

**MINUTES OF A REGULAR MEETING OF THE
OVERSIGHT BOARD OF THE CITY AND
COUNTY OF SAN FRANCISCO HELD ON THE
28TH DAY OF MARCH 2022**

The members of the Oversight Board of the City and County of San Francisco met in a regular meeting via teleconference at 11:00 a.m. on the 28th day of March 2022.

In accordance with the numerous preceding local and state proclamations, orders and supplemental directions - individuals are encouraged to participate in the meetings remotely by calling during the public comment section of the meeting.

PUBLIC COMMENT CALL-IN: 1-415-655-0001 Access Code: 2494 282 7999

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1. CALL TO ORDER/ROLL CALL

Meeting was called to order by Chair Van Degna at 11:03 a.m.

Roll call was taken.

Chair Anna Van Degna - present
Vice-Chair Lydia Ely – absent
Board member Moses Corrette – present
Board member Janice Li - present
Board member Shanell Williams - present

Vice-Chair Ely was absent. All other Board members were present. It was noted that the seats for the City and County of San Francisco and the San Francisco Unified School District were still vacant.

Chair Van Degna requested that Item 5A from the Regular Agenda be taken out of order and dealt with first.

5. REGULAR AGENDA

A. Resolution making findings to allow teleconferenced meetings under California Government Code Section 54953(e) (Discussion and Action) (Resolution No. 04-2022)

Presenter: James Morales, Interim Executive Director

PUBLIC COMMENT - None

Board member Williams motioned to move Item 5A and it was seconded by Board member Li.

Voice vote was taken for Item 5A.

Chair Van Degna - yes
Vice-Chair Ely – absent
Board member Corrette - yes
Board member Li - yes
Board member Williams - yes

ADOPTION: IT WAS VOTED BY FOUR BOARD MEMBERS WITH ONE ABSENCE THAT RESOLUTION NO. 04-2022, RESOLUTION MAKING FINDINGS TO ALLOW TELECONFERENCED MEETINGS UNDER CALIFORNIA GOVERNMENT CODE SECTION 54953(E), BE ADOPTED.

2. APPROVAL OF MINUTES - Regular Meeting of January 24, 2022

Secretary Cruz read instructions for the public to call in.

PUBLIC COMMENT – None

Board member Corrette motioned to move Item 2 and it was seconded by Chair Van Degna.

Voice vote was taken for Item 2.

Chair Van Degna - yes
Vice-Chair Ely – absent
Board member Corrette - yes
Board member Li - yes
Board member Williams - yes

ADOPTION: IT WAS VOTED BY FOUR BOARD MEMBERS WITH ONE ABSENCE THAT APPROVAL OF MINUTES FOR THE REGULAR MEETING OF JANUARY 24, 2022, BE ADOPTED.

3. ANNOUNCEMENTS

A. Announcement of Time Allotment for Public Comments

Please be advised that a member of the public has up to three minutes to make pertinent public comments on each agenda item unless the Oversight Board adopts a shorter period on any item. Please note that during the public comment period, all dial-in participants from the public will be instructed to call a number and use their touch-tone phones to register any desire to provide public comment. Comments will be taken in the order that it was received. Audio prompts will signal to dial-in participants when their audio input has been enabled for commenting. Instructions were given to call in for public comment.

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4. CONSENT AGENDA – None

5. REGULAR AGENDA

B. Authorizing a Second Amendment to the Grant Agreement between the Mexican Museum and the Successor Agency to extend the term by twenty-four months (Discussion and Action) (Resolution No. 05-2022)

Presenters: James Morales, Interim Executive Director; Aaron Foxworthy, Acting Real Estate and Development Services Manager; Victor Marquez, Partner, Nossaman; Andy Kluger, Board Chair, Mexican Museum

Board member Li thanked the Mexican Museum representatives for their attendance at the meeting. She asked for an explanation about why the Oversight Board had taken a position on this item and inquired about why this matter was under the jurisdiction of the Oversight Board.

