



Market Feasibility Study for a Community Center Serving Mendota Heights and West St. Paul, Minnesota

*******Draft*******

**Prepared for the
Cites of Mendota Heights and
West St. Paul, Minnesota**

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Executive Summary

The cities of Mendota Heights and West St. Paul engaged Mend Collaborative, Matrix Consulting Group, and LOCi Consulting LLC to conduct a market and financial analysis to determine the feasibility of a community center that would serve the two communities. This report focuses on the market feasibility portion of that analysis. It includes:

- Site analysis for a potential location and discussion of criteria to evaluate potential sites.
- Definition of the market area and demographic analysis of the population within that area.
- Inventory of existing community centers and fitness facilities in the service area and an analysis and discussion of comparable community centers in nearby communities.
- Preliminary membership and revenue projections.

Not a Proposal for a Community Center

This report is not a proposal for a community center. It is one step in the feasibility process to determine if such a comprehensive proposal should be developed. The information, findings, and conclusions in this study should be considered along with a preliminary financial feasibility analysis, a fiscal impact assessment, and more community engagement before a formal proposal is put forward. (See Data Resources and Study Limitations on Page 5 for additional qualifications about sources and the overall study.)

Projections are Preliminary

Projections included in this analysis are based on an early version of the community center concept and a theoretical location. Should a community center proposal move forward, membership and revenue projections should be revised based on the specific details of the proposal.

Key Findings

This analysis finds demand for a community center to serve the communities of Mendota Heights and West St. Paul. This study finds that similarly sized suburban communities across the Twin Cities Metropolitan support comparable facilities. Most importantly, community members have voiced support for such a facility through surveys and discussions.

However, there are challenges to the development and operation of community centers in communities like Mendota Heights and West St. Paul. These facilities more often than not do not generate the revenues required for development and operations. This study found that the proposed center has the potential to generate significant revenue per year—but will likely require additional funding from other sources to cover expenses. The second phase of this analysis will provide estimates of those development costs and on-going operational expenses.

Comparison Community Centers Analyzed

- LOCi Consulting collected data on five comparable city managed community centers in the Twin Cities Metro Area. This analysis provides key data that informs the membership and revenue forecasts. The five community centers profiled are:
 - Eagan Community Center
 - The Grove Community Center in Inver Grove Heights
 - Mounds View Community Center
 - Chaska Community Center
 - Shakopee Community Center

Preliminary Membership Projections

- Based on the review of the comparison community centers, we believe there is market potential to support a community center to serve the cities of Mendota Heights and West St. Paul.



For a community center without an aquatic facility, we project stabilized membership (in the fifth year of operation) at between 2,500 and 3,500 members. For a community center with an aquatic facility, we project stabilized membership at between 3,000 and 4,000 members.

- Memberships include youth, adult, seniors, and family memberships. Memberships also include insurance-based memberships (e.g., Silver Sneakers and Active Renew program participants).
- Membership projections assume that the proposed community center would be similar in size and offer services and amenities comparable to the comparison community centers analyzed.

Preliminary Membership Revenue Projections

- Membership revenue projections are also based on an analysis of comparison community centers. For a community center without an aquatic facility, we project annual membership revenue of between \$300,000 and \$500,000 could be achieved in stabilized operations. For a center with an aquatic facility, we project membership revenue of between \$800,000 and \$1.2 million could be achieved in stabilized operations.
- Revenue from membership projections assume that the proposed community center would be similar in size and offer services and amenities comparable to the comparison community centers analyzed.

Preliminary Total Revenue Projections

- Total revenue projections assume that a potential community center would offer additional revenue driving features and amenities. The comparison community centers have the ability to drive additional revenues, at differing levels, based on their ability to provide attractive and competitively priced services for the community. These revenues sometimes include:
 - Daily admissions to facilities beyond memberships
 - Classes on top of memberships
 - Community programming
 - Event center and meeting space rental

- Leasing opportunities for third party businesses

- For a community center without an aquatic facility, we project that a total annual revenue of between \$1.0 million and \$1.5 million could be achieved in stabilized operation. For a center with an aquatic facility, we project that a total annual revenue of between \$2.0 million and \$2.5 million could be achieved in stabilized operations.
- The total revenue projections require that a community center facility would be developed to maximize non-membership revenue opportunities, similar to what has been done in the comparison community centers profiled.

