

DATE ISSUED: March 19, 2003 **REPORT NO:** 03-043

ATTENTION: Honorable Mayor and City Council
Docket of March 24, 2003

SUBJECT: Proposition 14 Application and Resolutions for the Main Library

REFERENCE: City Manager's Report 01-275, dated December 7, 2001
Council Action R-2002-879, dated January 22, 2002
City Manager's Report 02-116, dated May 29, 2002
City Manager's Report 02-264, dated November 8, 2002
Council Action R-2003-910, dated February 3, 2003

SUMMARY

Issues:

Should the City Council approve the following specific actions regarding the Proposition 14 grant application for the Main Library?

- A) Approve appropriating the local matching funds (35%) identified in the Proposition 14 Library Project Budget which are identified and included in the Library Financing Plan approved by Council on November 18, 2002, as required by Education Code Section 19995(a) should a grant be awarded.
- B) Approve appropriating supplemental funds as identified and included in the Library Financing Plan approved by Council on November 18, 2002 necessary to complete the project at the level stated in the project budget should a grant be awarded.
- C) Approve appropriating the local matching supplemental funds identified and included in the Library Financing Plan approved by Council on November 18, 2002, as specified in

the budget when they are required to meet cash flow requirements of the project.

- D) Approve the project budget as contained in the Project Budget section of the Application form.
- E) Attest to the accuracy and truthfulness of all information submitted in the Application form and the required supporting documents.
- F) Commit the Main Library to public library direct service by the City of San Diego.
- G) Dedicate the Main Library to public library direct service use for a minimum period of 40 years following completion of the project, regardless of any operating agreements the City may have with other jurisdictions or parties.
- H) Certifying that the information contained in LDR No. 41-0980A has been completed in compliance with the California Environmental Quality Act and State CEQA Guidelines, and that said Addendum reflects the independent judgment of the City of San Diego as Lead Agency. Stating for the record that the Addendum has been reviewed and considered prior to approving the project. Adopting the Mitigation, Monitoring and Reporting Program
- I) Authorize the revision of the Main Library CIP 35-082.0 budget as reflected in Attachment 4 and as contained in the Proposition 14 application.

Manager's Recommendation:

Approve the following actions regarding the Proposition 14 grant application for the Main Library:

- A) Approve appropriating the local matching funds (35%) identified in the Proposition 14 Library Project Budget which are identified and included in the Library Financing Plan approved by Council on November 18, 2002, as required by Education Code Section 19995(a) should a grant be awarded.
- B) Approve appropriating supplemental funds as identified and included in the Library Financing Plan approved by Council on November 18, 2002 necessary to complete the project at the level stated in the project budget should a grant be awarded.

- C) Approve appropriating the local matching supplemental funds as specified in the budget as identified and included in the Library Financing Plan approved by Council on November 18, 2002 when they are required to meet cash flow requirements of the project.
- D) Approve the project budget as contained in the Project Budget section of the Application form.
- E) Attest to the accuracy and truthfulness of all information submitted in the Application form and the required supporting documents.
- F) Commit the Main Library to public library direct service by the City of San Diego.
- G) Dedicate the Main Library to public library direct service use for a minimum period of 40 years following completion of the project, regardless of any operating agreements the City may have with other jurisdictions or parties.
- H) Certifying that the information contained in LDR No. 41-0980A has been completed in compliance with the California Environmental Quality Act and State CEQA Guidelines, and that said Addendum reflects the independent judgment of the City of San Diego as Lead Agency. Stating for the record that the Addendum has been reviewed and considered prior to approving the project. Adopting the Mitigation, Monitoring and Reporting Program
- I) Authorize the revision of the Main Library CIP 35-082.0 budget as reflected in Attachment 4 and as contained in the Proposition 14 application.

Other Recommendations: Board of Library Commissioners meeting of March 14, 2003, voted unanimously to support the Proposition 14 application for Main Library.

Fiscal Impact: The Title 5 - Library Bond Act Regulations state that the City shall commit to providing the local matching fund amount identified in the Library Project Budget. As required by the Education Code section 19995(a), “a commitment must be provided for the 35% matching funds needed and any supplemental funds necessary to complete the project at the level stated in the project budget. The local matching funds specified in the project budget must be made available when they are needed to meet the cash flow requirements for the project.”

