

OCII COMMISSION

The Mexican Museum Amended and Restated Grant Agreement

May 21, 2024



Commission Action

Conditionally authorizing an Amended and Restated Grant Agreement between the Mexican Museum and the Successor Agency and authorizing the transmittal of the Amended and Restated Grant Agreement to the Oversight Board of the City and County of San Francisco

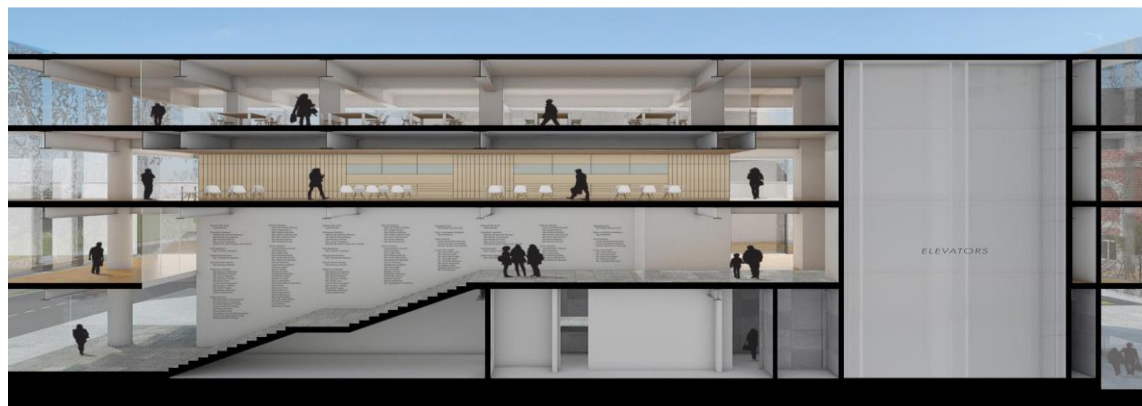
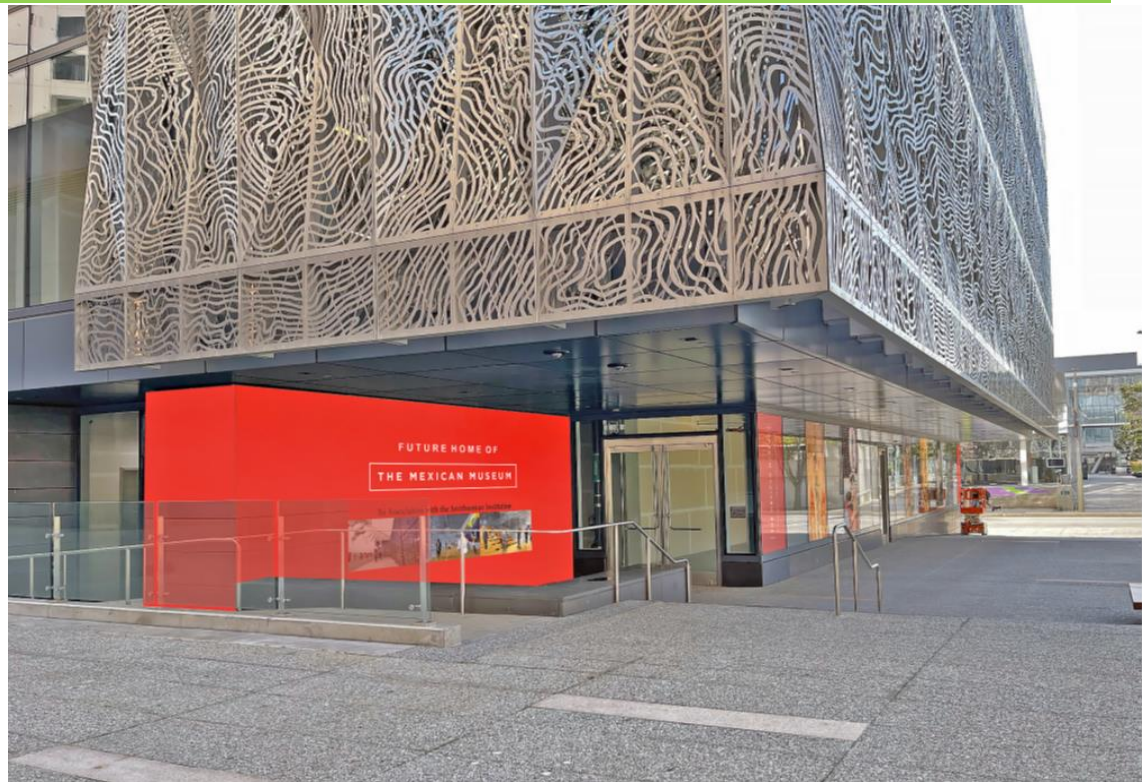
The Mexican Museum Grant Agreement (2010)

