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C-7

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January 5, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Rescind and Reconsider an Amended and Restated Lease and Operations Agreement No. 22697 and concurrent assignment to Urban Commons, LLC, as Successor Lessee to Garrison Investment Group, LLC, previously approved by the City Council on November 17, 2015; and

Authorize the City Manager, or designee, to execute any and all documents necessary for an Amended and Restated Lease and Operations Agreement No. 22697 for the Queen Mary and adjacent properties, and concurrent assignment to Urban Commons, LLC, as Successor Lessee to Garrison Investment Group, LLC. (District 2)

DISCUSSION

On November 17, 2015, the City Council approved an Amended and Restated Lease and Operations Agreement No. 22697 and concurrent assignment to Urban Commons, LLC, as Successor Lessee to Garrison Investment Group, LLC.

On December 16, 2015, the City received a letter (Attachment "A") alleging that such action was a violation of the Ralph M. Brown Act ("Brown Act") as follows:

On or about November 17, 2015 the City Council considered a recommendation to adopt an amended and restated lease and operations agreement and concurrent assignment with regard to the Queen Mary, a City-owned asset. The agenda item was identified on the November 17, 2015 as Item No. 14. The specific description given to this item is as follows: "Recommendation to authorize City

HONORABLE MAYOR AND CITY COUNCIL

January 5, 2016

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Manager, or designee, to execute any and all documents necessary for an amended and restated lease and operations agreement No. 22697 and concurrent assignment to Urban Commons, LLC, as successor lessee to Garrison Investment Group, LLC (District 2).” Significantly, no reference was made in the agenda description to the Queen Mary.

While the City Attorney does not believe the City Council's action violates the Brown Act as discussed below, to conserve public resources and avoid unnecessary litigation, the City Attorney recommends reconsidering the item by first rescinding the November 17, 2015 action approving an Amended and Restated Lease and Operations Agreement No. 22697 and concurrent assignment to Urban Commons, LLC, as Successor Lessee to Garrison Investment Group, LLC, and then considering the request for a new approval pursuant to this revised agenda description that specifically references the “Queen Mary”.

It is the City Attorney's opinion that this item was sufficiently identified on the November 17, 2015 meeting agenda. Government Code section 54954.2 states:

(a)(1) At least 72 hours before a regular meeting, the legislative body of the local agency, or its designee, shall post an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting, including items to be discussed in closed session. A brief general description of an item generally need not exceed 20 words.

We believe the description of the item in this case meets the statutory mandate of the Brown Act to include a “brief general description” of the matter, such that a member of the public could attend if he or she desired to observe or comment upon the matter before action was taken.

The Brown Act allows, after receipt of a written demand to cure, the City Council to reconsider the challenged item and cure the alleged defect. Importantly, doing so is specifically not an admission of wrongdoing by the public agency. (Government Code section 54960.1(f) states: “The fact that a legislative body takes a subsequent action to cure or correct an action taken pursuant to this section shall not be construed or admissible as evidence of a violation of this chapter”).

Thus, to avoid the possibility of unnecessary litigation, the City Council may first rescind the prior action taken on November 17, 2015 and then consider the item anew, with the revised agenda description specifically referencing the “Queen Mary”.

Rather than restating the prior staff discussion, if the City Council rescinds the prior action, the November 17, 2015 Staff Report is attached (Attachment “B”) for reference in considering the newly revised request.

HONORABLE MAYOR AND CITY COUNCIL

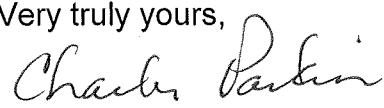
January 5, 2016

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SUGGESTED ACTION:

Approve recommendation.

Very truly yours,



CHARLES PARKIN
City Attorney

Attachments:

- (A) December 16, 2015 Demand Letter
- (B) November 17, 2015 Staff Report
- (C) November 17, 2015 PowerPoint Presentation

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*Of Counsel
**ALSO Admitted in Colorado
***ALSO Admitted in Texas

December 16, 2015

VIA U.S. MAIL AND FACSIMILE **(562-570-6789)**

Maria De La Lus Garcia
City Clerk
City of Long Beach
333 West Ocean Boulevard
Long Beach, California 90802
cityclerk@longbeach.gov

Re: Demand to Cure And/or Correct Action in Violation of Brown Act

Dear Ms. Garcia:

I am writing on behalf of my client to call the attention of the City Council to a past violation of the Ralph M. Brown Act by the City Council concerning action taken on or about November 17, 2015 concerning a new lease for the use of and operation of the Queen Mary and related assets.

The nature of the violation is as follows: On or about November 17, 2015 the City Council considered a recommendation to adopt an amended and restated lease and operations agreement and concurrent assignment with regard to the Queen Mary, a city-owned asset. The agenda item was identified on the November 17, 2015 as Item No. 14. The specific description given to this item is as follows: *"Recommendation to authorize city manager, or designee, to execute any and all documents necessary for an amended and restated lease and operations agreement No. 22697 and concurrent assignment to Urban Commons, LLC, as successor lessee to Garrison Investment Group, LLC. (District 2)." Significantly, no reference was made in the agenda description to the Queen Mary.*

As you are aware the Brown Act creates specific agenda obligations for notifying the public with a "brief description" of each item to be discussed or acted upon and also creates a

legal remedy for illegally taken actions, namely in this instance, a determination that a past action taken by the City Council violated the Act.

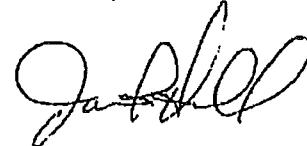
Pursuant to Government Code § 54960.1, and on behalf of my client as an interested person alleging a violation of the Act, my client demands that the City Council cure or correct the action.

As provided by Government Code § 54960.1(c)(2) the City Council may respond to this demand within 30 days of receiving the letter by curing and/or correcting the action and informing my office in writing of its actions to that end. My client contends that the City would be required to re-agendize this item with a description that references the Queen Mary and take a new vote in accordance with the Brown Act.

If the City Council does not cure and/or correct this action, my client intends to commence an action seeking a judicial determination regarding whether the challenged action violated the Brown Act. Such an action would include a request to the court for payment of costs and reasonable attorneys' fees pursuant to Government Code § 54960.5.

I may be contacted at 310-982-1760 or at jamie.hall@channellawgroup.com if you have any questions, comments or concerns.

Sincerely,



Jamie T. Hall



CITY OF LONG BEACH

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT
333 West Ocean Boulevard 3rd Floor • Long Beach, CA 90802 • (562) 570-6099 • Fax (562) 570-6380

~~R-14~~

November 17, 2015

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute any and all documents necessary for an Amended and Restated Lease and Operations Agreement No. 22697 and concurrent assignment to Urban Commons, LLC, as Successor Lessee to Garrison Investment Group, LLC. (District 2)

DISCUSSION

The Queen Mary is a City-owned asset operated under Lease and Operations Agreement No. 22697 (Lease) with Save the Queen, LLC (STQ). In late 2007, STQ assumed control over Queen's Seaport Development, Inc., and the Lease through bankruptcy proceedings of the ship's prior operator. Subsequently, Garrison Investment Group, LLC (Garrison) foreclosed on STQ and assumed ownership and control of the Leasehold interest. Since that time, Garrison has been an excellent steward of the Queen Mary. Garrison has spent over \$13 million dollars on preservation and renovation, and exceeded capital improvement requirements established during bankruptcy proceedings. Additionally, Garrison and their management company, Evolution Hospitality, have modernized operations, improved retail and restaurant offerings, and brought new and exciting events and exhibits to the ship.

