

**OVERSIGHT BOARD TO THE SUCCESSOR AGENCY OF THE
REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO**

RESOLUTION NO. 05-2022

**AUTHORIZING A SECOND AMENDMENT TO THE GRANT AGREEMENT
BETWEEN THE MEXICAN MUSEUM AND THE SUCCESSOR AGENCY TO
EXTEND THE TERM BY TWENTY-FOUR MONTHS**

- WHEREAS, On December 14, 2010, the Redevelopment Agency of the City and County of San Francisco (the “Former Agency”) approved, by Resolution No. 157-2010, a Grant Agreement (the “Grant Agreement”) between the Former Agency and the Mexican Museum, a California non-profit corporation, (“Museum”) to authorize a total of \$10,566,000 of Former Agency funding (“Grant Funds”) over a ten year period to cover a substantial portion of the costs for predevelopment, planning, and tenant improvement work related to museum space (the “Museum Space”) in a proposed mixed-use project on a site at 706 Mission Street (Assessor’s Block 3706, Lot 93) and Former Agency disposition parcel CB-1-MM (Assessor’s Block 3706, portion of Lot 277) (the “Project”) located in the now-expired Yerba Buena Center Redevelopment Project Area; and,
- WHEREAS, On January 1, 2011, the Redevelopment Plan for the Yerba Buena Center Redevelopment Project Area expired, but the Community Redevelopment Law authorized the Former Agency to continue to enforce existing covenants, contracts, or other obligations, such as the Grant Agreement, Cal. Health & Safety Code § 33333.6 (a); and,
- WHEREAS, On February 1, 2012, state law dissolved redevelopment agencies and transferred certain of the former agencies’ assets and obligations to successor agencies. Cal. Health & Safety Code Section 34170 et seq. (the “Redevelopment Dissolution Law”). As a result, the Former Agency ceased to exist and the Successor Agency, commonly known as the Office of Community Investment and Infrastructure (“OCII”), assumed certain obligations of the Former Agency, including those “enforceable obligations” that were entered into prior to the suspension of redevelopment agencies’ activities; and,
- WHEREAS, The Grant Agreement meets the definition of an enforceable obligation under the Redevelopment Dissolution Law and \$7,757,235 (“Grant Funds”) is listed as an expenditure under item no. 151 on the Fiscal Year 2021-22 Recognized Obligations Payment Schedule approved by Resolution No. 2-2021 of the Oversight Board and by the California Department of Finance (the “DOF”); and,
- WHEREAS, Article 3 of the Grant Agreement requires disbursement of the Grant Funds to the Museum, under certain terms and conditions, in accordance with one or more grant disbursement agreements. The Former Agency approved, by Resolution No. 5-2012, a First Grant Disbursement Agreement on January 17, 2012 for \$750,000. The Successor Agency approved, by Resolution No. 11-2013, a

Second Grant Disbursement Agreement in the amount not to exceed \$1,000,000. On July 15, 2014, the Successor Agency approved, by Resolution No. 58-2014, a Third Grant Disbursement Agreement in the amount not to exceed \$1,030,881. The Successor Agency approved a Fourth Grant Disbursement Agreement on September 17, 2019, by Resolution No. 24-2019, in an amount not to exceed \$1,000,000. Most recently, on March 15, 2022, the Commission approved a Fifth Grant Disbursement Agreement in the amount of up to \$2,509,125, for final predevelopment activities, including executing a design/build contract, creation of design drawings and submission for approval to the City, as well as continued fundraising, project management and preoperational activities. Approval of the grant disbursement agreements were in compliance with the Grant Agreement; and,

WHEREAS, Completion of the Museum is a critical component of the Project previously approved by Resolution No. 8-2013 of the Oversight Board and by DOF. Under that certain Agreement for Purchase and Sale of Real Estate dated as of July 16, 2013, by and among the Successor Agency, as transferor, 706 Mission Street Co LLC, a Delaware limited liability company, (the “Developer”), as transferee, and the Museum, as third party beneficiary, recorded on April 17, 2014 as Instrument No. 2014-J864850 in Official Records of the City and County of San Francisco (as may be amended from time to time, the "PSA"), the Museum is obligated to design and construct tenant improvements and other improvements related to the Museum Space. The Grant Funds provide the Museum with the means to fulfill its obligations under the PSA; and,

WHEREAS, The PSA contemplates that the Developer will convey to the City a commercial air rights parcel to house the Museum and, in March 2015, the City and the Museum entered into a 66 year lease, with an option extension of an additional 33 years, for the Museum Space at a base rent of \$1.00 for the term of the lease; provided, however, that the Museum would be responsible for, among other things, any taxes and common area maintenance payments (“Lease”) and provided further that the tenant improvements for the Museum Space are substantially completed within twenty-four (24) months of the issuance of a Temporary Certificate of Occupancy for the Core and Shell of the Museum Space by the City. The Project is substantially complete, but the City has not yet issued the Temporary Certificate of Occupancy for the Museum Space; and,

