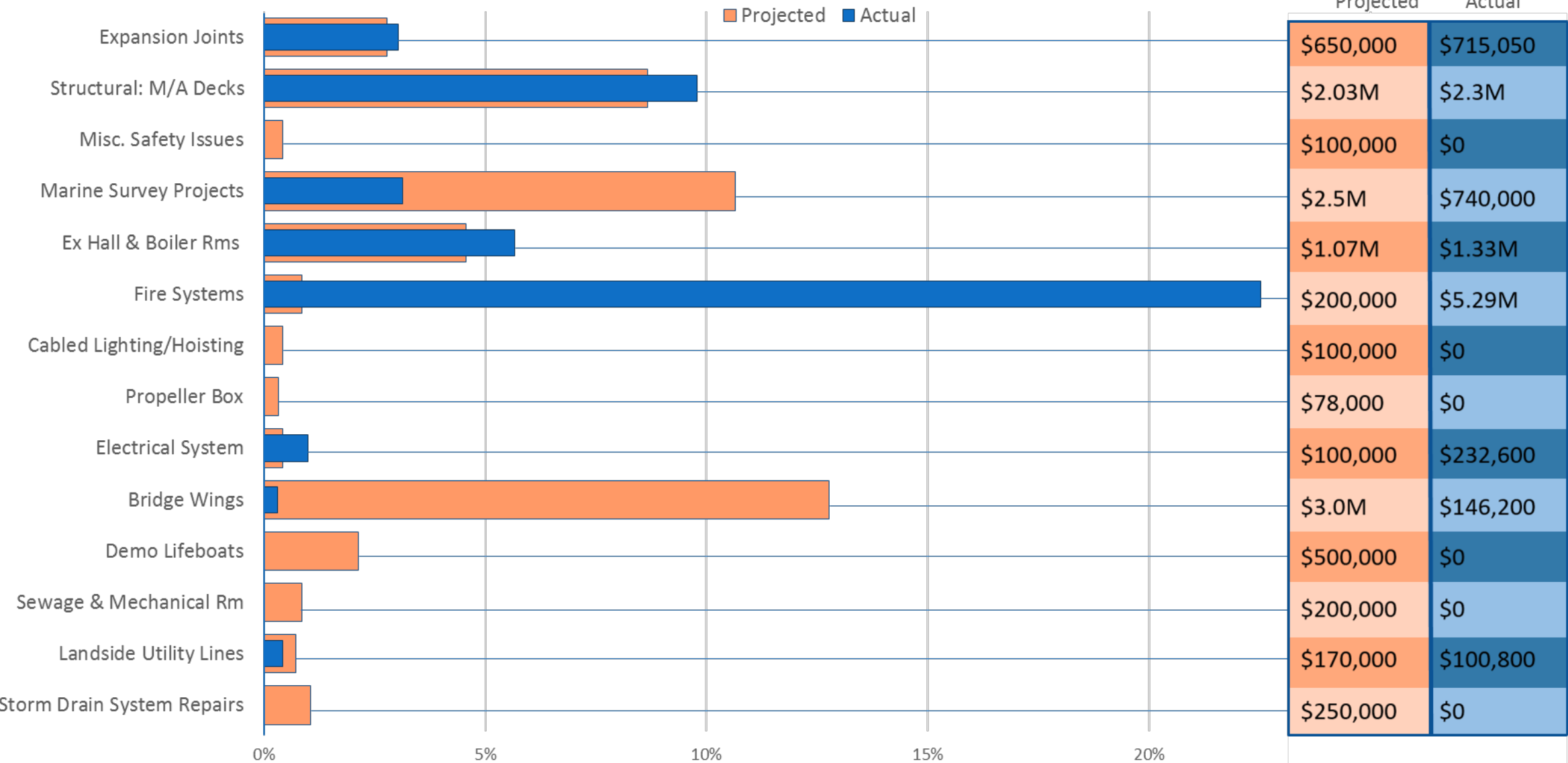
Progress on Needed Repairs

Marine Survey: Suggested First Steps of Repair (Table 5)

