COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 24-2020

Adopted as Amended at the Commission Meeting of September 15, 2020

CONDITIONALLY AUTHORIZING A FIRST AMENDMENT TO THE DECEMBER 14, 2010 GRANT AGREEMENT BETWEEN THE MEXICAN MUSEUM AND THE SUCCESSOR AGENCY TO EXTEND THE TERM BY EIGHTEEN MONTHS TO JUNE 14, 2022 AND AUTHORIZING THE TRANSMITTAL OF THE AMENDMENT TO THE OVERSIGHT BOARD OF THE CITY AND COUNTY OF SAN FRANCISCO

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 over a ten year period a total of $10,566,000 of Former Agency funding ("Grant Funds") 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 "enforceable obligations" under the Redevelopment Dissolution Law and is listed as item no. 151 on the Recognized Obligations Payment Schedule approved by the Oversight Board and 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. Approval of the grant disbursement agreements were in compliance with the Grant Agreement; and,

WHEREAS, The Oversight Board approved, by Resolution No. 2-2020 (January 27, 2020), the Successor Agency's expenditure of up to $7,757,235 of the Bond Proceeds, consistent with the bond indentures, through its approval of the Successor Agency's Recognized Obligations Payment Schedule 2020-21 item 151 (the "Grant Funds"); and

WHEREAS, The Successor Agency approved 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"), which, among other obligations, establishes the Museum's obligation to design and construct tenant improvements and other improvements related to the Museum Space. Subsequently, the Oversight Board and the California State Department of Finance approved the PSA (Resolution No. 8-2013. DOF October 3, 2013, Steve Szalay); 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 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 by the City; and,

WHEREAS, The Grant Agreement is still in effect, but will terminate on December 14, 2020; and,

WHEREAS, Redevelopment Dissolution Law requires successor agencies to: (1) "expeditiously wind down the affairs of the redevelopment agency… in accordance with the direction of the oversight board," Cal. Health & Safety Code § 34177(h); (2) "determine whether any contracts, agreements, or other arrangements between the dissolved redevelopment agency and any private parties should be terminated or renegotiated to reduce liabilities and increase net revenues to the taxing entities," Cal. Health & Safety Code § 34181(e); and (3) present proposed changes in agreements to the oversight board, which may approve "any amendments to or early termination of those agreements if it finds that amendments or early termination 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, 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; and

WHEREAS, The COVID-19 pandemic, as well as physical distancing and other public health measures undertaken in response to it, continue to affect individuals, businesses, cultural institutions, schools, and government agencies 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 is experiencing economic challenges as a result of the COVID-19 pandemic and the resulting negative impacts to the local, national and global economy, and,

WHEREAS, Accordingly the Commission finds it appropriate to provide relief by extending the timeframe for the Museum's performance of its obligations under the Grant Agreement; and,

WHEREAS, As described by the Museum in its letter of September 3, 2020 (Exhibit B), the completion and operation of the Museum Space will generate increased economic activity and associated tax revenues 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, The First Amendment requires the review and approval of the Oversight Board and the California Department of Finance to determine compliance with Redevelopment Dissolution Law's standard that modifications of existing agreements are in the best interest of the taxing entities, Cal. Health & Safety Code § 34181(e); and,

WHEREAS, The First Amendment is "in the best interest of the taxing entities," Cal. Health & Safety Code § 34181(e) because the action will assist in the completion of the Museum, which will generate increased economic activity and associated tax revenues from patrons and visitors to the Museum; and, WHEREAS, Authorizing the First Amendment to the Grant Agreement, which will extend the term of the Grant Agreement by eighteen (18) months to June 14, 2022, 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); now, therefore, be it

RESOLVED, That the Commission conditionally authorizes the Executive Director to enter into the First Amendment to the Grant Agreement to extend the term by eighteen (18) months to June 14, 2022, substantially in the form attached hereto as Exhibit A, to transmit the First Amendment to the Oversight Board and the Department of Finance for review and approval consistent with Redevelopment Dissolution Law, and to enter into any and all ancillary documents and take any additional actions necessary to consummate the transaction.

I hereby certify that the foregoing resolution was adopted by the Commission at its meeting of September 15, 2020.

____
Commission Secretary

Exhibit A: First Amendment to the 2010 Grant Agreement

Exhibit B: September 3, 2020 Letter of Request from The Mexican Museum to Nadia Sesay, OCII

FIRST AMENDMENT TO THE
GRANT AGREEMENT
BY AND BETWEEN
THE SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF
THE CITY AND COUNTY OF SAN FRANCISCO
AND
THE MEXICAN MUSEUM, A CALIFORNIA NON-PROFIT CORPORATION

This First Amendment to the Grant Agreement (the "First Amendment") is dated as of this ___ day of ____________, 2020, by and between the Successor Agency to the Redevelopment Agency of City and County of San Francisco, a public body organized and existing under the laws of the State of California (the "Successor Agency"), and The Mexican Museum, a California non-profit corporation ("Museum").

W I T N E S S E T H

This First Amendment is made with reference to the following facts and circumstances:

A. 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 over a ten year period up to $10,566,000 of Former Agency funding ("Grant Funds") 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. The Grant Agreement is dated as of December 14, 2010 (the "Effective Date") and is included as Exhibit A to this First Amendment and incorporated herein by reference.

B. 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).

C. The Grant Agreement requires the Museum to use the Grant Funds for "redevelopment activities" defined in the Community Redevelopment Law (Sections 33678(b), 33020, and 33021 of the California Health and Safety Code), and for purposes consistent with federal tax laws.

D. On February 1, 2012, the State of California dissolved all redevelopment agencies, including the Former Agency, and established successor agencies to assume certain rights and obligations of the former redevelopment agencies, Cal. Health & Safety Code § 34170 et seq. (the “Redevelopment Dissolution Law”). As a result, the Former Agency ceased to exist and the Successor Agency, assumed certain obligations of the Former Agency, including those “enforceable obligations” that were entered into prior to the suspension of redevelopment agencies’ activities, including the Grant Agreement.

E. 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. Approval of the grant disbursement agreements were in compliance with the Grant Agreement.

F. Pursuant to the four grant disbursement agreements, the Successor Agency disbursed, or will disburse, a total of $3,780,881 of Grant Funds, leaving a remaining balance of $6,785,119 of Grant Funds available under the Grant Agreement.

G. The Successor Agency has approximately $6,785,119 remaining n under the Grant Agreement (the “Grant Funds”).

H. Article 2 and Article 6 of the Grant Agreement establishes the term of the Grant Agreement as the tenth anniversary of the Effective Date (the “Term”), unless terminated earlier due to the full disbursement of Grant Funds. The Grant Agreement terminates on December 14, 2020.

I. The Museum has requested a one year extension of the Grant Agreement. Under Redevelopment Dissolution Law, the Oversight Board of the City and County of San Francisco ("Oversight Board") may direct, subject to review by the California Department of Finance, the Successor Agency to modify the Grant Agreement, if it finds that the modification would be in the best interest of the taxing entities, Cal. Health & Safety Code § 34181(e). The Oversight Board has found, by Resolution No. _______ (_______, 2020) that an extension of the Grant Agreement by one year is in the best interests of the taxing entities.

J. The Successor Agency and the Museum now wish to enter into this First Amendment to the Grant Agreement to extend the Term by one year to December 14, 2021.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Successor Agency and the Museum agree as follows:

1. The Grant Agreement shall be amended as follows:
    a. Article 2 is hereby deleted in its entirety and replaced with the following:
    "The term of this Agreement will commence on the Effective Date and will continue in full force and effect until the eleventh (11th) anniversary of the Effective Date, unless terminated earlier as described in Article 6, below (the "Term")."

2. <u>Miscellaneous</u>
    a. This First Amendment constitutes a part of the Grant Agreement and any reference to the Grant Agreement shall be deemed to include a reference to the Grant Agreement as amended by this First Amendment.

    b. Except as otherwise amended hereby, all terms, covenants, conditions and provisions of the Grant Agreement shall remain in full force and effect.

    c. The First Amendment shall be binding upon and inure to the benefit of the successors and assigns for the Successor Agency and the Museum, subject to the limitations set forth in the Grant Agreement.

3. Authority. The Successor Agency and the Museum each represent and warrant to the other party that it is fully empowered and authorized to execute and deliver this First Amendment, and the individual signing the First Amendment on behalf of such party represents and warrants to the other party that he or she is fully empowered and authorized to do so; and,

4. Counterparts. This First Amendment may be executed in any number of counterparts, all of which, together, shall constitute the original agreement; and,

5. Effective Date of First Amendment. This First Amendment shall become effective on the date that the California Department of Finance concurs with an Oversight Board resolution approving this First Amendment.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment on the date indicated above.

SUCCESSOR AGENCY:

Successor Agency to the Redevelopment Agency of the City and County of San Francisco, a public body organized and existing under the laws of the State of California

By: ____________________________
Nadia Sesay
Executive Director

GRANTEE:

The Mexican Museum, a California non-profit corporation

By: ____________________________
Andrew Kluger
Chair, Board of Trustees

APPROVED AS TO FORM:

By: _________________________
James B. Morales
General Counsel

APPROVED AS TO FORM:

By:________________________________
Victor M. Marquez, Esq.
General Counsel

Authorized by Commission Resolution No. __-2020 (adopted _____________, 2020) and Oversight Board Resolution No. ___-2020 (adopted _________ _____, 2020).

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September 3, 2020

VIA E-MAIL

Nadia Sesay
Executive Director
Office of Community Investment and Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Email Nadia.Sesay@sfgov.org

Commission on Community Investment and Infrastructure
Miguel Bustos, Chair
Mara Rosales, Vice Chair
Bivett Brackett
Dr. Carolyn Ransom-Scott
Attn: Commission Secretary
Office of Community Investment and Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Email: commissionsecretary.ocii@sfgov.org

Oversight Board of the City and County of San Francisco
Lisa Motoyama, Vice Chair
David Goldin, Member
Alex Randolph
Bevan Dufty
Attn: Board Secretary
Office of Community Investment and Infrastructure
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103
Email commissionsecretary.ocii@sfgov.org

Re: The Mexican Museum Grant Agreement - 706 Mission Street, San Francisco, CA - Extension Request

Dear Nadia:

On behalf of the Board of Trustees of the Mexican Museum, we are formally requesting a twelve month (12 month) extension of time to enable the Mexican Museum ("Mexican Museum" or "Museum") to preserve and spend down the remaining $6.78 Million Dollars from the December

14, 2010 Grant Agreement between the Mexican Museum and the Office of Community Investment and Infrastructure fka San Francisco Redevelopment Agency.

Through your office, we are formally requesting that the Commission on Community Investment and Infrastructure, as well as the Oversight Board of the City and County of San Francisco kindly grant the extension request being submitted herein.

Under the Grant Agreement, all funds were to be spent by December 14, 2020 for the development and construction of the Tenant Improvements and FF&Es for the cultural component of the 706 Mission Street Residential and Museum Project. The Museum is now requesting an extension to December 31, 2021.

Regrettably, the Mexican Museum has experienced operational hardships within the context of the COVID-19 pandemic crisis. In this regard, the Mexican Museum operations were forced to shut down for several months with the advent of the California Shelter-In-Place Order issued by Governor Newsom on or about March 16, 2020. In this vein, most businesses in the state shut down for months and many continue to operate with limited capabilities and capacity, including many in San Francisco. In fact, with the recent spike in COVID-19 infections in California and in the entire United States, the challenges for the Mexican Museum and the arts world in general continue to be detrimental in many ways.

Specifically, the Mexican Museum's fundraising efforts have encountered negative impacts due to the unprecedented pandemic. This has been a challenge that the art world, the business world, the government sector and our local and national communities have and continue to undergo. Food, shelter, and economic relief concerns have become paramount local and national priorities because of the pandemic, and understandably so. It is wonderful to know that Mayor Breed and her administration remain committed to arts and culture as evidenced by the recent award of over $12 Million dollars to the city's arts community.

It is within the COVID-19 pandemic crisis context that we respectfully submit this request for the Commission on Community Investment and Infrastructure, as well as the Oversight Board of the City and County of San Francisco to kindly approve the Mexican Museum's request for an extension of time of 12 months to enable the Museum to retain the grant funds and proceed with the development and construction of its new home at 706 Mission Street.

During this extension, the architects of record, Gutierrez|Associates will be able to complete the schematic phase through drawing documents. The Museum will also engage the General Contractor to build out the tenant improvements & FF&Es. We anticipate that all permits will be on hand to begin construction by no later than early fall of 2021 at which time all building materials will be ordered and the $6.78 Million Dollar Grant funds will be spent prior to December 14, 2021.

Accordingly, we formally herein request an extension of time to spend the OCCI Grant Funds in the amount of $6.78 from December 14, 2020 to December 31, 2021.

The grant extension to preserve the grant funds will facilitate the completion of the build out of the tenant improvements and FF&Es for the future home of the Mexican Museum at 706 Mission Street. As you know, the core and shell for the Museum is now complete. Hence, the extension of time will enable the Museum to complete the interior space of the Museum. As stated above, our architectural team will complete the schematic, design development and working drawings to enable the start of construction within the 12-month extension period.

The importance of the Mexican Museum cultural space cannot be overstated as it is a way in which the City & County of San Francisco is advancing cultural equity and promoting diversity and inclusion at the Yerba Buena Gardens Arts District. The Mexican Museum is the final bookend to a social and cultural destination at the Yerba Buena Gardens - one of our country's most successful redevelopment projects. The Mexican Museum will join the Contemporary Jewish Museum, the Museum of African Diaspora, the Yerba Buena Center for the Arts, The California Historical Society, the Children's Museum, SFMOMA, and the Filipino Cultural Center and other institutions in what is a vibrant cultural, artistic, retail and educational destination.

The Mexican Museum will attract thousands of local, regional, national and international visitors on an annual basis. This will most certainly help drive foot traffic to the area, including but not limited to:

- The use of Bart, Muni, and Cal-Train, not only by residents of San Francisco but from across the entire Bay Area. The ridership and thereby revenue for the transportation authorities will increase.
- For families driving into the Museum, there will be a generation of additional toll fees for both the Golden Gate Bridge and the Bay Bridge.
- For families driving to the Museum, the use of local parking will increase, including the additional use of the Jesse Square Garage and the Third Street and Mission parking garage.
- Ticket sales and use of the Museum store and café will create additional sales taxes.
- Many visitors to the Museum will also be using hotel nights at our local hotels thereby increasing the hotel tax base. The Museum exhibitions will attract and bring visitor from up and down the state which will lead to the use of local hotels. Moreover, given the relationships the Museum has established with Mexican institution and its ties to the Mexican Counsel in San Francisco and other Latin American Counsels, international visitors will similarly drive the need for hotel room nights.
- SFO and the Oakland Airports will also benefit from increased ticket sales generated by visitors coming to the Museum from Southern California, outside of the state, and from international destinations.
- The additional foot traffic will also drive the use of local shopping destinations such as Metreon and Union Square thereby driving sales taxes.
- The Yerba Buena area has a thriving culinary community. The local restaurants and eateries will benefit from the Museum's visitors.
- Special Events – the Museum will be a much desired destination for special events, including corporate events, weddings, and fundraising events, as well as events for conventioneers attending events at the Moscone Center Convention halls. The special events will also create additional service and sales tax revenue.

- The Museum will create greater synergy with the other cultural and artistic destination leading to more ticket sales by neighboring sister organizations.
- Conventioneers will have an additional amenity where they can visit during their convention.
- Economic Development and Job Creation – the Mexican Museum will be generating a significant number of full time and part time jobs which will generate payroll taxes.

The foregoing is a partial list of all the economic benefits both in the tax base but also in the creation of local and regional jobs that will add to the local economy and to the City, County and State tax base. In this vein, enabling the Museum to complete and begin operations of the Museum will be in the best interests of the taxing entities. The tax benefit generated by the activities tied to the Museum and having the Museum completed will have a greater benefit to the local economy than if the Museum is not completed.

Moreover, given that over $30 Million Dollars have already been spent on developing and building the core and shell for the Museum space, the prior investment highlights the fact that the total economic investment for the Museum project is a significant investment in the City's cultural and artistic community which is an important driver for local residents, conventioneers and tourists as well – all which help drive the local economy as highlighted above.

The Mexican Museum, with the support of the Office of Community Investment and Infrastructure, engaged AECOM (https://aecom.com/about-aecom/) to prepare a feasibility study. Over $200,000.00 dollars were spent on this study, which was approved by and through the staff of the Office of Community Investment and Infrastructure on a reimbursement and disbursement basis. The AECOM feasibility study projected close to 100,000 visitors per year to the Museum. This number of visitors supports the above outlined benefits to the Yerba Buena Gardens district and to the City as a whole. Enclosed is a copy of the AECOM study.

In addition, as an economic development project, the following is the projected number of jobs that will be created:

Full time Positions: 33

1 Director

1 Deputy Director

2 Finance

2 Operations

2 Facilities

3 Development

2 Memberships

3 Curatorial Department

3 Collections Management

1 Preparator and Exhibition Design

2 Public Programs and Visitor Experience

3 Education

3 Marketing and Communications

5 Supporting Staff

Part-time: 40

10 Gallery Attendant

10 Visitor Experience

10 Special events - On-call

5 Preparators and Exhibition Installation- On-call

5 Security

We hope this is helpful information to both the Commission on Community Investment and Infrastructure, as well as the Oversight Board of the City and County of San Francisco.

In closing, we also would like to highlight the fact that COVID-19 has had a disproportionate impact in the infection rates for the Latino community in San Francisco and in the region. It is the hardest hit racial and ethnic community. The Mexican Museum is a beacon of hope for the local and regional community and it will provide educational opportunities to future generations of San Franciscans and Californians. In a time where our community is devastated by the COVID-19 pandemic, we hope that the Commission on Community Investment and Infrastructure, the Oversight Board of the City and County of San Francisco, and the California Department of Finance will see the importance of preserving the $6.78 Million Grant Funds for the Mexican Museum to work with the City and the Developer to complete the new cultural space which is the future home of the Mexican Museum.

If you have any questions or concerns, or need additional information, please do not hesitate to contact me at either (415) 314-7831 and/or at victor.marquez@squirepb.com.

Truly yours,

Squire Patton Boggs (US) LLP

Victor M. Marquez
Partner

Enclosure: Business Planning for the Mexican Museum Final Report.

Business Planning for the Mexican Museum
Final Report

March 2015

THE MEXICAN MUSEUM

AECOM

General and Limiting Conditions

- Every reasonable effort has been made to ensure that the data contained in this report are accurate as of the date of this study; however, factors exist that are outside the control of AECOM and that may affect the estimates and/or projections noted herein. This study is based on estimates, assumptions and other information developed by AECOM from its independent research effort, general knowledge of the industry, and information provided by and consultations with the client and the client's representatives. No responsibility is assumed for inaccuracies in reporting by the client, the client's agent and representatives, or any other data source used in preparing or presenting this study.
- This report is based on information that was current as of March 2015 and AECOM has not undertaken any update of its research effort since such date.
- Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by AECOM that any of the projected values or results contained in this study will actually be achieved.
- Possession of this study does not carry with it the right of publication thereof or to use the name of "AECOM" or “Economics Research Associates” in any manner without first obtaining the prior written consent of AECOM. No abstracting, excerpting or summarization of this study may be made without first obtaining the prior written consent of AECOM. Further, AECOM has served solely in the capacity of consultant and has not rendered any expert opinions. This report is not to be used in conjunction with any public or private offering of securities, debt, equity, or other similar purpose where it may be relied upon to any degree by any person other than the client, nor is any third party entitled to rely upon this report, without first obtaining the prior written consent of AECOM. This study may not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from AECOM. Any changes made to the study, or any use of the study not specifically prescribed under agreement between the parties or otherwise expressly approved by AECOM, shall be at the sole risk of the party making such changes or adopting such use.
- This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Table of Contents

I. Introduction and Scope of Work

- The Mexican Museum was founded in 1975 by San Francisco artist Peter Rodriquez, in the heart of the Mission District. It subsequently moved to Fort Mason in 1982, where it has developed a permanent collection of over 14,000 objects which includes Pre-Hispanic, Colonial, Popular, Modern and Contemporary Mexican and Latino, and Chicano Art. The museum's vision is based on a broad understanding of the Mexican, Chicano, and Latino experience and includes art, culture, history, and heritage.

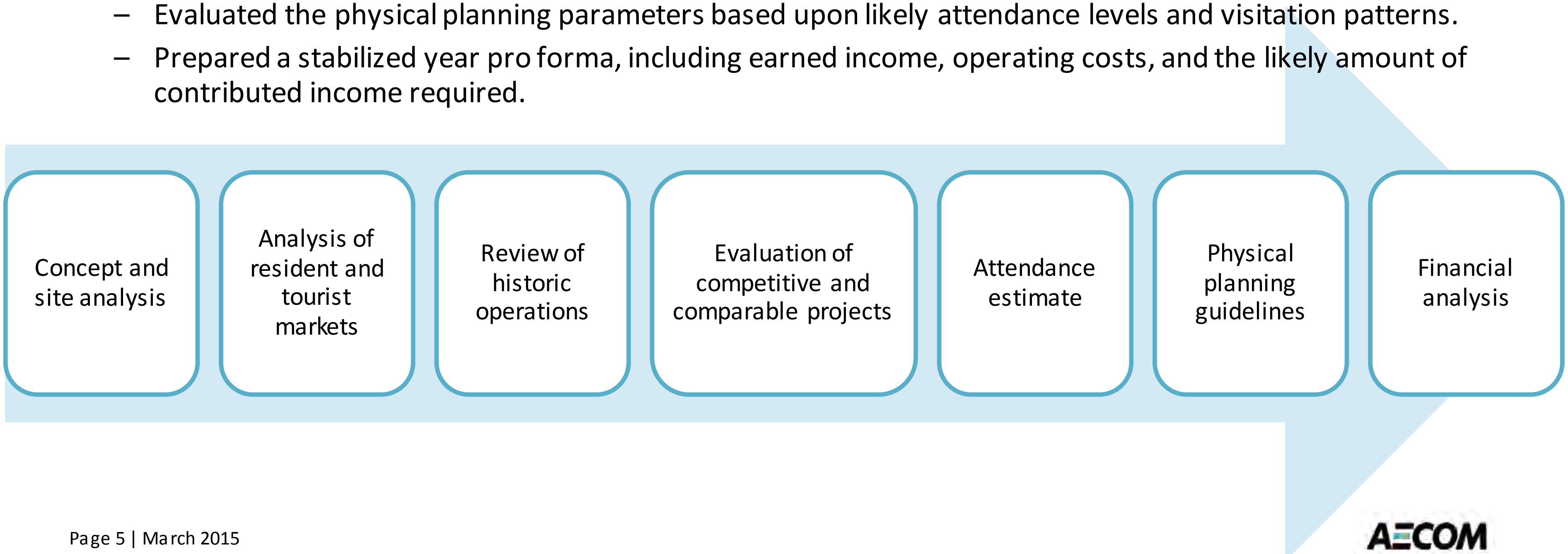
- The Museum currently has a unique opportunity to expand and move to a permanent home on the first few floors of a new Millennium Partners residential building located at 3rd and Mission, and is anticipated to open in 2018. The move to this new space will provide an opportunity to be located in a prime San Francisco location in the heart of the Yerba Buena Cultural District, near other museums, and with access to residents, tourist, and key transit stations. It will also provide additional space that will help the museum achieve its full potential.