On November 18, 2002, the City Council approved an overall \$312 million financing plan for the Library System Improvements Program, including construction of the Main Library. Consistent with the adopted financing plan, revenue sources identified to meet the funding needs of the overall Program include contributions from the Redevelopment Agency, City cash contributions, private donations/grants, and proceeds from the issuance of long-term bonds. Of the overall financing plan, the total project cost for the Main Library is estimated to be approximately \$149,500,000 million. The total project cost reflected in this application is the most recent cost estimate for the Main Library. The CIP budget presented in the FY2003 Annual Budget will be amended to reflect this current estimated total.

The Proposition 14 application for the Main Library is for the maximum allowable grant, \$20 million. In order to receive the maximum grant of \$20 million, the project size must be a minimum of approximately \$30.8 million, as the grant will fund 65% of the total eligible project cost (\$20 million is 65% of \$30.8 million). Any project funds that are required over that amount will be supported by funds identified and included in the Library Financing Plan approved by Council on November 18, 2002. Basing the 35% match on the maximum allowable grant and the required project size of approximately \$30.8 million, the local match would be approximately \$10.8 million.

Based on the aforementioned financing plan, \$149.5 million in funding sources for the Main Library include funds from the Redevelopment Agency (\$37.2million), private donations (\$20 million), and proceeds from the first two series of bond issuances (\$92.3 million). As the amount of overall identified funding sources equals \$149.5 million, this fulfills the previously mentioned \$10.8 million local match requirement for the grant application. Note that the current financing plan takes into consideration future estimated private donations in the amount of \$20 million. In the event that a state grant is awarded to the Main Library project, it will replace the needed private donations.

Supplemental costs: These are reported as eligible costs in excess of the \$30.8 million mentioned above and “ineligible costs” shown on the grant’s Financial Information sheet. These supplemental costs are the difference resulting from the total project costs and the eligible grant and matching funds of \$30.8 million. Any additional costs beyond the grant award required to complete the library project are adequately funded through the Library Financing Plan and the required funding for the \$149.5 million Main Library budget. Even though the grant award is for the maximum amount of \$20 million which is well below 65% of the project cost, the grant application must show the entire cost of the project.

BACKGROUND

Proposition 14, the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act of 2000, will provide \$350 million in grants to local agencies over the next three years to construct new libraries or expand and/or renovate existing libraries. Libraries can apply for grants of between \$50,000 and \$20

million per facility, and a 35 percent local match will be required. First priority funding is established for joint-use projects where there is a cooperative agreement between public libraries and K-12 public schools.

Specifically, Proposition 14 funds can be used for:

- 1) Acquisition or construction of new facilities or additions to existing public library facilities.
- 2) Acquisition of land necessary for the acquisition or construction of new facilities or additions to existing public library facilities.
- 3) Remodeling or rehabilitation of existing public library facilities or of other facilities for the purpose of their conversion to public library facilities. All remodeling and rehabilitation projects funded with authorized grants shall include any necessary upgrading of electrical and telecommunications systems to accommodate Internet and similar computer technology.
- 4) Procurement and/or installation, of furnishings and equipment required to make a facility fully operable, if the procurement or installation is part of a construction or remodeling project funded under the Library Bond Act.
- 5) Payment of fees charged by architects, engineers and other professionals, whose services are required to plan or execute a project authorized pursuant to the Library Bond Act.

Grant Components and Criteria

The grant has specific components and criteria. Following is a summary of the criteria that are provided by the State Library on its Proposition 14 website (www.olc.ca.gov) The criteria indicate that there are seven "factors" which the Board shall consider while reviewing applications. In reviewing applications, the Board shall consider all of the following factors per Education Code Section 19998(a):

- 1) Needs of urban and rural areas. The purpose is to ensure that both the urbanized and rural areas of the state receive equitable treatment.
- 2) Population growth. Libraries serving areas that have had significant increases in population will receive greater consideration.
- 3) Age and condition of the existing library facility. Funding will favor the replacement of older, usually obsolete facilities.
- 4) The degree to which the existing library facility is inadequate in meeting the needs of the residents in the library service area and the degree to which the proposed project responds to the needs of those residents.
- 5) The degree to which the library's plan of service integrates appropriate electronic

technologies into the proposed project.

