



# THE CHEECH MARIN CENTER FOR CHICANO ART AND CULTURE

*MANAGEMENT AGREEMENT WITH  
THE RIVERSIDE ART MUSEUM*

City Manager's Office

Financial Performance and Budget Committee  
January 8, 2021

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## BACKGROUND

1. February 2017: "Papel Chicano Dos: Works on Paper" Exhibition at Riverside Art Museum (RAM)
2. May 2017: Memorandum of Understanding approved by the City Council between Cheech Marin and RAM
  - a. Created a \$3 million fundraising campaign
  - b. Contemplated a long-term management agreement through which the City would contract with RAM to operate The Cheech, estimating the cost would range between \$750,000 and \$925,000
  - c. Established a facility fee charge for adults and kids to defray the City's expenditures
  - d. Consultants hired to conduct initial assessment and work



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## BACKGROUND

1. October 2017: Professional Consultant Services Agreement approved by City Council with Page & Turnbull/wHY
  - a. Phase 1 facility analysis, determine art center programming, complete architectural designs, and finalize preliminary cost estimates
  - b. Community/visioning workshops
2. March 2018: City Council received an update, approved conceptual designs, and authorized submittal of a grant to the California Natural Resources Agency
  - a. \$1 million allocation in State Budget



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## BACKGROUND

1. October 2018: City Council received an update, authorized submittal of a second grant application to the CNRA, and approved the first amendment to PCSA with Page & Turnbull/wHY
  - a. \$9.7 million allocation in State Budget
2. February 2020: Community Services and Youth Committee received an update from RAM, outlining critical next steps to realize a successful opening



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## PROPOSED MANAGEMENT AGREEMENT

1. Planned opening of The Cheech in late 2021
2. Consistent with framework contemplated in May 2017
3. Management Agreement outlines various components associated with operation of the facility – term, roles, responsibilities, and compensation
4. Selected key terms of the proposed Management Agreement with RAM identified in the next slides



### Selected Key Terms of the Proposed Management Agreement

<b>Site and Building</b>	<ul style="list-style-type: none"> <li>The City will retain ownership of the entire site, including the building and plaza in the front.</li> <li>The parking lot adjacent to the building will remain open to the public with 14 parking spaces to be reserved for RAM use.</li> <li>The City will work with RAM to establish a process to facilitate use of the plaza for events.</li> </ul>
<b>Financial Sustainability</b>	<ul style="list-style-type: none"> <li>The City and RAM agree to actively work towards making The Cheech financially independent and self-sustaining beyond the initial term of the agreement.</li> </ul>
<b>Term</b>	<ul style="list-style-type: none"> <li>The initial term of the Management Agreement will commence upon delivery of the premises after renovation and continue for a period of 25 years thereafter.</li> <li>The City and RAM will meet in good faith to discuss the continued operation of the Center and this Agreement at the end of the first ten years.</li> <li>The City and RAM may also meet during the initial 10-year period to discuss the revenues and expenditures of Center operation or any event that could potentially have an adverse financial impact on the Center.</li> </ul>



Selected Key Terms of the Proposed Management Agreement	
<b>Management Fee</b>	<ul style="list-style-type: none"> <li>The City shall pay to RAM a Management Fee of \$800,000.</li> <li>For years two through ten, the Management Fee shall increase each year on the anniversary date by \$25,000.</li> <li>Beginning in year ten, the City and RAM shall meet to discuss and/or renegotiate the Management Fee for the remainder of the Term.</li> </ul>
<b>Facility Fee</b>	<ul style="list-style-type: none"> <li>RAM shall impose a Facility Fee to be added to the price of all paid admissions to the Center, and for Facility Rental Events at the Premises in order to help underwrite the future maintenance and operation of the Premises.</li> <li>The minimum Facility Fee for single admission is \$3.00 for adults and \$1.00 for children 13 and under and seniors over 65 years.</li> <li>For Facility Rental Events, RAM shall pay the City \$1 for every participant.</li> <li>The Facility Fee shall increase annually by 5%</li> </ul>
<b>Utilities</b>	<ul style="list-style-type: none"> <li>The City shall solely responsible for and shall pay for all utilities for the Premises, estimated at \$120,000 per year (based on Main Library figures)</li> </ul>



## RIVERSIDE 2025 STRATEGIC PLAN

1. Consistent with the two Priorities:
  - a. Arts, Culture and Recreation – Provide diverse community experiences and personal enrichment opportunities for people of all ages
  - b. Economic opportunity – Champion a thriving, enduring economy that provides opportunity for all
2. Cross-Cutting Threads – Community Trust, Equity, Fiscal Responsibility, Innovation