Mr. Foxworthy responded that under dissolution law the Oversight Board was given jurisdiction over any requests made by the Successor Agency (OCII) to amend existing contracts or obligations of the Agency that existed as of dissolution. He explained that this grant agreement was initially approved in 2010, and so was in existence prior to dissolution and its original term was a 10-year term, to 2020. Therefore, the initial request to amend the contract to extend the term by 18 months was brought to the Oversight Board in mid-2020 and the Board acted in September of 2020, pursuant to the requirements of the dissolution law that the Oversight Board approve any proposals for amendment to the existing agreement.

Board member Li inquired about the state of the fundraising efforts, what the total amounts raised were and whether they would be back in another year asking for another extension. She inquired about whether they could justify this extension and ensure that they would be able to meet what was required within the 24-month period.

Mr. Marquez responded that the purpose of the extension was tied to their project schedule as well as the budget, which were both vetted and approved by staff. He explained that this was a logistical matter because the extension expired on June 14, 2022. He reported that the team was 100% assembled. Mr. Marquez explained that the work for the expenditure of the remaining \$4.2 million was aligned in such a way that it would happen within that 24-month extension and that they would probably spend down those funds in less than 24 months. The funds would be used to begin the actual construction per the development program that had also been reviewed and approved by OCII staff. So this was a necessity of the regulations as stated by Mr. Foxworthy that were tied to the State; there were no concerns on the part of the museum or OCII staff but they had to do this in two steps. Mr. Marquez continued that, as was illustrated, they had signed and had a fully executed fifth disbursement agreement for the first tranch and the second tranch after the Department of Finance (DOF) approved it. Then they would come back for the second tranch for a sixth disbursement agreement, which they anticipated would occur during the summer of 2022.

In terms of the fund-raising, Mr. Marquez explained that the Mexican Museum had negotiated with Millenium Partners (MP) in 2006 to join the Aronson Building, which had been acquired by MP, with the land that had been designated for the Mexican Museum by the Board of Supervisors in 1993. From there they proceeded to create a joint development agreement, which, in reality was a purchase/sale agreement where the Museum would be a third-party beneficiary and the benefit would be that the Millenium Partners would build the core and shell of the Museum as it was constructing the tower, which has been completed. He reported that the tower had an aggregate value of \$30 million, which was important because the value of the land and the air rights which was designated for the museum was negotiated so there was a real dollar value in excess of \$30 million. Mr. Marquez explained that they had also negotiated with MP to provide the museum with \$2.2 million for the construction of the façade, which was completed with an additional contribution both from MP and the museum grant funds in the amount of \$1 million, for a total of about \$4 million. So that combination was the realization of over \$34 million that had been invested into this project by MP and OCII for the museum and for the people of San Francisco. He added that they also negotiated for a \$5 million endowment from MP for the operations of the museum. So the proceeds were the interest from that \$5 million endowment to be used for the operations of the museum. Mr. Marquez indicated that they had also received \$1 million from the Rockefeller Philanthropy and a few other pledges for the endowment and that they were currently working with Lighthouse Consultants in Sacramento and had, through the Latino Caucus, a \$25 million ask for 2022-23, which was moving along well. As part of 5th disbursement agreement, Mr. Marquez explained that they had allocated \$200,000, which had been approved for fund-raising and they had grant writers who had submitted numerous grant requests and were preparing others. The fund raising plan, the realization of the amount of money already invested in this program, the plan at the state level and with foundation, corporate and individual gifts were in full activation. He noted that this was the big picture overview, but added that they were organized and moving in the direction to ensure that the funds were spent through the buildout program and that they continued to work to raise the funds to complete the overall project to open the doors in late 2024 or early spring of 2025.

Board member Li understood that there were two critical capital infrastructure pieces: the tenant improvements and the buildout of the actual museum and inquired about whether the tenant improvements were fully funded at this time.

Mr. Marquez responded in the negative, that they were not fully funded. He explained that they were hoping to get \$25 million from the state, which, with the remaining \$6.78 million, would put them at about \$32 million. He reported that there was a gap there that they were trying to fundraise through corporate grants and major donors and were also undertaking a 501C3 bond financing with consultants and OCII staff. He explained that this bond financing would be a vehicle that would help put the rest of the financing in play and get them to opening because there would be additional costs related to moving and other such costs. He reiterated that the plan was moving forward to get all the funding to complete the buildout and be able to open the museum.

