

Sarjeant Gallery Redevelopment Project update

Background

In May 2012 Council submitted an application for funding to the Regional Museums Policy of the Ministry for Culture and Heritage for the redevelopment of the Sarjeant Gallery Te Whare o Rehua Whanganui. On 20 December 2012 Council passed a number of resolutions regarding the progressing of the funding application and the mitigation of the earthquake risk to staff, public and the collection by the earthquake-prone 1919 building through the interim relocation of the Gallery's collection and operation. This paper presents an overview of progress against these resolutions.

The redevelopment project

The Sarjeant Gallery Redevelopment Project will see the construction of a purpose-built facility to house, display and care for the Sarjeant Gallery Te Whare o Rehua's Collection. It will see both the existing Sarjeant Gallery building and the new building to its North seismically strengthened to meet the latest Structural Building Codes. The redevelopment will also provide the Gallery environment with air quality, lighting and security provisions to the relevant New Zealand museum standards in order to protect the permanent Collection and to host international touring exhibition requirements. It will further provide improved access to the Collections and programmes, and an educational classroom to host a range of public programmes. The project will ensure one of New Zealand's most iconic heritage buildings is preserved for generations to come.

The Sarjeant Gallery Te Whare o Rehua Whanganui is one of New Zealand's oldest art galleries and was officially opened in 1919, founded through the substantial bequest of Henry Sarjeant. Today there are more than 5,500 art works in the Gallery's Collection. The existing New Zealand Collection is one of national significance and contains a comprehensive holding of art from the 1840s until the present day.

The redevelopment aims to respect the existing building's heritage status and also the siting of the Sarjeant and its aesthetic values and skyline profile. It also respects the historical and archaeological significance of the Gallery's location in Queens Park and the significance of the Whanganui River and Mt Ruapehu to tangata whenua.

During the 10 year Plan process in 2012, Council acknowledged the importance of ensuring one of its buildings should be able to function immediately in the aftermath of a major earthquake. The Sarjeant Gallery Redevelopment Project includes the upgrading of the new building to 100% of the Importance Level 4 (IL4) standard, in order to provide Council with a Business Continuity Facility in this eventuality. This was flagged up in Council's Ten Year Plan 2012 -2022 (Vol. 1, p13) with the estimated cost of \$1.7 million. Council will have to make a decision on whether to proceed with this upgrade or to provide for business continuity in some other way before moving to detailed design. It should be noted that the relevant standard for the Gallery per se is Importance Level 3.

Application to the Regional Museums Policy, May 2012

In May 2012, Wanganui District Council submitted an application to the Ministry for Arts, Culture

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and Heritage's Regional Museums Policy for Capital Construction Projects seeking \$10 million in support of the Sarjeant Gallery Redevelopment Project, with an estimated total cost of \$32.412 million. In response to this application Council was asked by the Minister to progress a number of areas of the project plan in order to allow funding to be released. The key areas were:

1. Progress on gaining resource consent for the redevelopment project
2. Moving to developed design to allow increased certainty over final project costs
3. Establishing a memorandum of understanding with the New Zealand Historic Places Trust with regard to work on or affecting the 1919 Sarjeant Gallery building
4. The redevelopment was to be completed in a single phase
5. Providing certainty that if Government funding were provided the project would proceed in a timely manner.

The Council contribution of \$6.9m (out of a total redevelopment cost of \$32.4 million) includes a \$4.5m non-cash contribution, calculated on the in-kind officer time (over nine years starting in 2011) and land costs. All other funding will be raised externally. A cost benefit evaluation of the project concluded that the long term benefit of the project would be four times the total project cost. This does not include the short-term benefit of a major construction project taking place in Wanganui, nor does it take into account the impact of the overwhelming majority of the funding coming from outside the district.

Council decisions

At its meeting on 30 July 2012, Wanganui District Council discussed options for the mitigation of the earthquake risk posed by the 1919 Sarjeant Gallery building (see below). It was resolved that the option of relocating the Gallery operation and collection to an interim location be further investigated.

- THAT the Chief Executive is authorised to proceed with detailed investigations into the feasibility of Option 2 – Closing the existing Sarjeant Gallery building for 3 to 10 years and relocating the Gallery activity as a whole to an interim location, with the public spaces being no less than 2/3rds the size of the existing Gallery.
- THAT a report be brought back to Infrastructure and Property Committee on 13 November 2012 for the Sarjeant Gallery activity.