- 6) The degree to which the proposed site is appropriate for the proposed project and its intended use.
- 7) For applications for the construction of new libraries, the financial capacity of the local agency submitting the application to open and maintain operation of the proposed library.

In addition, the local government's application must contain the following information:

1. **Funding:** The local grant recipient must provide 35% of all eligible project costs and 100% of all other project costs. A resolution from the local governing body must be submitted with the application demonstrating commitment to provide the local matching fund amount and any other supplemental funds needed to complete the project.
2. **Commitment to Provide Public Library Direct Service:** Regardless of any operating agreements, the governing body must agree that the completed building will be dedicated to public library direct service use for a period of at least 40 years following the completion of the project.
3. **Building and Site Considerations** Supporting documents must be submitted with the application. These include: site and title requirements including all California Environmental Quality Act (CEQA) documentation, proof of property ownership or any lease and lease-purchase agreements, boundary survey, geo-technical report, visual record of the existing library, map and visual record of the site with map.
4. **Community Needs Assessment** The needs assessment is developed as a collaborative effort between the public library and public school district. It demonstrates the need for the project and describes its relationship to the overall library jurisdiction.
5. **Library Plan of Service:** A library plan of service will describe how the needs of the residents in the library service area will be met by the proposed project.
6. **Library Building Program:** The building program will demonstrate how the library plan of service will be implemented in the actual project.
7. **Conceptual plans:** Architectural plans will be submitted that include a floor plan and site plan that justify the projected construction cost estimate.

The application and all supporting documents, including resolutions must be submitted as a complete document to the State by March 28, 2003. If any portions of the submittal are missing or incomplete, the entire application will be deemed "ineligible" and will not be considered.

Proposition 14, Round One

Of 66 applications submitted for the June 14, 2002 Proposition 14 funding cycle, 61 applications were eligible and were submitted to the Board for evaluation. The total value of the grant requests was over \$500 million. Of the \$150 million scheduled to be awarded in the Round 1 cycle, \$149,226,329 was awarded. The remaining funds were rolled over to Round 3 of the award cycle.

The applications for the Main Library, Logan Heights Branch Library and San Ysidro Branch Library, previously approved for submission in Round One were forwarded to the Library Construction and Renovation Board for review and evaluation. At two separate meetings in December 2002, the California Public Library Construction and Renovation Board awarded 1st cycle Library Bond Act funds to 18 projects throughout the State of California. The Logan Heights Branch Library project was the recipient of a \$5,359,724 million grant award.

On January 10, 2003, Library staff spoke with Bond application evaluators regarding the Main Library application. City staff and architects had many questions regarding the application and the State's comments. Staff incorporated suggestions into a new Main Library application.

Required Resolutions and Funding Commitment for Grant Applicants

As part of the grant application, the City Council must certify the following by resolution:

1. A commitment to provide the local matching funds identified in the Proposition 14 Library Project Budget, as required by Education Code Section 19995(a).
2. A commitment to provide any supplemental funds necessary to complete the project at the level stated in the project budget.
3. A commitment to the availability of the local matching supplemental funds as specified in the budget when they are required to meet cash flow requirements of the project.
4. Approval of the project budget as contained in the Project Budget section of the Application form.
5. Attestation to the accuracy and truthfulness of all information submitted in the Application form and the required supporting documents.
6. A commitment that the library facility for which grant funds are sought shall provide public library direct service by the City of San Diego.
7. A commitment that the library shall be dedicated to public library direct service use for a minimum period of 40 years following completion of the project, regardless of any operating agreements the City may have with other jurisdictions or parties.

Attachment 1 is the Education Code that refers to the required funding amount.

Attachment 2 is Title 5 Library Bond Act Regulations (page 28) which describe the requirements for the funding resolution.

