

**STATE OF CALIFORNIA  
CULTURAL AND HISTORICAL ENDOWMENT BOARD  
MEETING MINUTES**

**Tuesday, April 29, 2014  
11:20 A.M.**

Location: Barnsdall Art Center  
Theatre Gallery  
4800 Hollywood Blvd.  
Los Angeles, California

By teleconference at the following locations:

- (1) Fish and Game Conference Room  
Natural Resources Building  
1416 Ninth Street, Room 1320  
Sacramento, CA 95814
  
- (2) Department of Finance  
State Capital, Room 1145  
Sacramento, CA 95814

**Members of the Board in attendance:**

Mr. John Laird, represented by Mr. Bryan Cash, Chairperson  
Dr. Catherine Campisi (via teleconference from Resources Agency location)  
Ms. Georgette Imura  
Mr. Greg Lucas  
Ms. Carmen Martinez  
Ms. Ennette Morton  
Ms. Eraina Ortega (via teleconference from Department of Finance location)  
Mr. James Swinden  
Mr. Jon Vein

**Staff in attendance:**

Ms. Mimi Morris, Executive Officer  
Ms. Jennifer Rosenfeld, Deputy Attorney General  
Ms. Lynnda Fair, Office Coordinator  
Ms. Diane Sousa, Project Manager

**Also present:**

Mr. Jeffrey Herr, City of Los Angeles, Hollyhock House  
Mr. Kevin Jew, Project Restore, Hollyhock House

Ms. Hsiao-Ling Ting, City of Los Angeles, Hollyhock House  
Mr. Pradeep Ranade, City of Los Angeles, Hollyhock House  
Ms. Celeste DeWald, California Association of Museums  
Mr. Victor Marquez, The Mexican Museum  
Mr. Donald Nose, Go For Broke National Education Center  
Mr. Aaron Kennedy, Catalina Island Conservancy  
Mr. Robert Reed, Catalina Island Conservancy  
Ms. Ann Muscat, Catalina Island Conservancy

## **1. Roll Call**

Chair Cash brought the meeting to order; CCHE Grant Manager Sousa called the roll.

## **2. Approval of Minutes from September 12, 2013**

*Upon motion by Board Member Swinden, seconded by Board Member Martinez, the Board voted 7-0 to approve the September 12, 2013 Meeting Minutes.*

## **3. Chairperson's Report**

Chair Cash thanked the Hollyhock House team for hosting the meeting and invited Jeffrey Herr to speak. Jeffrey Herr expressed appreciation to the board for the opportunity to host them at the site and especially for the grant funds provided for the rehabilitation of the Hollyhock House. He said he would save details regarding the history-rich site for the tour after the meeting.

Chairman Cash then welcomed the two new board members, State Librarian Greg Lucas and Ennette Morton and expressed appreciation for their participation on the board. He then discussed the new Museum Grant Program, indicating that his staff is working on the grant program guidelines and attended the CA Association of Museums' annual conference in March to gather information. Public hearings are planned for late summer and a release of an RFP is planned within 6-9 months.

Chairman Cash reported that the CCHE's budget for state fiscal year 14-15 includes \$3 million for new grants to the museum program.

## **4. Executive Officer's Report**

Executive Officer Morris started her report by thanking Bryan Cash and others at Resources for making the transition so smooth to the new agency. She then addressed the following issues:

- Audit Report: Oakland Museum of CA – one observation regarding OMCA not securing multiple bids prior to selecting a subcontractor, not CCHE related. CCHE requires that grantees utilize competitive bidding.

- Project Report. Of the 183 CCHE-funded projects, 165 are now closed out and 18 are still active. Five of those are expected to be closed out by September. The remainder by next spring.
- SF Mint Report. The Deputy Director of the Office of Economic and Workforce Development in San Francisco has invited the California Historical Society to assume the role of development partner for the San Francisco Mint. This would require action on the part of the San Francisco Board of Supervisors who would need to approve a new development disposition agreement and terminate the existing DDA with CCHE's grantee, the San Francisco Historical Society and Visitor's Center. SFHS has objected to the proposal.
- Preserving California's Treasures: CA State Parks. CCHE is working to produce another publication that showcases California's cultural heritage resources and would also help State Parks by creating increased awareness and appreciation for state parks. The book would be printed before October of 2014, pending available funds.
- Snoopy License Plate Sales Report – Plate sales have reached the halfway point with 3,750 sold of the 7,500 needed before DMV will begin production. Press Conference planned for April 30<sup>th</sup> at Kidspace Museum.

## 5. Review of Round One Project

**Applicant: Go For Broke Educational Foundation (R1-17)**

**Project:** Go For Broke National Education Center

**Location:** Los Angeles

**Amount:** \$1,000,000

Executive Officer Morris noted that the Project is asking for a grant term extension to March 31, 2015. She concluded with the staff recommendation to approve the request.

Mr. Don Nose, President of the Go For Broke National Education Center, spoke on behalf of the extension.

*Verbatim Transcript (picked up mid-discussion):*

DON NOSE: There will be a signed agreement in place by the end of today.

GREG LUCAS: I think you've answered the question, which is, you guys are happy with it, but the lawyers are going to take one final look at it.

DON NOSE: And this is our version, the final version. We will be on a conference call with our attorney this afternoon at 2:30 to go over this document with him. Then it will be sent over to their lawyers.

LUCAS: You have my condolences.

NOSE: I think you're very aware of how many times it's gone back and forth.

CASH: Any other questions or a motion?

IMURA: I move that we approve the Staff Recommendation.

