

RESOLUTION NO. \_\_\_\_\_ (2024 SERIES)

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN LUIS OBISPO, CALIFORNIA, FINDING THAT A LEASE AGREEMENT WITH SAN LUIS OBISPO REPERTORY THEATRE FOR CERTAIN REAL PROPERTY OWNED BY THE CITY LOCATED AT 610 AND 614 MONTEREY STREET, A PORTION OF 972 NIPOMO STREET, AND A PORTION OF CITY PARKING LOT NO. 14 IS OF PUBLIC BENEFIT IN ACCORDANCE WITH CALIFORNIA GOVERNMENT CODE SECTION 53078 AND APPROVING THE LEASE AGREEMENT**

**WHEREAS**, the City of San Luis Obispo (“City”) is the owner in fee simple of that certain real property located at 610 and 614 Monterey Street, a portion of 972 Nipomo Street, and a portion of City Parking Lot No. 14 identified as Assessor’s Parcel Nos. 002-412-011, 002-412-012, 002-412-002 (portion) and 002-412-004 (portion) (collectively, the “Property”); and

**WHEREAS**, the San Luis Obispo Repertory Theatre (“SLO REP”) has been a long-standing tenant of the City’s 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; and

**WHEREAS**, 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; and

**WHEREAS**, 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 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; and

**WHEREAS**, on January 23, 2024, the City Council made findings pursuant to the California Surplus Land Act, declaring the subject property surplus exempt under California Government Code sections 54221 and 54234 (Resolution No. 11471 (2024 Series)); and

**WHEREAS**, 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 Downtown Theatre and a three-year operating plan, including the establishment of a fund for building and facilities maintenance and repair. The ENA, as amended, anticipates 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; and

**WHEREAS**, on May 30, 2024, the City Council received from SLO REP an update to their Challenge Grant request. 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.

**WHEREAS**, 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; and

**WHEREAS**, on October 1, 2024, the City Council approved Amendment No. 1 to Grant Agreement, which contractually added the \$2.76 million in additional grant funds for a total, combined amount of \$6,700,000, and also clarified reporting requirements by SLO REP during the course of construction of the Downtown Theatre that will be due to the City for review; and

**WHEREAS**, October 24, 2024, SLO REP submitted a memorandum to City staff detailing how SLO REP has met and exceeded all applicable fundraising milestones and other applicable conditions precedent to entering into a lease agreement with the City, per the Exclusive Negotiating Agreement and Amendment No. 1 to the ENA. At this time, SLO REP has provided evidence that it has assembled approximately \$14.1 million that can be used towards total project costs (including design, construction, contingency, fees, and operating reserve) of the approximately \$17.8 million that is estimated to be needed, or 79% of the overall total; and

**WHEREAS**, the lease agreement for the Property has been developed by both staff from the City and SLO REP, together with each party's respective legal counsel, in a manner consistent with the Exclusive Negotiating Agreement, as amended, and prior direction from the City Council (the "Lease Agreement").

**NOW, THEREFORE, BE IT RESOLVED** by the Council of the City of San Luis Obispo as follows:

**SECTION 1.** The above recitals are true and correct and are a substantive part of this Resolution.

**SECTION 2. Findings.**

1. The Lease Agreement set forth in Attachment 1 is hereby approved by the Council of the City of San Luis Obispo and the City Manager is authorized to execute the Lease Agreement upon the effective date of this Resolution.
2. The Lease Agreement serves a public purpose by furthering the City Council's goal of supporting arts and culture and advancing a Cultural Arts District along lower Monterey Street, as well as the associated economic development benefits that will accrue to the downtown area.
3. The City is authorized to enter into a 99-year term for the Lease Agreement pursuant to California Government Code Section 37380. Paragraph 5 (Consideration) and Paragraph 15 (Insurance Requirements) will be reviewed every twenty years to take into consideration then current market conditions and industry standards.
4. The City has committed \$6,700,000 in grant funding toward the Downtown Theatre and rent required under the Lease Agreement is being offered at a discounted rate due to the long-standing community partnership with SLO REP and the anticipated public benefit the Downtown Theatre will provide. As such, terms included in the Grant Agreement as amended, and the Lease Agreement constitute an "economic development subsidy" as defined by California Government Code Section 53083 and disclosure of the following information and a public hearing are required, as follows (shown in *italics*):

*(1) The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy, if applicable.*

San Luis Obispo Repertory Theatre, A California Non-Profit  
P.O. Box 122  
San Luis Obispo, CA 93406

*(2) The start and end dates and schedule, if applicable, for the economic development subsidy.*

The start date is upon commencement of possession of the leased premises, anticipated in 2026. City of San Luis Obispo grant funding would be expended within three years following commencement of construction. Rent of \$1.00 per year is for a 99-year term.

*(3) A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.*

The total amount of direct expenditures of public funds is \$6,700,000.00. The leased premises is currently vacant land that does not produce revenue.

*(4) A statement of the public purposes for the economic development subsidy.*

The public purpose for the economic development subsidy is to support arts and cultural activities in the downtown area of San Luis Obispo, which is expected to also generate direct and indirect economic impact benefits.

*(5) Projected tax revenue to the local agency as a result of the economic development subsidy.*

Projected tax revenue, whether sales tax or property tax, is not yet known. According to data provided by SLO REP and Americans for the Arts: Arts and Economic Prosperity 6 Survey (January 2024), the operation of the new Downtown Theatre will generate \$4 million in economic activity on an annual basis. SLO REP will be subject to possessory interest property tax, however as the Downtown Theatre is not yet constructed, it is not yet known what the assessment and taxing rate will be.

*(6) Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.*

According to data provided by SLO REP, the operation of the new Downtown Theatre will generate 7 full time positions and 5 full time equivalent positions. Show-specific artist contracts will generate 16.73 full time equivalent positions, for a total of 28.73 full time equivalent positions comprised of 277 positions hired.

The public hearing and disclosure of economic development subsidy contained herein have been duly noticed and carried out in accordance with the requirements of California Government Code Section 53083.

**SECTION 3. Environmental Review.** The passage of this resolution will not cause a direct physical change in the environment in and of itself. However, it is reasonably foreseeable that the approval of the Lease Agreement will lead to a physical change in the environment through implementation of the Project described and evaluated in the Final Environmental Impact Report (“FEIR”) that was certified by the City Council by Resolution No. 10923 (2018 Series) pursuant to the requirements of the California Environmental Quality Act

**SECTION 4. Lease Agreement.** City staff are hereby authorized to execute the Lease Agreement in the form and manner approved by the City Attorney and to duly oversee and carry out the terms and conditions of the Lease Agreement.

Upon motion of Council Member \_\_\_\_\_, seconded by Council Member \_\_\_\_\_, and on the following roll call vote:

- AYES:
- NOES:
- ABSENT:

The foregoing resolution was adopted this \_\_\_\_\_ day of \_\_\_\_\_ 2024.

\_\_\_\_\_  
Mayor Erica A. Stewart

ATTEST:

\_\_\_\_\_  
Teresa Purrington  
City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
J. Christine Dietrick  
City Attorney

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the official seal of the City of San Luis Obispo, California, on \_\_\_\_\_.

\_\_\_\_\_  
Teresa Purrington  
City Clerk

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