

MEMORANDUM**TO:** Agency Commissioners**FROM:** Fred Blackwell
Executive Director**SUBJECT:** Authorizing a First Amendment to the Amended and Restated Memorandum of Understanding with the City and County of San Francisco, acting by and through its Arts Commission, and the Mexican Museum, a California nonprofit corporation, to extend the term to December 31, 2012, with one additional six-month extension at the discretion of the Agency's Executive Director, to collaboratively implement a predevelopment plan for a new museum associated with a new mixed-use project on a site that includes 706 Mission Street (Assessor's Block 3706, Lot 93) and Agency disposition parcel CB-1-MM (Assessor's Block 3706, portion of Lot 277)**EXECUTIVE SUMMARY**

In May 2010, the Agency authorized an Amended and Restated Memorandum of Understanding (the "MOU") with The Mexican Museum (the "Museum") and the San Francisco Arts Commission (the "SFAC") to provide \$820,000 in grant funds for predevelopment and planning activities related to a new museum (the "Museum Space") associated with a new mixed-use project on a site at Third and Mission Streets in the now-expired Yerba Buena Center Redevelopment Project Area (the "Project"). The site includes a parcel owned by 706 Mission Street Co LLC (the "Developer") and an Agency-owned parcel, identified as Agency disposition parcel CB-1-MM.

The MOU, which expires on July 15, 2011, requires the Museum, with assistance from the SFAC, to develop and implement a predevelopment plan for the Museum Space. The Museum has spent much of the last year developing a detailed predevelopment plan, which is currently being reviewed by the SFAC and the Agency. However, additional time is needed to fully review, approve, and implement the predevelopment plan. Therefore, staff is recommending a First Amendment to the MOU to extend the term for a period of approximately 18 months to December 31, 2012, with an additional six-month extension at the discretion of the Agency's Executive Director, which coincides with the timeline in other Project documents with the Museum and the Developer (the "First Amendment"). Staff intends to bring the Museum's predevelopment plan to the Commission for its consideration and approval at a later date.

Staff recommends authorizing the First Amendment to the MOU with the SFAC and the Museum to extend the term to December 31, 2012, with an additional six-month extension at the discretion of the Agency's Executive Director.

DISCUSSION

The MOU and Proposed First Amendment

On May 4, 2010, the Commission approved the MOU to help the Museum with its predevelopment and planning activities related to (1) developing and constructing the Museum Space and (2) creating an operationally and financially strong organization that will complete, open and sustainably operate the Museum Space. Under the MOU, the Agency agreed to provide \$820,000 in funding, with \$745,000 to be disbursed to the Museum through the SFAC, and the remaining \$75,000 to be retained by the SFAC for its fiscal oversight and consulting assistance to the Museum. Of the \$745,000 authorized for the Museum, approximately \$545,000 has been either invoiced or disbursed to date.

The MOU, which expires on July 15, 2011, requires the Museum to use the funds for staff and consultants to prepare and commence implementation of a predevelopment plan. Over the last year, the Museum has hired a full-time executive director and a full-time project assistant and developed a detailed predevelopment plan, in collaboration with the SFAC. The predevelopment plan includes plans and specific performance milestones for: the hiring of museum staff; increasing the capacity of the Museum's board of trustees; operating the Museum Space; fundraising; and seeking partnerships with other institutions. A draft of the predevelopment plan has been submitted to the SFAC and the Agency for review.

While much has been accomplished over the last year, more time is needed to fully review, approve, and implement the predevelopment plan. Therefore, staff is recommending the First Amendment, which extends the MOU's term for a period of approximately 18 months to December 31, 2012, with an additional six-month extension at the discretion of the Agency's Executive Director. This term coincides with the timeline in other Project documents with the Museum and the Developer.

Project Update

Significant progress has been made over the last year on the design of the overall Project and components of the environmental review process, including publication of a notice of preparation of an environmental impact report. The Developer has also worked with the Museum to negotiate a contract with renowned Mexican architect Enrique Norton for the design of the Museum Space.

The current schedule for the Project, which is subject to change given the Project's complexity, anticipates receipt of all final regulatory approvals by the end of 2012, commencement of construction in early 2013, delivery of the core and shell of the Museum Space to the Agency in 2014, and completion of the Project by 2016. To help the Museum in this effort, the Commission approved in December 2010 an exclusive negotiations agreement and a grant agreement, which commits approximately \$10.5 million in Agency funding for predevelopment work and tenant improvements related to the Museum Space.