LUCAS: Second

DIANE SOUSA: Roll Call Vote

*Upon motion by Board Member Imura, seconded by Board Member Lucas, the Board unanimously agreed to extend the grant term to March 31, 2015.*

## **6. Review of Round Two Project**

**Applicant:** The Mexican Museum (R2-39)  
**Project:** The Mexican Museum  
**Location:** San Francisco  
**Amount:** \$800,000

Executive Officer Morris noted that the grantee is asking for a grant term extension to December 31, 2015, and a Budget Revision. She concluded with the staff recommendation to approve the request.

CASH: The next item is The Mexican Museum. This is a project that we are all pretty familiar with. It's been before the board 12 times so, I think we all have a good idea of what the project is so, Mimi, if you could just bring us up to speed on where we are now, then we can move forward on that. Thanks.

MORRIS: OK, so I am going to just skip to the current era on this. Construction on the mixed-used development project, which involves both building a brand-new, 47-floor tower and incorporating an existing historic structure, has not yet begun. The EIR was finalized in March of last year, but the approval of the project was appealed by neighborhood groups who ultimately filed a lawsuit against the City. Prior to the lawsuit being filed, Millennium, the developer, estimated that construction would begin in late summer of this year. Construction is now scheduled to begin in the fall of 2016.

The first invoice submitted by the grantee in January of 2013 included costs that were both outside of the grant term and unallowable. A revised submission was paid which included over \$180,000 for design work. However, the City of San Francisco rejected the designs because they did not take into consideration the requirements to be followed when modifying an historic structure.

The underlying design assumptions regarding the project have radically changed, but the Mexican Museum did not inform staff of these changes in any quarterly progress reports. The Mexican Museum was to occupy two floors of the new 47-floor tower which abuts the historic Aronson building at 706 Mission. The new plan is to have the Mexican Museum occupy the first four floors of Aronson building, the historic building. Accordingly, new plans are required.

So, the Mexican Museum is requesting both a budget revision and an extension of the grant agreement from its current end date of July of this year to January 31<sup>st</sup> to enable them to utilize the grant funds. This time frame is expected to provide the grantee's consultants enough time to complete the second set of conceptual and schematic designs that are required as a result of the City of San Francisco's rejection of the initial set of designs which did not adequately address modifying an existing historic structure. The original planning grant budget included \$160,000 for conceptual design and \$100,000 for schematic design and the City of San Francisco rejected the first work product.

The Mexican Museum requests permission to revise their budget to fund the new design. So, the Staff Recommendation is to approve the budget request with the reminder that the grantee will be strictly held to allowable costs only and staff further recommends that, due to CCHE's impending appropriation expiration date, and corresponding liquidation timeline, the extension to January 31, 2015, be non-renewable.

CASH: OK, we have Victor Marquez here from the Mexican Museum with a few comments. Do you want to use that microphone?

VICTOR MARQUEZ: Sure. Good Morning, Chair, Members of the Commission, Director Mimi, and our Grant Manager Ms. Sousa. I just wanted to clarify a couple of points in the report. First, the site permit was submitted in December for the construction so, it's pending review and construction is expected to begin the first quarter of 2015, not in the Fall of 2016. I don't know how that got in there, but, uh, what happened in the original submittal to the City is that the Aronson building, which is adjacent to the land that the Mexican Museum at the time was contributing the building to the historical fabric, but in the process of this submittal and the design development, there was actually a historical district study, that was undertaken by the City and County of San Francisco.

During the process of that, the qualification or classification of the building, the Aronson building, was upgraded to a potential landmark status and so as a result of that, that changed what the architect would be able to do going forward. Essentially, what the architect, Ten Arquitectos, we retained in 2009, 2010, their idea was to try and get the entire Mexican Museum inside the historical building, which would mean cutting through a number of floors. So, the façade of the building was going to be respected, however, he wanted to do some very high ceilings because of the nature of some of the pieces that will be going into the museum, big artifacts from Mexico, because we have 15,000 objects of art.

So, as a result of that, the City – you could say rejected, but, really, they wanted us to revise the drawings that were submitted to them and they did not want us to have the entrance to

the museum in the historical building because it would not be grand enough in the scale of the area in the Yerba Buena Garden Area. They also did not want the back of the museum to be facing the entrance to the Contemporary Jewish Museum. So, the, uh, the architect was then, through the Board of Trustees of the Mexican Museum, along with the Planning Department and our development partner, Millennium Partners, was sent back to the drawing board if you will. So, a lot of the work that they did was not lost, but it is basically being revised so that the entrance will be in the, on the Jesse Square Plaza, facing the Contemporary Jewish Museum, which is something that the museum itself preferred, but the architects will come up with creative plans that may not necessarily work, and, again, really, what precipitated going back to the drawing board was the change to the designation of the Aronson building.

The good thing about this is that there's been, for purposes of CCHE, as well as the, our partner, the San Francisco Successor Agency to the San Francisco Redevelopment Agency, is that there has been no monies wasted in that work because our contract with the architect, which is \$550,000 for the design does not change. That budget remains the same. So, basically, they're having to, if you will, absorb some of the cost that was involved with that initial design and they are very far along.

I did submit a letter which is part of the packet that lays out the timeline for the space plan as well as the, the space plan for the building, which means the interior where the galleries are going to go, where the store is going to go, the restaurant, the café, etc., is due May 1, so, uh, that is this week.

And, then, the conceptual design is to be completed by no later than July 1<sup>st</sup> of this year so there are actually several iterations that have been presented to the museum and they have been vetted through the successor agency so there has been significant progress and it is looking quite, quite exciting.

The, um, what we are asking, basically, uh, when the planning grant was written, we did not anticipate that the entitlement process would take as long as it has so the way that the dollars, the \$800,000, was spread out, it was spread out over the four phases of the design development: Conceptual Design, Schematic Design, Design Development and Drawing Documents.

