



REPLACEMENT

COUNCIL AGENDA: 01-25-05
ITEM: 5.4

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Paul Krutko

SUBJECT: See below

DATE: January 21, 2005

Approved

Ray Wines

Date

1/21/05

SUBJECT: MUSEUM OF ART EXPANSION to Former MLK Library

REASON FOR REPLACEMENT

Additional information provided in Analysis section of report regarding the proposed cooperation agreement.

RECOMMENDATION

Adoption of a Resolution authorizing the City Manager to execute an Agreement between the City of San Jose and the San Jose Museum of Art Association to cooperate in developing and analyzing information and data regarding the potential reuse of the old Martin Luther King, Jr. Library facility for additional museum facilities. CEQA: Exempt

BACKGROUND

The Museum of Art Association seeks to expand the Museum's exhibition and education capacity and to create a new visitor attraction: the International Center for Art and Technology (International Center, working title).

The Mayor's March 17 Budget Message directed the City Manager, working with the Mayor's Office, to return to City Council with a strategy to help expand the San Jose Museum of Art by using the former Martin Luther King, Jr. Library building. Manager's Budget Addendum #13, approved as part of the Adopted 2004-05 Budget last June, directed staff to negotiate a Management and Operating Agreement with the San Jose Museum of Art to create an International Center for Art and Technology in the former Martin Luther King, Jr. Library.

ANALYSIS

Strategic Importance

The Trustees of the San Jose Museum of Art aim to grow the Museum from a mid-sized institution of regional significance to a larger institution of significant national stature. Attendance at the current facility (18,000 square feet of Exhibition space) has grown from 83,700 in 1999/2000 to 190,500 in 2003/04, and is projected to be 225,000 in 2004/05. The attendance target for 2007/08 is 350,000.

A central theme of this expansion is enhancing the Museum's leadership and collection at the interface of art and technology. At a conceptual level, this means art that uses technology, is inspired by technology, is developed with technology, or that comments on technology. It also means using technology to experience and learn about traditional art forms.

Expanding the Museum of Art to explore the interface of art and technology can play a cornerstone role in attracting more tourist visitors to San Jose and positioning San Jose as a leader in the national/international cultural scene. The establishment of the International Center for Art and Technology as a significant visitor attraction, unique in North America, will eventually double Museum attendance from 350,000 to 700,000, with associated Downtown spending and revenue generation. The establishment of the Center is related to the biennial ZeroOne San Jose, 'a global festival of art on the edge', to be launched in August of 2006 with ISEA 2006 (International Symposium of Electronic Arts). The expanded Museum can also serve as a platform for collaboration with San Jose State University's Center for New Media—one of the oldest academic programs in the nation in this field.

In December 2004, the Museum was awarded a \$150,000 grant from the Packard Foundation to help support a Feasibility Study to plan for the International Center.

This project advances the vision of Downtown San Jose as "a Unique Creative and Cultural Center of Silicon Valley" (Strategic Initiative No. 4 of the Economic Development Strategy).

Proposed Cooperation Agreement

Staff recommends that the City and Museum enter into a *Cooperation Agreement* to examine the feasibility of using the former Martin Luther King, Jr. Library building for an International Center for Art and Technology.

During the term of the cooperation agreement, the Museum will conduct a Feasibility Study with the technical support of the City. The Feasibility Study would explore issues such as exhibition content, private fundraising, anticipated visitors, financial planning, and building/design issues.

If, on completion of the Feasibility Study at the end of 2005, the Museum wants to proceed with the International Center, the City and Museum would then negotiate a formal agreement specifying the terms and conditions for reuse of the building for museum purposes. From the

time a decision is made to proceed with negotiations, those negotiations would be exclusive. During the term of the Cooperation Agreement, the City would not allow third parties to use the former MLK without the consent of the Museum. The proposed Cooperation Agreement includes a "Framework for Reuse Agreement Negotiations" with the following main parameters:

- Any rental charged by the City for the building will be nominal at \$1 per year.
- The City will not pay for ongoing operations and maintenance of the building, or for capital and reserve funds.
- Any third-party retail net revenues from potential subleases in the former Martin Luther King, Jr. building will be split 50/50 between the City and Museum to assist the City in defraying operations and maintenance expenses covered by the City at the existing Museum building.
- Any retail rental income earned by the Museum at its existing facility will accrue 100% to the Museum.

For planning purposes, the Cooperation Agreement also outlines the target dates and estimated timelines of key milestones. These include:

- Museum conducts Feasibility Study: February-December, 2005
- City and Museum Develop Reuse Agreement: by May, 2006
- SJMA Take Possession of Building for Renovation: July, 2007
- New Museum Opens: August, 2008.

Current City Use of Former MLK Library

Currently, the former Martin Luther King, Jr. Library building houses 300 City employees and has total staff occupancy of 364. The City invested \$1.7 million in 2003 to prepare the building for temporary City office use. Staff recommends that the City plan for staff to remain in the former Martin Luther King, Jr. Library pending the determination of whether a move would occur.

The Administration is currently evaluating interim space plan options for approximately 600 employees who will not be moving to the New City Hall from various locations throughout the City. Included in this evaluation are the former Martin Luther King, Jr. Library, the existing City Hall, Annex and Health Building.

The evaluation will include use of the former Martin Luther King, Jr. Library by city staff through July 2007 and potentially after that date if the Museum does not move forward after the completion of the Feasibility Study. A complete analysis of interim space plan options will be provided to council in February 2005.

Suitability of the Site for Museum Use

The former Martin Luther King, Jr. Library is a strategically located site for a high-traffic visitor attraction due to its proximity to the Museum of Art, Convention Center, Tech Museum, and

light rail. The building's open floor plan and column-divisible spaces make it appropriate for exhibition space. There is opportunity to develop complementary retail on the first floor, such as "design for living" and digital electronics stores, as well as a restaurant. The Museum would work closely with the City/RDA to attract appropriate retail.

PUBLIC OUTREACH

Staff has had significant interaction with Art Museum staff leadership, Trustec leadership, and San Jose State University in developing the concept and Cooperation Agreement. The proposed reuse of the former Martin Luther King, Jr. Library for this significant cultural purpose has been received positively since the first announcement at the Mayor's 2004 State of the City.

The Art Museum Trustees and staff leadership are committed to being key partners with the City of San Jose in developing Downtown as a vibrant Creative Center of Silicon Valley, and improving San Jose's cultural offerings to the local community, to the Bay Area and to national/international visitors. Museum leadership is very involved in advancing Downtown cultural life in concert with a range of other arts, cultural, and civic organizations.

Museum leadership will leverage the City's contribution of the building to raise significant private/philanthropic resources and create an institution unique in North America.

COORDINATION

This memo has been coordinated with the City Attorney, Public Works, General Services, Redevelopment Agency, and Budget Office.

CEQA

Exempt


PAUL KRUTKO
Director, Office of Economic Development