



Council Agenda Correspondence

DATE: December 10, 2024

TO: Mayor and Council

FROM: Greg Herman, Deputy City Manager

Prepared by: Robert Hill, Sustainability & Natural Resources Official

VIA: Whitney McDonald, City Manager

SUBJECT: ITEM 6A – SAN LUIS OBISPO REPERTORY THEATRE LEASE AGREEMENT

Staff received the following questions from a Council Member regarding the Council Agenda Report and draft San Luis Obispo Repertory Theatre Lease Agreement that is being presented to Council for consideration of approval. The questions are below with staff's response shown in *italics*:

1. What other leases does the City have with not-for-profit organizations? Are the terms with SLO REP typical for 99-year leases?

Over the years, the City has entered into numerous long-term leases of City-owned facilities with not-for-profit community partner organizations for rent of \$1 per year where the Council has recognized the public benefits that accrue to the community from those relationships. These leases have different terms and conditions based on the particular characteristics of the site or building facility and the needs of the City and community partner at the time those leases were entered into. These lease agreements also have a range of duration and lease term lengths. At present, the City has \$1 per year lease agreements with the San Luis Obispo Repertory Theatre (for the existing "Little Theatre" site), the History Center of San Luis Obispo County, the San Luis Obispo Museum of Art, the San Luis Obispo Children's Museum, the San Luis Obispo Railroad Museum, City Farm SLO, and the YMCA.

2. What happens if SLO REP were to close or cease as an organization? What happens to the building?

The draft Lease Agreement contains clear language for instances that would constitute a breach of contract at paragraph 34. If SLO REP were to close, cease to exist as an organization, or fail to maintain its non-profit corporate status in good standing, the building and land interest would revert back to the City of San Luis Obispo (following the specified noticing and administrative remedy procedures). In that case, the City would have discretion to identify another tenant and / or use for the building. The draft Lease Agreement also contains other possible options; with City Council approval and at the City Council's sole discretion, SLO REP could propose operating as a for-profit organization and rent would then be at market

rate, and SLO REP could also propose an assignment of the leasehold interest to another organization.

3. Did the City consider any other alternatives for use of the site?

The City Council first agreed to work with SLO REP in the 1990s to locate a site for a new downtown theatre and identified this particular site in the early 2000s. On [March 7, 2000](#), the City Council conceptually approved moving the San Luis Obispo Little Theatre (as it was known at that time) to the subject site and directed staff to negotiate a Memorandum of Understanding. City staff and current and past City Councils have continued to honor this direction and understanding since that time. The use is also consistent with the [Downtown Concept Plan](#) (2017) – see Figure 3.1 and Table 3.1, Block 10.