- At this point in the planning process, The Mexican Museum retained an AECOM team to assist with business planning, strategic planning, and space programming. Forrec, an international firm specializing in planning for museums and attractions, conducted the space programming as part of AECOM's team.

- This report summarizes key findings from AECOM's market and financial analysis.

Introduction and Scope of Work

- As part of this assignment, AECOM conducted the following tasks:
  - Assessed the Mexican Museum expansion concept through meetings with key stakeholders and a review of all design and concept documents.
  - Met with existing museum staff and Board leadership to understand historic museum operations, as well as the vision and goals for the new facility.
  - Evaluated the size and demographics of the resident and tourist markets available to the expanded museum.
  - Conducted detailed benchmarking for a variety of comparable institutions in the United States.
  - Assessed the competitive environment locally through an examination of the performance of cultural institutions and other attractions in the Bay Area.
  - Estimated future attendance potential for expanded Mexican Museum.
  - Evaluated the physical planning parameters based upon likely attendance levels and visitation patterns.
  - Prepared a stabilized year pro forma, including earned income, operating costs, and the likely amount of contributed income required.



AECOM

II. Concept Overview

- AECOM's reviewed the concept and facility plans for the new Mexican Museum in order to understand the implications for market, attendance, and financial potential. Key assumptions and characteristics are included within this section.

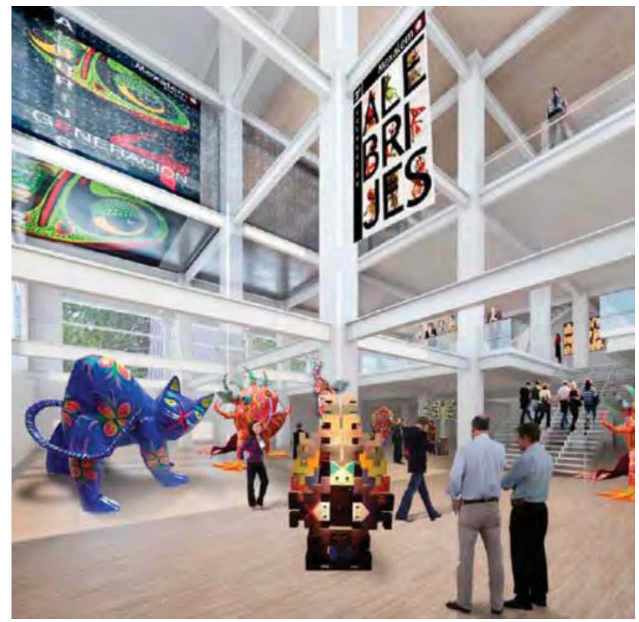
- The new facility includes approximately 64,000 gross square feet on four floors of the Millennium Partners new residential building. Total estimated exhibit area is 15,800 with another 4,500 square feet of education space including a conservation room, classrooms, and hands on activity center. For this analysis, we have assumed approximately 19,000 square feet of active public space divided between two floors.

- Current facility plans are still being developed, but include significant education and programming space, as well as an amphitheater style interior performance and programming area.

- The museum is scheduled to open in 2018.

- Visitor experience and exhibits are still under development. However, they will integrate the museum's collection. Signature experiences, storylines, interactivity, and the exhibits budget is not yet determined.

Source: Project location rendering by Handel Architects



Source: Preliminary Rendering by Enrique Norten, TEN Architectos

AECOM

Concept Overview: Key Assumptions

Understanding of Current Concept

- The Mexican Museum collection includes some 14,000 objects in five broad categories: Pre-Hispanic Art, Colonial Art, Popular Art, Mexican and Latin American Art, Mexican American, Chicago and Latino Contemporary Art.
- The museum is exploring re-branding, using a name that will incorporate its broader mission including the Mexican and Latin American experience.
- The museum will include approximately 19,000 square feet of exhibition space and offer a wide range of educational programs in various education spaces.
- The museum will host travelling exhibitions and include a gallery amphitheater space for public programming and performances.
- A space that can host external facility rentals where food and beverage can be served is currently assumed.
- A retail store of 1,600 square feet on the ground level is planned.
- Two restaurant spaces, one with Mission Street frontage and entry of 1,900 square feet and an interior café accessible from the museum lobby of 800 square feet.

Important Considerations

- While the visitor experience is still under development, we have made several assumptions as part of our analysis.
  - High quality exhibits will be developed to create a meaningful visitor experience that tells the stories of the Mexican and Latino / Latin American experience.
  - The museum will incorporate art, culture, and history in an interesting and compelling way.
  - The museum will incorporate signature experiences or "must see" elements that will draw visitors.
  - Multimedia experiences and technology will be incorporated to create an interactive and immersive visitor experience.
  - The museum will spend sufficient budget to create high quality visitor experiences.
  - Traveling exhibitions and changing exhibitions will be part of the museum's program.

Concept Overview: Assessment of Strengths and Challenges

Strengths and Opportunities

- The Mexican Museum has the potential to be unique in the San Francisco market, as there is no other major Mexican or Latin American museum in the market.
- The museum has a rich history to build upon and an existing collection.
- Compared to many of its specialty museum neighbors, such as the California Historical Society, Museum of the African Diaspora, and the Contemporary Jewish Museum, the facility has larger amount of exhibit area.
- Relocating and expanding into a new building is tremendous opportunity to reinvent , draw new audiences, fundraise, re-brand, and create new visitor experiences.
- Expanding to incorporate the broader Latin American experience will allow the museum to attract a wider audience.

Challenges and Threats

- The building's systems run through the a core in the center of the museum, which creates a somewhat segmented exhibit area. Building heights may limit the types of changing and traveling exhibitions that can be held at the museum.
- While the facility is a good size, the exhibit area is somewhat limited due to the building layout, so the exhibit area is less than one-third of the gross area. Programming will be essential to drawing visitors.
- The concept for the visitor experience not yet developed. It will be important to the business planning effort to develop a more concrete exhibit design and visitor experience plan, along with an exhibits budget.

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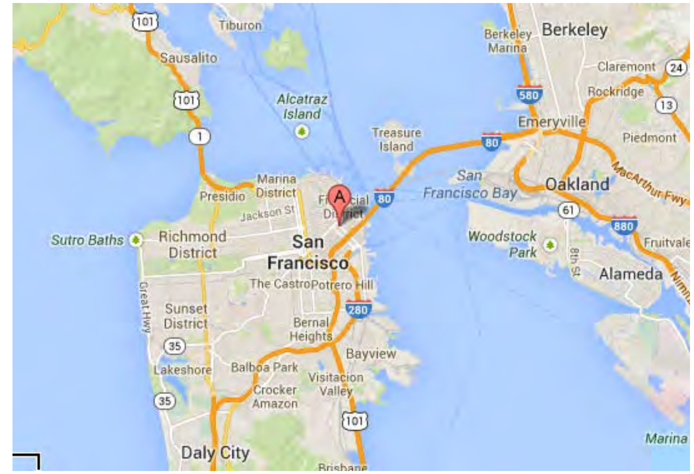
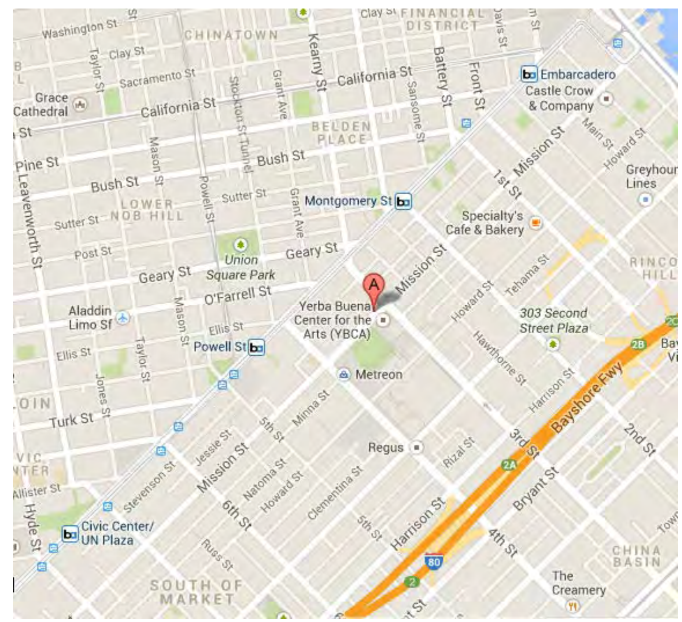
III. Site Assessment

- AECOM assessed key characteristics of the site for the Mexican Museum, focusing on implications for attendance and financial potential.
- The museum will be located within the Millennium Partners residential tower development at 706 Mission Street. It is partially located in a historic building, with the main ticketing lobby on the second floor.
- The museum is located adjacent to Jessie Square and the Contemporary Jewish Museum.
- The museum is directly across from the Yerba Buena Center for the Arts and other cultural institutions and attractions that drive major visitation.
- The site is at a major intersection of 3rd and Mission Streets.
- In addition to other cultural institutions, the location is in close proximity to Moscone Convention Center, hotels, and retail.
- By joining existing cluster of cultural organizations, the museum is benefiting from public transportation, onsite pedestrian traffic, and adjacent complimentary uses.





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Site Assessment: Strengths and Challenges

Strengths and Opportunities

- The museum is in a highly visible location at a major intersection in a vibrant neighborhood.
- The museum is located in an existing cultural district with a critical mass of other cultural institutions, including SF MOMA, which is currently undergoing an expansion, and several specialty museums.
- The location adjacent to Jessie Square provides an opportunity for public events and outdoor programming.
- The museums will be surrounded by a tremendous amount of existing retail, restaurants, and entertainment.
- Proximity to Moscone Center and its proximity to downtown and South of Market office buildings will generate demand for external facility rentals.
- The site has exceptional access to the tourist market.
- There is good access for San Francisco and Bay Area residents via MUNI and BART. There are many parking garages nearby.

Challenges and Threats

- Perception for Bay Area residents outside San Francisco is that the area has traffic and difficult parking.
- The lack of a large, ground floor lobby entrance makes signage and visibility extremely important to the design process.
- There is no direct access between the restaurant and museum, however an interior café accessible from the museum lobby with coffee or limited “grab and go” food options can keep visitors in the building longer.

IV. Review of Historic Operations

- The Mexican Museum has had long and varied history. It was first founded in 1975, moved to Fort Mason in 1982, closed in the mid-2000s, and reopened in 2009.
- Very little information is available on attendance history and performance metrics.
- At its largest footprint, the Fort Mason facility included 10,000 gross square feet and 3,000 square feet of exhibition space.
- The estimated average annual attendance in peak years during the 1990s was approximately 20,000 visitors:
  - Estimates for visitor origin indicate that attendance was predominately from the resident market (85 percent), with a limited number of tourists (15 percent).
  - The core audience has been fairly diverse, with close to 40 percent of attendance from the Latino market, and 40 percent White, with the remaining 20 percent from Asian American and African Americans. The best attended exhibition was Frida Kahlo with some 25,000 visitors.
- Admission to the museum has always been free.
- The budget in the early 1990s was approximately $1.2 million and $120 per gross square foot.
- Retail performance in peak years was strong with gross retail sales of $200,000 in a 1,000 square foot store (La Tienda), translating to per capita revenues of nearly $9 and sales per square foot of $200.

V. Review of Available Markets

- The size and characteristics of the resident and tourist markets from which a cultural institution draws its attendance are important factors in determining the potential audience demand.
- As part of our attendance and financial analysis for the Mexican Museum, AECOM researched and analyzed both the resident and tourist markets in the Bay Area region. AECOM collected data on historical resident population, projected resident market population growth and demographics, and tourism levels and characteristics.

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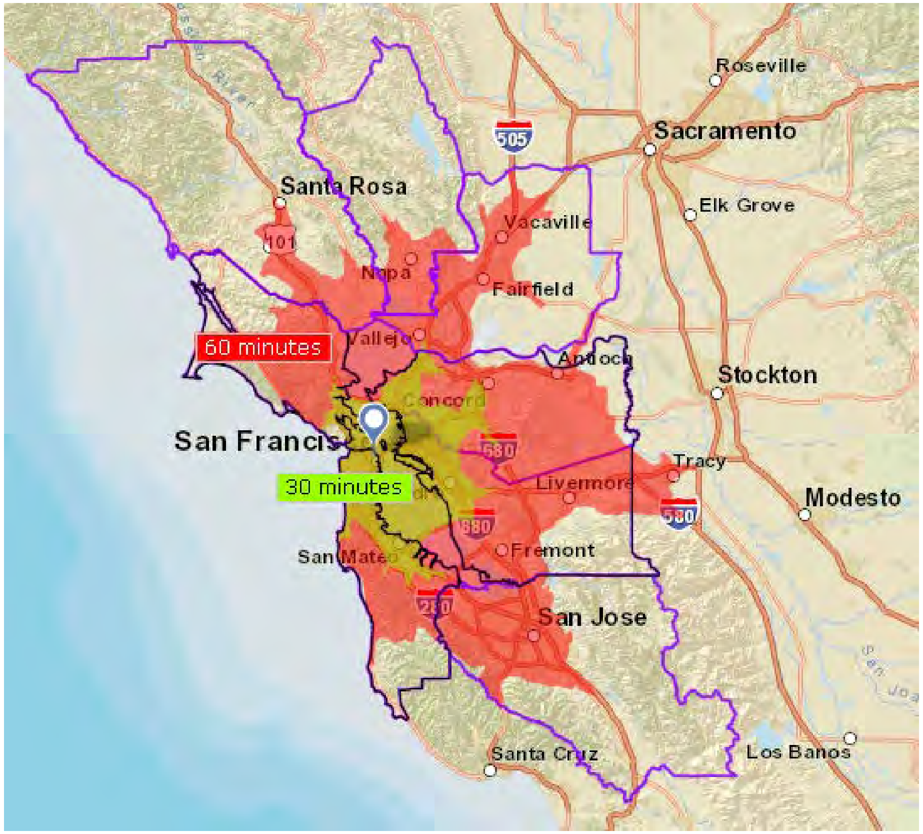
Review of Available Markets: Resident Market Definition

- Visitation to cultural institutions has a direct relationship to market proximity
- For the purposes of this study, AECOM has divided the resident market for Mexican Museum into two sub-market segments—primary and secondary markets—based on distance from the project site:
  - Primary market: Up to a 30 minute drive time from site, includes all of San Francisco County, and the adjacent portions of bordering Marin, Alameda, San Mateo, and Contra Costa counties.
  - Secondary market: 30 to 60 minutes from the project site, includes most of the five county MSA and reaches into all of the nine counties of the greater Bay Area.
  - Residents travelling from farther than the secondary market generally stay overnight and are included as part of the overnight visitor market for benchmarking purposes. We understand that people from further away may still come to San Francisco as day-trippers, but the penetration rates in our attendance analysis account for this overlap.



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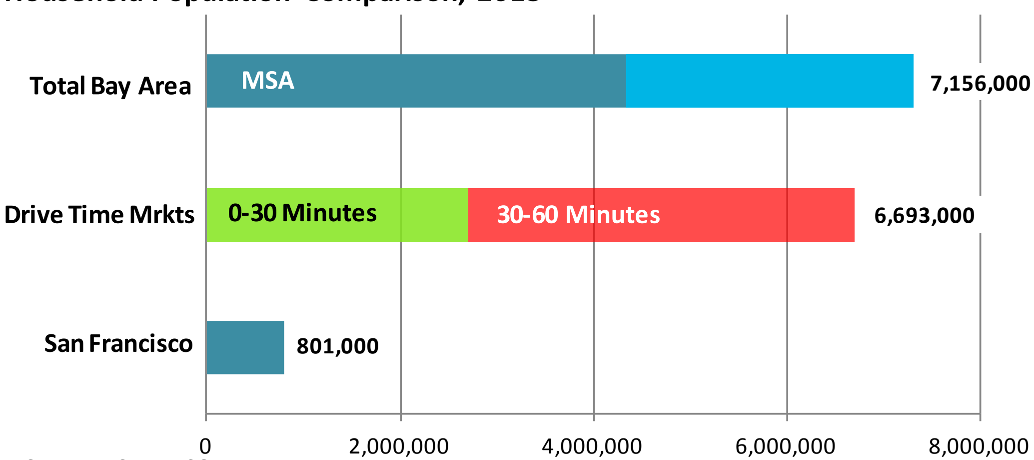
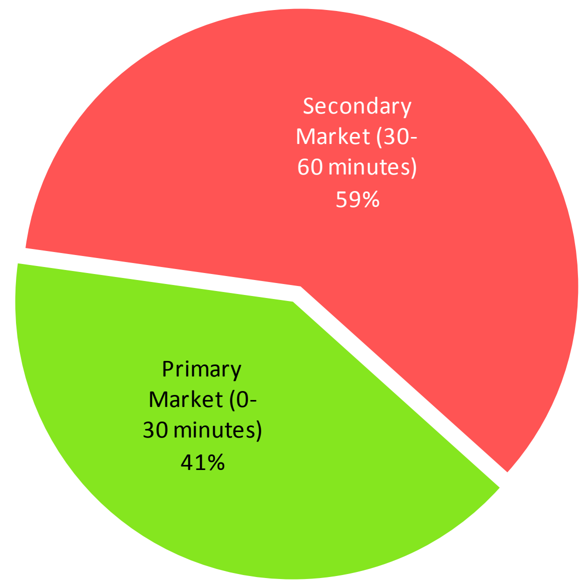
Review of Available Markets: Primary and Secondary Markets

- The total resident market includes 2.5 million households, with a total household population of 6.7 million in 2013.
- Approximately 41 percent of the resident population is in the primary market and 59 percent is in the secondary market.
- Household size is slightly smaller in the primary market with 2.48 persons per household, compared to 2.87 in the secondary market
  - Household size among the region's Hispanic population is much larger (3.57 persons)
- In comparison, the nine-county Bay Area has a total household population of 7.2 million with 4.3 million within the San Francisco MSA.

Household Population Comparison, 2013



Source: ESRI, AECOM

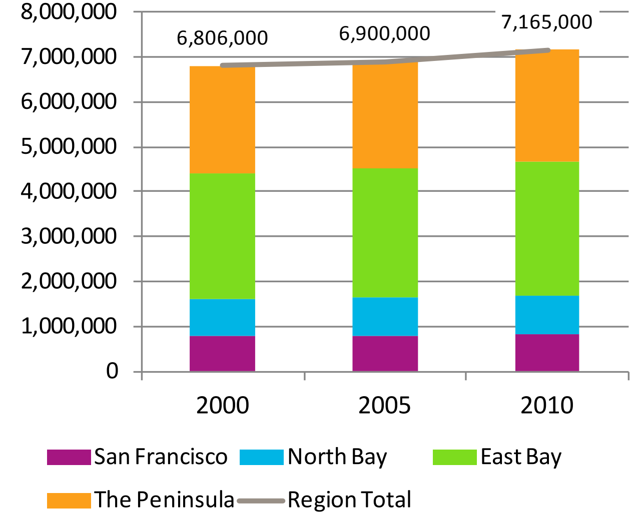


Source: ESRI, AECOM

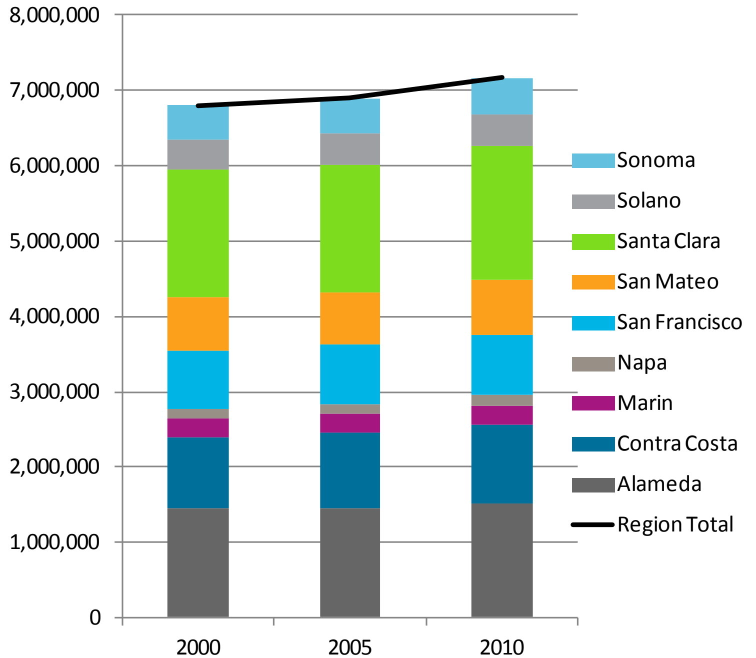
Review of Available Markets : Regional Population Growth

- The nine-county region Bay Area grew from 6.8 million in 2000 to nearly 7.2 million in 2010 at an average rate of 0.5 percent annually.
- East Bay and South Bay/Peninsula locations have the largest population centers and the strongest growth.
- San Francisco's population has stayed relatively stable.

Historic Population Growth



Historic Population Growth by County



County	2000	2010	CAGR 2000-2010
Alameda	1,449,000	1,513,000	0.44%
Contra Costa	954,000	1,052,000	0.99%
Marin	247,000	253,000	0.21%
Napa	125,000	137,000	0.94%
San Francisco	779,000	806,000	0.35%
San Mateo	708,000	720,000	0.16%
Santa Clara	1,687,000	1,786,000	0.57%
Solano	396,000	413,000	0.42%
Sonoma	460,000	484,000	0.50%
Region Total	**6,806,000**	**7,165,000**	**0.52%**

Source: State of California, Department of Finance, Race/Ethnic Population with Age and Sex Detail, 2000–2010. Sacramento, California, September 2012.

