

RESOLUTION NO. 78-2008

Adopted July 15, 2008

AUTHORIZING A MEMORANDUM OF UNDERSTANDING WITH THE CITY AND COUNTY OF SAN FRANCISCO, ACTING BY AND THROUGH ITS ARTS COMMISSION, AND THE MEXICAN MUSEUM, A CALIFORNIA NONPROFIT CORPORATION, TO COLLABORATIVELY DEVELOP AND IMPLEMENT A PREDEVELOPMENT PLAN FOR A NEW MUSEUM ASSOCIATED WITH A NEW MIXED-USE PROJECT ON A SITE THAT INCLUDES 706 MISSION STREET (ASSESSOR'S BLOCK 3706, LOT 93) AND AGENCY DISPOSITION PARCEL CB-1-MM (ASSESSOR'S BLOCK 3706, PORTION OF LOT 117), FOR A ONE-YEAR TERM IN AN AMOUNT NOT TO EXCEED \$280,000; YERBA BUENA CENTER REDEVELOPMENT PROJECT AREA

BASIS FOR RESOLUTION

1. In 1993, the Commission of the Redevelopment Agency of the City and County of San Francisco ("Agency") authorized an Agreement for Disposition of Land for Private Development with the Mexican Museum (the "Museum") for the development of a 65,000-square-foot museum on Agency Disposition Parcel CB-1-MM (Assessor's Block 3706, a portion of Lot 117), located on the north side of Mission Street between Third and Fourth Streets (the "Museum Site"), which was subsequently amended eight times (as amended, the "LDA"). In January 2006, Agency staff notified the Museum that it had not satisfied its obligations under the LDA.
2. In 2006, 706 Mission Street Co, LLC, owner of the adjacent property at 706 Mission Street ("Developer"), proposed a mixed-use project on the 706 Mission Street property and the Museum Site, which includes construction of a residential tower with a new museum facility in the base (the "New Museum Facility") and renovation of the adjacent building at 706 Mission Street (the "Mixed-Use Project"). The Developer is seeking an Exclusive Negotiations Agreement with the Agency for development of the Mixed-Use Project.
3. Agency staff and the Museum have agreed that the Mixed-Use Project is the best opportunity to develop a new museum facility for the Museum. The Museum acknowledges that the Agency is entering into an Exclusive Negotiations Agreement with the Developer for the Mixed-Use Project containing the New Museum Facility.
4. To open and operate successfully the New Museum Facility, the Museum needs to create and implement a predevelopment plan for completing tenant improvements and exhibitions, and establishing stable operations in the New Museum Facility.

5. The San Francisco Arts Commission (the "Arts Commission") has expressed a desire to play a collaborative role with the Agency and Museum to create an operationally and financially strong organization that can complete, open, and operate the museum facility.
6. To support these efforts, the Agency is proposing to enter into a Memorandum of Understanding with the Arts Commission and the Museum in which the Agency will provide grant funding and assistance to the Museum for predevelopment and planning activities related to the Museum's objectives of (1) developing and constructing the New Museum Facility and (2) creating an operationally and financially strong organization that will complete, open, and operate the New Museum facility (the "MOU").
7. The MOU provides \$280,000 in grant funds (\$250,000 to the Museum, and \$30,000 to the Arts Commission) over a one-year period for activities directly related to the preparation and implementation of a predevelopment plan, which will include performance milestones ("Grant Amount"). The Arts Commission shall act as the Agency's fiscal agent in disbursing \$250,000 of the Grant Amount to the Mexican Museum. The Arts Commission will provide advice, counsel, and support to the Board of the Mexican Museum to develop organizational capacity, including the development of its board, staff, funds for capital and annual operations, as well as short and long term strategic planning.
8. The \$250,000 in funds provided by the Agency to the Museum shall be used for predevelopment and planning activities related to the Museum's participation in the Mixed-Use Project. Given that the source of these funds is tax increment from the Yerba Buena Center Redevelopment Project Area, the funds must be used for "redevelopment activities" that are defined in the Community Redevelopment Law (Sections 33678(b), 33020, and 33021 of the California Health and Safety Code). In particular, these activities include the following, provided that they are directly related to the planning and design of a new facility in the Mixed Use Project: preparation and implementation of the predevelopment plan and the hiring of Museum staff. The \$30,000 in funds provided to the Arts Commission shall be used for activities related to the implementation and administration of the MOU.
9. Within sixty (60) days of the MOU's effective date and prior to disbursement of the Grant Amount, the Museum will submit, among other things, an executed agreement between the Arts Commission and Museum, which shall include a detailed budget for the use of the Grant Amount, the roles and responsibilities of each party, mechanisms for the disbursement of funds based upon the successful completion of performance milestones, insurance requirements, and default provisions, consistent with the requirements and limitations of the MOU (the "Grant Disbursement Agreement"). Subsequently, the Agency will release the Grant Amount to the Arts Commission, who will then disburse \$250,000 to the Museum in accordance with the Grant Disbursement Agreement.

10. Within 180 days of the release of the Grant Amount to the Arts Commission, the Museum, in consultation with the Arts Commission, shall submit to the Agency a predevelopment plan for the New Museum Facility (the "Predevelopment Plan") for Agency staff review and Agency Commission approval. The Predevelopment Plan must detail the steps the Museum will take to complete the construction of the New Museum Facility and achieve long-term operational and financial sustainability in the New Museum Facility and must establish a number of specific milestones that the MOU describes.
11. After the Agency Commission approves the Predevelopment Plan, the Museum will submit periodic written reports to the Agency and the Arts Commission regarding its progress in developing and implementing the Predevelopment Plan.
12. A one-year extension and additional grant funding in the amount of \$280,000 may be considered based on the Museum's ability to meet performance benchmarks and milestones during the initial term of the MOU.
13. Agency authorization of the MOU is exempt from the California Environmental Quality Act ("CEQA"), pursuant to CEQA Guidelines Sections 15262 and 15061(b)(3). The MOU will provide for predevelopment funding for the completion of planning and feasibility studies that will not directly or indirectly have a significant effect on the environment, and offset costs for Museum staff and administration and implementation of the MOU, which are funding activities that will not cause a change in the physical environment. Subsequent actions of the Agency will be required for development to proceed.

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to enter into a Memorandum of Understanding with the City and County of San Francisco, acting by and through its Arts Commission, and the Mexican Museum, a California nonprofit corporation, to collaboratively develop and implement a predevelopment plan for a new museum associated with a new mixed-use project on a site that includes 706 Mission Street (Assessor's Block 3706, Lot 93) and Agency Disposition Parcel CB-1-MM (Assessor's Block 3706, portion of Lot 117), for a one-year term in an amount not to exceed \$280,000; Yerba Buena Center Redevelopment Project Area.

APPROVED AS TO FORM:



James B. Morales
Agency General Counsel