

DATE ISSUED: October 27, 2005 REPORT NO. 05-217

ATTENTION: Honorable Mayor and City Council
Docket of October 31, 2005

SUBJECT: Library Department Facility Improvements System

REFERENCE: Manager's Report No. 01-019 Dated January 30, 2001
Manager's Report No. 01-148 Dated July 25, 2001
Manager's Report No. 01-234 Dated October 26, 2001
Manager's Report No. 01-275 Dated December 7, 2001
Manager's Report No. 02-116 Dated May 22, 2002
Manager's Report No. 02-159 Dated July 10, 2002
Manager's Report No. 02-264 Dated November 8, 2002
Manager's Report No. 05-022 Dated January 26, 2005

SUMMARY:

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUIRED ON THE PART OF THE CITY COUNCIL.

BACKGROUND

On July 30, 2002, the City Council approved the facilities to be included in the Library System Improvements Program (New Main Library and 24 branch libraries), the construction timeline, and the guiding principles for project development. Additionally, the Council directed the City Manager to return with a financing plan for the Library System Improvements Program. Based upon the Council-approved list of facilities (as presented in City Manager's Report 02-159) and the authorized facilities modifications (as adopted in Resolution R-296900), an assessment of the costs, schedule, and funding requirements was developed by the Engineering & Capital Projects Department. As directed by the Council, the financing staff determined the cash flow requirements and established a financing plan, including appropriate bond issuance phases and dates. On November 18, 2002, the City Council approved the financing plan as the next step to complete the Library System Improvements Program.

Financing Plan Background

According to the financing plan authorized by Council in November 2002, the total estimated project cost was \$312.3 million of which \$149.5 million was associated with the New Main Library, and \$162.8 million with branch library improvements. Four main sources of revenue were projected:

1. Bonds

\$178 million (with net proceeds in the amount of \$92 million toward the New Main Library and \$86 million for the branch libraries) of the \$312.3 million would be funded with a multi-phased lease-revenue bond financing totaling \$191 million in issuance size. The first bond issuance was projected to occur in June 2004. Annual bond payments were estimated to be approximately \$14 million based on the interest rates and the City's credit profile as of 2002. Annual allocations equivalent to transient occupancy tax (TOT) revenues and a portion of Tobacco Settlement Revenue (TSR) receipts, combined with prior year program fund balances, were projected to support the annual lease payments.

In order to meet the design, land acquisition, and construction timelines (presented in the City Manager's Report 02-264), the City Council also approved a not to exceed amount of \$16.9 million in interim funding on November 18, 2002, per Resolution R-297353. The advances were paid with project TOT allocations and were to be reimbursed from Phase I bond proceeds.

2. Agency Funds and Fees

\$73.3 million was projected to come from a variety of agencies:

- CCDC \$37.2 million (all to the New Main).
- Other Redevelopment Bond Funds \$5.7 million (all to branches).
- DIF \$6.2 million (branches).
- FBA \$15.4 million (branches).
- CDBG \$.7 million (branches).
- HUD Section 108 Loans \$8.1 million (branches).

3. Grants and Private Contributions

- \$53.3 million was anticipated (\$20 million New Main, \$33.3 million branches to be raised by the combined efforts of City library staff and the 501c3 non-profit San Diego Public Library Foundation.

4. City Funds

\$7.9 million for branches was projected from City cash and other funds

PROGRAM STATUS:

Following is the current status of the Main Library and an alphabetical summary of the 24 branch library facilities which compose the Library System Improvements Program approved by the Mayor and City Council in 2002.

