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ADMINISTRATIVE REPORT

Report Date: April 15, 2013
Contact: Richard Newirth & Alix Sales
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RTS No.: 10010
VanRIMS No.: 08-2000-20
Meeting Date: April 23, 2013

TO: Vancouver City Council
FROM: City Manager
SUBJECT: A New Vancouver Art Gallery at 688 Cambie Street

RECOMMENDATION

- A. THAT Council authorize staff to negotiate, for execution by the City Manager, a Memorandum of Understanding for a lease agreement on the following general terms, and such other agreements as may be necessary or appropriate, with the objective of obtaining a new Vancouver Art Gallery (the "Gallery") located on the City-owned site at 688 Cambie Street, and to report back on same for approval and execution authority once all such agreements have been successfully negotiated pursuant to such Memorandum of Understanding:
- i. A 99 year lease (the "Lease") from the City to The Vancouver Art Gallery Association ("VAGA") for the area ("Site") required for the new Vancouver Art Gallery at nominal gross rent inclusive of rent in lieu of taxes and for the purposes outlined in this Report for an art gallery and associated uses including arts education, local arts, culture and other community purposes.
 - ii. The Site to be approximately 1.8 acres and located predominantly on that parcel located at 688 Cambie and legally described as Parcel Identifier: 009-860-991, Block 48, District Lot 541, Plan 8970 but configured (as set out in Recommendation E) in order to optimize the development objectives described below, including, if appropriate, closure and consolidation into the Site of all or part of the south end of the 600 block of Cambie Street.
 - iii. The Lease to be conditional on:
 - (a) All funding agreements between VAGA and each of the Federal Government of Canada (approximately \$100 million) and the Provincial

Government of British Columbia (an additional \$50 million to the \$50 million in hand) being secured prior to April 30 2015, the expected commencement of the VAGA Public Phase of the fundraising campaign, as described in this report; if VAGA gives 30 days' prior written notice to the City that VAGA will not be able to meet such deadline, then Council, in its sole discretion upon receiving a report back from the City Manager, may approve a later date;

- (b) Application for the development permit being aligned with the project scope as described in this report;
- (c) VAGA having secured agreements from all sources for a total of 75% of the then current budget for the proposed project (which includes soft and hard construction and operating endowment); this 75% includes the government funding described in A.iii.a above;
- (d) Arrangements being in place to the satisfaction of the City Manager for VAGA's vacation of its current premises at 750 Hornby St.;
- (e) The Lease and all proposed funding agreements being approved by Council and executed by the applicable parties at the time of issuance of the Development Permit and in any event no later than December 31 2015;
- (f) VAGA committing to raising any additional funds required should the project costs exceed the current projected budget and/or if the project scope changes;
- (g) The Constitution and By-laws of the VAGA being amended following discussion with the Board of Trustees so as to allow the Mayor to participate as an honorary member, or liaison to the Board of Trustees, or in such other alternative capacity of the VAGA, as the City determines appropriate, and for Council to appoint up to two voting members of the Board of Trustees of the VAGA and to ensure that there is always one City-appointed Director on the Board's Finance and Audit Committee, all as determined to be requisite by the City; and
- (h) The Vancouver Art Gallery Association further developing their plan to continue to build on its strong local connections and proposed expanded space and programming capacity to further increase the strength and exposure for Vancouver's diverse arts and culture community in consultation with the city's Arts and Culture Policy Council.

- B. THAT Council approve amendments being made, following discussion with the Board of Trustees, to the Constitution and By-laws of the Vancouver Art Gallery Association, all as determined by the City, for the purpose of allowing the Mayor to participate as an honorary member or liaison to the Board of Trustees, or in such other alternative capacity of the Vancouver Art Gallery Association, as the City determines appropriate, and for Council to appoint up to two voting members of the Board of Trustees of the

- Vancouver Art Gallery Association and that one of these members be appointed to the Finance and Audit Committee of the Board of Trustees.
- C. THAT Council direct staff to undertake a review of the Constitution and By-laws of The Vancouver Art Gallery Association to address any housekeeping or other amendments to the Constitution and By-laws as requested and approved by the VAGA membership and report back to Council for approval.
 - D. THAT Council request that the Vancouver Art Gallery Association appoint one City staff, as designated by the City Manager and the Director of Planning and Development Services, to each of the VAGA's Building Committee and Architectural Technical Advisory Committee for a new Vancouver Art Gallery.
 - E. THAT Council direct the General Manager of Planning and Development Services and General Manager of Engineering Services to further investigate the development of a portion of Cambie Street in the 600 block adjacent to the Queen Elizabeth Theatre to integrate the new Vancouver Art Gallery and associated public space with the Queen Elizabeth Plaza and report back to Council with a recommended configuration of the Site, development plan for remainder of 688 Cambie Street, public space integration plan, parking considerations, including such subdivision, consolidation, and road closure resolutions as are necessary to implement such recommendations if approved by Council.
 - F. THAT Council direct the General Manager of Financial Services to allocate proceeds from the future sale and development of the remainder of 688 Cambie Street to pay off the balance of the loan from the Capital Financing Fund which encumbers the property and was used for upgrades for Civic Theatres in preparation for the Winter 2010 Games and the Cultural Olympiad, reimburse the Property Endowment Fund, and direct any remaining proceeds for parks and community facilities as directed by Council.
 - G. THAT Council request that The Vancouver Art Gallery Association, in consultation with City staff led by the Director of Corporate Communications, develop and implement a program to raise the public's awareness about plans for a new Vancouver Art Gallery.
 - H. THAT Council direct the General Manager of Real Estate and Facilities Management to consult with the Province, the owner of the land and Rattenbury building at 750 Hornby Street (the "Existing Gallery"), on the potential post VAGA use of the Existing Gallery by the cultural sector and, subject to such consultation, direct the Director of Corporate Communications to develop and undertake a Community Consultation and Engagement Strategy on the future use of the Existing Gallery for the cultural sector that will likely result in the Chief Purchasing Official conducting an open public process for proposals.
 - I. THAT Council direct staff to further investigate the required remediation of environmental conditions of the Site and that such remediation required will be paid for by the City.
 - J. THAT no legal rights or obligations will arise or be created by Council's adoption of these Recommendations unless and until the legal agreements referred to above are

approved by Council and executed and delivered by the authorized signatories of the City and the other party(ies) to same.

REPORT SUMMARY

This report recommends that Council authorize the provision of 1.8 acres of land under a long-term lease arrangement to the Vancouver Art Gallery Society to construct a new innovative purpose-built Vancouver Art Gallery on and/or adjacent to the City owned site at 688 Cambie Street.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Vancouver's Cultural Plan set a vision for Vancouver as a creative city with a robust and thriving cultural ecology that enriches the lives of residents and visitors. The City's cultural vision is to support:

- Diversity, innovation, artistic excellence
- Vibrant creative neighbourhoods and public spaces
- Community engagement and participation
- A dynamic and robust creative economy

One of the City's key cultural strategies considers cultural facilities for the creation and presentation of the arts in Vancouver as essential for a vibrant cultural ecology and for the economic health of our city. The City's role in supporting cultural facilities is to enable cultural facility development through capacity building, provision of resources and partnerships. Support to emerging artists is also a key priority for the City that will be reflected in the City's forthcoming Cultural Strategy.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The Vancouver Art Gallery Association holds the art collection, the "memory bank", for the benefit of Vancouver's citizens. The Vancouver Art Gallery has led the way with a bold vision for a new environmentally sustainable purpose built gallery that focuses on our rich visual arts history and Vancouver's exceptional contemporary artists. City staff have worked with the Gallery over the past two years to review the feasibility and need for a new Gallery, the various options considered for expansion, community impact of a new Gallery and to support the Gallery in further refining their business case and plan. City staff also sought the advice of leaders in the arts and cultural sector both locally and internationally who confirmed, amongst other important feedback, that Vancouver and British Columbia's artists and our Gallery have a unique international profile and are at the forefront of the visual arts both nationally and internationally.

Summarizing this work, staff conclude that building a new purpose-built gallery at 688 Cambie is not only the best option for the Vancouver Art Gallery but is viewed by our artists, non-profit galleries, other arts and cultural organizations, and expert advisors as a critical step in supporting and nurturing our creative capital and furthering development of the infrastructure required to enrich our global city.

As is articulated in the report, expanding and relocating the Gallery has inherent challenges, particularly in the area of capital fundraising and the ability to ensure a business plan for the future which is sustainable. As well, the City and stakeholders such as Vancouver's Arts and Culture Policy Council would like the Gallery to build on its strong local connections and expanded space to further increase exposure for Vancouver's diverse emerging artists. As Vancouver seeks to retain and grow its artistic talent, an expanded gallery is a unique and rare opportunity to bolster all levels of our local artistic sector. The Gallery's leadership has been very supportive of this vision and a focus on strengthening the local arts community through space, programming, and other partnerships will be part of their on-going work.

Staff have confidence that the Gallery Board, their senior team, with the support of the Mayor, Council, and senior city staff will be successful. An expanded Gallery is seen as needed for the Gallery to continue to be a key platform for leadership in the long term cultural vision and strategy for Vancouver, British Columbia and Canada.

REPORT

Background/Context

The Vancouver Art Gallery is the largest public art museum in western Canada and is recognized internationally as a centre for contemporary art. With over 35,000 members and 347 volunteers, the Gallery aims to "bring Vancouver to the world and the world to Vancouver". In 2012, over 280,000 visitors (half of whom were tourists) experienced 16 exhibitions hosted by the Gallery, encompassing the participation of 340 artists and 326 performances. As part of its ongoing commitment to enabling children and youth to experience excellence in the arts, 39,000 children and youth participated in 364 school programs at the Gallery. The Gallery also wrote and published 11 books and undertook touring exhibitions viewed by 69,000 people outside of Vancouver.

A recent *Association of Art Museum Directors* survey of major institutions across North America (including the Metropolitan Museum of Art, New York; the National Gallery of Canada; the Art Gallery of Ontario and the Museum of Modern Art) ranked the Vancouver Art Gallery as one of the top 20 art museums (out of 150). The Gallery ranked even higher in other thematic areas: attendance (10th), school group visits (11th), website hits (12th), membership and store revenues (13th) and corporate sponsorships (16th).

The Collection

The Gallery's permanent art collection is held for the benefit of the citizens of Vancouver. This affords a unique and special role for the Gallery in the care and stewardship of the collection on behalf of the citizens of Vancouver. The collection includes over 10,000 artworks valued at approximately \$300 million.

With several dedicated acquisitions endowments, worth close to \$12 million, the Gallery acquires approximately 200 new artworks a year - focusing on both emerging and internationally acclaimed artists, half of which are local artists. Local works range from established to emerging British Columbians artists such as Charles Edenshaw, Emily Carr, Bill Reid, Ian Wallace, Ken Lum, Jeff Wall, Marina Roy, Takao Tanabe, Liz Magor, Myfanwy Macleod and Geoffrey Farmer to name a few. With a focus on British Columbia's contemporary art, the collection is our "memory bank" reflecting our roots and what our future might hold.

As a federally designated category “A” museum signifying “outstanding significance and national importance” to Canada’s heritage, the Gallery was founded in 1931 and, amidst some controversy, moved to the current site in 1983. Fifteen years later, in 1998, the Gallery began to address space requirements and assess capital improvements for 750 Hornby in a Functional Program Overview report by Lundholm and Associates. Another fifteen years have passed in which the following significant planning processes have occurred:

- 2005, Vancouver Art Gallery Expansion Report: Master Plan Report by Michael Maltzan Architecture with Henriquez Partners Architects identified the Gallery’s space needs, costs and options for expansion at the existing site. Based on this study the Gallery concluded that onsite expansion was not feasible.
- 2005, the Gallery and City explored 12 sites for a new gallery resulting in the identification of 688 Cambie as the preferred site.
- April 2006, Council announced a plan, with the Province of British Columbia, for a cultural precinct to enhance major cultural facilities downtown. Council accepted a provincial contribution of \$5 million (to be matched by the City) to support potential precinct development.
- October 2006, Council approved the redevelopment of the Civic Theatres that included \$40 million in interim financing from the Capital Financing Fund to be repaid from the redevelopment of a portion of 688 Cambie.
- November 2006, Council approved a cultural precinct that included a two block “Heart of the Precinct” consisting of the Queen Elizabeth Theatre and development of 688 Cambie to include cultural uses and office towers.
- 2008, the City commissioned substantive planning studies supporting development options for 688 Cambie including a new Gallery, the Vancouver Concert Hall and Theatres Society’s proposed 450 seat theatre and 1,950 seat concert hall, and an office tower.
- March 2008, the Premier announced a \$50 million contribution to the Gallery for a new purpose built art museum. Several months later the Province requested that the Gallery consider a site in Northeast False Creek (NEFC).
- July 2009, the Gallery’s relocation committee concluded it was not possible to move to the NEFC site due to the reasons identified in a feasibility study commissioned by the City.
- June 2010, the Gallery submitted a proposal to the City requesting that 688 Cambie be secured for building a new Vancouver Art Gallery.

On February 1, 2011, Council unanimously approved reserving approximately two acres of the City-owned site at 688 Cambie for cultural use that included a new Vancouver Art Gallery. There were over 22 speakers, the vast majority of which strongly supported a new Vancouver Art Gallery at 688 Cambie. Staff were also directed by Council to report back after completing further work with the Gallery that included a review of past work and planning assumptions and further development of the Gallery’s business case and plan.

Functional Space Program

The Gallery’s current site at 750 Hornby in the 1913 courthouse designed by Francis Rattenbury was renovated in 1983 by Arthur Erickson to accommodate a 172,320 square foot Vancouver Art Gallery. Thirty years later the Gallery is proposing to build Canada’s most sustainable art museum with LEED Gold certification or equivalent in the heart of Vancouver’s cultural precinct, almost doubling its current space in the Rattenbury designed courthouse.

The Gallery's functional space program was updated in 2011 by museum consultant Deborah Frieden in her "Space Use and Programming Study" which clearly addresses the current limitations of the Gallery's space and long term needs. In summary, the space in the current gallery in the Rattenbury courthouse is significantly lacking in exhibition space, art storage, conservation, circulation, security and sufficient space to support its broad education and partnership programs.

Frieden's report articulates the Gallery's vision to focus on Vancouver's artists and art history by proposing to double exhibition space and triple educational and programming space. The plan, as summarised in the table below, also includes developing appropriate contemporary conservation and storage facilities and the infrastructure and systems required to house international art exhibitions. This is balanced by careful planning for revenue generation through retail services which are critical elements in any successful museum operational budget.

Table 1: New Gallery Function Space Program

Functional Use Areas	Existing Space (gross square feet)	Proposed (gross square feet)
Exhibition	40,448	86,500
Education	6,049	21,400
Retail	15,157	37,300
Collections Management	33,881	49,220
Other	23,775	45,110
Total Gross Building Area	119,310	239,530
Exterior*	15,479	25,000
<i>*exhibition/education/retail uses</i>		

This plan provides critical public access to the art collection and includes providing free public access to a portion of the collection. It is also important to understand that the ability to exhibit the Gallery's own collection along with appropriate storage facilities will significantly impact the desire of philanthropists to donate their collections to the Gallery, something which is fundamental to the Gallery continuing its leadership role in the visual arts in Canada and internationally.

This plan also includes important new amenities that will dramatically expand public access, community use and future partnerships. The new educational and programming space will include:

- Multi-use classrooms and studios
- Black Box space
- Artist Archives
- 300 seat auditorium
- Resource and Learning Centre

These flexible spaces will provide for:

- Expanded resources for use by the local arts community
- Special attention will be given to providing community and cultural organizations use of the Black box theatre, lecture hall and classrooms and studios.
- A doubling of school programs from kindergarten to post- secondary
- An increased variety of classes and workshops to be provided for all age and skill levels with the multipurpose studios and classrooms
- An increase in teen programs with a particular focus on partnering with schools in lower income neighbourhoods on after school programs
- A new post-secondary school engagement program will engage students from all areas of BC and will include free annual memberships to all arts and design students - eventually reaching more than 10,000 students in post-secondary institutions across the province
- The new Resource and Learning Centre will vastly improve reference services for students, scholars, museum professionals and the general public
- The new media lab will offer opportunities to partner with the new media and digital industries such as gaming, animation, and film, to continue to attract emerging industries and new younger members
- Increased back of house opportunities including tours and educational programming.
- Increased multilingual programs and resources and a new afternoon programming targeting seniors

Partnerships British Columbia recently completed a Concept Plan for the Gallery which concluded that the Gallery is of significant cultural value to Vancouver, the Province and Canada and that “serious inadequacies of the existing facility are jeopardizing the future vitality of this important cultural asset”. The plan brings together all of the various work required for a comprehensive business case to present to major public funders and demonstrates the rationale for development and investment in a new Gallery.

Operating Budget

A detailed business plan for the new Gallery¹ prepared by Lord Cultural Resources one of the most widely recognised and respected cultural planning consultants with a specific expertise in museums worldwide (attached as Appendix A).

¹ Lord Cultural Resources, Business Plan and Projections for New Site and Building, Vancouver Art Gallery, Final Report, September 2012

Vancouver contributes more in per capita grant funding annually to arts and cultural organisations than any other city in Canada. In 2012, the Gallery received the City's largest grant at \$2,181,000 million both to support programming and to manage the art collection held in trust for the citizens of Vancouver. The City is the Gallery's most significant government funder providing approximately 17% of the Gallery's annual budget, with the Province providing \$830,000 (6% of total budget) and federal government providing \$300,000 (2% of the total budget). While the operating plan for a new gallery does not assume any additional government operational funding, the Gallery will continue to seek additional support from other levels of government.

The Gallery is unique in that the percentage of its annual budget generated by earned and private sector income far exceeds national averages for art museums in Canada. The percentage from governmental sources is far below that of other similar institutions and is projected to further decline as a percentage with the relocation and expansion. The Gallery also outperforms other comparable organizations in admissions income per visitor. Plans for the new gallery are to maintain current admission prices and provide a space in the new gallery in which a portion of the collection is displayed for free public access.

It is anticipated that in a new and larger facility, program requirements will mandate the annual operating budget growing from roughly the current \$12 million to approximately \$20 million. Based on the experience of peer institutions moving into a new facility, the plan projects a larger increase - both in operating budget and attendance - in the first year of operations that will stabilize at a lower level in the second and on-going years. The operating endowment is required to grow from \$11 million to \$61 million through the funding campaign for the new Gallery. This increase in operating endowment is required to provide an on-going level of endowment interest revenue to support the annual operating budget.

The Gallery has taken a conservative approach in regard to projected staffing levels based upon examples of other institutions that over-hired in the first year of operations leading to staff lay-offs in the second or third year. Annual attendance is projected at 450,000 in year one (compared with a current base attendance of 260,000) and to stabilize to 380,000 after the second year.

Table 2 provides an overview of the Gallery's current and projected new operating budget that anticipates increased revenues primarily in endowment income, admissions, sales, memberships and retail services. What is identified as uncertain is the increase of \$1.2 million that will be required from either increases in private sector fundraising or government funding. While the Gallery plans to continue to seek additional resources from other levels of government, the Gallery is primarily planning on raising the additional funds through continued growth in private fundraising.

Table 2 - Overview new Gallery Operating Budget

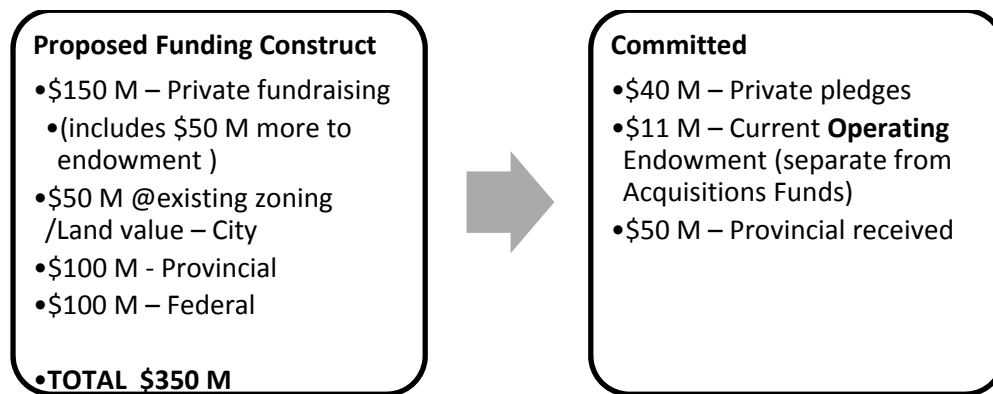
Revenues	Current Base Budget (\$ M)	Year 2 -Stabilized New Gallery Budget (\$ M)
Admissions	1.7	3.6
Retail Sales	1.7	2.2
Membership	0.8	1.3
Café Concession	0.15	0.28
Rentals	0.46	0.93
Programs	0.07	0.25
Fundraising Events	1.2	1.3
Other Earned	0.35	0.5
Endowment	0.2	2.1
Private	3.0	<i>7.5 (government and private combined)</i>
Government	3.3	
Total Revenues	12.9	19.9
Total Operating Expenses	12.4	19.9

Fundraising

The total building costs for a new Gallery are currently roughly estimated in the range of \$300 - \$350 million. The Gallery's fundraising plan targets construction costs at \$300 million however preliminary costing has indicated the cost is more in the range of \$350M² and the Gallery has developed a plan to undertake value engineering as detailed design progresses in order to bring the cost within the projected budget. In addition, \$50 million is required to be added to the existing \$11 million operational endowment to support the on-going revenues. The Gallery's proposed funding model is that \$150 million would be raised privately with the remaining funding coming from the provincial (\$100 million) and federal governments (\$100 million). The Gallery has in hand half (\$50 million) of the desired Provincial Government contribution from 2008. The City contribution will be the land contributed for the Gallery use, currently valued at \$50 million at existing zoning.

² Source: BTY Group, Vancouver Art Gallery Master Plan, Order of Magnitude Estimate and Project Benchmark Comparable, 2012

Table 3 - Gallery Fundraising Model



A report commissioned by the City in 2007 conducted by Economic Research Associates (ERA) concluded that the Gallery had the capacity to privately fundraise for a large portion of the capital required and since that time the Gallery has secured \$40 million (of a total of \$150M in private donor contributions) in pledges from private donors subject to confirmation of 688 Cambie as the site.

The Gallery is confident in its ability to successfully fundraise and proposes a phased approach to fundraising in which phase one is a Quiet Phase with a focus on public funders and major donors. This phase begins upon City confirmation of the site and support of the project. The Quiet Phase allows time to secure major funding commitments, to select an architect and develop a schematic/conceptual design. The conceptual design is then used in the second Public Phase of fundraising that seeks broad support from individuals, corporations and foundations.

Feedback from the Gallery Board and leaders in the cultural community have indicated that securing a site, developing a conceptual design, and having strong leadership from the City is key to raising the necessary funds over the next few years.

City Review

In 2011, the City engaged Zeidler Partnerships Architects and Lord Cultural Resources to review foundation planning documents on the Gallery proposal to obtain an objective assessment of key assumptions and decisions. This review included the 2005 Master Plan Report by Maltzan and the Lundholm Functional Program Overview from 1998. The consultants found that:

- The foundation work provided due diligence and confirmed expansion on the existing site was not viable
- The functional space program responds to the Gallery's long term needs and requirements
- On examining the model of incremental satellite facilities, the consultants concluded that they are operationally inefficient and expensive to maintain and program
- A new gallery at 688 Cambie is well positioned to move forward

Amongst the other findings, the review confirmed that expanding at the existing site was not a viable option due to several reasons: the need to close the Gallery for several years to renovate; high storage and renovation costs; fundraising limitations; and limitations on development due to the heritage value of the building and surrounding area.

The review made several recommendations concerning next steps including moving forward with a high level review of 688 Cambie and the nearby Post Office site which was coming onto the market with the move of Canada Post operations to YVR. In 2012, consultants Zeidler and Lord led the site review process that also included analysis by Deborah Frieden, Henriquez Partners, Ted Silberberg from Lord Cultural Resources, and the BTY Group.

The findings were that while the Canada Post building consists of 517,000 square feet of large open structural spans there were many design complexities, physical constraints and functional limitations associated with adapting the building to meet the Gallery needs. Much of the existing building would need to be replaced to meet the space, building systems and envelope needs of the Gallery. For this reason there was not likely to be any cost savings in repurposing the building and some of the existing heritage structure that would be preferable to retain would have a negative impact on the Gallery's functional layout requirements. In addition, the building was owned by a federal crown corporation which was seeking a maximum return on the sale of the site to fund the construction of their new facility, so the requirement to purchase the site would almost double the capital required.

Two thirds of the City owned and vacant 688 Cambie site was found to allow for a new purpose built gallery that was considerably better able to meet the Gallery's objectives and needs in respect to the space program, physical and technical standards, design and functional requirements.

Consultation

In 2011, Council also requested that the City consult on the Gallery's proposal for 688 Cambie. Previous City consultation included a survey in 2008 when over 200 individuals attended an Open House as part of the review of the Northeast False Creek site. 94% strongly agreed that "a new Art Gallery will be an important addition to the city, region and province".