Board member Li stated that she was had strong concerns about the current fundraising and talked about another Arts Collaborative she had been involved with and described that process.

She expressed concern regarding the lack of funds for both the tenant improvements and the museum construction and found the timeline for opening in 2024/25 very unrealistic.

Chair Van Degna inquired about what the total gap was that Mr. Marquez mentioned and how much more they needed to fill that gap. She inquired about what the estimated start date was for the construction of tenant improvements.

Mr. Marquez responded that the total was \$56 million, so minus the \$32 million would leave \$24 million. He explained that their aim was to do a \$25 million bond financing and that the amount might increase slightly. The actual construction would begin later in 2022 once they had the 6th disbursement agreement in place, so the \$4.2 million would kick off the construction period. In the meantime, some of the funds approved under the 5th disbursement agreement, about \$1 million, would be going to complete the design buildout for the tenant improvements, so that there was continuous work with the funds that would be released by OCII. Mr. Marquez stressed that this was a continuous program where from now until the construction funds of \$4.2 million were released, work would be going on every day. All of the funds that they were talking about from the 2010 grant were being invested into the physical space and into moving the project forward and as an investment into the actual cultural space.

Chair Van Degna inquired about what the timing was for the bond financing.

Mr. Marquez responded that it would take about six months to prepare based on the info he received from the consulting group.

Chair Van Degna stated that she was pleased to hear about the overall funding plan.

Board member Williams thanked everyone for their work on this extraordinary project. She requested confirmation that the undisbursed amount was \$6.7 million and inquired about whether that was just for the construction costs.

Mr. Foxworthy confirmed that the amount remaining undisbursed was \$6.785 million, so taking into account approximately \$2.5 million in the Grant Funds authorized for disbursement under the recently approved Fifth Disbursement Agreement (but not yet disbursed), that remaining undisbursed amount was in the \$4 million range. He apologized for the confusing numbers.

Mr. Foxworthy responded that the Fifth Disbursement Agreement that the OCII Commission had just approved focused on finalizing the predevelopment activities, hiring a design-build contractor and bringing designs for the project from the design stage to construction document stage and to application for building permit so that construction could start. He explained that if approved by the OCII Commission, the remaining approximately \$4 million would be the first-in construction money to help get construction started.

Board member Williams wanted to confirm that this funding was for just a portion of the construction and there would still be a substantial amount needed to complete construction.

Mr. Foxworthy agreed with that statement and added that the museum was actively fundraising to fill that gap.

Board member Williams stated that she agreed with Board member Li's comments because she was aware of several construction projects at City College of San Francisco that they had invested in where there had been challenges in terms of completion or continuing operations. She inquired about the LBE and SBE participation and whether they had folks in mind at this point.

Mr. Kluger responded that basically they had assembled a team with local architects and project experts, including Ray Quesada, who was Hispanic, and who had worked on multimillion dollar projects including construction at the airport. They had brought in Cordoba Corp. as the construction management group, which was minority-owned and operated. Mr. Kluger explained that the consulting firm they had hired for financial mapping was women-owned. He reported that there would be an architect of record; however, they were also bringing in women- and minority-owned architects to each take one floor of the museum, which would provide the opportunity to have three women- and minority owned companies working on the project. This was the model they were following for the General Contractor as well as for the sub trades hired to do the construction. Mr. Kluger stressed that they were committed to ensuring 100% participation, which sounded aggressive but since the developers in San Francisco had been able to get to 50-60% so far, they were hopeful to get to at least 90% participation.

Board member Williams stated that she was very pleased to hear about the assembling of the team and the numbers.

Board member Corrette stated that his seat on the Board represented labor and inquired about whether there was an existing project labor agreement for the development of the interior spaces of the museum. Mr. Corrette expressed confusion over the \$6.785 and the \$4.26 million amounts and noted that the \$6.785 million amount was the same as in 2020 and inquired about whether anything had happened since 2020 until now.

Mr. Kruger responded that labor had not been an issue because they were using union labor on the job, which was their goal and everyone on the team was in support of union labor. He added that they would pay prevailing wages in any unique situation where they were not using union labor.