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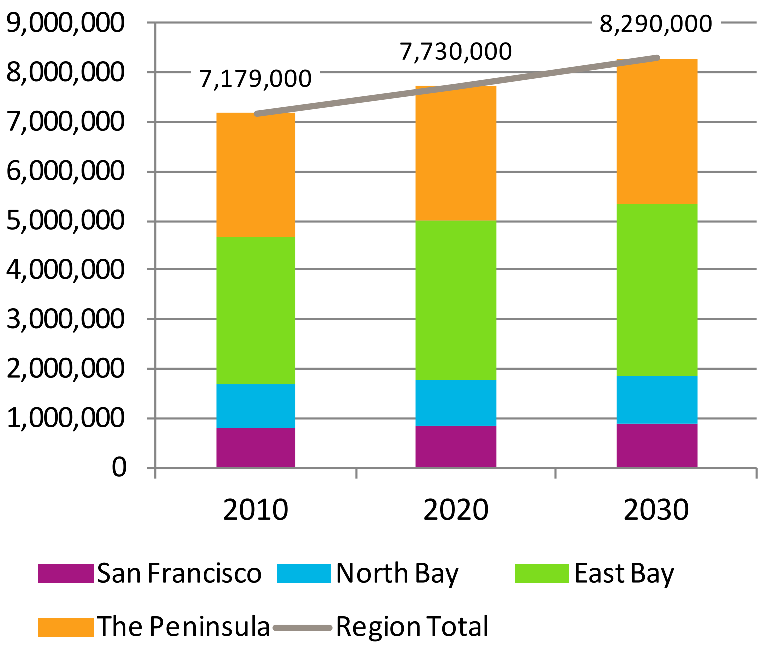
Review of Available Markets : Resident Market Growth Projections

- Household population in the Bay Area is expected to grow slowly in the next 20 years, from 7.2 million in 2010 to nearly 8.3 million in 2030.
  - Contra Costa and Santa Clara counties have the highest projected growth at 0.85 percent annually.
  - San Francisco County is forecasted to grow at 0.58 percent annually.

Projected Population Growth



County	2010	2020	2030	CAGR 2010-2030
Alameda	1,517,018	1,641,002	1,748,984	0.71%
Contra Costa	1,065,506	1,156,349	1,257,853	0.83%
Marin	248,866	251,730	255,963	0.14%
Napa	135,106	142,330	150,225	0.53%
San Francisco	797,677	849,294	895,423	0.58%
San Mateo	720,615	768,181	826,794	0.69%
Santa Clara	1,788,765	1,960,749	2,132,922	0.88%
Solano	419,909	451,358	486,311	0.74%
Sonoma	485,342	509,125	535,669	0.49%
Region Total	7,178,801	7,730,119	8,290,144	**0.72%**

Source: State of California, Department of Finance, January 2013 and Association of Bay Area Governments (ABAG).

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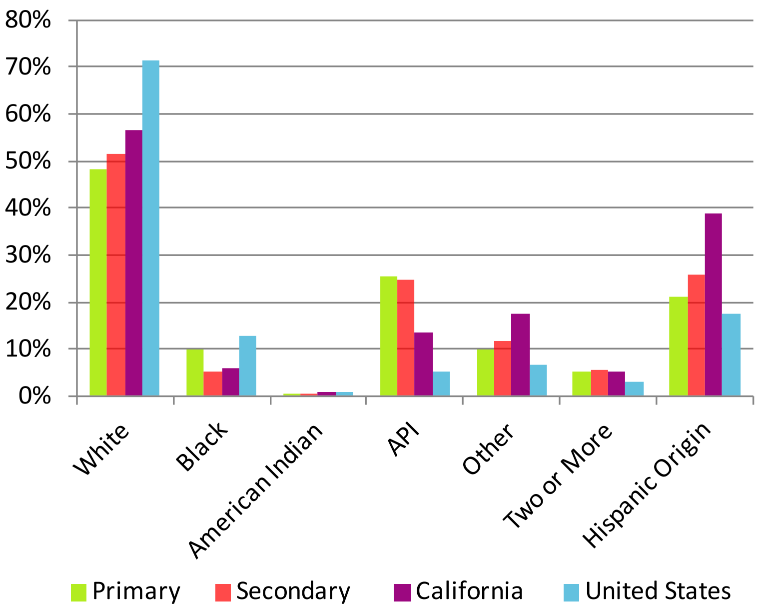
Review of Available Markets : Resident Market Race and Ethnicity

- The resident market is approximately half White, one quarter Asian/Pacific Islanders, and 20 to 25 percent of Hispanic origin.
- The race profile in the resident market is similar to California, with greater diversity. California has a much higher percent Hispanic origin (close to 40 percent). Given the number of tourists who come from California, this could be a positive factor, as the museum could draw tourists specifically interested in the new museum.
- Hispanic population in San Francisco is more diverse than the greater Bay Area, with 50 percent Mexican, 13 percent Salvadoran, 7 percent Nicaraguan, and a mix of other ethnicities. Comparatively, the MSA Hispanic population is two-thirds Mexican.

Distribution by Race and Ethnicity



Source: ESRI, AECOM

Hispanic Population by Ethnic Group, 2012

	San Francisco		MSA	
	Total	% Total	Total	% Total
Mexican	62,700	51%	643,900	67%
Salvadoran	16,500	13%	80,600	8%
Nicaraguan	8,100	7%	31,300	3%
Guatemalan	5,600	5%	34,600	4%
Puerto Rican	4,200	3%	26,300	3%
Peruvian	3,900	3%	19,200	2%
Spaniard	3,300	3%	21,200	2%
Honduran	3,000	2%	8,200	1%
All other	16,700	13%	93,700	10%
Total Hispanic Population	**124,000**	100%	**959,000**	100%
% Total Population	**815,000**	15%	**4,399,000**	22%

Source: U.S. Census Bureau, 2008-2012 American Community Survey

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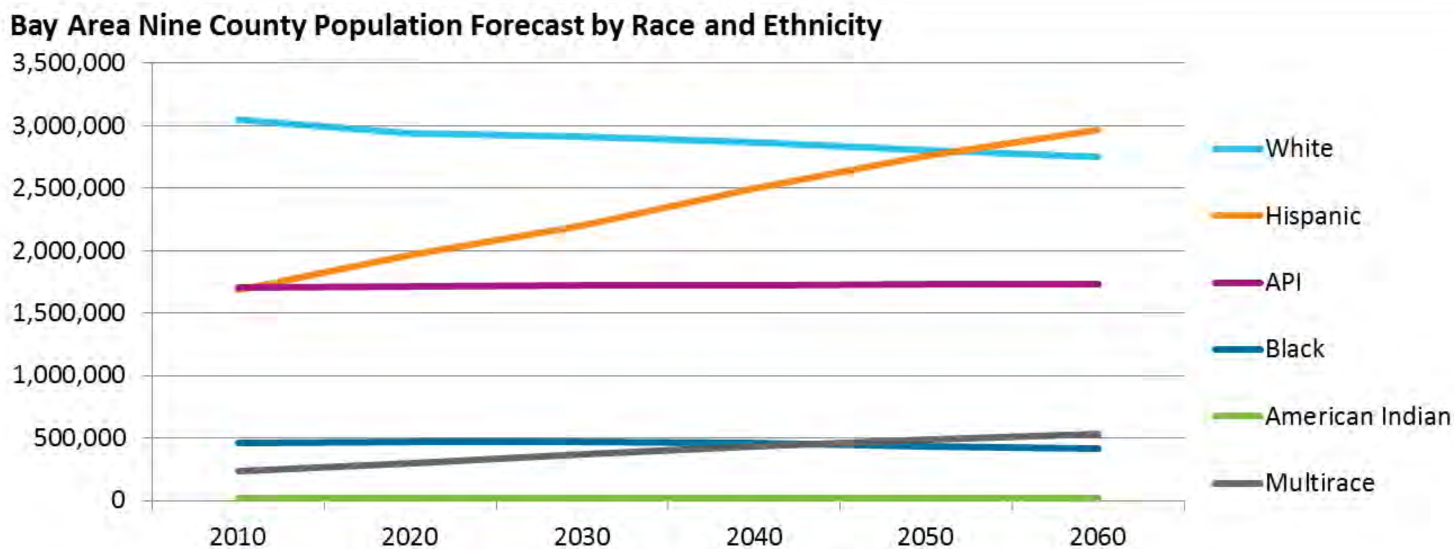
Review of Available Markets: Bay Area Hispanic Population Growth

- Museums that focus on the experience of a specific culture or population typically generate between 25 and 50 percent of their attendance from that group. Many museums nationally are located in regions with significant growth in the Hispanic market, but few have been able to successfully increase their Hispanic market attendance. In Appendix A, we have included research which has been conducted about the Hispanic audience for museums. In this section, we review key characteristics of the Bay Area Hispanic market.
- The Bay Area Hispanic population is projected to grow faster than any race category, from 1.7 million in 2010 to nearly 3 million by 2060.
  - The Hispanic population is projected to grow from 24 percent in 2010 to 33 percent of the total population by 2060.
  - The Hispanic population growth accounts for over 60 percent of total growth from 2010-60.
  - The Hispanic population will replace Asian & Pacific Islanders as the largest minority population by 2020, becoming the racial majority by 2060.



 Source: State of California, Department of Finance, January 2013

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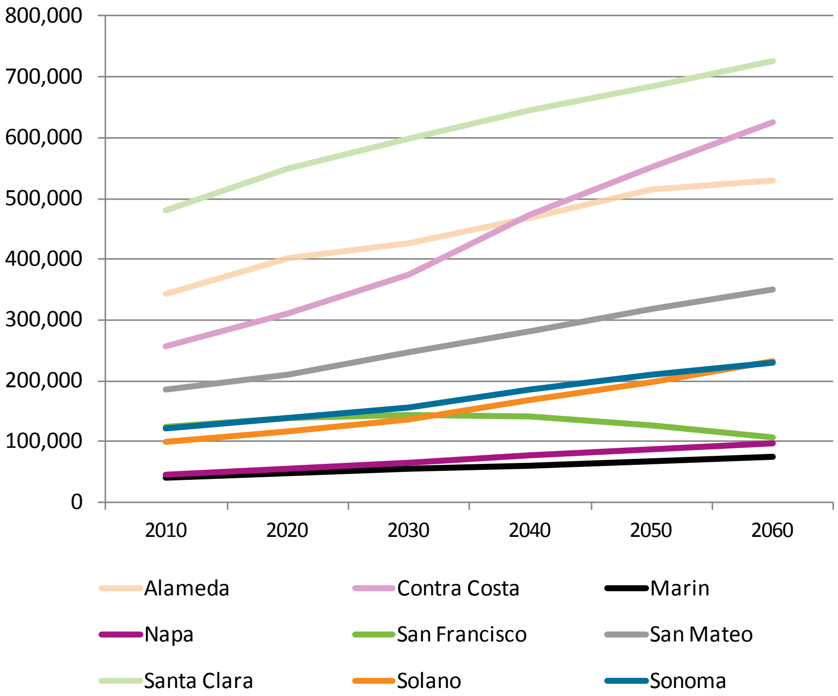
Review of Available Markets: Hispanic Population Forecast by County

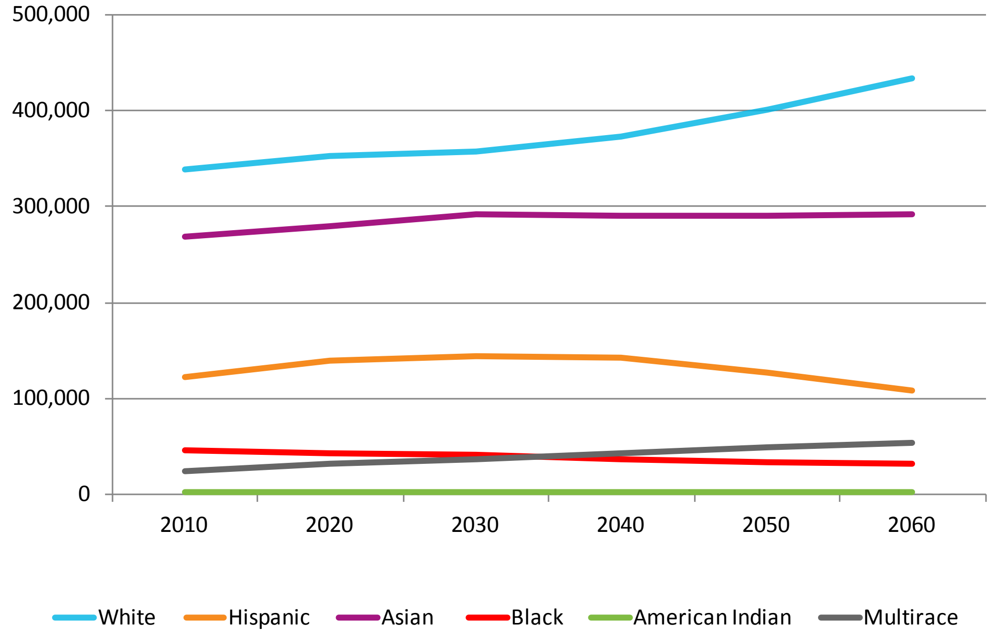
- The Hispanic population is projected to grow in all counties except San Francisco, with the highest growth forecast in Santa Clara County.

Hispanic Population Forecast by County



Source: State of California, Department of Finance, January 2013

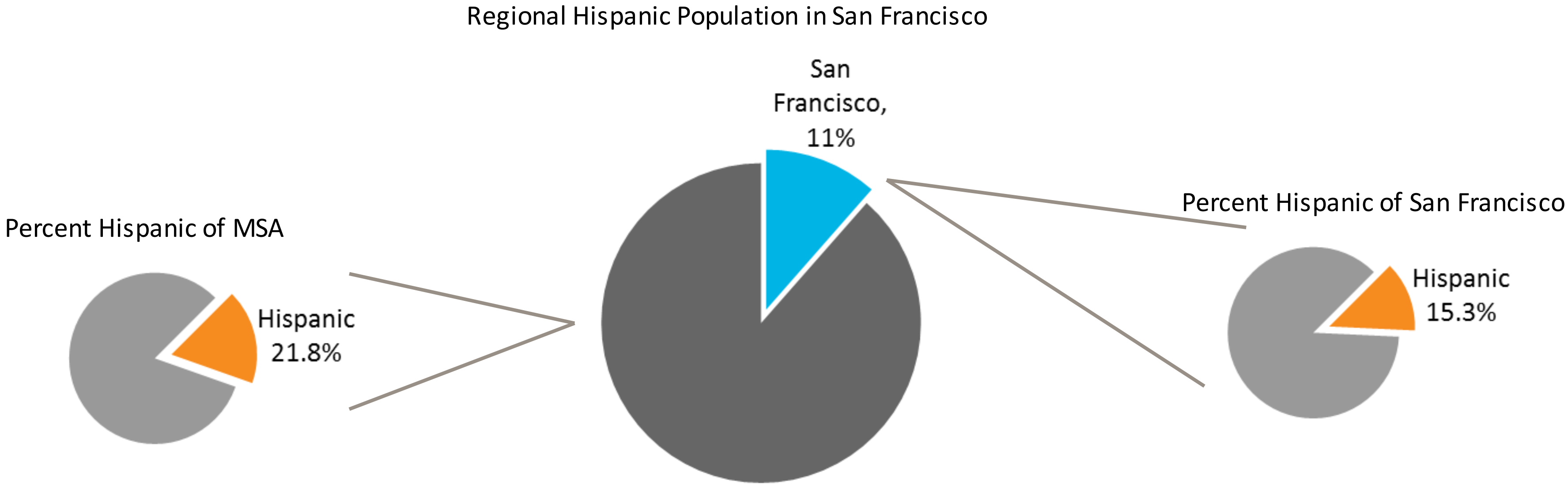
San Francisco County Population Forecast by Race and Ethnicity



Source: State of California, Department of Finance, January 2013

Review of Available Markets: Hispanic Population in MSA and San Francisco

- Only one in ten of the total MSA Hispanic population lives in the City of San Francisco.
- Within San Francisco, 15 percent of residents are Hispanic compared to nearly 22 percent in the MSA.



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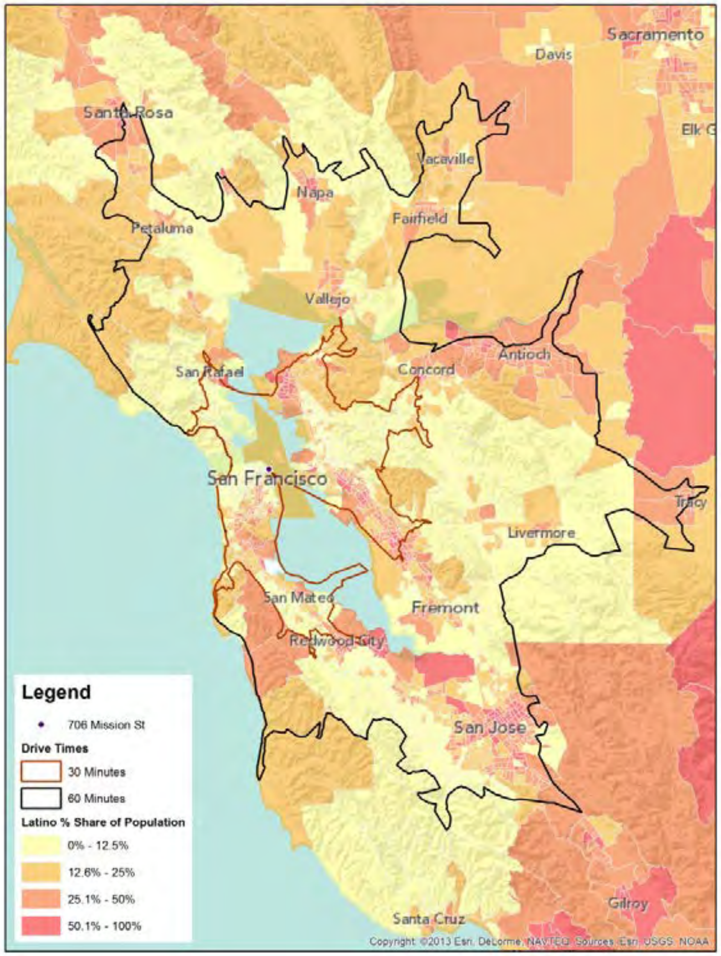
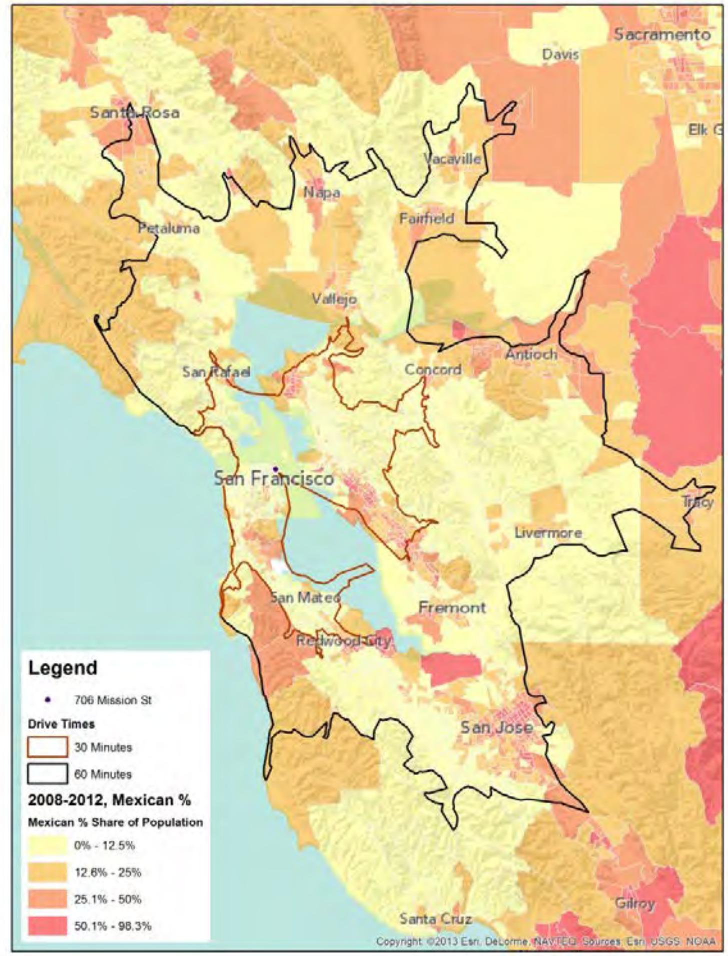
Review of Available Markets: Hispanic and Mexican Percent of Total Population

- AECOM mapped population densities of the Hispanic and Mexican populations in the Bay Area by zip code for the latest available census data.

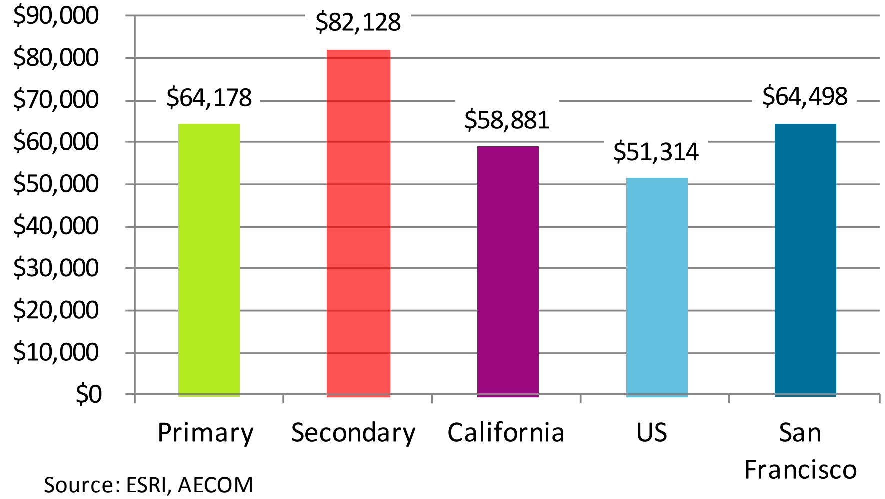




Review of Available Markets : Median Household Income

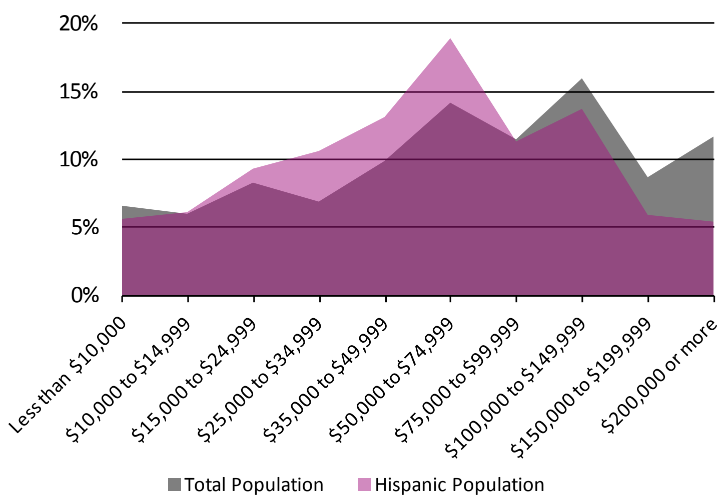
- Median household income is higher in primary and secondary markets than California and US. The secondary market, in particular, has very high incomes, with a median household income of $82,128 compared to $58,881 for California.
- Income for San Francisco and MSA Hispanic populations is lower than the overall population. Household income distribution indicates a larger working and middle class population in the Hispanic market.

