



Department: Administration
Cost Center: 1005
For Agenda of: 10/1/2024
Placement: Consent
Estimated Time: N/A

FROM: Greg Hermann, Deputy City Manager
Prepared By: Robert Hill, Sustainability & Natural Resources Official

SUBJECT: SAN LUIS OBISPO REPERTORY THEATRE – AMENDMENT NO. 1 TO GRANT AGREEMENT

RECOMMENDATION

Approve Amendment No. 1 to Grant Agreement between the San Luis Obispo Repertory Theatre and the City of San Luis Obispo to provide grant funding in the additional amount of \$2,760,000 and authorize the Mayor to execute the agreement.

POLICY CONTEXT

SLO REP's long-standing plans for construction of a new Downtown Theatre project (the "Downtown Theatre") are consistent with the plans for the Cultural Arts District identified in the City's Downtown Concept Plan (2017) and the "Economic Resiliency, Cultural Vitality and Fiscal Sustainability" Major City Goal, Strategic Approach 1.4(a), "Continue to work with our community partners to ensure the Cultural Vitality of the City," as specified in the City's 2023-25 Financial Plan.

DISCUSSION

Background

The San Luis Obispo Repertory Theatre ("SLO REP"), previously known as the San Luis Obispo Little Theatre, has been a long-standing tenant of the City's old library property at 888 Morro Street located next door to City Hall. SLO REP first began to set forth a vision for a new 300-seat community theatre in the early 1990s. In March 2000, the City Council identified several options for such a theatre within what would become known as the Cultural Arts District Parking Structure site located at the corner of Palm and Nipomo Streets and committed to working with SLO REP.

SLO REP is a strong community partner and local non-profit, including a sound Board and governance structure, professional staff and theatre offerings, and implementation of a significant capital campaign in anticipation of the design, construction, and operating costs associated with the planned move to a new location.

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On May 22, 2019, the City and SLO REP entered into an Exclusive Negotiating Agreement (“ENA”) to set the parameters and conditions for SLO REP’s long-term use of a portion of the City property for construction and operation of a new Downtown Theatre where the Cultural Arts District Parking Structure will also be located.

On January 25, 2022, SLO REP submitted to the City Council a formal “Challenge Grant” request for funding in the amount of \$3,940,000 towards construction of the new Downtown Theatre project. At its regularly scheduled meeting on February 15, 2022, the City Council appropriated the requested funding as part of the FY 2021-2022 Mid-Year Budget Review. On April 21, 2022, the City and SLP REP entered into a Grant Agreement for funding in the aggregate amount of \$3,940,000 (Attachment B).

On May 22, 2024, the City and SLO REP entered into Amendment No. 1 to the Exclusive Negotiating Agreement to extend the term for up to a one-year term in total, with additional provisions that require a written document that demonstrates an operating reserve of 20% for the first year of operating the new theatre and a three-year operating plan, including the establishment of a fund for building and facilities maintenance and repair. It is anticipated that the ENA will be replaced by a long-term lease with a term not-to-exceed 99 years when SLO REP can demonstrate that all conditions of the ENA, as amended, have been met (Attachments C and D). A lease agreement is tentatively planned for Council consideration in November 2024.

On May 30, 2024, the City Council received from SLO REP an update to their Challenge Grant request (Attachment E). In making its request for additional funding, SLO REP’s letter describes the following investment rationale:

1. Direct economic impact of more than \$4 million annually once fully operational.
2. Attraction of 50,000 people annually to the downtown area.
3. Consistency with Major City Goals for arts and culture, as well as relevant DEI activities through multi-cultural programming, diverse casting, theatre offerings, and support of other local non-profits / community-based organizations.
4. Activation of “Theatre in the Park” events to reach new audiences at no-cost or low-cost at staged outdoor venues such as Mission Plaza or Mitchell Park.

On June 4, 2024, the City Council adopted Resolution No. 11501 (2024 Series) approving the Fiscal Year 2024-25 Budget, including an additional \$2.76 million in grant funding to SLO REP towards the project (Attachment F).

