

**GRANT AGREEMENT  
SAN LUIS OBISPO MUSEUM OF ART**

This agreement dated February\_\_\_2026 is between SAN LUIS OBISPO MUSEUM OF ART, a California non-profit corporation (“SLOMA”) and CITY OF SAN LUIS OBISPO, a California Municipal Corporation and Charter City (“CITY”) (the “Grant Agreement”) with reference to the following:

WHEREAS, SLOMA is a long-term lessee of CITY property at 1010 Broad Street located at the corner of Monterey Street and Broad Street, San Luis Obispo, adjacent to Mission Plaza and within CITY’s planned Cultural Arts District, which is the site of the current San Luis Obispo Museum of Art (“1010 Broad Street”); and

WHEREAS, CITY and SLOMA have an existing Community Partnership Agreement for the administration of public art, which notes the mutually beneficial relationship between CITY and SLOMA as a way to continue to advance the visual arts, art education, and foster a strong artistic community in San Luis Obispo; and

WHEREAS, SLOMA issued a written letter request and submitted its *Proposal for Supporting the Future San Luis Obispo Museum of Art: A New Home in the Heart of Downtown* (“Proposal”) to City Council on October 30, 2025, which describes SLOMA’s plans to expand from 1010 Broad Street by bringing together three existing storefront properties on Higuera Street between Chorro and Garden (the “New Museum”), while also maintaining and featuring connectivity to the creek walk, Mission Plaza, and the Cultural Arts District; and

WHEREAS, SLOMA's proposal indicates that the total project would be implemented in two phases. SLOMA proposal requested that the City Council consider total funding of \$2.5 million, of which \$500,000 would be used for the first phase to immediately furnish and activate the new museum space, while the remaining \$2 million would be used towards the eventual purchase of the property at a later time; and

WHEREAS, at its regularly scheduled meeting on November 4, 2025, the City Council considered the 2024-25 Year End Budget Report, and as per SLOMA’s request, also directed staff to assign funds in the amount of \$500,000 as part of the 2<sup>nd</sup> Quarter 2025-26 Budget Report and further directed staff to prepare this Grant Agreement to be used for Phase 1 of the project, while also directing staff to “include terms that 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); and

WHEREAS, CITY’s financial support towards implementation of the New Museum being pursued by SLOMA is intended to provide both necessary financial support as well as serve to motivate and catalyze other funders and donors in furtherance of SLOMA’s overall capital campaign and fundraising goals for the New Museum; and

WHEREAS, the New Museum will ultimately be available to both residents of the City and visitors alike, thereby serving public purposes in furtherance of CITY’s goals for facilitating

both arts and cultural amenities, as well as contributing to a thriving and prosperous downtown area through economic development activities, and

WHEREAS, SLOMA's plans to expand from 1010 Broad Street and implement the New Museum are consistent with CITY's Land Use Element of the General Plan (2014), Downtown Concept Plan (2017), Economic Development Strategic Plan (2023), and CITY's Major City Goal for "Cultural Vitality, Economic Resilience and Fiscal Sustainability" adopted as part of the 2025-27 Financial Plan.

NOW, THEREFORE, CITY and SLOMA for and in consideration of the mutual benefits, promises and agreements set forth herein, do agree as follows:

### **1. Phase I Implementation**

On or before the date that is three (3) years following the execution of this Grant Agreement, SLOMA shall complete construction of Phase 1 of the New Museum. SLOMA's failure to comply with this term may result in amendment in accordance with Paragraph 8, provided substantial progress or extenuating circumstances can be documented, or termination of this Grant Agreement as provided herein.

### **2. Grant Amount and Allowed Expenses**

City agrees to pay SLOMA a one-time only grant on a reimbursement basis, as provided in Section 4, in an amount up to \$500,000 ("Grant Funds"), to be used towards implementation and activation of the New Museum, subject to the conditions set forth herein. The Grant Funds shall only be used for costs directly related to Phase 1 of the New Museum as specified below.

CITY's Grant Funds may only be used for "soft" costs, or expense items that are not considered direct construction costs, such as the purchase of furniture and other items supporting the operations and maintenance of the New Museum ("Eligible Costs"). If there is a dispute about whether a project cost is an Eligible Cost, CITY shall have final determination of whether the cost is an Eligible Cost.

SLOMA acknowledges and represents that the Grant Funds will not be used for construction of any element of the New Museum, including any architectural, engineering, direct construction, demolition, or alteration costs defined as contractor expenses for labor, project management, installation, materials, equipment, utilities and other direct construction costs.