In 2010, the Gallery conducted a series of eight public meetings to which 561 people attended and discussed the potential for a new Vancouver Art Gallery at 688 Cambie. At each session panelists with varying points of view were asked to speak about their position on the proposal. Sessions were very well attended and the majority attending were very supportive and eager to move the project forward.

The recent City consultation process has focused on the impact of a new Vancouver Art Gallery on Vancouver's cultural ecology. Beginning in the summer of 2012, interviews were held with 18 cultural and business leaders in the city. The input from these interviews helped inform a focused consultation process with the City of Vancouver Arts and Cultural Policy Council on December 10, 2012. The 15 members of the Council (<https://vancouver.ca/your-government/arts-and-culture-policy-council.aspx>) include representatives that reflect the diversity of disciplines, demographics, and practices of Vancouver's diverse cultural community. The workshop results are attached in Appendix B.

On January 16, 2013, a community workshop was held with 28 attendees representing 19 organizations and 9 individual artists. The organizations included other nonprofit art galleries, artist run centres, other museums, and representatives from other local arts and cultural organizations. The notes from that session are also included in Appendix B.

Overall the feedback from the multi-pronged consultation highlighted several things:

- Vancouver and its artists are highly regarded internationally.
- A new gallery is needed to exhibit the Gallery's collection and for the programs the institution wants to provide for the benefit of its residents and visitors.
- 688 Cambie is seen as an ideal site.
- The project is key to launching Vancouver's long-term cultural vision and strategy.
- It will also enable significant expansion of the City's "cultural capital" and sustainability.
- Arts leaders beyond the visual arts were strongly supportive of the project.
- City Council's leadership on the project is critical to leveraging the needed public and provided support.

There has been some concern articulated as to whether the Gallery project could have a negative impact on the rest of the cultural community. Generally, there was a sense, given the strong leadership role of the Gallery, locally, regionally, nationally and internationally, that on balance a new purpose built gallery would have an overall positive impact on the cultural sector.

However, support for emerging artists is a key priority for the city. As Vancouver seeks to retain and grow its artistic talent in the city, an expanded gallery is a unique and rare opportunity to bolster all levels of our local artistic sector. The City, the City of Vancouver's Arts and Culture Policy Council and other stakeholders have expressed a desire for the Gallery to expand its connections with the local arts community even further and to use a new Gallery to enable increased exposure for Vancouver's emerging artists. The Gallery's leadership has been very supportive of this vision and a focus on strengthening the local arts community through space, programming, and other partnerships is part of their proposal. Staff recommend that the Gallery continue to build a comprehensive plan that builds on their current proposal for a new innovative program, under taken in partnership with other local cultural organizations to support diverse emerging artists.

Leaders in the community have also expressed concern about whether a single expanded purpose-built gallery is the best and most cost-effective option for a new Vancouver Art Gallery. The option of satellite and more incremental/phased approaches to Gallery expansion were proposed as pragmatic and viable alternatives in the context of the current economic climate. These options were brought forward and addressed by the expert panel process described below.

Expert Panel - Peer Review

On January 18, 2013, an expert panel of North American art and museum professionals was convened by the City Manager. Several of the panel members have had direct experience with capital projects of significant magnitude. The panel members were:

- Makiko Hara, Curator, International Centre for Contemporary Asian Art, Vancouver, BC
- Candice Hopkins, Artist, First Nations Curator, National Gallery, Ottawa, ON

- Marc Mayer, Director, National Gallery, Ottawa, ON
- Paul Schimmel, former Chief Curator, Museum of Contemporary Art, Los Angeles, CA, USA
- Matthew Teitelbaum, Director, Art Gallery of Ontario, Toronto, ON
- Ian Wallace, Artist, Vancouver, BC

The Panel had access to extensive documentation on the project which was reviewed in advance. During the review process, representatives of the Gallery made a presentation to the panel on the topic of the expansion project and program, followed by a question and answer session. The next portion of the day included a forum of important local stakeholders with varying points of view about the future of the Gallery. This, too, was followed by a question and answer session with the panel. The remainder of the day was spent with the panel in discussion with City Staff about the Gallery proposal in the context of their review of the business plan and their own experiences and perspectives.

The general consensus of the Panel was that a new gallery would better serve artists, residents, tourists, local, regional and national visual art organizations, community engagement and pride. The business model for a new purpose built gallery with an emphasis on providing increased space dedicated to the exhibition of Vancouver and British Columbia's art and increased public education programming was seen to have been needed for quite some time and confirmed as the best, most cost effective, sustainable model. Panel members discussed with staff at length the pros and cons, based on their own and others real examples, of a decentralized satellite approach versus one expanded purpose built Gallery on one site. Their feedback was clear that notwithstanding some advantages for the satellite/network model, the predictable issues related to operational inefficiencies was the basis for their clear recommendation that the best decision for sustained success was to go with one expanded Gallery. Panel members did provide clear advice for the Gallery and City about the need to identify key decision points and timelines to ensure that this approach was successful - on time and on budget.

The panel validated that Vancouver's visual artists are and have been at the forefront of visual culture internationally for over a century and our contemporary artists are world-renowned. As well, they confirmed that the Gallery is recognized as a successful international leader in contemporary art and has had enormous business success in acquisitions, fundraising, attendance, programming that reflects Vancouver's diversity, attracting young audiences and new memberships, and fostering positive relationships with local artists, other local arts organizations and regional galleries.

The major strengths of the project that were discussed follows:

- Vancouver's artists are and have been at the forefront of visual culture internally for over a century and our contemporary artists are world renowned
- The Gallery is a successful international leader in contemporary arts
- There is very strong support for the project from the visual arts community
- A focus on providing dedicated exhibitions space for the collection makes sense and will be critical to encouraging art donations by collectors, a critical philanthropic goal of all successful galleries
- The Gallery has had enormous business success in fundraising, attendance, membership, relationship with local artists

- The Gallery an important role in acquisitions and has done an excellent job with a limited operating and collections budget
- The Gallery has achieved success reflecting diversity and attracting young audiences
- An expanded purpose built gallery better suits the Gallery's needs and will be the most cost-effective model to operate
- 688 Cambie is well located in the cultural precinct with access to public transit
- A new architecturally distinctive building will provide an important social space in the downtown

The panel had extensive discussions with senior staff and through this process raised a number of challenges relevant to the project including that many of the City's residents are unaware of the global reputation of the Gallery and the impact of Vancouver's art and artists internationally and nationally. Unless rectified, this could interfere with the broad community support necessary to raise funds for a project of this magnitude. This issue was also relevant to the need for the Gallery to continue to actively reflect the significant and increasing diversity of the citizens of Vancouver.

Some panel members expressed concern that the projected operating budget may be too conservative to meet the increased program demands envisioned by an expanded gallery - this will have to be addressed through enhanced contingency planning by the Gallery over the next couple of years while design is underway.

There was a long discussion about the current economic climate which could impact government commitments as well as the unique challenges with corporate philanthropy in Vancouver, issues which were also raised by some of the community leaders speaking to the panel.

All of the above risks have been shared and discussed at length with the Gallery and its Board Chair. Work is underway to mitigate these risks and the milestones laid out in the Recommendations signal that staff will be tracking these risks carefully and supporting the Gallery in its work. Staff are very comfortable that through stewardship of the Board and senior management, that these challenges will be successfully addressed over the next few years.

Strategic Analysis

Public Engagement and Communications

There is passionate and unified support for the project from the visual arts community that extends into the broader local arts and cultural community. As noted above, the panel observed that many residents are unaware of the impact of Vancouver's art and artists as well as the success of the Art Gallery and, while aware of the Gallery, many were unaware of the project for a new building. This illustrated the need and opportunity to further engage the public and raise awareness about the Gallery and the benefits of a major expansion project. Staff recommends that, immediately upon Council approval, the Gallery, in consultation with the City staff, develop and implement a plan for raising public awareness about plans for a new Vancouver Art Gallery.

Future of the Courthouse following Relocation of the Gallery

Both the Gallery and the City have faced public concerns about the future of the existing courthouse building once the Gallery moves to its new building at 688 Cambie. Owned by the

Province and leased to the City for 99 years, the Gallery's current site at 750 Hornby is a 1913 federally designated heritage courthouse. Designed by Francis Rattenbury, the courthouse is juxtaposed with Arthur Erickson's West Coast modernist Robson Square Complex across Robson Street. The Hornby site referred to as "Block 51" in recent City consultation on the closure of 800-block of Robson Street (between Hornby and Howe) and the refurbishment of the North Plaza, have long been social gathering spaces for residents and visitors, as well as a venue for creative expression and displays of civic discourse.

City Council has confirmed a desire to retain the building for future cultural use which, combined with a new Gallery, would significantly increase Vancouver's cultural amenities in the downtown core. The central downtown location is important to all arts and culture organizations that rely on tourism and, thus, there has been substantial interest from many organizations to become the future tenants of this premium space.

City staff will undertake, in consultation with the Province and key stakeholders, a broad community consultation and engagement process on future cultural use of the Courthouse building at 750 Hornby. Potential selection of future tenants would likely be determined through an open public process by the City in consultation with the Province.

Planning Considerations

The results from the reviews conducted by the City, community workshop and panel all confirm 688 Cambie as the best site for a new purpose built gallery. The site also provides excellent pedestrian connections including transit access with the Stadium Skytrain Station.

Georgia Street is one of the city's ceremonial boulevards and the presence of a new Gallery will further enhance its role. The location, with prominent Georgia street frontage adjacent to the Queen Elizabeth Theatre and newly renovated Plaza, the renovated CBC and the Central Library, is seen to provide a tremendous opportunity to enhance the cultural precinct as the downtown core expands eastward. The future development in northeast False Creek and the possibility of the removal of the viaducts will all significantly enhance the proximity of neighbourhoods to the east and south of this cultural precinct.

In 2011, Council requested that staff explore potential options for the development of public plaza space fronting Georgia Street to integrate the Queen Elizabeth Theatre Plaza with a new Vancouver Art Gallery. The concept of closing a portion of the block of Cambie between Dunsmuir and Georgia Streets would create a unified public space for people to gather in the heart of the new cultural precinct.

A new Art Gallery with distinct architecture, interior and exterior public space and public art offers an opportunity to expand an important downtown social gathering space. Staff has explored preliminary options for the site that propose closure of the southern portion of the 600 block of Cambie Street. Staff recommend that there be robust consultation to explore urban design opportunities for the public space that will be created as a result of the development of a new Gallery, the existing Queen Elizabeth Theatre plaza, and the proposed closure of the south half of the 600 block of Cambie Street.

In respect to the impact on transportation, the most significant issue associated with closing the 600 block of Cambie is the need to re-route the southbound #17 trolley bus service. Consultation with TransLink, residents, and business would be needed to determine this new route.

Staff are proposing to proceed with further investigation on the closure and development of a portion of the 600 block of Cambie Street to integrate the new Vancouver Art Gallery and associated public space with the Queen Elizabeth Theatre Plaza. Staff will report back to Council with recommendations on the Site configuration and development plan that will include a public space integration plan, parking considerations, subdivision, consolidation, and road closure resolutions deemed necessary.

Encumbrance

The City owned site at 688 Cambie is encumbered with a loan from the City of Vancouver Capital Financing Fund and used to fund renovations and upgrades to the Civic Theatres in preparation for the 2010 Winter Games. The current balance of the Capital Financing Fund loan (Dec 31, 2012) is \$50.2 million, comprised of \$40.0 million principal and \$10.2 million interest. Interest is charged at 5% per year on the compounding balance, until the loan is repaid in full. Based on the current balance the loan will accrue an additional \$2.57 million in interest for 2013.

In June 2005 and again in October 2006 (in camera) Council confirmed that if senior levels of government funding were not secured to cover the costs of the Civic Theatres upgrades the proceeds from the sale and development of the commercial portion of the Site would be used to pay off the loan. Based on current planning policy, staff have explored various site configurations to combine a portion of 688 Cambie and a portion of Cambie Street for use by the Gallery with an intent of integrating a new Gallery with the Queen Elizabeth Theatre Plaza and to maximize the value of the remainder of the 688 Cambie that is designated for commercial use.

In regard to the remainder of 688 Cambie, the site is located in the Downtown ODP area C1 (CBD) and current zoning permits up to 7 FSR commercial with height limits set by several view corridors. Given the size of the site, there is an allowance for Council to consider additional residential density to support public benefits if a minimum 7 FSR of commercial density is provided concurrently to meet the Metro Core Jobs Strategy. Preliminary work by Planning and Real Estate senior staff indicate that highest and best use of the portion of the site adjacent to the 1.8 acres that would be provided for Gallery use, could leverage appropriate funds to pay off the existing internal encumbered loan that was an important investment in our cultural sector. Thus staff recommend that the first priority for the proceeds from the future sale and development of the remainder of 688 Cambie is to pay off the balance of the loan from the Capital Financing Fund which encumbers the property, then reimburse the Property Endowment Fund, and then direct any remaining proceeds for parks and community facilities.

*Implications/Related Issues/Risk (if applicable)**Financial*

In 2012, PriceWaterhouse Coopers updated the economic impact a new Gallery would have on Vancouver's economy. The study estimated that in the first five years of operation, the additional impact of a new Gallery would increase Gross Domestic Product by \$299 million, add 5360 person years of employment and generate additional government income (primarily from taxes) of \$26.2 million (Federal) and \$32 million (Provincial). In respect to Vancouver's cultural economy this impact is very significant. In 2012, the Vancouver Art Gallery's total revenues accounted for approximately one fifth of all total revenues for the 109 non-profit cultural groups that receive City operating funding.

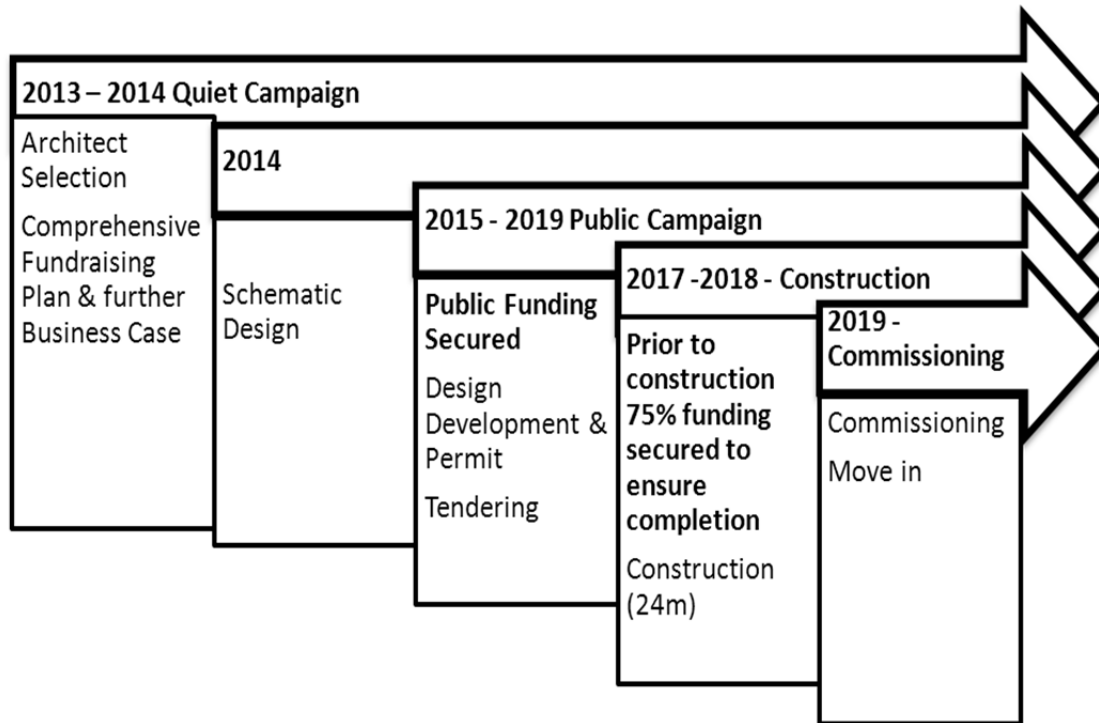
The City's contribution to a new Gallery is the value of the land provided for use by the Gallery at nominal (\$1 per year) gross rent inclusive of rent in lieu of taxes. The land to be leased to the Gallery is currently valued at \$50 million under existing zoning. The City will also investigate and pay for remediation associated with the Site. In respect to operating funding, the Gallery receives on-going operating funding from the City and in 2012 received the City's largest grant at \$2.2 million to support programming and to manage the art collection held in trust for the citizens of Vancouver.

The Gallery's intention is to fundraise for the design, construction and operation of the new Gallery to open in 2019. As noted by the expert panel, one of the most significant challenges for the Gallery is to secure the required Provincial and Federal funding. City Council and staff are committed to support the Gallery in the process to secure such commitments during the Quiet Phase of the timeline as illustrated below. Staff recommend based on the Gallery's timeline that a target be set for the Gallery to secure funding agreements between the federal and provincial governments before April 30, 2015 prior to the anticipated commencement of the Gallery's Public Phase of fundraising be incorporated as a condition of the agreement. If the funding deadlines for some reason cannot be met, upon notice from the Gallery, Council would have discretion to reconsider the terms of the agreement.

The Gallery and City agree that the construction phase will begin only after the key major public funding is committed and seventy-five percent of the then projected total construction budget is secured (this would include mortgages or loans) that ensures the project can be completed with minimal risk and as planned, to the satisfaction of the Vancouver Art Gallery Association Board, the City Manager and General Manager of Financial Services.

As illustrated in the table below, the current timeline estimates construction beginning in four years and taking approximately two years to complete and another year for commissioning work and the move. During this time the Gallery would continue to operate at the existing site.

New Gallery Timeline



The Cultural Precinct Reserve Fund, funded from the Provincial contribution in 2008 of \$5.0 million has been used to fund the required planning studies and consultant work since that time. The Reserve Fund currently has \$3.8 million in unallocated funds. This Reserve Fund will be used as a source of funds for the required next steps of this planning process.

Governance

While it is critical that the Gallery continues to operate as an arms-length non-profit with an autonomous vision, staff’s recommendation for Council’s to appoint two (2) voting members to The Vancouver Art Gallery Association Board of Trustees is considered by staff and the Gallery to be a positive step in supporting this important cultural institution which holds in trust a significant city asset.

Staff is recommending that the Constitution and By-laws of The Vancouver Art Gallery Association be amended following discussion with the Board of Trustees, for the purposes of allowing the Mayor to participate as a honorary member or liaison to the Board of Trustees and for Council to appoint up to two additional voting members of the Board of Trustees of The Vancouver Art Gallery Association and that one of these members be appointed to the Finance and Audit Committee of the Board of Trustees. The contribution of the site for use by the Gallery over a 99 year lease is a very significant financial commitment by the City and builds on the on-going operating grant which as discussed previously is the largest grant given by the City to any institution in our granting program.

Staff also commits to undertake a general review of the VAGA's Constitution and By-laws with the Board of Trustees to address any administrative changes to the VAGA's Constitution and By-Laws that have been ratified by the Board but not yet approved by Council.

In respect to the project governance for the building of a new Gallery, both staff and the Gallery agree that one senior City staff should be appointed to each of the Building Committee and the Architectural Selection Technical Advisory Panel. The Gallery's process for the selection of an architect will be a phased international competition based on qualifications. The panel will recommend teams to submit proposals and from the proposal stage make recommendations to the Selection Committee. All teams must have a local (AIBC) architect on the team. Final architectural selection approval will be provided by the Gallery Board.

Environmental

The recommendations in this report support cultural facility development in the downtown core that encourages a liveable city with an emphasis on walking and transit. As well, the Gallery's proposal is to build the most sustainable art museum in Canada, building with LEED Gold certification or equivalent.

The City will undertake the remediation of the Site at the appropriate time and at the City's expense to enable the issuance of a Development Permit and commencement of construction.

CONCLUSION

A new Art Gallery is a remarkable and ambitious project that will require significant support from the private sector, all levels of government and most importantly from our citizens. Now is the time for the City to take a leadership role in this important expansion of Vancouver's "cultural capital" to enhance our worldwide reputation as a sustainable and liveable city.

* * * * *

Business Plan and Projections for New Site and Building

Vancouver Art Gallery

Final Report

September 2012

Lord Cultural Resources is a global professional practice dedicated to creating cultural capital worldwide. We assist people, communities and organizations to realize and enhance cultural meaning and expression.

We distinguish ourselves through a comprehensive and integrated full-service offering built on a foundation of key competencies: visioning, planning and implementation.

We value and believe in cultural expression as essential for all people. We conduct ourselves with respect for collaboration, local adaptation and cultural diversity, embodying the highest standards of integrity, ethics and professional practice.

We help clients clarify their goals; we provide them with the tools to achieve those goals; and we leave a legacy as a result of training and collaboration.

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Executive Summary

The Vancouver Art Gallery (VAG) selected Lord Cultural Resources, a Canadian-based international museum planning firm, to conduct a Business Plan and Projections study assuming a new site and facility. Carried out primarily by Senior Principal Ted Silberberg from February through July 2012, the scope of work and methodology for this study includes the analysis of existing data from studies already completed by the Gallery; contextual data in relation to the overall museum sector in Canada and the United States; and interviews and meetings with staff, board, and stakeholders.

The Business Plan and Projections report is set out in the following chapters:

1. Introduction
2. Contextual and Comparables Analysis
3. Market Analysis
4. Assumptions
5. Attendance, Operating Revenue and Expense Projections

This study provides both contextual and comparative data to help guide the attendance, operating revenue and expense projections for a new VAG in a building of approximately 310,000 square feet. The analysis includes Heritage Canada and other Canadian surveys which indicate that the VAG's existing operations generate substantially more earned and private income relative to national averages in Canada and that it receives only about half the average level of governmental support. Performance measures related to both attendance and revenue indicate that the performance of the existing VAG exceeds averages for attendance per square foot, admissions revenue per visitor, and earned and private income as a percentage of total revenues. The VAG also exceeds benchmark data from the U.S. art museum marketplace. For example its current earned income percentage is over double that of American art museums. These relatively strong market and financial performance indicators suggest a positive operational base for a larger, better quality Vancouver Art Gallery facility in the future.

Benchmark data are also used to illustrate the impact of expansion and relocation on five selected art museums in the United States, citing examples of over-confidence in attendance and revenue projections in some cases that led to over staffing and excessive additional expenditures. Consequently, this study recommended caution with respect to staff and other operating cost increases, a strategy with which VAG senior management concurs. The study also analyzes existing markets for the VAG as well as potential resident, school and tourist markets for a new site and the expanded facilities associated with it.

The various analyses led to a series of recommendations and assumptions that provided another important basis for projections of attendance, operating revenues and expenses. Listed assumptions include those endorsed by the VAG's Board of Trustees as outlined in its 2010 Proposal to the City of Vancouver, including those pertaining to site and space, as well as capital costs and funding sources. This includes an assumed additional \$50 million endowment to help support operations.

Regarding governance the study assumes that the current name and governance structure for the VAG will not change. Staff levels are anticipated to increase from approximately 86 full-time equivalent (FTE) positions to approximately 130 FTE positions, while maintaining staffing costs as a percentage of total revenues at approximately 40-45%. Numerous specific recommendations and assumptions are set out for operations, revenue centres, marketing and the visitor experience.

The report sets out detailed projections of attendance, operating revenues and expenses for the opening three years of operation of the Vancouver Art Gallery at its assumed new site. Attendance levels of about 380,000 are estimated in the stabilized Year 2 compared to the current 260,000 visitor range. The Year 2 figures should be considered as the norm for future years. Year 1 attendance is projected at 450,000 to reflect a common re-opening period of excitement and curiosity. Year 3 is assumed to be when a three-month blockbuster level exhibition takes place in which there is a surcharge over the base admission charge and leads to attendance growth to 475,000 visitors that year.

The total annual operating budget, in 2012 dollars, is estimated to be in the range of \$19.9 million in Years 1 and 2, excluding depreciation/amortization, compared to a base level operating budget with similar exclusions of about \$12.4 million. During the blockbuster exhibition in Year 3 the total operating budget is projected to increase to about \$22.6 million.

Earned income levels, defined to include fundraising events and all memberships, are estimated to regularly (Year 2) be in the range of 52% of operating revenues with higher percentages during the opening year and the blockbuster exhibition year. The 52% earned income for the future VAG builds on its current earned income success and may be compared to the 38% earned income for the average art gallery in Canada.

Assuming continuation of current levels of government and private income and the growth in endowment principal to \$61 million this leaves an amount over 2012 levels required to break even from *additional* grant and contributed sources estimated to be regularly (Year 2) in the range of \$1.2 million. Additional support of about \$1.4 million is projected for Year 3 to reflect higher costs associated with a blockbuster-level exhibition. However, it should be easier to obtain financial support for a blockbuster exhibition relative to normal years of operation. Conversely, the amount required to break even in the opening year is a relatively low \$386,000 to reflect typically higher opening year attendance and revenues.