Median HH Income

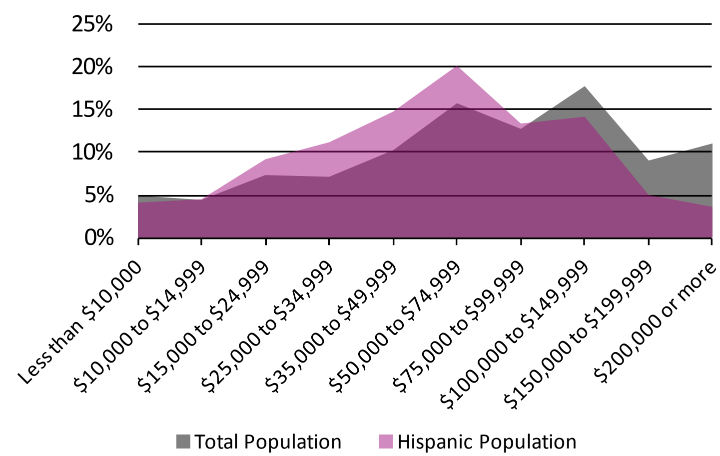


Source: ESRI, AECOM

San Francisco HH Income Distribution



MSA HH Income Distribution



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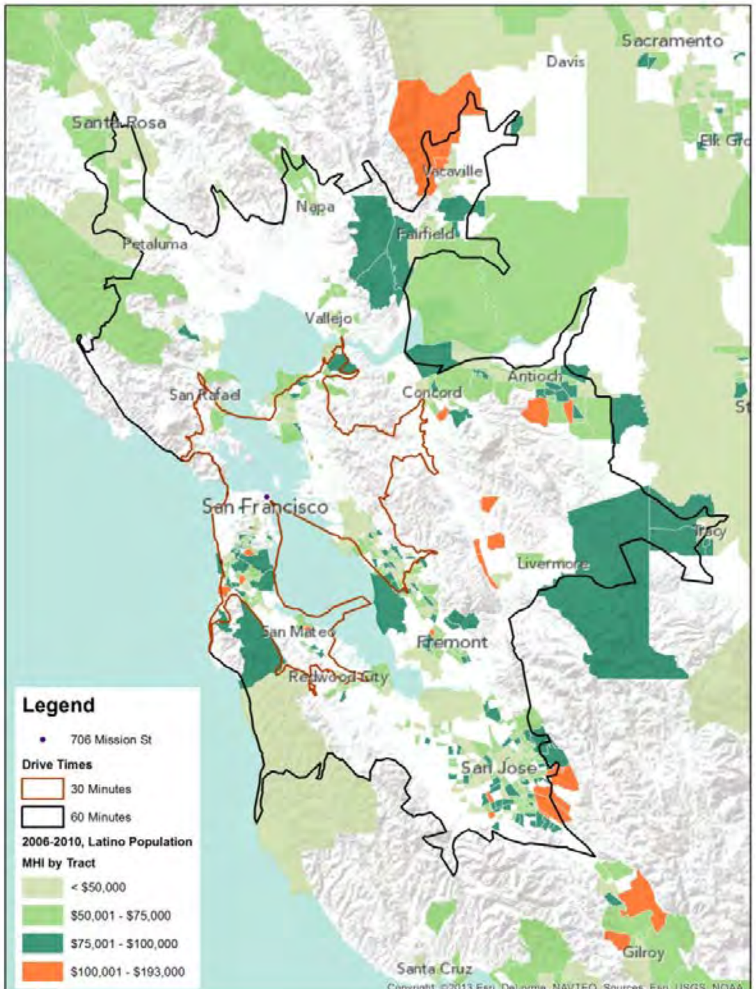
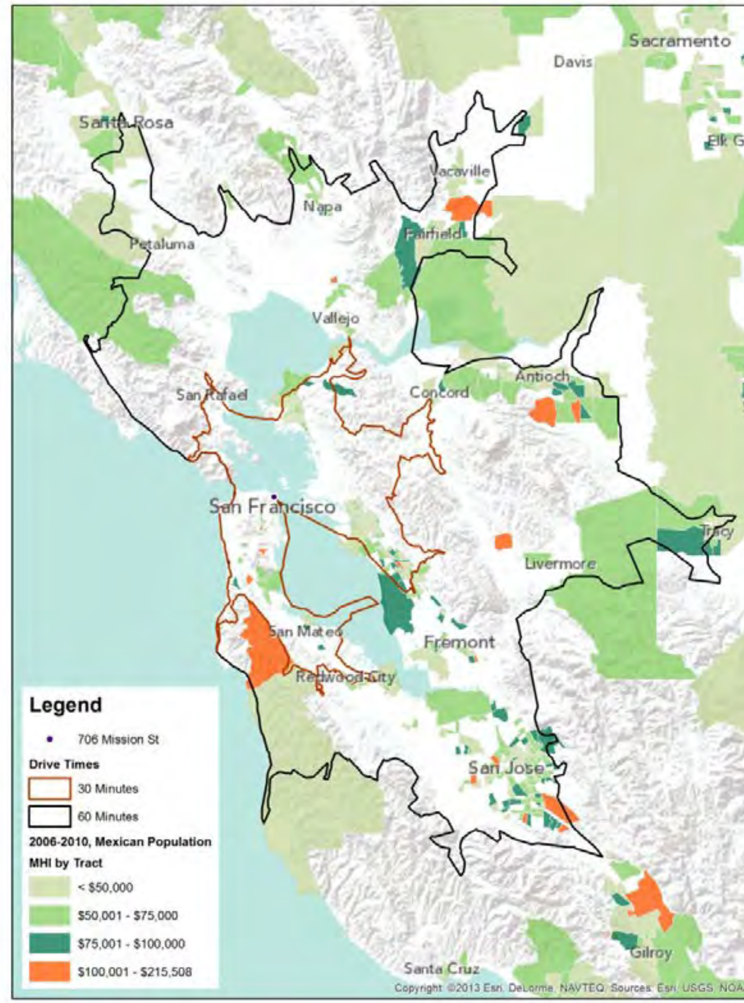
Review of Available Markets : Hispanic and Mexican Median Household Income

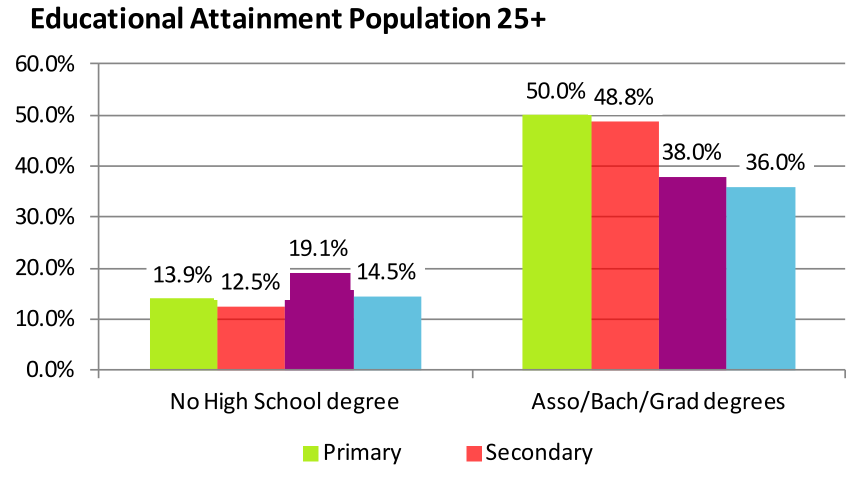
- AECOM mapped median household income levels for the Latino and Mexican populations in the Bay Area by zip code, shown below.



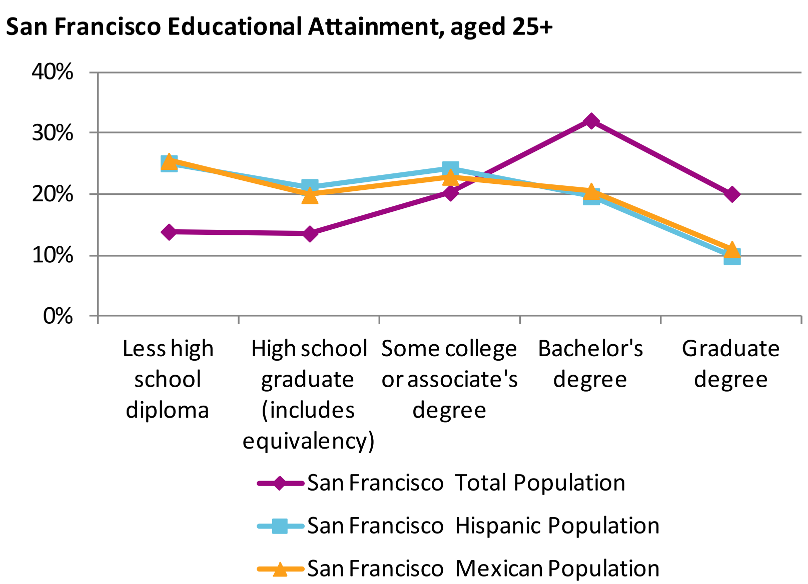


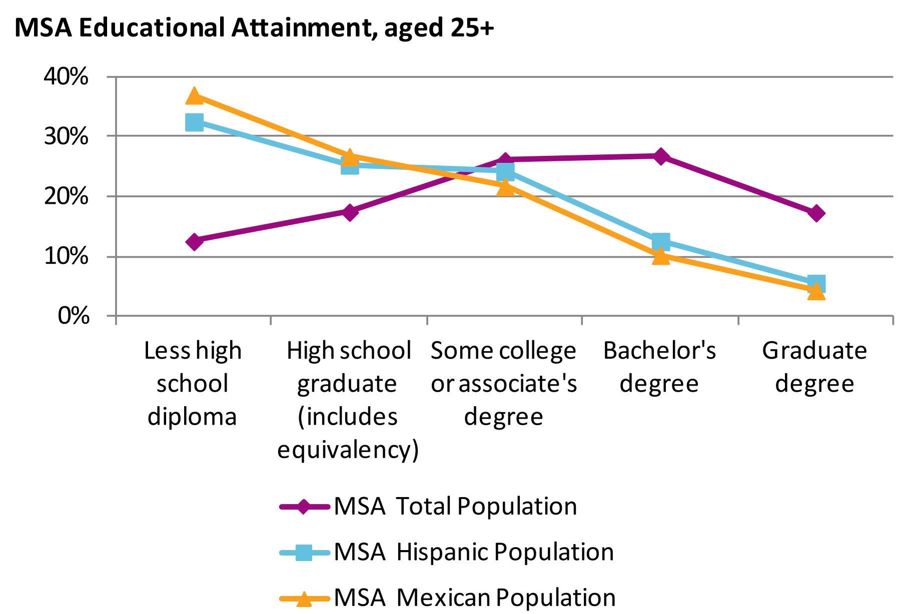
Review of Available Markets: Resident Market Education Profile

- Education levels in primary and secondary markets are significantly higher than in California and the United States, with 50 percent of the population in the primary market and close to the same number in the secondary market with some form of college degree, compared to 38% in California.
- Education levels among Hispanic and Mexican communities of San Francisco and the MSA are lower than the total population. This may have implications for the museum to consider in developing marketing, programming, and other strategies to attract and serve the Hispanic market.



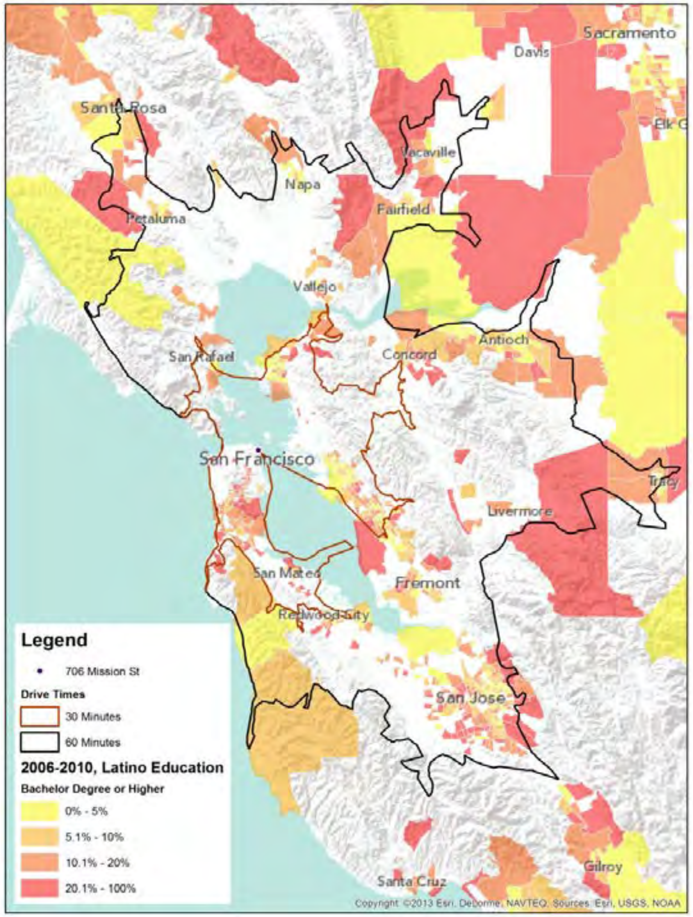
Source: ESRI, AECOM

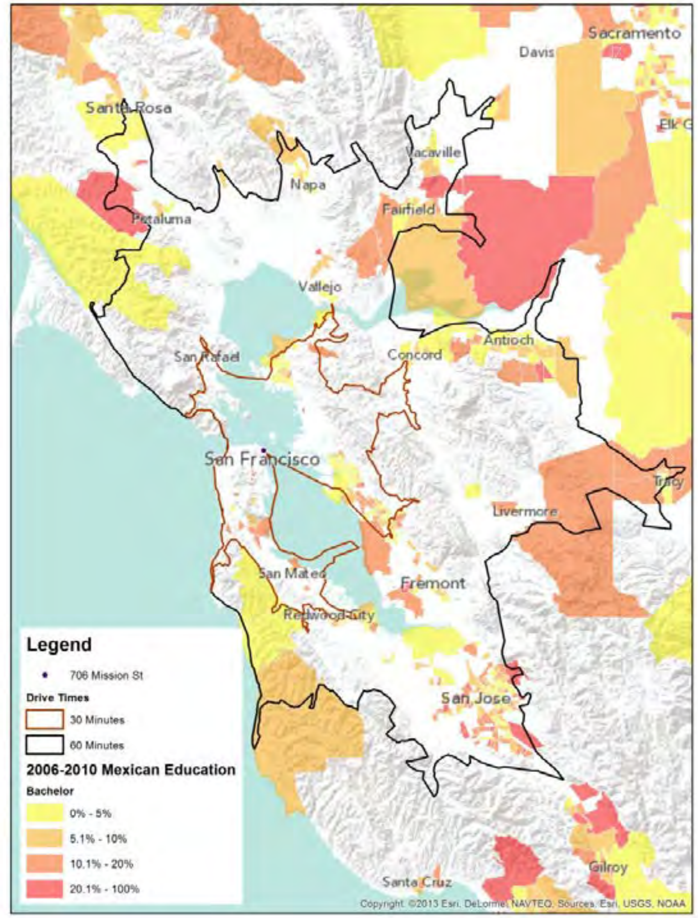




Review of Available Markets : Hispanic and Mexican Education Level Geographic Distribution

- AECOM mapped education levels for the Hispanic and Mexican populations in the Bay Area by zip code, shown below.





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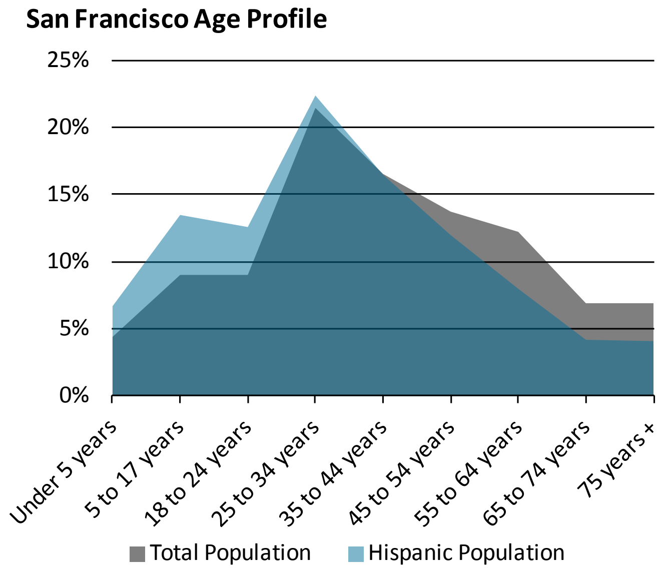
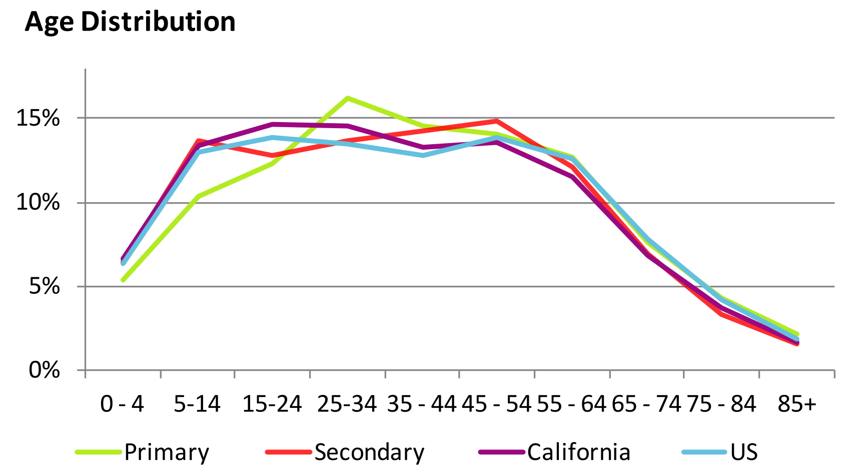
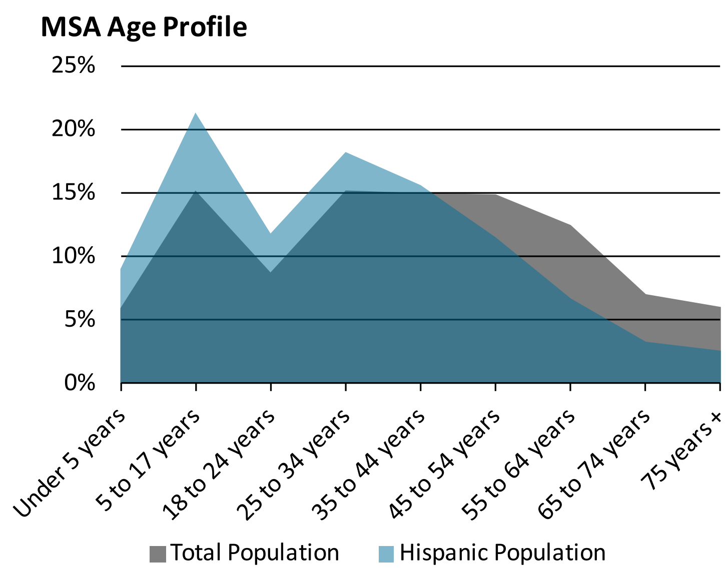
Review of Available Markets : Age Profile

- The primary market has a greater number of young professionals than the secondary market, with a higher percentage of the population between ages 25 to 44 years and a lower percentage of people under 24.
- The secondary market has a larger family market, with more children and adults ages 35 to 54.
- The Hispanic population in both the primary and secondary market is younger than the total population, with a greater percentage of children and youth.





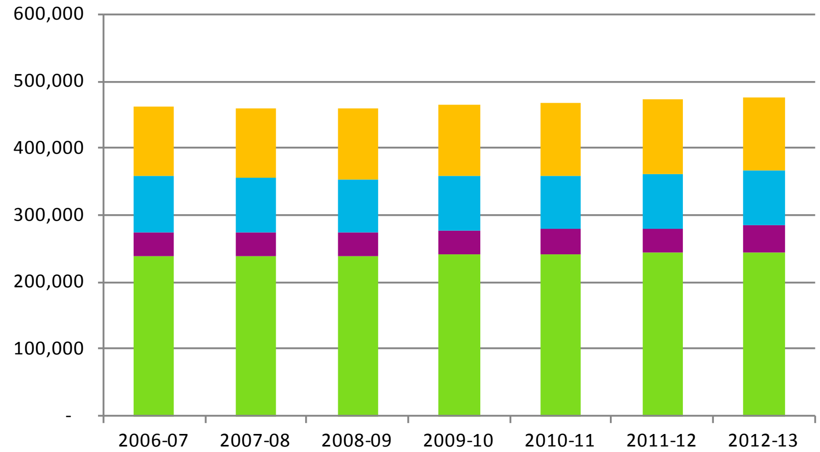
Source: ESRI, AECOM



Review of Available Markets : San Francisco School Enrollment

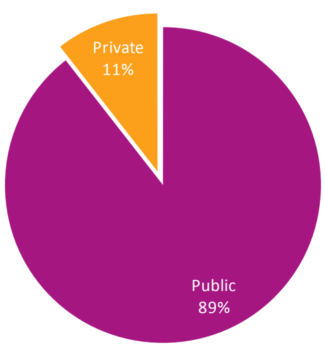
- There are nearly 500,000 students enrolled in public and private schools in Alameda, Marin, San Francisco, and San Mateo counties.
- San Francisco total enrollment is approximately 80,000, with one-third in private schools, the highest percent of any county in region.
- Enrollment as a percentage of the total population is lowest in San Francisco at 10 percent of total compared to 15 percent in other Bay Area counties.

