



City of Hamilton Report for Consideration

To: Mayor and Members
General Issues Committee

Date: June 11, 2025

Report No: PED25148

Subject/Title: Art Gallery of Hamilton

Ward(s) Affected: City Wide

Recommendations

- a) That staff **BE DIRECTED** to provide additional funding of up to \$1,500,000 to the Art Gallery of Hamilton, above the \$1,000,000 already budgeted through the City's Enrichment Fund, to be funded as follows: up to \$1,300,000 from the Tax Stabilization Reserve (Reserve #110046) and up to \$200,000 from the Municipal Accommodation Tax Reserve (Reserve #108072), contingent upon receipt and analysis of quarterly cash flow and financial statements from the gallery to the satisfaction of the General Manager, Corporate Services and General Manager, Planning and Economic Development;
- b) That a funding increase of \$801,093 to Corporate Facilities and Energy Management's operating budget to provide services, to the Art Gallery of Hamilton, **BE CONSIDERED** as part of the 2026 Tax budget;
- c) That a funding increase of \$1,725,556, adjusted annually for inflation, to flow through the Planning and Economic Department, Tourism and Culture Division, in quarterly transfers, to pay a portion of costs to support the care, preservation and exhibition of the Art Gallery of Hamilton's Art Collection, **BE CONSIDERED** as part of the 2026 Tax budget;
- d) That a funding increase of \$2,365,900 to the Corporate Facilities Capital block for capital works related to the Art Gallery of Hamilton, **BE CONSIDERED** as part of the 2026 Tax budget;
- e) That staff **BE DIRECTED** to prepare and execute a license agreement with the Art Gallery of Hamilton, incorporating the ongoing funding described in recommendations (b), (c), and (d) to come into effect January 1, 2026; and,

- f) That Confidential Appendix “C” attached to Report PED25148 respecting the Art Gallery of Hamilton, remain confidential.

Key Facts

- A new license agreement will formally establish joint ownership of the Art Gallery of Hamilton’s collection - valued at approximately \$1 billion - between the City and the Gallery, with shared responsibility for its care and preservation.
- The estimated annual shared cost to provide for the care, preservation and display of the collection is \$1.73M (Appendix D to Report PED25148). This funding would replace the current funding through the City Enrichment Fund and would increase annually based on inflation.
- Proposed funding outlined in a new license agreement to take effect January 1, 2026, would provide \$1,725,556 in ongoing operational funding, \$801,093 in City-delivered services, for a combined total of \$2,526,649, adjusted annually for inflation.
- The completed Building Condition Assessment (Appendix A to Report PED25148) identifies approximately \$6,500,000 in capital needs over 15 years to maintain the building in a state of good repair.
- To ensure continuity of services before the new licence agreement takes effect, the Gallery requires an additional \$1,500,000 in 2025, beyond what was included in the 2025 Tax Budget.
- The Gallery provides many needed programs and services that contribute to the overall health and wellbeing of Hamiltonians. In 2024, the gallery delivered over 1,200 health and wellness programs, saw over 10,000 students, had over 185,000 visitors, and engaged with over 2000 members, in addition to offering traditional visual art programs.
- If the Gallery is forced to relocate or close, ownership of the building reverts to the City. This would expose the City to significant reputational risk and potential legal and CRA implications tied to past artwork donations to the City and the Gallery.

Financial Considerations

The Art Gallery of Hamilton’s annual City funding has remained at \$1,000,000 since 2006, despite significant increases in operating and capital repair costs.

The recommendations contained in this report will impact the City’s operating budget by referring for consideration in the 2026 Tax Budget an increase of annual funding to the Gallery of \$725,556 and by providing City services valued at \$801,093. To ensure continuity of services before the new licence agreement takes effect January 1, 2026,

the Gallery requires cash funding of \$1,500,000 beyond what was included in the 2025 Tax Budget. This funding is proposed to be financed from the Tax Stabilization Reserve (#110046) and the Municipal Accommodation Tax Reserve (#108072).

The City's Capital budget will also be affected, with a proposed increase of \$6,500,000 over 15 years, referred for consideration in the 2026 Tax Budget, to support building repair and maintenance through Corporate Facilities and Energy Management. There is no impact on staffing or full-time equivalents (FTEs).