### **3. Conditions Precedent to Funding**

SLOMA shall satisfy the following required conditions prior to any disbursement of Grant Funds by CITY. With respect to any requested reimbursement, SLOMA shall:

- a. Maintain its 501(c)(3) non-profit status.
- b. Shall secure all other grant funds, donations, pledges, or financing necessary to complete Phase 1 of the New Museum, inclusive of the amount of Grant Funds provided by the CITY pursuant to this Grant Agreement, and shall first utilize (or provide for first utilizing) all other grant funds, donations, or financing then available (collectively "Other Available Funding") for the New Museum prior to any request for reimbursement from CITY. However, SLOMA's initial reimbursement request for Grant Funds may be made prior to complete exhaustion of Other Available

Funding, as necessary, to ensure continued availability of funding to complete the New Museum.

- c. Secure all necessary project entitlements and building permit(s) for Phase 1 of the New Museum that may be applicable as further described in Paragraph 6, below.
- d. Submit for CITY review and approval a fundraising plan demonstrating project feasibility, including cost estimating and project schedule.
- e. Submit for CITY review and approval forecasted budgets for the first three years of operating the New Museum demonstrating a fiscally sustainable business model.
- f. Identify additional public benefits associated with the New Museum that can reasonably be facilitated and implemented, such as public art in the creek walk area or similar.

#### **4. Reimbursement Requests**

Upon satisfaction of the conditions identified in Section 3, reimbursement payment requests for Eligible Costs shall be submitted to CITY's Deputy City Manager. Reimbursement payment requests shall include supporting documentation including itemized invoices or other evidence that supports the request. Reimbursement payment requests may be submitted on a bi-monthly (twice per month) basis and will be reviewed and approved for reimbursement by the CITY in a timely manner, and CITY will make best efforts to process and pay reimbursement requests within fifteen (15) business days from the date of such payment request, provided that sufficient documentation supporting the reimbursement request is provided to CITY. Sufficiency of payment documentation shall be in the sole but reasonable discretion of the CITY and CITY reserves the right to request and receive additional reasonable documentation to support SLOMA's reimbursement requests and as may be appropriate to aid in City's determination of whether the requested reimbursement payment is for an Eligible Cost.

#### **5. Use of Grant Funds at Other Sites**

If SLOMA determines that implementation of Phase 1 of the New Museum at the specified site is impractical or inadvisable for any reason, then SLOMA may not use the Grant Funds for any other purpose without prior written approval of the City Council.

#### **6. Permits**

SLOMA shall apply for and obtain all necessary building and other related permits and project entitlements necessary to implement the New Museum in conformance with local, state, and federal laws. This Grant Agreement does not authorize the construction or tenant improvement of the New Museum or otherwise alter, impact, or interfere with the exercise of CITY's independent regulatory and land use authority.

#### **7. Funding Source Recognition**

SLOMA will ensure recognition of the role of CITY in providing funding through this Grant Agreement. CITY shall be identified as a funding source in all applicable publications, press releases, social media outreach and similar fundraising promotions.

#### **8. Amendments and Phase 2 Funding**

CITY and SLOMA may amend this Grant Agreement at any time provided that such amendments make specific reference to this Grant Agreement, and are executed in writing, signed by a duly authorized representative of each organization, and approved by the City Council. Such amendments will not invalidate this Grant Agreement, nor relieve or release

either CITY or SLOMA from its obligations under this Grant Agreement, except as expressly provided in writing in any such duly executed amendments.

It is expressly anticipated that this Grant Agreement may be amended to provide additional funding support towards Phase 2 of the New Museum expansion project, as that Phase is defined and described in SLOMA's Proposal. To be considered for future Phase 2 funding, at a minimum SLOMA shall:

- a. Satisfactorily complete and be in good standing with CITY for all items listed under Paragraphs 3 and 9, herein.
- b. Submit a detailed Phase 2 project description and supportive justification for the funding request.
- c. Submit sufficient due diligence items suitable for CITY's review to ensure any expenditure of public funds is appropriately supported and documented.

CITY shall have no obligation whatsoever to enact and approve an amendment to provide additional funding of any amount, which is subject to the actual availability of funds at the time a request is made and is within the then-seated City Council's sole discretion.