California Environmental Quality Act

The First Amendment changes the terms of the MOU by extending the term for an additional 18-month period, plus one six-month extension; however, these changes have no effect on the activities permitted under the MOU. Agency authorization of the First Amendment is an Agency administrative activity that will not have any direct physical effects on the environment and is not a “Project” as defined by California Environmental Quality Act (“CEQA”) Guidelines Section 15378(b)(5).

Next Steps

Staff anticipates returning to the Commission at a later date with the Museum’s predevelopment plan for consideration and approval. Once the predevelopment plan is approved, the remaining MOU balance of approximately \$200,000 will be available for disbursement as the Museum begins to implement individual components of the predevelopment plan.

Originated by Christine Maher, Development Specialist

Fred Blackwell
Executive Director

RESOLUTION NO. 82-2011

AUTHORIZING A FIRST AMENDMENT TO THE AMENDED AND RESTATED MEMORANDUM OF UNDERSTANDING WITH THE CITY AND COUNTY OF SAN FRANCISCO, ACTING BY AND THROUGH ITS ARTS COMMISSION, AND THE MEXICAN MUSEUM, A CALIFORNIA NONPROFIT CORPORATION, TO EXTEND THE TERM TO DECEMBER 31, 2012, WITH ONE ADDITIONAL SIX-MONTH EXTENSION AT THE DISCRETION OF THE AGENCY'S EXECUTIVE DIRECTOR, TO COLLABORATIVELY IMPLEMENT A PREDEVELOPMENT PLAN FOR A NEW MUSEUM ASSOCIATED WITH A NEW MIXED-USE PROJECT ON A SITE THAT INCLUDES 706 MISSION STREET (ASSESSOR'S BLOCK 3706, LOT 93) AND AGENCY DISPOSITION PARCEL CB-1-MM (ASSESSOR'S BLOCK 3706, PORTION OF LOT 277)

BASIS FOR RESOLUTION

1. On May 4, 2010, by Resolution No. 48-2010, the Agency Commission authorized an Amended and Restated Memorandum of Understanding (the "MOU") with The Mexican Museum (the "Museum") and the San Francisco Arts Commission (the "SFAC") to provide \$820,000 in grant funds for predevelopment and planning activities related to a new museum (the "Museum Space") associated with a new mixed-use project on a site at Third and Mission Streets in the now-expired Yerba Buena Center Redevelopment Project Area (the "Project"). The site includes a parcel owned by 706 Mission Street Co LLC (the "Developer") and an Agency-owned parcel, identified as Agency disposition parcel CB-1-MM.
2. The MOU, which expires on July 15, 2011, requires the Museum, with assistance from the SFAC, to develop and implement a predevelopment plan for the Museum Space. The Museum has spent much of the last year developing a detailed predevelopment plan, which is currently being reviewed by the SFAC and the Agency.
3. Additional time is needed to fully review, approve, and implement the predevelopment plan. Therefore, staff recommends a First Amendment to the MOU to extend the term for a period of approximately 18 months to December 31, 2012, with an additional six-month extension at the discretion of the Agency's Executive Director, which coincides with the timeline in other Project documents with the Museum and the Developer (the "First Amendment").
4. The First Amendment changes the terms of the MOU by extending the term for an additional 18-month period, plus one six-month extension; however, these changes have no effect on the activities permitted under the MOU.

Agency authorization of the First Amendment is an Agency administrative activity that will not have any direct physical effects on the environment and is not a "Project" as defined by California Environmental Quality Act ("CEQA") Guidelines Section 15378(b)(5).

RESOLUTION

ACCORDINGLY, IT IS RESOLVED by the Redevelopment Agency of the City and County of San Francisco that the Executive Director is authorized to enter into a First Amendment to the Amended and Restated Memorandum of Understanding with the City and County of San Francisco, acting by and through its Arts Commission, and The Mexican Museum, a California nonprofit corporation, to extend the term to December 31, 2012, with one additional six-month extension at the discretion of the Agency's Executive Director, to collaboratively implement a predevelopment plan for a new museum associated with a new mixed-use project on a site that includes 706 Mission Street and Agency disposition parcel CB-1-MM, and to enter into any and all ancillary documents or take any additional actions necessary to consummate the transaction.

APPROVED AS TO FORM:

James B. Morales
Agency General Counsel