

Greenbriar II

Fitness Center

Feasibility Study

January 4, 2012

# Greenbriar II Fitness Center Feasibility Study

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# Greenbriar II Fitness Center Feasibility Study

## Executive Summary

Exercise is proven to be one of the most beneficial activities the elderly can engage in. Getting regular physical activity is arguably the best thing you can do for your health other than not smoking. Any amount of exercise that we can do is better than doing none at all. The more exercise you get, the better. Cardio exercise is also the best way to protect the body's metabolism from the effects of age. It reduces body fat, sensitizes the body's tissues to insulin, and lowers blood sugar levels. In other words, exercise is good for you!

The creation of a Fitness Center (FC) at Greenbriar II would also enhance our communities' amenity base. We have shown through our surveys that we appear to be the only community that does not have a FC. From a homeowner perspective this could translate into greater attractiveness of our community to potential home purchasers leading to:

- Reduced time on market
- Less pressure to reduce market price
- Overall easier sell for Realtor

The Greenbriar Board of Trustees has "received the message" and has requested that a feasibility study be initiated to determine the viability of establishing an exercise facility here in Greenbriar II. A Fitness Committee (Committee) was formed and a study commenced consisting of a survey of other adult communities in the area to determine if they had a facility and if so, gather metrics associated with their Fitness facility. The Committee also brought in professionals to further expand our knowledge in areas that we discovered we were deficient. The Committee's approach was unemotional, based upon metrics gathered from the surveys, and predicated upon delivering representative data and recommendations to the Greenbriar II Board of Trustees.

The Committee has surveyed five adult communities close to GB II and interviewed professionals to determine what Fitness Center configuration would be appropriate for GB II. Given that this is a feasibility study, the Committee has extrapolated from the metrics gathered, what it believes to be representative metrics for a Greenbriar II Fitness Center. The following are attributes for the GB II Fitness Center:

- Projected number of members = 101
- Square footage = 300 – 350
- Treadmills = 3
- Elliptical = 1
- Recumbent Bikes = 2
- Universal = 1
- Free Weights = 1 Set
- TV = 1
- Wall Fans = 2
- Access Control System = 1

## **Greenbriar II Fitness Center Feasibility Study**

We arrived at four alternatives to address the costs associated with the Fitness Room. Of the four alternatives, we recommend the Board of Trustees concentrate on alternative one which is this Committee's recommendation. The Committee believes that alternative one is the best alternative due to several factors:

- Membership is solicited prior to The Board allocating any monies
- Monies are allocated only after membership monies are committed
- The Fitness Center will pay back monies funded \$19,558, within eight years
- Fitness Center will be self funding once initial start up costs are repaid to the community
- Fitness Center will accumulate an equipment reserve to self fund equipment replacement
- Activities displaced as a result of the Fitness Center should be able to relocate to other locations as the activities do not rely on facilities in the room and these activities do not fund themselves
- Exercise is a beneficial activity to provide to our community as we found all adult communities surveyed had an exercise facility or were building one

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### Introduction

Exercise and personal fitness is one of the major concerns in the United States according to the US Department of Health and Human Services (U.S. Dept. of Health and Human Services. 2008 Physical Activity Guidelines for Americans. 2008). The Article goes on to state that exercise is one of those rare things where the hype actually meets reality. Next to not smoking, getting regular physical activity is arguably the best thing you can do for your health. Any amount of exercise is better than none. The more you get, though, the better. Endurance exercise is also the best way to protect the body's metabolism from the effects of age. It reduces body fat, sensitizes the body's tissues to insulin, and lowers blood sugar levels. Exercise boosts the HDL ("good") cholesterol and lowers levels of LDL ("bad") cholesterol and triglycerides. And the same types of activity will fight some of the neurological and psychological changes of aging. Endurance exercise boosts mood and improves sleep, countering anxiety and depression. In addition, it improves reflex time and helps stave off age-related memory loss. All in all, many of the changes that physiologists attribute to aging are actually caused by disuse. Using your body will keep it young (see table below).

