




**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
**TOURISM AND CULTURE**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	September 18, 2024
<b>SUBJECT/REPORT NO:</b>	Art Gallery of Hamilton Update (PED24185) (City Wide) <b>(Outstanding Business List Item)</b>
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Lisa Abbott (905) 546-2424 Ext. 1747
<b>SUBMITTED BY:</b>	Lisa Abbott Acting Director, Tourism and Culture Planning and Economic Development Department
<b>SIGNATURE:</b>	

### RECOMMENDATIONS

- (a) That the City provide one-time funding to the Art Gallery of Hamilton, through a grant, up to the amount of \$1,210,000, to support costs associated with 2024 utility charges and facility-related costs that are contributing factors to a forecasted 2024 year-end deficit to be funded from Tax Stabilization Reserve (#10046); and
- (b) That staff be directed and authorized to enter into negotiations with the Art Gallery of Hamilton to replace the existing agreements with a new agreement that addresses caring for and preserving City assets or assets that will revert to the City, including the Collection, and ensuring the building is maintained in a state of good repair, with a report back to Council.

### EXECUTIVE SUMMARY

In September 2023, representatives from the Art Gallery of Hamilton (AGH) delegated to General Issues Committee, sharing information about the Gallery's role in the community, ongoing financial challenges, strategic priorities, and future plans. City staff were directed "to work with the Art Gallery of Hamilton to review the Art Gallery of Hamilton's partnership and funding model, based on the unique relationship to the City,

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in regard to the collection, the land, and the building, and report back to the General Issues Committee with recommendations.”

On December 6, 2023, another report was presented to General Issues Committee that recommended taking steps to address budget pressures in 2023 resulting from a change in the billing methodology used to charge utilities. In 2023, Council approved the staff recommendation to write off up to \$633,872.25 in uncollectable utility charges for 2022 and 2023 and to “address energy billings for 2024 and beyond.” Energy billings for 2024 are budgeted at \$562,400.

In preparation for this report, the City requested and reviewed financial information provided by the AGH. The City’s review concurs the Gallery is facing a forecast \$1,210,000 deficit in 2024, largely due to utility charges (\$562,400) and facility-related costs (\$628,612).

The Gallery reported spending \$302,000 on capital repairs and maintenance in 2024, with an additional \$947,000 in building repairs on hold due to a lack of funding. The last Building Condition Assessment completed by the City in 2009 indicated \$6.6M is needed for capital repairs and maintenance. This number includes inflation but must be validated as some repairs may have been completed by the Gallery.

Historically, capital repairs and building maintenance have been the responsibility of the gallery articulated through a series of legal agreements. However, as the building infrastructure ages and repair costs continue to escalate, the Gallery is struggling to cover the necessary costs to keep the building in a state of good repair. The building is a City asset, and the City would assume full responsibility for repairs and upkeep if the Gallery dissolves or at the end of the current lease in 2069. An updated Building Condition Assessment will provide a more accurate picture of repair and maintenance costs; this will be funded through the Public Works existing capital budget.

This report addresses the Art Gallery of Hamilton’s immediate financial pressures and recommends authorizing negotiations to update the existing agreements with the AGH. The new agreement will account for the costs of caring for and preserving the Collection, as well as keeping the building in a state of good repair. This will help limit the AGH’s vulnerability to ongoing financial deficits. There will be a report back to Council.

### **Alternatives for Consideration – Not Applicable**

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: A one-time grant of up to \$1,210,000 to be funded from the Tax stabilization Reserve (#110046). Any future financial implications related

to replacing the current lease agreement will be addressed through future Tax supported budget processes.

Staffing: None.

Legal: Legal Services will continue to work with representatives from the Gallery to develop a new lease agreement.

## **HISTORICAL BACKGROUND**

The Art Gallery of Hamilton is the second oldest municipal gallery in Canada. Its original collection of 33 works by Hamilton-born William Blair Bruce, Canada's first impressionist painter, was donated to the City with the understanding that an appropriate venue would be found to care for and exhibit them. The Gallery was formally incorporated by the City on January 31, 1914, as the Municipal Gallery of Hamilton.

As part of the Civic Square Project, which aimed to revitalize the downtown area with a theatre, convention and trade centre, library, and art gallery, the City invited the Gallery to relocate to its current downtown location. In 1969, architect Trevor Garwood-Jones was commissioned to design the building that now houses the Gallery and its permanent collection.

Since that time, multiple legal agreements have been established between the City and the Gallery. The City owns the land, while the Gallery is responsible for maintenance and upkeep of the building structure. When the 1969 agreement expires in 2069, or if the Gallery dissolves, ownership of the building will revert to the City.

The AGH undertook renovations to the facility in 2005, funded by capital fundraising campaigns, private donations, and a loan from the City. However, as the building ages, concerns have grown about the Gallery's ability to maintain key infrastructure with its current funding model.