Main Library (CIP No. 35-082.0) - This project provides for the design and construction of the Main Library located South of J Street and East of 11th Avenue in close proximity to the Ballpark and Convention Center. The building will have 131,395 square feet of underground parking, 361,100 square feet of Library space, including two floors (76,944 square feet) of lease space designed to accommodate future Library expansion, for a total building size of 492,495 square feet. In addition, the building will have 11,517 square feet of usable outdoor deck space on the 9th floor, and a 4,994 square foot auditorium, and 163 square foot café in the courtyard at the entrance to the building. The design is being completed by a joint venture between Tucker Sadler Architects Inc. and Rob Wellington Quigley Architects Inc., with Turner Construction performing Construction Management Services. Funding includes \$80,000,000 from Centre City Development Corporation, \$20,000,000 from a Public Library Construction and Renovation Bond Act of 2000 (State Proposition 14) Grant, and \$50,000,000 in private donation of which \$3,000,000 has been identified to date. Construction plans are now being checked for code compliance by the State Architect's office and the City's Development Services Department. The project schedule is dependent on the identification/confirmation of all the funding necessary to complete construction. Once funding has been identified, Turner Construction will proceed with the competitive process of bidding the construction and developing a guaranteed maximum price for City approval. This process is expected to take four months, and will require Council approval of the final price and the contract to implement construction.

Balboa Branch Library (CIP No. 35-102.0) - This project provides for a new 15,000 square foot library on the current site at 4255 Mt. Abernathy Avenue. The new facility schematic design is complete. A consultant agreement with Hanna Gabriel Wells, Architects for design development, and bridging documents is processing for City Council approval.

Carmel Mountain Ranch Branch Library (CIP No. 35-111.0) - This project will provide a 2,000 square foot expansion of the existing 13,000 square foot library located at 12095 World Trade Drive. The project is on hold pending funding availability.

College Heights/Rolando Branch Library (CIP No. 35-071.0) - The new library opened to the public on September 9, 2005. This new 15,000 square foot facility is located on Montezuma at Reservoir Drive, and provides community meeting space, a computer lab, children's and young adult areas, Friends of the College Heights/Rolando Branch Library store, and additional space for collections.

Kensington/Normal Heights Library (CIP No. 35-065.0) - This project will provide a 2,000 square foot addition to the existing facility at 4121 Adams Avenue. The project is in schematic design and preliminary environmental review. The Friends of Kensington/Normal Heights Library are pursuing private fund raising to assist with the construction funding.

La Jolla/Riford Branch Library & the Joan and Irwin Jacobs Annex (CIP No. 35-904.0) - The renovated branch library and new annex opened to the public on March 27, 2004. This project provided a 15,700 square foot expansion of the original 10,000 square foot La Jolla library located at 7555 Draper Avenue on a lot adjoining the existing building. The expansion included a multi-level addition with a children's library, young adult area, La Jolla history room, reading room, meeting rooms, and stack areas for a 120,000-book capacity. Remodeling of the existing library structure provided a computer lab, Friends of the La Jolla Branch Library store, and expanded collections.

Logan Heights Branch Library (CIP No. 101.0) - The new 25,000 square foot library will be located on the Logan Elementary School site, adjacent to the Memorial Center Middle School. The City received a State Library Grant, HUD 108 loan, and First Five Capital Project Grant for funding of this project. Phase I construction for site improvements began on July 28, 2005. Phase II will include the construction of the library building, and will bid this winter.

Mission Hills/Hillcrest Branch Library (CIP No. 35-096.0) - This project will provide for a 15,000 square foot branch library located on Washington Street adjacent to the Florence Elementary School. The new site has been acquired and the architectural firm of Mosher Drew Watson Ferguson has begun the process of designing the facility. Community outreach and coordination is being scheduled to begin in November of this year.

North Park Branch Library (CIP No. 35-104.0) - This project will provide a new 20,000 square foot facility in North Park at a new site, to replace the existing library located at 3795 31st Street. The project will be part of a larger, mixed-use, redevelopment project. The community outreach process is ongoing to discuss pre-development activities. The library task force met on September 29, 2005 to reconsider the development proposals received for the project, and recommended a site located at 31st Street and North Park Way.

North University Community Branch Library (CIP No. 35-098.0) - The Project will provide a 16,088 square foot branch library in the University planning area at 8820 Judicial Drive. The project is currently under construction by C. E. Wylie Construction Company through a design-build contract. The facility is located within the 30 acre Nobel Athletic Area which is also under construction with both facilities anticipated to be open to the public in the late summer/early fall of 2006.

Ocean Beach Branch Library (CIP No. 35-100.0) - The architectural consultant of Hanna

Gabriel Wells completed preliminary designs for a 15,000 square foot library using the original (1927) wing of the building on the current site at 4801 Santa Monica Avenue and an adjacent property. Land acquisition of the adjacent site was completed in August, 2005. The remaining project funds will be utilized for design development, completion of the bridging documents and environmental review.

Otay Mesa/Nestor Branch Library (CIP No. 35-087.0) - The new project will expand existing 10,000 square foot facility located at 3003 Coronado Avenue by 5,000 square feet, providing expanded meeting and conference space, a computer lab and space necessary for growing collections. This project also includes the repair/replacement of major building systems in the original part of the building. Project construction began on March 30, 2004 and will be completed this winter.

Otay Mesa/East Branch Library (CIP No. 35-086.0) - The new project will provide a 15,000 square foot branch library to serve the Otay Mesa/East community. Site acquisition is scheduled for FY 2007. It is anticipated that the funding for this project will be provided from the FBA funds collected for this community.

Pacific Beach/Taylor Branch Library (CIP No. 35-105.0) - Some preliminary discussions occurred with the building architect Manuel Oncina concerning an expansion of the current 12,000 square foot building located at 4275 Cass Street. This expansion is assumed to be funded by a pledge.

Paradise Hills Branch Library (CIP No. 35-106.0) - This project will replace the existing library at 5922 Rancho Hills Drive with a new 15,000 square foot library. Evaluation of possible sites was concluded and presented to the community in September. The Real Estate Assets Department is being asked to initiate a property appraisal for the purpose of future budgeting. Upon completion of the appraisal, for budgeting purposes, no further action will be taken until funding is available for the property acquisition, design and construction.

Point Loma/ James Edgar and Jean Jessop Hervey Branch Library (CIP No. 35-067.0) - The new Library was opened to the public on September 20, 2003. This project provided a new 25,890 square foot library on land adjacent to the original facility on Poinsettia Drive. The two-level building includes a community room for 122 people, kitchen, outdoor patios, lounge areas, a computer lab, and seminar rooms. The children's area, which includes an art area and story time zone, is the largest of any children's library in the City.

Rancho Bernardo Branch Library (CIP No. 35-106.0) - This project provides for expansion of the existing 23,000 square foot facility, located at 17110 Bernardo Center Drive, to approximately 25,000 square feet. A feasibility study has been completed. The project is on hold pending funding availability.

San Carlos Branch Library (CIP No. 35-088.0) - This project originally provided for a

16,800 square foot expansion and architectural upgrade of the current 8,200 square feet facility located at 7265 Jackson Drive. The program was subsequently changed to become a new 25,000 square foot facility. A consultant agreement with Dominy + Associates for design development and bridging documents is processing for City Council approval, and land acquisition is in process. Presently, the site is being cleaned from contaminated soil as per the land purchase agreement.

San Ysidro Branch Library (CIP No. 35-093.0) - The new 25,000 square foot library will be part of the Las Americas shopping plaza on Camino de la Plaza. The City has acquired a 26,500 square foot site and 143 parking spaces. The project is on hold pending funding availability.

Scripps Miramar Ranch Branch Library Center (CIP No. 35-112.0) - This project provides for evaluating and providing options for increased parking capacity at this branch library, located at 10301 Scripps Lake Drive. A feasibility study was completed by Architects Richard Bundy & David Thompson. Intel, who owns the neighboring undeveloped site, was contacted for a potential joint use agreement. The project is on hold pending funding availability.

Serra Mesa/Kearny Mesa Branch Library (CIP No. 35-089.0) - Construction of the new 15,000 square foot building, located at the 8900 block of Aero Drive began on November 16, 2004 and will be ready by summer of 2006. The new branch will provide the community with a computer lab, meeting spaces, children's area, as well as space for expanded collections.

Skyline Hills Branch Library (CIP No. 35-107.0) - This project will provide a new 15,000 square foot library, near the existing library located at 480 S. Meadowbrook Drive. The new site has been acquired. There is continuing dialogue with the community regarding design issues and acceptable site layouts.

South University Community Branch Library (CIP No. 35-113.0) - This project provides that the existing 10,000 square foot facility, located at 4155 Governor Drive, be expanded by up to 5,000 square feet. The project is on hold pending funding availability.