- Former Agency committed to fund \$10.57M for predevelopment & tenant improvements for an approximately 40,000 sq.ft. Cultural Space within 706 Mission Residential Tower to be used by The Mexican Museum
- Core and Shell of Cultural Space constructed by 706 Mission Street Co, LLC; Museum responsible for build-out

706 Mission Project Status

- 190 residential condominium units in 480 foot tower
- CCSF owns the 4 -story Cultural Space
- CCSF and Museum have entered into 66-year Lease for Cultural Space for \$1 and 33-year option.
- Museum accepted possession of Cultural Space July 10, 2023
- Tenant Improvements must be completed by July 2025

Mexican Museum



Grant Term, Disbursements and Amendments

- Original Grant 10-year term 12/14/20
- First Amendment 18-month extension to 6/14/22
- Second Amendment 24-month extension to 6/14/24
- Five Grant Distribution Agreements for \$6.3M but only \$4.1 has been disbursed.

Disbursement Agreement	Disbursement Year	Disbursement Agreement Amount	Amount Disbursed
First	2012	\$750,000	\$750,000
Second	2013	\$1,000,000	\$1,000,000
Third	2014	\$1,030,881	\$1,030,881
Fourth	2019	\$1,000,000	\$1,000,000
Fifth	2022	\$2,509,125	\$278,019
TOTAL		\$6,290,006	\$4,058,900

Audit

- On March 21, 2024, the City and County of San Francisco (“CCSF”) Office of the Controller, Audits Division issued an audit of the Mexican Museum Grant with the following findings:
 - The Museum has only a small fraction of the funds needed to complete the project.
 - The Museum has not complied with key requirements of the lease and facilities agreement.
 - The Museum Spent \$43,616 for ineligible activities, and \$930,247 for questionable activities.
 - OCII has not effectively enforced the grant agreement.

Audit cont.

- Audit includes ten recommendations for the Successor Agency and four recommendations for the CCSF Real Estate Division (“RED”) to improve oversight and management of their agreements with the Museum.

☐ OCII

- Require specific, realistic and achievable fundraising goals.
- Seek reimbursement for ineligible expenses.
- Approve reimbursements specifically spelled out in the grant agreement.

☐ RED

- Require a plan to complete the build-out including schedule and milestones.
- Require Museum provides annual reporting and proof of insurance.

Audit cont.

- Mexican Museum actions towards compliance
 - Mexican Museum contracted with Mission Neighborhood Center as Fiscal Agent and Fund Raiser
 - Proposing a Phased Design-Build starting with TIs on Floors 1 & 2

TMM Request for extension

- Museum requests to amend the Grant Agreement to extend the term by 18 months.
- **Phased Design Build approach to Tenant Improvements**
- Phase 1 (Permits 1 and 2) – Build out 1st floor (Lobby and pop-up gallery) and 2nd floor
 - Total of \$11 million in costs (\$6.5M OCII and \$4.5M Museum)
- Phase 1 (Permit 3) – Build out Floors 3 and 4
- Phase 2 (Permit 3) – Final Finishes
 - Total of \$27 million in costs

GRAND TOTAL \$38 million in costs

The Mexican Museum

Looking back but Moving Forward

“ADELANTE!”

Request for Extension of Time

- The Mexican Museum respectfully requests an 18 month extension of time to draw down on the remaining \$6.5 Million Dollars of Grant Funds.
- We have collaborated with OCII staff to submit to you an Amended & Restated Grant Agreement with compliance metrics for the expenditure of the funds coupled with metrics to comply with the City Audit Recommendations.