Garrison has done a tremendous job of managing the Queen Mary hotel, attractions and events; however, as an investor, they did not intend to operate the Queen Mary in the long-run or develop the adjacent shoreside property. Consequently, Garrison has conducted an exhaustive search to identify a successor lessee (Successor Lessee) who will maintain excellent stewardship; continue to preserve, restore and maintain the ship; and demonstrate sufficient capitalization and experience to promptly proceed with shore-side development. Urban Commons, LLC, (Urban Commons) was selected by Garrison as their preferred Successor Lessee. Urban Commons is a Los Angeles based real estate investment and development firm specializing in innovative hospitality and entertainment destination developments. Urban Commons has development experience, not only in the Los Angeles area, but also in the Bay Area, Silicon Valley, Central Coast, Pasadena, Palm Desert, and Miami.

City staff have spent considerable time reviewing the financial stability of Urban Commons, their familiarity with the constraints of site development, and their ability to manage an extensive outreach, entitlement and development process. Urban Commons has demonstrated the necessary experience and financial capacity to operate a combined historic hotel and event/attraction facility, and the ability to undertake new development on the unimproved portions of the leasehold area.

HONORABLE MAYOR AND CITY COUNCIL

November 17, 2015

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The challenging structure of the existing lease has served to be an impediment to investment into preservation, restoration and shore side development. As a result, City staff, Garrison and Urban Commons propose a number of modifications that serve to address these issues. City staff have worked diligently to craft an agreement that would promote shore side development, while also strengthening the capital and preservation support for the Queen Mary. To this end, City staff have negotiated the proposed Amended and Restated Lease No. 22697 containing the following major terms and provisions:

- **Lessor:** City of Long Beach
- **Current Lessee:** Save the Queen, LLC, a wholly owned subsidiary of Garrison Investment Group, LLC
- **Successor Lessee:** Urban Commons, LLC
- **Leased Premises:** 64.22 Acres (43.38 acres land area/20.84 acres water area)
- **Lease Term:** 66 years from execution of Amended and Restated Lease.
- **Minimum Rent:** \$300,000 annually, payable monthly in advance. CPI adjustment on each 10-year anniversary of commencement date, not to exceed 40% in any 10-year period. This reflects an annualized increase of approximately 3.4%.
- **Priority Return:** Priority Return on initial Stipulated Investment Basis (purchase price for the leasehold interest) and eligible capital investments, to the extent it is available from Operating Revenue, shall be paid to the Successor Lessee on an annual basis at a rate of 9%. Priority Return shall not be cumulative.
- **Percentage Rent:** Percentage Rent will be calculated at 10% of Operating Revenue after Successor Lessee achieves its Priority Return, and payable to the extent it exceeds annual Minimum Rent.
- **Land Rent:** The Amended Lease will provide flexibility for the Successor Lessee to terminate the Amended Lease as to individual development parcels, subject to receipt of applicable entitlements, and for Successor Lessee (or its assignee) to enter into new, financeable ground leases for development purposes, not to exceed the term of the underlying 66-year lease.

Land rent shall be based on appraised value to be established at the time of execution of the Amended Lease, with payments beginning when the land included in financeable ground leases generates revenue, either directly or indirectly. Land values shall increase by CPI adjustment on each 10-year anniversary of commencement date, not to exceed 40% in any 10-year period.

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- **Participation in Sales and Refinance:** The City shall be entitled to participate in any net profits from either the sale or refinance of the entire leasehold generally at the level of 25% of net proceeds after transaction costs and Successor Lessee's required return.
- **Base Maintenance and Replacement Plan:** Successor Lessee shall be required to establish a new Base Maintenance and Replacement Plan (BMRP) fund. Successor Lessee shall set aside a percentage of Gross Revenues, to fund the capital investment required for continued first class operation of the hotel, event and attraction facilities as follows: 1% during the first and second years; 2% during the third and fourth years; and 3% each year thereafter.
- **Historic Preservation and Capital Investment Plan:** Successor Lessee shall prepare a Historic Preservation and Capital Investment Plan (HPCIP) for preservation, conservation and restoration associated with the special historic status of the ship; and maintenance, repair or replacement of specific elements associated with the maritime nature of the ship.

Funding for the HPCIP will be provided by all or a portion of revenues received from Carnival Passenger Fees; all or a portion of the Minimum Rent paid to the City (excluding the Catalina Express pass-through rent and rent from special events); and any grant funds or other special source funds the City is able to obtain for this purpose. Successor Lessee may contribute additional funds needed to complete the projects on the approved HPCIP, which shall be eligible capital investments and added to the Stipulated Investment Basis for the purpose of calculating Preferred Return.

- **Compliance with Applicable Laws:** Successor Lessee shall comply with all requirements that may be reasonably imposed on the Queen Mary to comply with laws, including compliance with the Americans with Disabilities Act (ADA). These improvements will be considered as eligible capital investments and added to the Stipulated Investment Basis for the purpose of calculating Preferred Return.
- **Financial Reporting:** Financial reporting practices are to be modified to conform to the changes recommended in the City Auditor's Report of September 12, 2012 (including flow of all revenue to a single entity and associated auditing requirements, financial reporting and formatting requirements, etc.).
- **Queen Mary Heritage Foundation:** The Current Lessee has assisted in the establishment of the non-profit Queen Mary Heritage Foundation (QMHF), whose mission and purpose is to support historic preservation, conservation and restoration improvements pertaining to the ship, its historic artifacts and ephemera, and to serve as a vehicle to educate and disseminate information concerning the ship's history. Successor Lessee shall support and participate on the governing board of the Queen Mary Heritage Foundation (QMHF), and the City shall have ex-officio representation on the governing board.

HONORABLE MAYOR AND CITY COUNCIL

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Any and all funds raised by the Foundation and used in support of improvements to the ship shall be not added to the Stipulated Investment Basis for the purposes of calculating Priority Return, and said funds shall be subject to financial reporting requirements and auditing by the City.

- **Restructuring of Carnival Dome Lease:** At a time of mutual agreement between Successor Lessee and Carnival Corporation (Carnival), Successor Lessee shall sub-lease the entire Carnival Dome to Carnival for expanded terminal operations. Each year of the first five years of the Amended Lease term, Successor Lessee shall pay to City an amount equal to the passenger fees received by Successor Lessee from Carnival for the prior year up to a maximum of \$2,150,000 (the "Base Dome Payment"). City shall deposit the Base Dome Payment into an account to which both City and Successor Lessee have mutual access (the "HPCIP Account") for the purpose of capital projects and historic restoration. During the first five years of the Amended Lease term, all passenger fees received by Successor Lessee from Carnival in excess of the Base Dome Payment shall be retained by Successor Lessee. City shall have the right to collect passenger fees directly from Carnival if and to the extent Successor Lessee fails to make the Base Dome Payment.

Beginning in the sixth year of the Amended Lease term and each year thereafter, Successor Lessee shall pay to City all passenger fees received by Successor Lessee from Carnival up to \$2.15 per passenger. Successor Lessee shall further pay to the City 50% of passenger fees generated in excess of \$2.15 per passenger. The other 50% shall be retained by the Successor Lessee and included as revenue for financial reporting purposes. City revenue derived from passenger fees shall be deposited into the HPCIP Account and may be used only to fund HPCIPs as provided above.

The proposed Amended and Restated Lease No. 22697 will facilitate and encourage innovative shore side development, and provide a secure funding source for the historic preservation of, and capital investment into the Queen Mary. Additionally, the Current Lessee and Successor Lessee have expressed keen interest in working cooperatively with the Queen Mary Task Force in connection with outreach, entitlement and development of the leasehold area.

This matter was reviewed by City Attorney Charles Parkin on November 5, 2015 and by Assistant Finance Director Lea Eriksen on November 4, 2015.

TIMING CONSIDERATIONS

City Council action on this matter is requested on November 17, 2015 in order to ensure that the Amended Lease can be executed before the end of the year.

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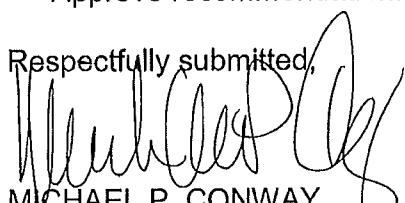
FISCAL IMPACT

Annual rent revenue of approximately \$300,000 will be redirected from the Tidelands Operating Fund (TF 401), which is currently used to support general Tidelands Operations, to the Queen Mary Fund (TF 410) in the Department of Public Works (PW), where it is restricted for capital expenses and investments for the Queen Mary. These funds and the Carnival Passenger Fees will be available to fund the Historic Preservation and Capital Investment Plan for the Queen Mary and will be managed by the Department of Economic and Property Development. Approval of this recommendation will provide continued support to the local economy.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC &
PROPERTY DEVELOPMENT

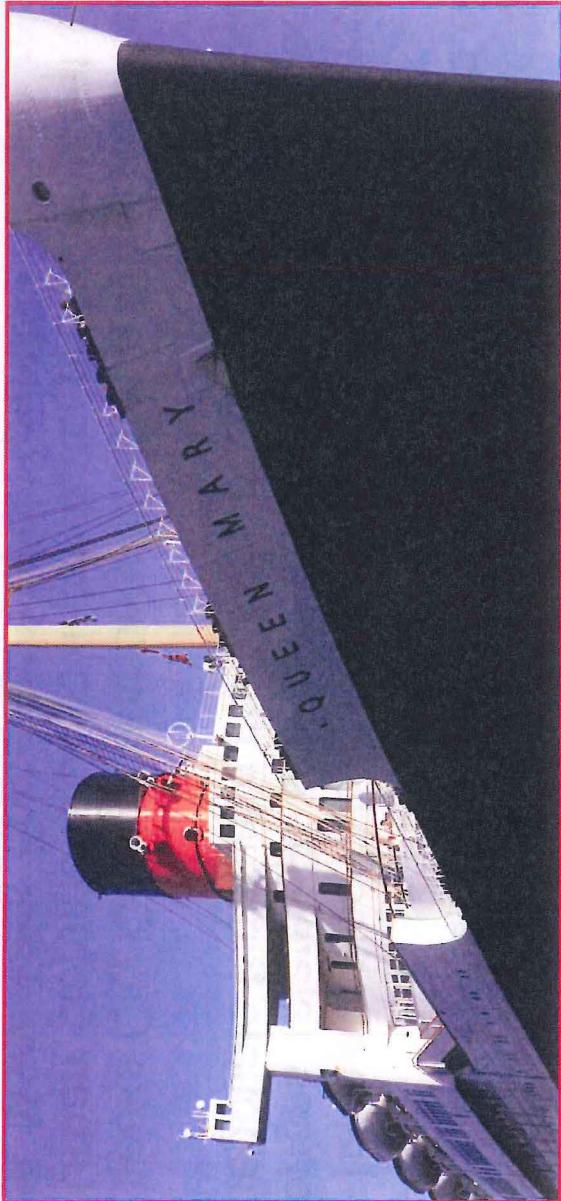
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APPROVED:



PATRICK H. WEST
CITY MANAGER

The Queen Mary



Presentation to City Council

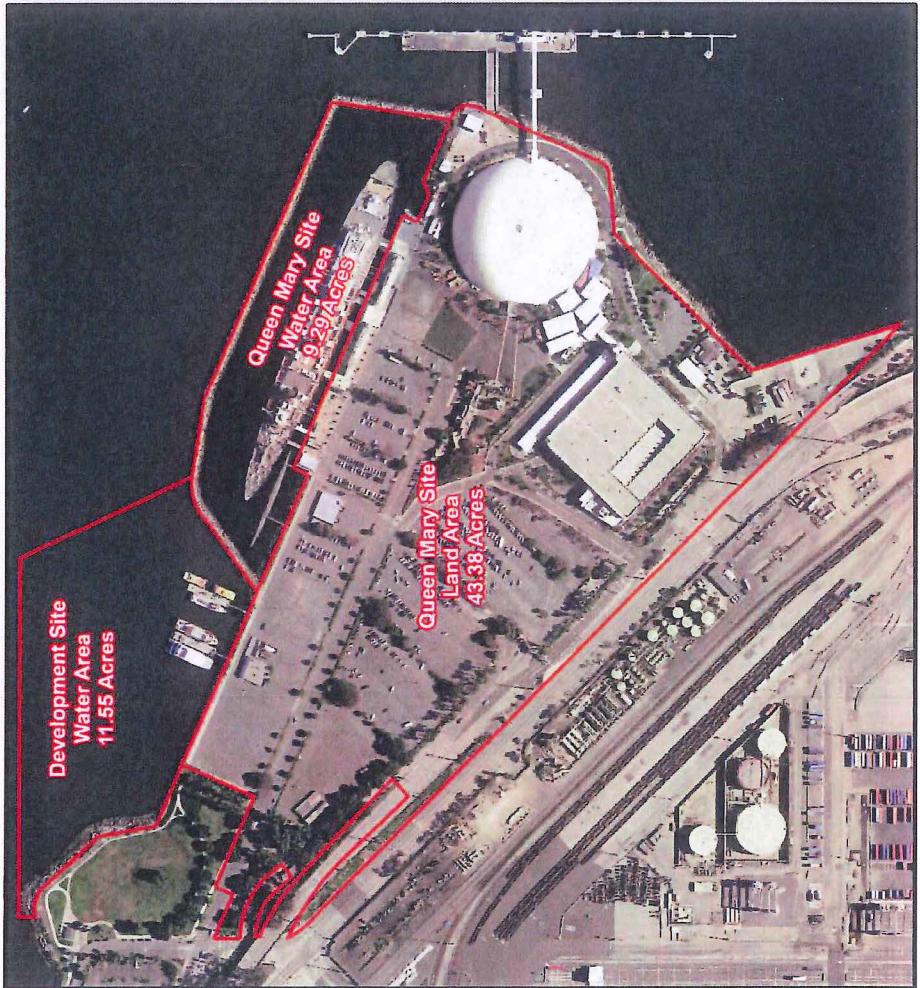
November 17, 2015

City Council Consideration

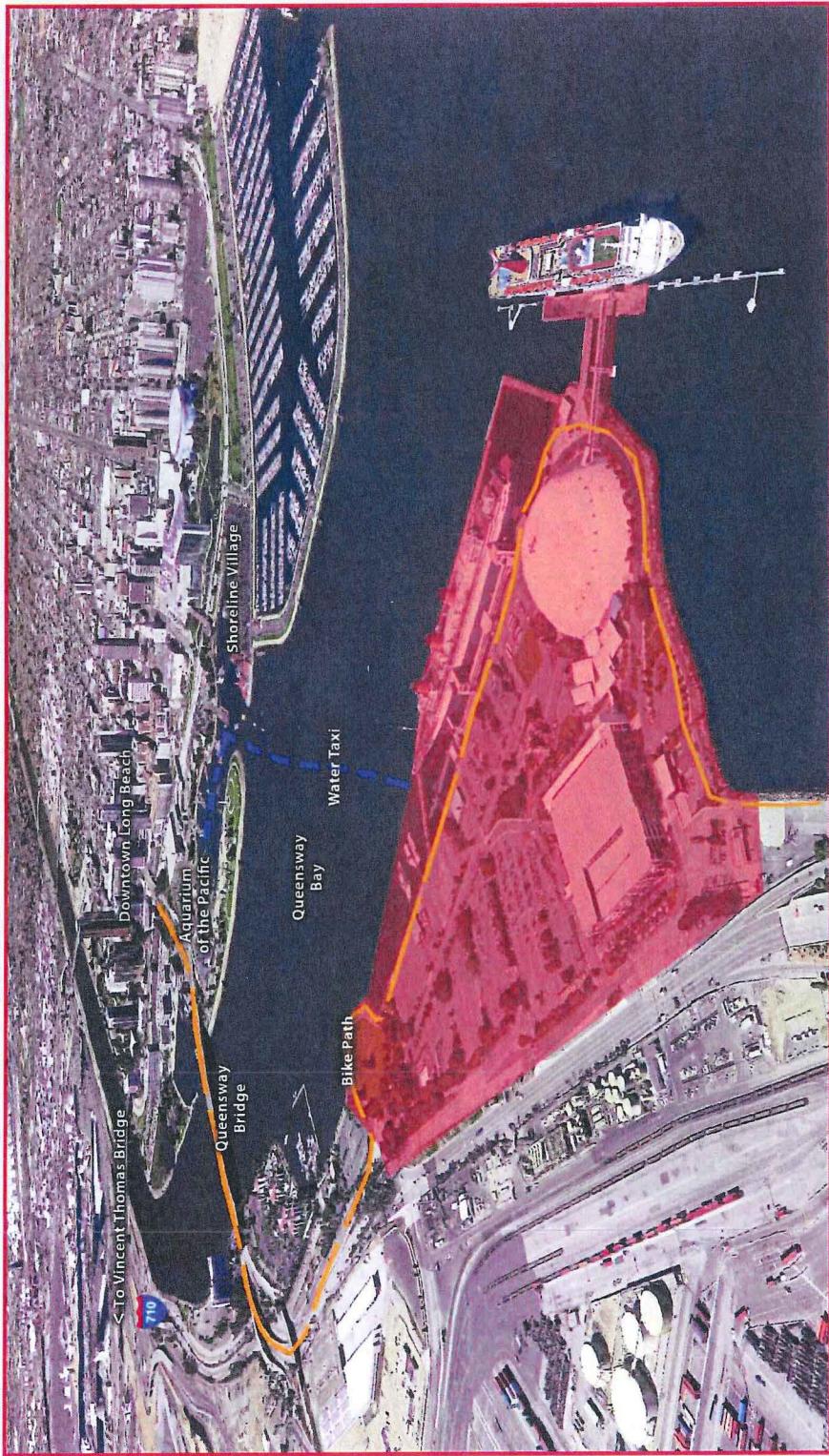


- City's current lessee is Garrison Investment Group (Garrison), who acquired the property through default, and is neither a hotel operator, nor a land developer and seeks to sell its leasehold interest
- Garrison and has identified a proposed Successor Lessee: Urban Commons, a well capitalized hotel developer and operator
- Staff have worked with Urban Commons to communicate the challenges related to site constraints, entitlement expectations, and negotiate terms and conditions of a new Restated Lease
- Staff seeks City Council authority to enter a new Restated Lease with Urban Commons, who intends to promptly meet with the Queen Mary Task Force and begin public outreach related to development alternatives

Site



Site (Cont.)



Recent History



- 1995: 66-Year Lease w/ QSDI
- 2005: QSDI files bankruptcy after City demand for percentage rent
- 2007: Save the Queen LLC (STQ) purchases lease through bankruptcy court
- 2009: STQ defaults on loan from Garrison, who takes over management of Queen Mary
- 2007-2010: Per City Agreement, Garrison/STQ completes over \$5.3M in CIPs

Recent History (Cont.)



- 2011: Garrison/STQ, along with City and PCR Consulting, complete Historic Inventory Report, cataloging over 4,700 historically significant items on the Ship
- 2011: Evolution Hospitality contracted for operation of the Ship and introduces the CHILL signature event
- 2012: Princess Diana Exhibit is center piece of \$3.3M in CIPs
- 2011-2014: Garrison/STQ completed over \$8M in improvements to restaurants, retail outlets, hotel amenities and exhibits

Recent History (Cont.)



- 2014: Conservation Management Plan developed to improve oversight and management of on-ship assets and the Ship itself
- 2015: Completion and Certification of Fire Alarm Upgrade. Sprinkler head replacement is ongoing
- Pending: Historic Structures Report will determine historical significance of structures within the Ship and recommend preservation strategies
- Pending: Marine Survey will assess the status and integrity of the Ship's structural components including the hull, superstructure and side shell



Upgrades & Renovations (2007 - 2015)

- 314 Guestrooms
- HVAC
- Wharf Entry
- Elevators
- Promenade Deck
- Kitchen/Catering Facilities
- Smoke Stacks
- Retail & Parking Technology
- Chelsea Chowder House
- Britannia Salon
- Grand Salon
- Windsor Salon
- Queen's Salon
- King's View Room
- Promenade Café
- Sir Winston's
- Wedding Chapel
- Hand Railings
- Wi-Fi Infrastructure
- Retail Improvements
- Wedding Services
- Lighting Fixtures
- Ghosts & Legends Upgrades
- Gym Remodel
- Landscape Upgrades
- Tour Listening Devices
- ADA Restrooms

Awards & Accolades



- California Preservation Foundation – 2012 Preservation Design Award
- Association Meetings' 2012 Inner Circle Award – Hotel
- 2012 Trip Advisor Certificate of Excellence Award – Hotel
- 2012 Zagat Award of Excellence (Sir Winston's)
- Press-Telegram 2012 Readers' Choice Best Brunch Award
- 2012 Open Table Diners' Choice Award – Sir Winston's
- 2012 Open Table Diners' Choice Award – Best Brunch
- 2012 Trip Advisor Certificate of Excellence Award – Dining
- 2012 Los Angeles Travel Readers' Choice Award – Favorite Romantic Los Angeles Restaurant (Sir Winston's)
- The Southern California Restaurant Writers' Golden Bacchus Award for Wine Selection (Sir Winston's)
- The Southern California Restaurant Writers' Golden Scepter Award (Sir Winston's)
- 2012 Trip Advisor Certificate of Excellence – Attractions

Performance Audits

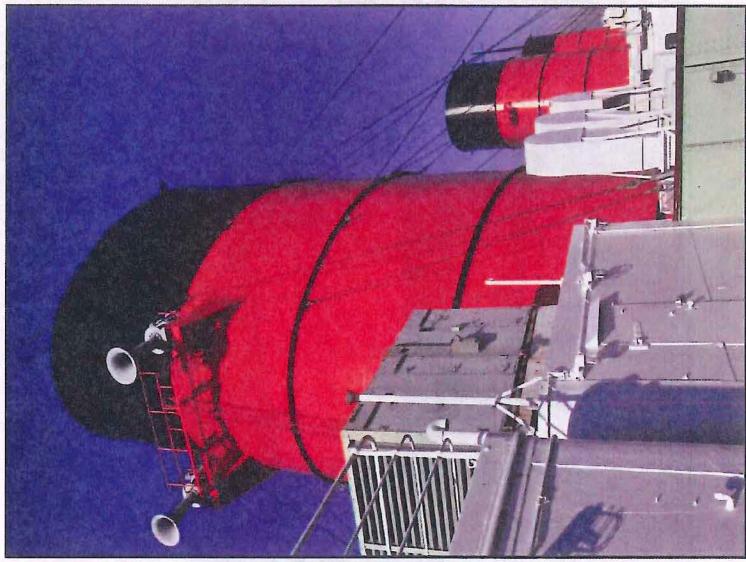
- City Auditor Report determined STQ short of 2008 benchmark by \$800,000 (pre-Garrison)
- Follow-up City Auditor Report determined STQ short of 2009 benchmark by \$300,000
- STQ, under Garrison oversight, met and exceeded the \$5.3 Million benchmark in 2010



Iconic "Stacks"

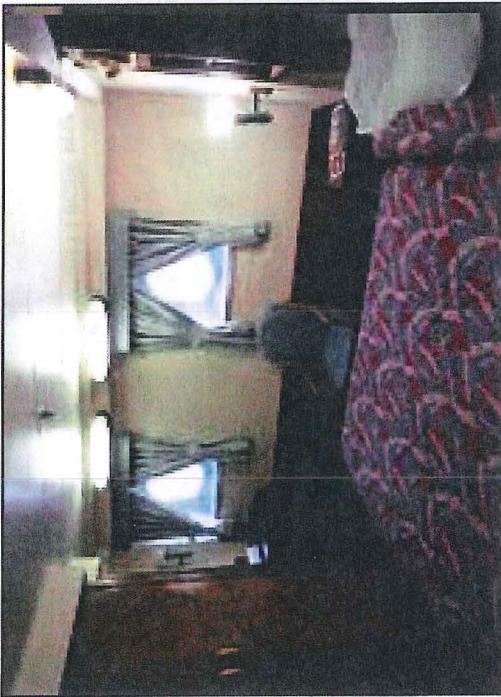


Before

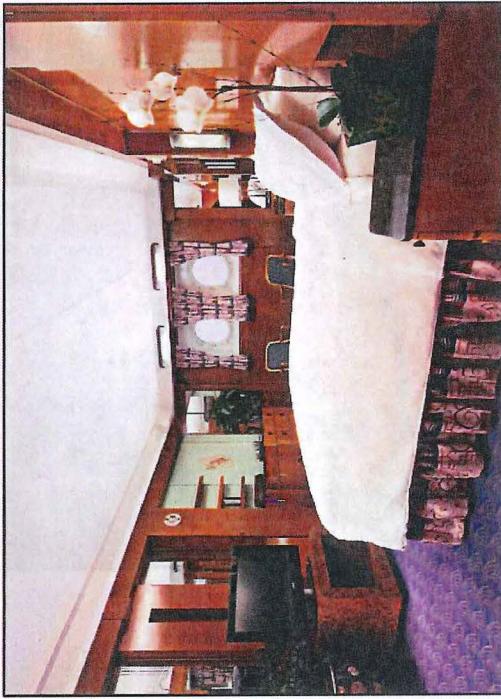


After

Staterooms & Suites

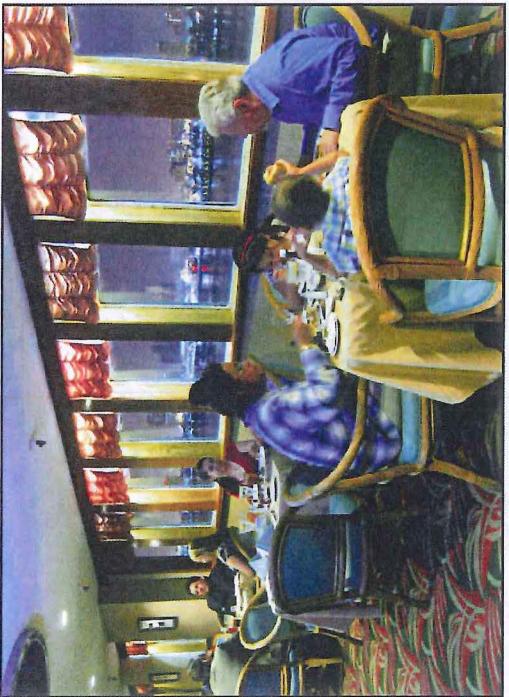


Before



After

Promenade Cafe

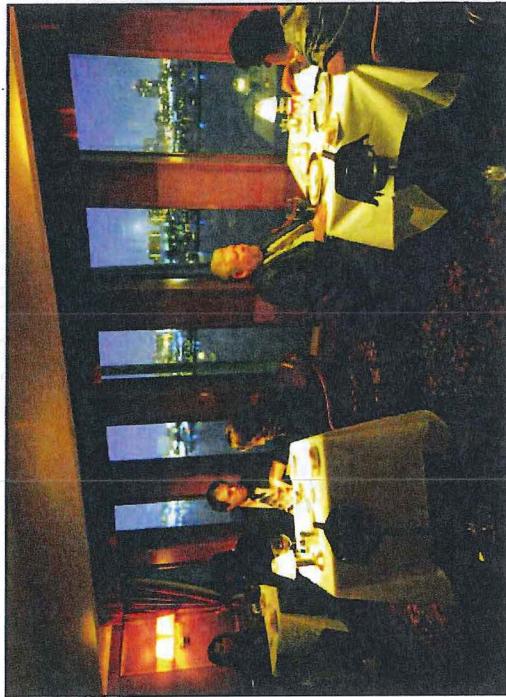


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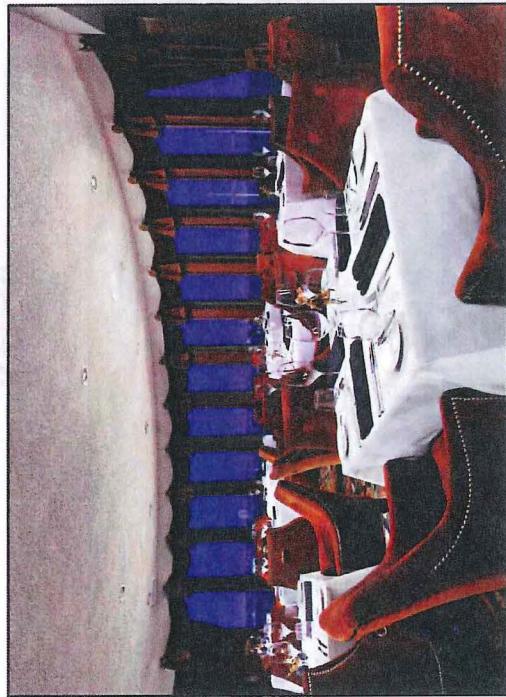


After

Sir Winston's



Before

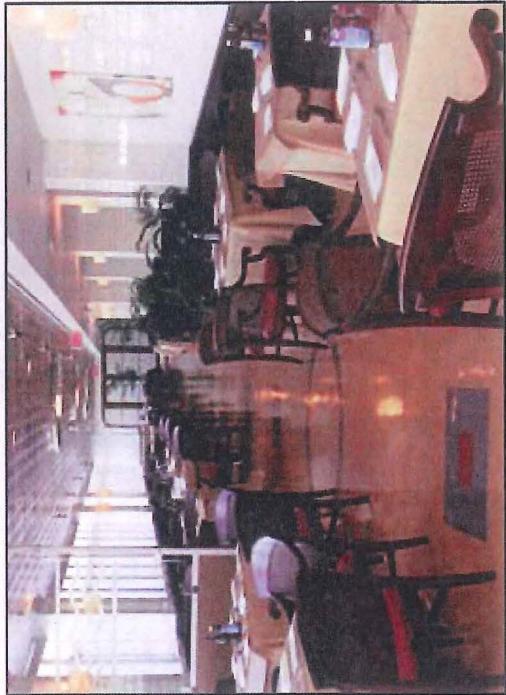


After

Chelsea Chowder House

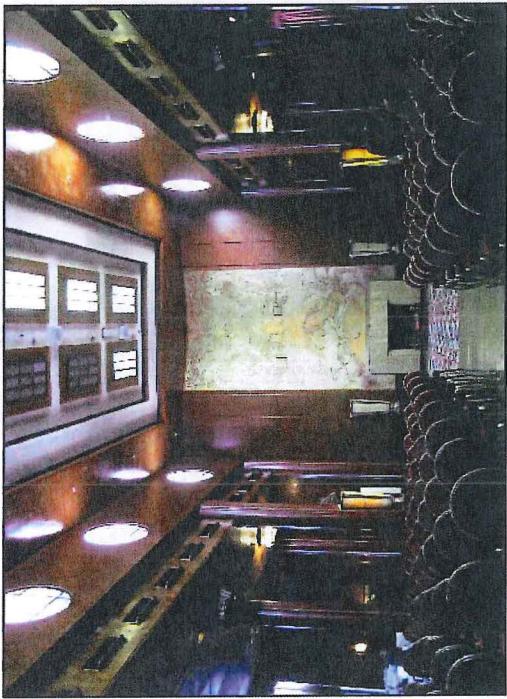


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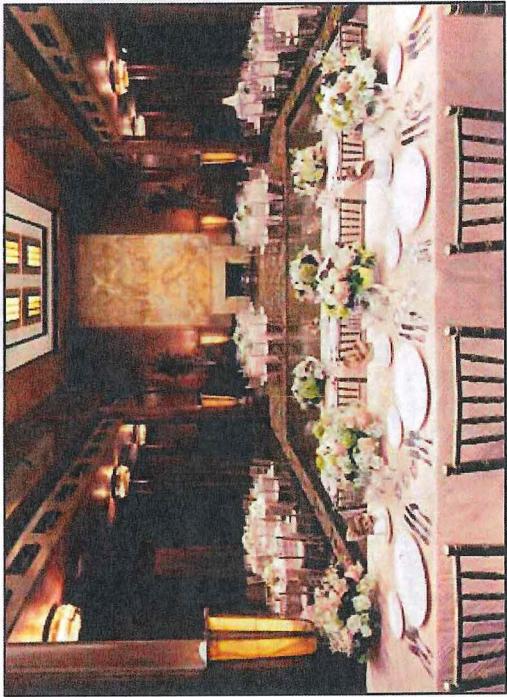


After

Queen's Salon



Before



After

Main Entrance

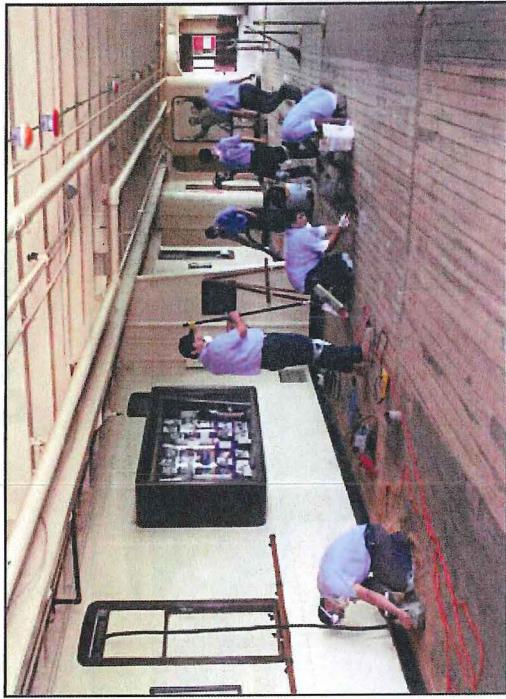


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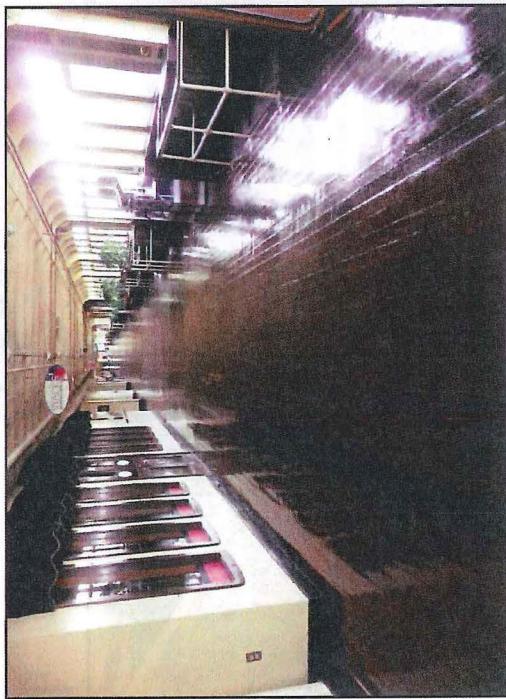


After

Promenade Deck



Before



After

Garrison's Success



- Garrison has been the City's lessee and partner since 2009
- Garrison has invested over \$13 million into capital improvements and event infrastructure in the Queen Mary
- Garrison, together with Evolution Hospitality, has introduced signature events at the Queen Mary, increasing the stature and popularity of this iconic ship
- Garrison, and subsequently, Evolution Hospitality, hired a Historic Resource Advisor who has positively influenced both historic restoration and preservation on the Queen Mary
- Staff believes Garrison and Evolution have been extraordinary partners and excellent stewards of the City's most recognized asset



Development Impediments

- As the City Council contemplates the future of the Queen Mary and shore side development, it is important to recognize the various challenges and impediments unique to the ship and the adjoining land
- These unique challenges work to create guarded expectations for land use and density, high speculation for successful development, cautious assumptions related to attendance and market saturation, significant risk to anticipated revenues, and resultant gearing between debt and equity

Development Impediments



- **Limited Access and Market Saturation:** The Port complex and related high trucking uses, single point of access over the Magnolia Avenue bridge and very limited demographics severely diminishes the traditional market saturation for the Queen Mary. As a result, any development theme will need to ensure drawing from a market area included within a 60-minute drive
- **Tidelands Land Restrictions:** Under the Public Trust Doctrine the permitted uses of land which come under the jurisdiction of the Public Trust are commerce, navigation, fisheries, ecological habitat protection, water-oriented recreation and preservation of land in its natural condition

Demand Analysis



- Three Demand Analyses have been conducted indicating three primary uses for the land:
 - Boutique Hotel of up to 75 rooms to supplement the Queen Mary Hotel for higher end guests
 - Entertainment complex for special and ongoing events with both indoor and outdoor elements with a wide variety of supportive food and beverage venues
 - Mega yacht marina to accommodate larger personal watercraft that have limited berthing opportunities

Demand Analysis (Cont.)



- Entertainment uses would include the following:
 - Themed restaurants
 - Sports-themed food and beverage establishments
 - Live music venues
 - Open air markets
 - Waterfront activities
 - Impulse entertainment/children's venues
 - Cultural facilities
 - College Classroom/Community Space



Issues

- After 8 years, Garrison seeks to exit its investment
- The existing lease is overly cumbersome, erodes the value of the leasehold, diminishes investor interest, and foretells land development
- Percentage rent is not a reliable, on-going funding source for historic restoration
- Carnival intends to expand their presence in Long Beach, requiring the entire Dome for concurrent embarkation and disembarkation

Goals



1. Ensure first class operation of, and ongoing maintenance and capital investment into, the Queen Mary Hotel
2. Ensure secure, ongoing funding for historic restoration and preservation of the Queen Mary ship
3. Ensure a well capitalized, market-driven, high quality, entertainment-oriented shore side development
4. Provide Carnival Cruise Lines access to the entire Spruce Goose Dome in order to increase the size of its passenger ships, number of annual passengers, and improve the guest experience

Goal 1



Ensure first class operation of, and ongoing maintenance and capital investment into, the Queen Mary Hotel

- Establish an annual Hotel Operations, Maintenance and FFE Fund starting at 1% of gross revenues, increasing to 3% by year 5 to enhance the guest experience
- Establish a new Base Maintenance and Replacement Plan detailing required annual maintenance obligations of the Lessee
- Require the establishment of a certified non-profit Foundation to fundraise for, and support the preservation and historic restoration of, the Queen Mary ship
- Complete the preparation and begin implementation of an annual Historic Preservation and Capital Investment Plan (HPCIP), a Conservation Management Plan, a Marine Survey and an Historic Structures Report
- Prepare and submit for approval a Transition Plan to ensure continuity of 1st Class operations and maintenance

Goal 2



Ensure secure, ongoing funding for historic restoration and preservation of the Queen Mary ship

- Require Carnival Passenger Fees to be passed through to the City into the HPCIP reserve fund for both structural and historical capital investment projects
 - All Passenger Fees up to \$2.15 per passenger is passed through to City
 - All Passenger Fees above \$2.15 per passenger is shared 50/50
- In place of this revenue stream, provide the Lessee a 9% preferred, annual, non-cumulative return on both initial investment and eligible capital improvements
- Revise Percentage Rent to a fixed 10% of Operating Revenue (above the Base Rent) after payment of priority return
- Base Rent to continue at \$25,000 per month, with increases every 10 years by CPI capped at 40%
- City shall participate in net profits from the sale or refinance of the leasehold at the level of 25% of net proceeds

Goal 3



Ensure a well capitalized, market-driven, high quality, entertainment-oriented shore side development

- Launch of Queen Mary Task Force to guide development
- Extend the term of the lease to 66 years
- Provide ability to create financeable sub-leases (or direct leases with the City) for portions of the land for specific developments
- City consent required for any assignments or encumbrances
- Establish land value today, with rent payable when the land is used to generate revenue, at a stepped up return on land value of 3% for the first year, increasing annually to 7% of land value
- Adjust land value every 10 years at cumulative CPI, capped at 40%
- Require implementation of financial reporting practices as recommended by City Auditor

Goal 4



Provide Carnival Cruise Lines (CCL) access to the entire Spruce Goose Dome in order to increase the size of its passenger ships, number of annual passengers, and improve the guest experience

- CCL plans to replace the Miracle with the Splendor in early 2017, increasing total cabins from 7,800 to 8,800
- To accommodate increase passenger count, the entire Dome is needed for embarkation and disembarkation for a positive guest experience
- CCL intends to invest up to \$5M on structural and fire/life/safety upgrades to the Dome
- Loss of the Dome will compel Lessee to construct new entertainment venues to continue profitable annual events

Urban Commons, LLC

- Urban Commons is one of the nation's fastest growing privately-held real estate investment and development firms
- Founded in 2008, the firm is headquartered in Los Angeles, CA and maintains a presence in major real estate markets throughout the nation
- Urban Commons owns and manages over 40 hotels , developed almost 1 million square feet of commercial property with a current portfolio valued at over \$1 billion



The Successor Lessee: Urban Commons, LLC (Cont.)

