MAIN LIBRARY REVIEW COMMITTEE

NOVEMBER 2011 - MARCH 2012

Final Report

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Introduction and Background

The Main Library Committee was first proposed by the Future of the Library Task Force. This Task Force was a group of 17 citizen-volunteers charged with providing recommendations to the Mecklenburg Board of County Commissioners and Library Board of Trustees to ensure a sustainable future for the Charlotte Mecklenburg Library.

In its Final Report to the commissioners and Library trustees dated March 2011, the Task Force addressed specific issues surrounding the Main Library and made recommendations for the evaluation and planning of its future utilization. More information about the Task Force, including a copy of the Final Report, can be found at www.charmeck.org/libraryfuture.

The following is an excerpt from that Final Report that addressed the Main Library (emphasis added):

CENTER CITY LIBRARY SITES: CURRENT OPERATIONS AND RECOMENDATIONS

Introduction

Main Library and ImaginOn are two Library facilities located in Center City Charlotte that target distinct audiences. Main Library serves the adult population, while ImaginOn provides library services to children through their teenage years and also space for the Children's Theatre of Charlotte. The Future of the Library Task Force looked at several issues and opportunities for both locations and relied on multiple data points to shape the recommendations.

Main Library

Charlotte Mecklenburg Library's Main branch is a 157,000-square-foot facility that serves the general public as uptown's adult library. The building is located in a high-traffic area and in 2011 is projected to have over 500,000 visits and will circulate more than 225,000 materials. The site, which is used for a variety of functions, houses a loading dock, central circulation, warehousing/distribution of materials, Library administration (including information technology functions), the Job Help Center and the Robinson-Spangler Carolina Room, which holds a wide range of local historical information and materials. (The children's library holdings were relocated to ImaginOn upon its completion in 2005 and now occupy approximately 40,000 square feet of space in that facility.)

The Task Force recognizes that the Main Library sits on valuable real estate and comprises approximately $3.7 million of the total FY 2011 budget, of which roughly $1.9 million goes toward frontline staff. It is the view of the Task Force that there is more space in Main Library than is needed for the functions that should be carried out in the Center City and that there is an opportunity to achieve financial savings by relocating or reorganizing some of those functions.

Main Library Recommendations

As a result of the presentation of information and numerous conversations, the Task Force explored three distinct options for the Main Library:

1. Keeping the Main Library exactly as it is, not making any specific recommendations for its use and functions housed within the space.

2. Closing the Main Library and parceling out its functions to other locations, while reallocating any remaining resources to other libraries.

3. Recognizing that the questions surrounding the Main Library are complex and that another committee should take a hard look at the Main Library, the functions within the space and usage.

As already noted, the Task Force believes that certain efficiencies and cost savings can be achieved. Hence, the first option was eliminated.

Some members of the Task Force favored the second option for addressing the Main Library. The committee acknowledges that the Main Library sits on costly real estate only 0.4 miles from ImaginOn and that the two, combined, consume approximately 25% of the Library system's budget. However, this option was ultimately rejected, as the majority of Task Force members believed that further exploration and stakeholder conversations were warranted before arriving at this answer. It is important to note that a large majority of the Task Force believes a strong library presence in Center City is a vital asset for a city of Charlotte's size and that certain services in the Main Library should continue to be available to those live and work in the uptown area.

Recognizing that any changes to the Main Library will not occur by the beginning of FY 2012, the Task Force ultimately recommended that a committee be formed to further explore the possibilities for the Main Library. The seven-member committee would be appointed by the Library's Board of Trustees. Members of this committee might include citizens and some staff with the skills to analyze the issues facing Main. Appointees should also be engaged community members willing to be open to exploring possibilities for the facility. This

newly formed committee would be charged with considering the feasibility of consolidating, downsizing or relocating the functions of Main to ImaginOn, other county-owned sites or other sites in downtown.

(from pp. 67-69 of FOTL Task Force Final Written Report)

After receipt of the Final Report, the commissioners and trustees appointed a workgroup of three County commissioners (Karen Bentley, Dumont Clarke and Harold Cogdell) and three Library trustees (Molly Griffin, Bob Sink and Darrel Williams) to review the report and its recommendations in detail, and to propose to the commissioners and trustees which recommendations should be approved.