Total Enrollment by County

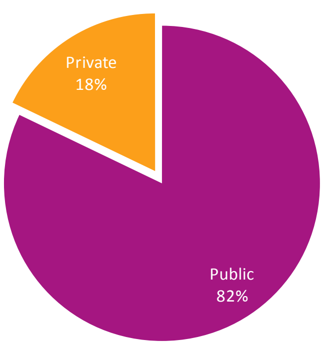


Source: CA Dept of Education

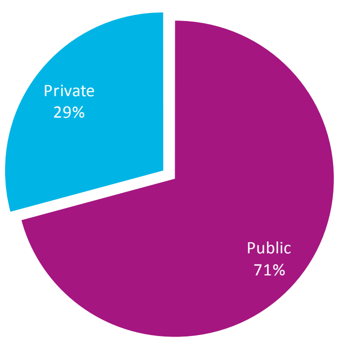
Alameda Total Enrollment



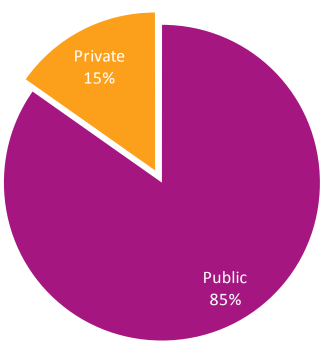
Marin Total Enrollment



San Francisco Total Enrollment



San Mateo Total Enrollment



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Review of Available Markets: Tourist Market Overview

- AECOM uses the number of overnight leisure visitors as the basis for the size of the tourist markets in attendance analysis for cultural attractions.
- While business and other visitors may also attend, this is the core market for museums and used for consistent analysis and comparison with comparable institutions nationwide.
- To understand the size and nature of the Bay Area tourist market, AECOM reviewed estimates and demographic data provided by San Francisco Travel.

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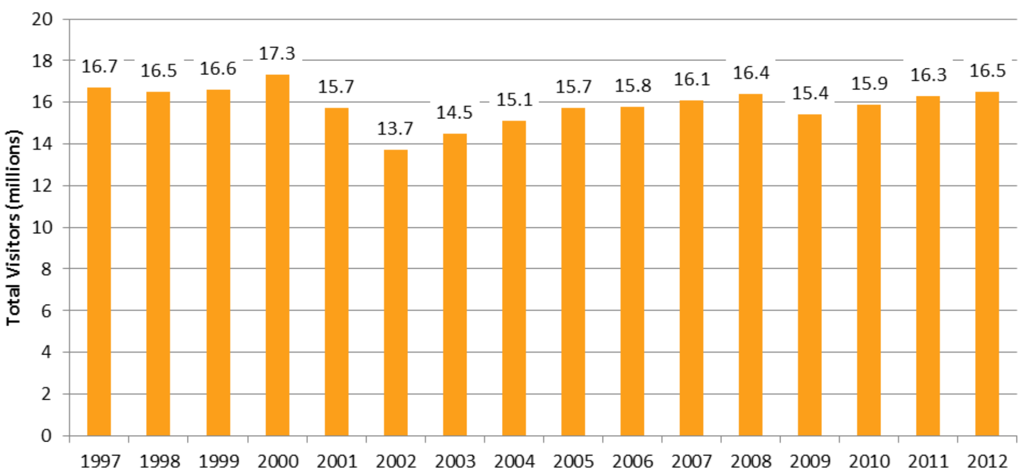
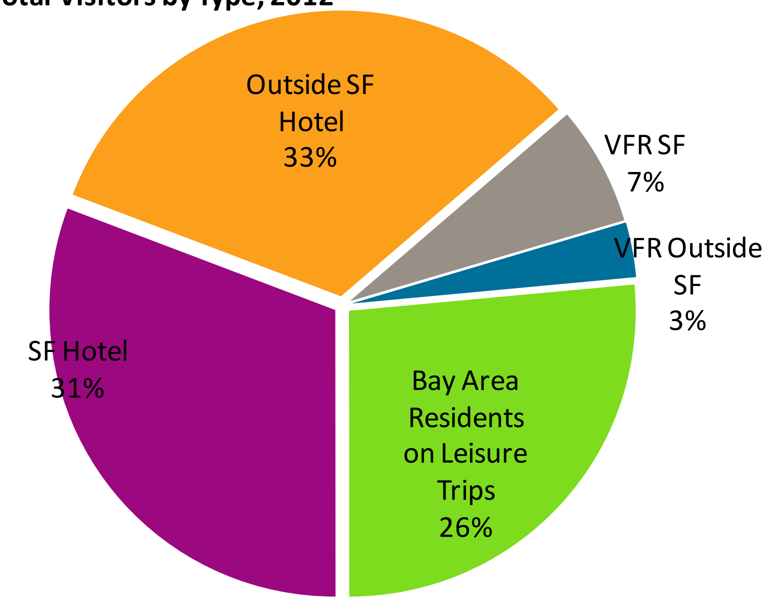
Review of Available Markets: Tourist Market Size

- The San Francisco tourist market appears to have fully recovered from the recent recession, with tourism levels in 2012 exceeding those prior to 2008. In 2012, there were 16.5 total visitors to San Francisco.
- Over 60 percent of total visitors stay overnight in hotels, 10 percent stay in private homes, and 26 percent are regional day trippers.

San Francisco Visitor Volume (millions), 1997-2012



Total Visitors by Type, 2012



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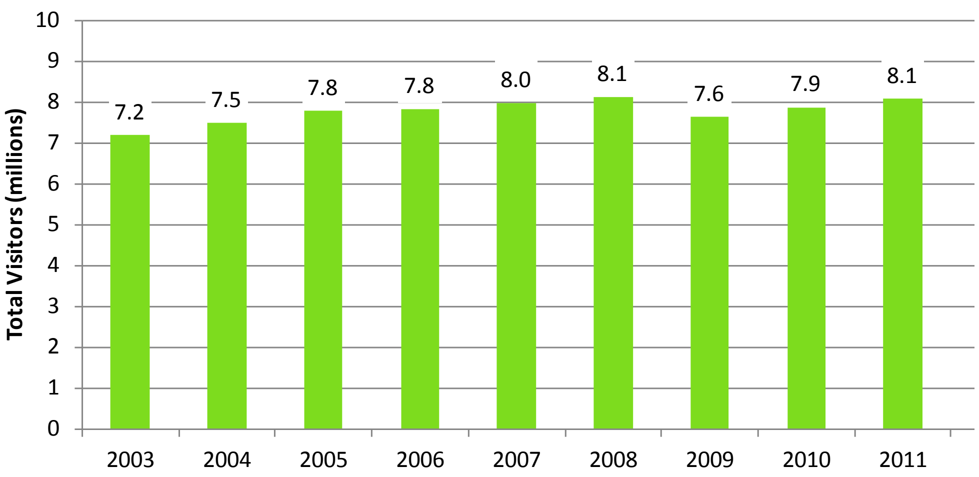
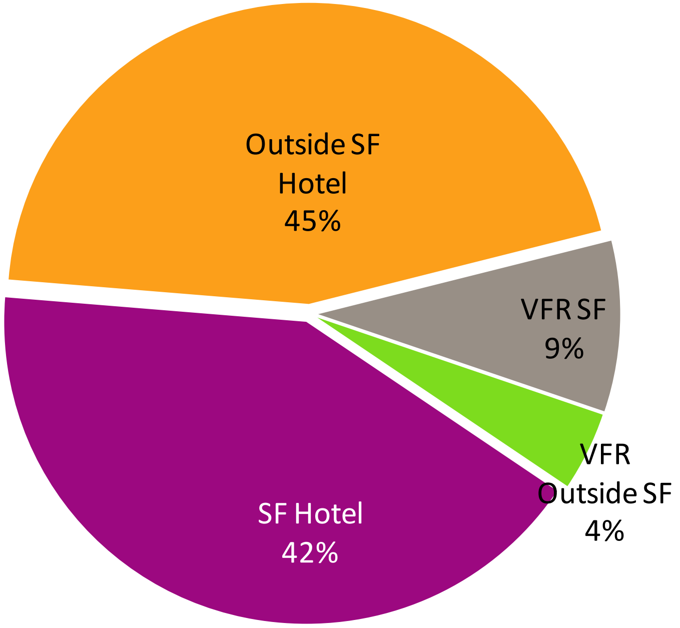
Review of Available Markets: Overnight Leisure Tourist Market

- There were an estimated 8.2 million overnight leisure visitors to San Francisco in 2012.
- Of the overnight leisure market, 45 percent stay in hotels outside of San Francisco, 42 percent in San Francisco hotels and 13 percent are VFR (visiting friends and relatives) visitors.

San Francisco Estimated Overnight Leisure Visitors (millions), 2001-2012



SF Overnight Visitors by Type, 2012



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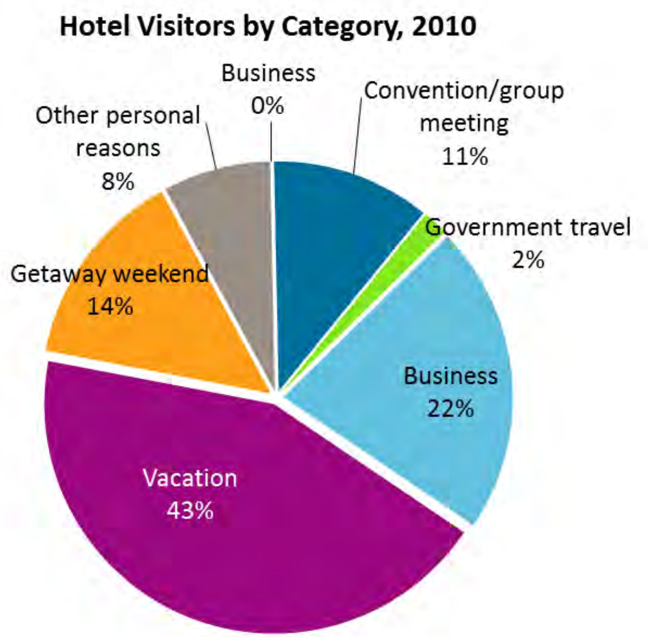
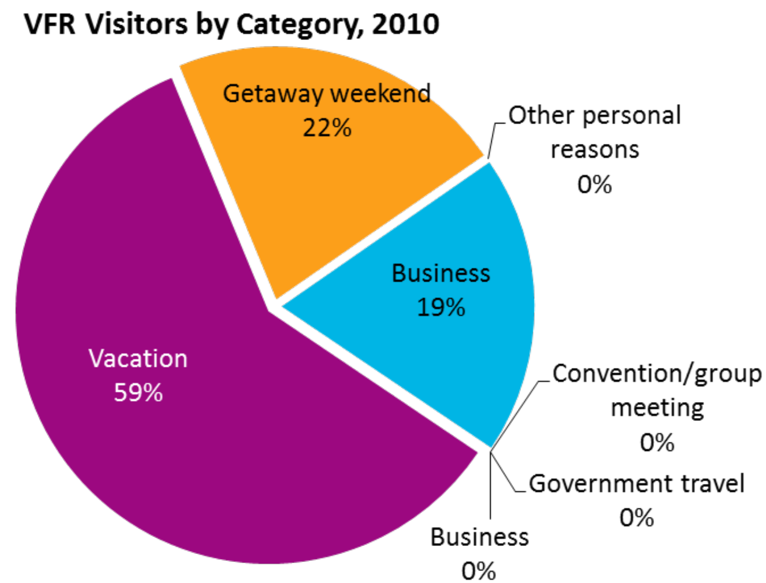
Review of Available Markets: Tourist Market Purpose of Visit

- The purpose of visit for hotel visitors is 65 percent leisure, 11 percent convention, and 24 percent business and government travel.
- Over 80 percent of the VFR market is on vacation or a getaway weekend.





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Review of Available Markets : Tourist Market Visitor Profile

- VFR travelers stay an average of 5.6 nights and hotel guests an average of 3.5 nights.
- Less than 18 percent of all visitors travel with children.
- San Francisco hosts many repeat visitors, with first time visits accounting for less than a third of total for all types of travelers except international and day trippers.

Visitor Characteristics	Hotel Guests	VFR	Domestic	International	Day Trippers
Stayed in SF hotel	100%	11%	70%	100%	n/a
Total spending per person, per day	$240.31	$114.50	$184.81	$213.52	$109.09
Average length of stay (nights)	3.5	5.6	3.6	5.5	0
% Traveling with children	17.2%	11.2%	17.4%	17.8%	15.6%
% Married or partnered	55.7%	40.1%	59.3%	60.7%	54.5%
First visit to SF	27.2%	23.6%	21.3%	62.0%	0.8%
Most important reasons for visiting San Francisco	Ambiance, Scenic Beauty, Cuisine	Friends, Ambiance, Scenic Beauty	Ambiance, Scenic Beauty, Friends	Ambiance, Scenic Beauty, Attractions	Museums, Shopping, Ambiance

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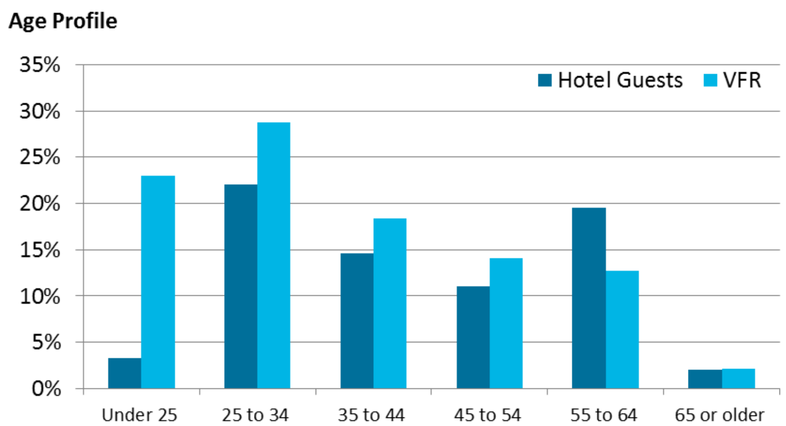
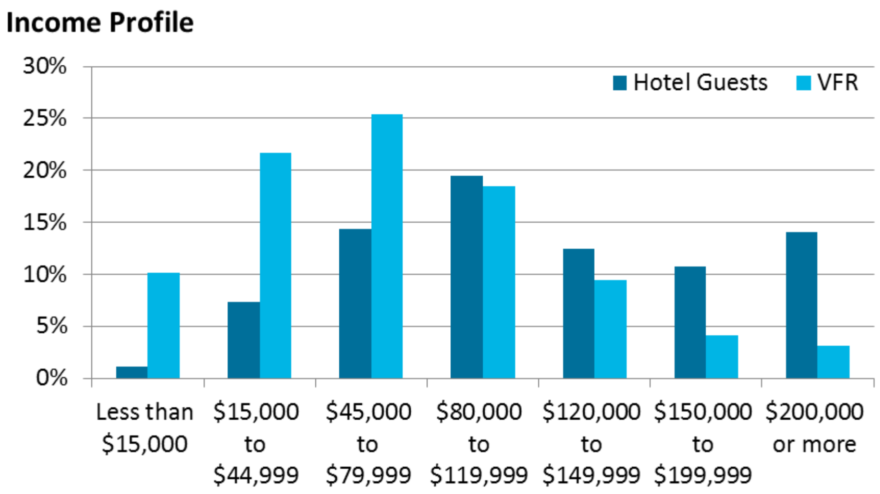
Review of Available Markets : Tourist Market Visitor Demographics

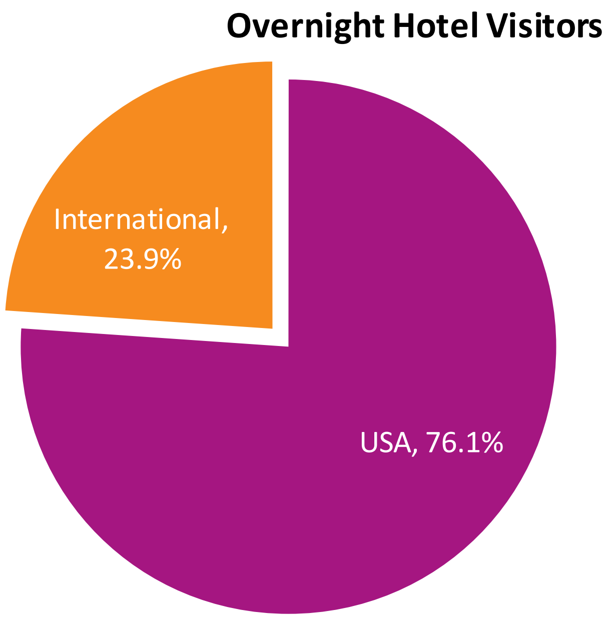
- Hotel guests have strong income levels, with the majority over $80,000 in household income and 25 percent with household incomes over $150,000.
- Young people under 25 are much more likely to stay with family and friends, as are those with lower incomes. Hotel guests are older with higher income levels.

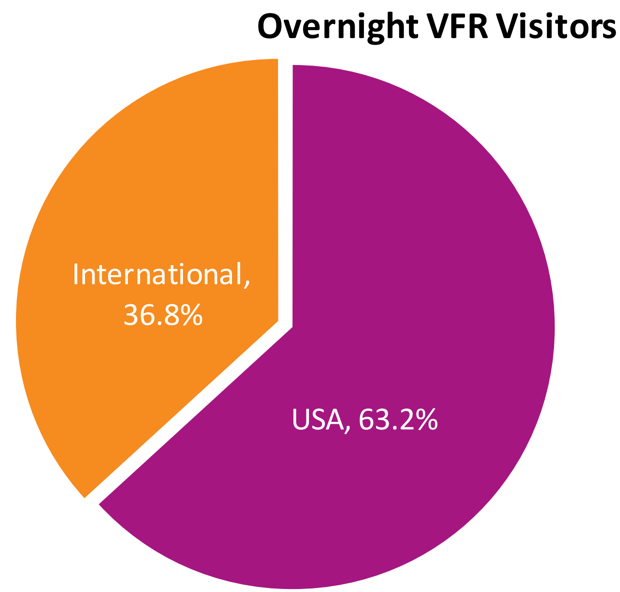




Review of Available Markets: Tourist Market Visitor Origin

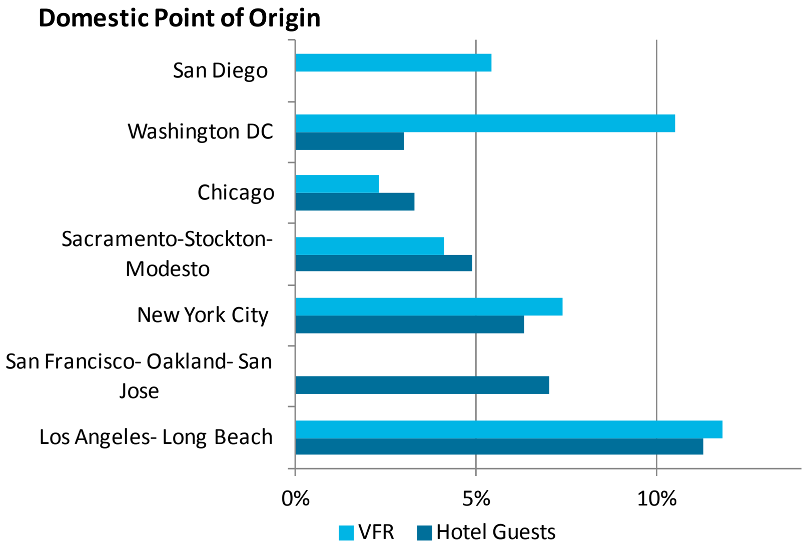
- Hotel guests are approximately one-quarter international and three-quarters domestic.
- VFR visitors have a greater percentage of international visitors, with more than one-third from outside the US.

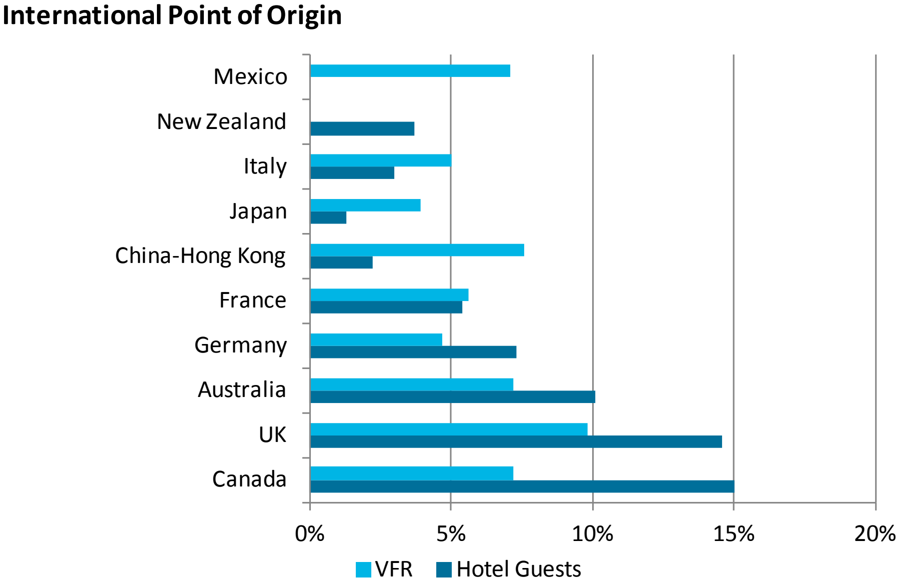




Review of Available Markets: Tourist Market Visitor Origin

- Domestic guests are most likely to be from urban areas of California (Los Angeles, greater San Francisco, Sacramento, San Diego), and major United States markets, including Washington, D.C., Chicago, and New York City.
- International guests are mostly likely to be from countries neighboring the United States(Canada and Mexico) or from Western Europe (UK, Australia, Germany).





