



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5711
June 16, 2020
Regular Business

AGENDA BILL INFORMATION

TITLE:	AB 5711: Thrift Shop and Recycling Center Remodel Project	<input type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Authorize funding to retain an architect for the Thrift Shop and Recycling Center project and suspend select 2019-2020 facility capital projects.	<input checked="" type="checkbox"/> Action Needed: <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	City Manager's Office
STAFF:	Jessi Bon, City Manager
COUNCIL LIAISON:	Salim Nice Jake Jacobson
EXHIBITS:	<ol style="list-style-type: none">1. Thrift Shop – Current Configuration2. Thrift Shop – Proposed Remodel3. Former Recycling Center – Current Configuration4. Former Recycling Center – Proposed Remodel5. Mercer Island Thrift Shop Margin Illustration
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ 50,000

SUMMARY

The purpose of this agenda bill is to consider funding for a capital project to remodel the Thrift Shop and the former Recycling Center. The proposed project includes a minor remodel of the Thrift Shop, resulting in an expanded retail floor space (≈50% increase), relocation of restrooms to the main floor, and addresses other facility needs. The project also includes a remodel and activation of the former Recycling Center (northwest corner of Mercerdale Park) to support donation processing.

The estimated project timeline is four-months including design, bidding, and construction.

The preliminary combined cost estimate for both projects is \$500,000. Additional funding may be needed as the project design is further refined and to support additional equipment needs at one or both of the facilities. A total of \$800,000 in capital project funds has been identified to support this project.

The City has identified staff resources to manage this capital project.

City Council authorization is needed to appropriate funds from the Capital Improvement Program (CIP) for this project and to retain an architect to begin design work.

BACKGROUND

The Mercer Island Thrift Shop has been operating since 1975 with proceeds supporting community services provided by the Mercer Island Youth and Family Services (YFS) Department.

In 2019, the Thrift Shop generated \$1.98 million in annual revenues, averaging \$165,000 per month. In 2020, the Thrift Shop was projected to generate nearly \$2 million in revenues, which represents 65 percent of the YFS Department's annual resources. With the onset of the COVID-19 Pandemic ("Pandemic"), the Thrift Shop closed in mid-March and has remained closed since.

In 2013, the City Council considered a potential capital project to expand the Thrift Shop. The project did not move forward. In 2018, a consultant was hired to update the scope of work and cost estimate for the expansion project, but the project was not considered any further.

Given the current Thrift Shop closure and the uncertainty about operations over the next 12 months due to the Pandemic, staff and City Council began exploring the potential to remodel the Thrift Shop and the former Recycling Center.

PRELIMINARY PROJECT SCOPE OF WORK

The preliminary project scope of work includes capital improvements at the Thrift Shop and the former Recycling Center. Current building configurations and concept drawings for both facilities are attached as Exhibits 1 thru 4.

- **Thrift Shop Remodel Project:** The overall project goal is an expansion of retail floor space. This is accomplished by decommissioning most of the existing production spaces (area where donations are processed) and opening up the walls. On the first floor, the project includes a new office area (113 SF), a new breakroom (242 SF), new bathrooms (192 SF), and a new back of house area (379 SF). The total retail space with the reconfigurations is estimated at almost 6,500 SF, which is a 50% increase over the existing space. The preliminary cost estimate is \$250,000.
- **Former Recycling Center Remodel and Expansion Project:** The overall project goal is to relocate the production spaces from the Thrift Shop to make use of the underutilized space at the former Recycling Center. The current scope of work includes enclosing a 1,600 SF space. Initial assessment by staff and a community volunteer familiar with the thrift industry indicates that additional production capacity may still be needed, which can likely be achieved at this location. The existing bathrooms located adjacent to the site will be utilized to certify occupancy. A secondary goal is to plan the facility in such a way as to facilitate wholesale sales. The preliminary cost estimate is \$250,000 and does not include modifications to ingress/egress at this location. Equipment, signage, and other improvements may also be needed.

A group of volunteers has contributed their time to completing a preliminary assessment of these two facilities on a very short timeline. Our thanks to them for the support and contributions to the Mercer Island community and the YFS Department.

As a next step, an architect will need to be retained to begin design of the proposed improvements at both facilities and to prepare updated cost estimates.