In discussing the recommendations regarding Main Library, this workgroup felt that the recommended committee to review Main should not include any staff of either the Library or the County. Instead, the members felt that the committee should be made up of citizens with expertise and experience in the areas being evaluated. In addition, the workgroup felt that these citizens should not be chosen by the trustees but should be selected and appointed jointly by the County Manager and the Library CEO.

As a result of these discussions and conclusions, the workgroup made the following proposal regarding the Task Force's recommendations regarding Main Library:

Chapter 8 - Main Library

The members approved the recommendations made by the Task Force regarding the Main Library and ImaginOn, with one wording change. The last sentence on page 68 of the report, which continues on the top of page 69, is replaced with the following:

"The Director of Libraries and the County Manager should appoint a 7-member committee (made up of citizens with skills to analyze issues facing Main

> and open to exploring possibilities), supported by the staff of the County and the Library."
>
> (from Workgroup Final Recommendations to commissioners & trustees)

This revised language was approved unanimously by both the commissioners and trustees in early May 2011.

In response to the recommendation of the Task Force, as amended by the commissioners and trustees, County Manager Harry Jones and Library CEO Vick Phillips formed the recommended citizen committee in November 2011.

Main Library Review Committee

Charge: To review the functions and utilization of the Main Library and to consider the feasibility of consolidating, downsizing or relocating the functions of Main to ImaginOn, other county-owned sites or other sites in downtown or elsewhere, in order to achieve financial savings.

Sponsors: **Harry Jones, Sr.** Mecklenburg County Manager
Vick Phillips Charlotte Mecklenburg Library CEO

Membership: A 7-member committee made up of citizens with skills to analyze issues facing Main and open to exploring possibilities, appointed by the sponsors and supported by the staff of the County and the Library. Committee members included:

Jim Palermo, Committee Chair, executive in residence at Johnson & Wales University in Charlotte and former executive vice president at Bank of America, with extensive experience in Center City revitalization, real estate development, property management and supply chain management. He personally led the Bank's effort to develop North Tryon Street from Trade & Tryon to Brookshire Blvd.

Wanda Towler, Committee Vice Chair, retired after serving many years as a county and community college employee, where she dealt with issues such as facilities planning and management, construction, security, and building and environmental regulation.

Carol Hull, vice president, process design consultant for Bank of America. She served on the **Future of the Library Task Force**, was appointed by Mint Hill Mayor Ted Biggers as chairwoman of the Mint Hill Library Committee in 2010, and has served as a Mint Hill Friends of Library volunteer from 2007-2010.

Tim Jarman, senior consultant with ViTEX and long-time Bank of America executive, with extensive

experience in expense management, shared/administrative services and supply chain management. He currently consults with banks nationwide on these expense management issues.

John Saclarides, senior vice president in the Wells Fargo Real Estate Division, with extensive experience in commercial real estate development, leasing and management. He also served on the **Spirit Square Task Force** in 2007-2008.

Izzy Sanchez, senior executive with over 24 years of experience in leading and implementing business improvements for the financial services, engineering, and manufacturing industries. Co-founder and managing partner of Lean Sigma Professionals, a Lean Six Sigma consulting firm.

Stoney Sellars, president and CEO, Technology Project Management, Inc., which he founded in 1993 to provide technology project and management consulting services for a variety of large and small businesses in the financial services, energy, healthcare, retail, manufacturing and defense industries.

Timeline: While there was no specific deadline for completion of the committee's work, it was the hope of the sponsors that, due to the narrow focus of the committee, the work would be substantially complete by April 2012.

Public Input: Committee meetings were open to the public, with notice sent out in advance. Information about the committee, its members, its meetings and an email form to share input, was posted online at www.cmlibrary.org/maincommittee. There were also varied media reports on the committee and its work.

Final report: After completion of its research, analysis and deliberations, the committee was to provide the sponsors with a final written report that addresses the following:

- Summary of functions currently performed at the Main Library

- Summary of research conducted for each function
- Summary of opportunities for consolidation, downsizing or relocation
- Estimated potential net cost savings for each function
- Final recommendations for each function
- External forces that might impact implementation of each recommendation
- Recommended time frame for implementation by function

Research, Analysis and Deliberations

Support: The committee was supported by the staff of the County, led by General Manager John McGillicuddy and Associate General Manager Leslie Johnson, and of the Library, led by Technology & Operations Director Frank Blair.