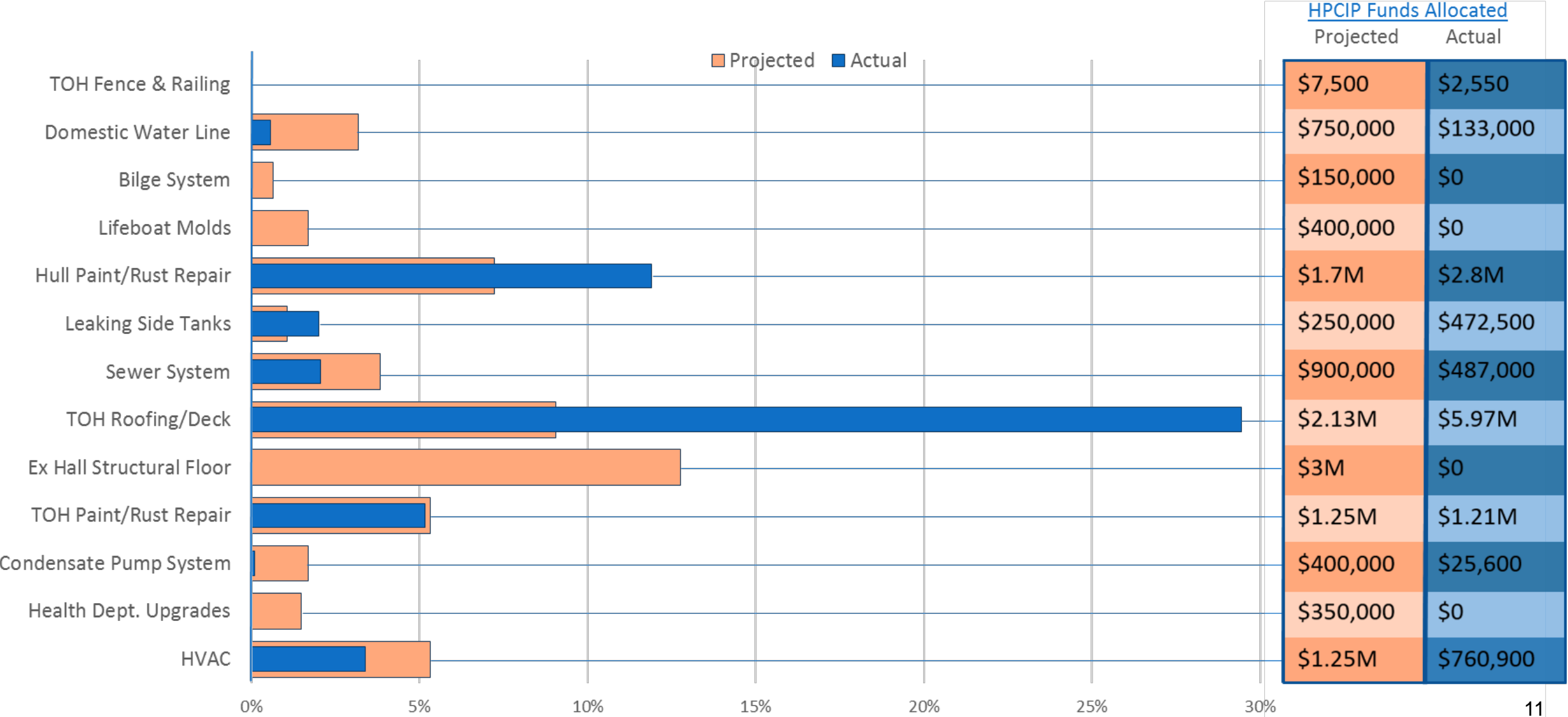
Action	Status
Further engineering and investigation	In progress → Investigation of double bottom ongoing <u>Complete</u> : Structural analysis performed and recommendations received; ship stability surveyed and modeled; HVAC and domestic water line systems inspected and recommendations received; cable stays investigated, repairs specified
Urgent top-side repairs	Substantially Complete
Sewage system repairs and bilge replacement	Partially Complete : Temporary sewage tanks installed, plans drawn; temporary bilge pumps secured and standing water removed
Restore to operation aft engine-room watertight compartment doors	Project Canceled : Structural engineer's analysis and recommendations indicate that completing work could be detrimental in event of hull puncture