Exercise vs. Aging		
	Effect of aging	Effect of exercise
<b>Heart and circulation</b>		
Resting heart rate	Increase	Decrease
Maximum heart rate	Decrease	Slows the decrease
Maximum pumping capacity	Decrease	Increase
Heart muscle stiffness	Increase	Decrease
Blood vessel stiffness	Increase	Decrease
Blood pressure	Increase	Decrease
<b>Blood</b>		
Number of red blood cells	Decrease	No change
Blood viscosity ("thickness")	Increase	Decrease
<b>Lungs</b>		
Maximum oxygen uptake	Decrease	No change
<b>Intestines</b>		
Speed of emptying	Decrease	Increase
<b>Bones</b>		
Calcium content and strength	Decrease	Increase
<b>Muscles</b>		

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Muscle mass and strength	Decrease	Increase
<b>Metabolism</b>		
Metabolic rate	Decrease	Increase
Body fat	Increase	Decrease
Blood sugar	Increase	Decrease
Insulin levels	Increase	Decrease
LDL (“bad”) cholesterol	Increase	Decrease
HDL (“good”) cholesterol	Decrease	Increase
Sex hormone levels	Decrease	Slight decrease
<b>Nervous system</b>		
Nerve conduction and reflexes	Slower	Decrease
Quality of sleep	Decrease	Increase
Risk of depression	Increase	Decrease
Memory lapses	Increase	Decrease

(See *December 2005 issue of the Harvard Men’s Health Watch*)

During the September 21, 2011 Board of Trustees meeting it was decided to form a committee to look at the feasibility of implementing a fitness center (FC) for Greenbriar II residents. A notice went out to the community seeking volunteers interested in being members of the committee. After several weeks, membership of the Fitness Committee was established with the following members: David Whitaker (Chair), Andrew Ferrone (resigned), Angela Noto, Marie Ferrara (Secretary), Sidney Kaplan, Christopher Emmens, and Nina Zamarra (Board of Trustees Representative). Once formed, the Committee commenced to define its charter and mission each emphasizing the exploratory nature of this study and the requirement that we amass representative material, founded upon a structured collection methodology, which will culminate in a presentation to the GBII Board of Trustees denoting our findings and recommendations.

The Committee’s approach to this study will be defined in the following section; however, we feel that it is important to explain that we spent a great deal of effort to be objective in our collection and subsequent analysis of the data collected. We believed complete objectivity was the only way to address this subject matter due to the sensitivity of impacting home owner monthly dues and the emotional demands of some regarding a fitness center at Greenbriar II. We have done our best to be objective in our collection and analysis efforts which should be evident in our report that follows.

We trust the Greenbriar II Board of Trustees will put aside emotion and evaluate the recommendations we make in this report with an “open mind”. We truly believe that there is “more than one way to skin the cat” and to this end we have examined and defined several

## **Greenbriar II Fitness Center Feasibility Study**

funding alternatives which can be pursued each with varying financial impacts.

Since this is a feasibility study, our recommendations should be taken in that vein. We have prepared “representative” not final figures. Our objective was to gather as much information as practical on the subject and propose courses of action which the Board of Trustees would utilize in making a decision on the merits of pursuing a fitness center for Greenbriar II.

We thank the Greenbriar II Board of Trustees, in advance, for their promotion of this feasibility study and their review of this document.

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## **Methodology**

From the onset of this committee, we opted to follow a disciplined approach to information gathering and interpretation of the collection results. We did not want our emotions or preconceived ideas to interfere with determining the potential need for a fitness facility at Greenbriar II. The Committee also kept in mind the fact that this was a feasibility study and not a full blown, rigorous, study of the applicability of establishing a fitness center at Greenbriar II. We concentrated on acquiring knowledge of the subject matter, and understanding of what similar communities were doing, required equipment, and costs. We initially developed a questionnaire (see Survey Documents, Attachment A) designed to collect pertinent data (number of homes, number of Committee members, equipment resources, operational items) about a community's fitness center and program.

Once the survey document was ready, we contacted Fitness Room "Managers" at the following adult communities which were located in close proximity to Greenbriar II; Greenbriar, Wedgewood, Cedar Village, Leisure Village East, and Leisure Village West. Our logic was simple; see what other communities similar to Greenbriar II were doing with respect to physical fitness. We believed that Greenbriar II demographics would conform to those of other adult communities in our immediate area. With this in mind, we therefore believed that the metrics we were going to gather (number of members, room sizes, equipment used, hours of operation, etc.) could be extrapolated to determine how a similar facility within our community could be designed, configured, and managed. Survey documents can be found in the Survey Documents Section.