Tierrasanta Branch Library (CIP No. 35-108.0) - This project provides for a 6,234 square foot expansion of the existing 9,000 square foot facility located at 4985 La Cuenta Drive, and requires the relocation of the Fire Station located next to the Library.

University Heights Branch Library (CIP No. 35-109.0) - This project initiated a feasibility study for the adaptive reuse of the historic Teacher Training School Building. The facility is located at 4193 Park Boulevard which is located within the San Diego Unified School District's Annex 1 complex. The final report was completed on September 24, 2004 and found that the building could be used for a library. The study found the probable cost of the improvements needed to reuse the building are approximately \$10,000,000 in 2004 dollars, and would require agreement with the San Diego Unified School District on the use of the building and public parking.

LIBRARY PROGRAM FUNDING AND COST UPDATE

Cost Increases Challenge Program Expenses:

The January 28, 2004 City Manager's Report 04-023 Rev, advised that construction projects, especially building projects, had been experiencing cost increases as a result of escalating national and local material costs, higher insurance costs, high volume of construction in the region, and higher demand for services and materials. Whereas the average construction cost per square foot for libraries increased approximately 2% during calendar year 2000 to 2002, in calendar year 2003 the average cost increased by approximately 36%. Engineering staff will return to Council with an updated City Manager's Report regarding the continuing building construction cost escalation trend in the near future. In addition, the recent hurricanes in the Gulf Coast region will detrimentally impact building costs.

Two libraries, Point Loma/Hervey (finished, 2003) and La Jolla/Riford (finished, 2004), were completed under the plan, primarily due to private funding. However, four projects under construction, College/Rolando, Otay Mesa/Nestor, Serra Mesa/Kearny Mesa, and North University Community were challenged by increased costs and experienced project cost escalations over the original estimates. To complete these projects, Council reallocated some of the original interim funding (per the recommendations of City Manager's Report 05-022, January 26, 2005), increasing the Otay Mesa/Nestor and College Heights/Rolando budgets to \$4.96 million (original estimate \$3.04 million) and \$8.63 million (original estimate \$5.53 million) respectively. The increase in cost of Serra Mesa/Kearny Mesa from \$6.3 million to \$8.9 million was covered by additional DIF funding, and the increase of the North University Community budget from \$7.3 million to \$7.9 million was absorbed by additional FBA funding. Through these cumulative City council actions, the overall program cost has increased to a total of \$321 million.

Attachment 1 shows the original schedule of library estimates, and includes updated total project costs for branch libraries under construction and open to the public, including Logan Heights Branch Library which is in Phase I construction. Including the current project cost estimate for Logan Heights Branch Library, the adjusted program estimate is \$326 million. The remaining project cost estimates are based on the original 2002 cost estimates and will be updated when the city is closer to obtaining additional financing for the libraries.

Inability to Bond Challenge Program Revenues:

Additionally, because of the City's financial situation, there were changes to the bonding schedule which affected the originally anticipated bond funding availability. The impact on the four revenue sources is as follows:

1. Bonds

Due to the increased project costs, the City's ability and affordability to bond will be an important part of the future revenue equation especially for branch libraries which face more challenges attracting grants and private funding to absorb the increased costs of the projects. The City's inability to bond already affected the timing of the projects and any increases in project budgets due to cost escalations will affect the past estimates of bond amounts if alternative non bond funding source are not identified. However, the revenue equation for this Program still anticipates the need for bond funds.

In approving the financing plan in November 2002, the City Council authorized annual allocations in amounts equivalent to certain TOT revenues and a portion of TSR receipts, with other balances available, sufficient to meet the anticipated annual bond payments on the Library System Improvements Program bonds. However, due to budget constraints and postponement of the anticipated bond issuances, TOT and TSR allocations for FY05 and FY06 were not made for the Library System Improvements Program. The original financing plan assumed prior fund balances in the project cash flow combined with accrued interest on these projected fund balances, would support the annual lease payment requirements on the bonds. To the extent annual allocations are suspended, or fund balances are tapped to address construction cost increases not originally programmed in the original financing plan, capacity to support the bond component of the overall program at the past estimated levels will be diminished.

