**Habitat Buffalo Facilities Task Force FY21 Update Report**

**Problem Statements**

1. Habitat for Humanity Buffalo’s North ReStore Landlord has offered to extend our lease for 3 years at the current rate and utilities. We are trying to determine:
   1. Whether or not we should renew the lease and if so for how long?
   2. Whether or not we should lease a new space, potentially in a suburban location
   3. Whether or not we should consolidate the North ReStore with the South ReStore either at the South ReStore location or a new location
   4. How many ReStores the Buffalo and Erie County market can support
2. Habitat for Humanity Buffalo’s administrative staff has outgrown its office space located at 1675 South Park prior to COVID. What does our office space situation look like post COVID? We need to decide whether we:
   1. Expand our current administrative offices at the South Store site?
   2. Move the administrative offices to either a new leased or purchased location?
   3. Divide staff into other locations based on function (i.e., construction staff could go to the warehouse for officing needs)
3. Habitat for Humanity Buffalo’s construction warehouse space, currently located in a building we own, is not meeting our needs.
   1. Would any of our other buildings be better suited for this function?
   2. What would we do with our AmeriCorp staff?
   3. Where do we house our proposed modular building function?

**Actions to Date**

**Overall Needs** - In August of 2020, a group of staff, Board and Habitat supporters assembled to tackle the above problem statements. It became clear that "strategic facilities planning," is called for here. It is a fairly complex process requiring a lot of input from a number of sources. The Task Force developed detailed templates for the needs of each type of Habitat Buffalo facility including ReStores, Office Space, Warehouse, and Prefab Assembly facilities. **(See Exhibit A).**  Additionally, the Task Force developed the first pass at financial models which will help us determine the feasibility of obtaining new facilities for any of our facility types.

**ReStore Needs** - The Task Force evaluated the priorities for next steps for facilities for Habitat Buffalo and identified that tackling problem statement number 1 (future ReStore facilities) would be the priority:

1. Habitat for Humanity Buffalo’s North ReStore has experienced a number of building related problems over the years. Although it has some serious challenges in terms of visibility, parking, and building condition it has usually shown a surplus over its 15-year existence. During COVID we closed the store for approximately a year for various reasons but reopened it May 4th, 2021. We would like to operate the store for the next twelve months to determine if it will return to pre-COVID or even better sales levels.
2. The latest lease extension for the North Store expires at the end of September 2021. We are trying to determine:
   1. Whether or not we should renew the lease or negotiate a new lease on existing property in order to give the Task Force more time to explore our options more thoroughly.
   2. Whether or not we should lease a new space, potentially in a suburban location
      1. The task force contracted with Mark Little, former Habitat International ReStore Director, and enlisted volunteer support from students at Buff State and the U.B. MBA School (we have a similar study from Canisius College’s MBA Program from 2017) to provide data on market trade areas and potential locations to either move one of the current locations or open a third. Two members of the Task Force reached out to a number of other affiliates’ ReStores in the Northeast to learn what they have done
      2. The most notable lesson learned was “Customers will travel greater distances but that donors will not (typically 4 to 5 miles only).” The theory that has evolved is for our stores to be centrally located in a key market trade area near major highways so that suburban donors have the sense of safety and convenience to encourage drop offs versus Habitat incurring the expenses associated with pick-ups. Currently we are 43% drop offs vs. 57% pick up by our trucks.
      3. The consultant and students in general identified four areas as potential market trade areas based on population; average income of residents; and proximity to major highways. These included The Town and City of Tonawanda, Town of Amherst (West), Central Cheektowaga, and the South Towns (South Buffalo, Blasdell, and Northern Hamburg).
      4. The Task Force engaged a real estate broker to search the WNY market to see if there are any workable options to satisfy our ReStore needs in any of the various market trade areas focusing first on North Buffalo and the Tonawandas and then any other potential locations in the three other areas.
      5. She came up with 17 possible sites. The Task Force visited 5 sites using an evaluation sheet to consistently rank each of the properties and a summary report was created.
      6. The location which scored the highest points was run through a financial analysis**. (See Exhibit B).**
   3. How many ReStores the Buffalo and Erie County market can support

The task force contracted with Mark Little, former Habitat International ReStore Director who now consults on his own, and enlisted volunteer support from students at UB suggested Erie County could support at least 2 ReStores without infringing on the Niagara County Habitat. (Though Niagara County does not currently operate a ReStore, it is their intention to launch one in the next 2 to 3 years.) The various studies did conclude, however, that the two current locations are not optimal in terms of maximizing donations and sales.

**Summary Findings to Date**

1. Facility planning for Habitat Buffalo, Inc. is and will continue to be a complex and essential function so that we should have a permanent committee of the Board of Directors and at least a portion of a key staff person’s responsibility to oversee it.

2. While we have needs for change to a number of our different types of facilities, completing and executing a plan for the future of our ReStores will be our first priority.

3. While we hope, at a minimum, to eventually relocate the North ReStore, in the meantime we should extend the existing lease for an additional year (out to 9/01/22) to permit us to evaluate its performance, continue to look for a suitable replacement, and allow the Board of Directors to conduct its Strategic Planning Process (to be completed March 2022). To date the store location options presented are too expensive and/or have serious shortcomings such as lack of visibility, limited opportunity to provide a better donor experience than we have at the present North Store, or not well located in our identified key market trade areas. Regardless, we need to allow both ReStores to perform for approximately one year in the financial climate affected by the pandemic.

**\* Projected Income and Expense Impact of Relocating the North ReStore**

**(Using the site at 1261 Niagara Falls Blvd. as an Example)**

**Sales Revenue (based on average [over 5 years] performance of the North Restore) $390,000**

**Marketing and Related Expense (not currently being spent) $ 6.750**

**Occupancy Expense (estimated from proposal – not final figures) $225,000**

**Payroll Expense (based on average [over 5 years] performance of the North Restore) $260,000**

**Net Profit $101,750\*\***

**\*this implies that to achieve the previous average profit at the North store ($110,000) we would need to increase sales by close to $200,000 per year and more if we wish to beat the North store’s past performance which is part of the justification for moving in the first place.**

**\*\*the feasibility of this location can’t be determined until it is determined whether it can accommodate a drive-up donation door. It is possible that with structural changes necessary to facilitate this improved donor experience there may be additional costs incurred.**

4. When the time comes to relocate one or both of our ReStores (and likely in the future major changes to our other facilities) will require that we engage a temporary project manager to oversee the process as it is unrealistic to expect that any of our existing managers could handle both day to day operations and the facility project. In addition, we need to identify the short-term costs and potential surplus revenue impacts we might expect with opening a new store and likely closing one of the existing ones.

5. Although we have made important progress in understanding the physical and financial ramifications of making a major facility change, we need to continue to refine our analysis in order to reduce the risk of making a change which proves unsuccessful. This understanding should include further refinements to knowing where (in more detail) our best market trade areas are, how much additional sales and surplus revenue we can generate, and how our expenses will behave with a new facility and likely much higher occupancy costs. With the knowledge gained, process created, and broker relationship established, Habitat is poised to more effectively evaluate our needs and expeditiously consider properties that become available.