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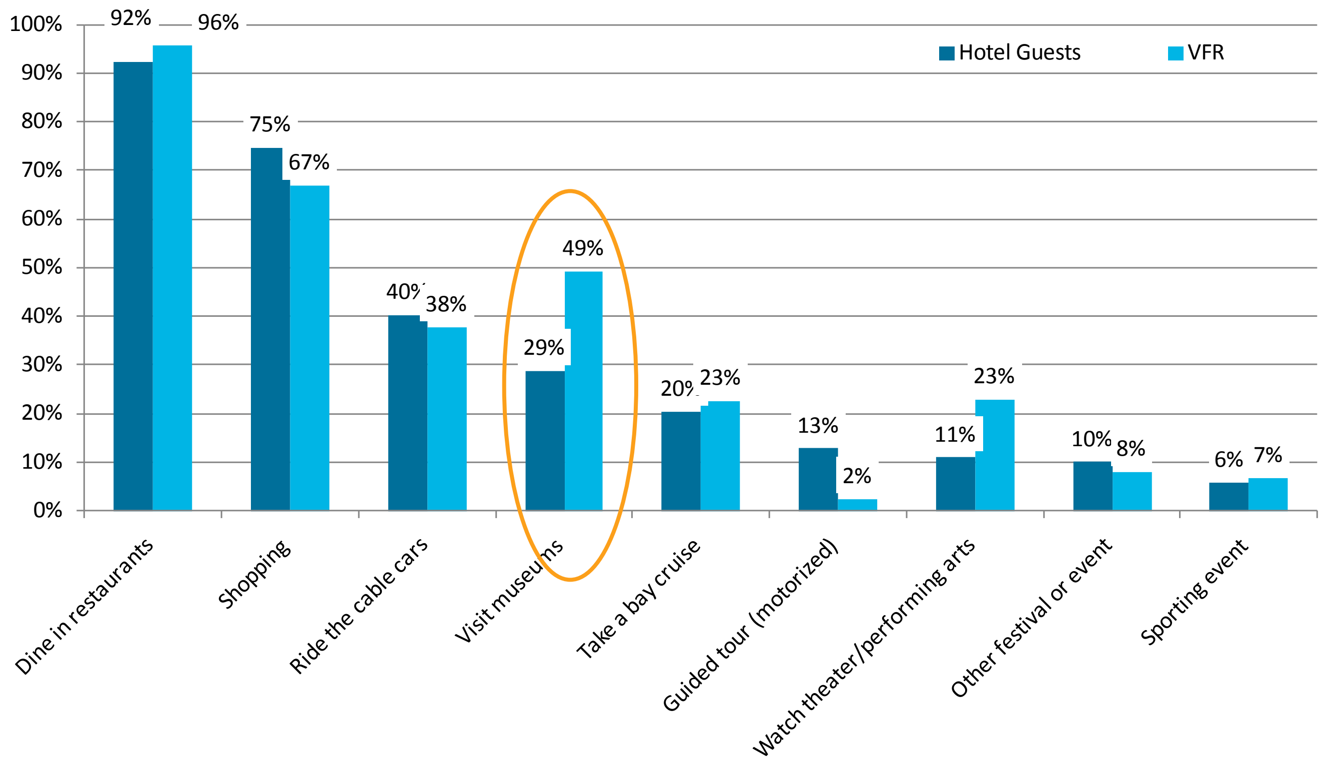
Review of Available Markets: Tourist Market Visitor Activity Profile

- The most popular activity of visitors is dining, followed by shopping.
- Almost half of hotel visitors report visiting museums.

Top Activities in San Francisco



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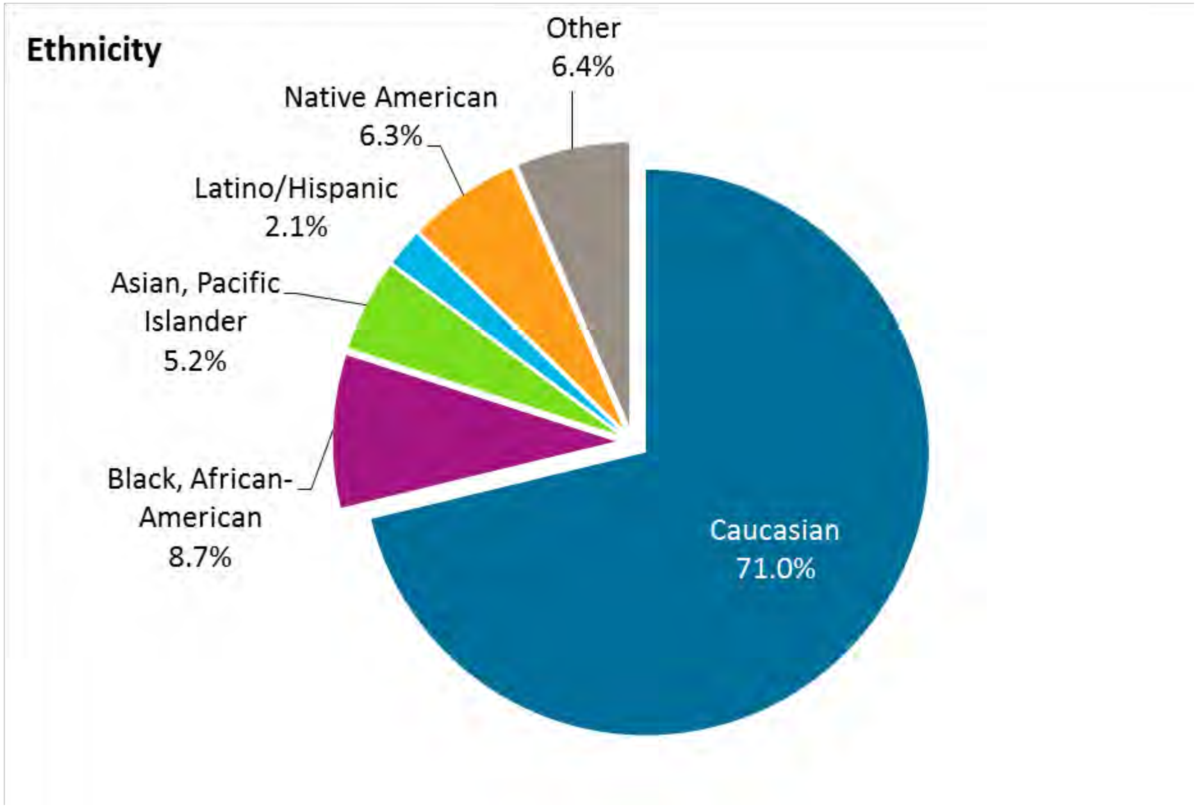
Review of Available Markets: Tourist Market Race & Ethnicity Profile

- The majority of hotel guests (71%) are white, with other groups accounting for less than 9 percent each.
- There is no race and ethnicity data available for VFR visitors.



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Summary of Available Markets

- AECOM quantified the size of each market segment available to the proposed Mexican Museum.
- We then projected market sizes to 2020, the assumed first stabilized year of operations assuming a museum opening in 2018.
- The total available market in 2020 (first stabilized operating year) is 16.7 million, with 7.1 million in the resident market and 9.6 million in the tourist market.

Summary of Available Markets	**2010**	**2013**	**2020**
Resident Market			
Primary (0-30 minutes)	2,659,240	2,713,646	2,880,000
Secondary (30-60 minutes)	3,895,043	3,981,735	4,218,000
Total Resident Market	6,554,283	6,695,380	7,098,000
Overnight Leisure Tourists	8,700,000	9,045,000	9,366,000
Total Available Markets	**15,254,283**	**15,740,380**	**16,464,000**

Source: ESRI, San Francisco Travel Assoication, AECOM

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Review of Available Markets: Implications for Market and Financial Analysis

Resident Market

- The resident market has very large and stable with limited growth expected.
- There are more young professionals in San Francisco, with more families in the greater Bay Area.
- The resident market has very high education and income levels, two features highly correlated with museum attendance.
- There is a large and growing Hispanic population in the Bay Area. However, this market has lower education and income levels, which will be important considerations in developing programming, exhibit, and marketing strategies to attract and serve the Hispanic population.
- Population growth in the Hispanic market is projected to occur outside of San Francisco, which will also have implications for marketing and programming strategies.

Tourist Market

- San Francisco has an exceptionally large and high quality tourist market, with relatively long average length of stays and high income and education levels .
- Most visitors stay in hotels.
- A significant percent are from California .
- There are a high percent of repeat visitors, which tends to be favorable for specialty museums, as visitors have already seen the “must see” attractions.

Summary

- Overall, the market has very large and high quality resident and tourist markets.
- The overnight leisure tourist market is larger than the resident market.
- It will be important to pay attention to both the primary and secondary resident markets.
- The museum may have to develop specific marketing, public programming, education, and exhibit strategies to attract the Hispanic market.
- The visitor experience needs to have wide appeal and be able to attract both residents and tourists, the Hispanic and non-Hispanic market, young professionals, families, and the more traditional museum-going audience.

VI. Benchmarking of Comparable Facilities

- Based on AECOM's understanding of the programmatic scope for the Mexican Museum, we reviewed comparable facilities in the following categories:
  - Mexican, Hispanic, and/or Latino museums and cultural facilities
  - First Voice, culture and specialty art museums
  - Museums in the local competitive environment
- For each category, we have researched key attendance and operating characteristics and analyzed relevant ratios and benchmarks, including penetration rates, visitors per exhibit square foot, admission pricing, operating budget per square foot, etc.
- Summaries of key findings within each category are provided, along with detailed data tables.

Mexican / Hispanic / Latino Museums & Cultural Facilities

First Voice, Culture & Specialty Art Museums

Museums in the Local Market

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Benchmarking of Comparable Facilities

Hispanic/Latino Focus Museums

- Art Museum of the Americas, Washington, D.C.,
- Arte Américas: Casa de la Cultura, Fresno, CA
- El Museo del Barrio , New York, NY
- El Museo Latino, Omaha, NE
- Fondo del Sol, Washington, D.C.,
- Hispanic Museum of Nevada, Las Vegas, NV
- Latin American Art Museum, Miami, FL
- La Plaza de Cultura y Artes, Los Angeles, CA
- Mexic-Arte Museum, Austin, TX
- Museo De Las Americas, Denver, CO
- Museum of Latin American Art, Long Beach, CA
- National Hispanic Cultural Center, Albuquerque, NM
- National Museum of Mexican Art, Chicago, IL
- Taller Puertorriqueño, Philadelphia, PA
- The Guadalupe Cultural Arts Center, San Antonio, TX
- The Latino Museum of History, Art & Culture, Los Angeles, CA

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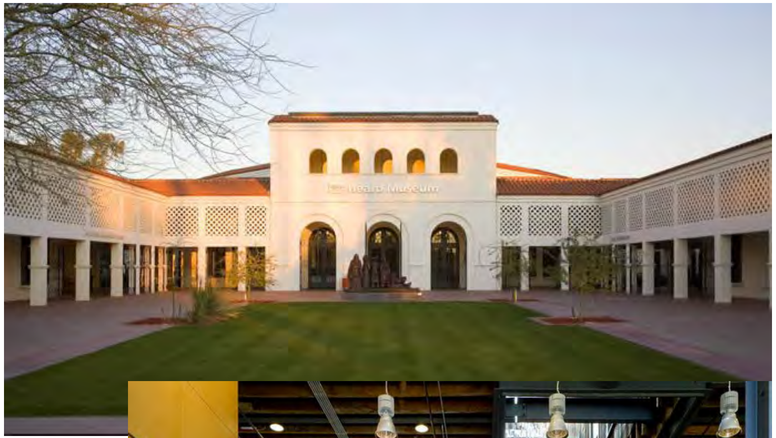
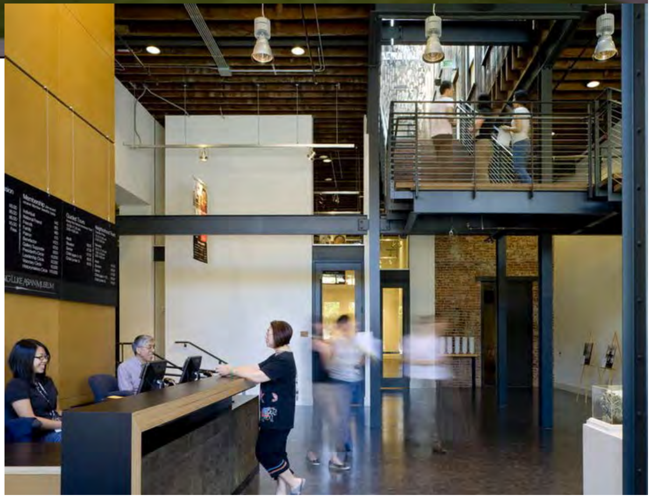
Benchmarking of Comparable Facilities

First Voice/Cultural/Specialty Art Museums

- African American Museum, Dallas, TX
- Alaska Native Heritage Center, Anchorage, AK
- Amon Carter Museum of American Art, Fort Worth, TX
- Autry National Center, Los Angeles, CA
- Birmingham Civil Rights Institute, Birmingham, AL
- Eiteljorg Museum of American Indians and Western Art, Indianapolis, IA
- Heard Museum, Phoenix, AZ
- Institute of Texan Cultures, San Antonio, TX
- Japanese American National Museum, Los Angeles, CA
- Jewish Museum, New York, NY
- Museum of International Folk Art, Santa Fe, NM
- National Museum of American Jewish History, Philadelphia, PA
- Rubin Museum of Art: Art of the Himalayas, New York, NY
- Seattle Asian Art Museum, Seattle, WA
- Skirball Cultural Center, Los Angeles, CA
- Wing Luke Museum of the Asian Pacific American Experience, Seattle, WA





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Benchmarking of Comparable Facilities

San Francisco Cultural Attractions

- *<u>Major Museums</u>*
  - California Academy of Sciences
  - de Young / Legion of Honor
  - Exploratorium
  - San Francisco Museum of Modern Art
- *<u>Specialty Museums</u>*
  - Asian Art Museum
  - Yerba Buena Center for the Arts
  - Oakland Museum of California
  - Contemporary Jewish Museum
  - Walt Disney Family Museum
  - Museum of the African Diaspora
  - Children's Creativity Museum
  - Mission Cultural Center for Latino Arts
  - Museum of Craft and Design
  - California Historical Society

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Benchmarking of Comparable Facilities: Summary of Characteristics

Hispanic/Latino Focus

- All institutions in this category have attendance less than 250,000, with most well under 100,000.
- There are a wide range of facility types, including those focused on performing arts and events.
- Attendance for the larger, more successful museums is driven by events and programming/
- Admission rates, for those that charge admission, range from $3 to $9. Many of the museums in this category do not charge admission.
- The facilities generally have modest exhibit area, with less than 15,000 square feet , with the exception of the National Museum of Mexican Art in Chicago.
- The ratio of visitors to exhibit square feet is highly variable, ranging from 2 to 5.
- Resident market penetration rate, excluding outliers, average 1.3 percent.
- Tourist market penetration rates are very low, even in smaller markets, with an average of 0.3 percent.
- Operating budgets range from less than $1 million to over $5 million, with an average earned income ratio of 17 percent.

First Voice/ Cultural Specialty Art

- Attendance ranges from 50,000 to 200,000.
- Top line adult admission prices are between $8 to $24.95
- Average exhibit area is 25,000 square feet.
- The ratio of visitors to exhibit square feet ranges from 3 to 10, with an average of 5.4.
- The resident market penetration rate average is 2.1 percent.
- The tourist market penetration rate average is 2.3 percent.
- Operating budgets range from $1million to over $18 million and $93 per gross square foot on average (with a very large range).
- The earned income ratio for this category is 25 percent on average, excluding outliers.

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Benchmarking of Comparable Facilities: The Local Competitive Market

Local Market

- Most cities have “tiers” of museums based on attendance, with top tier museums representing the major art, science, and/or natural history museums, and specialty museums receiving less attendance.
- Top tier museums in San Francisco, which includes many of the major art and science museums, have annual attendance greater than 500,000.
- Specialty museums achieve attendance between 12,000 and 260,000.
- There is a wide range in exhibit area overall, with most specialty museums (excluding the Oakland Museum) ranging from less than 10,000 square feet to 40,000 square feet.
- Specialty museums achieve visitors per exhibit square foot ratios between 1 and 9.
- Resident market penetration rates among specialty museums range from 0.1 to 1.9 percent.
- Tourist market penetration rates for specialty museums, except the Asian Art Museum, range from 0.1 to 0.6 percent.
- Most institutions draw fairly evenly from resident and tourist markets.

Implications

- San Francisco has a very strong cultural attractions market with a large number of institutions. This can be positive, as a cluster of cultural attractions tends to attract tourists who are interested in visiting museums and other cultural facilities. However, it can also be challenging, as there are so many visitor attractions, and specifically cultural facilities, competing for tourist and resident market leisure time. There are cultural institutions, who despite being well-located, struggle to attract market share.
- There is particularly strong competition in the art museum category as SFMOMA will reopen with double their exhibit area in a state of the art expansion, and the de Young consistently attracts architecture- minded tourists in addition to general museum goers. The Mexican Museum will not be able to compete as a pure art museum; its opportunity is in the integration of culture, art, and history, as well as programming and education.
- There is a need to appeal to both residents and tourists. Most San Francisco museums rely on a healthy mix of visitors from the resident and tourist markets.

Benchmarking of Comparable Facilities: Hispanic / Latino Museums General Characteristics

Facility	Location	Annual Attendance	Admission Adult	
Hispanic/Latino Focus				
El Museo del Barrio	New York	250,000	$9.00	
National Hispanic Cultural Center	Albuquerque	233,034	$3.00	
The Guadalupe Cultural Arts Center	San Antonio	200,000	Free	/1
National Museum of Mexican Art	Chicago	168,000	Free	
Museum of Latin American Art	Long Beach	55,000	$9.00	
Fondo del Sol	Washington, D.C.	50,000	Free	
El Museo Latino	Omaha	50,000	$5.00	
Mexic-Arte Museum	Austin	50,000	$5.00	
Museo De Las Americas	Denver	37,000	$5.00	
Latino Cultural Center	Dallas	25,000	Free	/2
Taller Puertorriqueño	Philadelphia	17,500	Free	
Art Museum of the Americas	Washington, D.C.	11,550	Free	
The Latino Museum of History, Art & Culture	Los Angeles	n/a	Free	
Hispanic Museum of Nevada	Las Vegas	n/a	Free	
La Plaza de Cultura y Artes	Los Angeles	n/a	Free	
Arte Américas: Casa de la Cultura	Fresno	n/a	Free	
Hispanic/Latino Focus Average		**96,000**	**$6.00**	
Hispanic/Latino Focus Median		**50,000**	**$5.00**	

Source: Individual Institutions, Official Museum Directory, AECOM

1/ Gallery admission free, theater events ticketed (gallery total attendance 5,000)

2/Site access is free, events ticketed

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Benchmarking of Comparable Facilities: First Voice / Cultural / Specialty Art Museum General Characteristics

Facility	Location	Annual Attendance	Admission Adult
<u>**First Voice/Cultural Specialty Art Museums**</u>			
Skirball Cultural Center	Los Angeles	194,000	$10.00
African American Museum	Dallas	160,800	Free
Heard Museum	Phoenix	200,000	$18.00
Birmingham Civil Rights Institute	Birmingham	145,000	$12.00
Rubin Museum of Art: Art of the Himalayas	New York	160,000	$15.00
Autry National Center	Los Angeles	150,000	$10.00
Jewish Museum	New York	150,000	$15.00
Institute of Texan Cultures	San Antonio	134,449	$8.00
National Museum of American Jewish History	Philadelphia	125,000	$12.00
Eiteljorg Museum of American Indians and We	Indianapolis	113,447	$10.00
Amon Carter Museum of American Art	Fort Worth	106,984	Free
Museum of International Folk Art	Santa Fe	93,000	$9.00
Japanese American National Museum	Los Angeles	82,500	$9.00
Seattle Asian Art Museum	Seattle	75,000	$7.00
Alaska Native Heritage Center	Anchorage	65,000	$24.95
Wing Luke Museum of the Asian Pacific Americ	Seattle	46,000	$12.95
First Voice/Cultural Specialty Art Museum Average		**125,074**	**$12.35**
First Voice/Cultural Specialty Art Museum Median		**129,725**	**$11.00**

Source: Individual Institutions, Official Museum Directory, AECOM

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Benchmarking of Comparable Facilities: Hispanic/Latino Focus Museums Key Ratios

Facility	Location	Annual Attendance	Visitor Origin Resident	Visitor Origin Tourist	Penetration Rates Resident	Penetration Rates Tourist	Exhibit SF	Visitors per Exhibit SF
Hispanic/Latino Focus								
El Museo del Barrio	New York	250,000	80%	20%	1.2%	0.2%	n/a	n/a
National Hispanic Cultural Center	Albuquerque	233,034	65%	35%	16.1%	1.7%	11,000	21.2
The Guadalupe Cultural Arts Center	San Antonio	200,000	75%	25%	6.7%	0.3%	3,500	n/a
National Museum of Mexican Art	Chicago	168,000	75%	25%	1.5%	0.3%	48,000	3.5
Museum of Latin American Art	Long Beach	55,000	80%	20%	0.3%	0.04%	12,000	4.6
Fondo del Sol	Washington, D.C.	50,000	80%	20%	0.6%	0.1%	n/a	n/a
El Museo Latino	Omaha	50,000	80%	20%	3.5%	n/a	n/a	n/a
Mexic-Arte Museum	Austin	50,000	80%	20%	2.0%	0.2%	n/a	n/a
Museo De Las Americas	Denver	37,000	90%	10%	1.0%	0.04%	1,400	26.4
Latino Cultural Center	Dallas	25,000	90%	10%	0.4%	0.01%	2,000	12.5
Taller Puertorriqueño	Philadelphia	17,500	90%	10%	0.3%	0.02%	500	n/a
Art Museum of the Americas	Washington, D.C.	11,550	50%	50%	2.5%	0.04%	5,000	2.3
The Latino Museum of History, Art & Culture	Los Angeles	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hispanic Museum of Nevada	Las Vegas	n/a	n/a	n/a	n/a	n/a	n/a	n/a
La Plaza de Cultura y Artes	Los Angeles	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hispanic/Latino Focus Average		**96,000**	**78%**	**22%**	**3.0%**	**0.3%**	**6,000**	**20.3**
Hispanic/Latino Focus Median		**50,000**	**80%**	**20%**	**1.4%**	**0.1%**	**500**	**16.8**

Source: Individual Institutions, Official Museum Directory, AECOM

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Benchmarking of Comparable Facilities: First Voice / Cultural / Specialty Art Museum Key Ratios