What we are asking today, in our timeline, before we made our request we went back at it at least 3 or more times with our team of professional architects--we have a local architect in San Francisco as well as a design consultant, project manager and a lot of consultants, so now we are very, very confident that this timeline that we are presenting: conceptual plan to be completed July 1, schematic design to be completed December 1, and the design development would be completed by January 31 of 2015.

So, we do believe that all of the funds, the \$800,000 funds, will be utilized. This morning, on my way over here, I finally got a report from our CPA and the next submittal will be coming this week for reimbursement. That's going to be approximately a request for about \$200,000 dollars, give or take. Probably a little bit more.

Let's see, the only other thing that I would add is really in the letter that I submitted. There are a lot of accomplishments that I've done. So I don't want to go through all of them.

Oh, yeah, there's one thing that's very important. The original plan has not changed, really, from when we got the planning grant; it was going to be a 47-story tower with the first three floors, not two floors, of the base building going to the Mexican Museum.

What we did in the negotiations in the purchase and sale agreement, when we developed the close, the city had to transfer and sell the land to Millennium Partners to incorporate it into a bigger deal. So, that is something that we vetted with the Department of Finance and a lot of other entities. It was approved; the master plan has been approved. The parcels have been approved and, really, it's not that it's a dramatic change; it's an expansion on the museum so it's a great benefit to the museum.

When we started with three floors, we now have four floors. What does that mean? It means that we're not only going to have a gallery of about 18,000 square feet for the permanent collection, but we've added an additional floor that's going to give us a gallery of about 14,000 square feet for travelling exhibits whether they come from Russia, anywhere in Europe, to Latin America, so it really is a benefit that we did not have when we were before you the last time. The other benefit that we will have is a bigger store that will be a revenue-generating mechanism for the museum and a café.

And, then, last but not least, an additional benefit that we got through the process and through the redesign is the area where the Aronson building was going to have, the architect, what the architect proposed to be, the main entrance, to the museum, which will now be on the plaza, we were able to negotiate with the developers to take that area and give us a 5,000 square foot restaurant that we will not only be able to lease out, but the museum will actually own it and that is a benefit of about, maybe, if you were going to buy it today, \$4 or \$5 million dollars on the open market. And that is going to all go toward the long term sustainability of the museum.

And then last, but not least, we do, I just want to remind you, have a \$5 million dollar endowment fund that we were able to negotiate with the developer as one of the benefits from the project. So, we're very, very excited and I know this is, my lucky number is 13, this is our 13<sup>th</sup> time before you, hopefully the last one and I'm very pleased to give this report about the great things that we are doing and we look forward to having you there for the grand opening, which is anticipated – we're going to get our assets turned over in 2017 the projected time for the tenant improvements. We get the core and shell, to the tune of \$22 million, paid for by the developer, then we go in and do our TI's, then that will take us about 12 months, then we anticipate being open in the first quarter of 2018.

Thank you very much.

CASH: I have a few questions, but I'll open it up to the Board first if anyone else has any other questions.

LUCAS: I have a few questions. I'm not sure you're the right person to answer them, but, so I'm reading on page two of the thing prepared for the Board on this item, it says the first invoice that you mentioned, Mimi, in your presentation, included costs outside the grant agreement items that are unallowable, can you give me some more information on that?

MARQUEZ: My understanding is that there, that some of the costs that were submitted were indirect costs, and part of the confusion by the former CEO, Jonathan Yorba, who is no longer with the museum, my understanding, I'm not 100% sure of the specific numbers, is, for example, project management, we have a project manager who we hired to oversee the overall construction, pre-development construction stage, some of that, really, was put in one category. We have now revised it to Schedule B, to put all of his time into Indirect Costs and we know there is only a 10% indirect cost allowance under the agreement.

LUCAS: Thank you. What, Mimi, can you explain it to me better?

MORRIS: Thank you, Victor.

LUCAS: I apologize to the other board members, I'm coming to this a little colder than you are.

MORRIS: So, the issue with that invoice, is, as I explained, it's outside of the grant term. So, when we have a grant agreement established, we set up a start date and an end date. So, one issue with the expenditures which were submitted was the initial face sheet which showed that it was within the correct time frame – and let's just say that it was calendar year 2012. But then, when we looked, when we did an audit of the expenses, the expenses were from 2011. So they predated the appropriate time frame when we could have reimbursed them and it was overlooked. Actually, during the first review, it was caught and there was communication back and forth between the Mexican Museum and staff saying, "these are not allowable expenditures."

Then there was a second submission and it came through and it was missed, because it was submitted with a cover sheet that said 2012 and it was obscured.

So, the second issue is closer to what Victor alluded to, in that there were indirect costs that exceeded the 10% cap, so then those were not allowable.

Then there are other issues like, for example--and Diane jump in if I get this wrong-- I think there were unsupported costs. For example, there was, I think, a \$100,000 dollar advance to an architectural firm that had no supporting documentation.

LUCAS: We can't pay that, right?

MORRIS: Well, somebody else paid it and then they submitted it to us for reimbursement and it went through and so we don't have any documentation supporting, like, what it was used for, so we disallowed that. So, now we're in the position of saying, "OK, X, Y, and Z



we're disallowing. Next invoice that comes into us, you owe us \$100,000 – or whatever the figure is – and you'll get, basically, charged for those dollars before you get any more dollars back to you. So, that's our position that we found ourselves in after we went back and combed through that invoice and said, "Whoa, what happened here? How did this one slip through?"

LUCAS: So, the thing that we have in front of us says it is an \$800,000 total and there is \$660,000 ...

MORRIS: Left.

LUCAS: Left. Give or take.

MORRIS: Right.

LUCAS: But that number, that \$660,000 is going to grow by \$100,000.

MORRIS: Because of the deficit, right.

LUCAS: So, my next question is to you, sir, I guess. You mentioned, in passing, that your CPA is coming up with another invoice for \$200,000. Is that part of, is that going to come out of this \$800,000 grant.