Other Findings

Defined Primary Market Area

For purposes of this analysis, we defined the primary market area (PMA) as the population generally living within 10 minutes' driving time from the potential site with small changes to account for geographical barriers. In general, we estimate that about 75% of the membership would come from within 10 minutes' driving distance of the facility. The maps on the following pages show the drive-time areas and the defined PMA. (Map is shown on Page 15.)

Demographics

- The Community Center PMA population is about 102,000 people and 42,000 households. About 123,000 people live within 10 minutes' driving time of the potential community center site.
- Overall, the PMA is projected to see annual population growth of about 0.7% per year. That growth is higher than the Minneapolis-St. Paul CBSA as a whole (0.5% per year).
- The median household income for the PMA is about \$77,000, about 17% lower than the Twin Cities Metro Area. In the PMA, median incomes are projected to grow by about 2.0% per year over the period.
- The largest age groups in the Community Center PMA are ages 55 to 74. The median age for the



PMA in 2023 is 55-years old. That is older than the median age for the Minneapolis-St. Paul Metropolitan Area, which is 51-years old.

- Based on the estimates and the index reported by ESRI, the population of the PMA is 4% more likely than the national population to exercise more than seven hours per week and 7% more likely to work out at a club more than twice per week.
- Households in the PMA are estimated to spend \$12 million per year on memberships to social, recreational, and health clubs in 2023. By 2028, expenditures on memberships are projected to grow by about 18% to about \$14 million.

Competition in the PMA

- LOCi Consulting identified five municipally operated community centers and one non-profit fitness center that are located either within the PMA or in close proximity to the boundary. They include:
 - Eagan Community Center
 - The Grove Community Center in Inver Grove Heights
 - Central Square Community Center in South St. Paul
 - El Rio Vista in St. Paul
 - YMCA in Eagan
- LOCi Consulting identified five competitive for-profit fitness centers in the PMA. They include:
 - Anytime Fitness in Mendota Heights
 - Anytime Fitness in West St. Paul
 - LA Fitness in West St. Paul
 - Planet Fitness in West St. Paul
 - Snap Fitness in Inver Grove Heights

Interviews with Leaders and Staff at Comparison Facilities

As a part of the data collection process, LOCi Consulting interviewed staff and leadership at the profiled comparison community centers. The following key themes emerged from those discussions.

- **Community fitness centers rarely provide enough revenues to cover expenses.** All of the

sources that we interviewed said their facilities require a subsidy to cover operating costs.

- **Most of the sources we interviewed said that their memberships have not returned to pre-pandemic levels.** Most of the sources that we interviewed said that 2022 and 2023 have been good years in terms of adding new members, but that levels are still below 2019. Staff at The Grove, however, said that they are now seeing memberships exceeding 2019 levels and that interest has been very high.
- **Expenses—particularly labor costs—have been increasingly challenging.** A couple of staff people said it has been very difficult to get part-time workers and lifeguards to staff their facilities. One person said that leadership were taking shifts at the front desk to make sure they have coverage.
- **The decision on whether to add aquatic facilities is extremely important.** Figuring that out at the during the planning phases is very important. Staff at facilities without aquatics and indoor pools said that it is a continual concern on guest feedback forms.
- **Facility design has to optimize staffing.** One person interviewed said that their kid pool area was not designed with good sightlines for lifeguards. She said it means they have to have extra staffing. She said that was a mistake that should have been figured out during the planning phases.
- **Multiuse spaces are critical.** Sources said that it is important to have spaces that can be used for many different activities.
- **Carefully consider the tradeoffs of scheduling multiuse spaces versus the long-term cost of dedicated spaces.** These decisions can be challenging because it means trying to anticipate future needs.
- **Do not underestimate the need for storage.** One source said they need more storage for fitness equipment and other items than they had planned. Figuring that out at the during the planning phases is very important.



Full Report

Introduction

The cities of Mendota Heights and West St. Paul engaged Mend Collaborative, Matrix Consulting Group, and LOCi Consulting LLC to conduct a market and financial analysis to determine the feasibility of a community center that would serve the two communities.

This report focuses on the market feasibility portion of that analysis. It includes:

- A definition of the community center, including the physical space and potential programming that could be offered.
- A discussion of market trends for community centers across the country.
- Analysis of a potential site and discussion of criteria to evaluate potential sites for a proposed community center, including important considerations and requirements.
- Definition of the primary market area and demographic analysis of the population within that area.
- Inventory of existing community centers and fitness facilities in the service area.
- Analysis and discussion of comparable community center facilities developed in nearby communities.
- Preliminary membership and revenue financial projections.

