



**Department:** Administration  
**Cost Center:** 1005  
**For Agenda of:** 2/17/2026  
**Placement:** Public Hearing  
**Estimated Time:** 30 minutes

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

**SUBJECT:** GRANT AGREEMENT WITH SAN LUIS OBISPO MUSEUM OF ART

## RECOMMENDATION

Adopt a Draft Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo finding that a Grant Agreement with the San Luis Obispo Museum of Art is of public benefit in accordance with California Government Code Section 53083 and approving the Grant Agreement" (Attachment A) to:

1. Find that a Grant Agreement serves the public interest of the City of San Luis Obispo by advancing arts and culture, economic development, and other public benefits; and
2. Approve the Grant Agreement between the City of San Luis Obispo and the San Luis Obispo Museum of Art and authorize the City Manager to execute the agreement in a final form satisfactory to the City Attorney.

## REPORT-IN-BRIEF

The San Luis Obispo Museum of Art (SLOMA) has put forward a *Proposal for Supporting the Future San Luis Obispo Museum of Art: A New Home in the Heart of Downtown* (the "Proposal") that was submitted to City Council on October 30, 2025 (Attachment B). The Proposal entails an expansion of the existing museum by bringing together three existing storefront properties on Higuera Street between Chorro and Garden, while also maintaining and featuring connectivity to the creek walk, Mission Plaza, and the Cultural Arts District. SLOMA's proposed plans are consistent with numerous City plans and policies and are also anticipated to have significant economic impact benefits.

In consideration of SLOMA's proposed project's ability to advance City plans and policy objectives, on November 4, 2025, as part of its review of the unaudited year-end 2024-25 fiscal year budget, the City Council directed staff to prepare a draft Grant Agreement in the amount of \$500,000 to support the first phase of SLOMA's project to activate the museum expansion. The draft Grant Agreement contains terms and conditions that need to occur before the City will disburse funds, outlines eligible uses of funds and how they will be administered, ensures project reporting and financial assurance, and contemplates

an amendment in the future that the City Council may consider for additional grant funding to support the eventual acquisition of the expansion properties.

## **POLICY CONTEXT**

SLOMA's proposal has significant alignment with numerous City of San Luis Obispo plans and policies. These include the City's existing Major City Goals, Economic Development Strategic Plan, Downtown Concept Plan, and General Plan Land Use Element policies, such as:

1. [2025-27 Financial Plan Major City Goals](#)
  - a. Cultural Vitality, Economic Resilience, and Fiscal Sustainability
    - i. Goal 2 ("Support the arts, including the Cultural Arts District")
2. [Economic Development Strategic Plan \(2023\)](#), Placemaking & Promotion
  - a. 2.1 Quality-of-Place Promotion ("Bolster efforts to promote the City as an appealing destination for all people to live, work, visit, and invest.")
  - b. 2.2 Welcoming Environment ("Create an inclusive and friendly environment for residents, workers, and visitors.")
    - i. 2.2.2 ("Highlight the diverse culture, history, assets, and amenities of the City to help foster a sense of inclusion.")
  - c. 2.3 Downtown Vitality ("Continue to support and maintain a vibrant and dynamic urban core that attracts people and businesses")
    - i. 2.3.5 ("Support opportunities to speed the implementation of the Downtown Concept Plan.")
  - d. 2.4 Cultural Vitality ("Strengthen working relationships with and maintain financial support of the arts community to enrich the cultural offerings throughout the City")
    - i. 2.4.3 ("Investigate the alignment of artistic and cultural initiatives across the City.")
    - ii. 2.4.6 ("Continue to work with community partners to ensure the vitality of the City.")
3. [San Luis Obispo Downtown Concept Plan \(2017\)](#)
  - a. Strong Identity ("Foster an economically and cultural diverse downtown...")
  - b. Art, Culture, and History ("Expand cultural, historical, and artistic opportunities ... ")
4. [Land Use Element of the General Plan \(2014\)](#)
  - a. Policy 4.1 ("Downtown is the community's urban center serving as the cultural, social, entertainment, and political center of the City... The City wants its urban core to be economically healthy and realizes that private and public investments in the Downtown support each other")
  - b. Policy 4.3 ("Cultural facilities, such as museums and galleries should be Downtown.")

