

MEXICAN HERITAGE PLAZA

Steering Committee Meeting #2

11 August 2009

5:30 to 7:30 p.m.

The facilitator welcomed the steering committee and the public spectators to the second meeting and introduced the other member of the team, Juliana Grenzeback. Grenzeback is widely recognized in the field for her financial expertise and acumen in developing realistic operating budgets for non-profit cultural enterprises, which will play a crucial role in developing a viable business plan for MHP.

The next meeting is scheduled for Tuesday, September 8 at 12:00-1:30, at Mexican Heritage Plaza, in accordance with the calendar passed out at the first meeting.

I. Steering Committee Process

The facilitator noted that the steering committee was formed as a study group, not a legislative body, and that committee membership has been selected to represent many different points of view and bring community perspectives to the process. Therefore, with respect to the Brown Act, the committee process will be 100% transparent, but it is not designed as a community forum. Each agenda will provide an opportunity for a maximum of 10 minutes of public comment at the end of each meeting.

It is likely that the complexity of the steering committee's task will require ad hoc committee work to review scenarios selected for further study by the steering committee, always at the direction of the steering committee. We are permitted to do this under the Brown Act, assuming we meet the restrictions, primarily that the ad hoc committees are only allowed to discuss the single topic assigned them.

II. Steering Committee Master Plan

The facilitator passed out a calendar that provides a timeline for developing a business plan for MHP. She noted that the timeline is a sketch only, and can be extended or shortened at the discretion of the steering committee.

Steering committee members observed that it seemed a reasonable plan, and agreed that the original idea of a shorter timeline, to complete work by the end of the year, derived from an assumption the steering committee would begin work at the beginning of this year, and because of the late start, was not realistic.

Next Step: The committee will monitor progress according to the draft timeline and adjust as required.

III. Steering Committee Mission/Goal/Outcome

The facilitator pointed everyone's attention to the articulation of the expected outcomes of the work of the steering committee contained in the Mayor's memo of March 14, 2008, nearly one and a half years ago. The memo is entitled "Acceptance of recommendations related to the Mexican Heritage Plaza."

The task assigned to the steering committee is to turn the aspirational into the operational. (Detailed quotes from the memo are included in the attached Power Point presentation.) This means taking as a starting point the results of the community vision meetings held in August 2007 and February 2008, included as attachments to the mayor's memo. The task is to make the Plaza a community arts and cultural center, and figure out how to make this operational, i.e. turn it into a business plan that is, in the language of the memo, "self-sustaining."

Steering committee members had a number of questions about what "self-sustaining" meant from the City's point of view. Some proposed that the steering committee needed to have a commitment of some financial investment in order to create a business plan. The facilitator noted that a different approach would be to design what fits with the community input, as instructed in the Mayor's memo, and tell the City what that would cost. It was agreed that this was a central issue that the committee would need to return to at a future date.

According to the directions to the steering committee contained in the Mayor's memo, the business plan is expected to do the following:

1. Achieve the concept of MHP as a Community Arts and Culture Center, as defined in the public visioning meetings that took place in August 2007 and February 2008.
2. Define the constituency or constituencies MHP will serve.
3. Define the programs that will manifest the concept.
4. Define an organizational structure that will assure the concept is administered properly.
5. Designate a governance structure (Board of Directors) and staff required to fulfill the concept.
6. Create a realistic budget that details the costs to administer the concept.
7. Identify realistic income streams that will support the concept.

A steering committee member noted there was a gap between design (the business plan) and implementation, and questioned what the steering committee's role was to be in addressing the issue of implementation. City representatives in attendance noted that there is an additional charge to the committee in the Mayor's memo, which must be added to this list:

8. Develop a process for establishing a permanent Board and selecting a non-profit operator that is capable of implementing the business model.

Steering committee members further noted that the Mayor's instructions include establishing a "partnership" with the Redevelopment Agency to advance economic development for the Alum Rock Business District.

The City representative proposed that a Redevelopment Agency representative attend future meetings as a liaison to the process. It was also agreed that the steering committee needed to have more information about the Redevelopment Agency's plans for Council District 5, and a presentation by the Agency liaison on this subject will be scheduled for the next meeting.

Next Steps:

- 1) Identify a representative from the Redevelopment Agency to attend committee meetings;
- 2) Request the Agency liaison to make a presentation at the next meeting about plans for Council District 5 for the next 5 years.

IV. Clarification of Key Issues Relating to Steering Committee Business Plan

Several areas need clarification so the steering committee is aware of the history and implications of issues relating to business planning for MHP.

A. O&M

The facilitator pointed out that O&M means Operations and Maintenance. O&M is what it costs to keep the doors open, the lights on, the grass mowed, the electrical and HVAC systems functioning, the roses tended, MHP looking fresh and inviting and fully operational. Every City-owned cultural building in San Jose has some level of O&M provided by the City. Since there's no single, overall policy guiding how O&M is calculated for these different venues, this topic is subject to interpretation and, consequently, has enormous implications for the work of the steering committee.