Not a Proposal for a Community Center

This report is not a proposal for a community center. It is one step in the feasibility process to determine if such a proposal should be developed. The information, findings, and conclusions in this study should be considered along with a preliminary financial feasibility analysis, a fiscal impact assessment, and more community engagement before a formal proposal is developed.

Projections are Preliminary

Projections included in this analysis are based on an early version of the community center concept and a theoretical site. Should a community center proposal move forward, projections should be revised based on the specific details of the proposal.

Data Resources and Study Limitations

The data in this market analysis are compiled from a variety of sources, including interviews with staff and administrators of comparable community centers, along with secondary demographic, economic, and competitive resources. Sources are identified in the figures.

LOCi Consulting believes that these sources are reliable. However, there is no way to authenticate this data and information. LOCi Consulting does not guarantee the data and assumes no liability for any errors in fact, analysis, or judgement. The data in this analysis includes the most up-to-date information available at the time of this analysis.

The conclusions and recommendations in this market analysis are based on the best judgements and analysis at the time of the study. LOCi Consulting makes no guarantees or assurances that the projections or conclusions will be realized as stated.

Community Center Concept Defined

The term “community center” can describe a variety of facilities, including parks and recreation facilities, general recreation centers, fitness centers, and facilities that host meeting and event space.

At this point in the process, a specific proposal for a community center has not been developed. There have been discussions of what a community center could look like that would serve the two communities, but the exact concept with size and features has not been defined.

For the purpose of this study, however, it is important to have a general understanding of what



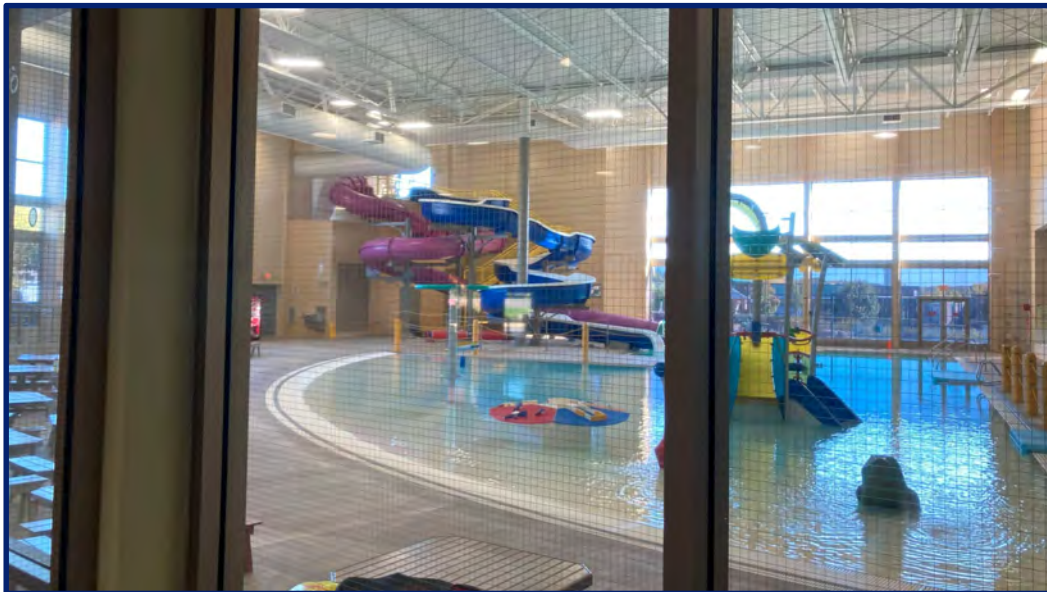
Anytime Fitness in West St. Paul. Source: LOCi Consulting LLC

the community center would include and the general size under consideration. This general understanding allows us to better assess the overall draw of a proposed facility within the service area, understand the competitive facilities in the service area, and identify appropriate competitive facilities to use for benchmarking.

The community center concept for this analysis was initially defined through informal discussions with the community and refined through additional discussions with city staff.