It is important to note that the additional financial requirements to support operations will need to be addressed primarily through continued growth in the VAG's private sector fundraising. The VAG is currently gathering data through a benchmarking study by a leading Canadian fundraising firm to confirm its own projected levels of growth in this area.

1. Introduction

This chapter summarizes the background to and purpose of this feasibility study for the relocated and expanded Vancouver Art Gallery (VAG) and the methodology to carry it out.

1.1 Background to and Purpose of this Study

The Vancouver Art Gallery (VAG) has long been recognized nationally and internationally as one of the great art galleries/museums in Canada and an important showcase for the visual arts within British Columbia and Western Canada. The mission of the Vancouver Art Gallery is to “spark curiosity through the visual arts, instilling a greater cultural understanding by presenting the works of outstanding artists, using the power of art to engage, motivate and inspire.” Its mandate is to “bring the best of the art world to Vancouver and the best of Vancouver to the world.” Vancouver is also increasingly known for producing some of the best contemporary artists in the world, especially related to photography.

To better achieve its mission and mandate the VAG has long sought a new site and building to replace the adaptively reused courthouse that has been its home for many years. The objectives for the larger, new space include meeting the needs of residents, school groups and tourists as well as regional artists and donors who would like to see more works on display. At present, only 3% of the permanent collection is on view. A new facility will also help to ensure that important collections will remain in British Columbia rather than potentially donated to galleries in Ottawa, Toronto or elsewhere.

A Master Planning process initiated in 2003 concluded that the Gallery should double from the size of its existing facility to include:

- More substantial dedicated permanent exhibition galleries;
- Expanded galleries for temporary exhibitions;
- State of the art permanent collection storage;
- Increased collection access, including significant artist archives;
- Outdoor space for the presentation of art and community gatherings;
- Greatly expanded school, family, and children’s programming, including hands-on experiences and classrooms;
- Theatre space for lectures, films and other opportunities;
- New welcoming and comfortable gathering places;
- Larger retail store;
- Increased venue rentals, including outdoor opportunities if practical;
- Adequate space for staff and volunteers;

- Increased integration of technology;
- An environmentally sustainable building.

Other facility plans have been conducted over the years, before and after this date, with the most recent one by Deborah Frieden and summarized as part of the assumptions set out in Chapter 4 of this report.

The 2007-2010 Strategic Plan for the VAG emphasized core values associated with innovation, diversity and cultural dialogue, accessibility, engagement and empowerment, and leadership and excellence. A new facility was set out as important to these core values and associated operational areas and priorities related to exhibitions and collections, education and audience experience, community engagement and organizational practice. Benefits of an expansion and relocation set out included:

- To continue to foster and showcase the work of British Columbia's dynamic artistic community through groundbreaking exhibitions that will be internationally exported;
- To significantly raise the Gallery's stature among peer organizations and help it bring to Vancouver an "A-List" of prestigious contemporary and historical exhibitions;
- To expand the availability of educational and outreach programs for millions of Canadian adults and children in the next 25 years and beyond; and
- To further elevate Vancouver's international status as a key cultural centre with strong connections to the Pacific Rim and the rest of the world.

A Project Vision and Objectives document prepared by the Gallery in January 2012 in the context of a new site reemphasized points such as these and added an emphasis on the role of the VAG as an economic stimulator in creating new employment opportunities and in promoting cultural tourism. The Project Vision and Objectives document also emphasized revenue generating opportunities and the need for a capital campaign to substantially increase the endowment to support operating costs.

Lord Cultural Resources, the world's largest museum planning firm, was selected to conduct this feasibility study assuming a new site and facility for the Vancouver Art Gallery.

1.2 Scope of Work and Methodology

In order to meet the objectives of this study we have carried out the following work elements. We:

- Reviewed and analyzed background material provided to us, including earlier attendance and financial analyses by ERA and PriceWaterhouseCoopers, as well as additional data that we gathered.

- Facilitated a Visioning/Assumptions Workshop with senior staff of the VAG. The objective of the workshop was to better understand the vision for the new facility and to identify assumptions that were fixed and others that were variable and thus subject to testing in an internal and external interview process. Please see Appendix A for a list of the persons interviewed.
- Toured the existing facility and the two potential new sites, the Post Office building and 688 Cambie and contributed to the evaluation process that led to selection of 688 Cambie as the preferred and assumed site for the new Vancouver Art Galley.
- Analyzed contextual data regarding the overall museums marketplace in Canada and the United States, art museums in relation to other museum types, other art galleries in Canada and before/after data associated with selected art museums in the US that expanded and relocated. These analyses are set out in Chapter 2.
- Analyzed data and interview feedback regarding the market for the existing VAG operation, as well as potential resident, school and tourist markets for Vancouver, also set out in Chapter 3.
- Set out a series of recommendations and assumptions in Chapter 4 of a Phase 1 report. The report was reviewed by the client and feedback enabled finalization of assumptions that underlie the attendance, operating revenue and expenses projections in Chapter 5 of this final report.

Bold italics are used throughout the document to highlight key findings, conclusions and recommendations.

2. Contextual and Comparables Analysis

This chapter is intended to provide benchmarks to help inform the recommendations and assumptions presented in Chapter 4 of this report and to guide the attendance, operating revenue and expense projections for the Vancouver Art Gallery (VAG) in Chapter 5. Among the available data and implications to the future VAG considered are:

- The overall museums marketplace in Canada and the United States, including comparisons of US art museums to other museum types;
- The experience of other specific art galleries in Canada, as well as “before and after” data for art museums in the US that underwent expansions and relocations;
- The experience of other selected museum-related institutions and galleries in Vancouver.

2.1 The Art Gallery/Museum Marketplace

It is clear that an expanded and relocated VAG should result in higher attendance and earned income. However, it is important to understand the attendance and financial experience of art galleries/museums and other museum types to help establish realistic operational expectations for the new VAG. Both Canadian and US data follow.

2.1.1 Art Galleries within the Canadian Museum Marketplace

Data and implications to the VAG are considered from the Statistics Canada Heritage Survey and the latest survey of the Council for Business and the Arts.

2.1.1.1 Heritage Survey

Statistics Canada conducts periodic “Heritage Surveys” which include all types of museum-related institutions, including art galleries. The latest available survey, released in March 2011, is from 2009 and is compared below to pre-recession data for 2007 and to VAG figures for 2011.

The data indicate that the existing VAG operation generates substantially more earned and private income relative to national averages in Canada and receives about half the average level of governmental support shown in the Heritage Surveys.

Sources of Operating Income	Heritage Survey 2009 Data	Heritage Survey 2007 Data	VAG 2011/12 Data
Earned	36.7%	36.2%	47.5%
Private/Contributed/Endowment	10.8%	11.8%	27.6%
Government	52.5%	52.0%	24.9%
Total	100%	100%	100%

Noteworthy is that the earned income¹ of the VAG has increased substantially over the years. In 1985 earned income accounted for 16% of operating revenue. It grew to 33% in 2000, 41% in 2006 and close to 48% in 2011. This is a positive indicator.

2.1.1.2 Aggregated Results for Public Art Galleries from CBAC Survey

The following table is from the *2009/10 Survey of Public Museums and Art Galleries* conducted by the Council for Business and the Arts in Canada (CBAC), with comparisons to 2011/12 figures for the Vancouver Art Gallery. The CBAC data are for a sample of 39 Canadian public art galleries. We assume that the reported figures were accurately provided by all participants, which is not necessarily the case. ***The data indicate that the market and financial performance of the existing Vancouver Art Gallery exceeds the average for this sample of public art galleries in all cases where comparative ratios are possible. This includes attendance per sq. ft. exhibition space, admissions revenue per visitor, earned and private income as a percentage of total operating revenues. This relatively strong market and financial performance offers a positive base for a larger, better quality facility in the future.*** Over the past five years the VAG has averaged over 35,000 members within about 18,000 memberships.

	Public Art Galleries	Vancouver Art Gallery
Sample Size	39	N/A
Average Size of Exhibition Space (net sq. ft.)	22,025	40,448
Average On-Site Attendance	90,948	233,772
Average Visitors per Sq. Ft. Exhibition Space	4.13	5.78
Average Number of Memberships	1,917	18,000
Average Revenue from Admission Fees	\$386,069	\$1,599,000
Admissions Revenue per Visitor	\$4.24	\$6.84
Average Operating Revenue	\$2,317,135	\$13,554,000
Average % Earned	37.5%	47.5%
Average % Private/ Endowment	14.7%	27.6%
Average % Government	47.8%	24.9%
FTE staff (assumes pt at 0.33)	32.6	87.3
Avg. Volunteers	160	200

Source: Canadian Business for the Arts Annual Survey of Public Museums & Art Galleries 2009-2010.
VAG data are for 2011/12

¹ This categorization assumes that all membership and fundraising event revenue is earned.

2.1.2 Art Museums within the US Museum Marketplace

The table that follows is an overview of the US museum marketplace based on 2009 survey data from the American Association of Museums (AAM). Highlighted are data for art museums in comparison to other museum types, which includes consideration of some of the market, operational and financial issues facing the Vancouver Art Gallery.

- **Attendance:** The average US museum reported about 26,500 visitors, compared to about 33,400 in the 2006 survey. The decline reflects the opening of many new small museums even though total museum attendance increased. The VAG reported about 233,000 visitors in 2011 following the 389,000 visitors during the Olympics, a large percentage of whom received free admission associated with the Olympic celebrations. In 2009 attendance levels totaled about 311,000, related very much to the specific exhibitions in place. In considering the table below it may be seen that art museums *in general* tend to draw larger than average numbers of visitors than history and some other museum types but less than science/natural history museums and living collections (zoos and aquaria).
- **Admission Charges:** Some 41% of all US museums and 53% of art museums do not charge admission, although most free admission museums do charge for special exhibitions. Further, there are many other art museums that charge adults but offer free admission to children. The current VAG adult admission charge of \$22.50 (\$17.50 in the colder weather months) is perceived by some persons interviewed to be too high now and they question what appropriate admission charges might be in a larger, better quality facility. Our recommendations associated with admission charges for the future VAG are set out in Chapter 4.
- **Sources of Operating Income:** The average US art museum generates about 22% of its operating income from earned sources, 47% from private sources, 19% from endowments and 13% from government sources. ***The earned income performance of the existing VAG, at about 48% of total revenue, is thus much higher than the averages for American art museums*** and the overall museum average in the US of about 28% earned income.
- **Staff Salaries as a Percentage of Total Operating Costs:** The VAG reported staffing costs at about 40% of total operating expenses, indicating a relatively lean operation. However, the challenge in the context of a much larger VAG building will be the need to limit staffing increases in recognition of the reality that ***“feasibility” will depend as much on the ability to limit staffing costs as it will on boosting revenue.***
- **Marketing Costs per Visitor:** The average art museum allocated about 4.4% of its operating budget to marketing and \$2.15 per visitor compared to 4.1% and \$1.29 respectively for the overall museum sector. The VAG allocated about 7% to marketing in 2011, or \$4.05 per visitor. A continued commitment to marketing expenditures will be needed in the new facility.

2009 AAM Profile	Art Museum	Children's or Youth Museum	General Museum	Historic Home or Site	History Museum or Historical Society	Living Collections	Natural History or Anthropology	Science or Tech	Specialized Museum	Overall 2009 Survey	Overall 2006 Survey
Sample Size	156	18	71	89	190	17	32	25	73	671	809
Median Attendance	44,878	130,870	58,500	11,700	10,000	208,574	58,176	357,103	22,000	26,500	33,446
% Charging Admission Fees	47.6%	94.1%	63.2%	77.4%	49.2%	64.3%	63.3%	96.0%	57.1%	59.0%	60.7%
Median Adult Admission Charge	\$8.00	\$7.50	\$7.00	\$6.00	\$5.00	\$8.00	\$8.00	\$10.00	\$7.00	\$7.00	\$6.00
Median Operating Income	\$2,379,176	\$1,729,532	\$1,930,895	\$350,000	\$260,000	\$3,072,452	\$3,256,810	\$7,857,138	\$602,080	\$1,168,559	\$850,000
Average Earned Revenues	21.5%	48.3%	24.8%	31.7%	24.0%	30.0%	31.1%	48.8%	33.2%	27.6%	31.0%
Average Revenues from Private Donors	46.6%	27.8%	33.7%	34.6%	31.0%	20.3%	38.3%	28.9%	37.7%	36.5%	35.2%
Average Revenues from Investment Sources	18.6%	12.1%	8.8%	10.7%	8.5%	14.3%	6.4%	3.0%	9.3%	11.5%	9.6%
Average Revenues from Government Sources	13.3%	11.7%	32.6%	23.0%	36.4%	35.4%	24.2%	19.3%	19.9%	24.4%	24.1%
Median Value of Endowment	\$9,744,500	\$414,875	\$2,539,870	\$1,202,817	\$526,500	\$14,253,806	\$5,078,964	\$1,829,599	\$2,526,508	\$2,825,075	\$1,580,537
Median Earned Income per Visitor	\$8.21	\$6.31	\$7.16	\$9.44	\$4.39	\$4.87	\$6.76	\$11.14	\$10.00	\$7.22	\$5.91
Median Operating Expenses	\$2,317,675	\$2,522,615	\$1,798,754	\$298,200	\$262,206	\$3,630,530	\$3,237,600	\$6,827,362	\$778,859	\$1,166,000	\$829,037
Operating Cost per Visitor	\$49.94	\$15.07	\$30.21	\$28.33	\$26.73	\$15.10	\$29.74	\$20.95	\$32.25	\$31.40	\$23.35
Staff salaries as a % of total expenses [Median]	48.6%	54.5%	53.5%	56.0%	50.8%	63.9%	60.8%	45.8%	39.9%	49.9%	50.9%
Collections care as a % of total expenses [Median]	6.4%	4.1%	9.9%	4.9%	8.5%	26.7%	17.3%	1.2%	10.0%	8.0%	9.4%
Marketing Budget as a % of total expenses	4.4%	8.4%	5.4%	3.8%	2.2%	4.1%	4.5%	7.5%	4.0%	4.1%	4.4%
Marketing Expenses Per Visitor [Median]	\$2.15	\$0.93	\$1.61	\$1.14	\$0.50	\$0.85	\$1.22	\$1.32	\$1.00	\$1.29	\$1.05

Source: 2009 Museum Financial Information, American Association of Museums, 2009

2.2 Benchmarks from Selected Canadian Art Galleries

The following table offers available benchmark data from the larger city art galleries in Canada as reported to the Council for Business and the Arts in Canada (CBAC) in 2009/10 and from information in the files of Lord Cultural Resources. Data are set out in alphabetical order for the:

- Art Gallery of Alberta, Edmonton
- Art Gallery of Ontario, Toronto
- Musée des beaux-arts de Montréal
- Musée national des beaux-arts du Québec, Québec City
- McMichael Canadian Collection, Kleinburg (suburban Toronto)
- National Gallery of Canada, Ottawa
- Winnipeg Art Gallery

It must be noted that the figures for the Art Gallery of Ontario are skewed by the fact that the data are for the opening year after a grand re-opening. Attendance levels in the following year declined by about 28%. Data for the Vancouver Art Gallery are for 2011 while admission charges for all are current from the web sites of each Gallery in March 2012. Among the highlights of the data and potential implications to the future VAG are the following points:

- **Size of Exhibition Space has an Impact on Attendance Levels:** The existing Vancouver Art Gallery offers about 44,000 net sq. ft. (nsf) of inefficiently laid out exhibition space. The program for the future VAG calls for about 86,500 nsf of well planned interior exhibition space. This will still be substantially smaller than the size of the exhibition space at the Art Gallery of Ontario, the Museum of Fine Arts in Montreal and the National Gallery in Ottawa. These are also the highest attended Galleries, confirming the *positive impact of size on first time and repeat visitation levels of a larger space and thus the likelihood for higher attendance at the future VAG. On the other hand size also increases capital and operating costs. The plan for the future VAG seeks to achieve a balance.*
- **Admission Charges have an Impact on Attendance:** One of the issues facing art galleries/museums is the need to balance the imperatives of revenue generation with the need to mitigate perceptions of elitism. Factors that can suggest elitism are a museum's location, building architecture, programming, hours of operation and admission charges. Admission charges are particularly important. The existing VAG already has the highest admission charge, but the charge shown on the table reflects a winter discount and adds HST. Charges during the warm weather months are higher at \$22.50 and this contributes to the VAG having a high ratio of admissions revenue per visitor. This highlights again the important question of how much higher, if at all, admission charges should be when larger, better quality spaces are offered. Noteworthy as well is that most of the Galleries, including the VAG, offer substantial discounts to children. Galleries offering spaces and programming of particular interest to children do not require as large a discount. Better facilities and programs oriented to children are assumed as part of the plan for the new VAG.

- **The Attendance Growth Potential for VAG is Demonstrated in the Experience of Other Galleries:** The data indicate substantial opportunities for attendance growth on the basis of larger, better quality facilities. This is seen in the visitors per square foot exhibition space data and the attendance data related to population size.
- **Very Substantial Membership for VAG Indicates a Strong Base of Support and the Seeking of Value for Money Relative to Admission Charges:** With an average of about 18,000 memberships over the past five years the VAG ranks very high for memberships per thousand Metro population. This appears to indicate both a strong base of support to build upon in larger, better quality facilities and also the seeking of value for money in membership due to relatively high existing admission charges.
- **Operating Budgets Vary Widely and Increases will Need to be Controlled at the New VAG:** The operating budget of the VAG in 2012 is expected to be about \$13.5 million. This is substantially lower than the 2009/10 figures for the National Gallery (\$59 million) and the Art Gallery of Ontario (\$56 million) and also less than the Montreal Museum of Fine Arts (\$28.2 million) and the Fine Arts Museum in Quebec City (\$16.8 million). ***Although the operating budget will need to increase substantially it is recognized by VAG senior management that the extent of the increase will need to be controlled to help ensure an operational sustainability.***
- **Sources of Operating Revenue Vary Widely and All Sources will Need to Increase in the New VAG Facility:** The data indicate that about 86% of the operating revenues of the National Gallery of Canada are from government sources, almost exclusively from the federal government while the Galleries in Quebec City and Montreal report 75% and 60%, respectively, of their operating revenues from government sources with the McMichael in Toronto at 66%. The range for the others is 33% to 40% government. For the VAG it was about 25% in 2011. ***One of the reasons for higher governmental support in the other examples is that some serve a national or provincial mandate.*** Noteworthy is that the earned income percentage of the existing VAG operation trails only one of the seven galleries compared while its percentage from private sources is the highest.
- **Staffing Levels:** A larger facility will certainly require increased staffing levels. However, caution in the extent of the staff growth is very important as seen from the examples in the following section of this chapter.

	Vancouver Art Gallery	Art Gallery of Alberta, Edmonton	Art Gallery of Ontario, Toronto	Musee des beaux-arts de Montreal	Musee national des beaux-arts du Quebec	McMichael Collection, Suburban Toronto	National Gallery of Canada, Ottawa	Winnipeg Art Gallery	Average	Median
Size of Exhibition Space (net sq. ft.)	44,448	30,015	138,114	109,100	37,167	28,013	84,488	22,401	64,185	37,167
Adult Admission Charge, March 2012	\$19.60	\$12.50	\$19.50	\$15.00	\$15.00	\$15.00	\$9.00	\$10.00	\$13.71	\$15.00
Youth/Child Admission Charge, March 2012	\$7.00	\$8.50	\$11.00	\$9.00	\$4.00	\$12.00	\$4.00	\$8.00	\$8.07	\$8.50
On-Site Attendance	233,772	110,817	878,478	549,571	292,994	97,990	354,153	40,171	332,025	292,994
Visitors per Sq. Ft. Exhibition Space	5.26	3.69	6.36	5.04	7.88	3.50	4.19	0.29	4.42	4.19
Metro Population, 2011	2,313,328	1,159,869	5,583,064	3,824,221	765,706	5,583,064	1,236,324	730,018	2,697,467	1,236,324
Visitors per 1,000 Metro Population	101.05	95.54	157.35	143.71	382.65	17.55	286.46	55.03	162.61	143.71
Memberships	18,000	5,234	36,099	27,205	6,210	2,705	11,411	4,096	13,280	6,210
Memberships per 1,000 Metro Population	7.8	4.5	6.5	7.1	8.1	0.5	9.2	5.6	5.9	6.5
Revenue from Admission Fees	\$1,705,000	\$831,361	\$217,244	\$1,449,296	\$793,946	\$539,470	\$1,393,000	\$217,244	\$777,366	\$793,946
Admissions Revenue per Visitor	\$7.29	\$7.50	\$0.25	\$2.64	\$2.71	\$5.51	\$3.93	\$5.41	\$3.99	\$3.93
Admissions Revenue as a % of Total Operating Revenue	12.6%	13.8%	0.4%	5.1%	4.7%	6.8%	2.4%	2.7%	5.1%	4.7%
Operating Revenue	\$13,554,000	\$6,034,357	\$56,355,332	\$28,191,289	\$16,861,407	\$7,972,616	\$59,006,000	\$8,196,184	\$26,088,169	\$16,861,407
% Earned	47.5%	44.6%	39.3%	34.5%	22.8%	28.1%	9.7%	54.8%	33.4%	34.5%
% Private/Endowment	27.6%	22.5%	20.6%	6.0%	1.8%	5.9%	4.5%	9.8%	10.2%	6.0%
% Government	24.0%	32.9%	40.1%	59.5%	75.4%	66.0%	85.8%	35.4%	56.4%	59.5%
FTE Staff (assumes pt at 0.33)	87.3	46.0	372.7	167.0	119.3	60.0	262.0	48.3	153.6	119.3
Volunteers	200	125	800	350	190	38	300	486	327	300

Source: Canadian Business for the Arts Annual Survey of Public Museums & Art Galleries 2009-2010 and the files of Lord Cultural Resources. VAG data are for 2011.

2.3 Impact of Expansion and Relocation on Selected Art Museums

The tables that follow illustrate the impact of expansion and relocation on selected art museums in the United States. Data are provided for pre-expansion, the year or two after expansion and several years after the expansion/relocation. The museums considered are the Denver Art Museum, Nelson Atkins Art Museum in Kansas City, Museum of Modern Art in Fort Worth, and the Asian Art Museum in San Francisco.

As with the VAG, the reasons for relocation and expansion are often primarily mission-related and intended to provide better environmental and security conditions for collections, more space to show them, to enable larger temporary exhibitions, and also to increase public and educational programming opportunities. However, as seen from some of these examples, *a mistake made by some US art museums that underwent an expansion and relocation was to be over-confident in their revenue generation abilities. This resulted in increases to staffing levels and other parts of the operating budget that were not sustainable.*

In considering the before and after data it must be cautioned that attendance levels at art museums vary in large part on the basis of the specific exhibitions offered. Moreover the operating budget figures may also reflect the state of the economy at the time, particularly in the aftermath of the recession of 2008/09 and continued economic uncertainties that often resulted in attendance increases due to the “staycation” phenomenon but reductions in the overall operating budget due to declines in private support and the value of endowments. Nonetheless certain patterns emerge. For example, a common pattern is for attendance levels to increase substantially in the opening year or two after re-opening, and then decline, sometimes also substantially.

Even when attendance levels do not decline, another phenomenon is that staff levels and operating budgets have needed to be reduced a few years after the expansion. Also common is a shift from full-time to part-time staff positions.

2.3.1 Denver Art Museum

As seen on the following table, the Denver Art Museum increased its exhibition space substantially from about 130,000 nsf to about 209,000 nsf. The Museum over-estimated the extent to which the positive impact of the expansion on attendance would last as it went from about 426,000 before the expansion to 629,000 in the year after it. However, attendance levels declined to about 404,000, albeit in a recession (but also in a period with a strong staycation phenomenon) and required substantial cuts in staffing and operating expenditures. Staffing levels had increased from 116 to 158 FTE after opening then was forced to reduce it to 126 FTE. Similarly the operating budget increased from about \$21.3 million to \$26.0 million before being reduced to \$20.3 million in 2010. The negative impacts are seen on membership levels and earned income.