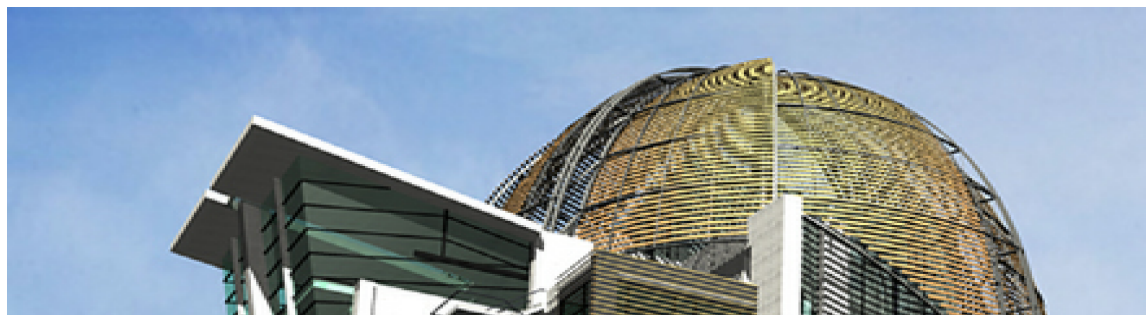
Main Library Project Description and Funding Sources

Plans have called for a new Main Library since 1977. The present facility at 820 E Street is 144,000 square feet and outgrew its space 25 years ago. More than half the collections have to be stored in two basement levels that are closed to the public and available only upon request. The Central Library does not have the electrical capacity or space for computer stations to meet the needs of the public. There is little space for exhibits, meetings or cultural events. There is insufficient space for exhibits and displays which might complement and promote collections.

In May 2000, the City Council selected the "Park to Bay" site, between 11th and 12th avenues and J and K streets as the location for the Main Library, and in October 2000 approved a contract with architect Rob Wellington Quigley for schematic designs. Design is proceeding for a Main Library to serve the current and future needs of the more than 1,200,000 million current residents of the City. This site was re-affirmed by Council on July 30, 2001.

Under this plan, funds identified and included in the Library Financing Plan approved by Council on November 18, 2002, the Main Library will be funded using funds from the Redevelopment Agency, private donations/grants, and proceeds from the issuance of long-term bonds.

Since the application is for the maximum allowable grant of \$20 million, the matching fund requirement would not be based on the entire project cost. To receive a \$20 million grant, the project size must be at least \$30.8 million (\$20 million is approximately 65% of \$30.8 million). Any project funds that are required over that amount will be 100% local funds which have been included in the previously approved Library Financing Plan. The 35% matching requirement would be \$10.8 million. However the City is required to provide sufficient funds to complete the entire project, estimated at a total cost of \$149.5 million, should a grant be awarded the full amount necessary to complete construction must be shown in the application documents.



Project Funding:

65% State	\$20,000,000 (maximum grant award)
35% Local Match needed	\$10,800,000
Supplemental Costs	<u>\$118,700,000</u>
TOTAL PROJECT COST	\$149,500,000

Available Local Match: Identified in the previously approved financing plan for the Library System Improvements Program (November 18, 2002, City Manager Report 02-264), the City has already begun to implement the outlined financing plan and has appropriated \$10.3 million of City cash toward the Main Library. Of the total funding made available to date, the appropriations occurred in prior fiscal years and fiscal year 2003. The appropriated amount of \$10.3 million is 95% of the required local match. Per the financing plan previously approved by the City Council, the remaining balance of the local match will be met through the additional funding sources allocated for the Main Library which include contributions from the Redevelopment Agency, private donations, and the proceeds from the bond issuances. Of the appropriated \$10.3 million, approximately \$4.7 million has been expended for the Preliminary Planning and Design phases of the project.

Environmental impact: Certifying that the information contained in LDR No. 41- 0980A has been completed in compliance with the California Environmental Quality Act and State CEQA Guidelines, and that said Addendum reflects the independent judgment of the City

of San Diego as Lead Agency. Stating for the record that the Addendum has been reviewed and considered prior to approving the project. Adopting the Mitigation, Monitoring and Reporting Program.

Attachment 3: Revised Main Library CIP 35-082.0 budget.