Interim funding

As of October, 2005, of the Council approved \$16.9 million in interim funding, \$15.9 million is either expended or encumbered for current contracts, with the remaining \$1 million scheduled to be used for project planning, pre-development, environmental review, and design. **Attachment 2** shows the original financing schedule appropriations and subsequent City Council approved interim funding transfers between eight branch library projects in order to achieve those certain facilities' next respective milestones. The transfer of interim funding between these facilities was necessitated due to the City's inability to issue bonds in 2004; the projects incurring higher construction costs than originally anticipated; and to allow for interim funding to certain projects not originally contemplated for interim funding as a funding source. These actions are listed below:

On February 9, 2004, per Resolution RR-298877, City Council authorized the transfer of \$1,500,000 interim funds from Paradise Hills Branch Library, and \$500,000 interim funds from North Park Branch Library, to College/Rolando Branch Library, for the purpose of project construction.

On February 9, 2004, per Resolution RR-298894, City Council authorized the transfer of \$1,000,000 interim funds from Ocean Beach Branch Library, and \$500,000 from San Carlos Branch Library, to Otay Mesa Nestor Branch Library, for the purpose of project construction. Once a \$750,000 HUD 108 loan was received for Otay Mesa Nestor Branch Library, the interim funding would be replenished to the two projects

(\$250,000 to Ocean Beach Branch Library, and \$500,000 to San Carlos Branch Library), for a net increase of \$750,000 interim funding in the Otay Mesa Nestor Branch Library project. The replenishment of the remaining \$750,000 interim funding was subsequently modified to retain \$300,000 in Otay Mesa Nestor Branch Library, and redirect the \$450,000 interim funding from Ocean Beach Branch Library to North Park Branch Library per Resolution RR-30013.

On February 1, 2005, per Resolution RR-30013, City Council authorized the transfer of \$1,200,000 interim funds to College Rolando Branch Library (\$316,757 from Balboa Branch Library, \$346,926 from Mission Hills Branch Library, and \$536,317 from North Park Branch Library) and authorized an additional \$300,000 interim funding for Otay Mesa Nestor Branch Library for the purpose of completing and opening the projects.

2. Agency Funds and Fees

- With CCDC's increased commitment to the New Main from \$37.2 to \$80 million, revenue from this source is much higher than projected, enabling the bonding component of this project to be eliminated.
- Other Redevelopment Bond Funds \$5.7 million (all to branches).
- DIF \$6.2 million (branches).
- FBA \$15.4 million (branches).
- CDBG \$.7 million (branches).
- HUD Section 108 Loans \$8.1 million (branches).

3. Grants and Private Contributions

- Overall, library staff and the Library Foundation have achieved record successes in this area making it one of the top library fundraising organizations of the past four years.
- Included in the funding success was a First Five Commission award on July 19, 2004 of \$4 million to construct *Preschooler's Door to Learning* centers at four branches: Logan Heights, College Heights/Rolando, Skyline Hills, and Serra Mesa/Kearny Mesa. This is additional funding not contemplated in the original financing plan.
- The \$20 million from Prop 14 (Public Library Construction and Renovation Bond Act of 2000) was secured for the New Main.
- \$5.3 million from Prop. 14 was secured for the Logan Heights Branch.
- The original financing plan assumption that San Ysidro would receive at grant of \$9.6 million was not realized.
- With the additional funds from CCDC and \$20 million in State grants, the New Main needs an additional \$50 million in private contributions.
- Additionally private contributions and possible other grant monies will be needed until the City can bond.

4. City Funds

The projected \$7.9 million in City funding is not available for the program and will need to be replaced by either bonding or private fundraising.

