

The Queen Mary



Long Beach City Council November 1, 2016

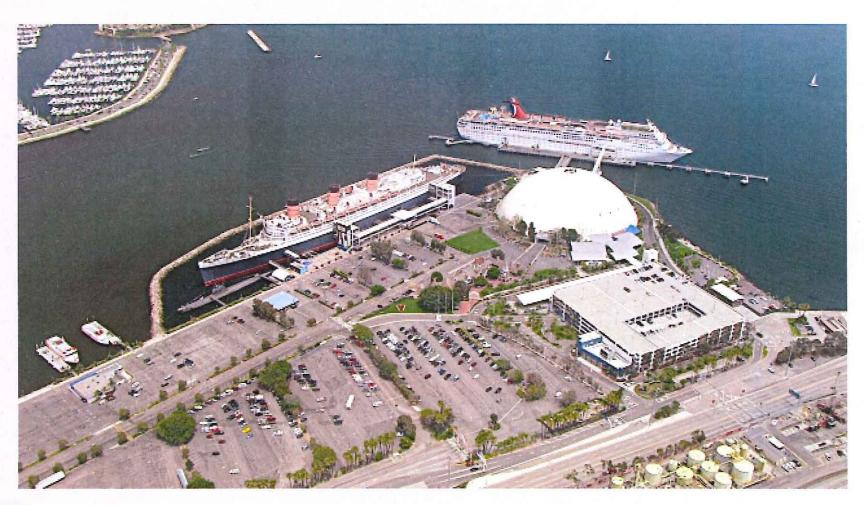


Site





Site (Cont.)





Queen Mary - Lease Assignment

- November 17, 2015 City Council approves assignment to Urban Commons.
- Leasehold area includes the Queen Mary, Carnival Cruise Lines, and Catalina Express.
- Amended and Restated Lease to be extended to 66 years.



Queen Mary - Extended Negotiations

Negotiations extended with Urban Commons to address the following:

- Physical condition of the Queen Mary and need for urgent repairs.
- Opportunity for Urban Commons to retake use of the Dome in the future for Special Events.
- Proposed terms to facilitate construction of a replacement terminal for Carnival.
- Card Check Neutrality Agreement



Queen Mary - Urgent Repairs

A Marine Survey conducted by the Queen Mary indicates over \$200 million in urgent repairs are needed.

Item	Budget	Item	Budget
Expansion Joints	\$650,000	Health Dept. Upgrades	\$350,000
Exterior –Prime, Paint, Rust (Top of House)	\$1,000,000	Fire Sprinkler Corrections	\$200,000
Replacement of Cabled Lighting/Hoisting System	\$100,000	Condensate Pump System/Line	\$400,000
Hand Fence & Railing	\$7,500	Domestic Water Lines	\$750,000
Structural – Tank, Hull, Propeller, and Attached Areas	\$2,500,000	Structural Repairs	\$1,072,100
Misc. Safety Issues	\$100,000	Side Shell/Bridge Wings	\$3,000,000
Repair Side Tanks at Exhibit Hall	\$250,000	Lifeboat Demo/Safety	\$500,000



Queen Mary - Urgent Repairs

Item	Budget	Item	Budget
Propeller Box	\$78,000	Internal Structural Suspension	\$2,032,726
Bilge System	\$150,000	HVAC Systems	\$1,250,000
Sewage and Mechanical Rooms	\$200,000	Exterior –Prime, Paint, Rust (Exterior Hull)	\$1,700,000
Utility Lines	\$170,000	Lifeboat Repair/ Replacement	\$400,000
Electrical Systems	\$100,000	Sewer Systems	\$900,000
Storm Drain Systems	\$250,000	Structural Floor Repairs	\$3,000,000
Roofing and Deck	\$500,000	Fire Panels	\$1,950,000
		TOTAL	\$23,560,326



Queen Mary - Urgent Repairs

- The lease includes a "pass through" of Carnival passenger fee rent revenue to be used for repairs and renovations.
- To address the most critical of the urgent repairs, City and Urban Commons agreed to divert future Carnival rent revenues and existing Queen Mary Reserves to create a fund totaling approximately \$23 million.
- Years 1-7 City's passenger fee and base rent revenue supports financing; years 6-10 Urban Commons' passenger fee rent revenues support financing.
- No new funds will be used to address these urgent repairs.



Queen Mary - The Dome

- Lease requires Urban Commons to turn over Dome to Carnival for expansion of terminal operations to accommodate larger vessels expected to begin to call in Long Beach.
- Use of the Dome as event facility is integral to Urban Commons' development plans.
- Urban Commons plans to construct a replacement passenger facility for Carnival, and will then take possession of the Dome.
- Amended revenue sharing provisions will help defray costs of a new passenger facility and preserve Urban Commons' capital and financing capacity for ground-up development.



Queen Mary - Shared Financing

- In addition to existing Queen Mary reserves, City intends to issue bonds resulting in \$17.2 million in construction proceeds to address urgent repairs.
- Financing expected to be completed within 6 months.
- Bond issue backed by pledge of Tidelands revenue.
- Actual source of debt service payment will be Carnival passenger fee rent and base rent from Urban Commons.
- Due to Carnival's status as one of the largest cruise lines and its stronghold in the Southern California market, risk associated with the Carnival passenger fee rent is low.

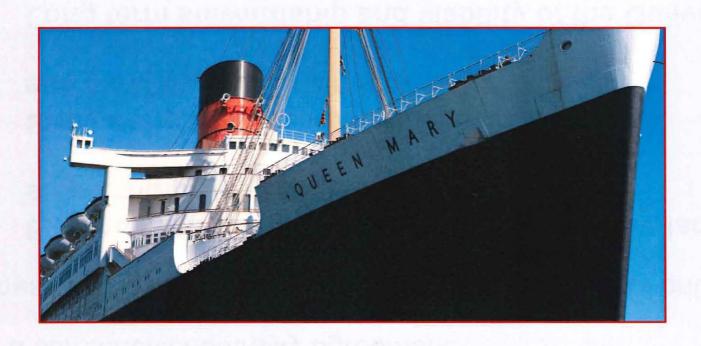


Queen Mary - City Priorities

- Urban Commons agrees that any new hotels will participate in a card check neutrality agreement.
- These proposed changes are consistent with City priorities:
 - Expanded Carnival facilities to accommodate larger ships and passenger increases.
 - Supporting future commercial development surrounding the Queen Mary.
 - Long term stewardship and viability of the Queen Mary.



The Queen Mary



Comments / Questions?