There has been a vexed history between the former operator and the City on this topic. It is covered extensively in both the Alvarez report and its companion, the financial analysis compiled by Strategic Philanthropy Advisors. The take-away of all the analysis is that fixing the O&M at the right level is the key to a

successful business plan. What the steering committee has to aid its deliberations is a year's worth of the actual cost of O&M under the City's management as a rental venue.

On a related topic, the facilitator also provided a chart that shows that the actual rental revenue for MHP has been declining. Over the past four years, the rental revenue has declined by nearly 50%.

The committee had many questions about these income and expense charts. An area that emerged as being of interest to the group was the possibility of working with a for-profit promoter to develop use particularly of the theater. A steering committee member inquired about what rental rates are, and the frequency of use in each category. As a model, the steering committee is interested in knowing more about this potential in other City-owned venues around the country.

Next Step: Provide the three-tiered rental rate sheet and data about frequency of use for the next meeting. For-profit partnerships in municipally-owned venues will be researched and brought to the committee, hopefully at the next meeting.

B. RAPs

The facilitator noted that history defined some founding assumptions about the RAP program. MHP was originally intended to be part of a long-standing City incubator program to support and strengthen small, grassroots, mostly culturally-specific, arts non-profits. The original idea was to provide a dedicated space for organizations that qualify as RAPs, office, rehearsal and performance space at below-market price. Obviously, this idea of discounted use of space has enormous implications for business planning.

The RAP groups include Teatro Vision and the Multicultural Artists Guild, and last year, Mexican Heritage Corporation (MHC) was added to the RAP roster. These three RAPs have been responsible for many outstanding programming successes at MHP over the years.

However, the original operating assumption, from the Wolf report, was that there would be a long roster of community-based RAPs providing programming activities for the Plaza. This expanded vision for the RAP program as originally conceived and described in the Wolf report, has not been realized. The facilitator noted that the steering committee will need to consider whether this original assumption about an expanded roster of RAPs providing programming for the space in exchange for discounted cost of using the space should be a part of the new concept, and, if so, what a new RAP policy would look like.

The issue of office space for RAPS was discussed by the committee, both as a cost/benefit question and as a question about the best use of space. Presently

2,869 square feet are assigned to office space for RAPs. Because of the incubator assumptions at the beginning, the benefits to RAPs have included steeply discounted office space. This is an assumption that can be revisited. As long as RAPs status is assumed to include office space, the limitations of the office space at MHP will limit development of a RAP program, and this 2,869 square feet of office space is also then not available for potential uses, such as conversion to additional classroom or practice/rehearsal space. This is particularly relevant to the community's expressed interest in arts classes for youth, and the limitations inherent in the current two classrooms.

Using the actual income numbers from the City's budget, several steering committee members noted that the RAP rental income was extremely low, and, given the square footage assigned to office space, the rate was significantly below market rate. Committee members wanted to know more about what RAPs provided the community in exchange for the benefits they received, and it was agreed that this should be included as a presentation at the next meeting.

Next Step: RAPs will be invited to make presentations at the next meeting on these topics.

V. Models for future use of MHP

In preparation for the meeting, the steering committee had been asked to read the 10 pages from the Alvarez report entitled "Assessment of Optimal Uses and Sustainability of the Mexican Heritage Plaza." This report, dated January 8, 2009, summarizes and analyzes the basic potential models for MHP that represent its "optimal use," and derives its conclusions from the same source that the Mayor's memo directs the steering committee to adhere to: The Community Outreach and Stakeholder processes.

The facilitator noted that the model recommended by the Alvarez report is to be considered a starting point for discussion ONLY. The cost assumptions need to be revisited at the very least. She further observed that there are different ways that MHP might manifest as a Community Arts and Culture Center, in the quest to find a solution that meets the test of "self-sustaining." The steering committee will likely want to explore several scenarios to test income/expense assumptions and analyze how close each comes to fulfilling the community desires expressed in the visioning process.

Committee members had numerous clarifying questions about the four models from the Alvarez report. There was general agreement that the first two models, the City-run rental venue (the current model) and the model called "City Departments Collaborative" did not provide structures that would fulfill the goals expressed in the community visioning process from 2007-2008. The Hoover Community Center model, cited in the report, has changed dramatically, and

committee members had a number of questions about how that is now, or might in the future, work.

Next Step: A City representative will be invited to the next committee meeting to answer questions about the Hoover Community Center model, past and future.

VI. Public comments

The executive director of the RAP Teatro Vision expressed to the committee that organization's desire to work with the committee to address questions and be part of finding a workable solution to MHP as a community asset.

One attendee noted that there have been many exceptional presentations at the Plaza, and everyone, including the steering committee, needed to be ambassadors in the community for what takes place in the venue. Another attendee pleaded for educational programs to serve children. And another observed that in the past there has been a robust volunteer presence at the Plaza, and that this could be a valuable resource for future plans.

And, finally, the artist responsible for the wrought iron gates and embellishments at MHP, made a passionate plea to the committee for the cultural value of inclusion in the future planning for the Plaza. He noted that the Mexican culture encompasses many different and distinct traditions, and that in programming and thinking about the communities to be served, if the Plaza welcomes and encompasses everyone, this would truly represent the Mexican cultural ideal.