MARQUEZ: Yeah, basically.

LUCAS: And what is that for?

MARQUEZ: Yes, so we have spent time, Diane and I have spent a good two weeks combing through everything. And Exhibit B, which is in your packets is, basically, a very detailed (inaudible) of each and every expenditure and how we're going to use it before and, again, this is something I inherited. And this is something I worked on really diligently with the help of Diane in understanding the terms and conditions.

LUCAS: So, what is the \$200,000 on this, Exhibit B?

MARQUEZ: The \$200,000? Well, first, if I could address the \$100,000 that Director Morris referenced to. There were two payments made to the design architect. One was in 2011 and I think there was some confusion by our staff. There was a second \$100,000 payment. We know that it was an error because that pre-dated the start of the grant, which was June of 2012. So, there is another \$100,000 that we will be submitting with this report which documents the work that the architects have done. So, that's Point Number One. Now, Number Two...

LUCAS: I'm sorry to interrupt you. So, you're going to prove now to the Endowment that the state should actually give you the \$100,000 for that architect?

MARQUEZ: It would be \$50,000 of the matching amounts of the city of San Francisco.

LUCAS: So you dispute the \$100,000 coming back to the State?

MARQUEZ: No, not at all. We agree.

LUCAS: What did I miss here?

MARQUEZ: We're not disputing anything at all.

LUCAS: OK, go ahead. I'm sorry to interrupt.

MARQUEZ: Yeah, no, we're not disputing anything at all, the approximate. It's actually, I can tell you one of the numbers, because I looked it up this morning. It's about \$144,000 of reimbursables for these various categories that are allowable plus that additional \$100,000. We anticipate the total submittal this week would be about \$244,000. What we expect, I'm sorry, \$244,000. But \$50,000 of that is the city, so it would be 199 that will be billed to the CCHE. What we expect, and what I understand from Miss Sousa, is that \$100,000 will be subtracted, credited back, for that \$100, and we will get a reimbursement check of about \$99,000.

LUCAS: OK, so what's the \$200,000 grand on this with all the yellow boxes on it?

MARQUEZ: The \$200,000 for the Conceptual Design, uh, is the, as I explain in my narrative, the ...

LUCAS: Is that this letter?

MARQUEZ: Yeah. The conceptual design and schematic design is being worked at the same time so there are not only the design architects, we have the architects of record. We also have number 7 through 14, our design consultants are all working in tandem, not only with us, but also with the team of the of the tower.

LUCAS: So, the \$200,000 is Item #2 where it says conceptual design?

MARQUEZ: That is correct.

LUCAS: And, I'm sorry and, again, I apologize to the other board members, but the conceptual design is something different from all of these consultants that are 7-14?

MARQUEZ: 7 through 14 are working from conceptual all the way through design development.

LUCAS: OK, so there's no further breakout of the \$200,000 for conceptual design?

MARQUEZ: Most of the..

LUCAS: It's just a thing that everyone understands what conceptual design is except me?

MARQUEZ: The conceptual ... here the conceptual and the schematic are primarily, those two categories are for the design architect and the architect of record. The design architect's total budget is \$550,000. The architect of record, who works within the city, is \$1.5 million. So that's a total of 2 million dollars for the budget, for the overall project. What we're capturing here is only a fraction so we've got 2, 4, 6, 8, \$860,000 out of about a \$2 million budget for those categories.

LUCAS: Right, right, but it's 25% of the grant that the Endowment gave to you, right? They gave you \$800,000, right?

MARQUEZ: Yep, yeah.

LUCAS: Alright. Thank you. Finally, on your narrative, your letter, it says, I think its page five, I don't know, space plan to be completed by May 1, business plan to be completed by May 1, strategic plan to be completed by May 1. So are there drafts or what? I mean, you said ~~they'd~~ they'd be done the day after tomorrow. Is there some draft or outline that you submitted to the Endowment that suggests what the final product is going to be?

MARQUEZ: We hired the international firm of AKOM (?) and so the reason we hired them is they have those three collaterals for the Museum of Modern Art in San Francisco.

LUCAS: What's collateral mean?

MARQUEZ: The reports, yeah, basically, the reports. So, they have been working on this since, in earnest, since January, but we hired them sometime in late, late November. There's been a lot of back and forth and a lot of meetings with the different stakeholders...

VEIN: Can I interrupt? He asked a really direct question.

MARQUEZ: Uh, are there drafts? There have been a lot of drafts and back and forth...

VEIN: The direct question is, "Do you have the work product that is supposed to be done in the next two days?"

MARQUEZ: Yes! We can send them to Diane and Mimi.

VEIN: You didn't bring them?

MARQUEZ: Nope, no, that's not something that I'm working on.

LUCAS: OK, thank you. Sorry to be so...

VEIN: I have a couple of quick questions. You talked about, it sounds like one of the problems here is that the property was upgraded in status at some point in time. When was that, relative to the designs being drafted that have to be redone? Was it upgraded two days before they had to be delivered? Was it two days after they were started? I want to get a sense of.... There have been a lot of things broken with this project and I'm frustrated because, as I've gone on the record a number of times saying, this is an enormously important project.

But, this has been a comedy of errors. I think that you've been completely mismanaging the money from the citizens. So, can you answer that question?

MARQUEZ: The, yeah, the historical, uh, what the City of San Francisco is doing, it's a fluid process. They have not completed the whole historical district for that area, but, what they have communicated to us, after we submitted the uh, uh, first set of designs, was that the building is now, under their plan, qualifiable for landmark designation.

VEIN: So, you're saying that it was changed after it was submitted?

MARQUEZ: It was changed during.

VEIN: OK, so when during?

MARQUEZ: I don't know the exact date because it's the, a historical...

VEIN: It is for me, it affects my sense of how great the malfeasance is of the people managing this project. So, we should get an answer to that question.