Discussed Building Features and Amenities

- **Fitness center.** This feature could include cardio machines (treadmills, stationary bikes, ellipticals, etc.), multifunctioning strength training machines, and an area for free weight products and other strength training accessories.
- **Multipurpose Gymnasium.** The community center could include a flexible indoor space that could accommodate basketball, volleyball, and other team sports. The gymnasium could also provide space for indoor pickleball and/or tennis.
- **Running Track.** This feature would provide a track that could provide space for running or walking inside during inclement weather.
- **Community meeting spaces and classrooms.** The proposed facility could offer space for community meetings and private gatherings. Such a space could include a commercial kitchen or simply a “warming kitchen.” This space could also be used for community programming.
- **Outdoor amenities.** Depending on the size of a final site selected, outdoor amenities could include walking trails, parks, basketball courts, athletic fields, or skateparks.
- **Indoor exercise pool/indoor kids’ pool.** One optional feature that has been proposed is an indoor pool for lap swimming. A “kiddie pool” could also be built for the facility. Indoor pools can add significant cost to the construction and on-going operations of the facility. For this reason, this feature is often discussed as an “add-on” feature throughout this report.
- **The overall size would likely be between 40,000- and 75,000-square feet.** This estimate



Indoor aquatic center at The Grove in Inver Grove Heights. Source: LOCi Consulting LLC

is based on the features desired and the review of comparison community centers in this report.

Programming/Services

A proposed community center could offer a variety of programming that would support existing classes and services offered through the parks and recreation departments of Mendota Heights and West St. Paul. Programming and services could include:

- Childcare
- Yoga
- Pilates
- Martial arts (Karate, Tae Kwon Do, etc.)
- Tai Chi
- Fitness coaching
- Weight training
- Healthy lifestyle classes
- Dance classes
- Arts and crafts classes
- Children and teen programming
- Senior programming
- Event space rental
- Meeting space rental

- Community education classrooms

Community Center Development and Operation Trends

Types of Fitness Centers

Community centers, such as the one under consideration by the client cities, exist in an overall competitive environment that includes the following categories.

Community Centers Operated by Local Government

Owned and operated by cities and counties, these fitness centers combine typical parks and recreation functions such as league sports and community education and programming with a fitness center and sometimes an aquatic center. The primary mission of these organizations is to serve the needs of the entire community.

Non-Profit Community Fitness Centers

With a similar focus on the health and wellness of the community, non-profit fitness centers are operated by entities such as the YMCA, the YWCA,

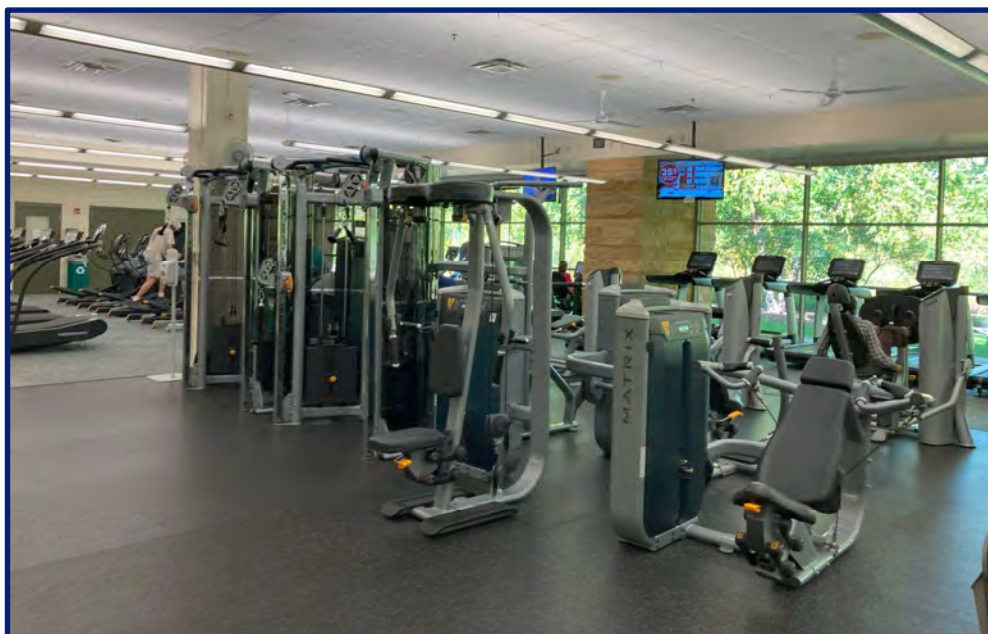
and the Jewish Community Centers. These organizations provide community fitness centers that offer programming and amenities similar to municipally operated community centers. Both types of centers have service to the community as their primary mission. In some cases, non-profit community fitness organizations have partnered with local governments to operate jointly with the local government.