In addition, the City is required to complete Economic Development Subsidy findings, as required by California Government Code Section 53083, when making a grant in an

amount of \$100,000 or more for the purpose of stimulating economic development within its jurisdiction.

## **DISCUSSION**

### **Background**

The City of San Luis Obispo enjoys a long-standing public / private partnership with SLOMA that stretches back over 60 years, including through the lease of City property at the location of the existing museum at 1010 Broad Street tangent to Mission Plaza in 1967. This relationship has supported a wide variety of activities and initiatives during this time in support of the visual arts, including the establishment of a formal Community Partnership Agreement with SLOMA beginning in 2021 in furtherance of the City's Public Art Program.

Over the past five years, SLOMA has built a strong staff and Board of Directors, increased museum offerings and patrons of the museum, and re-invigorated its long-standing goal of assembling a contemporary museum space of sufficient size and building characteristics to meet its growing needs. A study commissioned by SLOMA to help them better understand their space and building needs was prepared by the firm Lord Cultural Resources (2024), which identified that demand exists for increased museum offerings, and that a sufficiently sized new museum could attract over 100,000 visitors per year. Importantly, this study also led SLOMA to conclude that construction of a new museum at the existing location that would meet this need is cost prohibitive, with an expected construction cost of over \$54 million. Staff have thoroughly reviewed the study and concur with the methodology and analysis that form the findings and recommendations; the Executive Summary is provided as Attachment C.

SLOMA's *Proposal for Supporting the Future San Luis Obispo Museum of Art: A New Home in the Heart of Downtown* describes the first phase of SLOMA's plans to expand from the 1010 Broad Street location by bringing together three existing storefront properties on Higuera Street between Chorro and Garden, while also maintaining and featuring connectivity to the creek walk, Mission Plaza, and the Cultural Arts District. The three properties together would form a 24,000-square-foot museum facility with multiple galleries, a museum cafe and store, a blend of indoor and outdoor space, and downstairs offices supportive of SLOMA's operations and storage needs. The 1010 Broad Street property would be used for expanded arts education programming, which is consistent with the existing lease agreement with the City. The second phase of the Proposal entails the eventual purchase of the three expansion properties on Higuera Street. The proposed project represents another key Downtown investment, in addition to the Cultural Arts District Parking Structure, the new San Luis Obispo Repertory Theatre, and the Mission Plaza Enhancement Project, that will help to ensure Downtown vibrancy into the future.

### **Key Terms of the Grant Agreement**

Staff and SLOMA, together with respective legal counsel, have prepared a draft Grant Agreement (Attachment D) for an amount up to \$500,000 that includes the following key terms, in accordance with prior Council direction:

1. The Grant Agreement is for a three-year term for Phase 1 implementation.
2. The City's funds are a one-time grant of up to \$500,000, paid on a reimbursement basis, to be used for eligible soft costs only.
3. SLOMA shall secure all other project funds for Phase 1, all necessary project entitlements and building permits, and shall submit to the City a fundraising plan and three-year budget forecast demonstrating project feasibility.
4. SLOMA shall identify additional public benefits, such as public art in the creek walk area, or similar, that can reasonably be implemented or facilitated.
5. The Grant Agreement requires public recognition of the City as a funding source and project partner.
6. SLOMA shall submit quarterly reporting and financial assurance documentation.
7. The Amendment paragraph specifies the conditions under which potential Phase 2 funding may be considered, per SLOMA's Proposal. These items include satisfactorily completing all required elements of 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.
8. The Grant Agreement includes standard terms and conditions including Conflict of Interest, Indemnification, and Termination.