MARQUEZ: OK. I do not know the answer.

VEIN: One of the things that gave me comfort in continuing this project was that there was a gentleman who came on board who had a lot of great experience and, at least for me, I don't know about the rest of you, but he inspired some confidence that we were going to have a sea change in how this project was managed. Is he still involved or is he not involved?

MARQUEZ: He took a position with the Community Foundation in Riverside.

VEIN: And when was this?

MARQUEZ: He left in January.

IMURA: He was the Executive Director, right?

MARQUEZ: Correct.

IMURA: So who is your new Executive Director?

MARQUEZ: The new Executive Director is David de la Torre. He used to be, he was the second Executive Director of the museum many years ago.

IMURA: Yeah, the name is familiar.

MARQUEZ: Yeah, and that, he was the curator and then, and I apologize, it was January of 2013 not January of 2014. He was the curator under Jonathan Yorba and, at Jonathan Yorba's recommendation, when the Foundation called him to take that position recommended David de la Torre. David de la Torre, when we hired Mr. Yorba, was the runner-up to the position so Mr. Yorba brought him on board basically to be his second at the museum.

IMURA: Mr. Marquez, I think I have a lot of the same concerns as other board members do. It has been seven years now that we have been working with the Mexican Museum trying to get this project completed. And yet I see here on page two of the staff report, that you had a radical change in your project design and you did not notify our staff of this change. Why did that happen? There seems to be a pattern here, over the past seven years of reports not being turned in on time, things being left out, and, you know, that gives me a great deal of concern.

MARQUEZ: Again, well, first, all reports have been timely as far as I know, since the last time we were before you. The main communication, there would be a delay, and extension was given. The radical, the one additional floor and we got a restaurant added, but other than that the project is ...

IMURA: That's a pretty radical change, I think, adding a floor and adding a restaurant.

MARQUEZ: I was not involved with that, with that reporting. That is not what I was doing.

VEIN: But you are representing the project?

MARQUEZ: Yes that's right, yeah, but ...

VEIN: In its totality right?

MARQUEZ: Yes, I'm here.

MORTON: Regarding the National Historic Landmark status of your building, did you say that is still in progress or has that been settled? I'm still confused.

MARQUEZ: What that means is that, what the project sponsors, Millennium Partners, through the entitlement process, has agreed to use in the restoration of the building, to use the standards that are applied by the Secretary of the Interior. So we are treating it as if it was a landmark, although it is not landmarked and it is unlikely to be landmarked because it is now going through an adaptive reuse. The agreement we have with the city and county of San Francisco, it will be treated as if it were a landmark, all the materials and textures and so

forth, in the rehabilitation, you know, the window lines, and so forth, will be respected as if it were a landmark.

MORTON: So your building, so your plans, are now going to reflect they meet the section 106, the Secretary of the Interior's Standards for a landmark building?

MARQUEZ: Absolutely

MORTON: And so how does the restaurant fit in with that? Because in my experience a restaurant within a landmark building is a big conflict, so how is that going to be treated within the plans so that we can be assured that it is going to go through the city and also the Secretary's Section 106?

MARQUEZ: Yes, that corner was always slated to be a restaurant with the original by the developer, they are basically turning it over to us and the façade and everything none of it will change the interior, the restaurant, none of it would change it will be about close to 5,000 square feet, so the only, there is a sliver in the back of the building, that is not considered historical because that was added at some point so that is going to be taken off. That will be back where the kitchen is going to be built out so that part is not considered an historical part, there is not historical factor, the historical fabric is really the floors, so we cannot penetrate through the floors, then the facades, the windows, the treatment of the façade so that will be respected.

MORTON: I am still a little confused, based on what period of significance they are taking the historical landmark status back to when designating this building as a landmark. That's really going to affect the project plans and how the museum is able to use that space for exhibits and other things going forward in the future because you are not going to be able to make substantive changes once the landmark status is given to that building. So those plans have to be taken into consideration right now and I'm still concerned that a restaurant isn't really going to really mesh with the landmark status in the future. I just need to clarify that and the point I have to make.

MARQUEZ: Okay, so I could answer that question. The Planning Commission and the Historic Preservation Commission, there is a design review in the Historic Preservation Commission. We have to go back to them for the final approval of that, not just the restaurant, but the entire 10 floors of the Aronson Building. So, there is a Condition of Approval to the project toward which the historical preservationist, we have Page and Turnbull representing both the museum as well as the building, the tower, to make sure that is done. So as soon, you know, San Francisco is probably one of the toughest places for historic preservation of those buildings, so there is a process in place to assure, to make sure it will be approved.

CASH: Any other questions?

SWINDEN: I just have a comment. This should have been one of the really great projects that was funded and it's been a debacle since Day One. For some of us who have been there

since Day One, it's really been disconcerting to continually hear the same stories over and over and over again. I guess I view really (inaudible) and my comments are directed to the staff...

CAMPISI: Can he get closer to the mike? We can't hear.

MORRIS: Bryan, Can you pass Mr. Swinden the phone so he can speak into the telephone, so the remote people can hear him.

SWINDEN: I guess my comments are really directed at the staff, that if we should go ahead with this then they really adhere to only allowable costs, strictly enforced, and the timeline adhered to that after Jan 15 there will just not be any money after that. Because I'm kind of done with this.

CASH: Mimi, I have a question. If we don't take action today, what happens? What are our alternatives here? One is approving the extension and having things end January 31. If we don't take action what happens?

MORRIS: If there is no extension then the grant ends on July 31<sup>st</sup>, so then there would be no budget revision if you don't take action as well, so the grantee would be limited to expenditures, allowable expenditures, between now and July 31<sup>st</sup>.

CASH: So it would be basically the work that has been done up until this point ...

MORRIS: Right.

