



Business Case Riverview Recreational Facility - Fitness Centre

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880574 – RRF - FC



Project
Leaders

ACKNOWLEDGEMENTS

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Executive Summary

The feasibility study for the Fitness Centre (FC) addition to the Riverview Recreation Complex (RRC) yielded the following key results:

Estimated total users for the RRC:	800 people
Estimated users of the FC:	160 people
Recommended size of FC:	2000 ft ²
Estimated capital cost:	\$834,000
Estimated monthly OpEx costs:	\$6260
Approximate monthly cost per user:	\$40

Assumptions (see also Appendix 1)

Facility Users: Riverview population is currently at approximately 20,000 residents. Estimated total users for the RRC is based on 15 percent¹ of total population or 3000 people. Given other fitness facilities within 3 kilometers of the RRC, it was assumed that the RRC would get between 25 and 30 percent of this population group or about 800 people.

Space Requirements: Based on the National Building Code of Canada (2020), the FC should be considered a Group A, Division 2 occupancy class (assembly occupancies). It is estimated that if we allow for people to circulate, a 2000 ft² gym can accommodate a user base of 30 people. The recommended FC size will accommodate an hourly user load of an estimated maximum of 16 members (approximately 10 percent² of the 160 members who are expected to use the FC).

Capital Costs: Capital costs for the FC will be part of the overall RRC construction costs.

Operating Expenditures (OpEx): OpEx expenditures include internet/phone, equipment costs (if purchased), cleaning and maintenance supplies, utilities, building maintenance, fitness supervision and miscellaneous expenses.

Operating Model: FC users will offset the OpEx costs. In other words, the FC users will pay for the OpEx costs through a monthly membership fee.

Methodology

The scope of this briefing note is to validate and refine the business case previously prepared by the Town staff for the inclusion of a FC within the proposed RRC. This business case will be used to support Management and Council's decision-making process on the future of the FC ensuring that estimated capital, operations, and maintenance costs are projected against approximated revenue forecasts.

Colliers reviewed and analyzed the preliminary data prepared by the Town staff. Colliers held a kick-off meeting to review the business case objectives and analytic methodology.

¹ Burgess, B. (n.d.). 5 Basic Rules of Thumb For Sizing Fitness Centers and Clubs. Heartline Fitness, para 1. Retrieved at: <https://heartlinefitness.com/5-basic-rules-thumb-sizing-fitness-centers-clubs/> a number of 20% is suggested as a planning figure, but this was for a complex with a built-in gym. In conversations with YMCA Moncton North, they used 15% as a planning figure and we agreed that 15% was more appropriate for this situation.

² Ibid, para 2.

Through an interview with the Director of Parks, Recreation and Community Development and other stakeholders, Colliers identified criteria for narrowing the list of possible investment options/facility solutions into three scenarios:

1. **Scenario 1** – 1500 ft² fitness centre with 800, 1000 and 1250 members
2. **Scenario 2** – 2000 ft² fitness centre with 800, 1000 and 1250 members
3. **Scenario 3** – 3000 ft² fitness centre with 800, 1000 and 1250 members

1.0 Background

1.1 Project Description

The scope of this project is to validate and refine the business case previously prepared by the Town staff for the inclusion of a new 3,000 ft² fitness facility within the proposed Riverview Recreation Complex. This briefing note will be used to support Council and management's decision-making on the future of the fitness facility ensuring that all capital, operations, and maintenance costs are projected against approximated revenue forecasts. To complete this assignment Colliers reviewed and analysed the preliminary data prepared by the Town staff for the inclusion of a new fitness facility that is proposed to be included in the new Riverview Recreation Centre which is currently in the conceptual design stage.

1.2 Overview & Scope

The aim of this project is to add workout space 25 people (likely team size) simultaneously. It is intended to be a user-pay facility that will offset OpEx. The following business case discusses requirements and assumptions, operating expenditures estimations, scenario analyses, rough order of magnitude capital costs, and final scenario recommendations. See Appendix 1 for major assumptions related to design and financing of the FC. Notably, it is assumed that the operating and maintenance costs will be covered by membership revenue, while capital costs will not be covered by facility revenue.

2.0 Business Case

2.1 Scenarios

For each of the three scenarios, Colliers estimated capital costs, OpEx and membership fees.

2.1.1 Estimated Capital Costs

The rough order of magnitude for capital cost is about \$450/ ft². Based on overall costs in the Altus report, the cost per square foot of the natatorium area was factored out and the cost for the FC was extrapolated. Appendix 2 provides detailed estimate.