Background

In September 2024, staff provided an update on the Art Gallery of Hamilton and the following recommendation (b) was approved through PED24185:

That staff be directed and authorized to enter 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.

The AGH has been in a deficit position since 2015. Rising costs for capital building repair and maintenance, security costs, utilities, and staffing have exceeded the savings the organization achieved through mitigation tactics, such as salary freezes, staff reductions, and reduced hours.

Despite these challenges, the Art Gallery of Hamilton is emerging as a world-class Gallery and one of Canada's leading cultural institutions. The Gallery was the recipient of multiple awards this past year, including three Provincial awards for best exhibition, publication and writing, and a Canadian Venue Award as "Best Museum and Gallery Space".

In 2024, the Art Gallery of Hamilton delivered over 1,200 Learning, Wellness, and Community programs experienced by over 185,000 visitors, including programming for over 10,000 students in 300 individual art-based sessions. It also provided work for over 200 artists, fabricators, and installers, and employed 53 full-time staff.

Analysis

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. The Gallery's economic impact is estimated to be over \$39.7 million, according to Ontario's Tourism Regional Economic Impact Model.

Funding from the City specific to the care, preservation and exhibition of the collection outlined in a new agreement, would position the Gallery favourably to secure additional support from the Ontario Arts Council and Canada Council for the Arts; they would be able to apply for grants for building improvements the City would not otherwise have access to. Currently, the Gallery has over \$3.8 million pending in federal and provincial capital and programming requests.

Collection:

The City of Hamilton accepted a donation of artwork by Hamilton artist William Blair Bruce in 1914, which stipulated "that a Gallery be established to preserve and display these works". Since this time, the collection has grown to over 11,000 works with certain pieces donated to the City, and other pieces donated to the Gallery. Given that some, but not all, of the donation history is available, it is recommended that the Parties agree, in the forthcoming license agreement, that the City and the Gallery co-own the collection, which has an estimated value of approximately \$1 billion (Confidential Appendix C to Report PED25148). The agreement will also outline a process for artwork disposition in the event of gallery dissolution.

The estimated annual shared cost to provide for the care, preservation and display of the collection is \$1.73M (Appendix D to Report PED25148). This funding would replace the current funding through the City Enrichment Fund and would increase annually based on inflation.

Building:

Based on an analysis, the City's oversight of certain operational services is recommended, as these can be delivered more cost-effectively through existing municipal contracts.

These include:

- Utilities,
- Contractual services (e.g., life safety, elevator, pest control, recycling/waste, tools & equipment),

- Building repairs and maintenance (e.g., ESA inspections, grounds maintenance, building automations, and operation supplies).

The estimated annual cost of these services is \$801,093. It is recommended the Gallery continue to manage janitorial and security functions as no efficiencies were found by taking on these services. This arrangement will help ensure the facility is maintained in a state of good repair.

The Building Condition Assessment (Appendix A to Report PED25148) recommends \$2.4 M in repair and maintenance in the first year for roof replacement and repairs and \$6.5 M total investment over 15 years.

Benchmarking:

Benchmarking of comparable municipal galleries across the country (Appendix F to Report PED25148) indicates the AGH is:

- Comparable in gallery size, number of visitors, operating budget and amount of non-government donations received,
- Larger in collection size than other comparators,
- Underfunded by all 3 levels of government relative to its peers,
- High performing in earned revenue.

Expansion:

In 2023, the Gallery developed a strategic plan that prioritizes expanding the Gallery space to increase public access to the permanent collection. This is aligned to the vision of creating a vibrant entertainment district in the downtown with the Gallery as a key cultural component. Planning for this expansion should happen in collaboration with downtown revitalization plans. A reimagined Art Gallery of Hamilton will contribute to these efforts and, in the process, enhance the economic contributions the Gallery makes to local, regional, and provincial economies.

In 2024, the Gallery began the process of securing funding for a major federal investment in its facility, part of a reimagined space that will showcase one of Canada's most important collections of Canadian and international works. Funding and space constraints currently limit the Gallery's ability to showcase these works and thus limit visitor potential. The Gallery, having secured federal funding for a feasibility study, an important step as part of the Cultural Spaces funding process, envisions an application to both the provincial and federal governments of some magnitude.

