

NEWS

# City auditor says former Queen Mary operator has not provided financial records on \$23M in city bonds



by **Kelly Puente**

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

Long Beach City Auditor Laura Doud on Wednesday said former Queen Mary operator Urban Commons has not provided records to account for how \$23 million was spent to repair the ship, despite having more than a year to produce the documents.

Since December 2019, Doud has been investigating how \$23 million in city-issued bonds was spent to fix some of the most critical repairs for the ship listed in a marine survey.

In a statement Wednesday, Doud said Urban Commons has not provided “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 audit investigation is ongoing due to the lack of records from Urban Commons, she said.

“At this time, we cannot fully account for all \$23 million spent by Urban Commons as they did not provide the necessary records requested by my office and mandated in the lease agreement with the city,” she said. “My office will continue to pursue these required and requested documents.”

A representative for Urban Commons, a Los Angeles-based real estate investment firm, could not be reached for comment.

Long Beach Manager Tom Modica in a statement Wednesday said the city supports the auditor’s review and has worked closely with her throughout the process.

“Access to any and all documentation from Urban Commons is important and a requirement under the lease in order to have public review of how funds are spent,” Modica said. “We expect them to produce any documentation requested by our City Auditor as we conduct this review.”

City officials, however, have said they have documentation for the approved work and that everything was done properly.

“We absolutely got \$23 million of repairs done that needed to be done,” Long Beach Economic Development Director John Keisler said in a [January interview with the Post](#). “The ship is in better shape than it’s been in decades.”

The issue with the auditor is the latest in a history of problems for Urban Commons since it [signed a 66-year lease](#) to operate the city-owned ship in 2016.

As part of the lease agreement, the Long Beach City Council in November 2016 gave the green light to issue \$23 million in bonds to be paid to Urban Commons to fix some of the most critical repairs listed in a 2015 marine survey. The marine survey projected costs of up to \$289 million for urgent repairs over the next several years.

Doud and District 3 Councilwoman Suzie Price were the only two city officials to speak out against the plan initially, urging the city to take more time to review the contract.

The Queen Mary did see a new paint job and other repairs, but the \$23 million **ran out** and some projects were sidelined as many critical repairs ran over budget. Fire safety repairs, for example, were initially projected to cost \$200,000, **but the cost ballooned to \$5.29 million** to fix a dangerously outdated sprinkler system.

The news comes as current Queen Mary operator, Eagle Hospitality Trust, **filed for Chapter 11 bankruptcy** in January. The ship's lease is set to go to auction in May.

Long Beach City Attorney Charlie Parkin on Thursday said the city plans to take legal action against Urban Commons in bankruptcy court for violating its lease agreement and not providing records to the city auditor.

Urban Commons created Eagle Hospitality in 2019 to list on the Singapore Stock Exchange with the goal of raising millions for a \$250 million development project **called Queen Mary Island**.

Urban Commons hit tensions with the board of Eagle Hospitality and its shareholders when it didn't **fulfill financial obligations and repeatedly failed to pay rent for its portfolio of hotel properties**. The problems culminated in September when Eagle Hospitality's managers **terminated the** master lease agreements for Urban Commons' hotels, including the Queen Mary—an action that essentially removed Urban Commons as the Queen Mary's operator.

Urban Commons is now in legal disputes with Eagle Hospitality.

Problems have also mounted for Urban Commons head Taylor Woods, who has been accused of improperly applying for a more than \$2 million federal Paycheck Protection Program (PPP) loan for the Queen Mary last September without first notifying the managers for Eagle Hospitality.

Woods **has said it was clerical mistake**, but the issue has not yet been resolved, according to bankruptcy court filings.

In the court documents, Alan Tantleff, chief restructuring officer for the debtors, said the incident “matches a pattern of behavior in which Woods and (Urban Commons principal Howard Wu) have used the Queen Mary entity to benefit Urban Commons in a way that leaves it with liability that they should never have incurred.”

Long Beach has owned the century-old vessel since it arrived from Scotland in 1967 as a hotel and tourist attraction. For decades, the city has leased the ship to various operators who are charged with maintenance, and many of those operators have met similar financial struggles.

On Tuesday, **the Long Beach City Council will consider asking** the city to transfer control and operation of the coastal land that houses Queen Mary and Carnival Cruise Lines to the Port of Long Beach's Harbor Commission.

City officials have not provided further comment on the plan and it is not clear whether the problems surrounding the ship had anything to do with the decision to request a change in oversight.