Attachment 4: The “Financial Information” pages of the Proposition 14 application.

Ineligible and Supplemental Funding

The Main Library project has costs which are not eligible for funding under the Title 5 Library Bond Act. These costs reflect the difference between what the State mandates as the maximum costs (\$30.8 million for the Main Library) for new construction and the funding necessary to complete the project which includes elements of the project not covered by the grant. These elements include the development of future expansion space, art work, design work and efforts occurring three years before the issuance of the grant, and other miscellaneous items. Accordingly, these are considered ineligible for state funding and are shown as “supplemental local funds”. However, this ineligible funding does not change the overall Main Library costs which are identified in the library’s financing plan

Main Library Operations and Management

The San Diego Public Library Department will have the financial capacity to open and operate the Main Library. The additional costs of operating this facility were calculated with the assistance of library consultants and provided to City Council in a City Manager’s Report No. 98-15 in 1998. The increased operating costs have been taken into account in the financing plan adopted on November 18, 2002 using incremental library ordinance funds. The projected operating costs of approximately \$9.8 million for the Main Library were discussed in Manager’s Report 00-107, dated May 18, 2000.

Environmental Documents and Actions

Compliance with the California Environmental Quality Act (CEQA) is required for all projects submitted to the Office of Library Construction as part of the Library Bond Act Grant application process. In order to satisfy this requirement evidence of the environmental impact documentation (EID) such as the final CEQA document, State Clearinghouse (SCH) compliance letter, local resolutions and notice of determinations are required. On May 28, 2002, the San Diego City Council approved the Main Library Project, certified the original Mitigated Negative Declaration (LDR No. 41-0980), adopted the Mitigation, Monitoring and Reporting Program (Council Resolution R-296575) and the application for round one of the Library Bond Act Grant application process. However, the original Mitigated Negative Declaration was not submitted to the State Clearinghouse for review because the Title 5 Bond Act Regulations were not clear regarding this submittal requirement. Subsequently, the State felt that the Library did not satisfy the requirements for round one. The City appealed this decision to the Office of Library Construction citing specific CEQA sections regarding SCH review, and the application was reevaluated and deemed eligible. The Title 5 Regulations have now been modified to clarify the CEQA documentation requirements.

In order to satisfy the grant application requirements for round two, the original Mitigated Negative Declaration was submitted to the SCH in January 2003 for the required 30-day public review. Prior to the close of the SCH review period the City Council approved a resolution to submit an application for the Main Library in round two of the Library Bond Act Grant process. A subsequent Notice of Determination was filed for this action based on the previously approved Mitigated Negative Declaration [Resolution No. R-297614, dated February 3, 2003]. Because one letter of comment was received from a State agency during the required SCH review period, an Addendum was prepared to respond to the comment letter and clarify the environmental process that was followed for round two of the Library Bond Act grant application to date. Certification of the Final Addendum, adoption of the Mitigation, Monitoring and Reporting Program incorporated into the new document, and submittal of the SCH compliance letter will satisfy the requirements for round two of the grant application process.

Grant Evaluation Process

All applications are due to the State by March 28, 2003. Once applications have been submitted, the Office of Library Construction staff will evaluate the applications and provide the State Librarian and Board with "findings" which will rank the applications by priority and as to how each application met the review consideration factors specified in Section 19989. The Board will then review the applications and make the final grant award decisions.

It is anticipated that the grant awards results will be announced in fall 2003. If a project is not awarded a grant, these applications may be resubmitted for consideration for the Round Three (January 16, 2004) grant award cycle.

Alternatives

Do not approve the application, funding commitment and resolutions as required by the Title 5 Library Bond Act Regulations.

Respectfully Submitted,

Anna Tatár
Library Director

Approved: Bruce A. Herring
Deputy City Manager

TATÁR/ES

Note: The attachments are not available in electronic format. A copy is available for review in the Office of the City Clerk.

- Attachments:
1. Education Code.
 2. Title 5 Bond Act Regulations, page 28.
 3. Revised Main Library CIP 35-082.0 Budget.
 4. Proposition 14 grant application, Financial Information pages.