Project Cost as Percentage of HPCIP Funds



Project Cost as Percentage of HPCIP Funds



Urgent/Mid-Term

Roofing and Deck Repairs

- To address water intrusion originating at the Top of House areas of ship.
- Before repairs could begin, severe storm in Winter 2017 inflicted significant damage
 - Closure of Sir Winston's Restaurant & Lounge, The Captain's Quarters, Wheel House & more
- Areas repaired include:
 - Cunard Room
 - Captain's Quarters
 - Executive Offices
 - Executive Office Roof
 - Bridge and M Deck
 - Frame 200



Storm damage at Sir Winston's

TOH Roofing/Deck



Roofing and Deck Repairs

Work included:

- Roofs replaced and restored
- Rotting and leaking decks replaced
- Interior of spaces rebuilt



Roof damage and repair/waterproofing on Bridge deck (above Captain's Quarters)

Roofing and Deck Repair Areas



~9,000 SF – New decking, incl. new steel substrate and new waterproofing

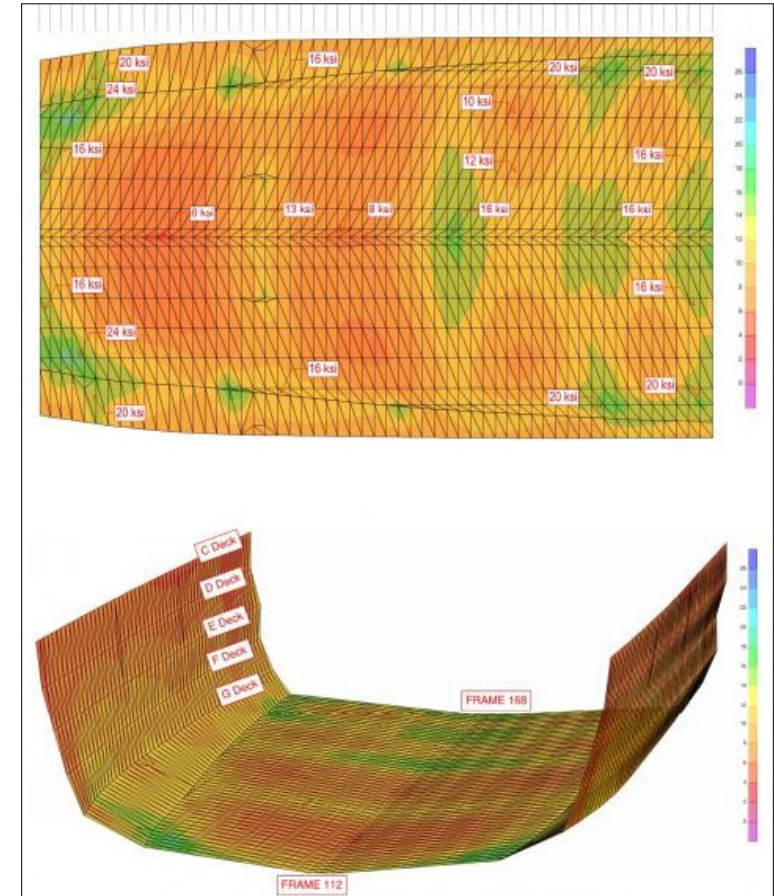
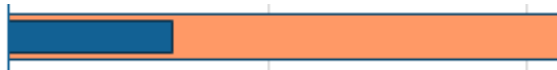
~15,000 SF – New roofing system, incl. new steel substrate

~7,600 SF – New waterproofing system

Miscellaneous Marine Survey Projects

- Structural analysis of girders in bottom tank
 - Girders revealed to be in good condition
- Tank top & side tank repairs
- Leak repair
- Watertight bulkhead doors assessed

