



Legislation Details (With Text)

File #: 16-0337 **Version:** 1 **Name:** EPD - Increase Approps for Queen Mary Fund for capital improvements D2

Type: Agenda Item **Status:** Approved

File created: 3/31/2016 **In control:** City Council

On agenda: 4/19/2016 **Final action:** 4/19/2016

Title: Recommendation to increase appropriations in the Tidelands Operations Fund (TF 401) in the Economic and Property Development Department (EP) by \$1,702,448 for a transfer of Queen Mary lease revenue to the Queen Mary Fund (TF 410); and

Increase appropriations in the Queen Mary Fund (TF 410) in the Public Works Department (PW) by \$1,702,448 for various capital and historic preservation projects, offset by the transfer of Queen Mary lease revenue. (District 2)

Sponsors: Economic and Property Development

Indexes:

Code sections:

Attachments: 1. 041916-R-21sr.pdf

Date	Ver.	Action By	Action	Result
4/19/2016	1	City Council	approve recommendation	Pass

Recommendation to increase appropriations in the Tidelands Operations Fund (TF 401) in the Economic and Property Development Department (EP) by \$1,702,448 for a transfer of Queen Mary lease revenue to the Queen Mary Fund (TF 410); and

Increase appropriations in the Queen Mary Fund (TF 410) in the Public Works Department (PW) by \$1,702,448 for various capital and historic preservation projects, offset by the transfer of Queen Mary lease revenue. (District 2)

On January 5, 2016, the City Council approved a Restated and Amended Queen Mary Lease No. 22697 and assignment of the Lease to Urban Commons, LLC. Included in this action was the augmentation of funding designated for capital improvements and historic preservation projects at the Queen Mary. Previously, funding for Queen Mary projects was primarily from \$189,000 in pass-through rent from a Queen Mary sublease. This amount is wholly insufficient for funding larger structural and historic preservation projects, or unforeseen emergency repairs.

On October 13, 2015, the City Council increased appropriations by \$1,000,000 from Queen Mary lease revenue for a Marine Survey, Historic Structures Report, Reserve Fund Analysis, and for unforeseen or emergency repair projects.

The Marine Survey and Historic Structures Report are not yet complete, but several high priority repairs have already been identified. Most significantly, three expansion joints (forward, mid and aft), which span the width of the ship, have experienced extensive

deterioration and require urgent repair. The expansion joints are a critical element to the structural integrity of the ship. Additionally, deficiencies at the forward expansion joint have resulted in the closure of the Promenade Café, a major revenue generator for the Queen Mary. Cost for the expansion joint repairs are estimated at \$625,000. The October 13, 2015 appropriation is not sufficient to address these critical repairs.

The source of additional funding for Queen Mary projects will primarily be realized after the first year of the new Amended and Restated Lease. Until then, City Council authorization is requested to appropriate \$1,702,448 received under the previous Lease Agreement for Queen Mary Percentage Rent for Fiscal Year 2014 (FY 14), to be expended for capital and historic preservation projects at the Queen Mary. This appropriation will allow staff and Lessee to address the most critical needs of the Queen Mary until the augmented funding is realized under the terms of the Restated and Amended Lease.

This matter was reviewed by City Attorney Charles Parkin on March 28, 2016 and by Budget Management Officer Victoria Bell on March 30, 2016.

City Council action on this matter is requested on April 19, 2016, to address urgent and unforeseen capital and historic preservation projects at the Queen Mary.

In accordance with the previous Lease and Operations Agreement, Queen Mary Percentage Rent for FY 14, in the amount of \$1,702,448, was previously deposited to the Tidelands Operations Fund (TF 401). Two appropriation increases are requested to transfer the revenue from the Tidelands Operations Fund (TF 401) to the Queen Mary Fund (TF 410), and to budget the expenditures in the Public Works Department (PW) for urgent and unforeseen Queen Mary capital and historic preservation projects. There is no local job impact as a result of this recommendation.

Approve recommendation.

MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC & PROPERTY DEVELOPMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER