

**NB-22**

June 8, 2021

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Authorize the City Manager, or designee, to execute a contract, and all necessary documents including any necessary amendments, with Evolution Hospitality, of San Clemente, CA, for the continued operation of the Queen Mary, in a total amount not to exceed \$2,000,000, for a period of six months, with the option to renew for one additional six-month period, at the discretion of the City Manager; and,

Authorize the City Manager, or designee, to execute a contract, and all necessary documents including any necessary amendments, with Moffatt & Nichols, of Long Beach, CA, to provide as-needed engineering design services for critical repair work on the Queen Mary, and appropriate up to \$500,000 for this work, offset by the Tidelands Operating Fund Group. (District 2)

**DISCUSSION**

On June 4, 2021, the City Manager received notification from Urban Commons Queensway, LLC (Debtor), that Debtor would surrender its interests in that certain Amended and Restated Lease and Operations Agreement of Queen Mary, Adjacent Lands and Improvements, Dome and Queen's Marketplace (Contract No. 34432) (Lease), between the City of Long Beach (City) and Debtor, and responsibility for operating the Queen Mary Hotel and surrounding properties would be returned to the City effective on June 4, 2021. This represents the first time the City has received full control of the Queen Mary in its history. While previously ship operations would be the requirement of the Lessee, the City will now assume that responsibility for the first time.

To ensure the ongoing safety and security of the historic Queen Mary and surrounding properties, staff are requesting City Council approval to enter into a short-term caretaking agreement with current on-Ship operator Evolution Hospitality.

In recent years, Evolution Hospitality has proven its ability to manage the unique day-to-day operations of the Queen Mary Hotel and surrounding property as a third-party contract operator. Founded in 2011 and headquartered in San Clemente, CA, Evolution Hospitality is a third-party hospitality management company reporting over 2,900 employees and annual revenues of \$647 million. In addition to the Queen Mary, Evolution Hospitality operates a diverse portfolio of lifestyle hotels across North America. From large resort properties to small boutique hotels, Evolution Hospitality specializes in managing lifestyle, boutique, and independently operated hotels including Marriott's Autograph Collection and AC Hotels, as well

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as Hilton's Curio Collection, Tapestry, and Canopy hotels. In 2015, Evolution Hospitality became a subsidiary of Aimbridge Hospitality, one of the world's largest privately-owned management companies.

Given the sudden decision by Debtor to surrender the Lease, staff were unable to conduct a competitive Request for Proposals (RFP) process to provide this service and is recommending a short-term caretaker agreement with the current on-Ship operator. It is estimated that it may take up to 12 months to develop a long-term solution for ongoing operations.

Additionally, while the Queen Mary is closed to the public, the City has a unique opportunity to address critical repairs to safety systems identified in recent inspection reports that were not completed by the former operator. More specifically, there are approximately \$5 million in short-term repairs that City contract engineer Moffatt & Nichols recommends to immediately improve safety and stability of the Queen Mary when it is reopened to visitors, including the installation of temporary bilge pumps and warning systems, repairs to bulkheads, removal of lifeboats, and the installation of an emergency generator. Completing these repairs while the Queen Mary is closed to visitors will allow better and more efficient access to hard-to-reach areas of the Queen Mary and likely shorten the time that it takes to complete the work. The total estimated cost for this engineering and construction design work is less than \$500,000.

### **Statement of Urgency**

To ensure the safety and security of the historic Queen Mary Hotel and surrounding properties, immediate action from the City Council is requested to enter into a contract with Evolution Hospitality for a period of six months with the option to renew for one additional six-month period, at the discretion of the City Manager. Although final details regarding the management agreement have yet to be negotiated, staff estimate a cost of approximately \$300,000 per month (a total of \$1.8 million over six months) to operate and maintain core systems on the Queen Mary Hotel and surrounding properties while closed to the public with a \$200,000 contingency for each six-month period (approximately 11 percent), for unforeseen incidents or repairs.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on June 2, 2021 and by Budget Manager Grace H. Yoon on June 3, 2021.

### **TIMING CONSIDERATIONS**

City Council action is requested on June 8, 2021, to ensure the safety and security of the Queen Mary and surrounding properties.

### **FISCAL IMPACT**

The total amount of the recommended contract for each six-month period will not exceed \$2,000,000. Total fiscal impact for the expected maximum period of 12 months to address short-term operations will not exceed \$4,000,000. These unbudgeted costs will be incurred in the Tidelands Operating Fund Group and will either come from surplus revenues or a reduction in budgeted expenditures as necessary and as determined through the budget development

process. A request to increase appropriation as necessary for these costs will be brought to the City Council on a later date. It is anticipated that the Queen Mary will remain closed to the public for at least the first several months of the contract term. Some revenue from filming or use of the surface parking lot may assist, but general revenue from shipboard operations is not expected. Additionally, the City will be immediately dedicating \$500,000 in funding allocated for Tidelands Critical Infrastructure needs to begin design and planning for immediate critical repairs and will return to the City Council with funding options for the most critical and urgent repairs, currently estimated at around \$5 million. This recommendation will result in significant staff resources as the City transitions to full control of the ship, and will require staff resources from the Economic Development and Public Works Departments, and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION

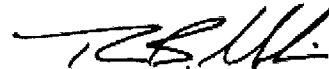
Approve recommendation.

Respectfully submitted,



JOHN KEISLER  
DIRECTOR OF  
ECONOMIC DEVELOPMENT

APPROVED:



THOMAS B. MODICA  
CITY MANAGER

## REQUEST TO ADD AGENDA ITEM

**Date:** June 4, 2021

**To:** Monique De La Garza, City Clerk

**From:** Thomas B. Modica, City Manager 

**Subject:** Request to Add Agenda Item to Council Agenda of June 8, 2021

Pursuant to Municipal Code Section 2.03.070 [B], the City Councilmembers signing below request that the attached agenda item (due in the City Clerk Department by Friday, 12:00 Noon) be placed on the City Council agenda via the supplemental agenda.

The agenda title/recommendation for this item reads as follows:

**Authorize the City Manager, or designee, to execute a contract, and all necessary documents including any necessary amendments, with Evolution Hospitality, of San Clemente, CA, for the continued operation of the Queen Mary, in a total amount not to exceed \$2,000,000, for a period of six months, with the option to renew for one additional six-month period, at the discretion of the City Manager; and,**

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Council District	Authorizing Councilmember	Signed by
1	Mary Zendejas	(Digital – attached email)
2	Cindy Allen	(Digital – attached email)
9	Rex Richardson	(Digital – attached email)

Attachment: Staff Report dated June 8, 2021