Marine Survey Projects



Modeling showed hull stresses within normal range

Urgent

Sewer System Repairs

- Temporary sewage tanks installed
 - Wing and bottom tanks drained, cleaned, taken off-line
- Plumbing line repairs
- Water removed from hull, area cleaned and sanitized



New temporary sewage tanks



HVAC Repairs

Urgent/Mid-Term

- Contractor inspected systems, prepared recommendations
- New systems installed to eliminate top-of-house leaks
- Other repairs made at Exhibit Hall and King George Room



HVAC installation at Frame 200, top of house



Mid-term

Exterior Hull Paint and Rust Repair

- Structural integrity compromised due to exposed and rusted metal
- Rust remediated, inhibitor applied and 240,000 square feet of hull primed and painted
- Restored to original and historic colors



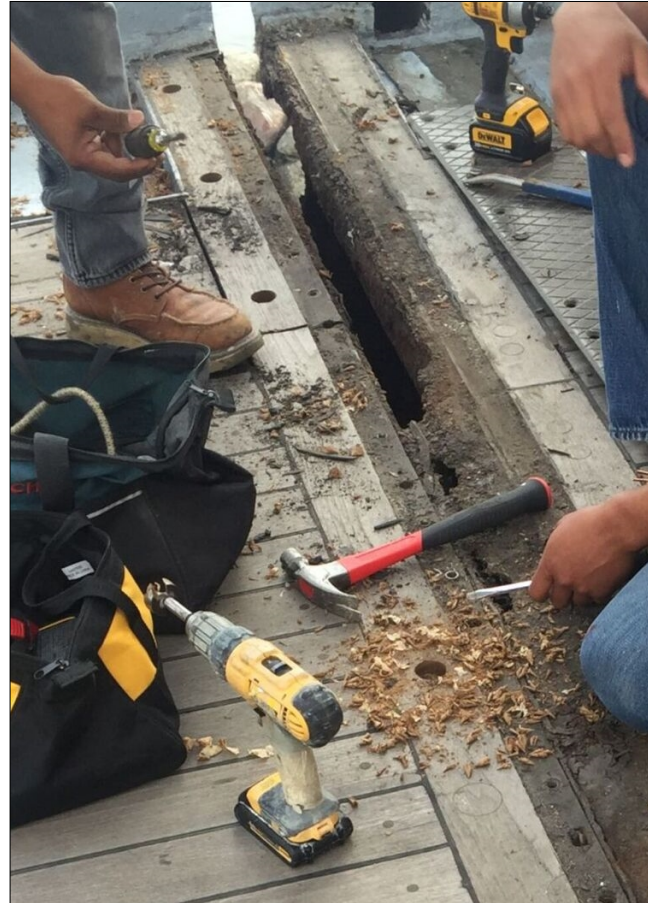
Hull painting in progress

Expansion Joint Replacement

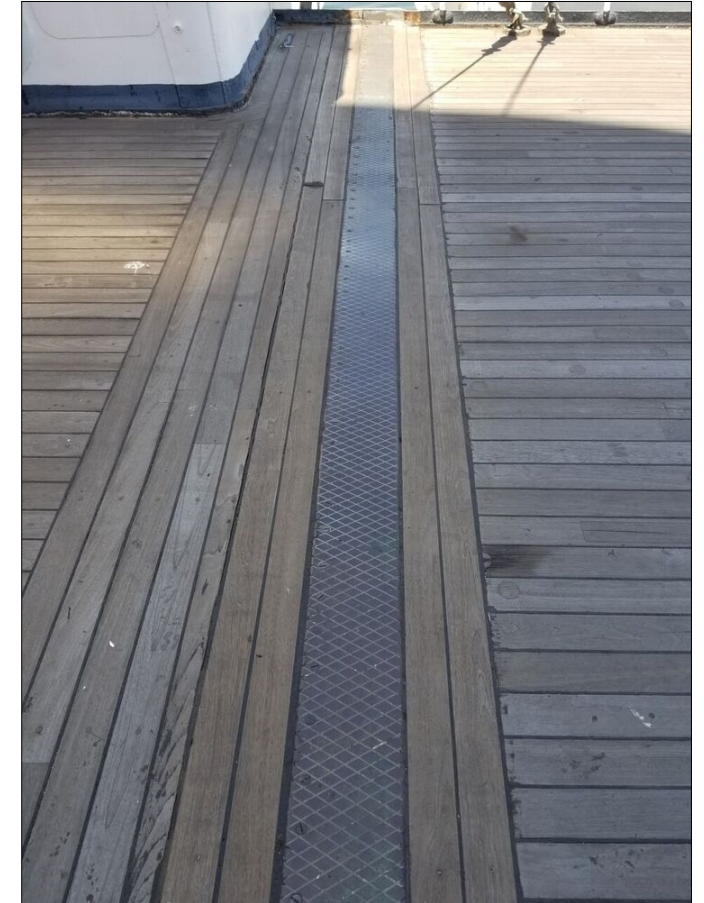
- Identified as urgent item
- All 3 expansion joints were severely corroded, leaking and not structurally sound
- Replacements designed to be historically correct



