



City/Port Partnership Agreement

City Council

May 2, 2023

City/Port Partnership Agreement

Management from 1967-1993

- 1967 Queen Mary purchased by the City
- 1968-1971 Ship Conversion
- 1972 Hotel opens
- 1978 Oversight of Queen Mary to Port of Long Beach
- 1980 Wrather Corporation signs 66 year Lease w/ Port of Long Beach
- 1988 Disney buys Wrather and takes over QM Lease
- 1992 Disney terminates lease, hotel/attraction closes
- 1992 Board of Harbor Commissioners transfers control to the City
- 1993 RMS Foundation Signs 5 year Lease

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Management from 1995-2021

- 1995 Lease assigned to QSDI/subleased to RMS Foundation
- 1998 Amended & Restated Lease with QSDI for 66 years
- 2005 QSDI files bankruptcy
- 2007 Save the Queen (STQ) purchases Lease through bankruptcy
- 2009 STQ defaults on loan, Garrison takes over Lease
- 2015 Lease sold and assigned to Urban Commons
- 2019 Lease interest purchased by Eagle Hospitality REIT
- 2020 Queen Mary closed due to COVID-19 pandemic
- 2021 Eagle Hospitality files for Bankruptcy

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Caretaker Agreement

Evolution Hospitality REIT

- Minimal in scope - maintenance and security
- Support for ongoing City Projects
- Maintaining Fire Life Safety Systems

Initial Critical Projects

- Lifeboat Removal & Preservation
- Emergency Generator Installation
- Bilge Pump System
- Watertight Bulkhead Repair
- All Hazard Response Plan

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Alternatives Identified by Moffatt & Nichol

25 Years
and
Beyond

Preserve in Place

1. Critical Repairs
2. Continue Annual Base Maintenance
3. Retire once determined too costly to maintain

Estimated Costs

\$25M-\$50M (1-times)
\$5M annual (ongoing)
\$150M-\$175M total
(over 25 years)

100 Years
(or more)

Drydocks

1. Drydock or Graving (at new site)
2. Cofferdam (at existing site)
3. Cofferdam (new site)

Estimated Costs

\$200M-\$500M**
(one time)
\$5M annual
maintenance (ongoing)

Recycling

Retire & Recycle

1. Dismantle in Place
2. Dismantle in Port
3. Dismantle at U.S. Facility (Texas)
4. Dismantle at Foreign Facility
5. Artificial Reef

Estimated Costs

Various Options:
\$105M to \$190M
(one time)

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Background

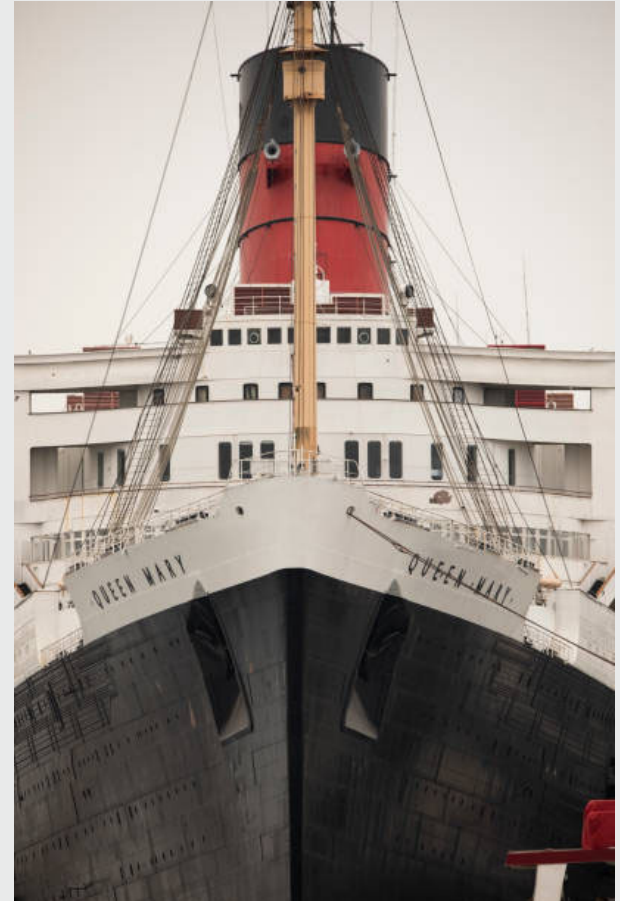
- City Council authorized discussion and formal negotiations with the Port for possible transfer of Pier H, including the Queen Mary to the Port of Long Beach.
- Port and City staffs worked together on a comprehensive hulls study and a hotel management agreement for the Queen Mary.
- Many different options and scenarios were discussed. A scenario in which the Queen and the surrounding area supported themselves was the best strategy for long-term success.