THRIFT SHOP OPERATIONS ANALYSIS

Attached as Exhibit 5 is a one-page summary intended to illustrate the net operating margin the Thrift Store could achieve with an expanded retail floor area. This includes a range of potential outcomes, from a 20% to 50% increase. Although we may not know exactly how fast the business would ramp up directly after the closure, some combination of increases in this range are reasonable outcomes.

CAPITAL RESOURCES FOR THRIFT SHOP RENOVATIONS

The Pandemic has significantly impacted staff's ability to complete capital projects this biennium. Staff has assessed the facility projects funded in the 2019-2020 capital program and identified several projects that will not be completed:

- **WG104R – Thrift Shop Repairs (\$50,000 available)**: The 2019-2020 approved project budget is \$152,000. Thrift Shop Repairs included funding the cashier counter to improve store ingress and egress and complete safety repairs on the Thrift Shop elevator. This also included replacing the outside awning and installing bollards in the parking lot to improve pedestrian safety. Project work was initiated in 2019 and has since been postponed due to the Pandemic. Remaining renovations and repairs could be integrated into a larger Thrift Shop renovation project at the City Council's discretion.
- **WG101R – City Hall Building Repairs Reduction (\$405,274 available)**: The 2019-2020 approved project budget is \$541,000. This reduction includes delaying the carpet replacements, landscaping, and painting of the City Hall facility. Some project budget remains to address essential items such as HVAC improvements, security, and parking lot resurfacing and striping.
- **WG101T – City Hall Building Improvements (\$222,000 available)**: The 2019-2020 approved project budget is \$222,000. This reduction delays renovations to the City Council Chambers, Municipal Court, and other minor improvements to the City Hall building.
- **WG105R – Community Center Building Repairs (\$80,000 available)**: The 2019-2020 approved project budget is \$419,000. The \$80,000 in available funds is related to expenditure savings from repairs already completed in 2019. The remaining funds in this category are being held to complete capital project work at MICEC during the Pandemic closure.
- **WG107R – Luther Burbank Administration Building Repairs (\$50,000 available)**: The 2019-2020 approved project budget is \$204,000. This reduction includes delaying a small building reconfiguration and other minor improvements (electrical and restroom fixtures).

Total available funding due to the suspension of the projects described above is \$807,274.

The 2019-20 suspended facility projects will be reconsidered as part of the 2021-2026 CIP process, scheduled for discussion this fall.

NEXT STEPS

If the Thrift Shop and Recycling Center capital project proceeds, the following work items will commence:

- Selection of an architect to begin project design immediately.
- Refinement of the operations analysis to include the staffing and volunteer model for both facilities. Begin planning for re-opening.
- Develop plans and an updated business model to increase donations proportionally with projected processing and sales increases.
- Consideration of a short-term operations plan (Thrift Shop clean out/sell-off of existing inventory) and whether or not a short-term thrift operation could be stood up at a temporary location.

If the Thrift Shop and Recycling Center remodel project does not proceed, the following work items will commence:

- Development of a re-opening plan for the Thrift Shop in alignment with the COVID-19 requirements. Under the current Phase 1.5 restrictions, retail operations are still significantly limited. Operations at the YFS Thrift Shop are unlikely to resume until Phase 2. Approximately three to four weeks start-up time will be required to re-hire staff and to complete onboarding and trainings.

Under both scenarios, the City Council will need to revisit funding for the YFS Department through the end of 2020. The funding discussion and the projected deficit depends on when the Thrift Shop re-opens and revised revenue assumptions. As a reminder, at the June 2, 2020 City Council meeting, \$250,000 was allocated from the Contingency Fund to sustain current YFS operations through August 31, 2020. The scenario assumed YFS Department staffing levels are maintained through the end of August and also assumed no revenues from Thrift Shop operations during this period of time.

Recommendation

1. Suspend the capital facility projects as previously described and allocate up to \$800,000 for the Thrift Shop and Recycling Center Remodel Project.
2. Authorize \$50,000 for architectural services to begin design of the Thrift Shop and Recycling Center Remodel Project.
3. Direct the City Manager to provide a 30% design update to the City Council including updated cost estimates, construction timelines, and project scope of work before completing further design work.