



ADMINISTRATIVE REPORT

Report Date: November 23, 2016
Contact: Kathleen Llewellyn-Thomas
Contact No.: 604.871.6858
RTS No.: 11766
VanRIMS No.: 08-2000-20
Meeting Date: December 14, 2016

TO: Standing Committee on City Finance and Services
FROM: General Manager of Community Services
SUBJECT: A New Vancouver Art Gallery: Lease Deadline Extension

RECOMMENDATION

- A. THAT Council extend its original deadlines for execution of a lease for a new Vancouver Art Gallery (the "New Gallery"), to be located on the City-owned site at 688 Cambie Street, to December 31, 2018.
- B. THAT the original terms and conditions between the City of Vancouver and the Vancouver Art Gallery Association ("VAGA"), approved by Council in the April 23, 2013 report, remain in full force and effect except as extended to December 31, 2018 and as set out in detail in Appendix A.
- C. THAT no legal rights or obligations will arise or be created by Council's adoption of A and B above, unless and until the legal agreements referred to in Appendix A 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 the deadlines set by Council for VAGA as pre-conditions to the City approving a 99 year lease of approximately 1.8 acres at 688 Cambie Street for the New Vancouver Art Gallery be extended to December 31, 2018.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On April 23, 2013 (RTS No. 10010), Council approved in principle, subject to certain conditions, the use of approximately 1.8 acres of City-owned land, through a 99 year lease, by VAGA for an innovative purpose-built New Gallery at 688 Cambie.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The deadlines on the original conditions set by City Council were set at less than two years to signal the clear need for senior levels of government to provide funding for the New Vancouver Art Gallery as quickly as possible.

With renewed federal support for arts and culture, VAGA is in the process of requesting funding from senior government and the private sector and staff recommend that Council grant VAGA a further two year extension on its deadlines so as to affirm the City's continued support for this important project.

REPORT

Background/Context

VAGA was founded as a society in 1931 with the express purpose of holding art in trust for the City of Vancouver and its citizens. The Vancouver Art Gallery is the largest public art museum in western Canada and is recognized internationally as a centre for contemporary art. As a federally designated category "A" museum, the Gallery has "outstanding significance and national importance" to Canada's cultural heritage. In 2015, the Vancouver Art Gallery had 367,000 visitors, over 35,000 members and exhibited 223 artists. The Gallery aims to "bring Vancouver to the world and the world to Vancouver". As part of its ongoing commitment to enabling children and youth to experience excellence in the arts and arts education for all ages, there were over 201,000 art education participants.

The Collection

The Gallery's permanent art collection is held in trust for the benefit of the City of Vancouver and its citizens, affording a unique and special role for the Gallery in the care and stewardship of the collection of over 11,617 artworks valued at well over \$300 million. The Gallery's collection policies and practices meet national Canadian Museum Standards and rigorously govern all aspects of collection management.

With dedicated acquisition endowments worth close to \$12 million, the Gallery acquired 234 new artworks in 2014/15 - focusing on both emerging and internationally acclaimed artists, half of which are local artists. Local works range from established to emerging British Columbian 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.

The Gallery has 121 full time equivalent staff and an annual operating budget of \$15.8 million, representing 21% growth in revenues since 2013. Compared to other Canadian peers, the Gallery achieves a significant portion of earned revenues (42% versus national average of 34%). The Gallery receives on-going operating funding from the City, receiving \$2.18 million in 2016.

A New Vancouver Art Gallery

In 1998, fifteen years after moving to their current site at 750 Hornby, the Gallery began to address their space needs in a Functional Program Overview report by Lundholm and Associates. Below is an overview of significant planning processes that have occurred over the past decade:

2006

- Council and the Province of British Columbia announced a plan for a cultural precinct to enhance major cultural facilities downtown and accepted a provincial contribution of \$5 million (to be matched by the City) to support the precinct development.

2008

- The Province provided a \$50 million contribution to VAGA for a new purpose-built art museum.

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 and directed staff to report back on the need for a new gallery and the business case.

2012

- The City brought in experts to review the space needs analysis completed by the Gallery as well as an expert panel. Lord Cultural Resources delivered a detailed business plan for the New Gallery.

2013

- Council approved approximately 1.8 acres at 688 Cambie for the New Gallery subject to the conditions set out in Appendix “A” of this Report, including meeting certain deadlines.

2014

- VAGA selected Herzog & de Meuron working in collaboration with Vancouver-based Perkins + Will for the architectural design of the New Gallery.

2015

- VAGA unveiled its conceptual design for the new building.
- Council’s funding deadlines expired.

Strategic Analysis

When Council approved in principle the New Gallery and agreed to VAGA being granted a new 99 year lease at nominal rent at 688 Cambie key conditions were as follows,

- VAGA by-laws be amended to include the Mayor as ex-officio trustee, and that there be two City appointees on the Board.
- City representatives be appointed on the Building Committee for the New Gallery and on the Technical Advisory Committee for architectural selection.
- That VAGA secure required Provincial and Federal funding prior to April 30, 2015; with a provision that an extension to the deadline was subject to Council approval.
- Prior to construction, 75% of the total budget (\$262.5 million) must be secured.
- A lease for approximately 1.8 acres of 688 Cambie Street be executed no later than December 31, 2015.