CASH: could be billed and then we would be cutting our losses? The remaining funds would go back into the CCHE funding?

MORRIS: Right

CASH: Redistributed to the museum grant fund.

MORRIS: It would go back to the general grant fund, yes.

VEIN: Can I ask a related question? If you were to go down that path it seems to me that, and I don't know if we have the power to do this, but can we stop any additional expenditures because it seems to me silly, if we were going to go down that path of not granting this and having it end in July that there would be the ability to incur any additional costs between now and then. It's okay if I'm not being clear, and I can re-ask the question.

MORRIS: No, I understand the question. So you would have the issue of costs that have already been incurred up until this point, which in good faith you would have to allow. And then there would be the issue of whether or not we are able to say, okay, from this point forward, no additional expenses. And that's the question then.

VEIN: That's the question.

MORRIS: Whether or not from this point forward, you could say.

CASH: I think that would be in line with what Mr. Marquez has said. All the costs going forward --it's my understanding -- were going to be, or a lot of the costs were going to be, borne by the architect anyway because of the redesign. At least that is what I just heard. I don't know if that's true or not.

MARQUEZ: We have entered into 8,9,10, 11 contracts right now. For design work. With that many firms that are working on the project. Today. So how much they've spent and how much they're invoicing -- and know that we're closing April, so that is being invoiced.

So how that would impact all of those contracts, to answer your question, you know, I do not know. Part of what we did was to spend about 25 hours, give or take, much of that with staff, to clean up and clear the scope of work. Because, again, before it was just in chunks, and so 7 through 14 clears out and gives specificity to how the CCHE funds are going to be used specifically.

And then the deliverables are also culled down in the narrative that I was asked to submit and the timeline as to when those deliverables would be put in place so we would be in a very, we would be very...

Because right now we have that many firms actively working, and they are doing designs and so forth with deliverables which are coming as early as this week. So if we were to stop it, it would be a raucous in terms of dealing with these 11, it would really, like, cut the knees out from the entire project. And, again, either we do.... In the report, ~~I, I~~ point out that we have a \$10.5 million dollar grant agreement with the Redevelopment Agency, we have three reimbursement agreements with them, in place. All of those have been managed, there's ongoing review & oversight, by the Redevelopment or Successor Agency and the City has approved these contracts as well, through their contract compliance so it is really going to create tremendous havoc if you were not to approve this.

LUCAS: So, just briefly on page four of your letter, it says, "\$1.75 million dollars in Successor Agency with the Redevelopment Agency has been released to the museum through two disbursement agreements, and you've got that money already, right?"

MARQUEZ: We have about two fifty of that left, give or take.

LUCAS: There is a third agreement in the amount of a million that is supposed to happen next month. I'm reading this from the letter. Right?

MARQUEZ: That is correct

LUCAS: Okay, thank you.



CASH: I'm really struggling with this one. Yes, Mimi?

MORRIS: Jennifer and I consulted and it's our belief that we cannot stop the grant at this point. The most that could be done is to just not take action, and allow the grant to run its course through the end of its term, because you would have to have given proper notice. That is consistent with Marian's counsel in prior situations.

CASH: I agree that if there is not a clause that allows us to cancel at any time there has to be sufficient ...

MORRIS: Sufficient notice.

CASH: What is sufficient notice?

MORRIS: At least one more board meeting where you've noticed prior to the convening of the board there would be removal of the grant which hasn't ...

LUCAS: Which would be after July 31<sup>st</sup> right?

MORRIS: Well, unless we had a meeting 10 days hence.

SWINDEN: Bryan, I just wanted to bring this up for the board members who are new to the board, this project was originally a \$2.4 million dollar project and we've cut it from \$2.4 million down to \$800,000 because we felt they weren't capable of doing what they were supposed to do. We kind of keep going through the whole thing over and over again. This is actually first time I have ever seen some outline of their expenses and where it is going through this entire process that hasn't been double talk. My personal view is that we should move forward with the \$800,000, should recapture what we are due, so we clear our books up. And if they don't perform by January, then we are done.

CASH: Is that a motion?

SWINDEN: That's my motion. Just one more thing. I would also like to incorporate the staff report's language which specifies both adhering to only the allowables and to the deadline of January 2015.

CASH: Do I have a second?

MARTINEZ: I second.

CAMPISI: Can you repeat that please?

MORRIS: Bryan, can you repeat the motion?

SWINDEN: The motion is essentially your resolution with emphasis on your staff language incorporating into the resolution which you ~~elude~~-allude to but I want to make sure it is in

there ~~regarding~~ theregarding the allowables and the timeline with no extension past January 2015.

MORRIS: So the motion is the staff report? Essentially?

SWINDEN: The resolution with incorporation of your staff report.

MORRIS: Okay.

CASH: Okay, if there are no more questions we'll take a vote.

SOUSA: At the Dept. of Resources in Sacramento, Catherine Campisi?

CAMPISI: Aye.

SOUSA: Dept of Finance in Sacramento, Eraina Ortega?

ORTEGA: (no response)

CASH: Eraina, are you there?

SOUSA: Georgette Imura?

IMURA: No.

SOUSA: Greg Lucas?

LUCAS: No.

SOUSA: Carmen Martinez?

MARTINEZ: Aye.

SOUSA: Ennette Morton?

MORTON: Aye.

SOUSA: James Swinden?

SWINDEN: Aye.

SOUSA: Jon Vein?

VEIN: No.

SOUSA: Bryan Cash?

CASH: No.

CASH: Motion failed.

ROSENFELD: It's tied. I think we need to get Ortega's vote.

CASH: It's 4 to 4? ~~MsMs~~. Ortega, are you there? She might have stepped out. While we are waiting to hear from her, let's move on to the next item. I understand this is not an action item now, but an informational item.