First Meeting—November 14, 2011 (see Appendix I: 11-14-11 Main Library Committee Mtg, p. 23) At its inaugural meeting, the committee received an overview of the physical structure and property maps from Frank Blair, Director of Technology and Operations for the Library. This briefing included floor plans showing public access space, public service staff work space, storage space and vacant space (see Main floor by floor 201111-Final, p. 39) These plans also showed space occupied by all of the support functions located at the Main Library. The committee also heard brief reports from every department manager in the building, describing their departments' functions, staffing, space utilization and budgets. In addition, the managers commented on whether their departments needed to be co-located with any other Library department, whether they could be relocated to another site, and whether they could function in less square footage.

Second Meeting—December 12, 2011 (see Appendix II: 12-12-11 Main Library Committee Mtg, p.71): The second meeting began with a physical tour of the Main Library to give committee members a better sense of the space utilization. The committee then received a briefing from Izzy Sanchez regarding the work that he and Carol Hull had done with Library staff since the prior meeting to create process maps for each department, which would allow a high-level assessment as to whether process improvement efforts in these departments could produce significant financial savings. He indicated that they hoped to complete this work and provide committee members with copies of the process maps prior to the committee's next meeting.

The committee also discussed the real estate issues with the Main Library property, specifically:

- Are there vacant spaces that could be leased out to other tenants?
- Could Library functions be relocated to County facilities?
- Could some county functions be relocated to Library facilities?
- What is the current office space market in the Center City?

John Sclarides noted that because the main building was designed as a single-purpose library structure, few spaces in the Main library are suitable for outside tenant use. Possible exceptions are the Job Help Center space on the Tryon Street side of the first floor and the former Virtual Village space on the College Street side of the lower level. However, both would require significant upfit investment before they could be marketed to an outside tenant. Given the current vacancy rate for Class A office space in Center City, the likelihood of attracting a tenant is extremely low, he said.

He shared with the committee that the Charlotte Business Journal's Commercial Real Estate Quarterly Report was recently released, and that it showed an office vacancy rate in the center city of 13%. The comparable rate a decade ago would have been 3%, reinforcing

the conclusion that finding an outside tenant in this market would be difficult.

Committee members Jim Palermo and Wanda Towler concurred with this assessment. In addition, guest Mark Hahn, Director of Asset & Facility Management for Mecklenburg County, cautioned that any investment in improvements to market space for rent should be amortized over a short time period (e.g., five years) due to the potential for redevelopment of the entire block in accordance with the Spirit Square Task Force recommendations when the real estate environment improves.

Third Meeting—January 9, 2012 (see Appendix III: 1-09-12 Main Library Committee Mtg, p.106): The meeting began with discussion of a draft document (see Real Estate Findings, p.134) sent to the members prior to the meeting, which summarized the conclusions reached at the prior meeting regarding the likelihood of achieving significant financial savings through a real estate solution involving the Main Library building. Those conclusions were:

1. Main Library functions cannot reasonably be moved into existing County space.

2. County departments cannot reasonably be moved into existing Main Library space.

3. Main Library's public service functions cannot reasonably be moved into ImaginOn.

4. While support functions housed at Main Library could potentially be moved to other commercial leased spaces, it is not reasonable to assume that an outside tenant would be attracted to the resulting vacant spaces in Main compared to the other vacant alternatives currently available in the Center City. In addition, the cost of renovating Main Library spaces for use by an outside tenant, along with the relocation costs for support functions and the additional lease payments that would be incurred, makes such an

approach cost-prohibitive in the current environment.

5. As a result, the Task Force suggestion that "there is an opportunity to achieve financial savings by relocating or reorganizing some of those [Main Library] functions" does not appear to be a reasonable financial proposition in the current economic environment.

After the discussion, the draft document was approved unanimously by the committee.

Mr. Sanchez and Ms. Hull then reviewed detailed process maps (see Main Library service area maps, p. 121) of Main Library functions, displaying the logistical breakdowns and departmental interactions of each function. Mr. Sanchez also reviewed a decision matrix (see High Level Process Function Review, p. 110) displaying co-location requirements for each function. Mr. Sanchez indicated that these maps lead to the conclusion that Logistics is the only function of Main Library that could be feasibly relocated. Process improvement in the other areas would yield only marginal financial gains. Further, the relocation of Logistics, in Mr. Sanchez's opinion, would be unlikely to result in savings greater than 10% of the Logistics department's annual budget at the most (i.e., approximately $60,000). He pointed out that while the relocation would not produce significant financial savings, it could provide opportunity for process improvement and increased efficiency. Mr. Palermo added that process improvement efforts on Library processes system-wide should probably be undertaken to continue achieving incremental gains in efficiency, but that this was outside of the scope of the Main Library Committee's charge.