Name of Art Museum/Gallery	Before Expansion	After Expansion	After Expansion	Comments	Relevant Websites
Denver Art Museum, (major expansion, reopened in 2006)	2001*	2008	2010	The Museum over estimated attendance expectations, and increased their hiring to meet the expected attendance. Following the opening of the Museum, in 2007 they had to buyout employees and let go a number of them due to a \$4-\$10 million operating shortfall. Adult admission charge (2011): \$13 Child admission charge (2011): \$5	http://www.denverpost.com/entertainment/ci_7056138
Total Building Size (gross sq. ft.)	282,890	440,969	440,969		http://www.westword.com/2007-04-12/culture/denver-art-museum/
Total Exhibition Space (net sq. ft.)	130,495	208,564	208,564		
Retail Space (net sq. ft.)	3,222	7,603	7,603		
Food Service Space (net sq. ft.)	9,122	9,190	9,190		
Full-Time Employees	116	158	126		
Part-Time Employees	79	179	162		
FTE Employees	n/a	270	168		
Total Reported Annual On-Site Attendant	446,471	629,358	404,378		
% School Groups on Site	2.5%	n/a	0.03%		
Visitors per sqft exhibitions space	3.4	3.0	1.9		
Total Memberships	40,152	31,897	23,979		
Total Operating Expenses	\$21,319,871.0	\$26,049,731.0	\$20,283,476.0		
% Personnel Expenses (includes benefits)	41.3%	43.3%	49.7%		
% Marketing/PR Expenses	6.2%	7.4%	7.8%		
Operating Income (%)**					
% Income from Earned Sources	29.2%	20.6%	17.5%		
% Income from Private Sources	28.2%	48.8%	49.6%		
% Income from Endowment Sources	3.9%	2.5%	0.0%		
% Income from Government Sources	38.7%	28.1%	33.0%		
Source: Lord Cultural Resources					
*Data generally reflects a year before the survey					
**Figures as reported and sometimes do not add to 100%					

2.3.2 Museum of Modern Art, Fort Worth

The Museum of Modern Art in Fort Worth increased its exhibition space from a very small 14,000 nsf to about 50,000 nsf. Staffing levels and the operating budget increased more substantially than the rate of attendance growth. Admission charges are still a relatively modest \$10 for adults with free admission offered to children.

Noteworthy is that membership levels grew far more substantially with the expansion and relocation and the level of decline several years after it is more modest than the decline in attendance. Noteworthy as well is that the Museum did not increase the size of its retail store in the expansion and actually reduced the size of its café. The decline in staffing levels and the total operating budget in 2010 relative to 2005 was modest.

Name of Art Museum/Gallery	Before Expansion	After Expansion	After Expansion	Comments	Relevant Websites
Museum of Modern Art, Fort Worth, (relocation and expansion, reopened December 2002)	1995*	2005	2010	Adult admission charge (2011): \$10 Child admission charge (2011): FREE	http://themodern.org/
Total Building Size (gross sq. ft)	39,592	163,500	163,500		
Total Exhibition Space (net sq. ft.)	14,378	50,000	50,000		
Retail Space (net sq. ft.)	2,000	2,025	2,025		
Food Service Space (net sq. ft.)	3,600	2,700	2,700		
Full-Time Employees	26	57	53		
Part-Time Employees	8	28	43		
FTE Employees	n/a	n/a	54		
Total Reported Annual On-Site Attendance	108,966	181,833	156,026		
% School Groups on Site	n/a	4.5%	9.7%		
Visitors per sqft exhibitions space	7.6	3.6	3.1		
Total Memberships	1,147	5,122	4,530		
Total Operating Expenses	\$3,879,897.0	\$8,010,597.0	\$7,657,458.0		
% Personnel Expenses (includes benefits)	32.3%	47.8%	52.9%		
% Marketing/PR Expenses	4.7%	3.5%	5.5%		
Operating Income (%)**					
% Income from Earned Sources	10.2%	23.3%	10.7%		
% Income from Private Sources	16.5%	51.4%	40.9%		
% Income from Endowment Sources	59.3%	29.8%	24.3%		
% Income from Government Sources	0.5%	n/a	n/a		
Source: Lord Cultural Resources					
*Data generally reflects a year before the survey					
**Figures as reported and sometimes do not add to 100%					

2.3.3 Nelson Atkins Art Museum, Kansas City

The Nelson Atkins Art Museum offers free admission to its permanent exhibitions and charges for temporary exhibitions. It increased its exhibition space from 76,000 nsf to 142,000 nsf and attendance of 311,000 before the expansion grew to 403,000 in the year after the expansion was completed. This was far lower than the projection of 650,000 visitors which influenced management decision-making.

Noteworthy is that the operating budget in 2010 is higher than it was in 2008. However, this is largely because the bulk of its operating income continues to be from an endowment to support operations. This confirms the wisdom of a commitment to substantially increase its endowment as part of a capital campaign by the VAG.

Name of Art Museum/Gallery	Before Expansion	After Expansion	After Expansion	Comments	Relevant Websites
Nelson Atkins Art Museum, Kansas City, (major expansion, reopened 2007)	2005*	2008	2010	The Museum predicted over 650,000 visitors. Though attendance increased immediately following the re-opening, it fell short of the predictions. Adult and child admission charge (2011): Admission to the Museum is FREE for all visitors. There may be a charge for special exhibitions.	http://www.artinfo.com/news/story/27960/expanded-nelson-atkins-boosts-attendance-but-still-sees-room-to-grow/
Total Building Size (gross sq. ft.)	321,328	486,857	486,857		
Total Exhibition Space (net sq. ft.)	76,000	111,203	142,505		
Retail Space (net sq. ft.)	710	710	2,283		
Food Service Space (net sq. ft.)	10,495	10,495	10,542		
Full-Time Employees	179	209	181		
Part-Time Employees	62	70	26		
FTE Employees	n/a	237	182		
Total Reported Annual On-Site Attendance	311,566	403,744	358,404		
% School Groups on Site	11.0%	0.03%	18.2%		
Visitors per sqft exhibition space	4.1	3.6	2.5		
Total Memberships	10,425	13,302	10,967		
Total Operating Expenses	\$16,065,483.0	\$21,830,381.0	\$23,384,584.0		
% Personnel Expenses (includes benefits)	64.5%	57.8%	60.5%		
% Marketing/PR Expenses	1.68%	n/a	15.25%		
Operating Income (%)**					
% Income from Earned Sources	12.7%	9.1%	14.1%		
% Income from Private Sources	18.5%	28.1%	28.9%		
% Income from Endowment Sources	67.0%	60.4%	52.9%		
% Income from Government Sources	0.1%	4.0%	2.0%		
Source: Lord Cultural Resources					
*Data generally reflects a year before the survey					
**Figures as reported and sometimes do not add to 100%					

2.3.4 Asian Art Museum, San Francisco

The relocation and expansion of the Asian Art Museum included a relatively modest increase in exhibition space from 32,500 nsf to 41,700 nsf of space. The data in the table below indicate substantially increased attendance, membership levels, staffing levels and the operating budget but that investment mistakes were primarily responsible for a financial crisis that led to substantial reductions in staff and the operating budget. That is, whereas the endowment accounted for over 26% of operating revenues in 2005 it represented only 0.1% in 2010.

Name of Art Museum/Gallery	Before Expansion	After Expansion	After Expansion	Comments	Relevant Websites
Asian Art Museum, San Francisco, (relocation and expansion, reopened March 20, 2003)	1999*	2005	2010	The Museum is currently facing a financial crisis, due to a combination of lower attendance and troubled hedge fund investments from 2005. Adult admission charge (2011): \$12 Child admission charge (2011): FREE	http://www.asianart.org/
Total Building Size (gross sq. ft.)	70,800	170,010	170,010		http://articles.sfgate.com/2010-11-15/bay-area/24832396_1_board-directors-jpmorgan-chase-bankruptcy
Total Exhibition Space (net sq. ft.)	32,500	35,261	41,706		
Retail Space (net sq. ft.)	300	2,895	2,895		
Food Service Space (net sq. ft.)	n/a	3,905	3,905		
Full-Time Employees	65	133	98		
Part-Time Employees	10	22	83		
FTE Employees	n/a	n/a	127		
Total Reported Annual On-Site Attendance	165,000	343,227	380,551		
% School Groups on Site	3.4%	4.5%	5.0%		
Visitors per sqft exhibitions space	5.1	9.7	9.1		
Total Memberships	9,002	18,761	16,744		
Total Operating Expenses	\$12,065,637.0	\$24,877,329.0	\$20,700,255.0		
% Personnel Expenses (includes benefits)	76.2%	41.4%	54.1%		
% Marketing/PR Expenses	12.1%	10.4%	8.7%		
Operating Income (%)**					
% Income from Earned Sources	8.0%	11.7%	26.1%		
% Income from Private Sources	63.2%	42.6%	38.1%		
% Income from Endowment Sources	15.7%	26.4%	0.1%		
% Income from Government Sources	13.0%	18.5%	35.7%		
Source: Lord Cultural Resources					
*Data generally reflects a year before the survey					
**Figures as reported and sometimes do not add to 100%					

2.4 Analysis of Other Public Art Galleries in the Vancouver Centered Region

Some existing galleries in the region include the following examples:

- The **Burnaby Art Gallery** is located in an historic house in Deer Lake Park, along with the Shadbolt Centre for the Arts and the Burnaby Village Museum. All are operated by the City of Burnaby's Parks, Recreation and Culture Department. Its collections total 4,250 catalogued works of art, many of which are held in off-site storage. Data from its 2009 annual report indicates total annual attendance of 14,863, of which 7,411 attended as part of education programs. Admission is free. On-site educational programs attracted 1,440 students. The Gallery also attracted 1,730 for public programs. Some 23 programs attracted 1,273 visitors, while 48 registered programs drew 457 persons. A total of 20 staff is listed, about half of which are part time. Some 48 volunteers provided 1400 volunteer hours.

- The **Richmond Art Gallery** is part of the overall Richmond Cultural Centre, which is reported to attract 200,000 annual visitors. Gallery attendance is much lower. The Gallery vision is “to be one of the most important public galleries in Canada and to increasingly enlarge our audiences and their understanding and enjoyment of contemporary art.” The Gallery offers three spaces that combine for 3,500 sq. ft. of exhibition space. It is open until 6 p.m. on weeknights and 5 p.m. on weekend nights, with a 9 p.m. opening on Thursday evenings. Admission is free including on family Sundays.
- The **Surrey Art Gallery**'s mission is to engage the public in an ongoing dialogue about issues and ideas that affect our numerous communities as expressed through contemporary art, and to provide opportunities for the public to interact with artists and the artistic process. It accomplishes these aims through exhibitions, programs and publications of contemporary art created since 1975. To meet its mandate, the Surrey Art Gallery acquires, manages, researches, preserves, and exhibits work from its contemporary art collection, held in trust for present and future citizens of the City of Surrey. It has focused on digital media since 1999. The Gallery operates with a full-time staff of four, supported by six part-time and several contracted staff. In 2010 the Gallery attracted 6,115 general visitors, plus 9,600 who attended in school programs and 3,435 who attended interpretive programs.
- The **Contemporary Art Gallery, Vancouver**, is located in a 9,000 sq. ft. commercial space donated by a developer plus \$450,000 in return for a four-story density bonus. A private fundraising campaign generated \$1.4 million to develop needed capital funds. Operating funds are raised every year to support the limited earned income generated.
- The **Charles H. Scott Gallery (Emily Carr University)** is a 10,000 sq. ft. space on the campus and is used primarily by students. The University evolved from the Vancouver Art School, which was founded over 75 years ago and has an Enrollment of 1,750, some 35% of whom are international. The school and Gallery have a strong focus on digital media and industrial design.

2.5 The Experience of Two Other Selected Museum-Related Institutions

The Vancouver Art Gallery is already the major art gallery in Western Canada and its status will be further elevated with the planned expansion and relocation. Senior management of two other selected museum-related institutions were interviewed as part of the study process to provide market, operational and financial benchmarks. These included the Vancouver Aquarium and the Vancouver Museum.

2.5.1 Vancouver Aquarium

The Vancouver Aquarium is a mass market attraction with strong appeal to families. Some 70% of visitor parties included children among the 900,000 visitors attracted in 2011. About 96% of Aquarium visitors pay admission compared to the 63% paid admissions for the VAG.

The total school visitation to the Vancouver Aquarium is about 40,000 students on self-guided visits per year and paying \$12 per pupil. An additional 20,000 pay higher amounts to take part in special programs.

Like the VAG the Aquarium offers a price difference depending on the season. This strategy serves to encourage fewer residents to visit during the summer when over-crowding becomes an issue. The market is nonetheless primarily a local and regional one with residents of the Lower Mainland accounting for 75% of all visitors, Other Canada 7%, the United States 8% with international visitors at 10%.

There are additional charges for parking with all of the revenues from parking going to the City of Vancouver.

The Aquarium makes an entire building available for rent at \$6,000 per evening. It operates with a staff of 300 FTE which grows to 400 FTE during the peak summer season. Staff are supported by 1,400 volunteers.

The operating budget is about \$25 million of which about 80% is visitor-generated, 8% other earned and 12% contributed. Government funds are sought only for specific capital projects and for some educational programs. The Aquarium is currently in the midst of a \$60 million capital campaign, with an objective of \$35 million from the private sector, \$15 million from the federal government and \$10 million from the provincial government.

2.5.2 Museum of Vancouver

The Museum of Vancouver (MOV) attracts about 65,000 visitors per year. This relatively low figure is believed by management to reflect a site that is isolated from the vibrancy of the central city and the limited capital reinvestment in the facility as it seeks to relocate from the site. The existing site of the Vancouver Art Gallery is viewed as a potential site for the Museum of Vancouver and is deemed to be appropriate given its central location in the heart of the city and the historic origins of the building as a courthouse.

The market for MOV is about 54% residents, 31% tourists and 15% school groups. And it has about 850 memberships. The adult admission charge is \$12.00. The Museum is closed on Mondays except during July and August. Thursday evening openings to 8 p.m. are offered on a year-round basis.

MOV operates with a staff of 18 full-time and 5 part-time personnel. With summer students and others the total is 25 FTE. Its operating budget is about \$2 million, of which 32% is earned 4% private and 64% from government sources, mostly the City of Vancouver. The Museum has no endowment to support operations.

The capacity for rentals is about 100 persons seated at round tables and about \$116,000 is generated per year, or about 6% of total operating revenues.

This chapter has established context for the recommendations and assumptions set out in Chapter 4 of this report and benchmarks for the attendance, operating revenue and expense projections in Chapter 5.

3. Market Analysis

This chapter analyzes existing markets for the Vancouver Art Gallery (VAG) at its current site as well as potential resident, school and tourist markets for a new site and the expanded facilities associated with it. Analysis of revenue and costs centres will take place in the context of the financial projections in Chapter 5.

3.1 Existing Markets for the VAG

The Vancouver Art Gallery currently occupies about 172,000 gross sq. ft. of space of which about 119,000 is net useable space. Exhibition space accounts for 40,448 net square feet (nsf) of the useable space. This is about 34% of the total and somewhat below the 40% range for exhibition space considered the norm. The reason is primarily the poor layout and wasteful nature of existing spaces given the limitations of the adaptively reused former courthouse building. As discussed in Chapter 1 important market-related objectives of the new VAG include more exhibition space to build attendance and repeat visitation levels and hence the value associated with membership. And the new facility is to have better sized and quality spaces to boost earned income levels associated with retail, food service, charged programs and rentals. This includes an auditorium which does not exist in the current space.

The VAG opens daily on a year-round basis with regular hours from 10 a.m. to 5 p.m. with the exception of “by donation” Tuesdays during which the museum remains open to 9 p.m. These visitors and a substantial number of memberships cause 37% of the total visitors to be categorized as free and 63% paid. The popularity of the by donation Tuesdays in which people line up to enter the Gallery raises the issue of current admission charges and what they might be in larger, better quality facilities. The warmer weather adult admission charge in 2012 is \$22.50 including HST whereas the cooler weather adult price was \$17.50 plus HST.

Total annual attendance in art galleries varies primarily by the popularity of specific exhibitions. Attendance levels in the past three years at the VAG were also affected by the Olympics in 2010, in which free admission during the event and a blockbuster Leonardo de Vinci exhibition caused attendance levels to reach close to 388,500 visitors. In 2009 it was about 311,500 and in 2011 was about 233,800. Attendance levels are projected to be in the range of 260,000 visitors in 2012. Peak months for attendance are generally in the summer and low months in the winter and this is reflected in the admission charge differential.

Among other important market profile data are the following points associated with 2011 attendance:

- **School Group Visitors:** The VAG attracted about 17,200 school group visitors of which about 80% were at the elementary school level. Relatively low admission charges to school groups help to maximize access, taking into account that the existing facility does not have dedicated classroom, programming or auditorium space. There is a flat fee charge of only \$50 for up to 30 students for self-guided visits or \$100 for a 2-hour experience that includes both a docent guided tour and a workshop. The teacher and student preference is reported to be for docent-guided tours. Given the limited space available for workshops the school program is operating at capacity and some school groups have needed to be turned away. The school group charges also reflect the fact that art galleries/museums have greater difficulty attracting school groups relative to science and history museums. That school groups accounted for about 6-7% of total VAG visitors over the period from 2009 to 2011 is nonetheless within the normal range for art galleries/museums. ***Both the percentage and the number of school groups served should increase in larger and better new facilities.***
- **Rentals Visitors:** Some 16,700 of the 233,800 visitors in 2011 arrived for rentals. In 2010 it was about 25,000 and in 2009 about 21,000. Art galleries/museums are the most successful type of museum-related institution in attracting corporate and personal functions. ***A new VAG should be able to increase the number of rentals, attendees and the revenues earned from them.***
- **Origin of Visitors:** About 20% of visitors lived in downtown Vancouver, 36% from elsewhere in Greater Vancouver, 8% from elsewhere in BC, and 10% from other parts of Canada. Some 12% were from the USA and 14% from other international countries. It is likely that resident attendance will be substantially higher during the initial year or two of the new facility and that tourism attendance will build over time.
- **Gender:** Women account for about 57% of all non-school visitors. This is within the usual range and should not change substantially in new facilities.
- **Party Composition:** The highest percentage of visitors arrives in a party of two (51%) followed by those who arrive alone (31%). Some 14% arrive in a larger visitor party of family or friends excluding children, 7% arrive with children and 7% in an organized group. The data indicate a ***potential growth opportunity for adults attending with children. This is an important part of the planning for the new VAG, including a children's gallery and other studio and digital art opportunities, which should help to boost attendance levels.***
- **Age:** That children account for only 7% of total non-school visitors is despite a modest admission charge of \$7.00 for children aged 5-12 relative to the \$22.50 adult charge and free admission for children under 5,. As discussed, the new facility is to include spaces and programs to encourage more child attendance.
- **Diverse Audiences** Caucasians account for 68% of all visitors with Asians at 14% and 18% for all others. Strategies to boost attendance from these market segments will be important in the context of opportunities associated with the new facility as discussed in Chapter 4.

- **First Time and Repeat Visitors:** The VAG reports that 67% of all respondent visitors in 2011 had visited within the previous 12 months. The ideal is considered to be 50-60% repeat visitation in a given year. While a high level of repeat visitation is positive, there will be a need to attract more first-time visitors in the context of the new facility. ***Strategies to reach out to children, teenagers, school groups, tourist and other market segments should enable first time visitation levels to increase in the future.***
- **Weekday and Weekend Attendance:** The norm is generally 50% each but the VAG reports 68% weekend attendance despite the by donation Tuesdays. Increased school visits and new programming opportunities should help to boost weekday attendance.
- **Average Length of Stay:** School groups are reported to spend about 120 minutes in the VAG, with first time visitors and tourists at 105 minutes and repeat visitors and members at 90 minutes. This is already a substantial length of stay but larger exhibition halls and other facilities such as an auditorium facility and programming space should increase it further. ***The increased length of stay will boost the value of admission charges and memberships and boost exposure to the retail store and cafe.***
- **Member Visits:** The VAG has a very successful membership program that totalled about 15,300 in 2011/12 but has averaged close to 18,000 memberships in the past five years. Members account for close to 23% of all visits. Not surprisingly, membership increases around high appeal exhibitions and well known artists. A larger new VAG is likely to lead to more repeat visits and hence the value of membership. ***A substantial increase in membership levels is most likely at opening so strategies such as a discounted two-year membership will be important to help sustain the perceived value of membership after the opening excitement.***

3.2 Potential Markets

In this section we consider the implications of the available data and interview process to potential resident, school and tourist markets for the future Vancouver Art Gallery (VAG).

3.2.1 Resident Markets

The resident market is important to the VAG and all museums and related institutions for the following main reasons:

- The resident market is readily accessible and available on a year-round basis.
- Residents can be made aware of the VAG and its exhibitions and programs more easily and cost-effectively than may tourists.
- Residents are most likely to be repeat visitors.
- Residents are more likely to become volunteers, members and donors.
- Residents often advise, and accompany, visiting friends and relatives.

The Statistics Canada Census data is being released in stages. Available at this point are population data from the 2011 census. The other categories use 2006 census data.

3.2.1.1 Population Size and Projections

The following table offers an overview of population totals and growth trends for the City of Vancouver and the Vancouver Census Metropolitan Area (MSA) compared to provincial and national figures. Also included are projections for 2021 and 2031. The data show a substantial resident population base and that the population growth of the Vancouver CMA will slightly exceed the provincial average and substantially exceed growth for the City of Vancouver alone. **Although City of Vancouver residents will remain the primary resident market, the data confirm the importance of attracting suburban and regional residents and thus the wisdom of a greater focus on family opportunities in the future VAG.**

Resident Population							Vancouver City/CMA as % of Provincial Population and BC as % of Canadian Population			
			Projected	Projected	% Change Projected	% Change Projected				
	2006	2011	2021	2031	2011-2021	2011-2031	2006	2011	2021	2031
City of Vancouver	578,041	603,502	673,000	705,000	10.3%	14.4%	14.1%	13.7%	12.8%	11.9%
Vancouver CMA	2,116,581	2,313,328	2,780,000	3,129,000	16.8%	26.1%	51.5%	52.6%	53.0%	52.6%
British Columbia	4,113,487	4,400,057	5,243,000	5,947,000	16.1%	26.0%	13.0%	12.7%	13.8%	14.2%
Canada	31,612,897	34,532,400	38,025,000	41,740,000	9.2%	17.3%				

Source: Statistics Canada 2011 Census and 2010 Projections Catalogue no. 91-520-X Scenario M-1 Medium Growth and historical immigration trends

3.2.1.2 Age

The market for art galleries generally skews older, and most have difficulty attracting children. This is seen from the experience of the current VAG operation in which only 7% of non-school visitors are children. Conversely some 29% of visitors to the VAG are aged 60 or older. This is also consistent with art gallery/museum norms. **With the aging of the large baby boom generation and a tendency for people to live longer this is positive for the future market of the Vancouver Art Gallery.** Seniors, however, tend to be price conscious and this is a factor that will need to be considered in admission charges. Admission charges are also an important issue for young adults who no longer have the same access to the money of their parents and the following chapter thus includes a recommendation/ assumption to address the issue.

It is well known that regular attendance at museums or galleries as a child increases the likelihood for attendance when they become adults. Audience development for the VAG thus requires it **to seek to boost appeal to younger visitors, hence the recommended children’s gallery and more studio opportunities, while still maintaining appeal to the traditional older market segments.** A recommendation associated with an increased emphasis on digital art/media is intended to help increase appeal to teenagers.

The table that follows indicates a median age of City of Vancouver residents that is younger than that of the CMA, province or nation. This is not a reflection of a high percentage of children but rather the large number of young singles who are more oriented than average to attending an art gallery. However, they also tend to be quite price conscious, as currently seen by their tendency to wait to attend on the by donation Tuesday evenings.

Key Age Distribution, 2006	City of Vancouver %	Vancouver CMA %	British Columbia %	Canada %
0-14 years	12.8%	16.3%	16.5%	17.7%
65 years and older	13.1%	12.8%	14.6%	13.7%
Median Age	38.6	39.1	40.8	39.5

Source: Statistics Canada, 2006 Census

3.2.1.3 Education and Income

Level of education is the variable with the closest correlation to cultural attendance and participation. The higher the level of education of the individual the more likely it will be that this person will attend or participate. Like education, household income is an important indicator of potential cultural attendance, but is not as significant an indicator as education. That is, high education, low-income persons are more likely to attend than are persons of high income and low education.

As seen on the table below, the percentage of the population with a university degree or diploma is substantially higher among residents of the City of Vancouver than for the overall CMA, and both are substantially higher than provincial and national averages. The data confirm that City of Vancouver residents are most likely to attend an art gallery. In contrast, the household income levels of City residents is substantially lower than the other jurisdictions compared while the median per capita figures are in the same range. This indicates a much higher percentage of singles living in the City. However, it also confirms the likelihood for price sensitivity and the need for the future VAG to keep it in mind if it wishes to maximize access to the future facility.

Educational Attainment and Household Income, Population 15+	City of Vancouver	Vancouver CMA	British Columbia	Canada
University diploma or degree	32.5%	24.6%	19.3%	18.1%
Median household Income	\$47,299	\$55,231	\$52,709	\$53,964
Median per Capita Income	\$26,989	\$27,596	\$25,722	\$25,615

Source: Statistics Canada 2006 Census

3.2.1.4 Gender

Women account for a slightly larger percentage of the population but are generally a more important market for culture than men are for the following main reasons:

- Women tend to make the decisions in a household regarding educational experiences for their children. Therefore, the greater the perceived educational benefits of cultural opportunities the more likely they will be selected;
- Women account for a large majority of teachers who usually make the decisions regarding school field trip destinations;
- Women tend to make the decisions regarding attractions to visit while on family vacations and account for a large majority of bus tour passengers and trip planners.