As the survey targets were defined, assigned, and initiated we then concentrated on bringing in "experienced" professionals to talk to the committee about equipment requirements, operation of the FC, equipment costs, preventative maintenance, and their experiences configuring, operating, and maintaining a fitness center. These discussions continued throughout the entire feasibility process as we brought in people to discuss specific areas that we decided we needed help with.

We believe that there could have been several approaches to preparing this feasibility study and recognize that this approach only approximates the demand for a fitness center within Greenbriar II. It does, however, utilize metrics gathered from other similar communities to forecast anticipated demand for a fitness center at Greenbriar II. This forecast is not a guess, not a "dreamed up" figure, but rather a mathematically generated figure based on membership observations gathered from our survey documents. We reviewed our survey documents and have generated an anticipated Greenbriar II membership based upon a ratio of number of homes to members from the survey documents applied to a 600 home figure for Greenbriar II. The analysis relies heavily on square footage requirements gathered from our surveys and factored a square footage per member and applied this to the anticipated number of members for Greenbriar II.

Finally, this document is hopefully the catalyst for further investigation into the viability of establishing a fitness center at Greenbriar II.

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## **Findings**

The Committee has spent three months surveying, recording, listening, and formulating from these observations what we believe to be are representative metrics of a potential Greenbriar II fitness center. We collected several metrics with our survey documents, the more significant ones will be listed below.

### ***Demand***

One of the Committee's primary interests was the collection of metrics that could be used to forecast anticipated demand for a fitness center within Greenbriar II. We choose surveying existing communities within our immediate area. It so happened that all of the communities we surveyed either had fitness centers or were in the process of implementing a fitness center. We were searching for a metric from the other communities that could be used to forecast potential membership of a GB II fitness center. The Committee settled on a ratio of number of homes within a community to the number of members of their fitness program. Collection of several communities' metrics has yielded a 17% ratio of total number of members (979) to total number of homes (5806). When this ratio is applied to Greenbriar II (600 homes) we forecasted a potential membership of 101 individuals. It should be noted that this is a feasibility study and one may argue the approach but cannot argue the mathematics. Obviously, we won't know the actual demand for a fitness center without some form of an internal survey; we will cover this later in the recommendations section.

### ***Usage***

Collection metrics indicate that the fitness centers are utilized an average of 17 hours per day. This reflects the demand from the younger population to open early before work and stay open later to facilitate exercise after work. This, we believe, is a significant observation as it appears the fitness centers are one service/facility provided by the community that the younger members of the community seemed to have gravitated to.

### ***Room Size***

Our approach to determining the space requirements for a GB II Fitness Center was also driven by metrics collected from our surveys. Our approach with this metric was to compute an average square footage from our survey documents which resulted in an average fitness room size of 471 square feet. We have taken this number and "normalized" it to a room size of 300 - 350 square feet for Greenbriar II. It should be noted that when we apply this metric to the Greenbriar II facilities we have only a couple of candidate rooms that surface within existing facilities. These rooms are both located within the clubhouse and are currently utilized by The Board of Trustees as a meeting room and the other is utilized by a group under R&A.

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## ***Oversight/Monitoring***

The Committee believes that the Fitness Center should come under the auspices of Recreation and Activities (R&A). A Fitness Center (FC) Chairperson will report into R&A on fitness center activities, attendance and exercise programs. Proper oversight of the FC will require a minimum of two additional people to assist the FC Chairperson. Duties of these individuals will be as follows:

- Train new members on the proper use of the equipment
- Assure equipment is being maintained on a periodic basis
- Address equipment breakage and subsequent repair
- Periodically visit the room to assure members observing established rules and regulations
- Assign member badges as required
- Review member access statistics

The success of the Fitness Center will be directly related to the development of a solid team supporting the FC Chairperson. It will take more than one person to make sure the FC starts up with the appropriate amount of management and attention. Appropriate monitoring will keep the facility operating as expected and providing the utility the members expect from it.

