



ADMINISTRATIVE REPORT

Report Date: November 30, 2015
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Meeting Date: December 15, 2015

TO: Vancouver City Council
FROM: Acting General Manager of Community Services
SUBJECT: Inflation Increase to Private Sector Public Art Contributions

RECOMMENDATION

- A. THAT Council adjust Public Art Contributions from private-sector rezonings from \$1.81 to \$1.98 per square foot, effective September 30, 2016, to reflect increases in Vancouver construction costs between 2009 and 2015.
- B. THAT staff notify the development industry and other stakeholders regarding Council's adoption of the new contribution amount now, to provide a full nine months advance notice before it becomes effective September 30, 2016.

REPORT SUMMARY

This report seeks Council approval to adjust public art contributions from private sector rezonings from \$1.81 to \$1.98 per square foot, effective September 30, 2016, to reflect increases in local construction costs since 2009. The intent of the adjustment and timing is three-fold: to maintain the constant dollar value of public art budgets, consistent with Council Policy; to have implementation of the new contribution amount coincide with annual adjustments to DCLs; and, for this year only, to provide nine months advance notice of the adjustment to the industry and others.

The new contribution amount represents an average annual increase of 1.5% since 2009, the date of the last adjustment. Setting a new amount now that will not be implemented until September 2016 provides the industry with nine months advance notice to adjust cost projections and pro forma budgets. Implementing the change on this schedule means that the September 2017 adjustment, which will be proposed in May 2016 along with adjustments proposed to the DCLs, will need to accommodate changes to the Construction Cost indices between 2015 and 2017. Any subsequent annual adjustments will be proposed in May and effective on September 30th.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- The Public Art Program for Civic and Private Development was adopted in 1990 with public art budgets based on \$1 per square foot for each square foot included in the FSR calculation.
- Council in June 2008 approved the current public art contribution amount of \$1.81 per square foot, based on increases in Statistics Canada's Vancouver Construction Price indices. The \$1.81 amount became effective January 1st, 2009. The report also recommended annual adjustments to the public art budget contributions, if warranted by increases in Vancouver construction costs.
- In October 2009 City Council adopted the annual DCL rate adjustment system for all future DCL rate adjustments, with new rates becoming effective on September 30 of each year.
- In July 2014, Council adopted recommendations contained in the report Maximizing Investment in Public Art, including a provision to adjust public art contributions annually if adjustments are warranted by indices measuring Vancouver Construction Cost increases.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The Acting City Manager and the Acting General Manager of Community Services RECOMMEND approval of A and B.

REPORT

Background/Context

Most private-sector public art program budgets are based on 1% of building construction costs. Such programs are known as "Percent for Art" programs or simply "Percent" programs. Exceptionally, at the request of the development industry, Vancouver's program was established on a per-square-foot basis: rezonings 164,000 square feet or greater contributed \$1 per square foot to public art. Because construction costs on affected rezonings then averaged \$100 per foot, the \$1 per foot contribution was deemed to equal the Percent for Art standard.

Because of its formulation on construction costs, adjustments to public art contributions are based solely on changes to Vancouver construction costs as measured by Statistics Canada. Currently, rezonings 100,000 square feet or greater contribute \$1.81 per square foot to public art.

Strategic Analysis

The last public art adjustment was implemented in 2009, at \$1.81 per square foot. It was based on construction cost increases from 1990 through 2007 as measured by Statistics Canada. Coming as it did after 17 years, this near-doubling of the contribution amount was disruptive to industry cost projections. To prevent disruptive increases in future, Council in 2008 and again in 2014 recommended annual

adjustments, if warranted by cost increases in local construction. At any point in the future, should Council wish to align the program with those in other cities, conversion from a per square foot contribution to 1% of total construction costs may be considered.

Despite having authority to adjust the public art contribution amount since 2008, it was not adjusted. A global economic recession beginning in 2008 resulted in no substantive increase in construction prices between 2009 and 2012. The StatsCan table used to determine Vancouver construction cost increases (CANSIM 327-0040) was discontinued, and other data before a replacement table was produced indicated no increase until 2012.

