



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Item Number: S501

Fees for Central Library Special Event Space

OVERVIEW

On July 17, 2013, Deborah Barrow, Director of the Library Department, presented the proposed fee schedule for the new Special Event Spaces within the new San Diego Central Library to the Budget and Finance Committee. The new Central Library, anticipated to open on September 28, 2013, will have many small and specialized group study rooms, including three computer and internet labs, a teen media room, and an Innovation and Digital Expression Activity lab. The majority of these rooms will be free and open to the public, with the exception of several smaller meeting rooms. These smaller/regular meeting rooms will be available for the public to rent and will be subject to the current City Fee Schedule for library meeting rooms.

In addition to the study rooms and regular meeting rooms, the new Central library will have several new, large spaces/venues that will be available to the public to rent from the City for events and/or meetings. The proposed fee schedule presented by the Library Department is to specific address these new spaces/venues. The new Special Event Spaces include:

- the 352-seat auditorium
- the lobby space
- Mary Hollis Clark Conference Center (small and large rooms)
- the reading room under the dome
- the art gallery
- the 9th floor Special Events Room with balconies; and
- the 9th floor outdoor deck and sculpture garden

At the conclusion of the discussion on this item at the July 17, 2013 Budget and Finance Committee meeting, the item was approved by the Budget and Finance Committee and moved to the full City Council for consideration, with direction to the Office of the IBA to review the

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proposed fees. On July 22, 2013, Mayor Filner provided a memorandum to the City Council President requesting this item be docketed as a supplemental item for the City Council meeting of July 30, 2013.

As directed by the Budget and Finance Committee, this report will provide a review of the rental rates for the new Special Event Spaces and a review of the proposed rates for non-profit groups, particularly in comparison to discounts provided by other City facilities.

FISCAL/POLICY DISCUSSION

Rental rates

The new Central Library will be a state-of-the-art facility and the Library Department considers the new Special Event Spaces to be unlike any in current City facilities. The incorporation of technology into the spaces, the ability to accommodate large groups, and the downtown location is anticipated to make the Special Event Spaces highly desirable. The Library Department determined that in order to establish appropriate rental rates for these new spaces, they would need to identify comparable venues/spaces based upon capacity, features, and appeal. The rental rates for these comparable venues/spaces would provide benchmark rental rates. In developing the list of comparable spaces, the Library Department not only surveyed City-owned facilities such as the Balboa Park Club and the War Memorial Building, the Department expanded the search to include other facilities within the City of San Diego such as the San Diego Museum of Art, and other public libraries in other major cities such as Seattle and Boston. The benchmarking comparisons are attachments to the staff report. Based upon the rental rates proposed by the Library Department, the Department is anticipated to generate \$150,000 in annual revenue from the Special Event Spaces.

In review of the designs and renderings of the new Special Event Spaces and similar information related to the other venues identified by the Library Department, the methodology of expanding the search for comparable facilities beyond City-owned facilities to determine comparable rental rates is useful. In discussion with the City Attorney's Office and based upon their review of Proposition 26, as the City is renting out its property, it can act as any property owner would and charge market rates designed to provide the City with a return above the City's costs of providing the space for rent. The rental rate is not limited to cost recovery as rates for providing a City service would be. Though many factors such as location, space availability, and features play a role in determining appropriate rental rates, the venues and rates provided by the Library Department provide a broad range of rates for comparison based upon the respective facilities similar features and capacity.

From a sample of the information provided by the Library Department, as shown in Table 1 on the following page, the price for a Commercial customer to rent an auditorium type space ranges from approximately \$300 per hour to slightly over \$800 per hour, while the price for renting a Special Event room (space other than an auditorium) ranges from approximately \$100 per hour to over \$500 per hour. It should be noted that in order to compare hourly rates, some flat/fixed rates or rates designed to cover a four-hour time period have been broken down to an hourly rate for comparison. Additionally, the proposed and comparable rates are presented in two customer

classifications: Commercial and Non-commercial. The Non-commercial rates include non-profit organizations. The table provides the rental rates for Commercial and Non-commercial customers; and the calculated discount percentage provided to Non-commercial customers.

TABLE 1 - Rental rates for auditorium and special event spaces

Venue/Space	Customer classifications		Discount Percentage for Non-commercial
	Commercial	Non-commercial	
New San Diego Central Library - Auditorium	\$450	\$350	22%
War Memorial Building - Auditorium ¹	\$308	\$154	50%
Balboa Park Club - Ballroom ¹	\$410	\$205	50%
San Diego Museum of Art	\$100	N/A	--
Museum of Contemporary Art San Diego - La Jolla	\$356	\$306	14%
Kansas City Public Library - Kirk Hall	\$313	\$250	20%
Boston Public Library - Reading room	\$525	\$420	20%
Chicago Public Library - Auditorium	\$813	\$625	23%
Los Angeles Library - Auditorium	\$313	N/A	--
Indianapolis Library - Auditorium	\$400	\$275	31%

¹ Subject to current City Fee Schedule for meeting rooms.

Discount rates for Non-commercial customers

In addition to the review of the methodology of developing the proposed rental rates, the IBA reviewed the proposed discount percentages to be provided to Non-commercial customers. Table 2 (below) illustrates the proposed rental rates for the new Special Event Spaces within the new Central Library for Commercial and Non-commercial customers; and the proposed percentage discount for Non-commercial customers.