Key Highlights of the Grant Agreement and Amendment No. 1

The existing Grant Agreement and draft Amendment No. 1 include the following key deal points and structure, consistent with prior direction from the City Council:

1. Grant funding in the combined amount of \$6,700,000 (\$3,940,000 plus \$2,760,000).
2. The Exclusive Negotiating Agreement and Amendment No. 1 to Exclusive Negotiating Agreement are incorporated by reference.

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3. SLO REP must meet a series of conditions precedent to funding, including raising and first utilizing all other necessary funds to complete the project, execution of a long-term lease for the property on which the new Downtown Theatre will be constructed, and obtaining all required building permits and project entitlements.
4. Grant funds may be used for direct construction costs at the new Downtown Theatre only.
5. Grant funds will be disbursed only on a reimbursement basis upon submittal of satisfactory invoices.
6. SLO REP shall submit quarterly progress reports to the City.

Public Engagement

SLO REP's Updated Challenge Grant Request was considered as part of the FY 2024-2025 Supplemental Budget Review at the City Council's regularly scheduled and noticed meeting. Council considered both public testimony and written correspondence submitted by SLO REP and its supporters detailing their current anticipated budget and necessary funding required to complete the new Downtown Theatre building.

The contractual arrangements specified in the draft Amendment No. 1 to Grant Agreement are considered a matter of routine City business in order to carry out City Council's budget priorities; however, any member of the public may provide written comments or in-person testimony addressing this item.

CONCURRENCE

The City's Public Works Department and Community Development Department have offered their concurrence with the recommended action.

ENVIRONMENTAL REVIEW

Entering into the subject Grant Agreement is not considered a project, in and of itself, under CEQA Guidelines Section 15378. However, the City completed environmental review as lead agency for both its Parking Structure and the Downtown Theatre and certified a Final Environmental Impact Report by Resolution No. 10923 (2018 Series).

FISCAL IMPACT

Budgeted: Yes
Funding Identified: No

Budget Year: 2024-25

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$3,940,000	\$2,760,000	\$	\$
State				
Federal				
Fees				
Other:				
Total	\$3,940,000	\$2,760,000	N/A	N/A

In [Council Agenda Correspondence](#) published contemporaneous with the June 4, 2024 City Council meeting, staff described that the requested \$2,760,000 could be funded by designating a portion of the Infrastructure Investment Fund (IIF) that had been identified for the Prado Bridge (which is not expected to go to construction in the current fiscal year). Further, “Staff would return to Council in September (upon completion of the unaudited year-end report) with an amended grant agreement. Staff would also recommend that the Council prioritize backfilling the funding for the Prado Bridge project using one-time funds available as a part of the Mid-year budget update in February 2025.”

As described under a separate Council Agenda Report also on the October 1, 2024, agenda titled *FY 2023-24 Year End Budget Report (Unaudited)*, the General Fund ended the year with sufficient fund balance available to contribute the full additional \$2.76 million previously authorized by Council to the Infrastructure Investment Fund. Staff will include a recommendation with the FY 2024-25 Mid-Year Budget Report to make this contribution to the IIF, which will ensure that other projects funded out of the IIF will not be impacted.

ALTERNATIVES

- Council may direct modifications to the draft Amendment No. 1 to Grant Agreement to incorporate different terms or requirements.***
- Council could direct staff to bring back an item for future budget hearings when action could be taken to identify other funding sources in support of the draft Amendment No. 1 to Grant Agreement. This alternative is not recommended as sufficient funding is available to allocate to the IIF as part of the FY 2024-25 Mid-Year Budget Report, as contemplated at the June 4, 2024, City Council meeting.***

ATTACHMENTS

- A - Draft Amendment No. 1 to Grant Agreement
- B - Grant Agreement - April 21, 2022
- C - Exclusive Negotiating Agreement – May 22, 2019
- D - Amendment No. 1 to Exclusive Negotiating Agreement – May 22, 2024
- E - SLO REP Challenge Grant Update – May 30, 2024
- F - City Council Minutes - June 4, 2024