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City as Preferred Steward

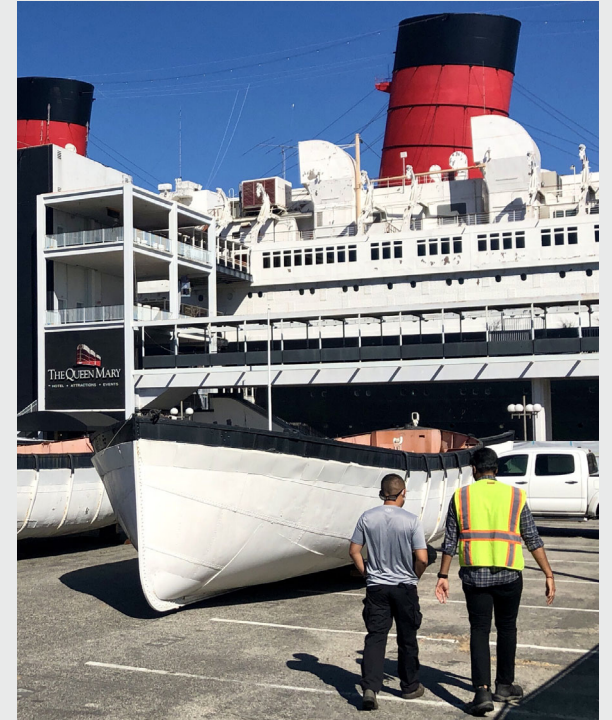
- Hotel and Restaurant Venues
- Passenger Terminal Lease
- Public Parking
- Park Management
- Special Events & Filming



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Queen Mary – Critical Repairs/Studies

- **Public Works \$5M**
 - Removal of lifeboats
 - Bilge Pumps/Mechanical Systems
 - Emergency Generator
 - Pump Power Control System
- **Port Ballast Tank/Hull Study \$3M**
 - Ongoing, nearing completion, initial feedback has been positive.



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Queen Mary – Add'l Completed and Ongoing Projects

\$1M for HMA Projects.

- Ship's Boilers
- Heat Exchangers
- Gang-way Repairs/Replacements
- POS Systems
- Deck Repairs/Replacement

\$1M Pre-Opening Project

- Linoleum Flooring
- Carpet Repairs
- HVAC Repairs
- Refrigeration Repairs
- Elevator Repairs
- Kitchen Hoods
- Guest Rooms Locks

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Queen Mary – Completed and Ongoing Projects

Evolution Hospitality Projects

- IT Server Room Improvements
- Plumbing Repairs
- Cleaning and Housekeeping
- Backflow Testing
- Fire/Life/Safety Repairs
- Conduit Repairs
- Scupper Repairs
- Roof Patching
- Flagpole Repairs
- Handrail Repairs
- Restroom Repairs
- Window Repairs
- Light Fixture Repairs
- Food Service Repairs

Special Events and Filming

- Portions of Sun deck handrails
- Bridge doors
- Sports deck shuffleboard
- Restroom Cleaning
- Light Repairs
- Repair exterior lights and fixtures
- Added stage to Queens Salon
- Added bar to Queen Salon
- Carpet Cleaning on M Deck rooms

Water Department

- Sewer Pump Repairs

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Queen Mary – Re-opening is a Collaborative Effort

- Evolution Hospitality
 - City Manager's Officer
 - Economic Development
 - Public Works
 - Harbor Department
 - Fire Department
 - Water Department
 - Energy Resources
 - Development Services
 - Health Department
 - Financial Management
- Community/Residents: The new membership program has over 115 members and has raised over \$17,000 for future preservation/restoration projects.