## ***Equipment Requirement***

The equipment requirement projected for Greenbriar II is a combination of metric analysis and discussions with fitness equipment providers and those with oversight responsibilities within the communities surveyed. Our surveys have brought out the fact that most of the equipment employed in the communities reviewed was orientated toward addressing cardio fitness. Discussions with equipment providers have directed us to select “light commercial” grade equipment based on anticipated usage at Greenbriar II. The providers also suggest we arrange for scheduled maintenance on the equipment as it will keep our equipment operating at acceptable levels and keep our insurance provider from adjusting our premium. We anticipate Greenbriar II will follow similar equipment configurations as described below.

Treadmills	- 3
Elliptical	- 1
Bikes	- 2
Universal	- 1
Free Weights	- 1 Set of hand weights and racks
TV	- 1 Wall hung flat screen
Wall Fans	- 2 Oscillating Fans located on opposite walls
Floor Preparation	- Protective covering around machines, covers for electrical lines
Badge Reader	- Computer, badge reader, attendance software, and badges
Start Up Supplies	- Cleaners, Posters (rules & exercise instructions]

This equipment is representative which means it can change as we become more educated in fitness and Greenbriar II requirements and member demands.

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### Cost Estimates

The following costs were gathered from vendors and service providers on a request basis. We did not engage in a bid process as we were gathering representative numbers for equipment and services we determined we needed. It is quite possible that we have not included costs which have remained hidden to this committee. Should this project, upon Board of Trustee Approval, be pursued further appropriate bidding and cost acquisition should take place. We have listed below our view of anticipated costs for facilities preparation, equipment acquisition, and ancillary equipment acquisition. We anticipate that the increase in electricity and janitorial requirements would fall under the clubhouse operation just as occur in the “common facilities” described above.

To approximate costs associated with renovating a room for this purpose, we chose the Art & Crafts room in the Clubhouse. At this point it is arbitrary as no room has been chosen, but we do believe that this room is a potential location.

The costs documents are stored in Appendix and cover the following areas:

### COST SUMMARY

<u>GREENBRIAR II FITNESS CENTER COSTS</u>			
<u>Qty</u>	<u>Description</u>	<u>Unit Cost</u>	<u>Total</u>
3	Vision Fitness T9700S Treadmill	\$2,999	\$8,997
1	Vision Fitness X70 Suspension Elliptical		\$2,999
1	Vision Fitness R70 Recumbent bike		\$2,199
1	Vision Fitness U70 Upright bike		\$1,699
1	Vision ST710 two-stack Gym		\$4,599
1	Rubber Dumbbell set with Rack (includes pairs of 5,8,10,12,15,20 and 25lbs)		\$350
2	Laminated Fitness posters	\$29	\$58
2	TriFold Exercise Mats	\$45	\$90
1	Stability Ball		\$20
4	Pair of Stretch Tubes with Handles	\$15	\$60
1	Flat/Incline Bench		\$249
2	Fans	\$150	\$300
1	Flat Screen TV		\$500
1	Access Control System		\$3,000
	<b>Total Equipment -----&gt;</b>		<b>\$20,843</b>
	<b>Total Ancillary Equipment</b>		<b>\$4,277</b>

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	<b>Electrical Contracting</b>	<b>\$1,600</b>	
	<b>Room Prep &amp; Painting</b>	<b>\$1,000</b>	
<b>Total Costs -----&gt;</b>	<b>\$20,843</b>	<b>\$4,277</b>	<b>\$2,600</b>
<b>Annual Finance</b>			<b>\$27,720</b>
<b>cost -----&gt;</b>		<b><u>\$8,094</u></b>	

We have the option of securing financing for the equipment portion of this estimate approx. \$20,843, which can be incorporated in a three-year period, leaving \$6877 in expenses that have to be covered at start up. The annual financing cost for the equipment is approximately \$8094.

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### **Financial Alternatives**

With the development of the costs described in the previous section, the Committee realized that we needed to provide The Board of Trustees with alternatives to review in making a decision on this subject. Given the fact that the fitness center will produce costs which have to deal with and the reluctance to impact our homeowners with any additional dues or assessments, we have examined several alternatives which attempt to mitigate the cost impact. The Committee has recognized that the Fitness Center is in no way different than existing facilities that are utilized by only a small subset of the community. The FC and its potential members closely model what we describe as “common amenities” such as the swimming pool members, billiard players, card players in the silver lounge, Mah Jong players in our Library, the Greenbriar II Bus, and so on. We do recognize that we are “starting out” and need capital to commence this effort. Our alternatives deal with providing ideas which may help with the funding of this project should The Board of Trustees approve the project’s advancement.