WHEREAS, The Grant Agreement is still in effect, but will terminate on June 14, 2022; and,

WHEREAS, On March 4, 2020, the Governor of the State of California proclaimed a State of Emergency in the State of California as a result of the threat of COVID-19, which continues to be in effect as of the date of this Resolution; and,

WHEREAS, The COVID-19 pandemic, as well as physical distancing and other public health measures undertaken in response to it, continue to affect supply chains, businesses, cultural institutions, schools, and government agencies and individuals alike, with associated impacts on adherence to certain statutory, regulatory and contractual deadlines and requirements; and,

- WHEREAS, The Museum’s capital fundraising program to fund the build-out of the Museum Space experienced economic challenges as a result of the COVID-19 pandemic during 2020 and 2021, but as increasing vaccination rates have resulted in moderation of the worst effects of the pandemic, the Museum has restarted fundraising efforts, and,
- WHEREAS, In light of the impact of the COVID-19 pandemic and the best interests of the taxing entities, the Oversight Board approved, by Resolution No. 5-2020 (Sept. 28, 2020), a First Amendment to the Grant Agreement to extend the term of the Grant Agreement by eighteen months to June 14, 2022; DOF subsequently approved Resolution No. 5-2020 by letter dated November 6, 2020 and affirmed the finding that “such action is in the best interest of the taxing entities”; and,
- WHEREAS, In light of the continuing impact of the COVID-19 pandemic, the Museum has requested that the Successor Agency extend the timeframe for its performance under the Grant Agreement by an additional twenty-four months and the Successor Agency Commission has conditionally approved, by Agency Resolution No. 06-2022, on file with the Board Secretary, an amendment to the Grant Agreement to extend its term; and,
- WHEREAS, Redevelopment Dissolution Law provides, among other things, that the oversight board may approve an amendment to an existing enforceable “if it finds that amendments . . . would be in the best interest of the taxing entities.” Cal. Health & Safety Code § 34181 (e); and,
- WHEREAS, The capital program for build-out of the Museum Space that is partially funded through the Grant Agreement serves the public purpose of promoting a diverse cultural and arts community within the City and County of San Francisco and the greater Bay Area region; and,
- WHEREAS, As described by the Museum in its current request for extension, as well as its initial request for extension in September 3, 2020 and the Museum’s 2015 business plan, which address issues of COVID delay and positive financial impacts which remain relevant for this action, as well as the Arts & Economic Prosperity 5 impact economic model results (all of which are on file with the Board Secretary included as attachments to the Board Memorandum), the completion and operation of the Museum Space will generate increased economic activity and associated revenues to local taxing entities and the State from patrons and visitors to the Museum. The extension of the Grant Agreement facilitates the completion of construction of the Museum Space, a key public benefit of the Project to the taxing entities, and maximizes the overall value of the Project, consistent with the PSA approved by the Oversight Board and DOF. The taxing entities, including the City and County, as the local taxing entity receiving the largest share of property tax revenues under property tax allocation laws, will benefit from facilitating the completion of the Project and the Museum Space utilizing funds available under the Grant Agreement; and,
- WHEREAS, Authorizing the Second Amendment to the Grant Agreement is an administrative activity of government that will not result in direct or indirect physical changes in the environment, and, therefore, does not require environmental review subject

to the California Environmental Quality Act (“CEQA”), pursuant to CEQA Guidelines Section 15378(b)(5); and,

WHEREAS, This Oversight Board now desires to approve the Second Amendment; now, therefore, be it

RESOLVED, That this Oversight Board finds that the Second Amendment will benefit the taxing entities by increasing tax revenues, facilitating completion of the Museum and Project, and accelerating the wind down of redevelopment affairs and therefore finds that approval of the Second Amendment is in the best interests of the taxing entities; and, be it further

RESOLVED, That this Oversight Board authorizes the Executive Director of the Successor Agency to enter into the Second Amendment to the Grant Agreement to extend the term by twenty-four months to June 14, 2022, substantially in the form attached to the Board Memorandum and on file with the Board Secretary, subject to the approval of this Resolution by the Department of Finance or by the expiration of the five-day statutory review period under Redevelopment Dissolution Law without a request by the Department of Finance to review this Resolution; and be it further

RESOLVED, That this Oversight Board authorizes the Executive Director of the Successor Agency to take all actions as may be necessary or appropriate, in consultation with counsel for the Oversight Board and Successor Agency, to effectuate the purpose of this Resolution.

I hereby certify that the foregoing resolution was adopted by the Oversight Board at its meeting of March 28, 2022.

Board Secretary