

NEWS

Ex-Queen Mary operator lied about its payments to vendors for ship repairs, city auditor says



by **Kelly Puente**
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The Queen Mary in Long Beach. Photo by Brandon Richardson.

The company previously tasked with operating the Queen Mary misrepresented financial information to the city of Long Beach by asking to be reimbursed for critical repair work on the ship before it paid contractors to perform the jobs, City Auditor Laura Doud said Wednesday.

The discovery shows ship operator Urban Commons “intentionally and explicitly misrepresented the truth to the City,” Doud said in a statement summarizing her long-awaited report on the ship and its troubled management.

Since 2019 Doud has been investigating how Urban Commons, a Los Angeles-based real estate and investment firm, spent \$23 million to fix some of the most critical repairs for the aging ship. Her investigation, however, has been hindered by Urban Commons’ “lack of cooperation” during the process, including not providing financial records such as bank statements, canceled checks or wire transfer notices, she said.

Nevertheless, Doud said Wednesday that she has found that Urban Commons improperly submitted invoices for city reimbursement on repairs the operator claimed were already performed by vendors. The invoices were stamped “PAID” to vendors for various projects, but the payments to individual vendors were not independently confirmed by city staffers, she said.

“Upon further review of these invoices, it was discovered that Urban Commons developed a ‘tracking document’ with the actual dates that Urban Commons paid their vendors,” Doud said. “When the invoices were compared to the tracking document, it was discovered that 87 of 89 invoices that Urban Commons submitted to the City with the ‘PAID’ stamp on it were in fact not paid at the time the invoices were submitted to the City. In fact, it was found that on average Urban Commons invoiced the City 51 days prior to paying the vendor.”

Urban Commons principal Taylor Woods defended his company’s work in a statement Wednesday. He said working to maintain and restore the Queen Mary is complex, with a greater need for funding than what has been available.

“The scope of work evolves as work is being done due to discoveries along the way resulting in amendments to contracts and payments,” he said. “This creates a timing differential for payments due to the evolving scope of work during the construction process.”

Urban Commons began managing the Queen Mary in 2016 when it signed a lease to operate the city-owned ship. Later that year, the Long Beach City Council voted 8-1 to issue \$23 million in city bonds and Tidelands funds to Urban Commons for 27 critical safety repair projects identified in a 2016 Marine Survey. The survey projected costs of up to \$289 million for urgent repairs to keep the ship viable over the next several years.

But the funds ran out before many of the repairs were completed, and a new report released this month says most of the urgent structural work hasn’t even started as the ship slips into further disrepair. That latest report from a city-hired naval architecture and marine engineering firm called Elliott Bay Design Group,

which inspected the ship on April 28, says the city would now need an additional \$23 million in urgent repairs to keep the ship viable over the next two years.

Under its lease agreement with the city, Urban Commons was to use its own funding to complete the remaining critical projects once the \$23 million in city funds was spent, but Long Beach is now locked in a legal battle with Urban Commons in Delaware bankruptcy court over the firm's string of failed lease obligations.

Among the issues, the city said Urban Commons failed to complete at least \$41 million in repair work on the ship and owes the city more than \$900,000 in rent and fees.

Doud's investigation into the Queen Mary has focused on four contractors with the highest billings reported by Urban Commons: F. Roberts Construction; Benson Systems; Industrial Coatings and Fireproofing; and Vendo Oceanwide Repair.

Doud's team of auditors asked for the contractors to provide documents showing how much they were paid by Urban Commons and when. Records from two of the contractors—Benson Systems and Vendo Oceanwide Repair, which received \$3.9 million and \$660,000—matched the details in Urban Commons' "tracking document," according to Doud.

The other two contractors, however, have not yet provided any information to verify they were paid the money Urban Commons asked the city to reimburse. F. Roberts Construction, which received \$11.5 million for work, has said it is in the process of providing the city with more information, while Industrial Coatings and Fireproofing, which received \$2.6 million, has not responded, Doud said.