To the amounts question, Mr. Kruger clarified that the \$2.5 million had been approved and when that was subtracted from the \$6.785, would leave about \$4.2 million. They would be submitting reimbursement for some of the work undertaken over the past 18 months. He explained that the remaining \$4.2 million would be for the actual construction, ordering materials, cement, steel, and to start the demolition and construction work. He responded that they had been doing a lot of pre-development work since 2020, such as assembling the team, cost estimation, vetting to put the team together and also creating the packet for the single source and working with staff in developing this.

Board member Corrette inquired about whether those expenses were not billable against the grant and whether that was why the money was showing up as the same amount.

Mr. Foxworthy responded that the issue was procedural, because these expenses were reimbursable under the Grant Agreement and could be reimbursed retroactively. He added that the Museum had essentially proceeded at risk by performing reimbursable work prior to a Disbursement Agreement, with the assumption that a Disbursement Agreement would later be approved to allocate Grant Funds for reimbursement.

Board member Corrette pointed out that in the executive summary presented at this meeting, it stated that the first amendment was to June 14, 2020, and inquired about whether this was a typo.

Mr. Foxworthy responded that it was a typo and that it should be June 14, 2022.

Board member Corrette referred to the length of time for the extension and pointed out that the period of time had changed from 12 months to 24 months. He commented that there was now a 4-year delay on this project and inquired about what the overall cost would be for the City due to this delay.

Mr. Marquez responded that at first they requested a 12-month extension based on a schedule that they had been working on; however, that shifted to 24 months, which was aligned with the project schedule that had been approved by OCII staff.

Mr. Foxworthy responded that there would be no delay cost to the City because Grant Agreement funds are OCII funds rather than City funds. He added that the delay costs are difficult to estimate potentially cost of inflation in construction costs. He pointed out that this was not an elective delay but was caused by the pandemic and was beyond the control of the Museum.

Board member Corrette inquired about the AECOM March 2015 business plan for the museum, which was great to have and inquired about whether there would be an update to this plan, because this was now an old document. He pointed out that the low estimate was 77,000 visitors per year in the old document and the new estimation made today was 90,000 per year. He inquired about whether that would still be accurate in 2024-25.

Mr. Kruger responded that they would update the study and had not done it so far because of their focus on the construction and that it would be done later in the year. He added that the E-Comm study would cost about \$200,000 and at this point they were factoring that amount in but it was really an unknown at this time. He stated that they were hopeful because activity had been resuming in the City at the Opera House and the Symphony and other venues.

PUBLIC COMMENT - None

Board member Williams motioned to move Item 5B and it was seconded by Board member Corrette.

Voice vote was taken for Item 5B.

Chair Van Degna - yes
Vice-Chair Ely – absent
Board member Corrette - yes
Board member Li - yes
Board member Williams - yes

ADOPTION: IT WAS VOTED BY FOUR BOARD MEMBERS WITH ONE ABSENCE THAT RESOLUTION NO. 05-2022, AUTHORIZING A SECOND AMENDMENT TO THE GRANT AGREEMENT BETWEEN THE MEXICAN MUSEUM AND THE SUCCESSOR AGENCY TO EXTEND THE TERM BY TWENTY-FOUR MONTHS, BE ADOPTED.

6. NEW MATTERS FOR FUTURE CONSIDERATION

Board member Williams requested more information on the status of the Fillmore Heritage Center project.

Board member Corrette asked for a presentation from staff on the big picture overview of OCII winding down business and where they were on track for that.

Interim Executive Director Morales responded that they would answer those questions in written format since they did not know when the Oversight Board would be meeting again. However, he stated that those issues would be brought forth at the next Oversight Board meeting.

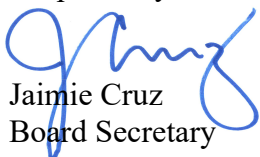
7. PUBLIC COMMENT ON NON-AGENDA ITEMS - None

8. ADJOURNMENT

Board member Li motioned to move Item 8 and it was seconded by Board member Williams.

The meeting was adjourned by Chair Van Degna at 12:05 p.m.

Respectfully submitted,


Jaimie Cruz
Board Secretary

ADOPTED WITH CHANGES: September 12, 2022