Historical Perspective

- Over the last 50 years, The Mexican Museum has grown to over 17,000 objects of art ranging from Pre-Columbian, Colonial, Modern, Contemporary, Folk Art, Chicano, Mexican, Mexican American and Latin American.
- The Museum has persevered through the work of volunteer boards and committees that have dedicated tens of thousands of volunteer hours over half a century. Thank you to our Founder, Peter Rodriguez who sent us on this amazing journey.
- The Core & Shell and the iconic Jan Hendrix iconic facade have been completed to the cost of over \$30 Million at 706 Mission St. The Museum is now prepared to move forward with the Tenant Improvements.

The City Audit

- The City's Controller Office recently issued an Audit Report that criticized the Museum's fiscal management and its fundraising history while also criticizing OCII's administration of the Grant Agreement.
- In response to the Audit Reports, the Museum has entered into a Fiscal Agent and Management Agreement with Mission Neighborhood Centers to oversee the administration of the OCII Grant Agreement and the operations of the Museum.
- Mission Neighborhood will also oversee the Museum's Capital Campaigns in the US and Mexico plus grant writing efforts to raise fund for the build out of the Museum. The Museum will raise \$4.5 million before accessing OCII Grant funds for Phase 1 of construction.

Mission Neighborhood Centers ("MNC")

- MNC is a non-profit provider of community-based, culturally sensitive, and multi-generational services focused on low-income families throughout San Francisco.
- Founded as a settlement house in 1897, MNC's revenues in 2023 totaled \$41.5 million.
- MNC has a long history of sound financial management and fiscal strength and fundraising success.

Fundraising Milestone - A precedent setting event!

- The Mexican Museum was able to receive the equivalent of a Mexican 501c(3) charitable federal entity – Friends of the Mexican Museum Mexico.
- The entity enables Mexican Corporations and Companies to designate up to 7% of their annual tax liability to the Mexican Museum as a charitable contribution.
- A lead gift of \$5,000,000.00 that was pledged for Phase 2 of construction will be able to use this vehicle for their gift.

Capital Campaigns and Grant Writing Plan

- U.S. Campaign Phase I Fundraising goal: \$3.5 million (6 months). Campaign Phase II Fundraising goal: \$23,500,000 (18 months).
- Mexico Capital Campaign Phase 1: Fundraising goal: \$1 million (6 months). Campaign Phase 2 Fundraising goal: \$4 million (18 months).
- U.S. Grant Writing Program Fundraising Goal: \$5 million (24 months)



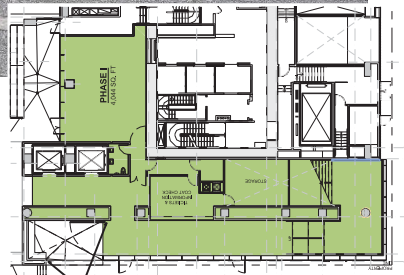
706 Mission Street, San Francisco, California
4/30/2024 R-9

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PHOTO EXISTING CONDITIONS
TMM MAIN ENTRANCE PROPOSED WALL WRAP BANNER



PHASE I: PERMIT ONE GROUND FLOOR

Construction Phase I Permit 1 will consist of the build out of the ground floor lobby and the proposed café area to be utilized as a TMM Pop-up Gallery to create a presence in Jessie Square Plaza during construction.