A report presented to Council in September of 2023 indicated that the Gallery has faced consistent budget shortfalls since at least 2015. The AGH has taken various measures to address these challenges, including deaccessioning (removing pieces from the permanent collection to reinvest the proceeds into Collection expenses); eliminating the role of the CFO (replaced by a Controller and Finance Committee of Board); diversifying revenue streams (with education programs and camps at full capacity); freezing salaries (except for a 2% cost-of-living adjustment (COLA)); focusing on grants; and implementing an aggressive earned revenue strategy through events, art rentals and sales, retail, donations, sponsorships, and grants.

The permanent Collection consists of more than 11,000 Canadian historical, international, and contemporary art works spanning 700 years of history, with a portion

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owned by the City of Hamilton. Collection highlights include works by Tom Thomson and The Group of Seven, 117 works of Anishinaabek painter, Norval Morrisseau, and works by Emily Carr, Alex Colville, Christopher Pratt, the Tanenbaum Collection of nineteenth-century European art, and the Chedoke Collection of Inuit Art.

Despite its financial challenges, the AGH is emerging as one of Canada's leading cultural institutions. For instance, the exhibition *Shelley Niro: 500 Year Itch*, co-curated with the National Gallery of Canada and the Smithsonian's National Museum of the American Indian, is the first-ever retrospective of Mohawk artist Shelley Niro. The exhibition is currently on display at the National Gallery of Canada and will travel to the Vancouver Art Gallery and Remai Modern in Saskatoon, with plans to extend the tour to additional locations in the U.S. and Europe. Additionally, the AGH was invited to support the Canadian Pavilion at this year's Venice Biennale, where Hamilton-born artist Kapwani Kigwanda is the main attraction. Hamilton is prominently featured at the most prestigious event in the international art world, which runs until the end of November 2024.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

Not applicable.

## **RELEVANT CONSULTATION**

- Director, Corporate Facilities and Energy Management, Public Works;
- General Manager, Public Works;
- Director, Financial Services Taxation and Corporate Controller;
- Deputy City Solicitor, Corporate Services; and,
- Solicitor, Corporate Services.

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The Art Gallery of Hamilton is a major cultural organization in the city and operates as a registered, not-for-profit corporation. It holds the third largest collection of artworks in the province and the fifth largest in Canada. As the second oldest municipal gallery in country, second only to Winnipeg, it has gained a strong reputation across North America, partnering with prominent institutions such as the National Gallery of Canada in Ottawa and the Smithsonian in New York City.

In 2023, the Art Gallery of Hamilton delivered over 1,200 Learning, Wellness, and Community programs experienced by over 185,000 visitors, including over 10,000 students in 300 individual art-based programs. They provided work for over 200 artists, fabricators, and installers, while also employing 53 full time staff. Using the Tourism Regional Economic Impact Model (TRIEM), a standard tool built for the Tourism industry, the Gallery's economic impact is estimated to be over \$23 million annually.

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In September 2023, representatives from the AGH delegated to General Issues Committee, outlining the Gallery's role in the community, ongoing financial challenges, strategic priorities, and future capital plans. In response, Council passed a motion (GIC Report 23-0025), directing City staff "to work with the Art Gallery of Hamilton to review the Art Gallery of Hamilton's partnership and funding model, based on the unique relationship to the City, in regard to the collection, the land, and the building, and report back to the General Issues Committee with recommendations."

Art Gallery of Hamilton representatives identified several key budgetary pressures, including capital building and maintenance costs, inflation, and security. Upon reviewing the AGH's financial statements and forecasts, City staff confirmed these challenges. The Gallery also highlighted that current government funding is substantially lower than comparable institutions, while its earned revenue, as a percentage of expenses, is significantly higher. These conditions are problematic and unsustainable for a public, not-for-profit gallery.

Since 2007, the City has provided the AGH with an annual grant of \$1 million, as established in the City's Final Budget Report (April 20, 2007). Despite rising costs and inflation, this amount has remained unchanged. A review of other municipal galleries shows that they receive between 30% and 40% of their annual operating budgets from government sources, whereas the AGH received only 13% in 2023.

The AGH projects a year-end deficit of approximately \$1.21 million for 2024, excluding any additional City support. Furthermore, the Summers Lane Structural Rehabilitation and Pedestrianization Project is expected to reduce revenues over the next three years, as construction will impact wedding and event bookings as well as visitor access.

As part of the same Council motion (GIC Report 23-025), City staff were also directed to "join in the advocacy to other levels of government to support the Gallery's future vision." One of the first steps in this advocacy process is renegotiating the current agreement with the Gallery to re-affirm Municipal support through tangible efforts.

Given the City's unique relationship with the Art Gallery of Hamilton and its ownership stake in the Gallery's assets, it is recommended the City take a pro-active approach in managing costs associated with caring for and preserving the Collection and maintaining the building. This will allow the Art Gallery of Hamilton to focus on its mission and being one of the top-rated galleries in the country, while continuing to provide arts education and enriching cultural experiences for both Hamilton residents and visitors.

## **ALTERNATIVES FOR CONSIDERATION**

Not applicable.

**APPENDICES AND SCHEDULES ATTACHED**

Not applicable.