### **Current Project Updates**

Since first introducing the Proposal to City Council on November 4, 2025, SLOMA has entered into a lease agreement with the current property owner and has taken possession of all three Higuera Street storefronts as of February 1, 2026. SLOMA has also continued to refine its project and has applied for permits and planning entitlements for the first phases of the project that are currently under review with the Community Development Department and the inter-departmental Design Review Team. Some aspects of the project can move forward as tenant improvements, while others will require that SLOMA assemble technical reports, including arborist, biological and cultural resources studies and other information needed for project elements that are discretionary and will require environmental review.

### **Economic Impact Analysis**

As an attachment to its Proposal to the City, SLOMA also included data and modeling from the *Americans for the Arts: Arts and Economic Prosperity 6* report (January 2024), which estimates that the operation of SLOMA's new museum space will result in \$123,500 in local government revenue and will generate \$4,926,203 million in total expenditures on an annual basis.

It is also anticipated that the implementation of SLOMA's Proposal and the operation of the new, expanded museum will generate 93 jobs according to data and modeling provided by SLOMA and the *Americans for the Arts: Arts and Economic Prosperity 6* report (January 2024). Employment data contained in this report is based on the

underlying [IMPLAN Economic Model](#) and is an annual average headcount of full time, part time, and seasonal employment using the same definitions as the U.S.A. Bureau of Economic Analysis Regional Economic Accounts and the U.S. Bureau of Labor Statistics Census of Employment and Wages.

SLOMA may be subject to possessory interest property tax during Phase 1 of the project; however, as the tenant improvements for the new museum space are not yet constructed, it is not yet known what the assessment and taxing rate will be. As a 501(c)(3) non-profit organization, if SLOMA acquires the expansion properties in the future, SLOMA may be eligible for a partial exemption of property taxes through the County Tax Assessor and the State Board of Equalization, provided that SLOMA continues to operate the property exclusively for exempt uses on an annual filing basis.

An investment by the City in SLOMA's new museum space is fiscally prudent as it will contribute to a project that is anticipated to generate 93 jobs, \$123,500 in revenue to the City and over \$4.9 million in expenditures, on an annual basis. From a project due diligence perspective, SLOMA is required to submit a fundraising plan and three-year forecasted operating budget for approval by the City prior to disbursement of funding, per the draft Grant Agreement.

These data and analyses form the basis of the Economic Development Subsidy findings that are required under California Government Code Section 53083, The City is required to provide specified information in written form available to the public, through its website, for any economic development subsidy within its jurisdiction and to provide public notice and a hearing regarding the subsidy. An "economic development subsidy" is defined in relevant part under the Government Code as "*any expenditure of public funds or loss of revenue to a local agency in the amount of one hundred thousand dollars (\$100,000) or more, for the purpose of stimulating economic development within the jurisdiction of a local agency, including, but not limited to . . . grants . . .*" (Cal. Gov. Code § 53083(g)(1)).

The draft Grant Agreement entails a commitment of \$500,000 in grant funding towards SLOMA's new museum space due to the long-standing community partnership with SLOMA and the anticipated economic development and other public benefits the new museum will provide. As such, the Grant Agreement constitutes an "economic development subsidy". The required Economic Development Subsidy findings and disclosure are found in the draft Resolution included as Attachment A.

### **Previous Council Action**

On November 4, 2025, as part of its review of the unaudited year-end 2024-25 fiscal year budget, the City Council directed staff to prepare the draft Grant Agreement that is recommended for approval with this Council Agenda Report. Council also directed staff 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).

In addition, SLOMA also reports that they have successfully completed the “Challenge Grant” that raised over \$2 million following City Council’s first conversation and direction to staff regarding their Proposal that occurred on November 4, 2025.

**Public Engagement**

Council considered public comments from numerous residents and community members that spoke favorably about SLOMA’s Proposal at the November 4, 2025, City Council meeting. Any member of the public may provide comments, testimony, or written comments to the City Council about this item. In addition, because this item requires a public hearing (due to the Economic Development Subsidy requirements under California Government Code section 53083 described above), it has been noticed in the public-facing kiosk in front of City Hall and on the City’s website.

SLOMA has also been engaging with the public, including news releases and social media, installation of colorful information signs in the windows of the Higuera Street storefronts, and sharing details with local businesses and service groups including a presentation to the Downtown SLO Board of Directors in November, 2025, and at the San Luis Obispo Chamber of Commerce’s “Good Morning SLO” event that took place in January, 2026.