Governance

In January 2016 (RTS No. 11200) Council and VAGA itself approved changes to VAGA's Constitution and By-laws, for the purpose of making the Mayor an honorary member or liaison to the Board of Trustees, and authorizing Council to appoint up to two voting members to VAGA's Board of Trustees. Thus, by virtue of holding the Office of Mayor of the City of Vancouver, the Mayor is now automatically an "ex-officio" or non-voting Mayor Trustee of VAGA's Board of Trustees. Also, on December 3, 2016 at the VAGA Annual General Meeting, Councillor Geoff Meggs and Esther Rausenberg, Executive Director of the Eastside Culture Crawl, were appointed to VAGA's Board, as the City's representatives for a two-year term commencing in 2017. This is considered by staff and VAGA to be a very positive step forward in supporting the Gallery and the work towards a New Gallery.

In addition, there is a senior City representative on the VAGA Building Committee and a senior staff member was included in the Architectural Selection Technical Advisory Panel.

New Gallery Funding Strategy

The \$350 million cost estimate for the New Gallery remains the same as proposed in 2013: \$275 million in capital of which \$185 million is for hard costs. VAGA also proposes an ambitious \$50 million operating endowment, which would be a \$40 million increase to their current operational endowment.

The Gallery's funding strategy also has remained the same since 2013, which includes requesting \$100 million from the federal government as well as another \$100 million from the provincial government. The Gallery has committed to raising an additional \$150 million from the private sector. The Gallery has in hand, a \$50 million contribution received from the provincial government in 2008. At the launch of the design, the Gallery announced that \$23 million had been raised privately. The Gallery is continuing to raise private funds.

Currently, the Gallery is in the process of requesting funding from the federal government which is considering "shovel ready" projects. The major potential funding source is Infrastructure Canada which recently expanded to include funding for cultural facilities. Other federal regional funding sources such as Canada Cultural Spaces Fund, delivered by Canadian Heritage, for which Vancouver based not for profit cultural infrastructure projects have significantly benefited, does not fund projects of this scale.

The Gallery has been also working with the provincial government in building a case for support both provincially and federally. Given that this work is underway and that the opportunities may not become clear until the next budget planning cycle, it is critical that the City commitment is clear. Accordingly, staff recommend that the initial deadlines set by City Council in 2013, be extended so as to demonstrate the City's clear commitment and support for this Project both to VAGA and to other levels of government.

The City and VAGA agree that the construction phase can begin only after the key major public funding is committed and seventy-five percent of the then projected total construction budget is secured to ensure the project can be completed with minimal risk and as planned, to the satisfaction of the VAGA Board and the City. With staff representation on the Building Committee and Council representation on the Board, staff will ensure Council receives project updates and will report back on VAGA's progress in meeting Council's pre-conditions prior to commencement of construction of the New Gallery.

Next Steps and Public Engagement

In the fall of 2015 VAGA launched the conceptual design, an exhibition, survey and public consultation on the New Gallery. This fall, working with Other Sites for Artist Projects, the Gallery celebrated the outdoor art installation to activate the new site, *Ovoidism*, by Lawrence Paul Yuxweluptun.

Since launching the conceptual design, VAGA has been working to ensure the New Gallery is “shovel ready” by completing schematic designs and moving forward on design development. There are plans for a public update on the project by the VAGA in the next few months.

Implications/Related Issues/Risk (if applicable)

Financial

The City’s proposed contribution to a New Gallery is significant and includes the value of the City-owned land at 688 Cambie. Upon approval of the conditions set by Council, the City proposes to grant VAGA a lease of this site for nominal rent of \$10.00 per year. The Gallery receives on-going operating funding from the City and in 2016 received \$2.18 million to support programming and to manage the art collection held in trust for the City of Vancouver and its citizens.

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.

CONCLUSION

A new home for the Vancouver Art Gallery is an important and ambitious project that requires significant financial support from citizens, the private sector, and all levels of government. It is important that the City provide leadership by demonstrating clear and significant financial support for this exciting and culturally important project.

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- 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 "New 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 Gallery at nominal gross rent inclusive of rent in lieu of taxes and for the purposes outlined in the Administrative Report dated April 15, 2013, entitled, "A New Vancouver Art Gallery at 688 Cambie Street", 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 Street and legally described as Parcel Identifier: 009-860-991, Block 48, District Lot 541, Plan 8970 but configured (as set out in E, below) 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~~ December 31, 2018, ~~the expected commencement of the VAGA Public Phase of the fundraising campaign, as described in the above-noted 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 the above-noted 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 Street;
 - (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~~ December 31, 2018 ;

- (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) VAGA 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 VAGA, 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 VAGA, 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 VAGA 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 VAGA 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 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 Gallery and associated public space with the Queen Elizabeth Plaza, and as soon as possible initiate ongoing consultation with the Civic Theatres Board and staff, 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 VAGA , 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 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-Vancouver Art Galley Association 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 noted in A.ii above, 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 A through I above, 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.