Estimated completion: Oct. 1



Before



After

Urgent/Mid-Term



Urgent

Repair of Leaking Side Tanks

- Both tanks were leaking onto and under tank tops/lower exhibit floor
 - Caused poor structural conditions
 - Visible holes in interior walls
 - Standing water
- Leak investigation & water removal complete
- Repair in progress

Leaking Side Tanks



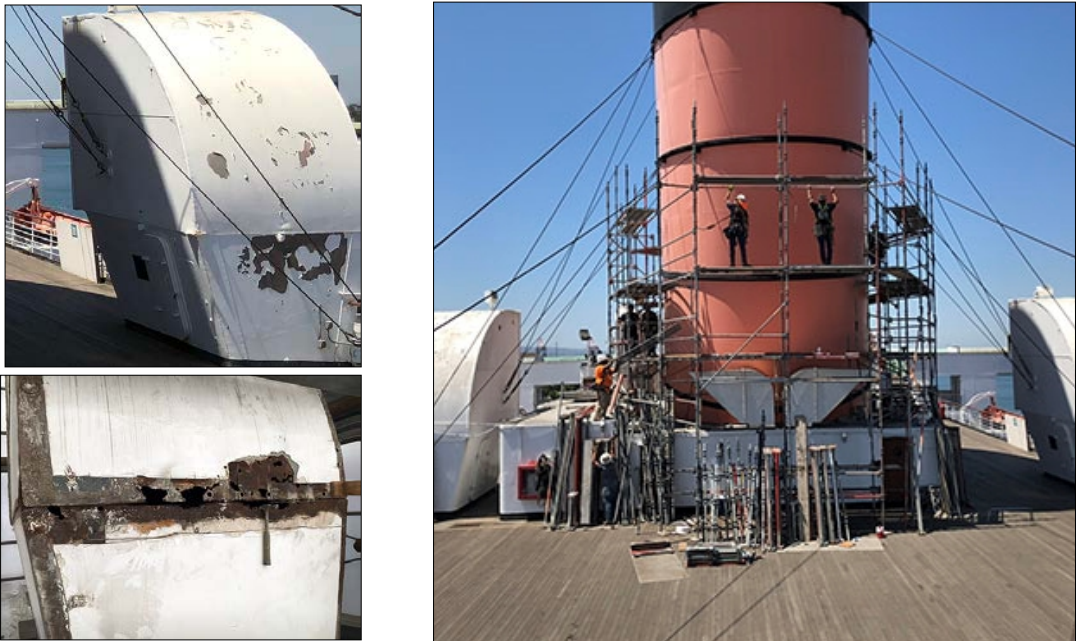
Estimated completion: Nov. 14



Side tanks repair in progress

Top of House Paint & Rust Repair

Mid-term



Intake vents and funnel before



Intake vent and funnel after



Estimated completion: March 29

Structural Repairs to M & A Decks

Urgent

- Repairs in the area of Ghosts and Legends attraction
 - Area shut down in April 2016 due to structural issues
 - Marine Survey identified leaks in fiberglass pool as contributing to corrosion of bottom of ship
- Raised floors re-built, now safe to enter and attraction has re-opened