Fourth Meeting—February 13, 2012 (see 021312-Approved Minutes, p.138): The committee reviewed its previous findings on real estate potential and process improvement at Main Library. Mr. Saclarides reaffirmed that the current economic climate is one unfavorable to the real estate opportunities discussed for Main Library, such as the shuttering of areas of the building or potential lease to third parties. He further remarked that such possibilities may be feasible at a future point when the economic climate has

stabilized. The remaining committee members confirmed agreement with this real estate review.

In discussing potential process improvement, Mr. Palermo reiterated the conclusions reached in previous meetings: that although a minimal profit might be made and efficiency heightened through such process improvements, they would ultimately involve the entire library system, a scope beyond the charge of the committee. Ms. Hull further affirmed that no process improvement specific to Main Library would yield savings of any significance. Mr. Sellars added that it is wise to communicate that Main Library is a hub of the library system, with many support functions performed there. Ms. Towler suggested the importance of considering Main Library as a joint-use facility for Library and County purposes and not solely as a separate entity.

Mr. Palermo asked the committee for any final comments. The committee agreed that the conclusions reached today are appropriate in the current economic environment, and that other possibilities may be considered once this environment has improved. It was further suggested that a portion of the final report include recommendations for when such an ideal economic climate has been reached. Further, Mr. Sellars stressed the importance that the impact of technology may have on the Library's future. The committee directed the staff to prepare a draft report for the members to review and edit.

Additional Conclusions

Discussions at Future of the Library Task Force meetings included some misconceptions regarding the Main Library. The Main Library Committee addressed these misconceptions through its research and concluded the following:

Misconception #1:
"You can sell the Main Library and fill the government funding gap."

Reality: Selling a long-term asset to fill a short-term funding shortfall is not a sustainable strategy, and the Task Force acknowledged that. In the case of the Library, the funding cut from Mecklenburg County was approximately $10 million annually.
Thus, even if the Main Library was sold for $20 million, the proceeds would only cover the funding gap for two fiscal years. In addition, the costs of relocating the Main Library and its support functions, as well as the ongoing cost of operating at the new site(s), would have to be netted against any sale proceeds.

Even though the Task Force understood the financial analysis, they believed that further exploration and stakeholder conversations were warranted, which is why they recommended formation of the Main Library Committee. As mentioned in the discussion of committee deliberations above, the committee concluded that a sale of the Main Library was not a reasonable prospect in the current economic environment. Thus, as the Task Force concluded, this misconception does not bear up under either the financial analysis or the real estate analysis.

Misconception #2:
"You can open a coffee shop in the Main Library and generate revenue."

Reality: Many stakeholders and interested parties felt that there was ample space in Main Library to rent out to a company such as Starbucks, which would generate revenue through leasing the space. In reality, Main Library did have a coffee cart in the early 2000s, run by a third party vendor. That vendor had to pull out because he was operating at a loss. He found that the visitors to

Main Library are not looking for coffee or to spend money. Instead, they come to the Main Library to take advantage of the Library resources, which are primarily free.

Misconception #3:
"You can rent out a portion of the Main Library as business space."

Reality: As mentioned in the discussion of committee deliberations above, the Main Library was designed as a single-purpose building, i.e., as a public library. Its spaces were not designed for commercial business use, which would require definable separate spaces, common hallways and common restroom facilities. In addition, it is not possible to secure the library spaces from outside tenant spaces, and therefore outside tenants would have to limit access to library open hours—which would be unattractive to a prospective tenant.

It could be possible to subdivide spaces in Main Library for outside tenants and to upfit those spaces for commercial use. The committee, however, concluded that the costs of such an upfit would be significant and would have to be amortized over a fairly short period, which would impact the potential for leasing such space. Thus, this misconception also does not bear up under either the financial analysis or the real estate analysis.