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Financial Operations of the Queen

- Pre COVID-19, Queen Mary generated over \$57M in gross revenue annually.
- Under the master lease model, lessees had significant debt obligations and other interests. This is not true for the City.
- Absent these obligations, it is anticipated significant revenue available for reinvestment for the Queen Mary. Approx. \$6.5M shift.



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Partnership Discussions

- Council Directed
- Benefit Both Port and City
- No Additional Burden
- All City Departments Consulted
- Energy Resources Proposal Held Promise



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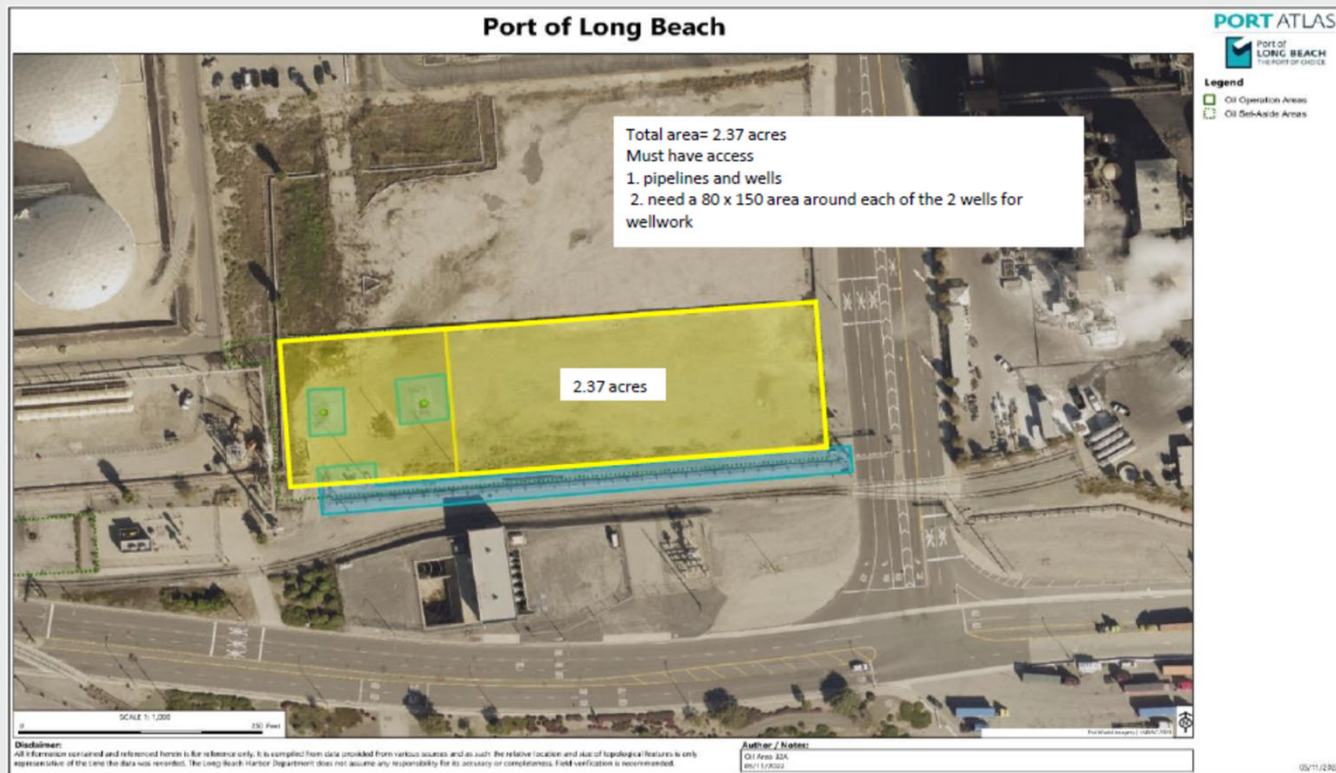
The Proposed Agreement

- Under Measure D, City controls certain properties within Harbor District for oil operations.
- Energy Resources identified 13.9 acres of oil operations property in the Port that could be vacated for Port use.
- Port will lease these properties to port customers, and split revenue between City and Port.
- Port will advance City \$12M over three years, to be repaid from new revenue stream.