MORRIS: Yes, and, Lynnda, can I ask you to try to reach Eraina?

Yes, this is Item number 7. These are our friends up in Eureka, this is the Northern California Indian Development Council and this has moved from an Action Item to an Informational Item because the Housing and Community Development office actually provided us a staff report indicating approval of their match funding for NCIDC. And that came to us just yesterday. That was an 18-month process, almost. So, we are very pleased for NCIDC, ~~that~~ they finally got their match fund and this is going to represent about \$5 million dollars worth of funding for the Eureka community so they will be able to do a complete and full rehabilitation of the Carson Block building. So it's very exciting for them. And that fulfills their obligation to us to have sufficient match. This was a project which had originally had redevelopment money as match, and they lost it after the elimination of redevelopment agencies, so it was a little touch and go for them, so we are happy that they got their match back.

CASH: Item number 8.

MORRIS: Item number 8.1 is the Santa Catalina Conservancy and they have come before the board before, for a material change, to move the Eagles Nest Lodge. The whole project is the restoration of the Eagles Nest Lodge, and the prior material change was to relocate the Eagles Nest Lodge from out of the flood zone, to higher ground. And this material change request is to transition it from a project grant to a planning grant, because they found that having the \$500,000 Round 4 grant from the CCHE was going to obligate them to pay \$700,000 in prevailing wage costs. So they did the math and they realized that was \$200,000 more than they were receiving from us and requested that the grant be converted to a planning grant.

And they found in their research that prevailing wage requirements are not in place for planning grant tasks, like engineering and design and what have you. So they have asked instead that their \$500,000 grant from us be utilized for those kinds of costs. The staff applauded the financial prudence and the utilization of the funds and recommends approval for this.

CASH: We have a couple of people here: Aaron Kennedy, from the conservancy Robert Reed, and Ann Muscat.

MUSCAT : Hello, I am Ann Muscat, Chief Executive Officer of the Conservancy. I brought with me Aaron Kennedy who is our project manager and Bob Reed who is our head of development and communications to answer any questions you might have. So thank you for entertaining this request for a material change. I want to thank Ms. Morris and Ms. Sousa for helping us think through this situation. As soon as we became aware through the bidding process of what it meant, I contacted Ms. Sousa about our concern. Our board really feels it doesn't make business sense for us. We don't want to give up the grant. Obviously, we are very committed to the project and this grant has been an important part of helping us to raise the private dollars for the project. We are asking that you consider making it a planning grant and let us have all of the plans, construction documents which we are very close to completing within a month or so, be the final work product so that we have that done in the 2014 year, so we'd like to amend the staff recommendation just a little bit so there is no question that this is a planning grant, completely separate from ~~construction~~ construction, so it won't trigger the prevailing wage.

VEIN: I'm in favor of it, can that be done retrospectively? In respect to the costs that have already been incurred?

MORRIS: I apologize, I was thinking back to a prior item.

VEIN: It sounds like a lot of these cost that ~~would be~~ would be paid, if we change this to a planning grant have already been incurred. So my question is, can we do that retrospectively? Can we ... like converting it today to a planning grant, is it possible to do that? If we can, that's great, but, if not, I want to make sure we are looking at that issue.

MORRIS: Yes, we can pay for any expenses in the grant term, so within the start and end date and I believe your grant term was, you were Round 4 so it was sometime between 2010 and 2014.

MUSCAT : Yes, that's right.

LUCAS: So the grant is going to pay for the same stuff that it was going to pay for before or something different?

MUSCAT: The way it was written before it was going to pay for construction activities, now we are asking for it to go for architectural and engineering and permitting services.

LUCAS: Okay, so it's not like we are just changing the name from Project to Planning to avoid prevailing wage and then paying for the same thing as before.

MUSCAT: No, no.

CASH: Can I have a motion?

SWINDEN: I have a question. Can you speak to the issue of what happened to your board recently?

MUSCAT: Yes, we had some staff, frankly, employment issues, internal. Some of our board members were aligned with some of those staff members and, unfortunately, it became a very public issue, a kind of thing that normally is private. So we worked through and resolved them, and you know the Board has moved forward with all the good work the Conservancy has been doing.

SWINDEN: The board is totally behind you?

MUSCAT: Yes, they are.

CASH: Do we have a motion?

SWINDEN: I'll move.

CASH: Second.

MORRIS: Wait, I need to make an amendment to my report on this as well. I think that when we prepared this staff report there was a little bit of information that came to staff after we provided it, and I failed to update this in my report. Staff recommended approval of the material change and shifting from a project grant to a planning grant with the caveat that reimbursement only come upon completion of project construction and no later than April 15, because of our concern and our prior audit finding that many of our planning grants never came to fruition.

We took that stance because of that audit finding. And board members who have been on the board for a while may recall that in the Second Round there were many planning grants and many of them actually never turned into anything. So in one of our recent audits the auditors said, "You've paid for a lot of planning grants that actually never got built. And now those plans are very old and they aren't worth anything, so that was basically wasted money."

And after we put this staff report out we got a call from the grantee indicating that they actually had a little bit of a delay that they would be expecting now because of a permit they did not have from Fish and Wildlife. They are now expecting an additional two months for construction and may not be fully finished by April 15<sup>th</sup>.

So staff would like to recommend to the board that even though they may not be fully finished by April 15<sup>th</sup> that we go ahead and reimburse them and not tie their hands since they are very much shovel ready. They are very much going to be completed, unlike other planning grants that the board funded that are years away potentially from being completed. I just wanted to add that caveat and that our staff recommendation is actually a little bit more like when they have 80% funds expended we'd put in that kind of marker and then say okay, "Now we'll go ahead and reimburse you" or something like that, in order to give them a

little bit of wiggle room given this new threshold or this new hurdle of the permit requirement that came up.

