

THE CHEECH MARIN CENTER FOR CHICANO ART AND CULTURE

*MANAGEMENT AGREEMENT WITH
THE RIVERSIDE ART MUSEUM*

City Manager's Office

City Council
January 19, 2021

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1

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



2

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2

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



3

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3

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



4

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4

PREVIOUS ACTIONS

1. Budget Engagement Commission
 - a. Considered on December 17, 2020
 - b. Recommended the City Council approve the Management Agreement for the Cheech Marin Center for Chicano Art and Culture with the Riverside Art Museum (RAM) for an initial term of 25 years with an automatic renewal of two additional five-year terms, by a vote of 8 ayes and 6 noes, with 1 absence.
 - c. Provided comments on several provisions of the Management Agreement



5

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5

PREVIOUS ACTIONS

1. Financial Performance and Budget Committee
 - a. Considered on January 8, 2021
 - b. City staff will provide a verbal report out of the Committee meeting and action.



6

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6

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



7

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7

Selected Key Terms of the Proposed Management Agreement

Site and Building	<ul style="list-style-type: none"> The City will retain ownership of the entire site, including the building and plaza in the front. The parking lot adjacent to the building will remain open to the public with 14 parking spaces to be reserved for RAM use. The City will work with RAM to establish a process to facilitate use of the plaza for events.
Financial Sustainability	<ul style="list-style-type: none"> The City and RAM agree to actively work towards making The Cheech financially independent and self-sustaining beyond the initial term of the agreement.
Term	<ul style="list-style-type: none"> 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. Following the initial term, the City and RAM have the option to renew the Agreement for two additional terms of five years each unless the City or RAM provides the other party with prior written notice at least 12 months prior to the end of the initial term or renewal term.




8

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8

Selected Key Terms of the Proposed Management Agreement	
Management Fee	<ul style="list-style-type: none"> The City shall pay to RAM a Management Fee of \$800,000. For Years two through 10, the Management Fee shall increase each year on the anniversary date by \$25,000. Beginning in year 10, the City and RAM shall meet to discuss and/or renegotiate the Management Fee for the remainder of the Term.
Facility Fee	<ul style="list-style-type: none"> 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 The minimum Facility Fee for single admission is \$3.00 for adults and \$1.00 for children 13 and over, and seniors over 65 years. For Facility Rental Events, RAM shall pay the City \$1 for every participant. The Facility Fee shall increase annually by 5%. The Facility Fee will help underwrite the future maintenance and operation of the Premises.
Utilities	<ul style="list-style-type: none"> 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)


9
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9

Selected Key Terms of the Proposed Management Agreement	
Maintenance	<ul style="list-style-type: none"> RAM shall maintain and keep in good order, condition, and repair the Center and fixtures, furniture, furnishings, and equipment situated on or used in connection with the Center. The City shall maintain and perform landscape maintenance of the plaza area, estimated at \$15,800 per year. RAM shall be responsible for the performance of work, and to pay for, the cost of maintenance and repair for non-structural interior fixtures, signs, displays, equipment, machinery, appliances, appurtenances, improvements, alterations, and systems required for the Center. RAM shall be responsible for janitorial services. The City shall be responsible for the performance of any work, and to pay for, any maintenance and repairs related to the plumbing system, the electrical system, the wiring and conduits, the roof, the elevators, windows and doors, any exterior fixtures including permanent signage and the heating and air conditioning systems, structural foundation, and structural parts of the exterior walls.


10
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10

REVISIONS TO THE MANAGEMENT AGREEMENT

1. City and RAM staff met to discuss revisions to the Management Agreement in order to be responsive to the BEC's comments:
 - a. The 25-year term of the Management Agreement and the automatic renewal for two additional terms of five years each.
 - b. 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.
 - c. 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.



11

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11

REVISIONS TO THE MANAGEMENT AGREEMENT

- d. Further clarify the force majeure provisions to allow for a reduction to the management fee proportional to the activities allowed under such a circumstance.
- e. Include explicit language for consideration of a termination for convenience.
- f. Acknowledge the agreement (art) between RAM and Mr. Marin as part of the Management Agreement.
- g. Amend Attachment 3 (Expenditure and Revenue Estimates) to include ongoing utility and landscape expenses as outlined in the Management Agreement.



12

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12

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



13

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13

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)



14

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14

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
TOTAL	\$ 9,125,000.00	\$ 1,358,000.00		\$ 2,830,025.82		\$ 314,447.31	\$ 3,144,473.13	\$ 7,338,526.87



15

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15

PROJECT BID

1. Construction cost estimate to renovate the existing Main Library into the Cheech : \$12,276,752
2. On June 15, 2020, the Purchasing Division posted Bid No. 7764, with a bid due date of July 27, 2020
3. Received 14 highly competitive construction bids (outlined on Page 11 of the staff report)
4. Purchasing Division determined the low bid is responsive and recommended to award the construction project to Hamel Contracting Inc. (Murrieta, CA)
 - a. Bid: \$9,729,411 (20.75% below construction estimate)



16

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16

RECOMMENDATIONS

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 two optional five-year terms;
2. Authorize the City Manager, or his designee, to execute the Management Agreement with the Riverside Art Museum, including making minor and non-substantive changes;



17

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17

RECOMMENDATIONS

3. Award Bid No. 7764 to Hamel Contracting Inc. from Murrieta, California for \$9,729,411 to renovate the existing Main Library located at 3581 Mission Inn Avenue into the Cheech Marin Center for Chicano Art and Culture;
4. Authorize a 10% contingency of \$972,941 project changes including unforeseen site conditions or necessary design changes; and
5. Authorize the City Manager, or his designee, to execute the Construction Agreement with Hamel Contracting Inc. from Murrieta, CA including making minor and non-substantive changes.



18

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18