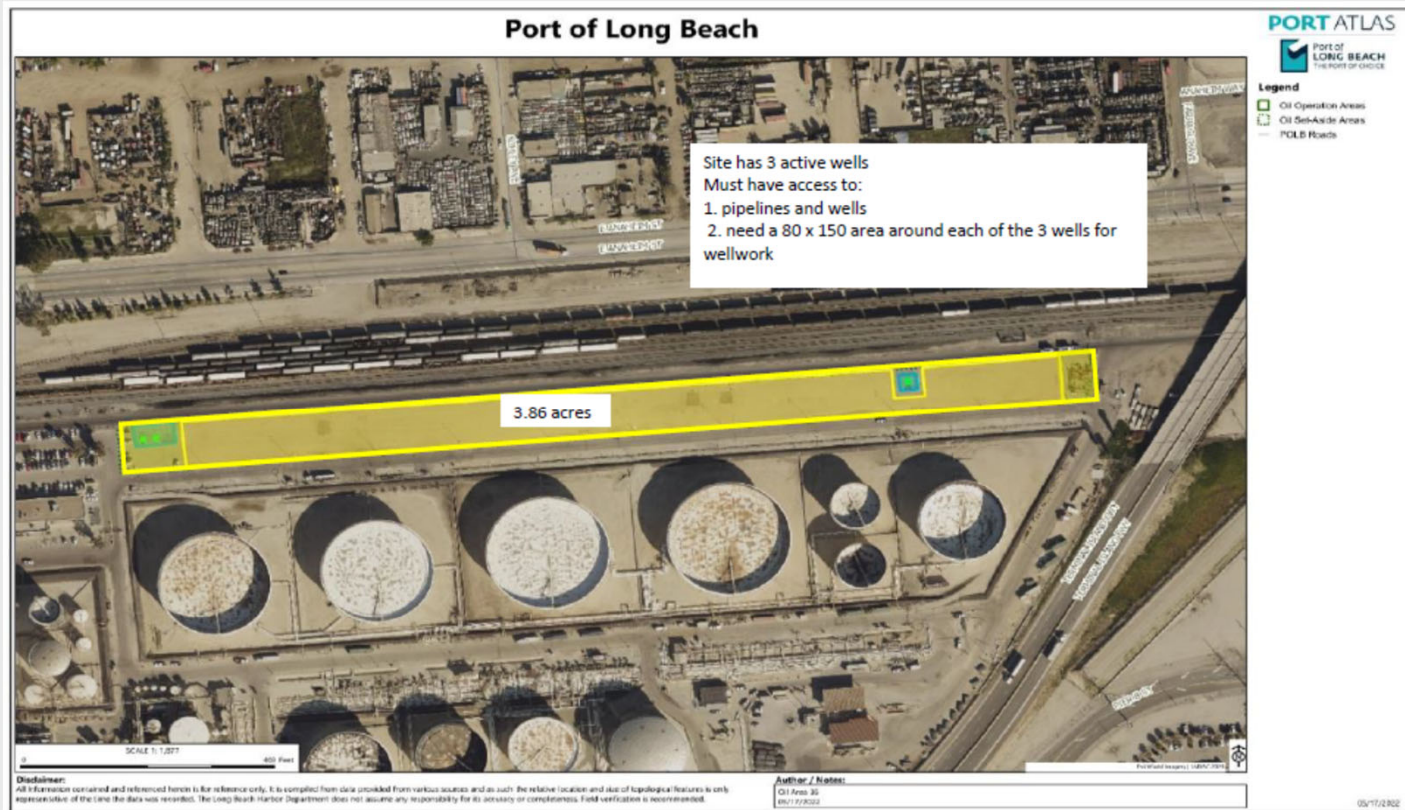
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Oil Operations Areas