Some 57% of existing non-school visitors to the VAG are women. Some considerations with respect to the greater importance of women as a market for an art gallery include the need to offer ease of access by public transportation and automobiles, convenient parking and the perceived safety of the area.

3.2.1.5 Ethnicity

As seen from the following table, the City and Vancouver CMA are far more ethnically diverse than national averages and also British Columbia as a whole. The majority of City residents were categorized as visible minorities in 2006 and the figure is likely larger today. A slight majority had a non-English mother tongue and a larger majority (54%) was first generation immigrants. Persons of Chinese ancestry accounted for over 29% of all City residents and 18% of CMA residents compared to a national average of less than 4%. At present the VAG reports about 14% of its visitors are of Chinese and other Asian descent. ***The data indicate the importance of a continued focus on contemporary Asian artists and various community relations initiatives that recognize the importance of Chinese Canadian and other Asian Canadian markets.*** The Asia Pacific has long been an artistic priority of the Vancouver Art Gallery. A recent example is that the VAG accepted an invitation from the Shanghai Biennale to represent Canada in the 2012 City Pavilion.

Immigrant, Ethnicity and Related Data, 2006	City of Vancouver	Vancouver CMA	British Columbia	Canada
% First Generation Canadians (15 and older)	54.1%	47.2%	33.0%	23.9%
% Visible Minority	51.0%	41.7%	24.8%	16.2%
% Chinese Ancestry	29.4%	18.2%	10.0%	3.9%
% Non-English Mother Tongue	50.1%	42.0%	27.9%	20.6%
<i>Source: Statistics Canada, 2006 Census</i>				

3.2.2 School Markets

The limited spaces available in existing facilities mean that the Vancouver Art Gallery education program is operating very much at close to capacity. Some school field trips are reported to have been turned away for this reason. It is important for the VAG to increase opportunities to offer programming of particular interest to the school market for the following main reasons:

- Education is an important part of the mandate of the VAG and all other museum-related attractions. There needs to be opportunities to broaden and deepen participation from this important market;
- Children brought to the Gallery as part of school field trips may convince their parents to take them again;
- For children in lower income/education families attending on a field trip is often the only opportunity to attend.

Whereas school groups often represent 15% to 25% of total attendance for science and historical museums, they generally account for 5-10% of attendance at art museums/galleries. This has also been the case for the VAG.

The key determinants for schools to attend on field trips are the size of the student population within a convenient distance, relationship to curriculum, student enjoyment, proximity and cost.

3.2.2.1 Enrollment Levels and Projections

Although the Vancouver Art Gallery should seek to attract students from a wide geographic area the reality of transportation times and cost means that the vast majority of field trips will continue to be from within the Metro Vancouver area and within it primarily from the Vancouver School District. The following table sets out Enrollment levels in 2009/10 for public and independent schools and indicates a large potential market. Enrollment levels have declined by about 1.1% from 2004/05 and are projected to increase but at a lower rate of growth than that of the overall population.

2009/10 School Enrollment in Greater Vancouver Region by School District			
	Public Schools	Independent Schools	All Schools
Burnaby	23,867	2,971	26,838
Coquitlam	30,502	2,254	32,756
Richmond	22,619	1,873	24,492
Surrey	64,906	9,218	74,124
Vancouver	53,516	12,612	66,128
Total	195,410	28,928	224,338
<i>Source: BC Ministry of Education 2010</i>			

3.2.2.2 Curriculum Links

The Vancouver Art Gallery reports that about 80% of school group visits are by children at the elementary level. Art instruction is compulsory at the elementary level and an elective at the secondary level. Some 10-15% of all teaching time at the elementary level per week must be given to Arts Education. This may be art, dance, drama or music. The number of secondary school children who selected visual arts as an elective is not available in the Vancouver School District but is available for Burnaby and thus a useful indicator. The Burnaby data indicate that 4,104 students in grades 8-12 take visual arts courses of 11,117 students in those grade levels, about 37% of the total.

The table that follows is a summary of the British Columbia Ministry of Education Visual Arts Curriculum as prepared in 2010.² Opportunities for the Vancouver Art Gallery would appear to be strongest if starting in grade 2 for “responding to art works.” Grade 4 adds “distinctive styles of visual images from various historical, cultural, and social contexts”, while Grade 6 adds “interpreting responses to artworks and exhibitions.” Exploring and creating images is part of the curriculum at all grade levels for an increasing level of materials, technologies and processes as the children get older.

² http://www.bced.gov.bc.ca/irp/course.php?lang=en&subject=Arts_Education&course=Arts_Education_Visual_Arts_K_to_7&year=2010

Visual Arts K to 7: At a Glance

Kindergarten	Grade 1	Grade 2	Grade 3
<ul style="list-style-type: none"> • using image sources such as imagination, observation, and stories • exploring, identifying, and creating images using <ul style="list-style-type: none"> – the image development strategy of elaboration – visual elements of colour, line, and shape – the principle of pattern • exploring and creating images using a variety of materials, technologies, and processes • creating images for a variety of purposes • various purposes of visual arts • responding to artworks 	<ul style="list-style-type: none"> • using a variety of image sources (e.g., imagination, observation, stories) • exploring, describing, and creating images using <ul style="list-style-type: none"> – the image development strategy of magnification – visual elements of colour, line, shape, and texture – the principle of pattern • exploring and creating images using a variety of materials, technologies, and processes • creating images for a variety of purposes • awareness of safety and environmental considerations for the use of materials, technologies, and processes • various purposes of visual arts • personal preferences for artworks • displaying individual and group artworks 	<ul style="list-style-type: none"> • using a variety of image sources (e.g., feelings, imagination, observation, memory) • exploring, describing, and creating images using <ul style="list-style-type: none"> – the image development strategies of simplification and abstraction – visual elements of colour, line, shape, and texture – the principle of symmetrical balance • exploring and creating images using a variety of materials, technologies, and processes • creating images for a variety of purposes • safe and environmentally responsible use of materials, technologies, and processes • variety of reasons people make and use visual arts • responding to artworks • displaying individual and group artworks 	<ul style="list-style-type: none"> • using a variety of image sources (e.g., imagination, observation, stories) • exploring, describing, and creating images using <ul style="list-style-type: none"> – the image development strategies of multiplication, superimposition, and fragmentation – visual elements of colour, line, shape, and texture – the principle of radial balance • exploring and creating images using a variety of materials, technologies, and processes • creating images for a variety of purposes • safe and environmentally responsible use of materials, technologies, and processes • variety of reasons people make and use visual arts • differences between original artworks and reproductions • responding to artworks created for a variety of purposes • reasons for preferences • displaying individual and group artworks

Grade 4	Grade 5	Grade 6	Grade 7
<ul style="list-style-type: none"> • using a variety of image sources • drafting and sketching ideas for images • exploring, comparing, and creating images using <ul style="list-style-type: none"> – the image development strategies of animation, serialization, and stylization – a range of visual elements, including form – the principles of contrast and emphasis • exploring and creating images using a variety of materials, technologies, and processes • creating images for a variety of purposes • safe and environmentally responsible use of materials, technologies, and processes • variety of reasons people make and use visual arts • distinctive styles of visual images from various historical, cultural, and social contexts • ethical considerations for copying and appropriating images • types of artists in the community • responding to artworks created for a variety of purposes • reasons for preferences • working co-operatively to develop a group display 	<ul style="list-style-type: none"> • using a variety of image sources • drafting and sketching ideas for images • exploring, analysing, and creating images using <ul style="list-style-type: none"> – the image development strategies of rotation and reversal – a range of visual elements, including tone and value – the principle of movement • exploring and creating images using a variety of materials, technologies, and processes • creating images for a variety of purposes • safe and environmentally responsible use of materials, technologies, and processes • distinctive styles of visual images from various cultures and historical periods • ethical considerations for copying and appropriating images • opportunities for visual arts in the community • responding to artworks created for a variety of purposes • reasons for preferences • collaborating to develop a group display 	<ul style="list-style-type: none"> • using a variety of image sources • compiling ideas for image making (e.g., visual journal) • exploring, analysing, and creating images using <ul style="list-style-type: none"> – the image development strategies of point of view, magnification, and minification – a range of visual elements, including space – the principles of rhythm and asymmetrical balance • exploring and creating images using a variety of materials, technologies, and processes • creating images for a variety of purposes • safe and environmentally responsible use of materials, technologies, and processes • historical and cultural contexts of images • ethical considerations for copying and appropriating images • personal opportunities for visual arts in the community • interpreting responses to artworks and exhibitions • collaborating to develop a group display 	<ul style="list-style-type: none"> • using a variety of image sources • compiling ideas for image making (e.g., visual journal) • exploring, analysing, and creating images using <ul style="list-style-type: none"> – the image development strategies of juxtaposition, metamorphosis, distortion, and exaggeration – a full range of visual elements – the principle of unity • exploring and creating images using a variety of materials, technologies, and processes • creating images for a variety of purposes • safe and environmentally responsible use of materials, technologies, and processes • historical and cultural contexts of images • visual art styles from various social, cultural, and historical contexts • relationship between artists and their contexts • ethical considerations for copying and appropriating images • personal opportunities for visual arts • structured critical response to artworks and exhibitions • individual and group displays for various purposes

Noteworthy as well is that the Vancouver School Board offers an Artist in Residence (AIR) Program that brings professional artists into the classroom to develop artist led workshops with students in the following areas: drama, dance, music and visual art. The AIR program is administered with funding from the BC Arts Council, Vancouver Foundation and the Vancouver School Board. The program aims to achieve the following goals:

- to give students the opportunity to meet local professional visual and performing artists who will share their expertise
- to have local professional visual and performing artists share ideas and thereby help students and teachers deepen their understanding of the arts
- to have local professional visual and performing artists lead students in activities which encourage personal exploration and development through the arts
- to integrate the Fine Arts across the curriculum
- to enrich curricular areas

The artist will generally spend a full-day at a school to conduct five sessions during the course of the day. ***The AIR Program is often favoured over field trips because it is more economic to pay an artist to come into the school than it is to pay for transportation and the cost of admission to a museum or gallery and because it avoids time away from school and the need to get agreement from other teachers. All of these factors have contributed to a decline in the number of field trips.***

3.2.2.3 Interactivity and Student Enjoyment

Field trips have often been selected according to the extent to which they provide hands-on, interactive participation. There is a growing emphasis on selecting field trip destinations that are learning-based and age-appropriate in relation to both content and activities, but also “fun” and interactive, thus offering students higher levels of learning enjoyment. This is rooted in the knowledge that children are more likely to learn if their experience is interesting and enjoyable. And it is one of the reasons that science centres/museums are priority field trip destinations. Other reasons are discussed in the following section. Assumptions for the new VAG set out in Chapter 4 include a more substantial level of interactivity than has been possible in existing facilities, including four studios, one of which is a computer-equipped digital media studio. This will allow the VAG to supplement the core drawing and painting opportunities with animation and other opportunities.

Interviews suggested that the VAG must overcome a perception held by some teachers that one may view art and understand historical context on line or that periodic artist in residence visits to the school are adequate without the need to physically visit a public gallery. ***The making of art in high quality studio space is seen to be of particular importance and a motivator to get teachers to view the “real thing” in the Art Gallery. One opportunity to be further explored in new facilities is to look at math and science through art and to focus on how technology has changed art. This would allow for a multi-disciplinary art-science focus.***

3.2.2.4 Field Trip Policies and Cost

There are no mandated field trips in Vancouver. Teachers select the field trip opportunities and must justify them on the basis of curriculum-based benefits for approval by the Principal. Although field trips take place throughout the school year, they are generally completed in April to allow for a focus on final exams.

There are very limited funds available from the schools to pay for field trips. The students/parents must pay for all costs with the exception of “teacher on call” costs. These are the costs, generally \$300 per day, required to provide a substitute teacher when the classroom teacher takes students from one or more classes on field trips. Some funds are also provided in cases when parents do not provide money for the field trip. Public transportation is often used within Vancouver to help control costs as the cost of school bus transportation is otherwise the primary cost associated with field trips. Cost of admission is also an important factor in field trip selection.

A factor that serves to limit field trips in general is the window of opportunity when school buses are available. This is typically between when students arrive in the morning and depart from the schools in the afternoon and generally between 9:30 a.m. and 2:00 p.m. The easy access by public transportation to the site of the new VAG is thus a positive factor.

With limited funds, time and other impediments to field trips in general art galleries face substantial competition from science centres/museums that are usually the most selected field trip destinations. This is because science centres/museums are often believed to help result in better academic achievement, offer more interactivity, and because they are preferred by many parents who wish to encourage their children to pursue careers in the sciences. More art-science links, interactivity and opportunities to create a variety of art forms are all important for to boost the likelihood of school field trips to the new VAG.

3.2.3 Tourist Markets

The *BC Tourism Strategy: 2012-2016* includes reference to objectives for world-class visitor experiences. The Vancouver Art Gallery would like to use its expansion and relocation to help achieve that objective. This section considers available data and input from key informants and relevant studies regarding potential tourist markets for Vancouver and cultural tourists in general, including planning implications to the relocated and expanded VAG.

Interviews with tourism officials indicated that Vancouver is not currently positioned or strongly perceived as a cultural destination but rather as a “city on the edge of nature.” There may be an opportunity for an expanded and relocated VAG to widen the positioning of Vancouver to make it an even stronger tourism destination. The tourism officials interviewed recommended the need to engage a younger audience, to add more First Nations art as the demand exceeds the existing supply in the area, to focus on periodic blockbuster level exhibitions and the stars of the collection, including Emily Carr and Jeff Wall.

3.2.3.1 Tourism to the Greater Vancouver Area

Among the data of note regarding the tourism market for Greater Vancouver are the following points:

- **Origin of Overnight Visitors:** In 2011 some 8.3 million overnight visits to the Greater Vancouver area took place, compared to 8.4 million in 2010 and 8.1 million in 2009. About 32% were residents of elsewhere in British Columbia, 12% from Ontario, 9% Alberta and 10% from elsewhere in Canada. Canadians thus account for about 62% of all overnight visitors, with Americans at 23%, Asia-Pacific countries at 9% and all others at 6%. With a decline in US visitation attributable to a high Canadian dollar, passport requirements, border crossing times and other factors, the Asia Pacific tourism market is seen to be of increasing importance.
- **Cultural Overnight Visitors:** This is a primary market segment for the VAG. Data for 2009 indicates that about 40% of all visitors took part in at least one cultural opportunity. The primary purpose of trip of overnight cultural visitors was pleasure travel (64%), followed by visiting friends and relatives (21%) and business (11%). Business visitors have little time available to attend cultural opportunities. However, pleasure travelers do have the time and inclination while visiting friends and relatives are an important potential market because they are influenced by the residents they are visiting. Some 47% of cultural visitors arrived alone with less than 14% arriving in a party of three or more. About 55% are women. Of particular importance is that close to 52% of visitors attended a museum or art gallery. A 2009 study by the US Cultural and Heritage Marketing Council reported that 78% of adult US travelers attended a cultural activity or event while on a trip; 24% of those interviewed planned to take a trip whose primary purpose was to attend cultural or heritage destination. This suggest about one quarter of Americans may be categorized as a cultural tourism market. Cultural tourists are more likely to attend museums or galleries (54%) historic sites (66%), or an arts or crafts fair or festival (45%). ***Cultural tourists spend one-third more than non-cultural tourists. Cultural tourists take 20% more trips than non-culture tourists.***
- **City Tour Market:** *Gaining the Edge: A Five-Year Strategy for Tourism in British Columbia* (2012-2016) lists "city experiences" among the province's Key Tourism Products. However, the analysis also indicated that Alberta was the only priority market source where City experiences were not strong. Ontario, Washington, California, Mexico, Japan, South Korea, China, Australia, Germany and the United Kingdom were all identified to offer strong city experiences. Nonetheless, developing and marketing unique and exciting exhibitions should enable the VAG to maximize attendance from this market segment.

- **Heritage Tourism and Touring Sector Market Segments:** Tourism British Columbia prepared a Touring Product Overview (April 2009) that profiled the Heritage Tourism Sector. Within this market segment some 41% of BC tourists attended an art gallery, compared to 40% of other Canadians and 44% of Americans. This indicates a good level of crossover within this market segment. The same study profiled the Touring Sector. Among findings relevant to the VAG are that about 36% of British Columbia residents reported attending an art gallery on a guided tour in British Columbia compared to 35% of Canadians and 37% of US visitors. Among 15 activities listed art galleries ranked 12th for BC residents, 11th among other Canadians and tied for 10th among Americans. Noteworthy as well is that the large majority of tour group passengers tend to be women, who also account for the majority of visitors to art galleries. The data indicate an opportunity for an expanded and relocated VAG to increase the percentage of guided tours that include an art gallery experience.
- **Cruise Market:** Vancouver is a home port and generally not a stopping port for cruise ships. The opportunities for the VAG and other cultural attractions are among those who arrive a day or two in advance. Most people depart immediately after the cruise. Interviews with tourism officials suggested that the greatest interest among those arriving for cruise vacations was First Nations art and blockbuster level exhibitions.
- **Convention Market:** The conventions market is far more likely than business travelers to have time to visit museum-related attractions, particularly when there are spouses programs. An even greater likelihood is to have one out of hotel or convention center function. In that regard art galleries are often the most selected given their ambience and “class.” The VAG is seen to fit the demographics of convention delegates well because most are in the 45-65 age range that is peak for art galleries. On the other hand, the convention market is 55-60% male whereas the art gallery market is 55-60% female.

The data indicate the importance of cultural tourism and the role an expanded and relocated VAG might play in enhancing the cultural tourism infrastructure of Vancouver.

The following chapter takes the analyses in this and the previous chapter into account to form the basis of recommendations set out that once finalized will serve as assumptions underlying the attendance, operating revenue and expense projections in Chapter 5.

4. Assumptions

This chapter sets out a series of assumptions associated with the future Vancouver Art Gallery (VAG). The assumptions emerge from approved consultant recommendations and client direction, and serve to provide the basis for the projections of attendance, operating revenues and expenses as presented in Chapter 5.

4.1 Site and Space

- ***The site is assumed to be 688 Cambie Street.*** This offers a purpose-built new facility specific to the needs of the VAG on two-thirds of the 3-acre site with the other third to be an office or other commercial building to be determined by the City of Vancouver. The main factors in support of the site are the inter-related issues of availability and timeliness. That is, Cambie is available immediately and this will allow the new facility to be open at least 2.5 years earlier than the Post Office site also considered in a high level assessment of the two sites by a variety of consultants. Timeliness is very important to aging funders who have expressed frustration at how long it has been taking to designate a site. Another important factor considered is that there would be no capital cost saving associated with adaptive reuse of the Post Office to offset the limitations of needing to adapt to a facility constructed for the purposes of a post office. In contrast to the Post Office site Cambie has no heritage, land claim, hazardous materials or demolition issues. The new site will offer proximity to the Queen Elizabeth and Playhouse performing arts facilities and to the CBC, helping to create a cultural cluster. And it offers good proximity to the Sky Train, enabling people to travel to the Gallery using public transportation and other advantages in terms of attendance and revenue generation.
- It is assumed that the new VAG site will be able to use a prestigious West ***Georgia Street address.***
- Although this is at a pre-design stage, it is assumed that the ***architecture for the new facility will make the VAG welcoming and permeable.*** An idea heard in the interview process included opportunities to see into studio spaces from the outside of the building and/or from the free admission lobby space as part of an overall strategy to break down barriers that some people have associated with attending an art gallery/museum.
- The total size of the building is estimated to increase from the current 172,000 gross square feet to about ***311,000 gross square feet.***

- **Exhibition space will nearly double** from the current inefficiently laid out 44,000 nsf to about 86,500 nsf. The increase will allow substantially more of the permanent collection to be shown.
- **New programming spaces** include an auditorium and four studios/classrooms that will offer opportunities to create art for children and adults, including traditional drawing and painting as well as digital art and cartooning opportunities as discussed further below in the context of visitor experience recommendations/assumptions.
- **Off-site storage has not been assumed.** This reflects concerns about the high cost of finding reasonably priced space storage space nearby, security issues and also implications to staffing and other operating costs. The space program includes 7,000 nsf of on-site storage space.
- Although subject to modification in detailed architectural design the space program is assumed to be as prepared in the Deborah Frieden *2011 Facilities Space Program for New Vancouver Art Gallery*. The **main spaces of the program are summarized** as follows.

	Existing Interior	Assumed Future Interior	Existing Exterior	Assumed Future Exterior
Exhibitions	40,448	86,500		5,000
Education and Programs	6,059	21,400	8,720	10,000
Visitor Services	15,157	37,300	6,759	10,000
Collection Management	33,881	49,220		
Administration	12,421	19,980		
Building Services & Operations	11,354	25,130		
Net Program Area	119,320	239,530	15,479	25,000
Gross Program Area	172,320	311,389		

4.2 Capital Costs, Endowment and Funding Sources

- The **all-in total capital/project cost** for the new Vancouver Art Gallery is estimated at this pre-design stage at about **\$300 million**.
- The VAG has an endowment whose principal is about \$11 million. It has been assumed that the capital fundraising campaign will **add \$50 million in endowment principal in advance of opening and that this combined \$61 million endowment amount will be restricted**. That is, if there are cost over-runs or if insufficient funds are raised for construction then compromises will be made with the construction and that the endowment to support operations will not be touched.

- The **funding sources** for the total \$350 capital cost and endowment are assumed to be \$100 million from the federal government, \$100 million from the Province of British Columbia and \$150 million from private sector fundraising. The contribution from the City of Vancouver is assumed to be the value of the City-owned Cambie Street site, as well as remaining the largest single source of annual operating support.

4.3 Governance and Staffing

- The Vancouver Art Gallery is a not-for-profit organization supported by its members, individual donors, corporate funders, foundations, the City of Vancouver, the Province of British Columbia through the British Columbia Arts Council and the Canada Council for the Arts. Although interviews suggested a desire for the Gallery to receive significant provincial funding support in the same manner as the Art Gallery of Alberta, Art Gallery of Ontario, Montreal Museum of Fine Art and Art Gallery of Nova Scotia, such a change in the funding and governance structures has not been assumed. Nor is a name change recommended given the strength of the Vancouver Art Gallery brand nationally and internationally.
- It is recommended that the Vancouver Art Gallery consider increasing its role as a resource to other art galleries and education providers throughout British Columbia. This could include an expansion of the Gallery's subsidized provincial exhibition touring program, new distance learning initiatives, conferences, symposia and other management assistance services to be provided by the professional staff of the future VAG to organizations that do not have such resources. Doing so will add to the staffing requirements of the Gallery but should also provide the basis for increased operational support from the Province of British Columbia.
- It is assumed that **staff levels will increase** from the current 86 full-time equivalent (FTE) to approximately 130 FTE.

4.4 Collections and Visitor Experience

Specific recommendations/assumptions are as follows:

- Larger exhibition spaces mean that much ***more of the permanent collection will be on display***. The permanent collection very much represents the heritage of British Columbia and there are plans to include artist archives in the new Gallery. Larger spaces for more collections on view will enhance the visitor experience and the likelihood of repeat visits and memberships. This in turn boosts the likelihood of donated income from collections donors appreciative their collections are on public view.
- ***Donations of additional collections*** that have long been contemplated will be provided in the context of implementation of the new facility.
- ***An increased variety of art classes and workshops will be available for all age and skill levels***. This reflects introduction of four multi-purpose classrooms/studios. Flexible art studio/classroom space will accommodate classes and workshops in a range of artistic disciplines. Studio space will be able to accommodate easels, live models for drawing classes, printing equipment, oil painting, photography, digital art, animation, video art and new media. Classes will take place all day, with school groups, seniors and art clubs using the space during business hours, and classes for teens and adults in the evenings and families on weekends depending on market demand.
- The galleries, studios, artist archives, black box and lecture spaces outlined earlier will accommodate a ***larger range of activities***, making the VAG a more appealing destination for families, school groups, young adults, singles, couples and retired residents.
- ***More children's and teen-related programming will be implemented in the context of studio and workshop space***. The focus will be on K-12 not on pre-school children. Interviews noted the presence of new media companies in Vancouver as potential partners.
- ***Classroom space will*** enhance opportunities for the creation of art as well as discussion while students are within the VAG.

- The **lobby area** will be welcoming not only because it offer free access to café, retail and other opportunities but also on the basis of increased volunteer activities and new technologies within it.
- The Gallery will continue to invest in periodic **blockbuster level temporary exhibitions**. These will attract more visitors and generate more earned and contributed income but will also be costlier. A blockbuster level exhibition is assumed for a 3-month period once every two or three years.
- A particular focus will be working with schools in lower income neighbourhoods and at risk children by increasing **after school** and other programming opportunities.
- The introduction of the auditorium will create opportunities for **performance art** and film that are not currently available.
- A **new media lab** will be introduced to offer opportunities associated with comics, games and other art forms and thus help to widen appeal to teenagers and other market segments more difficult to attract including at-risk youth.
- An **emphasis on behind the scenes tours opportunities** to include periodic talks with Conservators will be offered.
- **A greater degree of emphasis will be placed on exhibitions and programs with a particular focus on the Asia Pacific.**
- **A weekday afternoon strategy to target seniors and bus tours will be introduced.** A weekday afternoon strategy recognizes that weekend days are peak periods for family visits, while weekday mornings are when school groups are most likely to attend. Weekday afternoons are commonly slower attendance periods. The market segments for which weekday afternoons are particularly convenient are seniors and bus tours, which are often comprised primarily of seniors, but include more women than men.