#### **9. Quarterly Reports and Financial Assurance**

SLOMA shall provide quarterly reports on both Phase 1 of the New Museum and the ongoing operations and activation of 1010 Broad Street, including the use of CITY Grant Funds, if any, during the reporting period. These reports shall be due at the end of the first month after the end of the calendar quarter (i.e. January, April, July, and September) and submitted to the Deputy City Manager. The quarterly reports should include percentage of completion, other available funding on hand or then receivable, and work anticipated to be completed in the following quarter. CITY reserves the right to request and receive copies of invoices, account statements, or audits of SLOMA's financial records pertinent to implementation of Phase 1 of the New Museum and in CITY's sole discretion, to withhold reimbursement payments until satisfactory reports and supporting documentation are received.

#### **10. Assignability**

SLOMA shall not assign or transfer any interest in this Grant Agreement without the prior written consent of the City Council.

#### **11. Conflict of Interest**

No member of the CITY's governing body and no other public official of such locality, who exercises any functions or responsibilities in connection with the planning or carrying out of the New Museum project, will have any personal financial interest, direct or indirect, in this Grant Agreement. SLOMA will also take any and all steps and enact appropriate policies to assure compliance.

#### **12. Severability**

If any provision of this Grant Agreement is held invalid, the remainder of the Grant Agreement will not be affected thereby and all other parts of this Grant Agreement will nevertheless remain in full force and effect.

### **13. Entire Agreement**

This Grant Agreement constitutes the entire agreement between CITY and SLOMA for the use of funds received under this Grant Agreement and shall supersede all prior communications and proposals, whether electronic, oral, or written between CITY and SLOMA with respect to this Grant Agreement.

### **14. No Agency or Employment**

SLOMA is solely responsible for all activities supported by this Grant Agreement. Nothing in this Grant Agreement creates a partnership, agency, joint venture, employment, or any other type of relationship between SLOMA and CITY. SLOMA shall not represent itself as an agent of CITY for any purpose and has no authority to bind CITY in any manner whatsoever. SLOMA and all of its agents, representatives, or participants in any manner in the performance of its obligations and duties hereunder, shall be employees, independent contractors, or volunteers solely of SLOMA. They shall not for any purpose be considered employees or agents of CITY.

### **15. Indemnification**

SLOMA agrees, to the fullest extent permitted by law, to defend, indemnify, and hold harmless CITY its officers, directors, affiliates, employees, and agents (“City Indemnitees”), from and against any and all claims, liabilities, losses and expenses (including reasonable attorney’s fees) directly, indirectly, wholly or partially arising from or in connection with any act or omission of SLOMA, its employees or agents, in applying for, accepting, or use of the Grant Funds, or in carrying out the New Museum project as set forth. In the event the City Indemnitees are made a party to any action, lawsuit, or other adversarial proceeding arising from SLOMA’s performance under this Grant Agreement, SLOMA shall provide a defense to the City Indemnitees or at the City’s option, reimburse the City Indemnitees their costs of defense, including reasonable legal fees, incurred in defense of such claims.

### **16. Termination**

The City Manager may, within reasonable discretion, initiate termination of this Grant Agreement in the event of any material breach of the terms of this Grant Agreement by SLOMA. Material breach includes breach of Sections 1-7, 9 and 15 of this Grant Agreement, but does not include minor delays in reporting or other delays in obligations set forth herein caused through no fault of SLOMA, as well as administrative or clerical errors made in good faith. Upon the City Manager’s written notice of breach, SLOMA shall have forty-five (45) calendar days to cure any such breach (the “Notice of Breach”). Should SLOMA fail to cure or provide documentation of substantial progress towards curing such breach within forty-five (45) calendar days of the date of the Notice of Breach, the City Manager shall provide written notice of termination of this Grant Agreement (the “Notice of Termination”). Said termination shall be effective thirty (30) calendar days after the City Manager mails the Notice of Termination to SLOMA. Any remaining Grant Funds in excess of then unpaid Eligible Costs, as defined in Section 2, actually incurred as of the date of notice of termination shall revert to CITY upon the effective date of termination.

### **17. Notices**

For purposes of notice under this Grant Agreement, all notices shall be considered effective upon being sent by certified mail to the following addresses:

CITY:  
City of San Luis Obispo  
990 Palm Street  
San Luis Obispo, CA 93401  
Attn: City Manager

SLOMA:  
San Luis Obispo Museum of Art  
1010 Broad Street  
San Luis Obispo, CA 93401  
Attn: Executive Director

CITY OF SAN LUIS OBISPO, A MUNICIPAL CORPORATION

By: \_\_\_\_\_  
Whitney McDonald  
City Manager

SAN LUIS OBISPO MUSEUM OF ART, A CALIFORNIA NON-PROFIT CORPORATION

By: \_\_\_\_\_  
Leann Standish  
Executive Director

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Christine Dietrick  
City Attorney