Final Recommendations

The charge of the Main Library Committee was "to review the functions and utilization of the Main Library and to consider the feasibility of consolidating, downsizing or relocating the functions of Main to ImaginOn, other county-owned sites or other sites in downtown or elsewhere, in order to achieve financial savings." During the course of the committee's meetings, the members leveraged their various experiences and contacts in their areas of expertise to assess whether or not there were opportunities in the current economic environment to achieve significant financial savings for the Library and for the County by making changes at the Main Library.

During the course of their deliberations, the members agreed that there were two different areas of investigation that should be pursued for potential savings:

1. **Real Estate**—is there an opportunity to achieve significant savings in the current real estate environment by a) moving Library functions to County facilities or elsewhere; or b) moving County functions into vacant Library space; or c) leasing vacant Library space to a third party tenant to offset some current occupancy costs?

2. **Process Improvement**—is there an opportunity to achieve significant savings in the current environment by relocating, consolidating, re-engineering or outsourcing some or all of the functions current performed at the Main Library?

Based on research conducted, the experience of the members, and input from other experts, the committee's deliberations resulted in the following conclusions:

1. **Real Estate**—given the current real estate environment and the single-purpose nature of the Main Library building, it is not reasonable to expect to achieve significant financial savings for the Library or the County through a real estate transaction involving the Main Library.

2. **Process Improvement**—given the current economic environment and the current state of functional processes performed in the Main Library building, it is not reasonable to expect to achieve significant financial savings through relocating, consolidating, re-engineering or outsourcing some or all of these functions.

These conclusions regarding near-term financial savings do not mean, however, that the committee has no recommendations on the future of the Main Library. It is the opinion of the committee

that the Library should undertake three specific steps to address future use of this building:

1. **Redevelopment of the entire block (the Spirit Square Plan):** Assuming that the redevelopment of the entire block on which the Main Library building sits, as contemplated by the Spirit Square Task Force, might become feasible in some future real estate business cycle, the Library should analyze what space would be required to continue delivering public library services on the site and what functions could be relocated to other facilities. The purpose of this effort would be to assure that the Library would be prepared to respond and participate should such a development opportunity materialize.

2. **Relocation of functions:** In conjunction with the plan described above, the Library should analyze all functions performed in the Main Library building and determine a) which could be moved to less valuable and expensive space in the future; b) which would not have to be co-located with the public library service unit (e.g., the North Carolina Room and the Job Help Center) even if such units remained in the Center City; and c) which units would benefit from an efficiency and effectiveness standpoint by being co-located, even if away from Center City. As with the immediately preceding recommendation, the purpose of this effort would be to assure that the Library would be prepared to respond and participate should such a development opportunity materialize.

3. **Continuous process improvement:** Even though it was determined that no significant savings could be realized by relocating,

consolidating, re-engineering or outsourcing some or all of the functions performed in the Main Library building, the committee recognizes and affirms that incremental process improvement can provide long-term benefits in the form of efficiencies and cost avoidance. It is recommended, therefore, that the Library work with the County Business Process Management Department to create an ongoing routine of process improvement efforts to achieve continuous gains in efficiency and cost containment.

4. **Joint-use facility:** In addition to the other recommendations, the committee recommends that the Library and the County consider the Main Library as a joint-use facility. As such, each organization should look for way to utilize any vacant space to help the County manage its ongoing facilities needs. This could take the form of short-term relocation of some function while other permanent space is being prepared, or as temporary space for some project that has a defined term, or any other such creative uses of the space. The main point is that both organizations be open to maximizing the efficiency and effectiveness of the facility for the benefit of the citizens of Mecklenburg County.

The committee recognizes that the first two recommendations depend on improvement of the real estate market and the interest of an investor in redeveloping the entire block. The committee cannot know when, or even whether, those conditions will occur. The recommendations are, therefore, based on the committee's belief that the real estate market will rebound and its desire that the Library will be fully prepared to participate in that market when it occurs.

The committee would like to thank the staff of the Charlotte Mecklenburg Library and the staff of Mecklenburg County for their

support of the committee's effort. We would also like to thank the sponsors for giving us the opportunity to serve the citizens of Mecklenburg County in this important matter.

Respectfully submitted,

The Main Library Committee

Jim Palermo, Chair
Wanda Towler, Vice Chair
Carol Hull
Tim Jarman
John Saclarides
Izzy Sanchez
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