



City of Long Beach

Working Together to Serve

Memorandum

Date: February 23, 2015

To: Patrick H. West, City Manager *T.W.*

From: Michael P. Conway, Director of Economic and Property Development *MPC*

For: Honorable Mayor Robert Garcia

Subject: Queen Mary Capital Improvements and Restoration Efforts

This memorandum is provided in response to an inquiry from the Office of the Mayor regarding an update on capital improvements and restorative efforts at the Queen Mary.

The Queen Mary (Ship) is a City-owned asset operated under a master lease agreement (Master Lease) with Save the Queen, LLC. In late 2007, Garrison Investment Group, LLC assumed control over Save the Queen LLC (STQ/Garrison) and the Master Lease through the bankruptcy proceedings of the ship's prior operator. In assuming control of the Master Lease, per a City Agreement, STQ/Garrison committed to investing \$5.3 Million in capital improvements on the Queen Mary by December 31, 2010. Per an audit of the City Agreement by the City Auditor, STQ/Garrison exceeded this commitment by \$224,000 within the required timeframe.

These capital improvements included full renovation of all guestrooms, as well as renovations to the Promenade Café, Chelsea Restaurant, Sir Winston's Restaurant, Grand and Windsor Salons, Queen's Salon, and Wedding Chapel. Other improvements included renovating the Wharf Entry including new signage, technology software upgrades, and installation of a fully automated parking system. These improvements received positive guest and visitor responses and significantly enhanced the overall guest experience on the Ship.

Under the terms of the Master Lease, STQ/Garrison is responsible for maintaining the Ship and the surrounding leased premises, improvements thereon and all furniture, fixtures and equipment in good condition and repair throughout the term of the agreement. The primary duties are outlined in the Ship's Base Maintenance Plan (BMP). The BMP guides the overall maintenance and upkeep of the ship. The BMP includes policies, procedures and schedules for maintenance of the guest and service elevators, ongoing maintenance and repairs to the lifeboats, food services facilities, gangways, sewer system, HVAC System, fire and life safety systems, and portions of the deck.

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Capital improvements to the Ship are the responsibility of STQ/Garrison with the City's consent. Capital improvements that increase the useful life of the Ship and/or increase the Ship's capacity to operate profitably, are eligible for rent credit to offset percentage rent due to the City. This stipulation incentivizes STQ/Garrison to invest in Capital improvements to the Ship.

From 2011 to 2014, Garrison completed over \$8 Million in capital improvements, including major enhancements for the Princess Diana Exhibit, Wi-Fi infrastructure throughout the Queen Mary, renovation of all wharf and on-board guest restrooms, and improvements to various food services facilities. These projects also included replacement of aging lighting fixtures, upgrades to the Ghosts and Legends Exhibit, remodeling of the gym, landscape upgrades, acquisition of new tour listening devices, and ongoing meeting room improvements. These project costs were applied as rent credit against percentage rent due to the City.

In order to anticipate and prioritize capital improvement projects, STQ/Garrison maintains a project list for the Ship currently estimated at approximately \$12 Million. City staff is working closely with STQ/Garrison to conduct a Marine Survey and Historic Structures Report. These studies will provide staff and ship management with a detailed understanding of the structural integrity of the Ship and documentation of the Ship's most historically significant aspects. The results of these studies will be used by STQ/Garrison to better prioritize proposed capital improvements, to update the BMP, and to improve stewardship procedures.

If you have any additional questions, please contact Juan López-Rios, Manager, Economic and Property Development, at extension 8-6129.

cc: Tom Modica, Assistant City Manager
Arturo Sanchez, Deputy City Manager
Jyl Marden, Assistant to the City Manager/City Council Liaison
Juan López-Rios, Manager, Economic and Property Development