



Memorandum

TO: COMMUNITY & ECONOMIC DEVELOPMENT COMMITTEE
FROM: Kim Walesh
SUBJECT: UPDATE ON SCHOOL OF ARTS & CULTURE AT MEXICAN HERITAGE PLAZA
DATE: November 9, 2012

Approved

Date

11/16/12

RECOMMENDATION

It is recommended that the Community and Economic Development Committee (CEDC) review and accept the report from the Mexican Heritage Plaza (MHP) Advisory Committee on Permanent Governance (ACPG) and a report on the activities of the interim operator of MHP.

BACKGROUND

MHP is a City-owned cultural facility located in San Jose at the corner of Alum Rock Avenue and King Road. The \$35 million City-owned facility, built in 1999, spans six acres and has 55,000 square feet of programmable space. The complex features a theater, pavilion, gallery, classrooms, and an outdoor square and gardens built in the architectural style of a traditional Mexican plaza.

From 1999 to 2008, MHP was operated by Mexican Heritage Corporation. In 2008, City Council transferred responsibility for MHP's operations and maintenance from Mexican Heritage Corporation to City staff. At that time, Council also directed the formation of a MHP Steering Committee to develop a business and governance model that is self sustaining and develop a process for establishing a permanent non-profit operator that is capable of implementing the model.

The MHP Steering Committee, comprised of a wide array of stakeholders, met from July 2009 through May 2010. It conducted facility analysis and stakeholder input. It developed a recommendation to establish a school of arts and culture, and developed The School of Arts & Culture at MHP Business Plan, which was approved by the Council on May 11, 2010. The model envisions classes, primarily focused on children and families, as the core programming activity. Other activities would include gallery exhibitions, performances, private events and community events. The business plan also included core qualities and capabilities of the MHP operator.

When the vision for the School of Arts & Culture at MHP was developed, five community-based organizations were approached to determine their interest in establishing a school at MHP. For

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various reasons, none expressed interest. With no identified organization to realize this vision, 1stACT Silicon Valley was asked by the MHP Steering Committee to lead the incubation of a new organization, the School of Arts & Culture at MHP (School), which operates a school at the facility on an interim basis through June 30, 2014. When the City Council approved a three year operations and maintenance (O&M) agreement with 1stACT Silicon Valley, it also established the MHP ACPG to actively participate in the development or identification of a permanent operator. The nine-member ACPG, whose composition was approved by the Council, meets quarterly and held its most recent meeting on October 30, 2012 (see Attachment A for roster).

Per Council direction, a progress report is to be provided to the CEDC on the business plan and on a permanent operator by the end of 2012. An update was also provided to the Arts Commission at its regular meeting of November 14, 2013.

ANALYSIS

Activities of the ACPG

To date, the ACPG has developed a framework for making a recommendation to the Council on a permanent operator for MHP. This framework includes: a timeline and milestones for quarterly meetings, refinement of the Guiding Principles for a School of Arts & Culture at MHP, criteria and considerations for a permanent operator, a recommended process to identify interested organizations and a deeper understanding of the operating programs and facility maintenance needs through regular updates from the interim operator.

At its fifth meeting on October 30th, 2012, the ACPG reviewed its goals for quarterly meetings and timeline. Given that the interim operator agreement expires in June of 2014, the ACPG aims to develop its recommendation for a permanent operator by late Spring of 2013 and forward that recommendation to the Council by late Summer 2013. According to this timeline, the approved permanent operator will have sufficient time to prepare in advance of permanently taking over the facility's operations and maintenance in July 2014.

At the recent meeting, the ACPG approved considerations and criteria for a permanent operator for the School of Arts & Culture at MHP (see Attachment B). These considerations address the mission, program, governance, financial history and expected standards of practice for a selected permanent operator. Other criteria will include the artistic program, operational effectiveness, community engagement and impact.