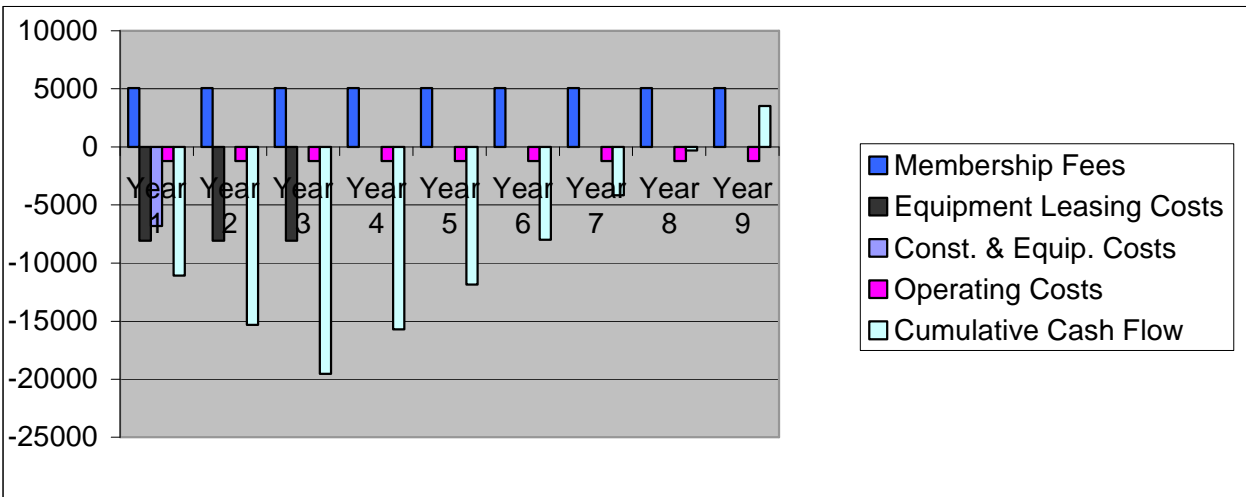
The Fitness Committee also recognizes that whatever room eventually serves as the Fitness Center will cause some disruption to those groups and/or individuals that are using the room. As is true with most situations similar to this, another location will have to be selected. While the disruption may be difficult in the beginning, it should be noted that we are recommending a financial model that will be self funding with positive cash flows beginning in year nine of operation. This will essentially turn the room into a revenue generator and essentially pay for itself after initial startup costs are recovered.

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**Alternative One** - Prior to conducting a formal vote by residents on this effort, solicit the Greenbriar II residents on becoming members of the Fitness Center. The solicitation would be in the form of an annual membership fee of \$50 which would be imposed on all members annually. This would be a voluntary fee and certainly drastically lower than would be encountered should one opt to join an offsite facility. This fee would essentially cover the leasing/purchase cost of the equipment. The “other” year-one costs would be loaned to the FC by The Board of Trustees. After three years, membership fees would go to paying back initial construction and ancillary equipment costs plus two years of operating expenses totaling \$19,558. Membership fees, from year four onward, could fund a new reserve account to cover subsequent equipment replacement. This approach will solidify the annual revenue stream from the Fitness Center and reduce the financial risk. The following chart shows the expenses and revenue flows for this alternative. One can see that the equipment costs are fully recovered by the end of year 8 and from this point further we are funding the reserve. From year 9 forward we anticipate an annual reserve contribution of \$3542.