The report back was deferred to a special meeting of the Council convened on 20 December 2012. At this meeting Wanganui District Council met to discuss the response to the earthquake-prone nature of the Gallery and the development project and also to receive a report on the rest of Council's earthquake-prone buildings. With regard to the Gallery, it was resolved:

- THAT the Council formally invites the Minister of Arts, Culture and Heritage Hon Mr Finlayson to meet with the Council for the purpose of formally discussing the Council's application to the Regional Museums Policy for Capital Construction Projects.
- THAT the Chief Executive is given delegated authority to proceed with the Sarjeant Gallery Interim Relocation Project at an estimated cost of \$2.68 million with the capital funding being financed by the Earthquake Strengthening Rate and subject to legal advice that the

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funding falls within the purpose of the struck rate.

- THAT the information on the immediate action being taken by the Chief Executive to reduce the earthquake hazard to staff and visitors at the Sarjeant Gallery, as required under the Health and Safety in Employment Act 1992 with expenditure up to \$180,000, is noted.
- THAT the Chief Executive is given delegated authority to work with the Ministry for Culture and Heritage and continue the application process for the Regional Museums Policy for Capital Construction Projects Fund.
- THAT subject to further reaching an agreement (satisfactory to Council) with the Minister of Culture and Heritage on the Government's commitment to providing \$10 million from the Regional Museums Policy for Capital Construction Projects Fund, the Project will be taken to the developed design stage to allow for firm costings.
- THAT the Chief Executive is given delegated authority to explore alternative options to the Council for underwriting the fundraising campaign.
- THAT the Chief Executive is given delegated authority to fund the cost of a Resource Consent and the engagement of the Giblin Group to \$150,000, to carry out fundraising for the project from the \$500,000 allocated to the project in the 2012-22 10-Year Plan.

A. Invitation to Minister

The Minister for Arts, Culture and Heritage, Hon Chris Finlayson, MP, was invited in January 2012 to a meeting with the Council but he could not attend. A subsequent offer of a meeting by the Minister was made on 28 March 2013 (the meeting to be on 5 April 2013), but the Minister's visit to Wanganui was cancelled. Council officers have kept in contact with the minister's private secretary and a date for a meeting, either in Wanganui – the preferred venue – or in Wellington, as diaries allow and a meeting has been arranged in Wellington on 27 August 2013.

B. Relocation

On 20 December 2012, Council committed funding to the interim relocation of the Gallery and its collection. The operation is to be relocated to a building at 38 Taupo Quay, with additional storage and workrooms on the ground floor of 17 Drews Avenue, with a connecting building constructed at the rear of 38 Taupo Quay. This building is being constructed by developers Quay 11 Ltd and will be leased by Council, with an option to purchase. The front half of 17 Drews Avenue will be separated from the Gallery section at the rear and let commercially to offset some of the rental costs. Plans of the buildings are appended.

The project timeline calls for the construction and fit-out work to be completed by 31 March 2014, with the Gallery transferring its public facing operations over March and April with a view to opening to the public in May 2014.

The temporary location is situated opposite the Visitor Centre. The ground floor will comprise:

- 38 Taupo Quay ground floor
 - front of house/shop/reception area;
 - a meeting room and small work room;
 - gallery exhibition space (approximately half of the current Gallery exhibition space);
 - education room;

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- toilets;
- loading bay and lift;
- and connection to rear of 17 Drews Avenue.
- 17 Drews Avenue, ground floor
 - staff room;
 - carpenter workshop;
 - matting room;
 - sculpture storage;
 - And secure holding room.
- 38 Taupo Quay first floor
 - gallery store;
 - photo studio;
 - photography store;
 - and staff offices.

In the short to medium term, the location on Taupo Quay will benefit the Riverfront by bringing additional seven days a week activity and visitors; refurbishing and strengthening a heritage building; and complementing the Visitor Centre and other visitor-focused activities and businesses that may benefit from the development.

The buildings are being strengthened to meet 67% of the IL3 standard. Insulation will be of a high standard and the gallery store will be environmentally controlled. The building will be equipped with a type 7 fire suppression system (monitored alarm and automated sprinkler system).

