

AGENDA ITEM 8.0

California Cultural and Historical Endowment Board Meeting

6/13/2013

INFORMATIONAL STAFF REPORT

GRANTEE:	The Mexican Museum
PROJECT:	The Mexican Museum
LOCATION:	San Francisco
PROJECT SUMMARY:	Design and construction documents for the interior space of the new permanent home for The Mexican Museum in the Yerba Buena Art District of San Francisco.
FUNDING RESERVED:	\$800,000
FUNDING RESERVATION DATE:	06/22/2010
FUNDING APPROVAL DATE:	10/17/2011
IN GRANT AGREEMENT?:	Yes
GRANT AGREEMENT TERM:	6/1/2012- 7/1/2014
FUNDING ROUND:	Funding Round 2

BACKGROUND

CCHE Grant Award

The Mexican Museum is a Round 2 applicant that initially received Board Approval of Funding for a construction project in the amount of \$2.4 million in 2007. Six months later, in August 2007, the applicant returned to the Board to request approval of a material change to their CCHE project. The City and County of San Francisco (City), the site owners, had approached the applicant about their proposed museum in the Yerba Buena District, suggesting that the City's land could be better used if a high-rise, mixed-use structure could be sited on both its parcel and the adjacent lot. The revised construction plan required new CEQA compliance.

The CCHE Board deliberated and approved the project revision, but required that an approved EIR for the revised project be in place within 18 months, by April 30, 2009.

The EIR was not completed by May 1, 2009, and the applicant had failed to submit all the required progress reports and had been non-communicative on many issues with staff. The Board continued the reservation of \$2.4 million and asked staff to further evaluate project plans and expressed concerns about the applicant's financial and organizational capacity.

Due to ongoing concerns about the applicant's capacity that were not allayed by reports submitted and meetings held between June of 2009 and January of 2010, the Board removed the reservation of funding of \$2.4 million on February 2, 2010.

The applicant requested a re-consideration of the decision and, at the April 14, 2010, Board Meeting, indicated that additional information had not been considered by the staff or the Board. The Board allowed the applicant one month to provide additional evidence, but no substantive new documentation was provided.

The Board voted to reserve \$800,000 as a planning grant for the applicant at the June 22, 2010, Board Meeting, contingent upon the completion of several milestones which would demonstrate the required financial and organizational capacity to manage the grant funds. The milestones included the hiring of an executive director, the completion of a financial audit, and the correction and re-filing of inaccurate 990 tax forms.

On October 17, 2011, the Board, satisfied that the Mexican Museum had fulfilled the milestones set forth for it, awarded the museum the \$800,000 planning grant. The grant award was to be used to provide design and construction documents for the interior space of the new permanent home for the Mexican Museum. Final CEQA approval was anticipated by the end of 2012 and construction was expected to begin by mid-2013.

CEQA Status

During the environmental review process, neighbors voiced extensive concerns regarding traffic, transportation issues, pedestrian safety and shadows. On March 21, 2013, the San Francisco Planning Commission certified the Final Environmental Impact Report (FEIR) for the project. However, the Commission found that the project will have an effect on the environment due to significant and unavoidable impacts on traffic, transportation and circulation. The project was also found to create a new shadow in a manner that could affect outdoor recreation facilities or other

public areas. The Planning Commission indicated that they would consider the information contained in the FEIR prior to approving the project.

Since the March meeting, the San Francisco Board of Supervisors approved the entitlement for Millennium Partners, the developer for the project, but it is contingent upon several additional actions: approval of the designation of 706 Mission Street as a Special Use District, the reduction in height from 520 feet to 480 feet to address shadow concerns, and a corresponding reduction in minimum dwelling units from 162 to 145.

Additionally, the approval of the entitlement has been appealed by neighbors and a hearing before the San Francisco City and County Board of Appeals is set for July 31, 2013. Meanwhile, the issues of the Special Use District designation and the height reclassification have been assigned to the Land Use Committee of the Board of Supervisors and interested parties can track these items on the City's website <http://sfbos.org> under Meetings, Committees and Land Use.

Financial Condition of the Applicant

Attached to this report is The Mexican Museum's latest quarterly financial report which shows a cash balance of \$135,703 and a net loss for the period of \$31,108. The loss shown for the prior quarter was just over \$20,000. However, it should be noted that according to notes on the quarterly financial reports provided by the museum, 90% of the organization's salaries expense is being capitalized as part of the pre-construction costs of the planned new building, and are not reflected in the expenses of the quarterly financial report. The report, therefore, underreports the organization's expenses.

CCHE Grant Invoicing Issues

The Mexican Museum has submitted only one invoice since finalizing the grant agreement last June. CCHE has not yet processed the invoice submitted in January of this year, however, because of issues identified with the reimbursement request. Additional documentation requested in January of this year to substantiate the invoice has still not been provided and so the invoice remains unpaid.

Substantiating information requested included evidence of payment, specific number of hours of legal services billed for RFP (Request for Proposal) development, dates of legal service rendered, description of legal services, and hourly legal service rate.

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