

Date: June 9, 2021

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager 

Subject: Update on Pier H Status Update

On April 6, 2021, the City Council requested that the Harbor Commission review and consider acceptance of the transfer of Pier H to the Port as was the case prior to 1993. The City Council requested a status update on this study in 60 days. Attached is a report of the Port's progress on this study and the detailed work they are doing to complete the City Council's request.

If you have any questions, please contact me at (562) 570-5091.

ATTACHMENT

CC: CHARLES PARKIN, CITY ATTORNEY
DOUGLAS P. HAUBERT, CITY PROSECUTOR
LAURA L. DOUD, CITY AUDITOR
LINDA F. TATUM, ASSISTANT CITY MANAGER
KEVIN JACKSON, DEPUTY CITY MANAGER
TERESA CHANDLER, DEPUTY CITY MANAGER
REBECCA G. GARNER, ADMINISTRATIVE DEPUTY CITY MANAGER
MONIQUE DE LA GARZA, CITY CLERK (REF. FILE #21-0282)
DEPARTMENT HEADS



June 8, 2021

The Honorable Robert Garcia, Mayor
Tom Modica, City Manager
City of Long Beach
411 W. Ocean Blvd.
Long Beach, CA
90802

RE: Pier H

Mayor Garcia & Mr. Modica:

On April 6, 2021, the Long Beach City Council (City Council) requested that the Harbor Commission consider the acceptance of Pier H and provide a report back on this subject to the City Council in 60 days. This will serve as a status update on the aforementioned request.

In regard to the above April 6 action, the corresponding City Council memo acknowledges that *“The requested action is anticipated to require a significant level of staff hours on Harbor staff beyond the budgeted scope of duties and a significant impact on meeting other Harbor Commission priorities in order to meet the requested time frame.”* Clearly, the noted expectation has been the case.

Following the April 6 City Council meeting, Harbor Department staff immediately launched an effort to assess the transfer of Pier H. This effort includes:

- Forming a multi-disciplinary team to quantify the impact of a Pier H transfer. This team consists of representatives from the following Harbor divisions: Finance, Real Estate, Engineering, Maintenance, Risk Management, Security, Environmental Planning, and Business Development.
- Retaining Moss Adams to assist Harbor staff with forensic accounting of transactions related to Pier H.
- Recurring meetings between Harbor staff, City staff, the City Attorney’s Office, and Bankruptcy Counsel.

The Harbor multi-disciplinary team is tasked with quantifying three financial aspects related to Pier H:

- The initial capital investment needed in order to bring Pier H to Harbor’s standards.
- The annual non-personnel operational cost associated with Pier H.
- The additional full time equivalent staff needed to manage Pier H.

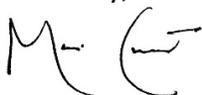
These efforts are ongoing and in some cases require the use of consultants. To provide the level of detail necessary to examine the issue of Pier H, specific financial data related to Pier H is required. This financial data is part of the overall Tidelands Operating Fund (Fund), and requires special analysis to build a detailed financial picture for that specific section of the Fund, as it is currently considered part of the overall Tidelands budget. This level of complex analysis is required to fully understand the agreements, prior commitments, and future opportunities.

Moss Adams has been retained to assist Harbor staff with its accounting due diligence, which required time to both identify, select and contract with the firm over a 30 day period. Moss Adams has received pertinent information by working with Harbor accounting staff to query the system for past transactions. For other transactions, however, they have been communicating with City staff in order to understand the history. Due to the Port's financial audit that has recently been concluded and the current budget season, it has taken time to request, receive and analyze the complex information needed for a detailed analysis.

The most prominent part of Pier H is the Queen Mary. The properties of Eagle Hospitality Trust were scheduled to be auctioned on May 20, 2021. The Queen Mary's lease, however, was excluded from that auction. The debtor filed a motion to extend the deadline to assume or reject the lease to August 16, 2021. The most recent development wherein debtor expressly notified the City of their intent to reject the lease is a positive development giving more latitude to the City and Harbor Department to determine the greater vision of Pier H. On this note, the Harbor Department views the referenced development as an opportunity for a creative approach to the Queen Mary and the entirety of Pier H.

Harbor staff continues collecting data in order to complete its due diligence. This report will include a contemplated term sheet and conditions for transfer for the parties to consider. Furthermore, given the above deadline extension requested by the debtor, and absence of a bidder for the Queen Mary, it is incumbent on the Harbor Department to further assess the relevant financial impacts of potential options. Accordingly, we respectfully request additional time to complete our due diligence in the interest of furthering efficacious and collaborative discussions with City leadership. Preliminarily, at this time, we believe a minimum of 30 – 45 days would be a conservative estimated time extension. During this time, we kindly request that the City continue to keep the Harbor Department apprised of any developments and potential decisions related to Pier H and the Queen Mary.

Sincerely,



Mario Cordero
Executive Director