At its October 30th meeting, the ACPG also approved the distribution of a Request for Letter of Interest (RFLOI) to community-based organizations that may be interested in permanently operating a School of Arts & Culture at MHP. While this is not a standard purchase or procurement process, there was discussion about the importance of identifying qualified parties through a transparent process. It was recommended that a type of open process based on approved criteria and considerations take place. Also, general consensus was that based on the extensive community outreach and process to date, an initial RFLOI from interested parties would be an appropriate process. The RFLOI would outline that the City: has envisioned a school of arts and culture at the site; has an interim agreement; plans to make a permanent

arrangement; and seeks interested and qualified parties. Respondents would be requested to address the ACPG adopted criteria and considerations, include references and financial information. The intent would be that the initial letters of inquiry would be approximately two to three pages. Upon review of the responses, staff and/or the ACPG may choose to conduct in person interviews of finalists and then request a more full proposal. The RFLOI would be publically noticed on the City website and sent to community-based organizations whose mission may align with the vision of the School of Arts and Culture at MHP. Responses to the RFLOI would be accepted through early 2013, with specific dates to be determined.

Activities of the School

At each meeting, the ACPG receives a programmatic, financial, and operational update from the leadership of the School, a nonprofit organization being incubated by 1stACT Silicon Valley and sharing the same board of directors. After the School received nonprofit status, the three year City O&M agreement was transferred from 1stACT Silicon Valley to the School.

The School continues to execute the business plan developed by the MHP Steering Committee, which is working as envisioned. Now in its second year of operations, the School has hired qualified staff and contractors in the areas of education, operations, facility management and venue rentals.

The School's core programs include quarterly after-school art education sessions and summer camps. Offered courses are multidisciplinary arts rooted in Mexican and multicultural heritage. A core goal of the School is to offer affordable courses that serve families and children, with scholarships offered on an as needed basis. Each quarter, over 100 students take classes in Baile Folklórico, traditional Aztec dance, Mariachi instrumental and voice instruction, and visual arts with a Latin American theme. Depending on the session, digital media including videography, as well as break dancing and West African hand drumming are also offered. The Fall 2012 session began in the third week of September with a record 123 registrations for classes in dance, visual arts and music. This number shows continuous growth for the School's after school offerings.

Summer Day Camps in 2012 served a total of 252 students ranging from 6 to 17 years in age. Three two-week sessions were offered at \$250 per student/per session, including two organic snacks and lunch. 2012 registration numbers doubled over 2011 levels. All sessions culminate in a student performance/exhibition, coordinated by School faculty and staff. Biweekly recitals were held on site either in the pavilion or theater with a minimum of 150 to 200 in attendance for each recital. Having raised contributed income for scholarships, the School offered financial assistance and was able to fulfill 100% of all requests. Parents volunteered their time in exchange.

The School has exceeded its goals in the area of fundraising. Its independently prepared FY 2011-12 financial audit reports an operating surplus. In addition to earned income through classes and camps, it generates rental income. Additionally, it has been awarded grants from private foundations and donations from individuals.

School leadership has expressed its interest in becoming the permanent operator and intends to respond to the RFLOI.

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Other Activities at MHP

MHP continues to host a wide variety of events, which have generated earned income. Rentals by cultural organizations are increasing. The School is making concerted efforts to welcome the community, be an anchor for the surrounding area and partner with other organizations to bring major events to the public.

Facility Maintenance

City costs to manage MHP were approximately \$670,000. The three year O&M agreement with the School is as follows: \$600,000 in year 1, \$550,000 in year 2, and \$500,000 in year 3. Each year, 10% of the subsidy is set aside into a separate sinking fund for capital needs and facility maintenance.

The agreement with the School places the responsibility for all maintenance activities with the School. Routine maintenance activities are conducted under the School's management, while capital maintenance is a shared expense, funded through a sinking fund established for the site and contributed to equally from both the City and the operating subsidy. The City provides oversight and support both with in-house Public Works staff and through a third party review.

This relationship has proven to be extremely effective, with all parties working cooperatively to ensure the ongoing maintenance needs as well as the long-term viability of the facility are addressed. The School staff is very cognizant of the maintenance requirements of the facility. In turn, City staff has remained engaged with the facility; and where in-house services prove to have a competitive advantage, City staff are providing the services.

This interactive maintenance program at MHP continues as a leading example of service delivery that will serve as a model for other third-party operated facilities citywide.

/s/

KIM WALESH
Director of Economic Development
Chief Strategist

For questions, contact Kerry Adams Hapner, Director of Cultural Affairs, at (408) 793-4333.

Attachment A: Roster of MHP ACPG Members and Staff Team

Attachment B: Considerations and Criteria for a Permanent Operator for the School of Arts & Culture at MHP