MEMORANDUM

TO: Agency Commissioners

FROM: Tiffany Bohee
Interim Executive Director

SUBJECT: Authorizing a First Grant Disbursement Agreement with The Mexican Museum, a California non-profit corporation, in an amount not to exceed $750,000, for predevelopment work 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 277)

EXECUTIVE SUMMARY

On December 14, 2010, the Agency authorized an Exclusive Negotiations Agreement and a Grant Agreement with The Mexican Museum, a California non-profit corporation (the “Museum”) for development of a new museum (the “Museum Space”) associated with a planned mixed-use project on a site at Third and Mission Streets in the now-expired Yerba Buena Center Redevelopment Project Area (the “Project”). The Exclusive Negotiations Agreement sets forth the terms and conditions for negotiating the Museum’s participation in the Project (the “Museum ENA”). The Grant Agreement requires the Agency to disburse approximately $10.5 million of Agency funding for predevelopment and planning activities and the design and construction of tenant improvements for the Museum Space. The Grant Agreement stipulates that this funding is to be disbursed through one or more future grant disbursement agreements.

The Museum has submitted its first disbursement request in the amount of $750,000 for predevelopment planning, staffing and consultant costs related to the Museum Space. Accordingly, staff is recommending approval of a First Grant Disbursement Agreement, which includes a budget for the use of the grant funds, the roles and responsibilities of each party, mechanisms for the disbursement of funds, default provisions, compliance with Agency policies, and a form of funding request. Approval of the First Grant Disbursement Agreement is an enforceable obligation required under the Grant Agreement, and does not violate the restrictions on contracting set forth in Assembly Bill No. 1X 26 (“AB 26”).

Upon the dissolution of the Agency on February 1, 2012, as required by AB 26, the Agency’s non-housing enforceable obligations and assets will transfer to the City Administrator’s Office (the “City”). The Grant Agreement, the Museum ENA, as well as the Agency’s exclusive negotiations agreement with 706 Mission Co LLC (the “Developer ENA”), are enforceable obligations. These agreements, the balance of the Museum’s grant amount, as well as ownership of Agency Parcel CB-1-MM and the adjacent Jesse Square Garage, will be transferred to the City on February 1 to allow for the continued implementation of the Project.

Staff recommends authorizing the First Grant Disbursement Agreement.
DISCUSSION

In December 2010, the Agency approved the Grant Agreement to provide for the future disbursement of $10.5 million of grant funds for the Museum Space. Specifically, the grant funds are to be used for 1) predevelopment activities, which include preparation and implementation of the Museum’s predevelopment plan (as approved by Redevelopment Commission on October 18, 2011), operational and organizational planning, design of the Museum Space, hiring museum staff and other consultants, and regulatory approvals; and (2) the design and construction of tenant improvements for the Museum Space, which include specialized HVAC/humidity control systems required for exhibit spaces, all fixtures, furniture, and equipment, all exhibit spaces, and exterior signage.

The Museum has requested a first disbursement in the amount of $750,000 for its predevelopment planning, staffing, and consult needs over the next year. These needs include: staffing and consultants related to implementation of the Museum’s predevelopment plan; an assessment of the Museum’s collection in order to determine its spacing and layout needs for the Museum Space; development of a capital campaign; legal services; creation of a five-year operating proforma; and the hiring of a project manager, museum planner, and program planner. Under the proposed First Grant Disbursement Agreement, the funding will be released in one lump sum payment to the Museum, which will then be required to provide to the Agency, or its successor, an accounting of its expenditures of the grant funds. The agreement also includes: provisions related to compliance with all applicable Agency policies and programs, including policies regarding small business enterprises, construction workforce, and insurance; disbursement mechanisms; default provisions; and a form of funding request.

AB 26 Compliance

AB 26, passed in June 2011 and upheld by the California Supreme Court, eliminates all redevelopment agencies effective February 1, 2012, and provides for the creation of successor agencies to carry out the existing monetary or legal obligations of redevelopment agencies. Under the legislation introduced on January 10, 2012 to the San Francisco Board of Supervisors, the City will be the Agency’s successor for all non-housing projects and will be responsible for carrying out the enforceable monetary and legal obligations of the Agency. The Grant Agreement, the Museum ENA, and the Developer ENA are enforceable obligations. As such, these agreements, the balance of the Museum’s grant amount, ‘as well as ownership of Agency Parcel CB-1-MM and the adjacent Jesse Square Garage, will be transferred to the City on February 1 to allow for the continued implementation of the Project.

The Agency Commission’s approval of the First Grant Disbursement Agreement, which triggers the disbursement of $750,000 in grant funds to the Museum, is an enforceable obligation required under the Grant Agreement, and does not violate the restrictions on contracting set forth in Assembly Bill 26.
California Environmental Quality Act

The proposed First Grant Disbursement Agreement will provide funding for planning and predevelopment work for the future construction of the Museum Space. The First Grant Disbursement Agreement is exempt from the California Environmental Quality Act ("CEQA") pursuant to Sections 15061(b)(3) and 15262 of the State CEQA Guidelines.

(Originated by Christine Maher, Development Specialist)

[Tiffany's signature]

Tiffany Rohee
Executive Director