Re-built walkway structure, from above



Exhibit Hall and Boiler Rooms

- Demo of raised floor; de-watering, repair and rust abatement



Ex Hall & Boiler Rms



Completed: Sept. 2017

Urgent



Fire and Life Safety Systems Repair

- \$200,000 originally budgeted, to fund minimal corrections identified by Long Beach Fire Department during 2016 inspection
 - During follow-up inspections, LBFD found significant additional deficiencies
 - Further investigation, repairs, and certifications required
- LBFD classified Queen Mary fire systems as high priority project
 - Implemented augmented response to any fire-related call to Queen Mary
 - Imposed 24-hour fire watch, fulfilled by Urban Commons

Fire Systems



Completed: June 2018

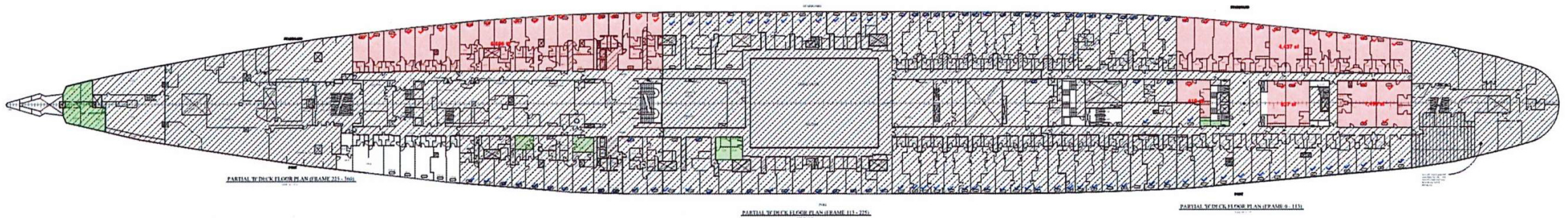
Fire and Life Safety Systems Repair

- ✓ 151 Fire Code Violations Corrected
 - Many, if not all, conditions existed under previous operator
 - ✓ Annual Fire Alarm certification completed
 - ✓ Annual emergency lighting test completed
 - ✓ Annual sprinkler testing completed
- ✓ 5-Year sprinkler testing completed
 - ✓ Fire Water Flex Hoses replaced
 - ✓ Fire Door corrections completed
 - ✓ Major fire protection system repairs completed
 - ✓ Obstructive investigation completed

Fire and Life Safety Systems Repair

Obstructive Investigation Completed

- Sprinkler pipes throughout 1 million square feet of ship inspected, flowed, and repaired
 - 400 guest rooms, public areas, and back-of-house areas
 - All sprinkler heads (5,000) replaced with new quick-response sprinkler heads
- Microbiological testing completed



Visitor Experience Improvements Completed by Urban Commons

- 4-D Theater
- Ellis Island Experience
- Titanic Exhibit
- Winston Churchill “Their Finest Hours” Exhibit
 - Renovations to exhibit space

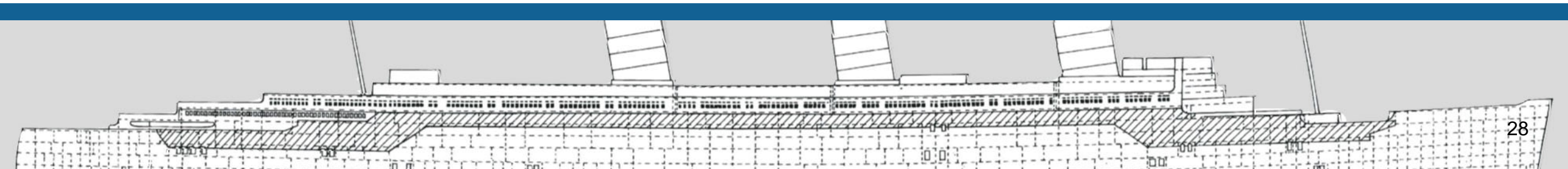


“Their Finest Hours” Exhibit

Improvements to oversight of lease and contract management

Lease Oversight

- Lessee obtains advance City approval
- Stronger internal controls
- New dedicated staff member assists Real Estate Officer
- Improved processes for monthly inspections



