



Council Agenda Correspondence

DATE: February 17, 2026

TO: Mayor and Council

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

VIA: Whitney McDonald, City Manager

SUBJECT: ITEM # 6C – Grant Agreement with San Luis Obispo Museum of Art

Staff received the following questions, regarding the draft Grant Agreement for the San Luis Obispo Museum of Art (SLOMA), which follows Council direction received on November 4, 2025, and SLOMA putting forth its *Proposal for Supporting the Future San Luis Obispo Museum of Art: A New Home in the Heart of Downtown* (the "Proposal"). The questions are below with staff's response shown in italics:

1) What is the projected date for completion of Phase 1 and opening of the new museum?

Staff have reached out to SLOMA to confirm that the projected date for completion of Phase 1 and their anticipated opening date of the new museum space is July 2027. That is within the three-year term of the grant agreement.

2.) Please confirm the language of paragraph 5 (Use of Grant Fund at Other Sites).

Staff confirm that the intent of this paragraph is that the City's grant funds can only be used at the new museum space and SLOMA may not use the funds for any other purposes with prior written approval of the City Council which would require an item coming before the City Council for direction. SLOMA has confirmed that they do not intend to use any of the subject grant funds at the existing 1010 Broad Street space and, therefore, they are comfortable with this paragraph.

3.) Is there a clause that protects the City from a situation where, in a worst case scenario, SLOMA is unable to financially maintain the museum after City funds have been spent (either while still renting, or after they have successfully purchased at the end of Phase 2)?

Because the eligible uses for the City's grant funds during Phase 1 are specifically limited to soft costs, it would be difficult to realistically ensure recovery of the City's investment in this phase of project in an actionable way. For Phase 2, however, which anticipates SLOMA's purchase of the new museum, staff would recommend to Council that the City negotiate terms to protect the City's investment should circumstances arise where the property is no longer being used in a manner consistent with the terms of a prospective future amended Grant Agreement.

4.) Please provide more information from SLOMA, for Council's awareness, with an update of the following:

i. What is their total fundraising goal for each of the two phases?

SLOMA has confirmed that the total fundraising goal is \$20 million. Phase 1 and 2 are \$10 million each, respectively. The Phase 2 three-year purchase option begins in July 2027.

ii. How much have they raised thus far toward Phase 1 and Phase 2, each?

SLOMA reports that, as of the date of this correspondence, they have raised 77% of the Phase 1 goal (\$7.7 million) and 32% of the Phase 2 goal (\$3.2 million).

5.) In the "next steps" section of the staff report, it states that the next opportunity for consideration of an amendment to the grant agreement would be at Budget Supplement on June 4. It doesn't look like we have included any requirement in the grant agreement stating that they should have spent any proportion of their initial \$500,000 grant before amending the grant agreement for a potential second grant. Should something like that be included to protect the city's first phase investment?

The draft Grant Agreement does not currently specify that a certain amount, or proportion, of Phase 1 grant funds must be spent before amending the Grant Agreement to add Phase 2 funding. As stated in the "next steps" section, SLOMA will need to complete property negotiations and fundraising plans for the purchase of the building, as well as the conditions required for amendment as shown in the current, draft Grant Agreement; these items include "satisfactorily completing all required elements of the Grant Agreement during implementation of Phase 1, submitting a detailed project description and supportive justification for the additional funding request, and submitting sufficient due diligence items for the City's review to ensure expenditure of its funds is supported and documented."

From a process perspective for similar projects, Council has historically considered whether to provide funding first, followed by directing staff to return later for the Council to consider the final agreement (in this case, amendment to the Grant Agreement) with specific terms and required elements. Additional requirements may also be added at that time that must be completed prior to actual disbursement of any additional funds including Phase 1 funds being fully expended first.

Further, since we have been conducting budget cutting exercises to ensure a balanced budget in 2026-27 (the second year of the two-year financial plan), would it be smart to consider a phase 2 grant Feb 2027 (during mid-year report, as we are doing now) rather than in June (budget supplement)?

The City Council may choose to place on a future agenda consideration of additional grant funding for Phase 2 at any time. The Council's specific direction on November 4, 2025, was to "include terms [in the Grant Agreement] which would commit the City to providing funding of some kind toward Phase 2 of the project, subject to further analysis and discussion at a public meeting and with funding allocations determined during future budget actions." ([Council Minutes for November 4, 2025](#), approved November 18, 2025). The first opportunity to consider such an item is at the Fiscal Year 2026-27 Budget Supplement, however, it could also occur at a subsequent meeting where budget actions are being considered.

6.) Could the grant to SLOMA include a condition for guaranteed free admission to city residents for a specific term (e.g., 5 years)?

As indicated in the Alternatives section of the Council Agenda Report, Council may direct modifications to the draft Grant Agreement to incorporate different terms or requirements. To specifically address this question, SLOMA intends to provide free admission for all members of the public to be as inclusive as possible. SLOMA has evaluated different options pertaining to admissions and concluded that a "suggested donation" system will attract the most the people to the museum and surrounding downtown environment.