

NEWS

Queen Mary operator pays delinquent taxes, but audit documents still missing



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The Queen Mary in Long Beach Thursday, Dec 12 2019. Photo by Thomas R. Cordova.

Urban Commons, the operator of the Queen Mary, has paid hundreds of thousands of dollars in delinquent rent, taxes and penalties related to the historic passenger liner after Long Beach officials threatened legal action if the company failed to meet a June 1 deadline, city staff confirmed.

“All outstanding ... payments and penalties have been paid in full and Urban Commons is now current,” Long Beach Economic Development Director John Keisler wrote in an email. “Urban Commons also missed two monthly payments of base rent, which have now been paid.”

The city would not disclose the total amount of taxes and penalties paid by Urban Commons, citing California tax privacy laws. The monthly base rent Urban Commons pays on the vessel is \$25,000.

The firm was delinquent in reporting occupancy numbers and making tax payments for the Queen Mary hotel for 5 non-consecutive months dating back to November 2019, Keisler said. The missed reporting and payments were for the transient occupancy tax, or TOT, which is a percentage of rent charged to guests at hotels and motels, as well as home-sharing services such as Airbnb.

TOT is supposed to be held in trust by hotels and then paid to the appropriate city, county or state tax agency, typically within one month. In Long Beach, a 25% penalty is added to missed payments. If the delinquency is not reconciled for a second month, the penalty is doubled.

On April 1, the city of Long Beach sent a default notice to Urban Commons giving the firm until June 1 to reconcile all debt or face legal action for violating its lease agreement. Urban Commons paid, in full, on May 22, according to the company.

Urban Commons uses management groups to oversee operations at its hotels, including the payment of taxes. “Once we were notified about outstanding taxes,” Urban Commons said in an email, “we ensured the balance was promptly resolved.”

The Los Angeles-based real estate investment and development firm has had other recent **financial issues** related to unpaid TOT and penalties in other cities, including San Mateo and San Jose. In April, the City of Pasadena filed a lawsuit alleging the firm owes the nearly \$700,000 in unpaid occupancy taxes and penalties.

Despite settling its past-due tab with Long Beach, Urban Commons still faces other problems in the city. The firm is under scrutiny by City Auditor Laura Doud, who launched an investigation in December to determine whether the city has received all revenue owed under its contract. Until recently, the audit had been stalled because Urban Commons failed to provide financial documents, despite multiple requests.

Doud on Friday said that Urban Commons in late May provided a “substantial amount” of financial documents and that she is now able to move forward. But, she added, some document requests remain outstanding.

Among the concerns for the audit, the city in 2016 issued \$23 million in bonds for emergency repairs for the aging ship, but funds ran out and some projects were sidelined as many critical repairs ran over budget. Doud has said she is looking into how that money was spent.

The Queen Mary remains closed to the public due to the coronavirus pandemic, with no indication of when it will reopen. The ship's website has been taken down for “maintenance and reorganizing” as operators focus on reopening, said Mark Frances, managing director at the ship.

Since 2016, Urban Commons has been the master leaseholder of the city-owned ocean liner, which has moored on the Long Beach coast since 1967.