### Cash Flow Projections - Alternative 1

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Membership Fees	5050	5050	5050	5050	5050	5050	5050	5050	5050
Equipment Leasing Costs	-8094	-8094	-8094	0	0	0	0	0	0
Const. & Equip. Costs	-6827	0	0	0	0	0	0	0	0
Operating Costs	-1200	-1200	-1200	-1200	-1200	-1200	-1200	-1200	-1200
Cumulative Cash Flow	-11071	-15315	-19558	-15708	-11858	-8008	-4158	-308	3542

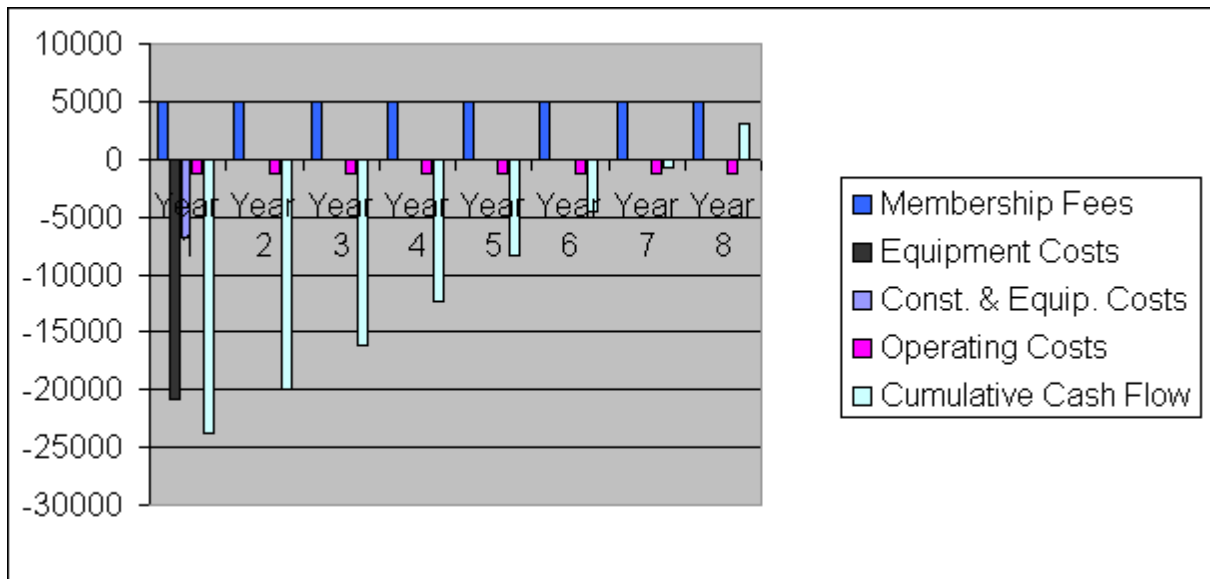


## Greenbriar II Fitness Center Feasibility Study

**Alternative Two -** Although similar to alternative one, this alternative suggests The Board of Trustees approve full funding of this project from existing reserves and this balance \$28,870 is recouped thru an annual membership fee of \$50. Following this scenario, all costs will be recovered within a 7 year period leaving subsequent membership fees as reserve contributions. This more closely mirrors “typical” expenditures from a funding position, but differs significantly as costs are recovered over a subsequent period of time.

### Cash Flow Projections - Alternative 2

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>Membership Fees</b>	5050	5050	5050	5050	5050	5050	5050	5050
<b>Equipment Costs</b>	-20843	0	0	0	0	0	0	0
<b>Const. &amp; Equip. Costs</b>	-6827	0	0	0	0	0	0	0
<b>Operating Costs</b>	-1200	-1200	-1200	-1200	-1200	-1200	-1200	-1200
<b>Cumulative Cash Flow</b>	-23820	-19970	-16120	-12270	-8420	-4570	-720	3130