TABLE 2 - Proposed rental rates

Special Event Space within the Central Library	Floor	1 hr Rental Fee Commercial	1 hr Rental Fee Non-Commercial	Discount Percentage
Auditorium	1	\$450	\$350	22%
Lobby	1	\$500	\$375	25%
Mary Hollis Clark Conference Center (small only)	1	\$29	\$16	43%
Mary Hollis Clark Conference Center (large only)	1	\$34	\$20	41%
Mary Hollis Clark Conference Center (combined)	1	\$60	\$33	46%
Reading Room	8	\$500	\$375	25%
9th Floor Outdoor Deck and Sculpture Garden	9	\$375	\$313	17%
Art Gallery	9	\$100	\$81	19%
Special Events Room	9	\$550	\$450	18%
Average				28%
Total projected revenue¹				\$150,000

¹Total projected revenue based on separate calculation.

In review of the information for the comparable spaces provided in Table 1, the average discount percentage for the Non-commercial customers provided by other comparable entities (excluding City-owned facilities) averages approximately 22%. In discussions with Library staff, the proposed Non-commercial rental rates were developed individually for each space and were designed to be in-line with those provided by the market comparables rather than an across-the-board percentage discount. The objective was to develop comparable rates for the identified spaces even though the resulting rates may not provide a consistent discount percentage for all

the spaces. Though the discount percentages for the Special Event Spaces vary from 17% to 46%, with the higher percentages calculated for the lower priced spaces, the average proposed discount percentage for the Non-commercial customers (28%) is similar to the average discount for Non-commercial customers provided by the comparable entities (22%) in Table 1.

At the direction of the Budget and Finance Committee, the IBA also reviewed the discount percentages for non-commercial customers at other City facilities, notably those within Balboa Park and the branch libraries.

For renting event/meeting space within City facilities within Balboa Park (Balboa Park Club, War Memorial Building, Casa Del Prado, etc.), the Park and Recreation Department has established four customer classifications: Commercial, Non-commercial, Non-profit with admission charge, and Non-profit without admission charge. The Non-commercial, Non-profit with admission charge, and Non-profit without admission charge customers all receive a discount from the Commercial customer rental rate. The discount percentages range from 33% to 67%, with the average discount percentage being 50%.

The Library Department currently has a meeting room (branches and regular sized rooms in the Central Library) fee structure within the City Fee Schedule. The library meeting room fee structure establishes several customer classifications: Library Sponsored Groups, Clubs and Not-for-profit groups, Private Groups, Religious Organizations, and Commercial Groups. From this current fee structure, the Library Sponsored Groups pay no fee to rent library meeting rooms; and the Clubs/Not-for-profit groups, Private groups, and Religious Organizations receive a 50% discount from the Commercial rental rate.

While the proposed discount percentages for Non-commercial customers for the new Central Library are in-line with the discount percentages offered by other non-City facilities, they do not follow those established for meeting rooms for City-owned facilities within Balboa Park or the current meeting room fee structure for the branch libraries. However, we would note that these new Central Library spaces are unique and offer an entirely different experience than most existing City facilities. Our office supports the Department's approach for Non-commercial fees for the new Central Library based on the desirability of the space and the information gathered on comparable fees for Non-commercial customers in several large city libraries.

Should the City Council wish to consider a higher reduction for Non-commercial customers, Table 3 on the next page illustrates the resulting rental rates and the total projected revenue from the Special Event Spaces when a flat/fixed discount percentage of 50% for Non-Commercial customers is applied. The projected impact to the total projected revenue generated from the Special Event Spaces would be a reduction of approximately \$28,000 on an annual basis, resulting in approximately \$122,000 being generated annually from the rental of the event spaces. Since this is the Library Department's first year of experience renting these new spaces, revenue projections are preliminary and could be conservative based on inquiries to date.

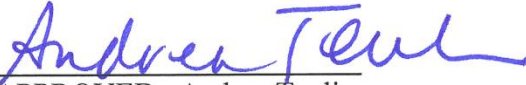
TABLE 3 - Fixed discount rates

Special Event Space within the Central Library	Floor	1 hr Rental Fee Commercial	1 hr Rental Fee Non-Commercial	Discount Percentage
Auditorium	1	\$450	\$225	50%
Lobby	1	\$500	\$250	50%
Mary Hollis Clark Conference Center (small only)	1	\$29	\$14	50%
Mary Hollis Clark Conference Center (large only)	1	\$34	\$17	50%
Mary Hollis Clark Conference Center (combined)	1	\$60	\$30	50%
Reading Room	8	\$500	\$250	50%
9th Floor Outdoor Deck and Sculpture Garden	9	\$375	\$188	50%
Art Gallery	9	\$100	\$50	50%
Special Events Room	9	\$550	\$275	50%
Average				50%
Total projected revenue¹				\$121,800
¹ Total projected revenue based on separate calculation.				

RECOMMENDATION AND CONCLUSION

Our office recommends approval of the rates as proposed by the Library Director and further recommends that the revenues and rate structure for the Special Event Spaces be re-evaluated after twelve months. The twelve month period will allow for collecting data over the different seasons as to the occupancy rate of each room, the customer base for each room, and the revenue being generated.


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