4.5 Operational/Marketing Recommendations

Recommendations/assumptions are presented here regarding the VAG operating schedule, admission charges, revenue centres and other operational and marketing opportunities.

4.5.1 Operating Schedule

- At present the VAG opens daily from 10 a.m. to 5 p.m. with the exception of Tuesdays when the museum remains open to 9 p.m. and offers by donation or free admission during that period. **No changes are recommended to the regular operating schedule.**

- As discussed in Chapter 3, art galleries/museums have greater challenges in attracting children and school groups. To help the VAG attract larger numbers of school groups we recommend/ assume **a period of “exclusive school use” before 10 a.m. on open weekdays.**
- A **studio education program, with flexible hours** will be introduced. This might include exploration of periodic all-night access to specific studios if found to be feasible. This would require a separate entrance so studio users can come at any time. On most days it would involve school groups during the day and paid usage by adults in evenings, weekends and early mornings.

4.5.2 Admission Charges

- Existing admission charges (including the 12% HST in parentheses) at the Vancouver Art Gallery are as follows:

Ticket Category	October 3- May 25, 2012	May 26 –September 30, 2012
Adult (21-64)	\$17.50 (\$19.60)	\$20.00 (\$22.40)
Senior (65+)	\$12.50 (\$14.00)	\$15.00 (\$16.80)
Students (with ID)	\$12.50 (\$14.00)	\$15.00 (\$16.80)
Children (5-12)	\$6.25 (\$7.00)	\$6.25 (\$7.00)
Non-School Adult Group	\$16.50 (\$18.48)	\$17.50 (\$19.60)
Non-School Group – Other	\$11.00 (\$12.32)	\$13.00 (14.56)
School Group	Self guided for \$50 for class of up to 30 Docent guided for \$100 for class of up to 30 and includes workshop	Self guided for \$50 for class of up to 30 Docent guided for \$100 for class of up to 30 and includes workshop
Family rate	\$50.00 (\$56) [Two adults and up to four children age 5-12]	\$50.00 (\$56) [Two adults and up to four children age 5-12]
Free	Children under 5, members, sponsors, “by donation” Tuesdays. The “by donation” Tuesday evenings are sponsored by Sun Life for \$30,000 per year	Children under 5, members, sponsors, “by donation” Tuesdays. The “by donation” Tuesday evenings are sponsored by Sun Life for \$30,000 per year

A key question is what to do about admission charges at a larger, better quality facility for the VAG. Can it be increased over current levels? ***We recommend that unless there is a substantial improvement in the economy over the next few years that cause major increases in admission charges at other galleries across Canada and other museum-related attractions in Vancouver that current admission charges not be increased but rather retained at current levels for at least the opening year of the new Vancouver Art Gallery.*** Opening with no increase in admission charges should be marketed as a desire to celebrate the new facility with no increases in admission prices despite larger, better quality facilities.

Some recommended modifications to the structure of admission charges are as follows:

- ***Redefine adults as starting at age 25.*** This eliminates the need to ask students for ID and recognizes that the VAG should be welcoming to all young people whether or not they are university students. It is important to recognize that it is in their early 20s when youth who have completed their schooling are getting their first, often low paying jobs, are less likely to have access to the money of their parents, and are particularly cost conscious. Many stop attending museums or attend only during free admission periods and then maintain that pattern when they get older. A strategy of defining adults starting at age 25 is recommended for audience development.
- With the introduction of a children's hands-on gallery and studio opportunities this should allow the ***free admission age to be reduced from 5 to 3.*** Vancouver has no children's museum and so with no real competition hands-on art programs for children at the VAG should be popular.
- Although the free (by donation) Tuesday evenings creates a buzz with people lined up to get in the fact as well is that people defer potential visits and decline memberships because they expect to wait for a free Tuesday evenings to attend. It is assumed that consideration will be given to an alternative strategy of ***value added activities on Tuesday evenings instead of the free/by donation Tuesdays.*** In either case sponsorship should be sought to pay for the free admission or the value added performances, lectures, demonstrations and other opportunities to be developed by management.
- The VAG will ***seek sponsorship or otherwise assume the costs of distributing free admission tickets*** through social service agencies, religious institutions and schools to people who really need the free admission.
- Most temporary exhibitions will be included with the price of admission. It is assumed there will be ***one blockbuster level temporary exhibition every second or third year for a period of three months that will be capable of surcharge.*** For the purposes of these projections the *average* surcharge is estimated to be \$5.00.
- ***Discounts*** will be offered in association with hotels, other museums and additional opportunities that emerge.

- Admission will be described as a **“full day pass”** to enable visitors to leave to eat and shop then return, thus contributing to downtown revitalization and economic development.

4.5.3 Revenue Centres

Recommendations/assumptions associated with various revenue centres are set out here.

4.5.3.1 Retail

- **Two retail opportunities are assumed.** The main store will be 3,500 net square feet with a satellite store associated with specific exhibitions at 1,200 nsf.
- The **main retail store will be visible from and accessible to persons who do not pay to enter the VAG** in order to expose the retail store to more than Gallery visitors. In fact, access to an art gallery retail store is a way to help break down the intimidation factor experienced by some people with respect to attending a public art gallery/museum.
- **The retail store will be operated by VAG staff** and volunteers as opposed to being concessioned out. This will enable the Gallery to ensure an operation consistent with its mission and also serve to retain as much revenue as possible.
- The **product line will include** a selection of collection-related and other books and journals, reprints, souvenir type items as well as items that reflect the VAG brand.
- The program for the new VAG also includes 1,500 nsf for **art rentals/sales** compared to the current 793 nsf. It is assumed that the space will be contiguous but separate from the retail store and with separate staff.

4.5.3.2 Café/Restaurant

The key recommendations/ assumptions associated with food service are as follows:

- The size of the space allocated to food service will be as set out in the space program to include 5,000 square feet of interior seating space for up to 300 persons and seating for up to 250 persons in 3,000 nsf of exterior space if practical on the site. This is to be two separate spaces, one a more formal restaurant and the second a café.
- The **café/restaurant will continue to be concessioned out** to a private operator which will also be the preferred (but not exclusive) caterer for events/rentals in the VAG, as discussed further below.
- The **menu and pricing** will be similar to that of the current café operation but the restaurant will be more upscale.

- The food service will continue to be **visible and accessible** to those who may not pay to enter the exhibition gallery spaces.

4.5.3.3 Rentals

Rental of spaces in museums and galleries for functions and other events is the fastest growing revenue centre for museums/galleries and most new facilities are being designed to maximize income from this source. Among the various museum types art museums/galleries are the most successful in generating income from rentals because they offer the “class” and prestige often sought by corporate and other renters. Rental opportunities using lobbies during evening hours when museums are usually closed creates a very efficient use of the space. Some museums/galleries have developed other multi-purpose spaces to enable rentals to take place during museum open hours but this has not been recommended or assumed for the new VAG because such spaces tend to be unused for long periods of time and add to the capital and operating cost burden of a project.

The main space used for rentals in the current VAG is the lobby. It accommodates up to 200 seated or 350 for receptions. Other spaces include a 1,400 sq. ft. deck area that seats 80 and rents for up to \$6,500 per evening. This confirms the potential appeal of outdoor opportunities at the new site. The income generated from rentals is a substantial \$450,000 but there are opportunities for this figure to be increased substantially in the context of new purpose-built facilities.

Recommendations/assumptions associated with rental opportunities at the new VAG facility are as follows:

- **The main space to be used for sit down dinner rentals will be the Main Entrance Lobby**, and thus available only when the rest of the Gallery is closed. This space is 4,000 sq. ft. but useable space available for round tables will be somewhat less since it will include ticketing and information positions that are fixed. On the other hand there are contiguous spaces that will be capable of being combined with the main lobby space for larger rentals. These include a 1,000 sf school assembly area and a 1,500 sf member check-in and tour assembly area. An adjacent 1,500 sf artist/architectural installation area will be not accessible for rentals but will help to create the ambience to make the lobby area a desirable evening rentals venue. For the purposes of the financial projections in Chapter 5 of this study, we have assumed 5,500 sq. feet of good quality space for rentals. At 17.5 square feet per person this suggests a capacity of about 315 persons seated at round tables and twice that number for receptions.
- **Smaller rental opportunities** will be available in the 300-seat auditorium, the 2,000 sf Community Room, with a reception capacity of 200 and half that number for round table dinners and the Black Box Gallery and the café both on a periodic basis. The program also assumes exterior and tented opportunities as well and could accommodate in the range of 1,000 persons or more depending on the specifics of the site plan.
- **Film shoots** for movies and commercials will be permitted assuming adequate insurance and security is provided.

- The VAG will designate a short-list of **preferred caterers** to have near exclusive rights to events, with opportunities for other caterers for special circumstances like kosher or other specialty foods. It is assumed the caterer will have access to kitchen facilities.

4.5.3.4 Membership

There are essentially two main motivations for membership. The most common, particularly for the lower level membership categories such as family, individual and student, is value for money spent in unlimited free admission, discounts on retail purchases, programs and rentals. A second motivation is love of the institution and what it represents or else civic pride. These persons tend to become upper level members, in categories with names like patron, sustainer, benefactor, etc. and are easier to transition to donor categories. Upper level members receive tax receipts and often guest passes, discounts on space rentals and other benefits that vary by level.

The VAG reported 15,366 memberships and 29,262 members in 2011/12. The five year average is close to 18,000 memberships and over 35,000 members. It offered a version of a 2-year membership in 2010, which offered a full price for one year and the second year free. This half price promotion worked well but created a negative impact as renewals declined substantially when people expected the promotion to continue.

Recommendations associated with the future membership program are as follows:

- A **2-year membership** will be introduced offering a relatively modest discount in the range of 20%. This will be a particular priority during major exhibitions.
- The membership program will continue to include the provision of **guest passes**. However, it is recommended that upper levels members be encouraged to donate their guest passes to VAG to be made available to persons who cannot afford admission on the basis of VAG distribution of guest passes through religious institutions, social service agencies and schools for distribution. Those who do so will receive tax receipts.

4.5.3.5 Other Sources of Income

Other recommendations/assumptions associated with earned and other income sources are as follows:

- It is assumed the VAG will continue to alternate a **fundraising gala dinner every second year with an art auction the other year**.
- The VAG will encourage a volunteer to create an **interactive donation box** that not only seeks funds on the basis of supporting the mission of the institution but also on interactive features in which the box responds mechanically to the donation of money, perhaps something related to the mixing of colors. The existing donation box does not offer a message of why donations are needed and does not offer interactivity. Two or three donation boxes would be appropriate including at the no-charge coat check.

- A **menu of programming opportunities** available for sponsorship will be developed and promoted to potential private funders. This might include sponsored free admission tickets distributed through social service agencies, religious institutions and schools, special programming, sponsored curator positions, and other ideas developed by management.

4.5.4 Marketing

The best form of marketing is the product or visitor experience itself as it leads to favourable word of mouth. Much improved facilities at a new site featuring high quality exhibition space and enhanced public and educational programs and admission charges that will not increase should all help to boost resident, school and tourist attendance at the new VAG. Nonetheless additional marketing expenditures and other initiatives will also be required. For example, it is recommended/assumed:

- **The VAG marketing budget will increase** to help boost awareness and attendance levels and exposure to revenue centres, but also reflect the need to control operating costs.
- The VAG **web site and brochure** will focus very much on showing people enjoying their experiences and to communicate the opportunities available to visitors.
- Given the visual nature of an art gallery, **media placement** will focus primarily on print.
- The VAG will increase its focus on **Facebook, Twitter, an e-mail list serve, and other appropriate social media to target people** who do not use traditional newspapers and other firms of communication for information.
- The VAG will **implement strategies to boost attendance levels among Chinese and other Asian Canadian communities, as well as Asian tourists**. This will include a substantial increase in children's/family programming --- programs that have historically been well-attended by members of the Asian community--- that will be possible with dedicated spaces in a new facility as well as continued emphasis on presenting the work of artists from the Pacific Rim. In addition the VAG will produce printed visitors guides and exhibition materials in additional languages (Mandarin, Cantonese, other) and offer guided tours and programming in additional languages. The VAG will also continue the practice of holding dedicated Asian press events for designated exhibitions and increase advertising in Asian media (Ming Pao, Sing Tao, and others).

4.6 Other Assumptions

- The VAG will not be responsible for payment of any property **taxes**.
- The project will be free of debt and there would consequently be **no annual outlay for debt service** payable by the VAG.

- The assumption the new VAG will be a LEED Gold or equivalent building and higher than average energy efficiency will help to **control utilities costs**.
- All revenue and expense projections will be stated in year **2012 constant dollars**, thus a specific inflation factor is not included in our estimates. However, some revenues and expenses tend to increase at a higher rate than the rate of inflation.

It must be noted that financial projections are subject to the inherent uncertainties of the future. There is no representation that the projections will be realized in whole or in part. However, taking the assumptions into account and based on the scope of our work, we believe the projections to be set out in the next chapter are reasonable.

5. Attendance, Operating Revenue and Expense Projections

This chapter sets out projections of attendance, operating revenues and expenses for an expanded and relocated Vancouver Art Gallery (VAG) in its first three years of operation. The projections reflect Year 1 re-opening excitement and a blockbuster level exhibition in Year 3 while Year 2 reflects more of a normal, stabilized year of operation that would be applicable to most subsequent years. The projections are based on the contextual and comparables analyses in Chapter 2, the market analyses in Chapter 3 and the site, space, visitor experience, operational and other recommendations/ assumptions in Chapter 4 as well as the judgment and experience of the consultants.

All revenue and expense figures are in constant 2012 dollars. However, some revenues and expenses, including staffing costs, are estimated to increase at a rate above whatever the prevailing rate of inflation is. These are indicated where applicable. The projections build upon and combine a base level of actual existing attendance, revenue and expense figures for the VAG in 2011 and budget estimates for 2012. The figures for 2010 are skewed by the impact of the Olympics, including free admission, and so none of the 2010 data are used.

5.1 Attendance Projections

In order to estimate the number of visitors likely to attend the future Vancouver Art Gallery (VAG) the first step is a reasonable definition of who would or would not be defined as a visitor. For the purposes of this analysis a visitor is someone who will attend an exhibition or program within the VAG, including those who attend evening rentals. This definition excludes persons who only use the gift shop or café or who are served on outreach programs. It also excludes staff and volunteers, service and delivery people and those who access the Gallery through the internet.

5.1.1 Benchmarks Used for On-Site Attendance Projections

The benchmarking data detailed in Chapter 2 help to establish parameters for the attendance projections. These lead to a variety of ratios, and while each has its weaknesses, all have been used to either help create attendance benchmarks or to help guide our judgment. It must be noted that comparing attendance levels is inherently risky since there are a variety of definitions of what constitutes a visitor, as discussed above.

5.1.1.1 Extrapolation from Base Level Figures of the VAG

The attendance figures for the existing VAG cannot be comparable to what is being planned for the expanded and relocated new VAG facility but it is nonetheless useful to consider an extrapolation based on attendance per sq. ft. of exhibition space.

The VAG reported about 234,000 annual on-site visitors in 2011 but that was the year after the Olympics and somewhat lower attendance for that reason. Figures for 2012 are running higher and expected to be in the range of 260,000. For the purposes of these projections we have established **base level attendance at 260,000 annual visitors**.

The existing VAG offers 40,448 nsf of exhibition space. At 260,000 annual visitors that translates to about 6.43 visitors per net square feet of exhibition space. The assumption for the future VAG is for a total of 86,500 nsf of interior exhibition space. If the 6.43 visitors per net sq. ft. ratio of prior attendance is applied to the new VAG it suggests about 556,000 on-site visitors in a stabilized attendance year. This figure must be considered above the high end of a reasonable range given the fact that the ratio of visitors per square foot exhibition space tends to decline in larger spaces, as shown in the examples below. Therefore we have used judgment to indicate a 30% reduction, leading to an attendance estimate of **389,000 visitors** using this method.

5.1.1.2 Benchmarks from Art Galleries Surveyed by CBAC

The survey of 39 Canadian art galleries by the Council for Business and the Arts (CBAC) summarized in Chapter 2.1.1.2 leads to a ratio of 4.13 visitors per square foot of exhibition space. Applying this figure to the 86,500 net sq. ft. of exhibition space for the new VAG suggests and attendance total of about **357,000 visitors**.

5.1.1.3 Benchmarks from Seven Selected Canadian Art Galleries

Among the 39 art galleries surveyed by CBAC are seven selected for a greater level of comparability to the VAG and Vancouver, as discussed in Chapter 2.2. These are:

- Art Gallery of Alberta, Edmonton
- Art Gallery of Ontario, Toronto
- Musée des beaux-arts de Montréal
- Musée national des beaux-arts du Québec, Québec City
- McMichael Canadian Collection, Kleinburg (suburban Toronto)
- National Gallery of Canada, Ottawa
- Winnipeg Art Gallery

Among attendance ratios emerging from these examples are the following points:

- **Visitors per Net Sq. Ft. Exhibition Space Applied to the VAG:** As seen in the table the average and median figures of visitors per net square foot of exhibition space are 4.42 and 4.19, respectively, with the mid-point at 4.31. Applying this figure to the assumed 86,500 net sq. ft. of exhibition space for the VAG indicates an attendance of about **373,000**.

- **Visitors per Thousand Metropolitan Population Applied to VAG:** The data here indicate average and median figures of 162.61 and 143.71, respectively with the mid-point at 153.16. Applying this figure to the population of the Vancouver CMA leads to an attendance estimate of about **354,000**.

The average of the size and population ratios from the five selected comparables is about 364,000 visitors to the VAG in a stabilized year of operation, assumed to be Year 2 for the new VAG.

	Vancouver Art Gallery	Art Gallery of Alberta, Edmonton	Art Gallery of Ontario, Toronto	Musee des beaux-arts de Montreal	Musee national des beaux-arts du Quebec	McMichael Collection, Suburban Toronto	National Gallery of Canada, Ottawa	Winnipeg Art Gallery	Average	Median
Size of Exhibition Space (net sq. ft.)	44,448	30,015	138,114	109,100	37,167	28,013	84,488	22,401	64,185	37,167
On-Site Attendance	260,000	110,817	878,478	549,571	292,994	97,990	354,153	40,171	332,025	292,994
Visitors per Sq. Ft. Exhibition Space	5.85	3.69	6.36	5.04	7.88	3.50	4.19	0.29	4.42	4.19
Metro Population, 2011	2,313,328	1,159,869	5,583,064	3,824,221	765,706	5,583,064	1,236,324	730,018	2,697,467	1,236,324
Visitors per 1,000 Metro Population	112.39	95.54	157.35	143.71	382.65	17.55	286.46	55.03	162.61	143.71

Source: Canadian Business for the Arts Annual Survey of Public Museums & Art Galleries 2009-2010 and the files of Lord Cultural Resources. VAG data are base level estimate.

5.1.1.4 Benchmarks from US Art Museums that Expanded

Chapter 2.3 sets out the experience of four US art museums that relocated and/or expanded. The most recent data from each are used to develop ratios of visitors per square foot exhibition space and visitors per thousand MSA (Metropolitan Statistical Area) population and then applied to the Vancouver Art Gallery.

- **Visitors per Square Foot Exhibition Space:** The average and median figures are 4.17 and 2.82 respectively, with the mid-point at 3.50. Applied to the 86,500 nsf of exhibition space assumed for the new VAG, this leads to an attendance estimate of about **302,000**.
- **Visitors per Thousand MSA Population:** The data here indicate average and median figures of 139.29 and 166.70, respectively with the mid-point at 153.99. Applying this figure to the population of the Vancouver CMA leads to an attendance estimate of about **356,000**.

The mid-point of these figures is about 329,000 visitors using these examples.

	Vancouver Art Gallery	Denver Art Museum	Nelson Atkins Museum, Kansas City	Museum of Modern Art, Fort Worth	Asian Art Museum, San Francisco	Average	Median
Size of Exhibition Space (net sq. ft.)	44,448	208,564	142,505	50,000	41,706	110,694	96,253
On-Site Attendance	260,000	404,378	358,404	156,026	380,551	324,840	369,478
Visitors per Sq. Ft. Exhibition Space	5.85	1.94	2.52	3.12	9.12	4.17	2.82
Metro Population, 2011	2,313,328	2,553,240	2,047,710	3,257,750	2,163,905	2,505,651	2,358,573
Visitors per 1,000 Metro Population	112.39	158.38	175.03	47.89	175.86	139.29	166.70

Source: Files of Lord Cultural Resources. Population for Fort Worth is shown as 50% of the population of the Dallas-Fort Worth MSA and 50% of San Francisco Oakland MSA. VAG data are base level estimate.

5.1.1.5 Consideration of Attendance Projections for VAG from Earlier Studies

It is useful to also consider the attendance projections of other firms that conducted earlier business planning and projections studies for the Vancouver Art Gallery:

- Economics Research Associates conducted a *Feasibility Study for the Proposed Vancouver Art Gallery Expansion* in 2007 and projected attendance at “as much as 450,000 visitors per year.” If the 450,000 is assumed as opening year attendance and is a common 20% higher than subsequent years this suggests stabilized attendance in the range of about **360,000** visitors per year.
- PriceWaterhouseCoopers conducted an Economic Impact Analysis and Report in 2008. The attendance projections were 666,000 in Year 1 and 555,000 to 571,000 visitors in the next four years built upon an assumed base level of attendance at VAG that would be in the range of 444,000 to 470,000 based on historical increases. Assuming the same level of increase in attendance each year is of course questionable. More useful is the level of increase over the base level, which PriceWaterhouseCoopers estimated at 222,000 in Year 1 and 101,000 to 108,000 in subsequent years. Starting with a base level of 260,000 visitors this would suggest Year 1 attendance of 482,000 and 361,000 to 370,000 in subsequent years, or a mid-point of **366,000**.

The mid-point of the attendance estimates from prior studies is **363,000 annual visitors in a stabilized attendance year**.

5.1.1.6 Averaging of Figures from the Benchmarks

It is clear that there is no single simple formula that leads to accurate attendance projections. However, the figures that emerge from the methods used are in a very similar range. ***The table here indicates that once all the estimates are averaged, attendance at the Vancouver Art Gallery would be in the range of 360,000 visitors in a stabilized year of operation***, including persons attending on-site exhibitions, programs, events and evening rentals.

Benchmarking Method	Attendance
Extrapolation from Existing Data for VAG	389,000
Benchmarks from Art Galleries Surveyed by CBAC	357,000
Benchmarks from Seven Selected Canadian Art Galleries	364,000
Benchmarks from US Art Museums that Expanded	329,000
Consideration of Attendance Projections from Earlier Studies	363,000
Average from Benchmarks (rounded)	360,000

5.1.2 Factors Suggesting Higher or Lower Attendance Projections for VAG

The ratios above suggest an attendance range in a stabilized year of operation (Year 2) at about 360,000 visitors to the Vancouver Art Gallery. However, as previously referenced, each of the methods above has its limitations and weaknesses. The following points represent factors that suggest actual attendance levels will be either higher or lower than indicated in the various ratios and thus help to guide our judgment:

- A Welcoming and Permeable Building:** Although in a pre-design stage an important planning principle to guide the future architecture is a welcoming and permeable building intended to mitigate the intimidation factor felt by some persons regarding attending an art gallery/museum. This is positive for potential attendance.
- Visitor Experience Oriented to the General Public:** The substantial emphasis on participatory art programs and with more capacity for hands-on learning should lead to higher attendance than indicated by the ratios above. New programming spaces include an auditorium and four studios/classrooms that will offer opportunities to create art for children, teenagers, adults and seniors, including traditional drawing and painting as well as digital art and cartooning opportunities. Also positive are an emphasis on behind the scenes tours opportunities to include periodic talks with Conservators, exclusive school group access before 10 a.m., a weekday afternoon strategy, and especially a greater degree of emphasis on exhibitions and programs to offer strong appeal to specific ethno-cultural communities. Of particular importance are Chinese and other Asian Canadian communities.
- Limited Competition:** The other art galleries in the Vancouver-centred region are very small and have limited ability to attract substantial numbers of visitors, with no known plans for major expansions. This factor is considered neutral since it does not reflect a change.
- Frozen Admission Charges:** Freezing admission charges at current rates despite a much larger, better quality facility should contribute to higher attendance levels.
- Larger and Better Quality Rentals Spaces will Boost Evening Rentals Attendance/Business:** Art galleries/museums tend to be the most successful museum type in generating evening rentals business. This should increase substantially for the VAG in a new facility.
- Large and Growing Regional Population:** Population growth projections will substantially exceed the national average for at least the next two decades.