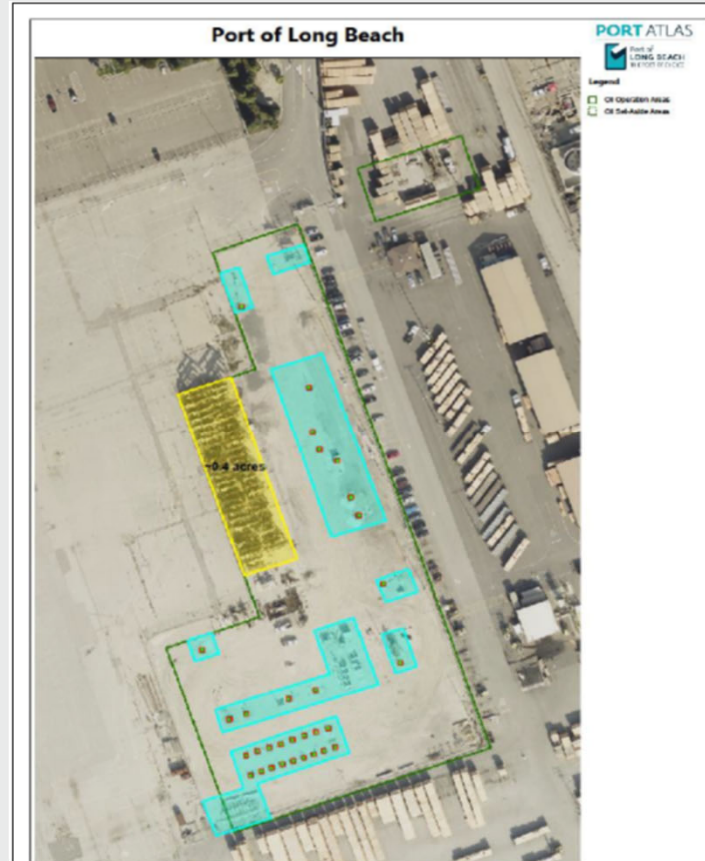
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Oil Operations Areas



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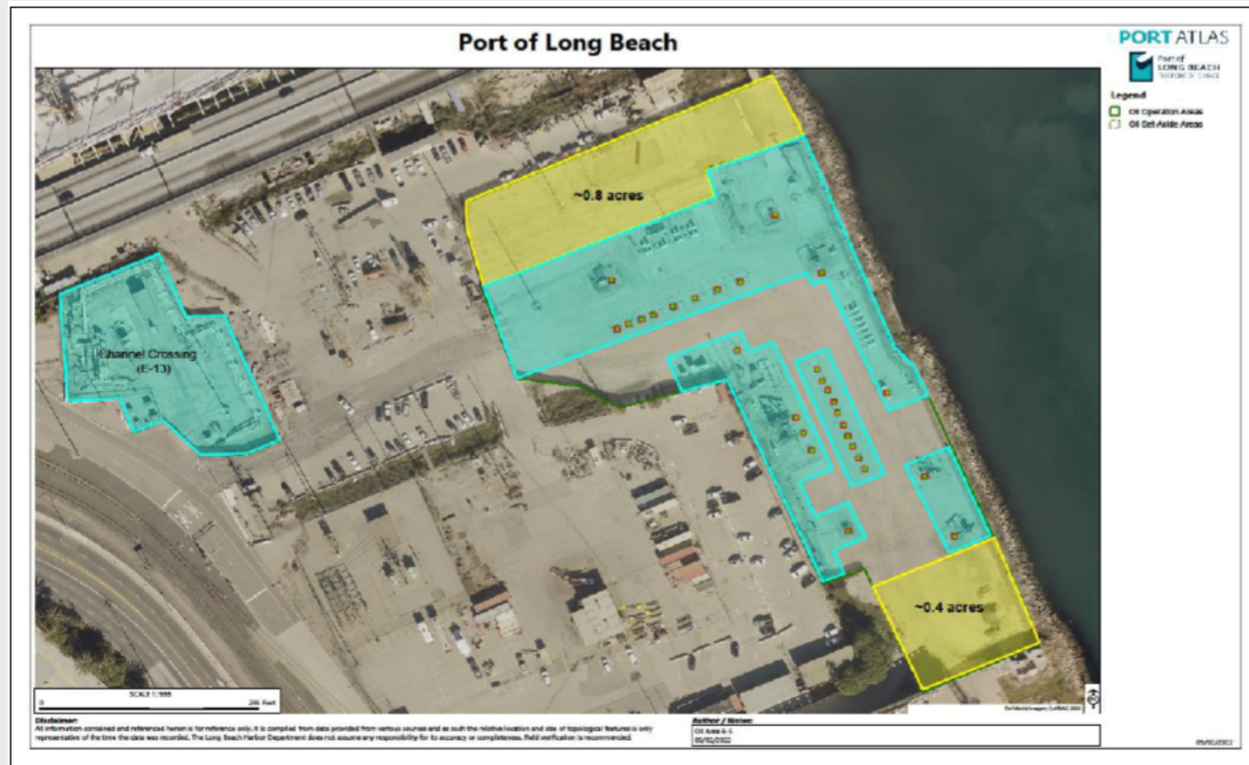
Oil Operations Areas



Possible area to give up is the yellow land where the equipment is being stored.