For-Profit Fitness Centers

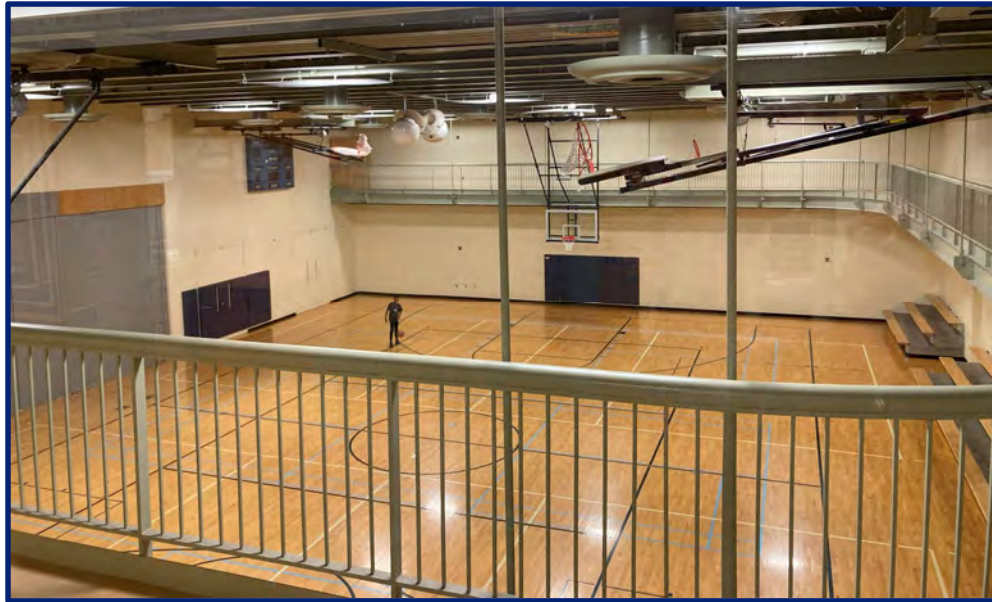
The last category of fitness providers are for-profit fitness centers—sometimes just called “health clubs.” Typically smaller than municipally operated and non-profit fitness centers, these facilities focus on providing fitness facilities and classes to their membership. These facilities can be operated by single-entity businesses, franchisees, or corporations. These facilities rarely offer the community-based services and programming that city operated and non-profit community centers provide.

Key Trends for Local Government Operated Community Centers

- **Community centers are still recovering from the impacts of the COVID19 pandemic.** Many community centers across the country have not seen their membership levels return to pre-pandemic levels.
- **Local governments have responded to the demand for more enhanced aquatic spaces and aquatic-based fitness.** Community swimming pools have evolved to incorporate features such as slides, current channels, fountains, and zero depth entry. These aquatic facilities appeal to younger children (who are the largest segment of the population that swim) and to families. These types of facilities can attract and draw larger crowds, and people tend to come from a further distance and stay longer to utilize such pools, translating into the potential for increase revenues. Local governments have also responded to an increased desire for year-round indoor aquatic facilities.



Fitness Center at the Eagan Community Center. Source: LOCi Consulting LLC



Gymnasium and running track at El Rio Vista Recreation Center in St. Paul. Source: LOCi Consulting LLC

- **The growth of locally operated community centers has been driven by strong participation in youth sports and youth programming.** With the growth in youth sports and the high demand for school gyms, most communities are experiencing an acute lack of gymnasium space. In addition, youth programming has always been a key service for parks and recreation and will continue to be so with an increased emphasis on teen needs and providing a deterrent to juvenile crime. Childcare demands are also increasing, and communities are looking for innovative ways to satisfy this demand.
- **Community centers are responding to the needs of the growing senior population.** Indoor walking tracks, exercise areas, pools, and classroom spaces are important to this age group. Marketing to the younger, more active seniors age 55- to 70-years old is critical. These seniors have the free time available to participate in leisure activities, a strong desire to remain fit, and the disposable income to pay for such services.
- **Community center operators are focused on overall public health and are partnering with local health care provider organizations.** Some community center operators have explored partnerships with local health care providers. One example of such a relationship is the development of a raised temperature therapy pool. The therapy provider either provides capital dollars for the construction of the pool or agrees to purchase hours of pool time on an annual basis. This form of partnership has proven to be appealing to both the medical provider and community center operator. The medical provider receives the benefit of a larger aquatic center, plus other amenities that are available for their use, without the capital cost of building the structure. In addition, they can develop a much stronger community presence away from traditional medical settings. The community center operators have a stronger marketing position through an association with a medical organization and a user group that will provide a solid and consistent revenue stream for the center.