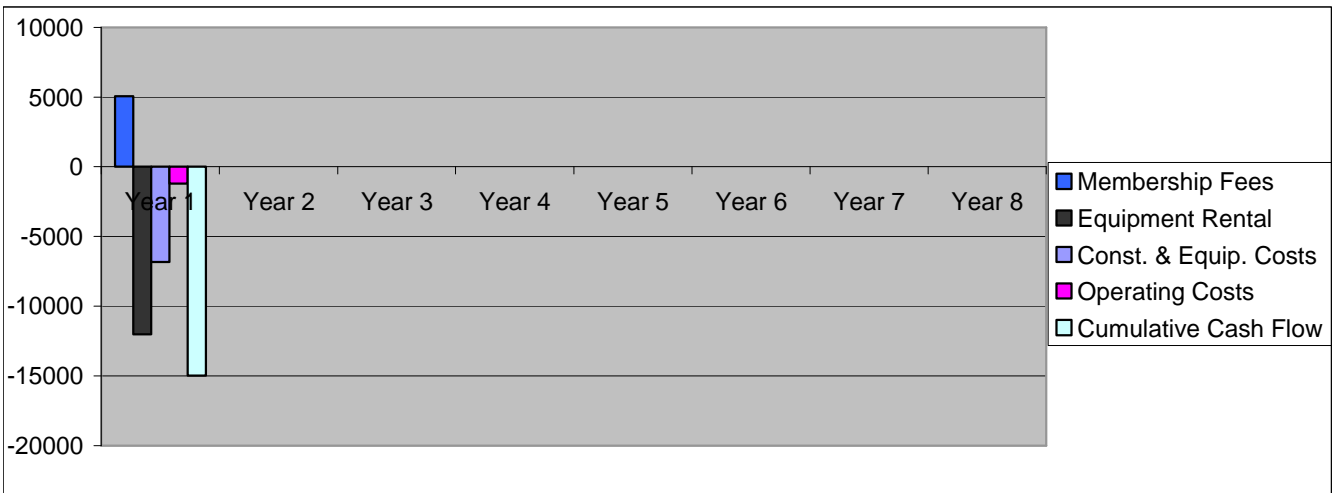
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**Alternative Three** - The Board Approves a One-Year Trial of the Fitness Center. With this scenario, the equipment would be rented for one year, the Board approves funding to put the Fitness Center in place. An annual membership fee of \$50 is established for each member. After one year in operation the Fitness Center is evaluated from a membership position and usage. Should the anticipated membership materialize, then the Board can either extend the trial another year or recognize that it is a viable amenity for Greenbriar II.

Should the membership not materialize, then the Fitness Center can be shut down and we would be responsible for the remainder of the costs which will amount to \$14,977 and considered a loss.

### Cash Flow Projections - Alternative 3

Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Membership Fees	5050	0	0	0	0	0	0	0
Equipment Rental	-12000	0	0	0	0	0	0	0
Const. & Equip. Costs	-6827	0	0	0	0	0	0	0
Operating Costs	-1200	0	0	0	0	0	0	0
Cumulative Cash Flow	-14977	0	0	0	0	0	0	0



## **Greenbriar II Fitness Center Feasibility Study**

**Alternative Four -** Incorporate the startup costs and lease expenses into an assessment to all residents of Greenbriar II. \$28,870 spread over the equipment life of 8 years would result in an estimated monthly increase of 51 cents per month per household [ $\$28,870 / (600 \text{ homes} * 8 \text{ yrs} * 12 \text{ months})$ ].

This is the least palatable approach to pursue from the Committee's perspective, as it would most certainly go to referendum and most likely fail to pass.

# **Greenbriar II Fitness Center Feasibility Study**

## **Recommendation**

The Fitness Committee has spent approximately two months reviewing fitness materials, listening to professionals from the fitness community and reviewing costs and financing approaches with the Greenbriar II Finance Committee members. We believe that the most palatable alternative from those stated above is alternative number one. We selected this alternative based on the following:

- It does not require an assessment or increase to our monthly dues
- It totally funds itself and is paid for by those who want to participate in the Fitness Center.
- It requires minimal funding of \$19,558 that we believe is reasonable and available for use for modifying and equipping the Fitness Center
- Anticipated demand/interest in a Fitness Center can be substantiated through a membership drive which will generate the projected membership funding thereby no need for a community-wide vote on the Fitness Center through referendum
- Should the funding not materialize, the Board will have an exit option due to lack of interest/funding
- All future members will be subject to the same annual membership dues as this will help cover on-going operational costs and contribute to a reserve for equipment replacement

The Fitness Committee has presented what it believes to be a comprehensive review of the feasibility of implementing a Fitness Center within Greenbriar II. We have approached this potential new amenity with rigor and discipline and have provided the Board of Trustees with several alternative approaches to consider in moving the FC initiative forward. We trust The Board will, put emotion aside, look at the desirability of having this new amenity and its positive impact on the community and vote to move this initiative forward.