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Oil Operations Areas



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Oil Operations Areas



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Major Terms & Provisions of the Proposed MOU

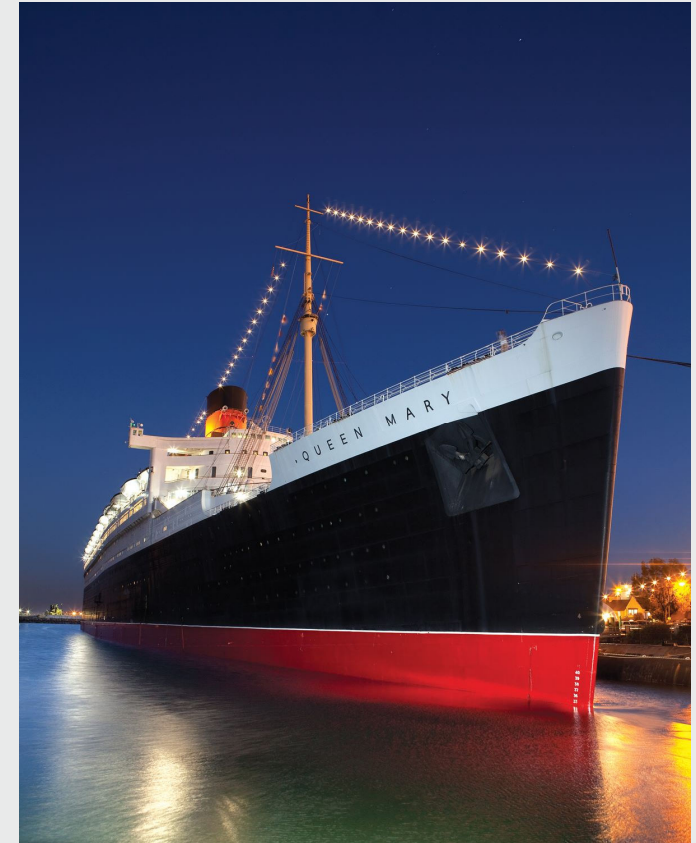
- Harbor advances \$12M to City over 3 yrs, w/ 5% interest.
- City transfers control of 13.9 acres previously used for oil operations to Harbor.
- Harbor will lease the property to private parties and share 50% of any net revenue with the City.
- City's share of net revenue will pay back the advance principal and interest.
- When repaid, the City's share of will accrue to the City's Tidelands Operating Fund.



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Agreement Benefits

- Recognition of shift from fossil fuels.
- Port and City create a new ongoing revenue source.
- Port control of new properties strengthens the Transportation and Industry Sector.
- City receives \$12M in Queen Mary support:
 - Tourism and Hospitality Sector Growth
 - Reopening Expenses
 - Revenue Generating Investments
 - Capital investment & Restoration projects
 - Future Development Studies



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Next Steps

- **April 1 – 26**

- Nearly 10,000 tour guests
- Nearly 3,000 booked nights
- Nearly \$720,000 in Revenue

- **May 12**

Total of 100 Staterooms available, along with Observation Bar, Prom Café, and Chelsea's Chowder House.

- **June 8**

Formal grand opening celebration with media coverage.

- **July 2**

Return of Sunday Brunch

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Next Steps

- Remain cautious but optimistic
- Return to Council for appropriation
- Implement formal inspection program
- Continue to engage Port for partnership opportunities
- Look for other key partners in arts, education and historic preservation

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Recommendation:

Authorize the City Manager, or designee, to execute a Memorandum of Understanding (MOU) between the City of Long Beach (City) and the Board of Harbor Commissioners of the City of Long Beach, Harbor Department (Harbor), which will include the terms for Harbor to advance the City an amount up to \$12 million, take control of certain City oil properties, that can transition to non-oil uses, split the revenues derived from leasing of those properties with the City, and use the City's share of revenues to pay down the advance of funds. (Districts 1, 7)

Thank you