Dakota County Northern Service Center in West St. Paul. Source: LOCi Consulting LLC

- **Local governments are developing new community centers in in-fill redevelopment locations and repurposing existing buildings.** Limited land and site availability has forced communities to get creative with redevelopment. These sites may force designers to get creative with smaller spaces to meet the objectives of community center operator.
- **Community centers are being designed with more multifunctional spaces, better connectivity between indoor and outdoor spaces, and with a focus on sustainability.** Community stakeholders want efficient space that can take advantage of good weather days, and they want buildings that are resilient to and minimize the impact of climate change.
- **Local governments are reemphasizing the importance of serving all members of the community.** The current social climate has only underlined the importance of inclusivity, not simply diversity, within our communities. Community center designers must consider the needs of a broad array of users to create a welcoming place for all. For example, change rooms have been evolving significantly, with some facilities providing as many as six types of

change areas, including change spaces to address gender, familial, physical, and cultural demands. Designers are focusing on how the common spaces can encourage face-to-face interactions. Visually connected, open circulation space offers an opportunity to provide areas of calm to encourage social interaction.

Preliminary Site Selection Discussion

The cities of Mendota Heights and West St. Paul have yet to complete a thorough site selection process to determine an appropriate location for a proposed community center. It is expected that such a process would begin in later phases of this project, should community center planning move forward.

For purposes of this market analysis, however, the cities directed the Mend Collaborative team and LOCi Consulting to consider the Dakota County Northern Service Center as a possible site for the community center. The map on the following page shows the location of Dakota County Northern Service Center.

It is important to note that there have been no discussions with Dakota County about the possibility of locating a community center at this site and no in-depth exploration to see if this option

would be truly feasible. However, for the purposes of this market analysis, it is good to have a test location to define the service area. Also, the high-level site analysis provides good context for what could become a broader site selection process in later phases.

Dakota County Northern Service Center

The Dakota County Northern Service Center property is located northwest of the intersection of Mendota Road and Minnesota Highway 62 in the city of West St. Paul. It consists of 18 acres and includes the 245,000-square-foot service center building that opened in 2002. One of three county service centers, the building houses a wide range of county administrative offices.

The northeast corner of the site has been approved for a mental health crisis center and site work has begun. Dakota County and Guild Services are partnering to develop a 16,000-square-foot building with 16 beds to house intensive residential treatment and crisis services. The facility will be staffed by the Dakota County crisis team.

It is expected that a proposed community center would be developed on the southwestern side of the property. At this point, no site feasibility analysis

has been conducted to determine if there is enough land to support the existing facility, the potential community center, and the parking required for both facilities.

Strengths of the Potential Site

- **The road network provides good connectivity to local neighborhoods.** As a major east-west highway across the county, Highway 62 connects the site to Mendota Heights and other communities to the west. Robert Street and Robert Trail provide good connectivity to neighborhoods north in West St. Paul and south in Sunfish Lake and Inver Grove Heights.
- **Good access along Mendota Road.** The site has two entrances along Mendota Road, and there are two full signalized intersections at Highway 62 to the southwest and Robert Street to the east.
- **Close to Robert Street commercial district.** The retail node along Robert Street has the potential to drive traffic to the site. Potential members would become aware of the new facility as they make shopping trips. Members might take advantage of necessary shopping trips to add a stop at the community center to exercise.



Site work for new mental health crisis center at the Dakota County Northern Service Center. Source: LOCi Consulting LLC

Map 1: Potential Location for Community Center Serving Mendota Heights and West St. Paul



Source: ESRI, LOCi Consulting LLC



- **Proximate to Two Rivers High School.** Students at the high school may want to take advantage of youth programs that could be offered at the facility.
- **Adjacent to existing public services.** Potential users may become aware of the facility as they are conducting business at the service center. And there may be some opportunities for cross-functional uses with county services and programs.
- **Single parcel with one owner entity.** There would be no property assemblage required.