Facility	Location	Annual Attendance	Visitor Origin Resident	Visitor Origin Tourist	Penetration Rates Resident	Penetration Rates Tourist	Exhibit SF	Visitors per Exhibit SF
<u>First Voice/Cultural Specialty Art Museums</u>								
Heard Museum	Phoenix	200,000	80%	20%	3.9%	0.3%	48,000	4.2
Skirball Cultural Center	Los Angeles	194,000	90%	10%	1.2%	0.1%	20,000	9.7
African American Museum	Dallas	160,800	75%	25%	1.9%	0.2%	20,000	8.0
Birmingham Civil Rights Institute	Birmingham	145,000	40%	60%	4.1%	7.0%	19,000	7.6
Rubin Museum of Art: Art of the Himalayas	New York	160,000	87%	13%	0.8%	0.1%	20,000	8.0
Autry National Center	Los Angeles	150,000	90%	10%	0.9%	0.1%	56,000	2.7
Jewish Museum	New York	150,000	n/a	n/a	n/a	n/a	n/a	n/a
Institute of Texan Cultures	San Antonio	134,449	54%	46%	3.2%	0.4%	47,095	2.9
National Museum of American Jewish History	Philadelphia	125,000	60%	40%	1.2%	0.6%	25,000	5.0
Eiteljorg	Indianapolis	113,447	50%	50%	2.7%	0.7%	40,000	2.8
Amon Carter Museum of American Art	Fort Worth	106,984	56%	44%	1.0%	0.6%	34,850	3.1
Museum of International Folk Art	Santa Fe	93,000	25%	75%	3.4%	2.8%	24,000	3.9
Japanese American National Museum	Los Angeles	82,500	80%	20%	0.4%	0.1%	18,000	4.6
Seattle Asian Art Museum	Seattle	75,000	70%	30%	1.6%	0.3%	n/a	n/a
Alaska Native Heritage Center	Anchorage	65,000	25%	75%	4.7%	5.4%	6,000	10.8
Wing Luke	Seattle	46,000	65%	35%	0.9%	0.2%	25,000	1.8
First Voice/Cultural Specialty Art Museum Average		**125,074**	**63%**	**37%**	**2.1%**	**1.3%**	**25,184**	**5.4**
First Voice/Cultural Specialty Art Museum Median		**129,725**	**65%**	**35%**	**1.6%**	**0.3%**	**22,000**	**4.4**

Source: Individual Institutions, Official Museum Directory, AECOM

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Benchmarking of Comparable Facilities: Financial Characteristics

Facility	Location	Annual Attendance	Operating Budget	Gross Square Feet (GSF)	Operating Budget per GSF	Earned Income	Earned Income Ratio
Hispanic/Latino Focus							
El Museo del Barrio	New York	250,000	$5,300,000	n/a	n/a	n/a	n/a
National Hispanic Cultural Center	Albuquerque	233,034	$2,800,000	170,000	$16	n/a	n/a
The Guadalupe Cultural Arts Center	San Antonio	200,000	$1,850,000	108,000	$17	$500,000	27%
National Museum of Mexican Art	Chicago	168,000	$0	n/a	n/a	n/a	n/a
Museum of Latin American Art	Long Beach	55,000	$4,349,305	n/a	n/a	$445,605	10%
Fondo del Sol	Washington, D.C.	50,000	$0	n/a	n/a	n/a	n/a
El Museo Latino	Omaha	50,000	$370,606	n/a	n/a	$71,816	19%
Mexic-Arte Museum	Austin	50,000	$726,091	n/a	n/a	$110,277	15%
Museo De Las Americas	Denver	37,000	$450,334	2,800	$161	$90,067	20%
Latino Cultural Center	Dallas	25,000	$626,000	27,000	$23	$18,780	3%
Taller Puertorriqueño	Philadelphia	17,500	$850,000	9,000	$94	$187,000	22%
Art Museum of the Americas	Washington, D.C.	11,550	$151,000	n/a	n/a	n/a	n/a
The Latino Museum of History, Art & Culture	Los Angeles	n/a	$667,182	n/a	n/a	n/a	n/a
Hispanic Museum of Nevada	Las Vegas	n/a	n/a	n/a	n/a	n/a	n/a
La Plaza de Cultura y Artes	Los Angeles	n/a	n/a	n/a	n/a	n/a	n/a
First Voice/Cultural Specialty Art Museums							
Skirball Cultural Center	Los Angeles	194,000	$18,300,000	100,000	$183	$5,897,400	32%
African American Museum	Dallas	160,800	$1,057,081	38,000	$28	$120,824	11%
Heard Museum	Phoenix	200,000	$9,841,794	130,000	$76	$4,676,823	48%
Birmingham Civil Rights Institute	Birmingham	145,000	$2,100,000	57,000	$37	$800,254	33%
Rubin Museum of Art: Art of the Himalayas	New York	160,000	$16,500,000	80,000	$206	n/a	n/a
Autry National Center	Los Angeles	150,000	$15,600,000	115,000	$136	n/a	n/a
Jewish Museum	New York	150,000	$15,059,841	n/a	n/a	$1,508,316	10%
Institute of Texan Cultures	San Antonio	134,449	$3,063,862	187,909	$16	n/a	38%
National Museum of American Jewish History	Philadelphia	125,000	$14,438,058	100,000	$144	$802,588	11%
Eiteljorg Museum of American Indians and Western Art	Indianapolis	113,447	$9,316,022	125,000	$75	$978,504	11%
Amon Carter Museum of American Art	Fort Worth	106,984	$11,000,000	108,000	$102	$680,282	6%
Museum of International Folk Art	Santa Fe	93,000	$2,800,000	87,000	$32	$852,688	40%
Japanese American National Museum	Los Angeles	82,500	$5,194,941	158,000	$33	$1,301,979	25%
Seattle Asian Art Museum	Seattle	75,000	n/a	n/a	n/a	n/a	n/a
Alaska Native Heritage Center	Anchorage	65,000	$4,943,789	26,000	$190	$885,282	18%
Wing Luke Museum of the Asian Pacific American Experience	Seattle	46,000	$2,300,000	60,000	$38	$517,500	23%
Hispanic/Latino Focus Average		**96,000**	**$1,395,000**	**63,000**	**$0**	**$203,000**	**0%**
Hispanic/Latino Focus Median		**50,000**	**$667,182**	**27,000**	**$23**	**$110,277**	**19%**
First Voice/Cultural Specialty Art Museum Average		**125,074**	**$8,767,693**	**97,994**	**$93**	**$1,585,203**	**23%**
First Voice/Cultural Specialty Art Museum Median		**129,725**	**$9,316,022**	**100,000**	**$75**	**$868,985**	**23%**

Source: Individual Institutions, Official Museum Directory, AECOM

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Benchmarking of Comparable Facilities: Local Cultural Attractions

Local Cultural Institutions	Location	Attendance[1]	Adult Admission
Top Tier Cultural Facilities			
California Academy of Sciences	Golden Gate Park	1,400,000	$29.95
de Young	Golden Gate Park	1,200,000	$10.00
Exploratorium	Embarcadero	1,100,000	$12.00
Legion of Honor	Lincoln Park	700,000	n/a
San Francisco Museum of Modern Art	Yerba Beuna	633,000	Closed
Specialty Museums			
Asian Art Museum	Civic Center	260,000	$12.00
Yerba Buena Center for the Arts	Yerba Beuna	200,000	n/a
Oakland Museum of California	Oakland	135,000	$15.00
Contemporary Jewish Museum	Yerba Beuna	110,000	$12.00
Walt Disney Family Museum	Presidio	103,000	$20.00
Museum of the African Diaspora	Yerba Beuna	70,000	$10.00
Children's Creativity Museum		60,000	$11.00
Mission Cultural Center for Latino Arts	Mission District	20,000	Free
Museum of Craft and Design	Dogpatch	14,000	$8.00
California Historical Society	Yerba Beuna	12,000	$5.00
Specialty Average		**98,400**	**$11.63**
Specialty Median		**86,500**	**$11.50**
Overall Average		**401,100**	**$14.00**
Overall Median		**135,000**	**$12.00**

1: Excludes rental and fundraising attendance

Source: Official Museum Directory, Individual Institutions, AECOM

Benchmarking of Comparable Facilities: Local Cultural Attractions

			Visitor Origin		Penetration Rates			Visitors per
Local Cultural Institutions	Location	Attendance[1]	Resident	Tourist	Resident	Tourist	Exhibit SF	Exhibit SF
Top Tier Cultural Facilities								
California Academy of Sciences	Golden Gate Park	1,400,000	50%	50%	9.9%	7.7%	100,000	14.0
de Young	Golden Gate Park	1,200,000	48%	52%	8.1%	6.9%	96,200	12.5
Exploratorium	Embarcadero	1,100,000	70%	30%	10.8%	3.6%	n/a	n/a
Legion of Honor	Lincoln Park	700,000	50%	50%	4.9%	3.9%	n/a	n/a
San Francisco Museum of Modern Art	Yerba Beuna	632,519	50%	50%	4.5%	3.5%	69,200	9.1
Specialty Museums								
Asian Art Museum	Civic Center	260,000	52%	48%	1.9%	1.4%	40,000	6.5
Oakland Museum of California	Oakland	135,000	90%	10%	1.7%	0.1%	108,000	1.3
Contemporary Jewish Museum	Yerba Beuna	110,000	58%	42%	0.9%	0.5%	12,000	9.2
Walt Disney Family Museum	Presidio	103,000	50%	50%	0.7%	0.6%	22,975	4.5
Museum of the African Diaspora	Yerba Beuna	70,000	70%	30%	0.7%	0.2%	10,000	7.0
Children's Creativity Museum		60,000	60%	40%	0.5%	0.3%	n/a	n/a
Mission Cultural Center for Latino Arts	Mission District	20,000	60%	40%	0.2%	0.1%	n/a	n/a
Museum of Craft and Design	Dogpatch	14,000	50%	50%	0.1%	0.1%	4,000	3.5
California Historical Society	Yerba Beuna	12,000	60%	40%	0.1%	0.1%	n/a	n/a
Specialty Average		**98,400**	**55%**	**35%**	**0.7%**	**0.3%**	**32,800**	**5.3**
Specialty Median		**86,500**	**59%**	**35%**	**0.7%**	**0.3%**	**17,500**	**5.5**
Overall Average		**401,100**	**55%**	**39%**	**3.0%**	**1.9%**	**51,400**	**7.5**
Overall Median		**135,000**	**52%**	**42%**	**3.0%**	**0.5%**	**40,000**	**7.0**

1: Excludes rental and fundraising attendance

Source: Official Museum Directory, Individual Institutions, AECOM

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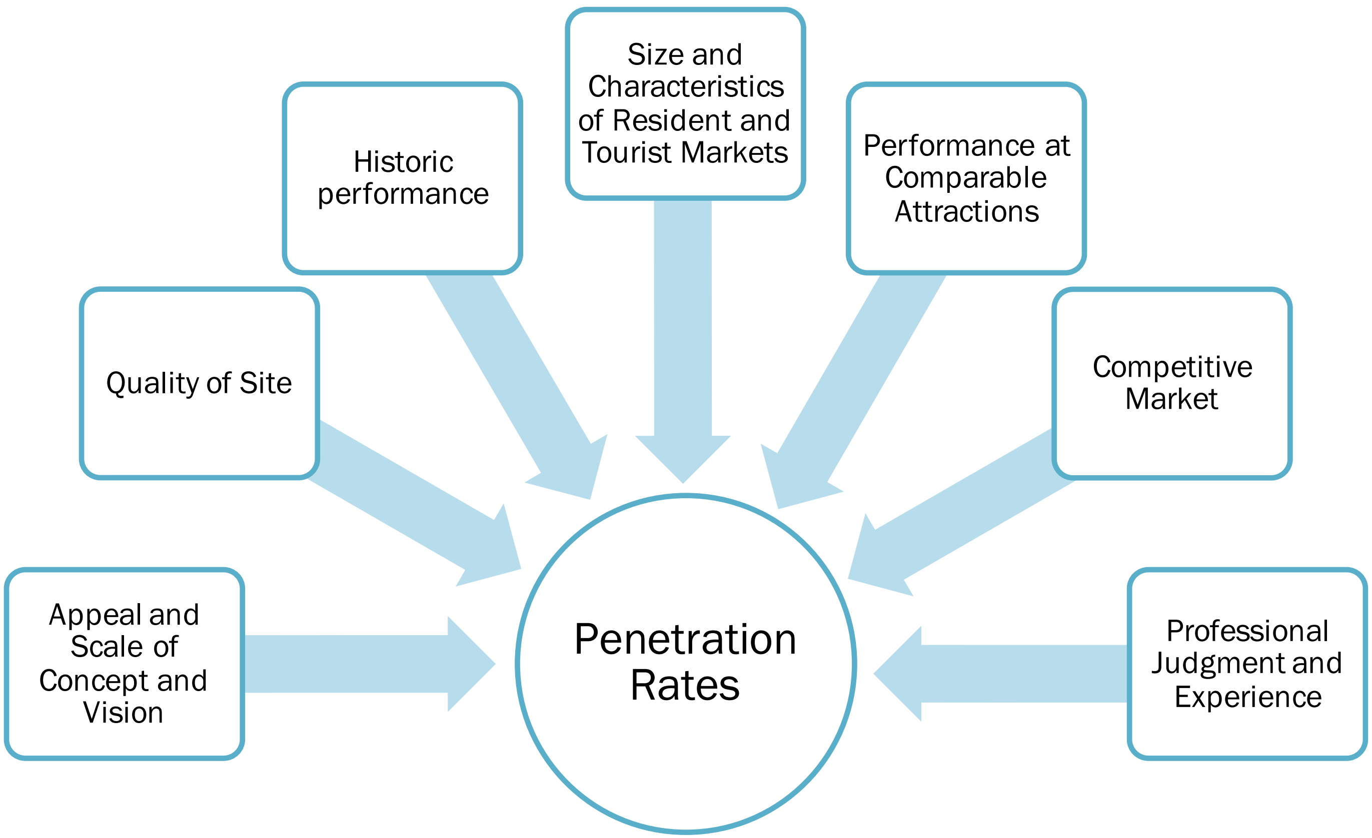
VII. Attendance Analysis: Overview and Approach

- Attendance to cultural facilities is a function of several factors including: the size and characteristics of resident and tourist markets, quality and scale of the cultural attraction, proximity and level of competition, pricing, market spending power, market acceptance / behavioral characteristics, level of investment, and a host of other factors.
- Market factors define the basis from which attendance potential is derived, while the scope of the cultural attraction determines the drawing power or market penetration. The scope and drawing power of a museum or other cultural facility is a function of numerous endogenous factors such as level of initial investment, capital reinvestment, programming, image and brand identity, as well as exogenous variables such as the competitive environment.
- Estimates of attendance at the proposed expanded Mexican Museum are based on the known market availability factors and the estimated potential of the proposed museum to capture the markets with respect to the factors discussed above.
- Market penetration measures the propensity of available market segments to visit an attraction and is generally defined as the ratio of attendees from a market to total market size. AECOM applied market penetration rates to the total population of each of the available market segments to estimate the attendance potential of the new Mexican Museum.

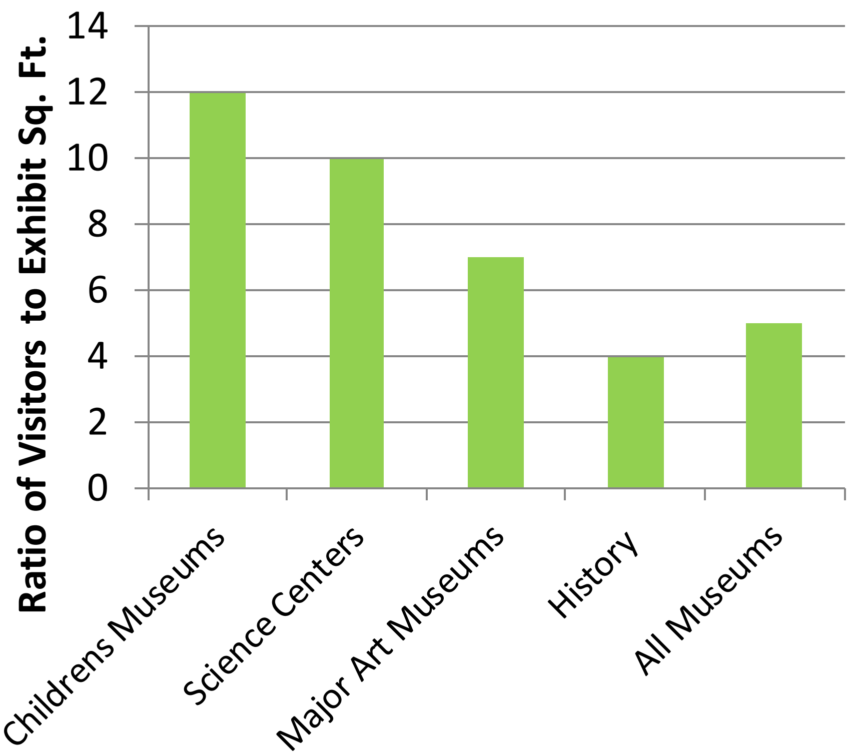
Attendance Analysis: Overview and Approach

- In order to determine reasonable penetration rates, AECOM considered several factors listed below.



Attendance Analysis: Overview and Approach

- We also consider other ratios and benchmarks in our analysis, including the ratio of visitors per exhibit square foot, which has been proven to be a fairly reliable metric for evaluating attendance at museums. We use it to check reasonableness of penetration rates and as one measure in the development of physical planning parameters.
- The average ratio of visitors to exhibit square feet for all museums is 5, but can be lower or much higher. Some high entertainment museums have ratios as high as 15 or 20, reflecting their ability to attract market share with less exhibit area. This ratio is affected by factors such as:
    - Attraction power
    - Quality of visitor experience and presence of signature experiences
    - Interactivity, digital content
    - Brand / marketing power
    - Physical size of exhibits (i.e. children's museum versus flight museum)
    - Programming



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Attendance Analysis: Key Assumptions

- The attendance analysis for the Mexican is predicated upon the following factors that are in effect at the time of this writing. It is important to note that alterations to these factors may materially affect the facility's ability to attain attendance within the projected range. In this analysis, AECOM has assumed the following:
  - The program for the new museum and specific visitor experiences have yet to be fully defined, and therefore, all analysis is based upon a fairly high level understanding of the concept. As the visitor experience and program is defined, attendance potential could shift.
  - The museum will be developed according to the preliminary concept described previously in this report, both in physical program as well as in content and themes.
  - The visitor experience, including array of exhibit, program, and other offerings, will appeal to a broad audience, including both residents and tourists.
  - The project will be executed according to the high professional standards now envisioned, including a lively interpretation of the subject matter, successful technical execution of the exhibits, and evaluation during the exhibit design process to serviceability of exhibits from the visitor standpoint.
  - The exhibits will use new technologies to create a high quality, interactive, and immersive visitor experience. The museum will not be a static display of collection items, but will use items from the collection to tell compelling stories, and will integrate them with well-designed exhibits using multiple medias and technology.
  - The content of at least a portion of the exhibits will be changed often enough to encourage repeat visitation, and the museum will include a mix of traveling and changing exhibitions.
  - The museum will offer strong education and public programs that will appeal to different market segments.
  - The museum will have a robust marketing and promotion program with a budget within industry standards that will reach multiple market segments, including local residents, secondary market residents, tourists, families with young children, and school groups.
  - A reasonable price structure will be set in accordance with market standards.
  - The proposed museum will continue to be managed by professionals competent in museum administration and management.
  - The overall operating budget will be sufficient given the size, attendance, and program for the museum
  - The museum will open in 2018 and the first year of stabilized operations will occur in 2020

Attendance Analysis: Summary of Attendance Potential

- AECOM's projected market capture rates and attendance levels for the Mexican Museum are shown below. For each identified market segment, we have provided a likely range of market capture and attendance.
- As shown, we estimate that the Mexican Museum attendance in a stabilized operating year to be between 77,000 and 118,000, with a midpoint of 98,000.
- Museums typically experience an initial year surge in attendance as a result of a number of factors including opening year events and media coverage. This surge can be anywhere from 10 to 30 percent higher than stabilized year attendance. Typically, cultural attractions that draw primarily from the resident market or closer in regional tourist markets will experience a higher surge. We would expect initial year attendance for the Mexican Museum to be between 10 and 15 percent higher than a stabilized year, around will likely be between 10 percent and 15 percent higher than stabilized year operations, resulting in an initial year attendance of between 105,000 and 120,000.
- Given 19,000 square feet of exhibit area, the projected ratio of visitors to exhibit square feet is 5.2 in the mid-scenario.

		Penetration Rate			Attendance		
Market Segment	**2020**	**Low**	**Mid**	**High**	**Low**	**Mid**	**High**
Resident Market							
Primary (0-30 minutes)	2,880,000	0.8%	1.0%	1.3%	22,000	29,000	36,000
Secondary (30-60 minutes)	4,218,000	0.4%	0.5%	0.6%	17,000	21,000	25,000
Total Resident Market	7,098,000	0.5%	0.7%	0.9%	39,000	50,000	61,000
Overnight Leisure Tourists	9,554,000	0.4%	0.5%	0.6%	38,000	48,000	57,000
GRAND TOTAL	**16,652,000**	**0.5%**	**0.6%**	**0.7%**	**77,000**	**98,000**	**118,000**

Source: ESRI, San Francisco Travel Assoication, AECOM

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VIII. Physical Planning Parameters : Design Day / Capacity Analysis

- In order to estimate the amount of exhibit area required to accommodate and attract the projected attendance, AECOM uses two approaches: one driven by capacity, and one driven by attraction power.
- Overbuilding will not generally result in higher attendance but can result in sub-optimal financial performance due to operating costs that are not supportable. Underbuilding can result in not achieving the projected attendance.
- **Capacity Approach- Design Day Analysis**
  - "Design day" or average high attendance day is used as a key determinant of capacity requirements needed to adequately handle expected crowd levels.
  - For all types of visitor attractions, it is neither necessary nor economically desirable to size facilities for absolute peak periods of on-site patronage, as some degree of crowding on special holidays or other major attendance times will be accepted by the visiting public.
  - However, the facility must comfortably accommodate peak crowd loads on a normal high day of attendance, or lasting negative effects on visitation performance will result.
  - Using industry standard assumptions calibrated for local San Francisco market conditions, AECOM estimates a design day requirement of between 12,000 and 18,000 square feet of exhibit area, using the design day capacity driven approach.