## PROPOSED MANAGEMENT AGREEMENT

### 1. Fiscal Impact Assumptions:

- a. RAM Management Fee: \$800,000; increases by \$25,000 per year
- b. Facility Fee: \$3 for adults and \$1 for children 13 and under; increased by 5% per year
- c. Projected Attendance: 100,000 visitors (75,000 adults and 25,000 kids)



## PROPOSED MANAGEMENT AGREEMENT

Year	RAM Management Fee	Utilities and Landscaping Costs (Paid by City)	Adult Facility Fee	Annual Revenue from Adult Facility Fee	Kids Facility Fee	Annual Revenue from Kids Facility Fee	Total Annual Revenue from Facility Fee	Net (Facility Fee Offset)
1	\$ 800,000.00	\$ 135,800.00	\$ 3.00	\$ 225,000.00	\$ 1.00	\$ 25,000.00	\$ 250,000.00	\$ 685,800.00
2	\$ 825,000.00	\$ 135,800.00	\$ 3.15	\$ 236,250.00	\$ 1.05	\$ 26,250.00	\$ 262,500.00	\$ 698,300.00
3	\$ 850,000.00	\$ 135,800.00	\$ 3.31	\$ 248,062.50	\$ 1.10	\$ 27,562.50	\$ 275,625.00	\$ 710,175.00
4	\$ 875,000.00	\$ 135,800.00	\$ 3.47	\$ 260,465.63	\$ 1.16	\$ 28,940.63	\$ 289,406.25	\$ 721,393.75
5	\$ 900,000.00	\$ 135,800.00	\$ 3.65	\$ 273,488.91	\$ 1.22	\$ 30,387.66	\$ 303,876.56	\$ 731,923.44
6	\$ 925,000.00	\$ 135,800.00	\$ 3.83	\$ 287,163.35	\$ 1.28	\$ 31,907.04	\$ 319,070.39	\$ 741,729.61
7	\$ 950,000.00	\$ 135,800.00	\$ 4.02	\$ 301,521.52	\$ 1.34	\$ 33,502.39	\$ 335,023.91	\$ 750,776.09
8	\$ 975,000.00	\$ 135,800.00	\$ 4.22	\$ 316,597.60	\$ 1.41	\$ 35,177.51	\$ 351,775.11	\$ 759,024.89
9	\$ 1,000,000.00	\$ 135,800.00	\$ 4.43	\$ 332,427.47	\$ 1.48	\$ 36,936.39	\$ 369,363.86	\$ 766,436.14
10	\$ 1,025,000.00	\$ 135,800.00	\$ 4.65	\$ 349,048.85	\$ 1.55	\$ 38,783.21	\$ 387,832.05	\$ 772,967.95
<b>TOTAL</b>	<b>\$ 9,125,000.00</b>	<b>\$ 1,358,000.00</b>		<b>\$ 2,830,025.82</b>		<b>\$ 314,447.31</b>	<b>\$ 3,144,473.13</b>	<b>\$ 7,338,526.87</b>



## BUDGET ENGAGEMENT COMMISSION (BEC)

December 17, 2020 the BEC recommended the City Council approve the Management Agreement for the Cheech

- Discussion largely focused on the desire to amend or further refine certain provisions of the Management Agreement, and not opposition to the project.
- The BEC provided comments related to the following provisions of the Management Agreement:
  - The 25-year term of the Management Agreement and the automatic renewal for two additional terms of five years each.
  - The official 'meet and confer' between the City and RAM at the end of the first ten years to discuss operation of the Center and the Management Agreement.



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## BUDGET ENGAGEMENT COMMISSION (BEC)

- Additional offsets (i.e. a portion of merchandise sales and concessions) to further underwrite the maintenance and operation of the Center, in addition to the Facility Fee.
- Further clarify the force majeure provisions to allow for a reduction to the management fee proportional to the activities allowed under such a circumstance.
- Include explicit language for consideration of a termination for convenience.
- Acknowledge the agreement (art) between RAM and Mr. Marin as part of the Management Agreement.
- Amend Attachment 2 (Expenditure and Revenue Estimates) to include ongoing utility and landscape expenses as outlined in the Management Agreement.



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## RECOMMENDATIONS

That the Financial Performance and Budget Committee recommend that the City Council:

1. Approve the Management Agreement for the Cheech Marin Center for Chicano Art and Culture with the Riverside Art Museum for an initial term of 25 years with an automatic renewal of two additional five-year terms; and
2. Authorize the City Manager, or his designee, to execute the Management Agreement, including making minor and non-substantive changes, and the two additional five-year renewals.



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