Table 2.1: ROM costs for each scenario

	Sub-Totals		
	1500 ft ²	2000 ft ²	3000 ft ²
Approximate FC Cost	\$ 625,480	\$ 834,000	\$ 1,340,000

2.1.2 Estimated Operating Expenses (OpEx)

Operating costs considered include internet/phone, leased equipment costs (in addition to initial capital costs for gym equipment), cleaning and maintenance supplies, utilities, building maintenance, and a miscellaneous expenses contingency (see Appendix 3).

While the Town of Riverview indicated there were no staff planned for the FC, Canadian Fitness Safety Standards guideline #21 recommends an appropriately qualified supervisory staff. Based on an annual salary of \$40K, a 0.5 full time equivalent employee would cost about \$1700 per month in addition to the figures below.

Table 2.2: Monthly OpEx for each scenario.

General	1500 ft ²	2000 ft ²	3000 ft ²
Total FC OpEx*	\$ 4,970	\$ 6,260	\$ 8,840
Cost Per Square Foot for FC	\$ 40	\$ 38	\$ 35

*Facility operating expenditures are estimated given Wellness Centre Feasibility Study Report (Town of Riverview) results.

2.1.3 Membership Projections

According to the Wellness Centre Feasibility Study (2015), the potential user groups who desire to use the FC are: Riverview Minor Hockey, Healing Tai Chi, Riverview High School Girls/Boys Hockey/Soccer/Field Hockey, Codiac Vikings Aquatic Club, Riverview Karate and Ju-Jitsu and Anglophone School District. Given the data from YMCA North End Moncton and other recreational facility data, it is estimated that the RRF will see between 800 and 1250 members with between 20 and 40 percent of members using the FC.

Table 2.3: Fitness centre membership scenarios.

	Total Members	Fitness Centre Users			Estimated Cost Recovery Per User		
		20%	30%	40%	20%	30%	40%
1500 ft ²	800	160	240	320	\$ 31	\$ 21	\$ 16
	1000	200	300	400	\$ 25	\$ 17	\$ 12
	1250	250	375	500	\$ 20	\$ 13	\$ 10
2000 ft ²	800	160	240	320	\$ 39	\$ 26	\$ 20
	1000	200	300	400	\$ 31	\$ 21	\$ 16
	1250	250	375	500	\$ 25	\$ 17	\$ 13
3000 ft ²	800	160	240	320	\$ 55	\$ 37	\$ 28
	1000	200	300	400	\$ 44	\$ 29	\$ 22
	1250	250	375	500	\$ 35	\$ 24	\$ 18

Research indicates that typical all-inclusive memberships range between \$35 to \$100 a month, while gyms such as Planet Fitness charge as low as \$30 a month (see Appendix 5).

3.0 Recommendations & Conclusions

Colliers recommends basing all project projections on an estimated expected usage (current and future) of 800 members for the RRF with 20 percent or 160 people as FC users.

To have a sustainable FC based on the estimated OpEx, Colliers recommends a 2000 ft² FC.

If cost-recovery is based only on an FC user-pay model only, then the monthly cost would be about \$40 for each of the FC 160 users plus an additional \$112 per month for all 800 members of the RRC.

If an all-inclusive cost-recovery model is used where all facility users contribute to offsetting the cost of the FC, the monthly cost is expected to be \$120 per month for each of the 800 members.

Appendix 1 ASSUMPTIONS

No.	Assumptions	Value	Notes
	Design		
D1	Size Of Fitness Facility (SF):	3000	Initial suggestion. 2000 ft ² and 1500 ft ² options are also investigated.
D2	Expected Annual Members	1250	Larger facilities have membership of 3000 - 6% of surrounding population (~20,629) for Town of Riverview
D3	Monthly Members	3%	Percentage of surrounding population
D4	Daily Member Usage	35%	Percentage of monthly members
D5	Hourly Member Usage	10%	Percentage of monthly users
	Financing		
F1	Capital costs will not be covered by facility revenue		