SWINDEN: I will revise my motion to incorporate staff recommendations.

CASH: I second.

CASH: Can we have a vote?

SOUSA: At the Dept. of Resources in Sacramento, Catherine Campisi?

CAMPISI: Aye.

SOUSA: At the Dept. of Finance in Sacramento, Eraina Ortega?

ORTEGA: (no response)

SOUSA: At the Dept. of Finance in Sacramento, Eraina Ortega?

ORTEGA: (no response)

SOUSA: Georgette Imura?

IMURA: Aye.

SOUSA: Greg Lucas?

LUCAS: Abstain.

SOUSA: Carmen Martinez?

MARTINEZ: Aye.

SOUSA: Ennette Morton?

MORTON: Aye.

SOUSA: James Swinden?

SWINDEN: Aye.

SOUSA: Jon Vein?

VEIN: Aye.

SOUSA: Bryan Cash?

CASH: Aye.

CASH: Motion passes.

CASH: Okay, let's move on to 8.2, Vallejo Community Arts Foundation.

MORRIS: Okay, this is a simple extension. This one has come before the board, I think, for its basic award, but I don't know if it has actually been before you any other times. But, it does not have a match because of the economic situation in Vallejo. Staff recommends a three-month time extension to allow the grantee the time it needs for its ~~cash flow~~ cash flow situation to resolve itself. The grantee is basically getting reimbursed and then paying for project work and then getting reimbursed by us again and they just need a little bit more time. They are very cash-strapped. We recommend the three additional months for them.

LUCAS: I have a question. What happened at the April 23<sup>rd</sup> meeting with the economic development director? It is like the 4<sup>th</sup> paragraph on the background information.

MORRIS: Yesterday they received a \$100,000 loan from a private entity.

LUCAS: So the second sentence there, the 2 banks and the 2 private parties?

MORRIS: That's what it came through.

LUCAS: That doesn't cover or isn't enough to see them through anything right now?

MORRIS: The overall project is \$350,000 and they got \$100,000 yesterday. The three extra months will help them have the extra time they need to get our reimbursements and continuously fund the project. Our reimbursements are not extremely timely, I'm embarrassed to say, so it often takes them awhile to get the money back in their hands -- at least 30 days.

CASH: Any other questions?

CASH: Do we have a motion at all?

VEIN: I move.

CASH: Second?

IMURA: Second.

SOUSA: At the Dept. of Resources in Sacramento, Catherine Campisi?

CAMPISI: Aye.

SOUSA: At the Dept. of Finance in Sacramento, Eraina Ortega?

ORTEGA: (no response)

SOUSA: Georgette Imura?

IMURA: Aye.

SOUSA: Greg Lucas?

LUCAS: Aye.

SOUSA: Carmen Martinez?

MARTINEZ: Aye.

SOUSA: Ennette Morton?

MORTON: Aye.

SOUSA: James Swinden?

SWINDEN: Aye.

SOUSA: Jon Vein?

VEIN: Aye.

SOUSA: Board Chair Cash?

CASH: Aye.

CASH: Thank you. Our next item is any public comments there might be.

SWINDEN: Bryan, before we get to that, are we going to go back to the Mexican Museum or what's happening?

CASH: I think we need to keep that open until we hear from Finance. Eraina is in a meeting right now so Lynnda is going to try to get her on the ~~phone~~-phone.

VEIN: We're allowed to make a comment?

CASH: yes, go ahead.

VEIN: Since we're going to come back to that, I guess now that everybody voted my comment might be irrelevant. You've heard the story about the little frog that got put in the



water, it starts boiling. This is boiling and I would sort of implore the board, for those who voted in favor, to really reconsider. Some of you haven't been around for the many, many years we've been hearing the same old stories. And I do agree with Mr. Swinden that this should have been one of the pinnacle projects funded by this board, by the CCHE, but at some point, at some point you have to say, "That's enough."

CASH: It's an amazing collection, too. Do we have public comments? Board member comments? Okay, can we keep the meeting open while we move to have lunch, or wait? I think she's ready to go, never mind. Hold on.

CAMPISI: This is Catherine Campisi, I am going to need to leave.

MORRIS: I think we are going to hold the meeting open, Catherine.

CASH: Hi, Eraina.

ORTEGA: Hi.

CASH: We're back to Item Number 6.

ORTEGA: Yes.

CASH: We have a tie vote, so we were waiting for your vote to decide the issue.

ORTEGA: I am going to abstain, and that is why I dropped off the call. I couldn't hear any of the conversation and I just don't feel it is appropriate for me to vote when I couldn't hear the exact issue that seems to have resulted in a tie vote.

CASH: Okay, would you want to hear some of the discussion again or do you just want to abstain on the vote?

ORTEGA: I want to abstain on the vote.

CASH: Alright, sorry about that. So, what happens in that case?

ROSENFELD: It means that the motion did not pass because it requires a majority to pass.

CASH: So it will remain open and it will end on the 31<sup>st</sup> of July. Is that right, Mimi?

MORRIS: So, Counsel says that a tie means that the motion did not pass, and the motion was to support the staff report with the resolution and that was to provide an extension and a budget change. So, if there is no approval of that, then that means the grant ends on July 31, and that the expenditures that can be submitted must be within the budget as it's currently configured.

CASH: Any questions? With that, that is all the items we have on the agenda, we will adjourn. Mimi, what is next? Are we doing the tour first?

MORRIS: For the public we are going to take a brief break and we'll have the tour begin at 1:15. I don't know if there is a good convening place. Kevin, do you want to recommend a place where we can all meet?

JEW: Right in front of the garage.

Morris: Great, okay, we will meet back right in front of the garage. Bryan, do you want to adjourn? Bryan, want to call it?

Cash: This meeting is adjourned.

Meeting adjourned at 12:45 p.m.

# # #