- **Educational and Income Market Indicators are Positive:** The demographic data in Chapter 3 indicate substantially higher levels of educational attainment and somewhat higher than average levels of income for city and regional residents. It is persons with higher levels of educational attainment and income who are more likely to attend museums in general and art galleries in particular.
- **Increased Studio Opportunities Balanced Against Declining School Enrollment and Fewer Field Trips:** The declining Enrollment and trend to fewer field trips for financial reasons suggests greater challenges in attracting school markets and thus represents a negative factor associated with potential attendance. However, this may be offset somewhat by an assumed greater emphasis on studio opportunities.
- **An Excellent Site but Not as Centrally Located as the Existing Site:** The deficiencies of the existing Vancouver Art Gallery have to do with the building not the site itself, which is as centrally located in the downtown as possible. The assumed Cambie Street site is very well located and offers closer proximity to Sky Train public transportation. Moreover, interviews also suggested that development in downtown Vancouver is moving in the direction of the Cambie Street site. However, there is an element of uncertainty that needs to be taken into account and is thus a slightly negative factor relative to the base level attendance for the existing site.
- **More Substantial Marketing Expenditures:** An assumption of an increased marketing budget should help to increase attendance levels somewhat, recognizing that there is a need to limit the size of the operating budget, including marketing expenditures.

Taking the points above into consideration suggests that the positive factors substantially outweigh the negative ones and thus an attendance level in a stabilized year of operation that is higher than indicated in the various ratios. We estimate attendance levels in Year 2 at **380,000 visitors**.

5.1.3 Projected Attendance Patterns and Levels

We have estimated stabilized Year 2 attendance of 380,000. This attendance estimate should be considered as the annual norm for the new VAG, or the stabilized attendance figure.

Exceptions will be the opening year and when blockbuster-level temporary exhibitions are scheduled.

Virtually all new and relocated/expanded museums or galleries experience their highest attendance level in the first year. This is because of the novelty factor and the media attention paid to a newly opened or reopened attraction, which causes area residents to be more likely to attend. ***Opening year attendance is estimated to be close to 20% higher because of this phenomenon, or 450,000 annual visitors.***

Attendance levels at art galleries/museums vary on the basis of the popularity of specific exhibitions, so for the purposes of the projections the 380,000 stabilized attendance level represents an “average” level of appeal of exhibitions, which is assumed for most years. However, blockbuster level exhibitions, which are expensive to acquire, have a very positive impact on attendance levels. The 2009 summer exhibition "Vermeer, Rembrandt and the Golden Age of Dutch Art: Masterpieces from The Rijksmuseum" was the second highest grossing exhibition in the Gallery's history and led to an attendance total of about 311,000 that year. The highest attendance year was 2007 when 377,000 persons attended largely because of "Monet to Dali: Modern Masters from the Cleveland Museum of Art." ***For the purposes of these projections we have assumed a blockbuster level 3-month exhibition during Year 3 that will boost attendance to 475,000 visitors that year, as detailed further below.*** Attending the blockbuster is assumed to require an admissions surcharge to average \$5.00 per person during the 3-months.

The attendance projections are segmented as follows, taking into account that the most important factor affecting attendance will be the specific exhibitions to be offered at the time:

- **Attendance by Weekday/Weekend and Design Day Attendance:** The attendance at the VAG has skewed far more than average to weekend visitors, despite by-donation Tuesdays. That is, whereas most museum-related institutions report about equal attendance between weekdays and weekends the VAG reports 68% weekend attendance. We have assumed a shift closer to the norm especially in the opening year and Year 3 in which a three-month blockbuster level temporary exhibition is assumed. These estimates help to calculate “design day” attendance. A design day represents a higher than average day in a higher attendance month that is useful in subsequent architectural design because it leads to an estimate of the number of people in the building at one time and thus visitor flow and other considerations in detailed architectural design. Since attendance levels at art museums/galleries vary less on the basis of season than on the specific exhibitions in place we have assumed only 10% as a higher than average attendance month. We also estimate that 30% of daily visitors will be in the building at one time.
- **Attendance by Main Market Segment:** Chapter 3 sets out our analysis of potential markets. Resident market attendance is likely to be highest in the opening year, while tourist attendance should grow over time on a total visitor basis but decline on a percentage basis. School attendance will be fairly steady. However, while the total number of school group visitors should increase the general limitations on field trips and the greater growth in attendance among other market segments means that school groups as a percentage of total attendance will decline.
- **Attendance by Ticket Category and Season:** The VAG is assumed to continue its practice of offering a price difference in warmer and cooler weather months. We have assumed that the 3-month blockbuster will take place during summer so that summer attendance will be higher than average during that year. Indirect paid visitors are those who have paid for entry on the basis of membership, public programs and evening rentals. Unpaid visitors include children less than 4 years of age, researchers, those receiving reciprocal benefits and VIPs. Despite a growth in rentals, member and programs visitors the reduction in free admission visitors and a growth in attendance in other categories should cause indirect/unpaid visitors to decline slightly on a percentage basis.

- **Blockbuster Attendance:** The assumed three month blockbuster will take place during the warmer weather months in Year 3. It is assumed that attendance levels during those three months will be about double the monthly average. With stabilized attendance levels projected at 380,000 that indicates an average of 31,667 visitors per month. During the nine months without a blockbuster exhibition it would be about 285,000 visitors and during the three month blockbuster about 190,000 visitors leading to a projected attendance that year of about 475,000 visitors that year. Of the 190,000 persons who attend during the three-month blockbuster period, not all will pay a surcharge to attend. This includes rentals, programs, member and other visitors attending only the permanent exhibitions. We estimate that 60% of all visitors will pay the average surcharge during this period, totalling 114,000 visitors.

Projected Attendance (rounded)	Year 1	Year 2	Year 3	Base Level	Year 1	Year 2	Year 3
	Re-Opening	Stabilized	Blockbuster		Re-Opening	Stabilized	Blockbuster
Projected Total On-Site Attendance				260,000	450,000	380,000	475,000
Attendance by Weekday/Weekend							
Weekdays	45%	40%	45%	32%	202,500	152,000	213,750
Weekend Days	55%	60%	55%	68%	247,500	228,000	261,250
Total					450,000	380,000	475,000
Design Day Calculation							
Total Projected Attendance					450,000	380,000	475,000
Total Weekend Attendance					247,500	228,000	261,250
Average Weekend Day Attendance					2,380	2,192	2,512
Weekend Day Attendance in Higher Attendance Month (10% above average)					2,618	2,412	2,763
Maximum Number of People in Building at One Time (30% of daily total)					785	723	829
Attendance by Main Segment							
Residents (Greater Vancouver)	69%	65%	66%	60%	310,500	247,000	313,500
School Groups	5%	6%	5%	7%	22,500	22,800	23,750
Tourists	26%	29%	29%	33%	117,000	110,200	137,750
Total	100%	100%	100%	100%	450,000	380,000	475,000
Attendance by Ticket Category							
Summer Season							
Adult (25-64)	21%	21%	23%	20%	94,500	79,800	109,250
Senior (65+)/Youth (13-24)	9%	8%	10%	8%	40,500	30,400	47,500
Child (3-12)	2%	2%	2%	1%	9,000	7,600	9,500
School Groups	1%	1%	1%	2%	4,500	3,800	4,750
Non-School Adult Groups	1%	1%	1%	0%	4,500	3,800	4,750
Non-School Other Groups	1%	1%	2%	2%	4,500	3,800	9,500
Family Rate	2%	2%	2%	2%	9,000	7,600	9,500
Indirect Paid/Unpaid	13%	13%	13%	14%	58,500	49,400	61,750
Non-Summer Season							
Adult (25-64)	15%	15%	14%	16%	67,500	57,000	66,500
Senior (65+)/Youth (13-24)	8%	8%	6%	7%	36,000	30,400	28,500
Child (3-12)	2%	2%	1%	1%	9,000	7,600	4,750
School Groups	4%	5%	4%	5%	18,000	19,000	19,000
Non-School Adult Groups	1%	1%	1%	0%	4,500	3,800	4,750
Non-School Other Groups	2%	2%	2%	4%	9,000	7,600	9,500
Family Rate	1%	1%	1%	1%	4,500	3,800	4,750
Indirect Paid/Unpaid	17%	17%	17%	18%	76,500	64,600	80,750
Total	100%	100%	100%	100%	450,000	380,000	475,000
Non-Blockbuster Attendance (Year 3: 9 months)							285,000
Blockbuster Attendance (Year 3: 3 months)							190,000
Visitors Paying Blockbuster Surcharge (60%)							114,000

5.2 Projected Operating Revenues

The projections of operating revenues during the first three years of operation of the new facility and site for the Vancouver Art Gallery (VAG) are set out in the following categories:

- Admissions;
- Retail Sales;
- Art Rentals;
- Membership;
- Café Concession;
- Facility Rentals;
- Public and Educational Programs;
- Fundraising Events;
- Other Earned Income;
- Endowment.

It is also assumed that current levels of grant and private support will be maintained for each year projected in order for the bottom line of the projections to be the annual amount of projected expenses minus projected earned and endowment income to indicate the amount required from additional government and private sources to break even on operations.

5.2.1 Admissions

The admissions revenue projections are based on projected attendance and assumed admission charges. In 2011 the VAG generated about \$1,599,000 from admissions revenue. This was based on close to 234,000 visitors. Admissions revenues are projected at \$1,706,000 based on 260,000 visitors projected for 2012 and this has been used as the base level. The projections also take into account the estimated additional attendance during the assumed 3-month blockbuster in Year 3 and the average \$5.00 per person surcharge. For the purposes of these projections we estimate that discounts will reduce total admissions revenue by 10% in the opening two years and 12% in Year 3 given more demand for discounts from partners interested in the blockbuster exhibition. Discounts reduce revenue per visitor but help to boost attendance levels. These estimates and assumptions lead to the following projections.

Admission Revenue (rounded)								
Ticket Categories	Base Level	Charge (+ tax)	Year 1 Visitors	Year 1 Admissions	Year 2 Visitors	Year 2 Admissions	Year 3 Visitors	Year 3 Admissions
Summer Season								
Adult (25-64)		\$20.00	94,500	\$1,890,000	79,800	\$1,596,000	109,250	\$2,185,000
Senior (65+)/Youth (13-24)		\$15.00	40,500	\$607,500	30,400	\$456,000	47,500	\$712,500
Child (3-12)		\$6.25	9,000	\$56,250	7,600	\$47,500	9,500	\$59,375
School Groups (avg.)		\$2.50	4,500	\$11,250	3,800	\$9,500	4,750	\$11,875
Non-School Adult Groups		\$17.50	4,500	\$78,750	3,800	\$66,500	4,750	\$83,125
Non-School Other Groups		\$13.00	4,500	\$58,500	3,800	\$49,400	9,500	\$123,500
Family Rate (avg.)		\$10.00	9,000	\$90,000	7,600	\$76,000	9,500	\$95,000
Indirect Paid/Unpaid		\$0.00	58,500	\$0	49,400	\$0	61,750	\$0
Non-Summer Season								
Adult (25-64)		\$17.50	67,500	\$1,181,250	57,000	\$997,500	66,500	\$1,163,750
Senior (65+)/Youth (13-24)		\$12.50	36,000	\$450,000	30,400	\$380,000	28,500	\$356,250
Child (3-12)		\$6.25	9,000	\$56,250	7,600	\$47,500	4,750	\$29,688
School Groups (avg.)		\$2.50	18,000	\$45,000	19,000	\$47,500	19,000	\$47,500
Non-School Adult Groups		\$16.50	4,500	\$74,250	3,800	\$62,700	4,750	\$78,375
Non-School Other Groups		\$11.00	9,000	\$99,000	7,600	\$83,600	9,500	\$104,500
Family Rate (avg.)		\$10.00	4,500	\$45,000	3,800	\$38,000	4,750	\$47,500
Indirect Paid/Unpaid		\$0.00	76,500	\$0	64,600	\$0	80,750	\$0
Total before discounts			450,000	\$4,743,000	380,000	\$3,957,700	475,000	\$5,097,938
Total after discounts (10%/12%)				\$4,268,700		\$3,561,930		\$4,486,185
Admissions Revenue per Visitor				\$9.49		\$9.37		\$9.44
Blockbuster Surcharge Revenue								
Blockbuster Surcharge Revenue		\$5.00					114,000	\$570,000
Total Admissions Revenue	\$1,706,000			\$4,268,700		\$3,561,930		\$5,056,185

5.2.2 Retail Sales

It has been assumed there will be two retail stores. The main store will be 3,500 nsf and open during all public hours. A second retail store of 1,200 nsf will be open in association with specific exhibitions. The combined public retail space is thus to be 4,700 net sq. ft. The current VAG retail store is 1,857 net sq. ft. It generated about \$1,608,000 in gross sales in 2011 with projections for \$1,712,000 in 2012. The mid-point is \$1,660,000. At 260,000 visitors this translates to a very substantial \$6.38 per visitor and \$894 per square foot of public retail space. These figures for the VAG are substantially higher than data from the 2009 Museum Store Association Retail Industry Report, which indicates that the median for art museums (largely US) at \$3.00 per visitor and \$273 per sq. ft. of public retail space. With a higher level of attendance the sales per visitor figure for the future VAG should decline somewhat. Moreover, the 1,200 sq. ft. shop associated with specific exhibitions will be open less than the main retail store. However, a continued high level of success is also assumed.

Taking into account existing retail success, we estimate retail sales per visitor on the basis of \$5.65 in Year 1, growing by 2% per year to reflect better product and market knowledge over time. These figures take into account sales to non-visitors as well as discounts to members.

The assumptions and estimates above lead to the following retail sales projections. (Costs of goods sold are included with the expense projections while staffing and other overhead costs are included with those expense projections later in this chapter.)

Retail Sales (4,700 sq. ft. public space)	Base Level	Year 1	Year 2	Year 3
Total Size of Retail Space	1,857	4,700	4,700	4,700
Total On-Site Attendance	260,000	450,000	380,000	475,000
Sales per Visitor	\$6.38	\$5.65	\$5.76	\$5.88
Total Sales	\$1,660,000	\$2,542,500	\$2,189,940	\$2,792,174
Sales Per Sq. Ft.	\$893.91	\$540.96	\$465.94	\$594.08

5.2.3 Art Rentals and Sales

The VAG introduced art rentals and sales in 2012 and projects \$213,000 in revenue. This figure has been used as the base level. The assumption for the new facility is for the space allocated to art rentals and sales to increase from the current 793 nsf to 1,500 nsf in the new facility. For the purposes of these projections we have assumed that revenues will increase to **\$300,000 per year**.

5.2.4 Membership

The VAG had 29,262 members within about 15,336 memberships in 2011/12, which generated about \$831,000 in membership income, or over \$54 per membership. The five year average is in the range of about 18,000 memberships. Income from membership is estimated to decline slightly in the current year so the base level has been established at the mid-point or \$815,000, or \$53 per membership. The main assumptions that will affect the number of memberships and membership revenue are higher attendance levels, no assumed changes to admissions and membership charges and a 2-year membership based on a 20% discount. The blockbuster exhibition assumed for Year 3 will also have a major impact that year.

As shown in Chapter 2.2, the VAG is already one of the most successful major art galleries in Canada with respect to memberships per thousand population, trailing only the National Gallery of Canada. Since art gallery/museum members are generally motivated less by value for money than the love of the institution, the growth in membership tends to be less than the growth in attendance levels when a gallery/museum expands. Therefore, taking into account the foregoing assumptions and analyses and the experience of other art galleries, we estimate that the Vancouver Art Gallery will open with 25,000 memberships and that, like attendance levels, membership totals will decline the following year to 23,000 then increase during the blockbuster year to 25,000 again. We estimate membership revenue per membership of \$55 in Year 1, with a growth of about 2% per year during the other years projected to reflect success in shifting lower level members to upper level membership categories. These estimates lead to the following projections.

Membership	Base Level	Year 1	Year 2	Year 3
Total Memberships	18,000	25,000	23,000	25,000
Average Revenue per Membership	\$45	\$55	\$56	\$57
Total Revenue	\$815,000	\$1,375,000	\$1,290,300	\$1,430,550

5.2.5 Café/Restaurant Concession

The VAG currently operates with 3,296 nsf of interior café space, of which 667 sq. ft. is indoor seating, plus 1,425 sq. ft. of exterior space. It is concessioned out to a private operator and which generated \$134,000 in revenue in 2011 with an estimated growth to \$167,000 in 2012. For the purposes of these projections we have established the base level at \$150,000. It is assumed that the total café space will increase to 12,000 nsf of interior space of which 5,000 nsf is interior seating for up to 300 in a restaurant and separate café plus up to 3,000 sf of exterior space depending on site opportunities and constraints. The much larger space and higher projected attendance should enable the concessionaire to pay more rent. On the other hand it is likely that a future café will not have the same visibility as currently the case. Moreover, the reality is that amounts paid to art galleries and museums are generally limited. Although the amount of the concession/rent will be subject to future negotiation, for the purposes of these projections we estimate an increase over the three years projected to be **\$275,000 per year** payable to the Vancouver Art Gallery.

5.2.6 Facility Rentals

Art galleries/museums are the most successful type of cultural institution in being selected for corporate and other functions. And often because of their “classy” nature they are able to charge more than similar sized venues. The existing VAG is already very successful in generating income from rentals. In 2011 some \$455,000 was earned, with projections for a slight decline in 2012. This is based on a not particularly attractive existing lobby space of 3,807 nsf, a 923 nsf rotunda and about 2,000 nsf of fourth floor space. For the purposes of these projections the base level has been established at \$455,000, which includes a commission on catering.

The following chart summarizes rentals and associated revenues and indicates a total of 94 major rentals at an average of \$4,615 per rental. Smaller rentals utilizing the courtroom increased the total to 117 rentals of which 18 were during daytime hours, with an average of close to \$3,900 per rental.

2011 Rentals Income at VAG	Number of Rentals	Total Rentals Income	Rentals Income per Rental
Lobby/F.C./Rotunda	29	\$118,547	\$4,088
Rooftop	31	\$127,318	\$4,107
Film Shoots (days)	34	\$187,932	\$5,527
Total Major Rentals	94	\$433,797	\$4,615
Courtroom (Smaller Rentals)	23	\$21,585	\$938
Total Rentals	117	\$455,382	\$3,892

The key assumptions for the new facility are as follows:

- The main space to be used for sit down dinner rentals will be the Main Entrance Lobby, and thus available only when the rest of the Gallery is closed. The capacity is about 315 persons seated at round tables and twice that number for receptions.

- Smaller rental opportunities will be available in the 300-seat auditorium, the 2,000 sf Community Room, with a reception capacity of 200 and half that number for round table dinners and the Black Box Gallery and the café both on a periodic basis. The program also assumes exterior and tented opportunities as well and could accommodate in the range of 1,000 persons or more depending on the specifics of the site plan.

VAG staff persons responsible for facility rentals believe that one million dollars in rentals income is achievable in the context of larger and better quality spaces. Interviews with other knowledgeable persons confirmed an expectation that the Gallery can become an even more preferred rentals venue and at higher than average rental rates than charged by commercial establishments given the “class” and ambience of an art gallery.

Based on the interviews conducted and the experience of other art galleries/ museums we have estimated revenues based on 150 major rentals in the opening year (average of three evenings per week), 140 in Year 2 and 145 in Year 3. We estimate net average income of \$5,000 per major rental in Year 1, including a commission on catering, with income increasing by 2% above inflation per year. We also estimate smaller rentals of the auditorium and other spaces at 30% of the income from major rentals. These estimates lead to the following projections.

Rentals	Base Level	Year 1	Year 2	Year 3
Major Rentals per Year		150	140	145
Average Net Income per Major Rental		\$5,000	\$5,100	\$5,202
Total Revenue from Major Rentals		\$750,000	\$714,000	\$754,290
Income from Smaller Rentals		\$225,000	\$214,200	\$226,287
Total Combined Revenues	\$455,000	\$975,000	\$928,200	\$980,577

5.2.7 Public and Educational Programs

Public and educational programs generated about \$53,000 for the VAG in 2011, with projections for a growth to \$85,000 in 2012. We have established the base level at the mid-point or \$69,000.

It has been assumed that there will be an increased variety of art classes and workshops for all age and skill levels and that classes and studio opportunities will take place all day, with school groups, seniors and art clubs using the space during business hours, and classes for teens and adults in the evenings and families on weekends. The VAG is also assumed to increase its focus on generating income from registered and other programs. And it has been assumed that there will be increased programming on Tuesday evenings as opposed to Tuesday evening free admission in the context of the new facility.

Gross income that may be earned from new or expanded public and educational programs may vary widely depending on the specific programs to be implemented but the growth should be substantial given the addition of auditorium, studio and classroom spaces that are not available in existing facilities.

Our estimates of revenues from public and educational programs are that they will increase on the basis of the percentage increase in attendance over the base level figure starting in Year 2, with more interest created in programs associated with the blockbuster exhibition in Year 3. Year 1 figures are estimated to be lower to reflect the time required to develop and promote the various programs. This leads to the following estimates:

Educational and Public Programming	Base Level	Year 1	Year 2	Year 3
Total Revenue	\$69,000	\$200,000	\$249,000	\$284,000

5.2.8 Fundraising Events

The VAG alternates a fundraising dinner one year with an art auction the following year and this is assumed to continue in the new facility. The VAG generated about \$1,091,000 from fundraising events in 2011, with an estimated increase in income to about \$1,228,000 in 2012. The mid-point or \$1,160,000 has been used as the base level. No changes are assumed with respect to fundraising events during the period projected.

Given a strong focus on capital fundraising in the years prior to opening the new facility it is assumed that donor fatigue after the capital campaign will limit the funds raised in the opening year of the new VAG but that this effect will last only one year. There should be a more substantial level of interest during the blockbuster year. Our estimates are thus as follows.

Fundraising Events	Base Level	Year 1	Year 2	Year 3
Total Revenue	\$1,160,000	\$950,000	\$1,300,000	\$1,400,000

5.2.9 Other Earned Revenue

There may be opportunities for other earned income in the context of the new facility. Existing sources include exhibition loan fees and publications, which generated \$178,000 in 2011 with some \$114,000 estimated for 2012. The mid-point has been used as the base level, or \$146,000.

This report has recommended the introduction of an interactive donation box and has assumed that other sources of earned income will be developed by management. Although these amounts may vary widely, our projections are as follows, and are assumed to grow over time, with a higher amount in the blockbuster exhibition year.

Other Earned Income	Base Level	Year 1	Year 2	Year 3
Total Revenue	\$146,000	\$180,000	\$200,000	\$220,000

5.2.10 Endowment Income

The existing endowment generated net income to the VAG of about \$227,000 in 2011 based on an endowment principal of \$11 million, or a rate of return of 2.1%. No change is estimated for 2012. The assumption is that the endowment principal will increase to \$61 million by the opening year and remain constant during the three years projected and that only interest or investment return will be used to support operating costs. The return on investment may vary widely depending on the investments selected but has been assumed at 3.5% per year. These estimates and assumptions lead to projections of endowment revenue of ***\$2,135,000 per year***.

5.2.11 Existing Private Income

In 2011 the VAG received \$2,517,000 from donations, sponsorships and foundations. The projection for 2012 is that this amount will increase to \$3,513,000 in 2012. The mid-point has been used as the base level, or \$3,015,000. For the purposes of these projections we have assumed that the base level amount will continue for each year projected. This allows the bottom line to be the *additional* amount required from government and private sources to break even. Therefore, *\$3,015,000 in existing private income* has been assumed each year. Additional private support will be required each year to help sustain the operating needs of a larger VAG.

5.2.12 Existing Governmental Support

In 2011 the VAG received a combined \$3,332,000 from a combination of municipal, provincial and federal sources, of which about 65% or \$2,174,000 was from the City of Vancouver. Estimates are that there will be a small decline in government support in 2012 to \$3,301,000. The mid-point used as the base level is \$3,317,000. This total amount is assumed to continue for each year projected. This allows the bottom line to be the *additional* amount required from grant and private sources to break even. Some *\$3,317,000 in existing governmental support* has therefore been assumed for each year projected. Additional governmental support will be required each year to help sustain the operating needs of a larger VAG.

5.3 Projected Expenses

There are nine categories of projected operating expenses for the planned Vancouver Art Gallery (VAG). These are:

- Salaries, Wages and Benefits;
- Building Occupancy Costs;
- Exhibitions;
- Educational and Public Programming;
- Conservation/Curatorial;
- Direct Costs of Development/Fundraising;
- General and Administrative;
- Marketing;
- Retail Cost of Goods Sold.

5.3.1 Salaries, Wages and Benefits

The largest operating cost of any museum-related institution is staffing, generally accounting for 40-60% of the total operating budget.

For the purposes of these projections the base level of staffing costs is taken fully from the 2012 budget, which indicates combined salaries, wages and benefits at about \$5,213,000. Projected staff growth indicates a base level of approximately 86FTE positions and then adds the positions assumed at opening of the expanded and relocated VAG, which assumes a growth to approximately 130 FTE except during the year of the blockbuster exhibition when an additional allocation has been made to account for extra weekend, evening and part-time staff.