Appendix 2 ROM ESTIMATE

Features	Sub-Totals		
	1500 ft ²	2000 ft ²	3000 ft ²
Shell			
Substructure	\$ 821,679.00	\$ 828,925.00	\$ 843,000.00
Structure	\$ 3,574,405.00	\$ 3,605,931.00	\$ 3,668,000.00
Exterior Enclosure	\$ 3,211,898.00	\$ 3,238,443.00	\$ 3,290,000.00
Interiors			
Partitions and Doors	\$ 930,681.00	\$ 936,967.00	\$ 949,000.00
Finishes	\$ 956,648.00	\$ 965,085.00	\$ 981,000.00
Fitting and Equipment General	\$ 698,819.00	\$ 703,893.00	\$ 713,000.00
Fitness Centre Specific Equipment*	\$ 75,000.00	\$ 100,000.00	\$ 150,000.00
Services			
Mechanical	\$ 3,180,081.00	\$ 3,208,128.00	\$ 1,410,000.00
Electrical	\$ 1,374,669.00	\$ 1,386,793.00	\$ 4,896,000.00
Site			
Site Work	\$ 1,980,700.00	\$ 1,980,700.00	\$ 1,980,000.00
Ancillary Work	\$ -	\$ -	\$ -
General Requirements (10%)	\$ 2,170,148.31	\$ 2,185,176.89	\$ 2,214,967.49
Contractor's Mark-Up (6%)	\$ 1,302,088.98	\$ 1,311,106.13	\$ 1,328,980.49
Design and Pricing Contingency (15%)	\$ 3,255,222.46	\$ 3,277,765.33	\$ 3,322,451.23
Construction Contingency (10%)	\$ 2,170,148.31	\$ 2,175,177.00	\$ 2,214,967.49
Facility Total Cost	\$ 25,702,187.28	\$ 25,904,090.35	\$ 26,334,137.72
\$/ft ²	\$ 448.00	\$ 448.00	\$ 447.00
Approximate Fitness Centre (not facility) Cost	\$ 625,480.58	\$ 834,000.00	\$ 1,340,000.00

*This is a capital purchase of some fitness centre equipment such as benches and dumbbells. Running, cycling and rowing machines were included in the lease expenses in OpEx.

Appendix 3 OPERATING EXPENDITURES ESTIMATES

General	1500 ft ²	2000 ft ²	3000 ft ²
Internet/phone	\$ 75	\$ 75	\$ 75
Facility Lease Cost (\$/ft ²)	-	-	-
Equipment Cost (Lease)	\$ 3,300	\$ 4,400	\$ 6,600
Cleaning and Maintenance Supplies	\$ 23	\$ 23	\$ 23
Utilities (power)	\$ 488	\$ 650	\$ 975
Building Maintenance	\$ 83	\$ 111	\$ 167
Miscellaneous Expenses	\$ 1,000	\$ 1,000	\$ 1,000
Total	\$ 4,970	\$ 6,260	\$ 8,840
Cost Per Square Foot	\$ 40	\$ 38	\$ 35

Appendix 4 RRF MEMBERSHIPS (FC INCLUDED)

	Total Members	Fitness Centre Fee / Month	Facility Fee / Month
1500 ft ²	800	\$ 6	\$ 118
	1000	\$ 5	\$ 95
	1250	\$ 4	\$ 76
2000 ft ²	800	\$ 8	\$ 120
	1000	\$ 6	\$ 96
	1250	\$ 5	\$ 77
3000 ft ²	800	\$ 11	\$ 123
	1000	\$ 9	\$ 98
	1250	\$ 7	\$ 79

Appendix 5 TYPICAL MEMBERSHIPS (REC CENTRES AND GYMS)

Membership Fees					
		Adult	Youth (Up to 18)	Senior	Household
Captain William Spry Centre	Monthly	\$ 35.00	\$ 26.25	\$ 26.25	\$ 55.00
	Annual	\$ 385.00	\$ 288.75	\$ 288.75	\$ 605.00
	10 Facility Visits	\$ 75.00	\$ 56.25	\$ 56.25	n/a
	1 Facility Visit	\$ 7.50	\$ 5.63	\$ 5.63	n/a
	1 Pool Pass	\$ 5.00	\$ 5.00	\$ 5.00	5/person
	1 Fitness Centre Pass	\$ 5.00	\$ 5.00	\$ 5.00	5/person
		Adult	Plus 1	Student /Senior	Family
Rath Eastlink Community	Monthly	\$ 52.95	\$ 86.95	\$ 34.95	\$ 99.99
	Annual	\$ 582.45	\$ 956.45	\$ 384.45	\$ 1,099.95
		Adult	Plus One	Student /Senior	Family
Canada Games Centre	Monthly	\$ 100.00	\$ 60.00	\$ 75.00	\$ 185.00
	Annual	\$ 682.50	\$ 386.40	\$ 615.30	\$ 1,174.95
		Adult	Youth	Child	Family
YMCA Vaughan Harvey & North End	Monthly	\$ 52.50	\$ 43.00	\$ 35.70	\$ 107.10
	Daily Pass	\$ 13.27			
		Black card	Classic		
Planet Fitness	Monthly	\$ 24.99	\$ 10.00		

*Planet fitness only offers gym membership.