



## Council Agenda Report

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Item 5g

**Department:** Administration  
**Cost Center:** 1005  
**For Agenda of:** 4/19/2022  
**Placement:** Consent  
**Estimated Time:** N/A

**FROM:** Greg Hermann, Deputy City Manager

**Prepared By:** Robert Hill, Sustainability & Natural Resources Official

**SUBJECT:** AUTHORIZE GRANT FUNDING FOR SAN LUIS OBISPO REPERTORY THEATRE

### RECOMMENDATION

1. Approve grant funding in the aggregate amount of \$3,940,000 for construction of the San Luis Obispo Repertory Theatre's new downtown theatre; and
2. Authorize the City Manager to execute a Grant Agreement between the San Luis Obispo Repertory Theatre and the City of San Luis Obispo, California, in a final form satisfactory to the City Attorney.

### DISCUSSION

#### Background

The San Luis Obispo Repertory Theatre ("SLO REP"), previously known as the San Luis Obispo Little Theatre, has been a long-standing tenant of the City's old library 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 Parking Structure site located at the corner of Palm and Nipomo Streets and committed to working with SLO REP.

SLO REP has now become a strong community partner and local non-profit, including building a strong Board and governance structure, establishing a professional staff and increased theatre offerings, and implementing a significant capital campaign in anticipation of the design, construction, and operating costs associated with the long-planned move to a new location.

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 (“Downtown Theatre”) where the Cultural Arts Parking Structure will also be located. Key deal points of the ENA include: 1.) SLO REP completing a fundraising plan and proof of financial ability to complete its project, and 2.) the City completing a rezone of the property and an Environmental Impact Report for both projects. It is anticipated that the ENA will be replaced by a long-term lease when SLO REP can provide evidence of available funding for the new theatre, as further detailed in the ENA.

Since entering into the ENA in 2019, SLO REP has diligently and successfully pursued its capital campaign fundraising objectives, as well as design and engineering for the new theatre. Despite the challenges associated with the COVID-19 pandemic, SLO REP continued to work with major donors, several of whom are reported to be poised to make substantial gifts towards the new theatre project. Recent professional cost estimates, however, reveal that construction costs have risen significantly during this same time period, leading SLO REP to make revisions to their project and overall programming strategy, as well as further engage with the City in furtherance of shared goals and objectives.

#### **Previous Council Action**

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 new Downtown Theatre project (Attachment B). 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, with the understanding that the subject Grant Agreement would follow for Council review shortly thereafter.

#### **Key Highlights of the Grant Agreement**

The Grant Agreement includes the following key deal points and structure, consistent with prior direction from the City Council:

1. Grant funding in the aggregate amount of \$3,940,000.
2. SLO REP must meet a series of conditions precedent to funding, including raising and first utilizing all other necessary funds to complete the project, execution of a long-term lease for the property on which the new theatre will be constructed, and obtaining all required building permits and project entitlements.
3. Grant funds may be used for direct construction costs at the new Downtown Theatre only.
4. Grant funds will be disbursed only on reimbursement basis upon submittal of satisfactory invoices.
5. SLO REP shall submit quarterly progress reports to the City.

**Policy Context**

SLO REP's long-standing plans for construction of a new Downtown Theatre are consistent with the City's Downtown Concept Plan (2017) and the "Economic Recovery, Resiliency & Fiscal Sustainability" Major City Goal specified in the City's 2021-23 Financial Plan.

**Public Engagement**

SLO REP's Challenge Grant Request was considered as part of the FY 2021-2022 Mid-Year Budget Review at the City Council's regularly scheduled and noticed meeting. The contractual arrangements specified in the Grant Agreement are considered a matter of routine City business in order to carry out City Council's budget priorities, however, any member of the public may provide comments addressing this item.

**CONCURRENCE**

The City's Public Works Department and Community Development Department have offered their concurrence with the recommended action.

**ENVIRONMENTAL REVIEW**

Entering into the subject Grant Agreement is not considered a project, in and of itself, under CEQA Guidelines Section 15378. However, the City completed environmental review as lead agency for both its Parking Structure and the Downtown Theatre and certified a Final Environmental Impact Report by Resolution No. 10923 (2018 Series).

**FISCAL IMPACT**

Budgeted: **Yes**

Budget Year: 2021-22

Funding Identified: **Yes**

**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	\$3,940,000	\$3,940,000	-	-
<b>Total</b>	<b>\$3,940,000</b>	<b>\$3,940,000</b>	-	-

The City Council appropriated the requested funding of \$3,940,000 as part of the FY 2021-2022 Mid-Year Budget Review. The Grant Agreement, if approved, has been prepared to facilitate the disbursement of the funds in a manner that is protective of the City's interests by ensuring that grant funds would only be disbursed once all conditions precedent to funding have been met, and thereafter on a reimbursement basis upon submittal of progress invoices for work performed.

Modest staff time from City Administration will be necessary to continue serving as a liaison to SLO REP and to oversee the administration of the Grant Agreement, as well as from the Public Works Department to ensure that the City's parking structure and SLO REP's new theatre are well-coordinated and to assist in reviewing invoices and progress reports from SLO REP as needed.

It is also noteworthy that, once fully operational, SLO REP anticipates that the new Downtown Theatre would offer 324 shows per year on 176 dates, generating a local economic impact of more than \$3 million annually while drawing 50,000 patrons to downtown San Luis Obispo each year, as further detailed in the Challenge Grant Request.

## **ALTERNATIVES**

1. Council could request changes to the terms and conditions of the Grant Agreement.
2. Continue the item with specific direction if more information or discussion time is required before taking action.

## **ATTACHMENTS**

- A - Draft SLO Repertory Theatre Grant Agreement
- B - Challenge Grant Funding Request from SLO REP