

Corporate Report

REPORT NUMBER 266-2025-Corporate Services-Finance

DATE

PREPARED

August 18, 2025

FILE

MEETING DATE

August 25, 2025

SUBJECT

Art Gallery – City’s Financial Contribution

RECOMMENDATION

WITH RESPECT to Report 266-2025, we recommend release of the City’s-approved contribution to construction of the new Art Gallery, in the amount of \$5.0 million, be released in the following manner:

50% upon execution of a funding agreement

50% upon execution of the required land lease amendments;

AND THAT the Mayor and City Clerk be authorized to sign a funding agreement relative to this project;

AND THAT any necessary by-laws be presented to City Council for ratification.

LINK TO STRATEGIC PLAN

This Report supports the strategic direction to plan and deliver cost-effective services, with a focus towards ensuring accountability of the City’s financial resources.

EXECUTIVE SUMMARY

In April 2017, City Council approved a \$5.0 million contribution toward the proposed Art Gallery on City-owned lands at the waterfront. The Council resolution made release of the funding contingent on the project securing Federal and Provincial contributions.

Since that time, the Art Gallery’s project budget/forecast has increased from \$49.9 million to \$74.7 million, creating a significant funding shortfall. As a result, the City Treasurer has determined that additional Council direction is required before the City’s contribution can be released.

While release of the funds would not guarantee that the project can be completed, the Art Gallery has indicated that the City's contribution would advance construction to a weather-tight and protected stage and support the Art Gallery's ongoing efforts to secure additional Federal, Provincial, and private funding.

Administration recommends that Council approve the release of the City's \$5.0 million capital contribution toward the new Art Gallery facility, to be provided in two installments: 50% upon execution of a funding agreement and the remaining 50% upon execution of the required land lease amendments.

DISCUSSION

The proposed new Art Gallery facility on City-owned lands at the waterfront, was first supported in principle by City Council in 2013 as a major cultural and tourism asset for the community. In April 2017, Council approved a \$5.0 million capital contribution toward the project.

Subsequently, other Federal and Provincial government partners have committed significant contributions to the project as well as private donors. At this time, committed funds, including site assessment are as follows:

Federal/Provincial	\$41,412,000
Municipal	\$ 5,700,000 (\$5.0M construction, \$0.7M site assessment)
Fundraising	<u>\$ 4,957,900</u>
Total	\$52,069,900

Of this amount, \$37,012,100 has been received by the Art Gallery. The City's \$5.0 million contribution to construction of the facility has not been provided. The resolution of Council stated:

“AND THAT no funding associated with the capital cost of the new Art Gallery or the development of the public lands be released until such time Federal and Provincial funding for the Art Gallery project has been confirmed.”

With an original project budget of \$49.9 million, the project would have been considered fully funded; however, the current estimated completion cost is \$74.7 million, leaving a funding shortfall of \$22.6 million. The City Treasurer has determined that the condition in the Council-approved resolution authorizing the City's \$5.0 million contribution has not been met. As a result, additional direction from Council would be required before any municipal funds could be released.

Any decision whether to release funds for this project must be carefully considered. The projected shortfall represents a significant challenge for the Art Gallery, which continues

to pursue Federal and Provincial funding opportunities, along with private donors and philanthropic support.

The Art Gallery is also exploring a phased approach that would allow the facility to achieve a partial opening while continuing fundraising efforts to reach full completion. The estimated cost to achieve this partial opening is \$64.2 million, leaving a requirement for an additional \$12.1 million beyond funds already committed. A further \$10.5 million is estimated to be required to fully complete the project.

Without the City's contribution, the Art Gallery has indicated that construction could be halted as early as October 2025 due to cashflow shortfalls, leaving the asset incomplete and not weather-tight.

The Art Gallery has identified that the City's contribution would be used to fully enclose the building including completion of the roof, exterior insulation, aluminum cladding, caulking, and sealant.

While release of the City's \$5.0 million contribution would not guarantee partial opening or full project completion, it would significantly advance construction to a weather-tight and protected stage, providing the Art Gallery with additional time to pursue further fundraising efforts and apply for additional Federal and Provincial funding opportunities.

For these reasons, Administration recommends approval of the release of the City's \$5.0 million capital contribution toward construction of the new Art Gallery facility. The release would occur in two installments: 50% upon execution of a funding agreement, and the remaining 50% upon execution of the required amendments to the land lease between the City and the Art Gallery.

FINANCIAL IMPLICATION

In April 2017, City Council approved a financial contribution of \$5.0 million toward the construction of a new Art Gallery facility at the waterfront on City-owned lands. The financing source was determined to be a special debenture with a 10-year term. At a projected interest rate of 4%, the annual (year 1) payment would be \$700,000, representing an increase of approximately 0.29% to the municipal tax levy. Total interest costs over the 10-year period are expected to be approximately \$1.1 million.

The decision to finance the \$5.0 million contribution through a debenture aligns with the City's Debt Management Strategy, which considers additional debenture financing for capital projects that are new, non-recurring projects with significant infrastructure requirements; large legacy and special projects that benefit multiple generations of citizens and/or will generate significant long-term economic growth.

CONCLUSION

It is concluded that although the Art Gallery project is facing a funding shortfall, release of the City's \$5.0 million contribution would advance the facility to a weather-tight and protected stage and provide the Art Gallery additional time to pursue further fundraising opportunities.

BACKGROUND

In April 2017 (Report No. 55/2017 - Community Services), Council approved a \$5.0 million contribution to the Art Gallery for the capital costs associated with construction of the facility. The source of financing for the contribution was to be by a debenture. No funding associated with the capital cost was to be released until Federal and Provincial funding for the Art Gallery project was confirmed.

REFERENCE MATERIAL ATTACHED

None.

REPORT PREPARED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

REPORT SIGNED AND VERIFIED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

08/21/2025 (MM/DD/YEAR)