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NEWS

Long Beach drops out of bankruptcy case against former Queen Mary operator

by Alicia Robinson
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A crane removes a lifeboat from the starboard side of the historic Queen Mary ocean liner in Long Beach Wednesday, Feb. 16, 2022. Photo by Brandon Richardson.

Long Beach officials are resigned to never getting back millions of dollars that were supposed to go toward fixing up the Queen Mary.

As of last week, the city has essentially bowed out of the ongoing bankruptcy case of Los Angeles-based real estate firm Urban Commons, which took over the ship's lease in 2016 and left a wake of unmet promises and financial disasters.

The city remains on a list of creditors and is seeking a mere $200,000, "but we don't really expect to receive anything," Deputy City Attorney Rich Anthony said Wednesday.

Long Beach **was left in control of the historic ocean liner** in 2021 but was still suing Urban Commons to try to determine whether the company defrauded the city of any of the $23 million in bonds issued to cover critical repairs on the ship—some of which never got done.

"We were trying to find out if Urban Commons … took the money and pocketed it," Anthony said. "We didn't find evidence of that."

Through the legal proceedings, the city was able to subpoena accounting ledgers and other financial documents to help trace the bond money.

That information showed most of the money the city paid out indeed **matched Urban Commons' invoices** for work it subcontracted, but that doesn't necessarily absolve the company or its principals of wrongdoing, City Attorney Dawn McIntosh wrote in a Tuesday memo to the City Council.

The city's review of financial documents and the fact that very little money is available to pay the company's creditors led city officials to cut their losses.

The bankruptcy trustee has agreed to dismiss Long Beach's legal action, other than the claim for $200,000; the city also took control of an agreement to license the Queen Mary's name and likeness that had been part of its lease with Urban Commons, Anthony said, but he doesn't expect "any significant revenue streams" as a result.

It's still **not completely clear**, and may never be, exactly how the $23 million Urban Commons said in 2016 that it needed to repair the ship evaporated while still leaving the city with **another estimated $22 million in work** that was supposed to be covered by the initial bonds.

Anthony said it's possible Urban Commons underestimated the amount of work needed or did a bad job finding appropriately low bids on the work. City Auditor Laura Doud, who raised red flags about the firm in 2019, said Wednesday that inflation—between a 2015 marine survey of the ship's needs and several years later when the projects were bid—could have played a role.

But another factor, which Doud **detailed in a 2021 audit**, was undoubtedly what she called "excessive markups" and management fees for Urban Commons that caused costs for some of the ship repairs to balloon.

Her audit found that some invoices included markups of up to 40% on materials for the job, and that Urban Commons charged more than $1 million in management fees that weren't included in its lease agreement with the city.

Out of a list of 27 apparently critical maintenance projects, only seven were completed and nine had not even begun when Urban Commons' financial troubles became apparent.

Doud said she wasn't involved in the bankruptcy proceedings or the decision to bow out.

"We know that the city did pay more than necessary for some of the projects," she said. "I'm still uncomfortable with the fact that the city did not receive work that we were promised, that we paid for."