OPERATIONS AND MAINTENANCE

In 2002, in addition to projecting the construction costs of the Library System Improvements Program, the operation and maintenance costs of the new/expanded facilities were also projected over the 30-year financing program. The original financing plan projected that there would be sufficient monies available for the operation and maintenance of the newly constructed library facilities assuming that the increased funding called for in Section 22.0228 of the San Diego Municipal Code (the Library Ordinance) were appropriated each fiscal year. In order to be consistent with the financing plan, the City Council approved the projected funding for the anticipated incremental operation and maintenance costs, as detailed in CMR 02-264, and amended City Council Policy 100-19, per Resolution R-297354, to authorize the City Auditor and Comptroller to establish a separate fund, the New and Expanded Library Operation and Maintenance Fund for the anticipated incremental operation and maintenance costs of the expansion/construction of the library facilities. The increased funding was appropriated in FY 2002 and 2003 for new and expanded library maintenance, but due to similar reasons affecting the TOT and TSR annual allocations for the Library System Improvements Program, the Library Ordinance was waived in Fiscal Years 2004 through 2006.

Since adoption of the Library System Improvements Program, sufficient funding has been made available to operate three branch library facilities that have or will open prior to the end of calendar year 2006 (Point Loma/Hervey, La Jolla/Riford and the Joan and Irwin Jacobs Annex and North University Community). Additionally, money has been appropriated in the Library Department's operating budget to pay for future maintenance expenses of these three new/expanded facilities mentioned above.). These funds are being transferred annually into the interest-bearing New and Expanded Library Operation and Maintenance Fund so that there will be funds available to adequately maintain these three new and expanded facilities. In FY 2004 and 2005, a total of \$175,000 was transferred into this fund, and \$150,000 has been appropriated in the Library's FY 2006 operating budget for this purpose.

CONCLUSION

On July 30, 2002, the City Council approved the facilities to be included in the Library System Improvements Program (New Main Library and 24 branch libraries), the construction timeline, and the guiding principles for project development. Additionally, the Council directed the City Manager to return with a proposed program financing plan. Based upon the Council-approved list of facilities (as presented in City Manager's Report 02-159) and the authorized facilities modifications (as adopted in Resolution R-296900), an assessment of the costs, schedule, and funding requirements was developed. As directed by the Council, the financing staff determined the cash flow requirements and established a financing plan, including appropriate bond issuance phases and dates. On November 18, 2002, the City Council approved the financing plan as the next step to complete the Library System Improvements Program. The financing plan contemplated the issuance of lease revenue bonds in mid to late 2004.

In November 2002, the City Council authorized \$16.9 million in interim funding for specific expenditures under the Library System Improvements Program to be reimbursed from bond proceeds upon the issuance of Phase I of the Library System bonds. This funding was met from accrued balances from annual TOT allocations designated for the anticipated debt service associated with the bonds issued for the Program. As of October, 2005, of the Council approved \$16.9 million in interim funding, \$15.9 million is either expended or encumbered for current contracts, with the remaining \$1 million scheduled to be used for project planning, pre-development, environmental review, and design. An additional \$2,700,000 is being requested from the accrued Program TOT allocations, an increase to the TOT allocation as the original resolution was for an amount not to exceed \$16.9 million, to meet Logan Heights Branch Library Project needs. These advanced funds could be reimbursed from bond proceeds when the first bond issuance occurs.

Of the 23 branch library projects, three (Point Loma/Hervey, La Jolla/Riford, and College/Heights Rolando) are completed and three more (Otay Mesa/Nestor, North University Community, and Serra Mesa) are under construction. Logan Heights Branch Library, the next facility to be built, is currently in Phase I construction. Phase II construction is scheduled to begin this Spring.

Since building costs continue to escalate nationally and locally, it is difficult to estimate true project costs until the funding is close at hand. When the City is ready to enter the bond market, staff will return to City Council with a revised Library System Improvement Program cost based upon new cost assessments of the remaining projects. When updated project cost estimates, schedules, and available funding sources are developed for all the projects within the Program, the net effect in bond needs can be determined. To the extent that additional revenue from non-bonding sources including fund raising is identified to address all of the increased construction costs of the branches, the bond component of the overall program will be lowered by the amount of bond funds that was substituted by the redevelopment agency funds for the New Main Library. Any deficiencies in funding availability from non-bond funding sources for the branch libraries will increase the need of the bonding component for the branch libraries.

Respectfully submitted,

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OSKOU/CM

Attachments: [1. Schedule of Library Cost Estimates](#)
[2. Schedule of Interim Funds and Adjustments](#)