**Next Steps**

Should Council approve the draft Grant Agreement, staff will continue to work closely with SLOMA and will establish a regular meeting cadence to maintain timely communication, support project delivery, and ensure proper oversight of grant funds and reporting requirements.

If SLOMA is able to complete property negotiations and fundraising plans towards the eventual purchase of the buildings and timely complete the conditions precedent to being considered for Phase 2 funding, staff will provide options and recommendations regarding additional funding at the next regularly scheduled budget hearing, per prior Council direction on November 4, 2025. This will allow an additional funding request to be considered in the context of the City’s overall budget, with the next appropriate opportunity taking place on June 2, 2026, when the Council will consider the Fiscal Year 2026-2027 Budget Supplement.

**CONCURRENCE**

On January 14, 2026, the SLOMA Board of Directors took action to approve the draft Grant Agreement.

The Community Development Department and the Economic Development and Tourism Program concur with the recommendation in furtherance of General Plan and *Economic Development Strategic Plan* implementation, respectively.

The City Attorney’s Office has reviewed and provided its concurrence as to the form of the draft Grant Agreement and draft Resolution.

**ENVIRONMENTAL REVIEW**

Entering into a Grant Agreement is not considered a project under California Environmental Quality Act (CEQA) Guidelines Section 15378. The future implementation of some elements of SLOMA’s project, however, will be subject to environmental review and a CEQA determination, which will take place concurrent with the City’s evaluation of the SLOMA’s building permit and planning entitlement applications.

**FISCAL IMPACT**

Budgeted: No  
 Funding Identified: Yes

Budget Year: 2024-25

**Fiscal Analysis:**

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund (FY 2024-25 Unassigned Fund Balance)	\$3,468,954	\$500,000	\$2,968,954*	N/A
State				
Federal				
Fees				
Other:				
<b>Total</b>	<b>\$3,468,954</b>	<b>\$500,000</b>	<b>\$2,968,954</b>	<b>N/A</b>

\* The \$2,968,954 of ‘remaining balance’ noted above represents the balance of FY 2024-25 Unassigned Fund Balance after the \$500,000 contribution toward SLOMA is considered. At the time that this item will be heard, it will follow Council’s consideration of allocations of the Unassigned Fund Balance as part of approval of the recommendations in the Second Quarter Budget Report item heard earlier on the February 17, 2026, agenda.

The audited, unassigned fund balance for the General Fund for FY 2024-25 is \$3,468,954. Consistent with Council’s direction of November 4, 2025, staff is recommending allocation of \$500,000 from FY 2024-25 unassigned fund balance for this purpose as part of the Second Quarter Budget Report that will be presented to Council prior to consideration of this item. Modest staff time will be needed to ensure oversight of the terms and conditions of the Grant Agreement and to support project delivery and the overall partnership with SLOMA.

**ALTERNATIVES**

1. ***Council may direct modifications to the draft Grant Agreement to incorporate different terms or requirements.***

## Item 6c

2. **Council could direct staff to make modifications to the draft Grant Agreement and bring it back as an item for future reconsideration.** Should Council choose this alternative, it is recommended that a “date certain” be identified, so that SLOMA may reliably anticipate future project actions and scheduling.
3. **Council may elect not to approve the draft Grant Agreement in favor of other budget needs and priorities.** If this alternative is chosen, it should be noted that the City Council’s direction on November 4, 2025, assisted in meeting a challenge grant offered by community members to help SLOMA raise \$2 million that could be jeopardized.

### ATTACHMENTS

- A - Draft Resolution
- B - *Proposal for Supporting the Future San Luis Obispo Museum of Art: A New Home in the Heart of Downtown.* San Luis Obispo Museum of Art (2025).
- C - *San Luis Obispo Museum of Art (SLOMA), New Building Facilities and Operations Focused Feasibility Study.* Executive Summary. Lord Cultural Resources (2024).
- D - Draft Grant Agreement