

NEWS

# Bankrupt Queen Mary operator left more than \$20 million in urgently needed repairs, court filing says



by Kelly Puente

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The Queen Mary in Long Beach. Photo by Brandon Richardson.

A former Queen Mary operator neglected the ship and failed to perform more than \$20 million in critical repair work, resulting in “significant issues and damage” to the historic vessel before the operator filed for bankruptcy, the city of Long Beach alleges in a recent court filing.

The city filed legal action last week as part of ongoing bankruptcy hearings for current Queen Mary operator Eagle Hospitality Trust, which filed for Chapter 11 bankruptcy in January. The ship's lease is set to go to auction in May.

Former operator Urban Commons, which signed a 66-year lease to run the city-owned ship in 2016, created Eagle Hospitality Trust to list on the Singapore Stock Exchange in 2019. Eagle Hospitality took over as the ship's operator last year after Urban Commons suffered a string of financial problems. However, Urban Commons' limited liability corporation, Urban Commons Queensway, remains liable to the city under the lease agreement.

The city has now filed a legal complaint against Urban Commons for violating its lease agreement by failing to maintain the ship and not providing financial records that show how repair funds were spent.

“The Queen Mary is not an asset that can have no maintenance and repairs for a period of time or minimal maintenance and repairs,” the city stated in its complaint. “However, that is exactly what has happened under (Urban Commons’) watch. The absence of necessary maintenance and repairs has caused significant issues and damage to one of the City’s most iconic assets and has placed visitors and employees at risk.”

A representative for Urban Commons could not be reached for comment Tuesday.

The city in bankruptcy court documents said it's owed more than \$20 million in repairs for the ship, in addition to \$926,783 for unpaid rent and other fees.

The debtors have proposed \$748,157, which the city said is insufficient to cover its losses. A judge will decide what the city is owed in the coming weeks.

Long Beach Deputy City Attorney Richard Anthony said any funds recovered in the bankruptcy will go to the new leaseholder to help repair the ship. A private investment firm called Monarch Alternative Capital has offered a tentative \$15 million bid for the Queen Mary lease, but a higher bidder could come in the May 20 auction, he said.

“What we hope to see is a properly maintained ship and we would like the existing debtor to either make the repairs or at least the bankruptcy estate to provide reasonable value for the repairs that the former operator didn't make,” Anthony said.

As part of the lease agreement, the city in 2017 issued \$23 million in bonds and Tidelands funds for Urban Commons to fix the most critical repairs for the ship listed in a survey conducted at the time, but the funds

ran out before many of the repairs were completed. Urban Commons later failed to complete other important repairs, including some that pose urgent safety and structural issues, according to court documents.

One of the most critical repairs is the severely corroded lifeboats that hang over public walkways.

“This is a critical life safety issue because the failure of the lifeboat support structure may cause injury or fatalities to guests, visitors or employees walking under the lifeboats and may cause further structural damage to ship sidewalls,” according to the complaint.

Of the repairs that were done by Urban Commons, some appeared to have been “performed incorrectly or not pursuant to applicable standards, and will likely need to be fixed or re-done in the near term.”

The city said Urban Commons has also failed to account for \$23 million in city bonds and Tidelands funds, which come mostly from oil revenue.

Long Beach City Auditor Laura Doud, who is investigating Urban Commons, said the company has yet to provide an “electronic check register, cash account detail, bank statements and canceled checks, cashier’s checks, wire transfers or other payments made to vendors and subcontractors relating to the \$23 million funded by the city.”

The city in court documents said Urban Commons to date has not provided sufficient records to show how vendors were paid for their work on the projects.

Long Beach Economic Development Director John Keisler, whose department is in charge of overseeing the Queen Mary lease and projects, said this week he supports the city auditor’s investigation and is confident that Long Beach received \$23 million in project work on the Queen Mary.

Keisler in an interview Tuesday said his department—under the terms of the lease agreement—verified invoices for the work and inspected the different projects, including \$5 million spent to repair the ship’s dangerously outdated sprinkler system.

Keisler said Urban Commons was responsible for keeping records on how it paid its various vendors and subcontractors but it has not been able to provide those records to the city, which is the source of the audit investigation.

“We know what we spent our money on and we know what work was done that has made the ship safer,” he said. “We as a city feel confident that \$23 million was spent on eligible projects that made the ship safer and

stronger.”

The city in the meantime is considering transferring control of the ship and the surrounding land known as Pier H from the City Council to the Harbor Commission, which is charged with overseeing the Port of Long Beach.

Councilwoman Cindy Allen, whose 2nd District includes the Queen Mary, said in a text message that she proposed the initiative because the “Harbor Department is experienced in handling leases and development on piers.”

Third District Councilwoman Suzie Price, who also supported the initiative, was the lone councilperson in 2017 to vote against the city’s plan to provide \$23 million to Urban Commons for ship repairs. Price, who works as a prosecutor for the Orange County District Attorney’s Office, had urged the city to proceed more slowly at the time.

In an interview last week, Price said nobody could have anticipated the operator’s scale of financial problems. Claims and lawsuits have been pulling up against Urban Commons for issues ranging from non-refunded wedding deposits to unpaid city taxes.

“I believe the city was misled in a very significant way by the people we had entrusted to be partners with us,” she said. “There are things that could have been done differently, but I don’t fault our city for it.”

*Editor’s note: This story has been updated to show Councilwoman Cindy Allen represents the 2nd District.*