It is worth noting that the Redevelopment Project and the Relocation Project are proceeding in tandem, which provides some cost efficiencies – for example, the purchase of storage equipment through Lottery Grants Board funding and the work underlying the collection transition – but with a consequent impact on staffing resources in the short term. The Redevelopment Project Revenue Generation Strategy included a bid to the Lottery Grants Board for \$500,000 for the Gallery collections store. This bid was brought forward to support the relocation project, covering equipment which will be re-used in the new store as well as in the interim location. A grant of \$472,680 was awarded in April 2013 to cover the costs of racking and shelving as well as the employment of four temporary assistants to help with the collection move. The rest of the transition costs are being met from Council funds. It will be noted that a proportion of the work undertaken by the temporary Collection Assistants will be of a one-off nature. The costs of collection fit-out and transition back to the redeveloped Sarjeant Gallery Te Whare o Rehua have accordingly been reduced in the main project budget. The transition plan for the Interim Location includes full estimates of the total costs of this transition and has formed the basis of estimates of the costs of the return move. A copy of the Transition Plan is appended.

The relocation project is proceeding on track and on budget. It is now at the detailed design phase and resource consent has been granted for the work at 38 Taupo Quay and 17 Drews Avenue.

Temporary staff funded by the Lottery Grant will be employed from April 2014 until the end of December 2015 when the collection transition is planned to be completed. It is estimated that the

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move of the collection back to Queen's Park after the completion of the redevelopment of the Gallery will require less time as all basic work will have been completed during the initial transition to Taupo Quay.

C. Earthquake mitigation actions

After further investigation, and with the prospect of the operation being relocated to Taupo Quay/Drews Avenue by the end of March 2014, a decision was made not to proceed with the temporary buildings to house Gallery staff and instead to provide them with protective furniture (in the form of strengthened work desks) which will then be used by the Gallery staff and temporary assistants while working in the building during the collection transition process. This provided a saving of \$180,000.

D. Continued work with Ministry officials

Council officers have maintained regular contact with Ministry officials to keep them apprised of developments. This has enabled officers to clarify the progress desired by the Minister and also to ensure that Ministry officials are fully aware of all the issues faced by Wanganui District Council in relation to earthquake-prone buildings and to place the Sarjeant Gallery Redevelopment Project in its proper context.

Memorandum of understanding with NZHPT

The technology available for earthquake strengthening of heritage buildings is rapidly evolving, and it is important that the project should not be locked into a specific method of protection for the building, should a more cost effective method – in the sense of both financial costs and the minimising of the impact on the original heritage fabric – become available. The current proposed optimum solution, supported by NZHPT, is to use base isolation. It is important therefore to build on the engagement with the New Zealand Historic Places Trust and to ensure their continued support for the Redevelopment Project, as well as to make use of their expertise and knowledge. A formal agreement in the shape of a Memorandum of Understanding will ensure that the key stakeholders work closely throughout the redevelopment process to a successful conclusion.

Following discussion with Alison Dangerfield, Heritage Adviser Architecture, at NZHPT, a draft Memorandum of Understanding with the New Zealand Historic Places Trust has been drawn up and sent to NZHPT in Wellington for the Trust's comments.

The document is based on the one agreed between Rotorua District Council and NZHPT in February 2007 in relation to their Museum redevelopment; and also accommodates the comments made by NZHPT in their letter of support for the Gallery's application dated 16 March 2012. References to plans and guidance notes have been updated where appropriate.

The Memorandum covers the issues relating to the Category 1-listed 1919 Sarjeant Gallery building, and the impact upon it of the earthquake strengthening work and the construction of the adjoining new building to the North. It establishes a heritage Working Party to oversee these elements of the project and the implementation of an agreed Conservation Plan for the heritage building. It further sets out a process for resolution of any disputes between the parties to the Memorandum.

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The Working party will include representation from Wanganui District Council, Whanganui Iwi and NZHPT, as well as expert external advice and the development Project Manager who will be appointed as the project moves into its implementation phase.

Single phase development

Restructuring the construction project into a continuous development will enable it to proceed at pace without delays between phases as was previously planned. This has been facilitated by the relocation project removing collection before any site works begin to secure temporary storage at 38 Taupo Quay. By removing the need to move the collection from the basement of the old building to the store in the new building in between the construction of the new building and the earthquake strengthening of the original Gallery, the overall construction timetable is rationalised and shortened. There may in addition be cost savings through, for example, similar work being able to be undertaken at the same time.

Revenue generation

Key to a Project of this nature requiring substantial external funding is a committed revenue generation strategy. A breakdown of the main elements of the fundraising plan is summarised in the table below. The balance of funding between the various sources has been altered slightly, but the overall pattern remains the similar. Funding will be sought from a number of sources: Government; Lottery; Trusts; corporate and individual philanthropy on a range of scales; and a variety of smaller scale fundraising programmes to be launched over the next two years.