- Urban Commons hired Hurst/Harrigan Associates to evaluate demand for a new landmark destination entertainment development
- Urban Commons hired Gensler Architects to guide the design of the future shore side development
- Urban Commons will continue to employ Evolution Hospitality to operate the hotel
- Urban Commons will continue to employ John Thomas as its historical resource advisor



URBAN COMMONS CURRENTLY OWNED AND MANAGED CA HOTELS

Acq. Date	Project Name	National Brand	Brand Conversion	Location	Room Count
1. 01/04/11	Sycamore	DoubleTree	No	Norwalk, CA	224
4. 08/29/12	Frontera	Embassy Suites	No	Anaheim, CA	222
5. 12/13/12	Riverside	Westin	Yes	Sacramento, CA	101
7. 05/15/13	Fourth	Four Points by Sheraton	Yes	San Jose, CA	195
8. 05/16/13	Highway 111	Embassy Suites	No	Palm Desert, CA	198
9. 09/04/13	Bayshore	Holiday Inn & Comfort Inn	In process	San Mateo, CA	220
10. 02/14/14	Cordova	Sheraton	No	Pasadena, CA	311
11. 06/01/12	Bristol	Crown Plaza	No	Costa Mesa, CA	228
12. 08/01/11	Walnut	Holiday Inn	No	Anaheim, CA	255
13. 08/11/12	Grover	Holiday Inn*	No	Grover Beach, CA	134
14. 08/01/14	Pasadena	Le Meridian	No	Pasadena, CA	200
15. 12/01/14	Norwalk	Double Tree	No	Norwalk CA	120
16. 03/01/14	Newport Beach	Holiday Inn Resort	No	Newport Beach, CA	275
17. 03/01/15	Port of LA	DoubleTree	Yes	San Pedro, CA	226
Total/Average					2909

*Third party agreement with ASAP/Managed by Interstate Hotels and Resorts



URBAN COMMONS

URBAN COMMONS OTHER CA. PROPERTIES AND DEVELOPMENT

Acq. Date	Project Name	Type of Development	Location
1. 08/01/12	Virgil	150,000 sf Apt./Retail Mixed Use	Los Angeles, CA
2. 01/01/13	Crenshaw	350,000 sf Retail/ Senior Housing	Los Angeles, CA
3. 07/01/13	8 th /Garland	250,000 sf Hotel/ Retail Mixed Use	Los Angeles, CA
4. 08/01/10	Mission	50,000 sf Condo/ Retail Mixed Use	Pasadena, CA
5. 12/01/10	Bellingham	40,000 sf Condo Development	Los Angeles, CA
6. 03/01/10	Denny	30,000 sf Condo Development	Hollywood, CA



URBAN COMMONS

Howard Wu - Principal
Taylor Woods - Principal



Dan Zaharoni - Principal



Steven R. Upchurch - Principal
Son Do - Senior Architectural Designer



Pat S. Hurst - President
Sheri Rossillo - Principal



Derek Burnham - Principal



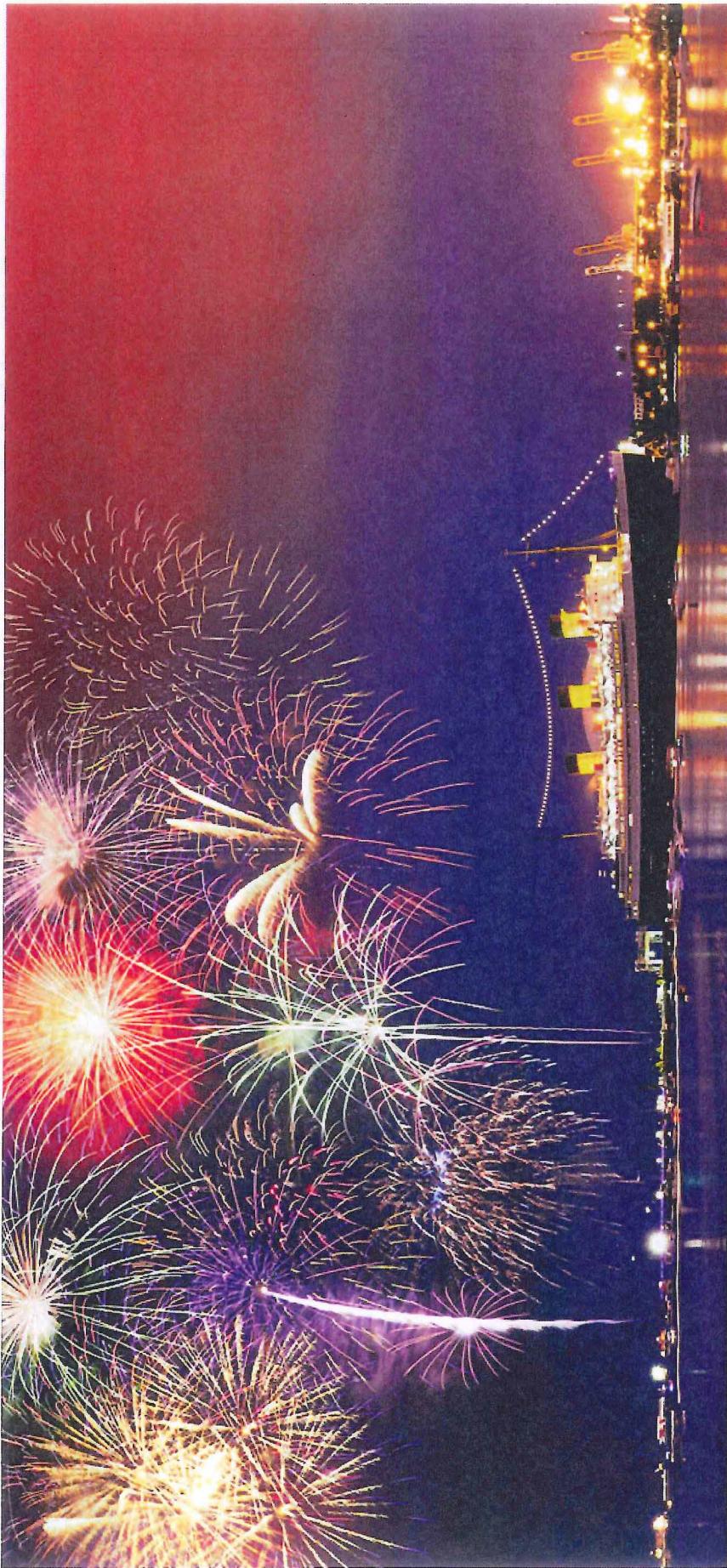
Lynda Boyer - Vice President
Guy Maisnik - Partner & Vice Chairman



URBAN COMMONS



34
HURST / HARRIGAN
ASSOCIATES - 26



BRANDING AN ICON

Urban Commons is committed to finding the ideal Name and Brand for the Queen Mary Entertainment Development and will work with the best branding/marketing firms in the industry to name and promote this world-class entertainment destination.

URBAN COMMONS

