

COMMISSION ON COMMUNITY INVESTMENT AND INFRASTRUCTURE

RESOLUTION NO. 06-2022
Adopted March 15, 2022

CONDITIONALLY AUTHORIZING A SECOND AMENDMENT TO THE GRANT AGREEMENT BETWEEN THE MEXICAN MUSEUM AND THE SUCCESSOR AGENCY TO EXTEND THE TERM TO JUNE 14, 2024 AND AUTHORIZING THE TRANSMITTAL OF THE AMENDMENT TO THE OVERSIGHT BOARD OF THE CITY AND COUNTY OF SAN FRANCISCO.

- WHEREAS, On December 14, 2010, in accordance with Agency Commission Resolution No. 157-2010, the Redevelopment Agency of the City and County of San Francisco (the “Former Agency”) entered into a Grant Agreement (the “Grant Agreement”) between the Former Agency and the Mexican Museum, a California non-profit corporation, (“Museum”) that authorized the disbursement of \$10,566,000 of Former Agency funding (“Grant Funds”) over a ten-year period, to cover a substantial portion of the costs for predevelopment, planning, and tenant improvement work related to museum space (the “Museum Space”) in a proposed mixed-use project on a site at 706 Mission Street (Assessor’s Block 3706, Lot 93) and Former Agency disposition parcel CB-1-MM (Assessor’s Block 3706, portion of Lot 277) (the “Project”) located in the now-expired Yerba Buena Center Redevelopment Project Area; and,
- WHEREAS, On January 1, 2011, the Redevelopment Plan for the Yerba Buena Center Redevelopment Project Area expired, but the Community Redevelopment Law authorized the Former Agency to continue to enforce existing covenants, contracts, or other obligations, such as the Grant Agreement, Cal. Health & Safety Code § 33333.6 (a); and,
- WHEREAS, 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, 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 provides that the City and County of San Francisco (“City”) may acquire the Museum Space and lease it to the Mexican Museum. In anticipation of the City’s acquisition of the Museum Space, the City and Mexican Museum entered into a Lease and Facilities Agreement dated March 20, 2015; 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 Commission ("Commission") and the Successor Agency to the City and County of San Francisco, commonly known as the Office of Community Investment and Infrastructure ("OCII"), assumed certain "enforceable obligations" that were entered into prior to the suspension of redevelopment agencies' activities, including the Grant Agreement; and,

WHEREAS, San Francisco Ordinance No. 215-12 (Oct. 4, 2012) implemented Redevelopment Dissolution Law by establishing, among other things, the Successor Agency Commission ("Commission") and delegating to it the authority to take any action that the Redevelopment Dissolution Law requires or authorizes on behalf of the Successor Agency; and,

WHEREAS, Pursuant to the Grant Agreement, the Former Agency Commission approved, by Resolution No. 5-2012, a First Grant Disbursement Agreement on January 17, 2012 for \$750,000. On April 16, 2013, the Commission 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 Commission approved, by Resolution No. 58-2014, a Third Grant Disbursement Agreement in the amount not to exceed \$1,030,881. The Commission approved a Fourth Grant Disbursement Agreement on September 17, 2019, by Resolution No. 24-2019, in an amount not to exceed \$1,000,000. Approvals of the grant disbursement agreements were in compliance with the Grant Agreement; 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 the prolonged effects of the pandemic continue to be negatively felt in the San Francisco Bay Area. As a result, the Museum's predevelopment work has been delayed; and,

WHEREAS, Prior to the expiration of the Grant Agreement, the Commission conditionally approved, by Resolution 24-2020, a First Amendment to the Grant Agreement ("First Amendment"), subsequently approved by the Oversight Board by Resolution 05-2020 and approved by the Department of Finance on November 6, 2022, which extended the term of the Grant Agreement to June 14, 2022; and,

WHEREAS, The Grant Agreement is still in effect, but will terminate on June 14, 2022. The Museum reports that the COVID pandemic and the loss of a key design consultant have negatively affected the timeframe for planning and construction of the tenant improvements for the Museum Space, which have been delayed since the execution of the First Amendment; 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, As previously determined as part of the authorizations of the First Amendment and of continued applicability to the request for the Second Amendment, 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 that has been delayed due to the COVID pandemic, and will maximize 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; and,

WHEREAS, The Second Amendment reduces liabilities and increases net revenues to the taxing entities, particularly the City and County of San Francisco, by assisting in the completion of the City-owned Museum Space and is “in the best interest of the taxing entities,” Cal. Health & Safety Code § 34181(e) because the action will generate, by assisting in the completion of the Museum, increased economic activity and associated tax revenues from patrons and visitors to the Museum; and,

WHEREAS, The Second Amendment requires the review and approval of the Oversight Board and the California Department of Finance to determine compliance with Redevelopment Dissolution Law’s standards for amending enforceable obligations, Cal. Health & Safety Code § 34181(e); and,

WHEREAS, Authorizing the Second Amendment to the Grant Agreement, which will extend the term of the Grant Agreement to June 14, 2024 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, The Commission finds that extending the term of the Grant Agreement to enable the Museum and OCII to complete their funding activities for the Museum Space reduces liabilities and increases net revenues to the taxing entities and would be in the best interest of the taxing entities and otherwise consistent with the Redevelopment Dissolution Law; and,

RESOLVED, That the Commission conditionally authorizes the Executive Director to enter into the Second Amendment to the Grant Agreement, substantially in the form attached hereto as Exhibit A, to extend the term to June 14, 2024, to transmit the Second Amendment to the Oversight Board 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 March 15, 2022.



Commission Secretary

Exhibit A: Second Amendment to the 2010 Grant Agreement