Weaknesses of the Potential Site

- **Limited visibility to traffic on Highway 62 and Robert Street.** Traffic along the major roads would not have good views of a community center at the site.
- **Limited connectivity to neighborhoods on the north side of West St. Paul.** The location may limit users who would have to drive all the way from those neighborhoods.
- **Site is constrained.** With a total of 18 acres, one existing building, and one building planned, it may be difficult to find space for a community center and necessary parking.

Potential Site Criteria

The previous section provided a high-level overview of one of the potential sites for a community center serving the cities of Mendota Heights and West St. Paul. As the site selection process evolves and other sites are selected for more detailed analysis, we recommend that the client consider the following criteria:

1. Is the site easy to find?
2. Is the site visible?
3. Is the site easily accessed by car/pedestrians/bicycle?
4. Is the site proximate to other sports/recreation facilities?

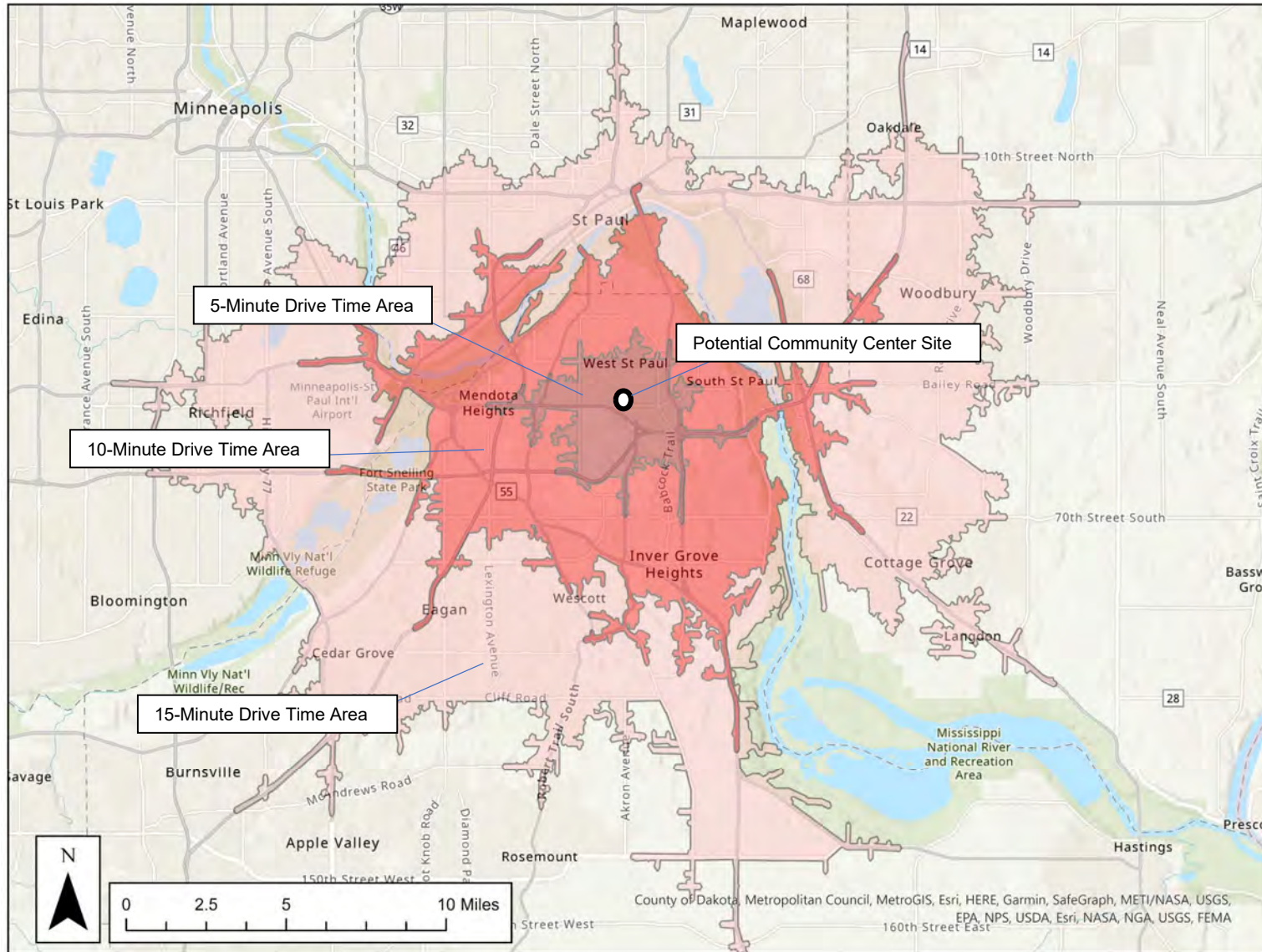
5. Is the site proximate to health care facilities?
6. Is the size of the parcel adequate to support the facility?
7. Can the facility be configured appropriately on the site?
8. Is there adequate space for parking?
9. What are the opportunities for future expansion?
10. Are utilities available?
11. What is the quality of the soils?
12. Are there specific environmental considerations?
13. Are there specific topography considerations?
14. Would the construction cause considerable natural disruption?
15. Would the site require a multilevel structure?
16. Is the site consistent with other plans established by the cities?
17. Is there connectivity with nature/outdoor recreation opportunities?