Capacity Analysis	Low	Mid	High
Estimated Annual Attendance	77,000	98,000	118,000
Peak Month Attendance (@ 17% of total)	13,090	16,660	20,060
Weekly Attendance in Peak Month (@ 22.5% of peak month)	2,945	3,749	4,514
Design Day Attendance (@ 22% of week)	648	825	993
Peak In-Museum Attendance (40% of design day)	259	330	397
Exhibit Sq. Ft. per Person	45	45	45
Minimum Exhibit Sq. Ft. Required	**11,700**	**14,800**	**17,900**

Source: AECOM

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Physical Planning Parameters : Critical Mass / Attraction Power Approach

- **Critical Mass Approach**
  - This approach estimates the amount of exhibit content needed to achieve the projected penetration rates and attendance.
  - The approach relies on the ratio of visitors to exhibit square feet of comparable institutions and industry standards, along with AECOM's assessment of the required ratio given the proposed concept.
  - Based upon our analysis, we estimate that between 16,000 and 25,000 square feet of exhibit area will be required to attract annual attendance of 98,000.
  - Given that the museum currently has around 19,000 square feet of exhibit area, which is fairly close to the required amount, we would recommend that the exhibit area be utilized as best as possible with active visitor areas that are immersive and engaging. Programming and changing exhibitions will also be very important to drawing attendance.

Critical Mass Analysis	**Low**	**Mid**	**High**
Estimated Mid-Scenario Annual Attendance	98,000	98,000	98,000
Ratio of Visitors to Exhibit Square Feet	6.0	5.0	4.0
Resulting Exhibit Square feet	**16,300**	**19,600**	**24,500**

Source: AECOM

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IX. Financial Analysis

- AECOM prepared a draft financial model based on industry standards and benchmarks adjusted for local conditions and specific operating characteristics associated with the concept currently envisioned for the Mexican Museum.
- This analysis is for top level preliminary planning purposes only and not meant to be used for detailed business operations. Annual priorities for detailed budgeting are set on an annual basis by senior staff leadership and Board.
- Given that the visitor experience, exhibit concepts, and programming plan are under development, the financial analysis presented in this report represents a reasonable starting point for financial and business planning. The goal of the financial analysis is to determine likely earned revenues, a reasonable estimate for operating costs (and rational categories), and required contributed income from public and private sources (i.e. public, foundations, corporations, individuals, grants, fundraising events, etc.)
- The purpose is to assist the Board and senior staff leadership in evaluating the likely required contributed income on an annual basis.
- All projections are in 2015 dollars.
- Any changes to the concept presented in this report could affect the financial analysis.

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Financial Analysis: Earned Revenue Assumptions

- The major categories of earned revenue for the Mexican Museum include:
  - Admissions revenue
  - Retail store sales
  - Memberships (this is sometimes considered contributed income, but we have quantified it here as earned revenue)
  - Public program fees and/or upcharges for premium experiences, tours, or services
  - External facility rental income
  - Lease revenue from restaurant rental spaces

Financial Analysis: Earned Revenue Assumptions

- **Admissions Revenue**
  - Admissions revenue is a result of admission price and the admission "yield."
  - Admission Price - Based on our review of the local market, AECOM recommends an adult admission price of $12 (in 2014 dollars).
  - Admission Yield- This number is a ratio calculated by dividing the average admissions revenue per visitor by the full adult admission price. Most museums have a yield on adult admission price of between 45 and 65 percent. The yield on the admission is affected by factors such as nature of museum (whether they are more of a commercial cultural attraction or educational facility), composition of attendance (i.e. percent coming from school or other groups, tourists, etc.), demographics of the market and attendance, such as a large senior citizen population, and sometimes mission driven policy decisions of the museum, such as resident discounting through free zip-code days or other promotions.
  - We estimate an admissions yield for the Mexican Museum of 60 percent. that would result in a yield of approximately 60 percent. We would expect the yield for the resident market to be significantly lower than for the tourist market, where there is much less discounting.

- **Membership Revenue -** AECOM assumes that a gift shop of approximately 2,000 square feet will be included, selling high quality merchandise created specifically for the Mexican Museum, including Mexican and Latin American arts and crafts and unique merchandise

Financial Analysis: Earned Revenue Assumptions

- **Retail Sales –** We view the retail store as an opportunity to become the “go to” destination for Mexican and Latin American specialty products. We assume that the museum will hire an experienced store manager who understands specialty retail.
  - Assuming high caliber store management and operations, we estimate that the Mexican Museum could achieve gross sales between $6 and $8 per capita, with a cost of goods sold of 50 percent.
  - Based on per capita sales at other specialty museums and historic performance of La Tienda, the existing Mexican Museum store, AECOM estimates that the Mexican Museum could achieve gross sales between $6 and $8 per capita, with a cost of goods sold of 50 percent. Based upon this estimate, the current store size of 1,600 square feet appears adequate.

Retail Analysis	Low	Mid	High
Total attendance	77,000	98,000	118,000
Total attendance per capita spending	$6.00	$7.00	$8.00
Gross retail revenue	$462,000	$686,000	$944,000
Retail Square feet	1,584	1,584	1,584
Resulting Sales per square foot	$292	$433	$596

Source: AECOM

- **Programs/ Workshops/ Upcharges**
  - While there is not a programming strategy or plan yet for the museum, we assume that most programming will be fairly low cost or free, with the goal to cover costs as much as possible. We have assumed $2 per capita for program related revenue and for upcharges for premium experiences. This is a gross amount, as program costs are in the operating budget.

Financial Analysis: Earned Revenue Assumptions

- **Facility Rental Income -** The event spaces are still being determined in the final space program for the museum. We conducted extensive research in the local San Francisco events market, and generally believe that there is strong potential assuming an appropriately sized facility.
  - The revenue potential for facility rentals depends upon the size of the space, the extent to which the space is dedicated event space that allows food and beverage and can be operated when the museum is open, and other factors such as marketing, catering policy, etc.
  - For purposes of analysis, until the facility program is confirmed, we have somewhat conservatively assumed approximately 70 to 80 events annually with an average rental income between $3,000 and $4,000 (net of additional pass-through fees), for a total of around $300,000 annually. Note that there may very well be upside potential in this earned revenue category.

- **Restaurant Lease Revenue –** We believe that a standard real estate restaurant lease would provide the most revenue for the museum.
  - Given that the restaurant is not connected to the museum, and that the given the size of the museum, a full scale restaurant of this size is not likely warranted based upon museum visitation, it makes most sense to treat the restaurant space as a real estate use that will provide earned revenue on a consistent basis for the museum.
  - This is a very strong restaurant site. We interviewed several local real estate brokers and conducted research on recent restaurant lease deals in the area. Based upon the size of the space and typical rents, we would estimate between $200,000 and $250,000 annually, assuming that the museum can find an appropriate tenant, which ideally is a high volume, high quality restaurant that can serve business and convention clientele.
  - We do think that it makes sense to think strategically about restaurant theming or partnership opportunities (i.e. displaying objects or marketing materials for the museum, displays, food, etc.), but there is a chance that increasing criteria for the tenant may limit revenues.
  - We also think that a small coffee cart / stand or grab and go food options in the lobby may help retain visitors for a longer period of time.

Financial Analysis: Operating Budget Methodology

We used two approaches to estimate a reasonable operating budget by category for the Mexican Museum, shown below:

"Top Down"

Estimated overall budget based on cost per square foot and planned facility size.

"Bottom Up"

Developed planning level assumptions for each line item in the operating budget.

Reconcile & Compare

Compared results and key metrics from "top down" and "bottom up" approaches with comparable facilities and industry averages to confirm reasonableness and develop final estimates.

Financial Analysis: Operating Expenses

- **"Top Down" Approach** – We would advise planning for an operating budget of approximately $80 per gross square foot. While there are some museums that operate on lower budgets, San Francisco is an extremely competitive labor market, and the attendance estimates we have shown reflect high quality, experienced staff. Other operating costs also tend to be higher in San Francisco than other areas, and with respect to visitor experience, San Francisco is a very competitive market with many attractions competing for people's leisure time.
- "**Bottom Up" Approach –** Key assumptions for each operating budget category are shown below.
  - Payroll costs: Approximately 50 percent of total operating costs including salaries and benefits.
  - Administrative / Overhead: 5 percent of total budget, includes items such as insurance, legal, and other administrative costs.
  - Exhibitions / Education: Includes spending on traveling exhibition rental fees ,exhibit renewal expenses, and education programs.
  - Other programming: Estimated to be approximately 60 percent of earned revenue for programs.
  - Marketing / Promotion: 7 percent of total budget, which is the industry standard and appropriate given the geographic location of the Latino market, the need to reach both tourists and residents, and the cost of marketing in the San Francisco Bay Area.
  - Supplies and Services: 8 percent of total budget. In addition to basic supplies, this category includes contract labor for security and special projects.
  - Building Utilities: Assumes $4 per gross indoor square foot estimate. This assumes that there are no extraordinary building utility requirements.
  - Maintenance & Janitorial: Estimated at $8 per square foot, which assumes that there are some efficiencies due to the fact that the museum is part of a larger development.
  - Other: Approximately 1 percent of total expenses.

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Financial Analysis: Hypothetical Staffing

- We estimate that the Mexican Museum will require between 30 and 40 full-time equivalent (FTE) staff to operate the museum.
- Below is a hypothetical chart that shows the categories and levels of staff, along with an estimate for payroll costs consistent with the financial analysis.
- Exact positions will be affected by the ultimate exhibit design and visitor experience.

FTE Staff by Category	Executive	Manager	Professional	Hourly	Total
Director	1	0	0	1	2
Finance / HR	1	1	1	1	4
Development	1	1	2	1	5
Marketing / PR	1	1	1	0	3
Exhibits	1	0	2	2	5
Education & Programs	0	1	1	2	4
Visitor Services	0	1	1	3	5
Building Maintenance	0	1	1	2	4
Technology	0	1		1	2
Retail	0	1	1	1	3
Total FTE	**5**	**8**	**10**	**14**	**37**
Calculation of Payroll Cost					
Average Salary	$90,000	$70,000	$55,000	$35,000	n/a
Total Wages	$450,000	$560,000	$550,000	$490,000	$2,050,000
Benefits	$135,000	$168,000	$165,000	$73,500	$541,500
Total Payroll Cost	**$585,000**	**$728,000**	**$715,000**	**$563,500**	**$2,591,500**

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Financial Analysis: Summary

- Earned Revenues - Total earned revenues for Mexican Museum are estimated at $1.79 million in a stabilized year (2014 dollars).
- Operating Budget - The total annual operating budget is estimated to be $5.1 million, translating to a cost of $80 per gross square foot. Approximately 50% of this cost is labor, which is reasonable given San Francisco economic conditions.
- Earned Income Ratio - The resulting earned income ratio is 35 percent, in-line with industry standards, local conditions, and the proposed concept.
- Required Contributed Income – The amount of contributed income from other sources, including the endowment, public subsidy, individual donors, corporate donations, foundation grants, and fundraisers is approximately $3.3 million annually. Note that this does not include any endowment income resulting from the capital campaign or developer contribution.

Preliminary Financial	**2020**
Revenue	
Admissions Revenue	$706,000
Membership	$147,000
Gross Retail Sales	$686,000
Retail Cost of Goods Sold	($343,000)
Net Retail Sales	$343,000
Programs / Upcharges	$196,000
Facility Rentals	$200,000
Restaurant Lease Revenue	$200,000
Total Revenue	**$1,792,000**
Operating Expenses	
Payroll Costs	$2,592,000
Administrative / Overhead	$288,000
Exhibitions / Education	$500,000
Other Programming	$118,000
Marketing / Promotion	$403,000
Supplies and Services	$461,000
Building Utilities	$256,000
Maintenance & Janitorial	$384,000
Other	$115,000
Total Operating Expenses	**$5,117,000**
Operating Cost per SF	**$80**
Amount of Contributed Income Required	**($3,325,000)**
% Earned Income	**35%**

Source: AECOM

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Appendix A: Hispanic Market Museum Attendance Research

Trends in Hispanic Museum Attendance

- "Minorities" visit museums at a lower rate compared to other ethnicities.
- Growth of the Hispanic population will affect the long-term attendance projections of museums in the United States and is particularly relevant in California.
- Data is analyzed by race, but underlying factors contributing to lower attendance are likely more attributed to socioeconomic status.

Minority Proportion of Population, Past and Future

Minority Proportion of Museum Attendance, Today

Source: "Demographic Transformation and the Future of Museums", Center for the Future of Museums, an initiative of the American Association of Museums. Image source: Reach Advisors analysis of census and survey data.

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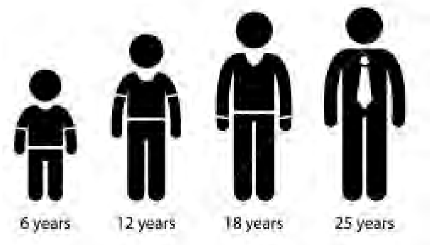
Drivers of Museum Attendance

Age



Race & Ethnicity

- According to: "Demographic Transformation and the Future of Museums"
  - 2010 publication by the Center for the Future of Museums (CFM)
  - American Association of Museums in collaboration with the Cultural Policy Center at the University of Chicago

Income

- According to: National Bureau of Economic Research
  - Highly correlated with education and "cultural capital"

Education

- According to: Survey of Public Participation in the Arts (SPPA)
  - 2012 publication by the National Endowment of the Arts

Museum Participation Rates by Age

- In the past few years the percent of younger people attending museums has decreased and the percentage of those 65 years and over has increased.
- Impact of the Millennial
  - Generational differences may be the overriding factor
  - Interviewees expressed desire for interactivity during museum visits
  - Millennials talk on the phone less and for a shorter time compared to older generations (Nielson)
  - Texting among 18- to 24-year olds is growing (Nielson)
- Museums can learn from game designers, as unlike the best games, museums often fail to provide visitors with clear instructions or the feeling of having successfully accomplished something

Percent of U.S. Adults Who Visited an Art Museum or Gallery, by Age: 2008 and 2012

	2008	2012
All Adults	**22.7%**	**21.0%****
18-24	22.9%	18.3%**
25-34	24.3%	22.1%
35-44	25.7%	21.2%**
45-54	23.3%	21.9%
55-64	24.3%	22.4%
65-74	19.9%	22.5%
75 and over	10.5%	15.5%**

**change is statistically significant at the 95% confidence level

Source: SPPA

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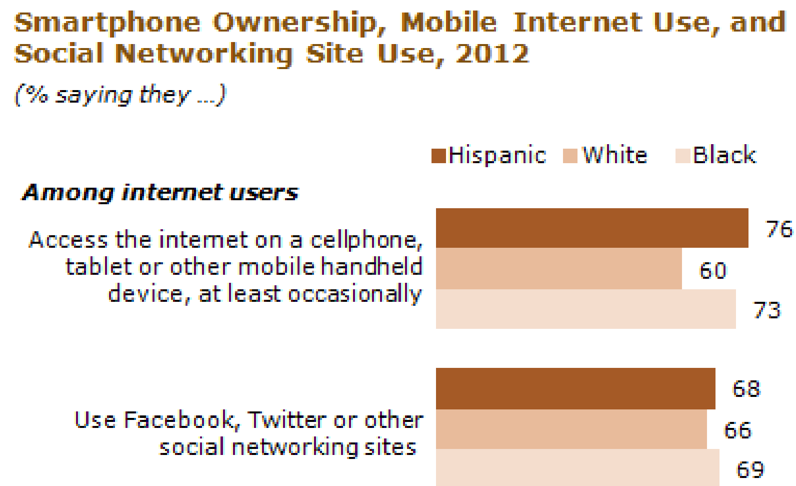
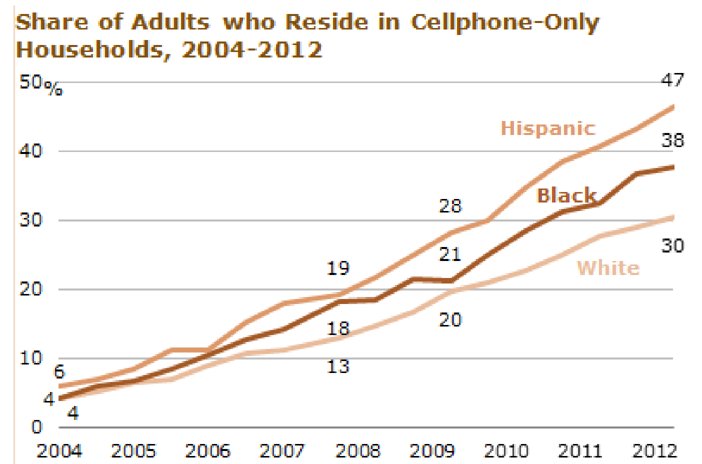
Impact of Race on Museum Attendance

- Whites are over-represented in museum attendance at 79 percent of museum visitors as compared to 69 percent of total population in the United States.
- When asked what type of museum they are most likely to attend, top responses by race were:
  - 39 percent of Hispanic adults identified zoos & aquariums
  - 37 percent of White adults replied historic houses or site
  - 37 percent of Asian Americans adults said art museums
- Hispanic technology utilization is growing quickly: they are most likely to access the internet on a cellphone or similar device (rate is 87 percent for ages 18-29)
- Current trends in museum attendance are not necessarily indicative of future trends, as ethnic identity will be different for immigrants as compared to first and second generations.





Note: Whites and blacks include only non-Hispanics. Hispanics are of any race.

Source: National Center for Health Statistics, National Health Interview Survey

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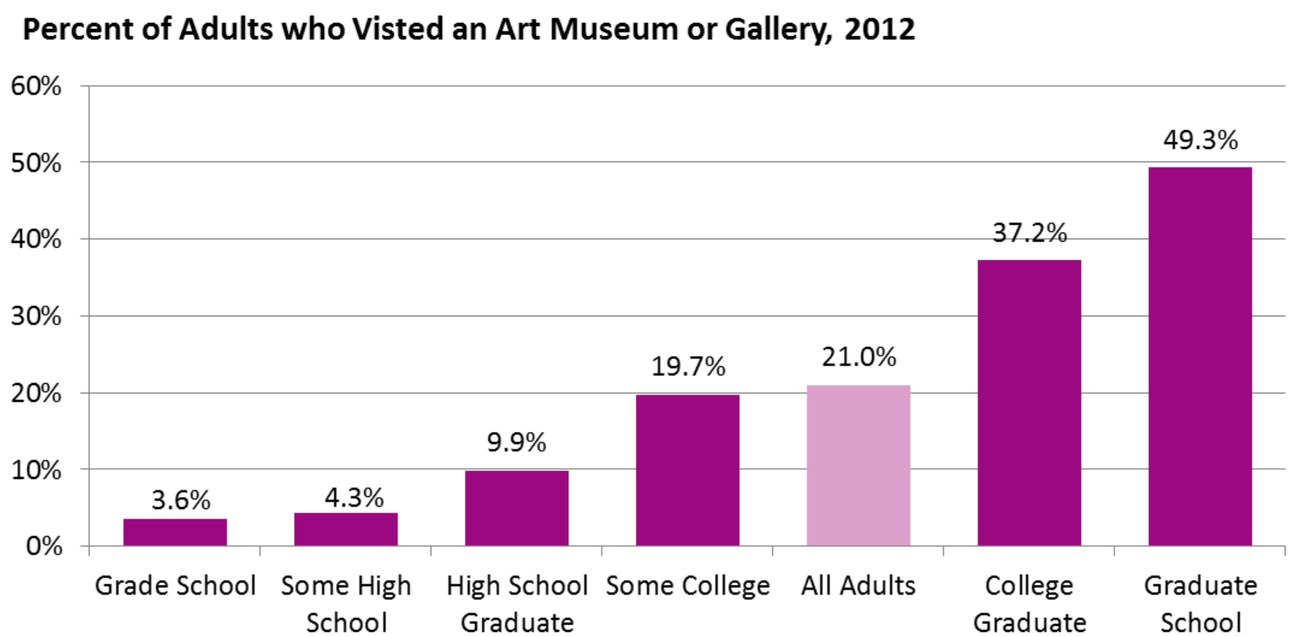
Impact of Education on Museum Attendance

- Major factor correlated with museum attendance is education
  - Low education levels correlate with lower museum attendance. This is likely a cultural barrier, as the perception of museums is as an elitist and/or upper-class institution.
    - Of all adults, 21 percent visited an art museum or gallery in 2012.
    - This is also due to differing "cultural capital", or specifically the lack of specialized knowledge and cultivated aesthetic to understand and appreciate art forms in a specific way.



AECOM

Impact of Income on Museum Attendance

Reasons that low incomes inhibit museum attendance	Additional correlated factors
• Lower amount of leisure time due to opportunity cost of time • Direct costs including entrance fee, parking, and transportation to museum	• Location & transportation options • Lack of minority interest: few minority artists or not interested in exhibit topic • Euro-centric tendencies and portrayal of “the Other” as exotic or primitive • Little or no tradition of visiting museum in the family/greater culture • Social networks: if your friends don’t go to museums, you don’t either

AECOM

What strategies have been tried to increase Hispanic attendance at museums?

Income-based	• Free admission
Inclusion-based	• Extended Hours • Exhibitions/programs targeting nontraditional audiences • Targeted outreach campaigns • Promote group, structured leisure activities (particularly relevant for families) • Reduce intimidation through a more casual guard dress code • Diversify museum employment and performers, creating feelings of acceptance • Create friend-group memberships • Bilingual interpretation • Locate in target market areas
Increase cultural capital	• Scholarships for minorities • Increase art appreciation through education • Re-define American concept that art appreciation requires an education • Role of "first voice" museums has not been explored well

Case Study: Monterey Bay Aquarium

Hispanic visitors went from 8 percent in 1998 to 24 percent in 10 years

- First, identified two separate Hispanic audience segments
  - Latinos with above average household income
  - Newer immigrants, predominantly Spanish speaking
- Marketing group then targeted each group individually.
  - For the first group, a state-wide initiative promoted the Monterey Bay Aquarium as a destination
  - For the second group, worked to overcome negative perception of the museum through:
    - Spanish advertisement on television, radio, and in local newspapers
    - Discounts
    - Organized special events ("Dia del Nino," "Fiesta del Mar")
    - Promoting the aquarium's annual Community Open House for Monterey County residents
    - Adding front-line staff members to assist first-time museum goers

AECOM