To maintain the dollar value of the public art allocation, staff recommend adjusting current public art contributions from \$1.81 to \$1.98, using the replacement table provided by Statistics Canada (CANSIM 327-0044).

This table employs the same indices used to set public art contributions in 2009, and tracks changes in construction costs for the forms of construction to which the public art program applies: Apartment (multiple residential); Shopping Mall (retail); Office (office/commercial); and School (institutional).

The Statistics Canada table (CANSIM 327-0044) may be found here: <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3270044&patter n=&stByVal=1&p1=1&p2=31&tabMode=dataTable&csid> Please note: this table must be filtered for Vancouver Region, and must exclude Light Factory and Warehouse, forms of development rarely, if ever, subject to public art contributions. This table will be used in future contribution setting exercises.

Table 1 below shows the indexed change in each of these categories since the last increase. Taking the First Quarter (Q1) figure as the base number, the changes between Q1 2009 and Q3 2015 in each category were averaged to reach a new public art contribution amount of \$1.98.

Type of building		Office	Shopping centre	School	Apartment	Avg	% Change (previous year)	Public Art Rate
2009	Q1	135.0	145.7	143.2	139.4	140.83		\$1.81
2010	Q1	128.7	137.1	135.8	131.9	133.38	-0.93%	\$1.71
2011	Q1	133.6	141.6	141.0	136.9	138.28	1.12%	\$1.78
2012	Q1	138.6	147.3	146.8	143.0	143.93	1.50%	\$1.85
2013	Q1	140.2	149.4	148.3	144.9	145.70	0.09%	\$1.87
2014	Q1	144.9	153.4	153.3	149.6	150.30	0.28%	\$1.93
2015	Q1	147.1	155.5	155.8	151.8	152.55	0.76%	\$1.96
	Q2	148.0	156.7	156.8	152.8	153.58	0.67%	\$1.97
	Q3	148.5	156.9	157.1	153.0	153.88	0.20%	\$1.98

Source: Statistics Canada. Table 327-0044 - Price indexes of Vancouver apartment and non-residential building construction, by type of building and major sub-trade group, quarterly.

This \$0.17 adjustment represents an increase of 9.0% over the previous contribution amount or an average increase of 1.5% annually in each of the six years 2009 to 2015.

The intent of setting this contribution amount now, well ahead of September 2016, is to give the industry ample time to adjust cost projections. The next adjustment, in September 2017, would coincide with the annual adjustments to DCLs. The public art adjustment in 2017 would be proposed in May, at the same time adjustments are proposed for DCLs, and become effective September 30. That report would reflect any increases between Q3 2015 and Q1 2017, reflecting the latest data available before reports are prepared in May for the following September adjustments. While it is recommended that future public art adjustments become effective at the same time as adjustments to DCLs, the adjustments will be proposed in a stand-alone report due to their fundamentally different purpose and method of adjustment.

Implications/Related Issues/Risk (if applicable)

Financial

The \$0.17 cent adjustment, from \$1.81 to \$1.98 per square foot, effective September 30, 2016 is a 9.0% increase, representing a 1.5% average annual increase over the six-year term. The recommended adjustment proposed will maintain the constant value of public art budgets relative to the cost of Vancouver construction, a key component of Council's strategy to maintain and maximize investment in the public art program.

Communications Plan

The following steps have been or will be taken to inform the industry of the proposed contribution change:

- Website posting of the proposed new public art contribution amount on the City's Public Art web page;
- Verbal notification given to prospective public art applicants;
- Email advice sent to all active public art consultants;
- Notify the industry, e.g., Urban Development Institute and National Association of Industrial and Office Properties.

CONCLUSION

This report recommends that Council approve an increase to public art contributions by \$0.17, from \$1.81 to \$1.98 per square foot. This first adjustment since 2009 will maintain the value of public art budgets by keeping contributions consistent with increases in Vancouver construction costs, 2009 to 2015. The increase over previous contributions represents an annual average increase of 1.5% over the six-year period 2009 to 2015. By reviewing public art contributions annually and adjusting them when construction costs increase, this and future adjustments will align with the process for adjusting DCLs, and be consistent with Council's 2014 direction to adjust contributions annually when warranted.

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