Carnival Cruise Line

- Multi-million-dollar renovations to Long Beach Cruise Terminal unveiled in Feb. 2018
- New, 3,954-passenger Carnival Panorama will arrive in 2019



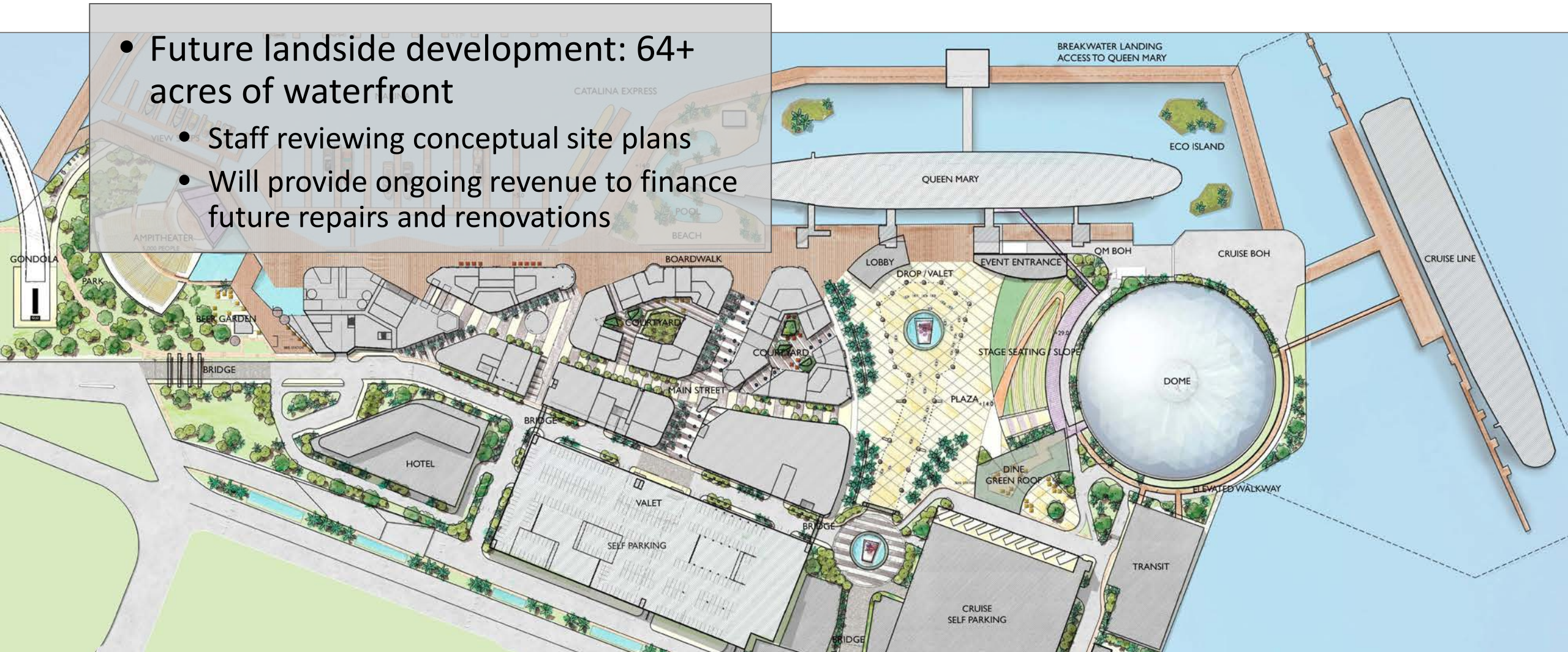
Carnival Panorama



Long Beach Cruise Terminal

Queen Mary Island

- Future landside development: 64+ acres of waterfront
 - Staff reviewing conceptual site plans
 - Will provide ongoing revenue to finance future repairs and renovations



Thank you