The Gallery is planning to amplify these investments with a significant national fundraising campaign, the groundwork for which is already being laid, that will attract further contributions to the Gallery, and to our community. A component of the HUPEG agreement is to kickstart fundraising for the Gallery expansion with \$2,000,000 in funding in addition to providing fundraising development support.

Discussions with the provincial government have focused on securing additional funding support, particularly operational funding not unlike what the McMichael Gallery and the Art Gallery of Ontario, as agencies of the provincial government. Given the Gallery's substantive collection and its contribution to the tourism and local economies, there are conversations under way with the province to recalibrate their investment in the AGH consistent with its magnitude and impact.

The conversations with the provincial government have been positive and constructive - but their message has been clear. The Province has indicated that future investment by their government is contingent on the City finalizing a new agreement with the Gallery.

In summary, the Gallery's plans for facility expansion - backed by a new license agreement with the City - will have significant positive impact, favourably positioning the Gallery to attract federal investment while delivering economic, cultural, and reputational benefits to the City of Hamilton.

Alternatives

Other Alternatives Considered:

Alternative 1: Maintain Existing Funding Levels

The City could choose not to increase its funding and continue support through the Enrichment Fund and limited service contributions.

- *Implications:* The Gallery would likely continue to run deficits, reduce programming and staffing, and be at risk of insolvency, further straining civic infrastructure and eroding cultural and economic benefits.

Alternative 2: Reduce Scope of Services or Footprint

The Gallery could downsize operations or reduce public access to the collection.

- *Implications:* This could undermine its role as a regional cultural anchor, limit earned revenues, reduce eligibility for federal/provincial grants, and lead to reputational damage.

Alternative 3: Seek Private Sector or Philanthropic Takeover

A third-party partner or donor could be sought to assume responsibility to operate the Gallery.

- *Implications:* This may be difficult given the Gallery's structural deficits and public ownership of the collection and building. It could also lead to loss of public control over a significant cultural asset.

Alternative 4: Sell the Building or Relocate the Gallery

The City could explore selling the property and supporting AGH's relocation to a smaller or private venue.

- *Implications:* Complex and politically sensitive. It would involve disentangling legal obligations and agreements tied to donations and may not resolve long-term sustainability issues.

The closure of the Gallery would pose significant reputational risk to the City and expose it to legal and Canada Revenue Agency Tax implications tied to past artwork donations made to the City and the Gallery. In the event the gallery closes or relocates, ownership of the building would revert to the City, which would then be responsible for its capital maintenance and repairs, currently estimated at \$6.5 million over 15 years, unless the property is sold.

Relationship to Council Strategic Priorities

1. Sustainable Economic & Ecological Development
 - 1.1. Facilitate the growth of key sectors
2. Safe & Thriving Neighbourhoods
 - 2.1. Provide vibrant parks, recreation and public space

Previous Reports Submitted

- September 18, 2024 - [Art Gallery of Hamilton Update](#)
- December 6, 2023 - [Art Gallery of Hamilton Energy Billing Approach and Recommendations](#)

Consultation

- Kirk Weaver, Acting Director, Financial Planning Administration and Policy
- Chris Herstek, Director Corporate Facilities and Energy Management
- Paul Lawson, Solicitor, Corporate Services
- Shelley Falconer, CEO, Art Gallery of Hamilton

Appendices and Schedules Attached

Appendix A: Building Condition Assessment Report

Appendix B: 2023 Community Impact Stats

Appendix C: CONFIDENTIAL Appendix C - Listing of High Valued Art Works

Discussion of Appendix "C" of this Report in Closed Session is pursuant to Section 9.3, sub-section (i) of the City's Procedural By-law 21-021, as amended, and Section 239(2), sub-section (i) of the Municipal Act, 2001, as amended, as the subject matter pertains to:

- *a trade secret or scientific, technical, commercial, financial or labour relations information, supplied in confidence to the City or local board, which, if disclosed, could reasonably be expected to prejudice significantly the competitive position or interfere significantly with the contractual or other negotiations of a person, group of persons, or organization.*

Appendix D: Funding Proposal

Appendix E: Art Gallery of Hamilton 2023 Audited Financial Statements

Appendix F: Benchmarking of Comparable Municipal Galleries

Prepared by:	Lisa Abbott, Director Planning and Economic Development, Tourism and Culture
Submitted and recommended by:	Steve Robichaud, General Manager Planning and Economic Development