Source	Planned	Achieved	Total
Wanganui District Council			
– existing budgets/previous work completed	297,000	297,000	
– ten year plan (formerly air conditioning)	500,000	500,000	
– Business Continuity facility	1,700,000	1,700,000	
			2,497,000
– in kind (officer time over nine years from 2011)	4,479,000	4,479,000	
			4,479,000
Central Government			
Ministry for Culture and Heritage	10,000,000 ¹		
Lottery Environment & Heritage Committee	2,500,000	200,000 ²	
			12,500,000
Trusts			
Various charitable trusts		585,000	1,970,000
Corporates			
Various naming rights			9,200,000
Community and other fundraising			
		150,000	1,940,000
Total		7,911,000	32,586,000
Total cash		3,432,000	28,107,000

¹ Matched to Council fundraising per Minister's letter.

² Costs of the shelving and racking plus a small amount of collection work included in Redevelopment Project budget are covered by Lottery grant for Relocation Project.

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The Lottery Grants Board Significant Projects Scheme, which was closed to new applications in 2010, has now been re-opened, with \$30 million available in the current year and the following financial year. The criteria and timeframes for applications have yet to be announced, but an application to this fund as well as the World War One Commemorations, Environment and Heritage fund will be considered.

Following the plan in the Revenue Generation Strategy, applications have been made to Lottery Grants Board (covering around \$200,000 of the \$2,500,000 sought in total); Powerco Wanganui Trust (\$200,000 awarded); and \$300,000 secured from the Nathan Chester Clarke Trust. In addition, the 1,000 Stars campaign was launched on 30 November 2012, and the Musicians for the Sarjeant fundraising concert launched in February 2013. All told around \$750,000 has been awarded or donated with a further \$100,000 in the process of payment.

It is important not to let fundraising schemes compete with one another for public attention. Additional fundraising programmes are identified in the Revenue Generation Strategy and will be launched over the next fifteen months.

The relocation of the Gallery has impacted on staff time and will continue to do so through to the middle of 2014. However, it is also an opportunity for the fundraising effort as it demonstrates to potential funders that the Council takes its responsibilities – to staff, the public and the collections – seriously.

Other large capital projects in the cultural sector have made use of professional fundraisers with some success. Council recognised at its 20 December 2012 meeting that there were challenges in gaining large sums of money from corporate sponsors and that this was an area where expert advice and support would be important.

E. Developed design and alternative options for underwriting

The traditional method of delivering a major construction project involves a significant amount of up-front costs for the client, taking the project through to detailed design. The cost would have to be covered by Council (either from its own resources or by fundraising). The overall shape and design, together with the plan for earthquake strengthening of the 1919 building would then be fixed (or subject to the expense of design modifications following the tender process). There is a potential for financial resources to be wasted in a lengthy project by commissioning designs which are then overtaken by technological developments providing more cost effective solutions.

An alternate approach is being investigated that can help in ensuring certainty of cost and in bringing to the fore more cost efficient ways of delivering the desired outcomes. This approach involves a combined design/build contract for the project with a guaranteed maximum price with novation (all consultants are assigned to the contractor to manage). Depending on the stage at which the project would be handed over to the selected contractor, project development costs – such as the costs of detailed design – can be combined with the overall project costs. This will provide cost certainty for Council and other prospective funders, while also giving clarity around timeliness.

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It should be noted that such a process will still need the agreement of Council's Tenders Board, both at its inception and in the appointment of the successful contractor to undertake the design/build work.

F. Fundraising support and resource consent

As corporate fundraising is a specialised skill that the District Council lacks in-house, Council resolved at its meeting on 20 December 2012 to provide up to \$130,000 from the \$500,000 previously allocated to the redevelopment project to the engagement of Giblin Group to assist in approaches to potential corporate donors.

- Council officers have worked in collaboration with Giblin Group to identify potential sponsors. Giblin Group have then undertaken a scoping exercise on each to determine whether they are worth pursuing; if so, for what kind of sum; and what is the best method of approach.

All preparatory work on the resource consent application has been completed. The application can therefore be lodged at any time and in the current revised timeframe in the project plan, the resource consent process could be completed by the end of March 2014, allowing time for objections and appeals.

As noted above, at its 20 December 2012 meeting, Council made provision for the costs of the resource consent. As Council itself is the applicant, it will have to be heard by an external commissioner to hear the resource consent. That provision will be carried forward into 2013/14.

REF

- Cost Benefit Evaluation
- Plans of Taupo Quay/Drews Avenue
- Transition Plan
- 1,000 Stars flyer

RECOMMENDATION

THAT the information be noted.