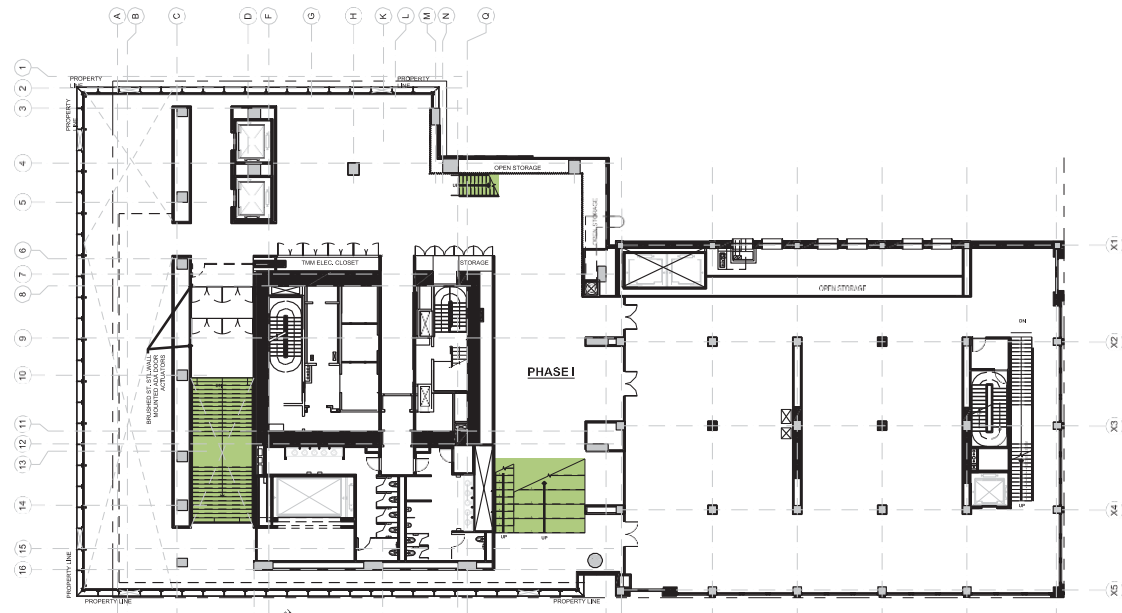
Total construction is projected to be 6 months. Estimated Costs for Permit One **\$1,850,000.00.**





PHOTO EXISTING CONDITIONS

Phase I, Permit Two: The build out of the second floor gallery space with the installation of the stairs from the ground floor to the second floor gallery space – 6 months. Estimated Cost **\$9,250,000.00.**



FLOOR PLAN LOCATION OF STAIRS TO BE INSTALLED

PERMIT ONE COST:	GROUND FLOOR BUILD OUT	\$ 1,850,000.00
PERMIT TWO COST:	SECOND FLOOR BUILD OUT	\$ 9,250,000.00
PERMIT THREE COST:	THIRD & FOURTH FLOOR BUILD OUT	\$26, 900,000.00
TOTAL FOR ALL PHASES		\$38,000,000.00





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Aerial View



Cross Section



Ground Floor: Main Entrance & Retail Space



Second Floor: Gallery with a two-story Sculpture Gallery and grand staircase



Third Floor: Gallery



Fourth Floor: Administrative Office and Education Program Space

BUILDING DESCRIPTION

Ground Floor: Main entrance to the TMM facing Jessie Square Plaza, with a lobby and reception area, a café facing the alley, and a Mexican Museum store and restaurant tenant space.

Second Floor: Main gallery space with a grand staircase to be used for access to the third-floor gallery. The second-floor gallery facing Jessie Square Plaza has been programmed for a two-story sculpture gallery.

Third Floor: Additional gallery space with a balcony projecting into the sculpture gallery. The termination of the grand staircase and internal stair to the fourth floor.

Fourth Floor: Administrative offices and education program space with fixed office partitions and a flexible educational space.





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Staff Recommendation

- 12-month extension with 6-month option at ED discretion with the following conditions:
 - Museum needs to raise 50% of \$4.5 million
 - Compliance with conditions in Article 13 of the Amended and Restated Grant Agreement which are based on the Audit
- Conditions of the Amended and Restated Grant Agreement, no grant funds shall be disbursed until:
 - Museum has raised a minimum of \$4.5 million for Phase 1 (Permits 1 and 2)
 - Compliance with conditions in Article 13 of the Amended and Restated Grant Agreement

Next Steps

- **May 30, 2024** Oversight Board action on Amended and Restated Grant Agreement, consistent with Dissolution Law
- **July 14, 2024** Review by State Department of Finance (up to 45 days)
- **Fall 2024** Commission approval to enter into 6th Disbursement Agreement

Mexican Museum Grant

Commissioners' Questions & Comments

