

**PUBLIC HEARING ON
BILL 16-743, “LIBRARY TRANSFORMATION ACT OF
2006”**

**Before the
Committee on Education, Libraries and Recreation
Council of the District of Columbia**

The Honorable Kathy Patterson, Chairperson

**October 27, 2006, 1:00 p.m.
Chamber, John A. Wilson Building**



**Testimony of
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**Natwar M. Gandhi
Chief Financial Officer
Government of the District of Columbia**

Good morning, Chairperson Patterson and members of the Committee on Education, Libraries and Recreation. My name is John Ross, Senior Advisor and Director of Economic Development Finance for the Office of the Chief Financial Officer (OCFO). I am here to testify for the OCFO on the “Library Transformation Act of 2006,” which would authorize the financing and construction of a new central library on the site of the old convention center and the issuance of tax revenue bonds for the payment of costs of capital projects for District libraries.

I am testifying in response to the chairperson’s request for an independent review of the “Cost-Benefit Analysis Update” by PSA-Dewberry Inc. (PSA-Dewberry Report), which compares the potential cost of building a new central library at the old convention center site with the option of renovating the existing central library. The OCFO has reviewed the PSA-Dewberry Report and has performed an analysis of the comparative costs of building a new central library versus renovating the existing central library. Our main findings are the following:

- The cost of building a new library is approximately the same as the cost of renovating the existing library. Either option will cost approximately \$275 million.
- Either option will cost more than the amounts estimated in the PSA-Dewberry Report.
- The higher cost estimates will require additional financing sources.

Cost Estimates for Constructing New Library

I have attached a table to my testimony that highlights the findings. The OCFO's cost estimates for the construction of a new central library are approximately \$61 million higher than the estimates in the PSA-Dewberry Report. This is approximately 28% higher than the original estimates. More than 40% of the cost differential can be attributed to the project contingency and the financing costs. The OCFO's estimates include a 10% project contingency as well as approximately \$11 million for the cost of financing the project, whereas the PSA-Dewberry Report only includes a 5% contingency and no estimate for financing.

In addition, approximately 18% of the cost differential can be attributed to the soft costs of the project. The OCFO's soft cost estimates include costs related to testing, permits, fees, consultants, and legal and accounting services that were not included in the PSA-Dewberry Report. The remainder of the cost differential can be attributed to the hard costs of the project. The OCFO's hard cost estimates include higher numbers in a variety of areas including remediation, excavation, structural framework, electrical and plumbing, and garage construction.

Cost Estimates for Renovating Existing Library

The OCFO's estimates for the soft and hard costs of renovating the existing library are only 8% higher than the estimates in the PSA-Dewberry Report. The differential between the two cost estimates is primarily due to the project contingency and the financing of the project. The OCFO's estimates include a 10% project contingency and \$9 million for financing, and the

PSA-Dewberry Report includes a 7% contingency and no funds for financing.

Cost Estimates for Interim Space

Our cost numbers include estimates for the build-out and rental of interim space in a privately-owned building that are in-line with the estimates in the PSA-Dewberry Report. The OCFO also examined the possibility of using publicly-owned space during the interim period. However, we could not identify available publicly-owned space in the downtown area that would be adequate to house the library's collection on an interim basis. If the District could find adequate public space to house the library on an interim basis during the renovation of the existing library, the overall cost of the renovation option could be reduced.

Conclusion

Because the costs of constructing a new central library are almost identical to the costs of renovating the existing central library, we do not see a financial reason to choose one option over the other. In either case, the District will need to identify additional financing sources. My office would be happy to work with the chairperson, the Office of the Deputy Mayor for Planning and Economic Development, and the D.C. Public Library to structure financing options to support the higher costs of the project.

Thank you for the opportunity to testify. This concludes my testimony, and I am happy to answer any questions you have at this time.

Table: Cost Comparison (in millions)

	BUILD NEW			RENOVATE (Lease Space)		
	Library	OCFO	Difference	Library	OCFO	Difference
HARD COSTS						
Total Hard Costs	\$134.2	\$153.4	(\$19.2)	\$115.5	\$122.0	(\$6.5)
Escalation	35.2	41.1	(5.9)	30.3	27.9	2.4
Total Hard Costs w/ Escalation	\$169.4	\$194.5	(\$25.1)	\$145.9	\$150.0	(\$4.1)
SOFT COSTS						
Total Soft Costs	\$34.3	\$45.0	(\$10.7)	\$35.4	\$42.0	(\$6.6)
ADDITIONAL COSTS						
Project Contingency	\$10.2	\$24.4	(\$14.2)	\$12.1	\$20.0	(7.9)
Financing	-	10.7	(10.7)	-	8.8	(8.8)
Total Additional Costs	\$10.2	\$35.1	(\$24.9)	\$12.1	\$28.8	(\$16.7)
TOTAL PROJECT BUDGET	\$213.9	\$274.5	(\$60.6)	\$193.3	\$220.7	(\$27.4)
PRIVATE TEMPORARY SPACE						
Private Temporary Space Buildout	n/a	n/a	n/a	\$24.3	\$30.6	(6.3)
Private Temporary Space Rent	n/a	n/a	n/a	36.0	23.6	12.4
Total Private Temporary Space Costs	n/a	n/a	n/a	\$60.3	\$54.2	\$6.1
TOTAL BUDGET PRIVATE TEMP SPACE	\$213.9	\$274.5	(\$60.6)	\$253.6	\$274.9	(\$21.3)
COSTS NOT INCLUDED						
New Book Collection	\$15.0	\$15.0	\$0.0	\$15.0	\$15.0	\$0.0
MLK Abatement w/ Escalation	-	\$13.1	(\$13.1)	-	-	\$0.0

*Note: MLK Abatement w/ Escalation refers to the cost to abate asbestos in the current library prior to disposition.