

ART GALLERY OF ALBERTA

January 5, 2007

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OFFICE OF THE CITY MANAGER

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Mr. Al Maurer
Office of the City Manager
City of Edmonton
3rd Floor, City Hall
1 Sir Winston Churchill Square
Edmonton, AB T5J 2R7

Dear Mr. Maurer:

I am writing to request that you consider bringing forward to City Council a request for additional funding for the building of the new Art Gallery of Alberta (AGA) in Edmonton's downtown core.

The heated Alberta construction market has caused an increase in building cost escalation that is unprecedented. The Edmonton area cost escalation for major projects is well known to you, the Mayor and all members of City Council. The Art Gallery of Alberta, like virtually every project, is experiencing an increase in costs for its new building beyond even the very cautious budgeting we undertook, with what we believed were more than adequate contingencies at every level for construction cost escalations. As a result, the cost estimate for the new Gallery has increased from \$57million to \$88million.

We understand that though these costs are consistent with the exceptional market conditions, we must also take exceptional steps to ensure that the final cost is securely established early on so that it can be maintained throughout the building phase. We are working with Ledcor, the Construction Manager, to arrive at a firm price construction contract within the early months of 2007. This would allow us to begin construction in May 2007 and avoid the penalty of further escalation costs. Many of the most challenging and unique construction elements of the building have already been put to tender and we feel confident that a firm price that will be acceptable to the Gallery and to Ledcor is imminent.

The Art Gallery of Alberta, with significant contributions from all levels of government and from fundraising efforts with the private sector, has already raised \$41million. Going forward today means that we must raise an additional \$47million to successfully complete the construction of the new Art Gallery of Alberta on schedule. The following chart shows how we hope to achieve the new funding goals. We are asking that the City of Edmonton increase its commitment to this important project for the City by \$15million over a number of years.

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**Art Gallery of Alberta New Vision Project Funding
(\$million)**

	Current Committed Funding	Incremental Request	Total
Private Sector Donors	10	10	20
City of Edmonton	6	15	21
Government of Alberta	15	22	47
Government of Canada	10		
Total	41	47	88

We had discussed a funding profile that extended over several years and if the \$15million in incremental funding were approved by City Council, the total funding could look as follows:

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$2 MM	\$2 MM	\$5 MM	\$6 MM	\$6 MM

Clearly, from the community response to the new Gallery building, the Art Gallery of Alberta is perceived by a vast majority of Edmontonians to be a highly visible symbol of the new spirit of Edmonton. The building designed by Los Angeles Architect Randall Stout will be an architectural icon for Edmonton and a major destination for tourism in Western Canada. Edmonton has long seen itself as the Cultural Capital of Western Canada and now the city has been recognized as more than that, the Cultural Capital of Canada. One of the contributing factors to that designation is the strong and unique concentrations of all the arts through the Citadel Theatre, The Winspear Centre and the Art Gallery of Alberta in the downtown Arts District. The new Gallery will confirm the City's commitment to excellence in the arts.

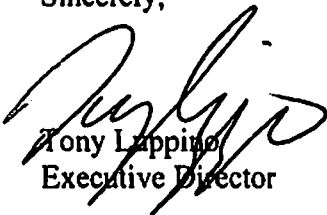
There are the obvious economic benefits that a building project of this nature brings to the city and the ongoing economic benefits such a high profile Gallery brings. One of the great challenges for Edmonton is to attract good employers and the high quality employees that will make those companies successful. Today's companies and workers are looking for quality of life. The AGA is a strong incentive to locate your office or your family in Edmonton. Just as important, however, are the long-term benefits to the community in many other ways. The AGA is an essential part of the educational infrastructure of the city with over 7000 students coming to programs throughout each year. The Gallery not only brings world class exhibitions to Edmonton, but promotes Edmonton and Alberta artists in other parts of the world.

As the Art Gallery of Alberta, Edmonton is the focal point of traveling exhibitions that move to small communities throughout Alberta, reaching over 90,000 people each year with the message of Edmonton's vibrant arts scene. The AGA promises to help make Edmonton an A-list tourist destination for people from across Canada and the US.

Our timeline for construction is essential to keeping costs under control. Our estimates are based on tenders that set May 1, 2007 as the start date. We believe that our private sector campaign will reach its goal of an additional \$10million based on our success at raising the first \$10million to-date. We would therefore like to put our request before all levels of government in January and February, and receive their commitment to the AGA by the end of March, 2007. I am requesting that you consider making the presentation of our proposal to City Council on February 13.

Thank you for all of your help and input. I look forward to hearing from you soon.

Sincerely,



Tony Lippino
Executive Director