Doud said the city relied on Urban Commons' "self-certification" that it had paid those and other vendors and deserved to be reimbursed.

The city of Long Beach in a statement Wednesday said its process for verifying invoices for Queen Mary work is consistent with capital improvement programs for other major city facilities, like the Convention Center, and that the city has "established a rigorous process for the management and disbursement of funds for work on the Queen Mary."

"Approval of payments required extensive review by multiple City departments with expertise in construction, accounting, and financial audit; and, required the operator to submit backup documentation detailing the work completed and certifying invoices for payment by the City," the statement said.

The city said it requested financial documents from Urban Commons providing proof of payment to its vendors, but Urban Commons “did not entirely comply with this request.”

“As part of standard City purchasing procedures, invoices are submitted for payment and are checked against the agreement for compliance,” the city said. “However, in this and other agreements, the City reserves the right to request additional data upon commencement of an audit. That information was requested by management, but has not been provided, and as such the audit has not yet been completed.”

The city said an independent analysis from a city-hired engineer has shown that the work submitted for payment was completed, but an additional audit is being conducted to determine if “all detailed work was appropriately accounted for and properly completed.”

However, the city in bankruptcy court documents has said that some of the repair work that was done on Urban Commons’ watch was incomplete or not performed correctly and will likely have to be redone.

The city said it is committed to preserving the Queen Mary and has taken several steps to address critical repairs after “decades of lack of investment by former operators.”

“Although the current operator failed to meet its obligations and is now facing bankruptcy the City is working diligently to hold current and future operators accountable for repairs needed to keep the Queen Mary safe,” the city said.

Woods in his statement said Urban Commons has worked “very closely with the City of Long Beach to make joint decisions on a regular basis to ensure alignment of priorities and decisions.”

He said all of the city bonds earmarked for urgent repairs were properly spent.

“The initial \$23M advance was directly utilized for the purposes for which they were intended and those monies were paid to the third party vendors who provided those services,” Woods said. “Urban Commons has spent a significant amount of money out of pocket, above and beyond the \$23M from the initial advance from the City, to supplement the work being done and to improve the condition of the Queen. We will continue to work with the City of Long Beach to satisfy the City and the community about our stewardship related to this majestic vessel.”

The city has said at this time “no vendor has come forth to say that payment is outstanding, or they did not receive compensation for their work on the ship.”

Long Beach owns the Queen Mary but for decades has leased the ship to a string of operators that have met financial struggles.

Current Queen Mary operator Eagle Hospitality Trust filed for Chapter 11 bankruptcy in January. The hotel chain last week received more than \$480 million in bids for 14 of its properties, but the Queen Mary lease did not receive any qualified bidders and the bidding has since been postponed, according to documents.

Urban Commons created Eagle Hospitality Trust in 2019 to list on the Singapore Stock Exchange, but Eagle Hospitality suffered its own financial problems and later 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.

The city hopes to know more on how it will proceed with the ship's lease after a June 8 bankruptcy hearing, officials said.

Doud, meanwhile, said her investigation is ongoing.

“This misrepresentation of the truth and unwillingness of Urban Commons to provide the basic and required financial records is very troubling, and we will continue to pursue this investigation,” she said.

The comments from the city auditor come **as the Post on Tuesday reported** that Urban Commons principals Woods and Howard Wu are accused in court documents of **defrauding the federal government** by applying for two COVID-19 relief loans last year under the Queen Mary's name and then absconding with more than \$2.4 million in aid money meant to help employees during the pandemic.

Woods and Wu in a statement to the Post have maintained that the loan issue was an error and that they are working to make sure it is resolved.

The documents in bankruptcy court allege that the pair drained a bank account “within mere hours” of receiving \$2.4 million in loans and funneled the money into various accounts for personal gain. The case is ongoing.