Estimates and assumptions lead to projected staffing costs totalling \$8,118,554 in Year 1, \$8,159,146 in Year 2 and \$8,449,942 in Year 3 to reflect higher staff costs associated with a blockbuster level exhibition.

5.3.2 Occupancy Costs

Occupancy costs are defined to include all costs, excluding salaries, associated with building repairs and maintenance, utilities, security systems and building insurance. Generally occupancy costs range between \$6.00 and \$9.00 per gross sq. ft. Costs vary by the extent of the environmental controls required, the weather conditions, the extent of public use, and the condition of the building, with a new building requiring lower maintenance and utilities costs.

The existing VAG is an adaptively reused former courthouse and not very energy efficient. The total size of the existing VAG space is 172,320 gross square feet. The total occupancy costs in 2011 were about \$1,314,000, with \$1,560,000 estimated for 2012. The mid-point is \$1,437,000 and this has been used as the base level. This translates to about \$8.34 per gross square foot, near the high end of a usual range despite Vancouver's temperate weather and is a reflection of the energy inefficiency and higher maintenance costs associated with the existing facility.

The new VAG is to be very energy efficient and maintenance costs should be relatively low for the opening few years of operation given new construction. However, studio space and the auditorium should increase electricity costs. We estimate occupancy in the new 311,389 gsf new Vancouver Art Gallery to be at a stabilized \$6.50 per gross sq. ft. of space in Year 2, with lower costs in the opening year due to warranties and fewer repairs. An increase is estimated in Year 3 to take into account higher costs in the blockbuster year with higher attendance and increased maintenance costs over time. These estimates and assumptions lead to the following projections.

Occupancy Costs	Base Level	Year 1	Year 2	Year 3
Total Size of Building (gross sq. ft.)	172,320	311,389	311,389	311,389
Costs per Sq. Ft.	\$8.34	\$6.00	\$6.50	\$7.00
Total Occupancy Costs	\$1,437,000	\$1,868,334	\$2,024,029	\$2,179,723

5.3.3 Exhibitions

Non-staff exhibitions expenses associated with permanent and temporary exhibitions include such items as exhibition design and construction, graphic design and production, loan fees, contract registrars, framing and exhibition furniture. Since every exhibition has its own challenges, there will be instances where an exhibition budget is expected to cover additional insurance, security, conservation or another requirement. These costs totalled \$2,447,000 in 2011 and are projected to decline to \$2,249,000 in 2012. We have established the base level as the mid-point or \$2,348,000.

Costs associated with exhibitions vary depending on the nature of the specific exhibition. For the purposes of these projections we have estimated an increase in the cost of exhibitions on the basis of the growth in exhibitions space. The VAG currently includes 40,448 net sq. ft. of exhibition space. With a \$2,348,000 base level exhibition budget that translates to \$58.05 per square foot. Assuming the same exhibitions expenditure per square foot the growth in exhibitions space to 86,500 nsf suggests an exhibition cost of about \$5,021,000. However, costs per square foot tend to decline in larger spaces, particularly with more opportunities to display from the permanent collection. For the purposes of these projections we have estimated exhibition costs at \$50 per square foot in Year 1, increasing to \$51 in Year 2 and \$52 per square foot in Year 3. In Year 3 an additional \$700,000 has been added to account for higher costs associated with bringing in a 3-month blockbuster level temporary exhibition.

Our estimates for non-staff costs associated with permanent and temporary exhibitions are as follows:

Exhibition Costs	Base Level	Year 1	Year 2	Year 3
Size of Exhibition Space	40,448	86,500	86,500	86,500
Exhibitions Cost per Sq. Ft.	\$58.05	\$50.00	\$51.00	\$52.00
Additional Cost for Blockbuster Exhibition				\$700,000
Total Costs	\$2,348,000	\$4,325,000	\$4,411,500	\$5,198,000

5.3.4 Educational and Public Programming

These costs include those expenses, exclusive of staff salaries, associated with educational and public programs. These expenses cover a wide range of items specific to the nature of each program. These may include honoraria, talent, refreshments, special equipment and furniture rental, contract personnel, rights clearance for films/music and audio-visual services. It is not expected that every program will incur all of these expense types.

In 2011 the VAG incurred about \$347,000 in direct, non-staff expenses associated with educational and public programming. Estimates for 2012 are that these costs will decline to about \$307,000. We have used the mid-point as the base level figure, \$327,000. With a base level revenue figure of \$69,000 this indicates that excluding staff and indirect costs the public and educational programs offered by the VAG generated revenues of about 21% of the direct costs. This is somewhat lower than common because the existing VAG facility does not offer the studio, auditorium, classroom and other spaces needed to generate more income from various programs. We have therefore estimated that exclusive of staff salaries the direct operating costs associated with public and educational programs will be 2.5 times the projected revenues earned, or conversely that revenues will be 40% of the costs in Years 2 and 3 but 3 times higher in Year 1 to reflect costs associated with initiating new programs. This leads to the following projections.

Programming Costs	Base Level	Year 1	Year 2	Year 3
Total Costs	\$327,000	\$600,000	\$622,500	\$710,000

5.3.5 Conservation/Collections Care

Collections care expenses include such items as conservation, storage, collection handling supplies and equipment, and photography. The VAG allocated about \$38,000 in 2011 with only a slight increase to \$40,000 estimated for 2012. The base level is \$39,000. It is likely that collections care costs will increase associated with new demands for conservation as the permanent collection is relied upon more heavily for exhibitions and that costs will increase over time. On this basis we estimate collections care expenses to be as follows:

Conservation/Collections Care	Base Level	Year 1	Year 2	Year 3
Total Costs	\$39,000	\$85,000	\$90,000	\$95,000

5.3.6 Direct Costs of Development/Fundraising

Direct costs totalled \$276,000 in 2011, with an estimated decline in costs to \$249,000, with a mid-point of \$263,000, which has been used as the base level. However, assuming the need for substantially more development income and also higher fundraising revenues, associated costs of development and fundraising are estimated to increase as follows.

Cost of Development/Fundraising	Base Level	Year 1	Year 2	Year 3
Total Costs	\$263,000	\$600,000	\$700,000	\$800,000

5.3.7 General and Administrative

General and administrative costs include office and related supplies, equipment, mailing, printing, telephone, travel, conferences, volunteer perquisites, professional services, dues and subscriptions, credit card fees, entertainment, and items that do not fit into the other expense categories. Including what is referred to as Museum Services, general and administrative costs were reported at about \$978,000 in 2011 and estimated at about \$892,000 in the current year. The mid-point of \$935,000 has been used as the base level.

General and administrative costs are very closely related to staffing levels and vary depending on how a museum/gallery allocates its operating expenses. The range may be as wide as 10-25% of staffing costs. In 2011 general and administrative costs were about 19.2% of staffing costs and are estimated at 17.1% in 2012. For the purposes of these projections we have estimated Year 2 (stabilized) general and administrative costs at 17% of staffing costs, with 18% assumed in Year 1 to account for initial purchases and 20% in Year 3 due to higher costs associated with the blockbuster exhibition. These assumptions and estimates result in the following projections.

General & Administrative	Base Level	Year 1	Year 2	Year 3
18/17/20% of Staffing	\$935,000	\$1,461,340	\$1,387,055	\$1,699,988

5.3.8 Marketing

Existing and new marketing staff has been accounted for in the staffing projections. The focus here is on non-staff marketing costs, including various types of advertising and promotion. The VAG allocated about \$945,000 to these costs in 2011 with estimates of \$953,000 in 2012. The base level is thus \$949,000. At a base level of 260,000 visitors this translates to \$3.65 per visitor. However, this amount should decline with higher attendance. As seen in Chapter 2, the average US art museum allocates \$2.15 per visitor. Our estimate of needed marketing costs is based on non-staff marketing expenditures of \$3.25 per visitor in Year 1, \$3.50 in Year 2 and \$4.00 in Year 3 associated with the assumed blockbuster exhibition.

Marketing	Base Level	Year 1	Year 2	Year 3
Total Costs (\$3.25/\$3./\$4.00 per visitor)	\$949,000	\$1,478,750	\$1,330,000	\$1,900,000

5.3.9 Retail Cost of Goods Sold

The cost of retail goods sold is generally in the range of 50-60% of retail sales. The base level is \$880,000 or commonly 53% of retail sales. These projections assume cost of goods sold will be at 55% each year, leading to the following projections.

Retail Cost of Goods Sold	Base Level	Year 1	Year 2	Year 3
Total Costs (@ 55%)	\$880,000	\$1,398,375	\$1,204,467	\$1,535,695

5.4 Summary of Attendance and Financial Projections

The following table summarizes our projections of attendance, operating revenue and expenses for the Vancouver Art Gallery (VAG) in its opening three years of operation assuming the new Cambie Street site and the facilities and other assumptions set out in this report. Attendance levels are estimated to be 380,000 in the stabilized Year 2 compared to the base level current 260,000 visitor range. The Year 2 figures should be considered as the norm for future years. Year 1 attendance is projected at 450,000 to reflect a common re-opening period of excitement and curiosity. Year 3 is assumed to be when a three-month blockbuster level exhibition takes place in which there is a surcharge over the base admission charge and leads to attendance growth to 475,000 visitors that year.

The total annual operating budget, in 2012 dollars, is estimated to be in the range of \$19.9 million in Years 1 and 2, excluding depreciation/amortization, compared to a base level operating budget with similar exclusions of about \$12.4 million. During the blockbuster exhibition in Year 3 the total operating budget is projected to increase to about \$22.6 million.

Earned income levels, defined to include fundraising events and all memberships, are estimated to regularly (Year 2) be in the range of 52% of operating revenues with higher percentages during the opening year and the blockbuster exhibition year. The 52% earned income for the

future VAG builds on its current earned income success and may be compared to the 38% earned income for the average art gallery in Canada, as shown in Chapter 2 of this report.

Assuming continuation of base levels of government and private income and the growth in endowment principal to \$61 million this leaves an amount over 2012 levels required to break even from *additional* grant and contributed sources estimated to be regularly (Year 2) in the range of \$1.2 million. Additional support of about \$1.4 million is projected for Year 3 to reflect higher costs associated with a blockbuster-level exhibition. However, it should be easier to obtain financial support for a blockbuster exhibition relative to normal years of operation. Conversely, the amount required to break even in the opening year is a relatively low \$386,000 to reflect typically higher opening year attendance and revenues.

Summary of Projections (rounded)	Base Level	Year 1 Re-Opening	Year 2 Stabilized	Year 3 Blockbuster
Total Attendance	260,000	450,000	380,000	475,000
Revenues				
Admissions	\$1,706,000	\$4,268,700	\$3,561,930	\$5,056,185
Retail Sales	\$1,660,000	\$2,542,500	\$2,189,940	\$2,792,174
Art Rentals and Sales	\$213,000	\$300,000	\$300,000	\$300,000
Membership	\$815,000	\$1,375,000	\$1,290,300	\$1,430,550
Café Concession	\$150,000	\$275,000	\$275,000	\$275,000
Rentals	\$455,000	\$975,000	\$928,200	\$980,577
Programs	\$69,000	\$200,000	\$249,000	\$284,000
Fundraising Events	\$1,160,000	\$950,000	\$1,300,000	\$1,400,000
Other Earned	\$146,000	\$180,000	\$200,000	\$220,000
Endowment Income	\$227,000	\$2,135,000	\$2,135,000	\$2,135,000
2012 Existing Private Support	\$3,015,000	\$3,015,000	\$3,015,000	\$3,015,000
2012 Existing Governmental Support	\$3,317,000	\$3,317,000	\$3,317,000	\$3,317,000
Total Revenue	\$12,933,000	\$19,533,200	\$18,761,370	\$21,205,486
Expenses (excluding depreciation/amortization)				
Salaries, Wages, Benefits	\$5,213,000	\$8,118,554	\$8,159,146	\$8,499,942
Occupancy	\$1,437,000	\$1,868,334	\$2,024,029	\$2,179,723
Exhibitions	\$2,348,000	\$4,325,000	\$4,411,500	\$5,198,000
Programs	\$327,000	\$600,000	\$622,500	\$710,000
Conservation/Collections Care	\$39,000	\$85,000	\$90,000	\$95,000
Cost of Development/Fundraising	\$263,000	\$600,000	\$700,000	\$800,000
General & Administrative	\$935,000	\$1,461,340	\$1,387,055	\$1,699,988
Marketing	\$949,000	\$1,462,500	\$1,330,000	\$1,900,000
Retail Cost of Goods Sold	\$880,000	\$1,398,375	\$1,204,467	\$1,535,695
Total Expenses	\$12,391,000	\$19,919,102	\$19,928,697	\$22,618,349
Amount Required Over 2012 Levels of Government and Private Support from Additional Government and Private Sources to Break Even		\$385,902	\$1,167,327	\$1,412,863
Earned Income Totals/Percentages of Total Expenses	\$6,374,000	\$11,066,200	\$10,294,370	\$12,738,486
Total Private, Government and Endowment Income Required to Break Even on Operations		\$8,852,902	\$9,634,327	\$9,879,863

Appendix A. Acknowledgements

We acknowledge here all of those who were interviewed as part of this study. Special thanks to Paul Larocque and Kathy Flood for scheduling the interviews and assisting throughout the study process. The consultants working on the project are acknowledged at the end.

Interviews/Consultation

- David Allison, Braun/Allison Marketing Campaign Builders
- Michael Audain, Chairman, Polygon Homes
- Daina Augaitis, Chief Curator, VAG
- Anne Bancroft-Jones, Manager, Aboriginal Relations, Polygon Homes and Senior Project Manager, VAG
- Kathleen Bartels, Director, VAG
- Suzana Barton, Manger of Gallery Store, VAG
- Nancy Chilton, Marketing Manager, Vancouver Attractions Group
- Meagan Dallimore, Manager, Membership and Individual Giving, VAG
- Scott Elliott, Deputy Director,, Development, VAG
- Deborah Frieden, Cultural Project Planning
- Kathleen Harvey, Tourism Product Manager, Tourism British Columbia
- Richard Henriquez, Principal, Herniquez Partners Architects
- Cathy Imrie, Senior Vice President and CFO, Vancouver Aquarium
- Howard Jang, Executive Director, Arts Club Theatre
- Allison Kerr, Principal, Kitsilano Secondary School
- Jake Kerr, Chancellor, Emily Carr University
- George Killy, Past Chair, VAG
- Paul Larocque, Associate Director, VAG
- Ted Lee, Vice President, Visitor Services, Tourism Vancouver
- Ken Lum, Vancouver -Based Contemporary Artist
- Ed Mansfield, Consultrant, Meyers Norris Penny
- Anita Molaro, Senior Development Planner, City of Vancouver
- Tom Meighan, Director of Operations and Exhibition Production, VAG
- Deborah Nesbitt, Director of Human Resources, VAG
- Howard Nemptin, Director, TransLink
- Richard Newirth, Managing Director, City of Vancouver Cultural Services Group
- Nancy Noble, CEO, Museum of Vancouver
- Marilyn Palmer, Principal, Zeidler Partnership
- Stephen Pearce, Vice President, Leisure Travel, Tourism Vancouver

- Jana Remisova, Manager, Volunteer and Delegate Services, Tourism Vancouver
- Susan Rome, School Programs Manager, VAG
- Amber Sessions, Manager, Travel and Trade Media Relations, Tourism Vancouver
- Paul Sontz, Manager, Cultural Tourism, Tourism Vancouver
- Dana Sullivant, Director of Marketing and Communications, VAG
- Andy Sylvester, Director, Equinox Gallery
- Cara Vanderhall, Manager, Operations and Visitor Services, Tourism Vancouver
- Peter Wesik, Vice-Chair Trustee, VAG
- Bruce Wright, Trustee, VAG

Consultants

- Veronica Blandon, Research Consultant, Lord Cultural Resources
- Gail Lord, President, Lord Cultural Resources
- Ted Silberberg, Senior Principal, Market and Financial Planning, Lord Cultural Resources (study leader)

City of Vancouver – Community Workshop Future Vancouver Art Gallery

January 16, 2013

This document contains the notes from a January 16, 2013 workshop with representatives from Vancouver cultural community to discuss the proposed new premises for the Vancouver Art Gallery (VAG). A list of those in attendance as well as those invited but who did not attend can be found at the end of this document. The focus of the workshop was to explore areas where changes from the planned Vancouver Art Gallery (VAG) move to new premises could be mutually beneficial to both the VAG and the rest of Vancouver’s cultural community.

AGENDA:

Opening Remarks	Penny Ballem, City Manager, City of Vancouver
Background overview	Richard Newirth, Managing Director, Cultural Services, City of Vancouver
Facilitated Discussion	All, (Raymond Penner, Facilitator, the Strategic Action Group)

WORKSHOP INPUT:

The workshop was energetic, very strong and positive in the input provided. The input is not general in nature but rather was focussed on providing the Mayor and Council a powerful message. The notes following were the consensus of those in attendance:

- *The visual art community at the workshop wants to assure Mayor and Council that they are 100% behind the VAG’s proposal and the move to Larwill Park in a stand-alone, purpose built facility. Cultural community is eager and optimistic. This is an opportunity to seize the moment to build upon/enrich Vancouver’s cultural infrastructure – the Larwill Park land is the last suitable parcel in downtown Vancouver for an art museum. This is the last chance – if not built now, it will be decades. CARPE DIEM!!*
- *Need city to turn all the issues into opportunities – this is where the leadership is required; need to move away from seeing the “finite”. Mayor and Council need to take responsibility and have courage to support this proposal. This leadership needs to be from the top; need vision and must be both positive and strong.*
- *The February meeting where the decision is to be made should come across as a victory and a positive announcement.*

- *Mayor and Council can draw their confidence in making the decision to support the VAG proposal from the following points:*
 - ⇒ *Model VAG is proposing is well founded; this is a proven model, not just for operations but also the type of structure proposed – this is not an experiment*
 - ⇒ *Strong cultural community supporting VAG (VAG being stunted actually stunts rest of cultural community); VAG growing grows the rest of the community*
 - ⇒ *Significant majority of visual arts and art institutions in Vancouver support this proposal*
 - ⇒ *Cultural ecology of Vancouver, in particular visual arts, is world renowned and is extremely strong; this is valuable in terms of what the city is and what it can be; cultural infrastructure needed to support this*
 - ⇒ *Opportunity to provide a clear message that Vancouver is committed to visual arts – this will strengthen Vancouver’s cultural capital within the region and internationally*
 - ⇒ *Opportunity to finalize a fifteen year process; momentum that has been built up over the last fifteen years important to be kept – social capital – art community has invested a tremendous amount of time to help create / support this moment of opportunity*
 - ⇒ *Opportunity to ensure that initial investments are not wasted but rather leveraged (e.g. promised and potential individual funding)*
 - ⇒ *Vancouver has the opportunity to help influence the province in making a contribution to the cultural infrastructure – key role*
 - ⇒ *Opportunity to provide animated space in an area that really needs it; part of other cultural facilities in the area*
 - ⇒ *Concrete opportunity for VAG to reside in a purpose built building*
 - ⇒ *Clearly needs to be a visual arts building; visual culture - architecture is important but the discussion of / focus on “star-architecture” is a distraction from the core need for this new building*
 - ⇒ *Need to have a high profile, centralized cultural destination*
 - ⇒ *Opportunity to greatly enhance / resituate visual arts education (and how this relates to other aspects of the arts) as a key element of civic life; need space to do this*
 - ⇒ *Opportunity to expand gallery’s capacity with regard to social space that is part of the art gallery*
 - ⇒ *Need more space to be better at / be able to fulfill their vision/mandate; VAG’s responsibility to determine what it will do, whatever vision that will be – need the space to do this; the vision of the VAG is and should remain autonomous*
 - ⇒ *Current building is not only a limitation, it is a liability for VAG re managing and maintaining the collection, getting shows from other museums*
 - ⇒ *This will be an asset which will benefit the whole cultural community*

- *Opportunities in Rattenbury building – can address other infrastructure needs of cultural community*

Cultural precinct concept is positive – move would support growth of this area in that direction

ATTENDEES

<u>Name</u>	<u>Title</u>	<u>Organization</u>
Amy Kazymierchuk	Independent Filmmaker and Curator	
Andrew Gruft	Professor Emeritus	UBC Architecture
Barbara Cole	Executive Director	Other Sights for Artist Projects
Barrie Mowatt	Founder and President	Van International Sculpture Biennale
Caitlin Jones	Executive Director	Western Front
Chris Dikeakos	Artist	
Christopher Gaze	Artistic Director	Bard on the Beach
Glenn Alteen	Program Director	Grunt
Haema Sivanesan	Executive Director	Centre A
Hank Bull	Artist	
Jeff Wall	Artist	
Jonathan Middleton	Director/Curator	Or Gallery & Pacific Association of Artist Run Centres
Kate Armstrong	Director	ECUAD - Social + Interactive Media (SIM) Centre
Kathy Gibler	Executive Director	Dr. Sun Yat-Sen Garden & BC Museums Association
Kim Nguyen	Director	Artspeak Gallery
Landon Mackenzie	Artist	
Liane Davison	Manager, Visual and Community Art	City of Surrey
Myfanwy Macleod	Artist	
Nancy Noble	CEO	Museum of Vancouver
Norman Armour	Executive Director	PUSH
Paul Wong	Artist	
Raine McKay (<i>someone attended in her place</i>)	Executive Director	Craft Council of BC
Reid Shier	Director/Curator	Presentation House
Rob Gloor	Executive Director	Alliance for Arts and Culture
Roy Arden	Artist	
Stephen Waddell	Artist	
Steven Tong	Artist	
Toni Yue Zhang McAfee		Chinese Cultural Association

Arts and Culture Policy Advisory Committee Workshop December 10, 2012

This document contains the notes from a December 10, 2012 workshop with the City of Vancouver Arts and Culture Policy Advisory Committee. The focus of the workshop was to explore areas where changes from the planned Vancouver Art Gallery (VAG) move to new premises could be mutually beneficial to both the VAG and the rest of Vancouver's cultural community. The topic areas have been slightly adjusted to those used in the workshop to better reflect the input provided by the committee.

1. Gestalt of the cultural community

- Need to ensure that there is not just one big institution – there is a whole cultural community
- Opportunities to partner with libraries – moves past just downtown
- Ensure ongoing involvement in the development of future artists
- Need to be cognizant of the “burden” on the VAG because of its role as the big gallery – can't be all things to all people – need to keep in mind that this needs to be mutual – what we bring

2. Landmark building

- Breathing space – dimension to the city; make it so you want to walk around; social space aspect
- Space that invites people to want to and be able to be outside (consider rain)
- Should influence street – influence how people use this area
- Cultural message
- Considerate of what is around it – merge with the landscape, the city around
- Distinctly “Vancouver” (e.g. convention centre as an example of design, inclusion of public art)
- Have some parts of some collections in a public space - accessibility

3. Considerations re design – expanded or experiential space

- Cross disciplinary performance areas
- Partnerships need to include non-visual arts (including monetary considerations)
- Space needs to be designed specifically to enable collaboration
- Make the space that is unique – could include technology – different than any other art gallery – ensure that this is a Vancouver niche – not try to be New York, etc. Allow for the “unforeseen” – i.e. future developments in audience and technology
- Need to pay attention to use of other parts of that parcel of land that can work with/help support the gallery – encourage City to set amenable objectives for this area
- Ensure collaborative programming can encourage the type of audiences that attend

4. Financial considerations

- Ensure expanded art gallery with its big shows is able to operate within its financial constraints
- Need to be aware we don't have 'old' money for collections – need to think of how to get 'new' money
- Linkage to airport important as lots of “money” passes through there

5. Attention to world class art – e.g. big shows, internationally renown artists

- Collaboration with international galleries re local, emerging artists – promotion / export
- Ensure that the programming of these shows tie in local artists (could be visual or performing arts)
- “Distributed” shows at different galleries – partnerships – VAG already has been doing this

6. Maintain educational program

- Strong outreach program – e.g. going to schools as well as encouraging schools to come to VAG
- Strong source of funding
- VAG being involved in helping to put artists-in-residence in school and park facilities; work with other organizations of different sizes
- Expand “adult” education beyond the standard approaches of how people learn about and engage with art and the relevance of art to our lives
- Consider different languages for engagement
- Ensure learning styles are considered

7. Branding and vision

- Use “elevator” speech to identify VAG in most immediate way possible (e.g. MOA instantly recognizable for what it is); use of language very important (e.g. loss of meaning of words such as “diversity”)
- Need to keep a strong vision – not watered down

8. Leveraging geographical location and uniqueness of Vancouver

- Pacific Rim –Asian artists – new niche
- Understanding ‘weave’ of Vancouver art (local/international) / understanding broad range of Vancouver’s communities
- Young city that shouldn’t behave like older cities – concept of being pilgrims – centre of excellence for our unique identity
- Role of First Nations must be much more central than token