Primary Market Area (PMA) Definition

In order to define the primary market area for a community center, LOCi Consulting uses ESRI data and mapping capabilities to establish three drive-time areas for the potential site—five-minute, 10-minute, and 15-minute drive time areas. ESRI is a nationally recognized provider of demographic data and mapping technologies. Although not perfect, drive-time distances are often used to define market areas for real estate uses.

For purposes of this analysis, we defined the primary market area as the population generally living within 10 minutes' driving time from the potential site. We used Census Tracts to define this area and made adjustments to account for rivers and other natural barriers. In general, we estimate that about 75% of the membership would come from within 10 minutes' driving distance of the facility. The maps on the following pages show the drive-time areas and the defined PMA.

Map 2: Drive-Time Distances Around the Potential Community Center Site



Source: ESRI, LOCi Consulting LLC

Map 3: Primary Market Area (PMA) for Community Center Serving Mendota Heights and West St. Paul



Source: ESRI, LOci Consulting LLC



The PMA includes the following 26 Census Tracts:

- 271230371
- 271230361
- 271230372
- 271230370
- 270370601
- 270370606
- 270370601
- 270370601
- 270370601
- 270370601.1
- 270370602
- 270370602
- 270370603
- 270370603
- 270370604
- 270370605.1
- 270370604
- 270370605
- 270370605
- 270370605.1
- 270370605.1
- 270370606.1
- 270370606.1
- 270370606
- 270370607.3
- 270370607.2

The PMA includes all of Mendota, Mendota Heights, Sunfish Lake. South St. Paul, and West St. Paul and portions of Eagan, Inver Grove Heights, and St. Paul.

Populations and Households in the PMA

Figures 1 and 3 show population and household growth for the PMA, three drive-time rings around the community center, cities, and other comparison areas. Figures 2 and 4 show visualizations for this data with the blue bars showing the totals and the orange triangles showing the growth (right axis). Data for 2023 are estimates and data for 2028 are projections.

- The PMA population is about 102,000 people and 42,000 households. About 123,000 people live within 10 minutes' driving time of the potential community center site.

- Overall, the PMA is projected to see annual population growth of about 0.7% per year. That growth is higher than the Minneapolis-St. Paul CBSA as a whole (0.5% per year).
- Map 4 on Page 19 shows population density in the PMA in 2023. Each dot represents 50 people.
- Population density generally higher on the northern and eastern ends of the PMA, in the older areas of the west side of St. Paul, West St. Paul, and South St. Paul.
- Map 5 on Page 20 shows projected population growth between 2023 and 2028 for each block group in and near the PMA. As most areas of the PMA are fully developed, much of the area is projected to see little or no growth over the next five years.

Median Household Income

Figure 5 shows the median household income for the PMA, three drive-time rings around the community center, cities, and other comparison areas. Figure 6 shows a visualization of this data with the blue bars representing the median incomes and the orange triangles showing the annual projected growth (right axis).

- The median household income for the Community Center PMA is about \$77,000, about 17% lower than the Twin Cities Metro Area.
- Income growth and decline can be caused by new households moving into or out of the PMA, or by changes in incomes that occur as households in an area age. Inflation is also driving increases. In the PMA, median incomes are projected to grow by about 2.0% per year over the period.
- Map 6 on Page 22 shows median household incomes for each block group in the PMA. Higher income households are generally found on the western and southern sides of the PMA.
- In general, non-profit and for-profit fitness center operators are looking for opportunities in areas with incomes to support the membership fees

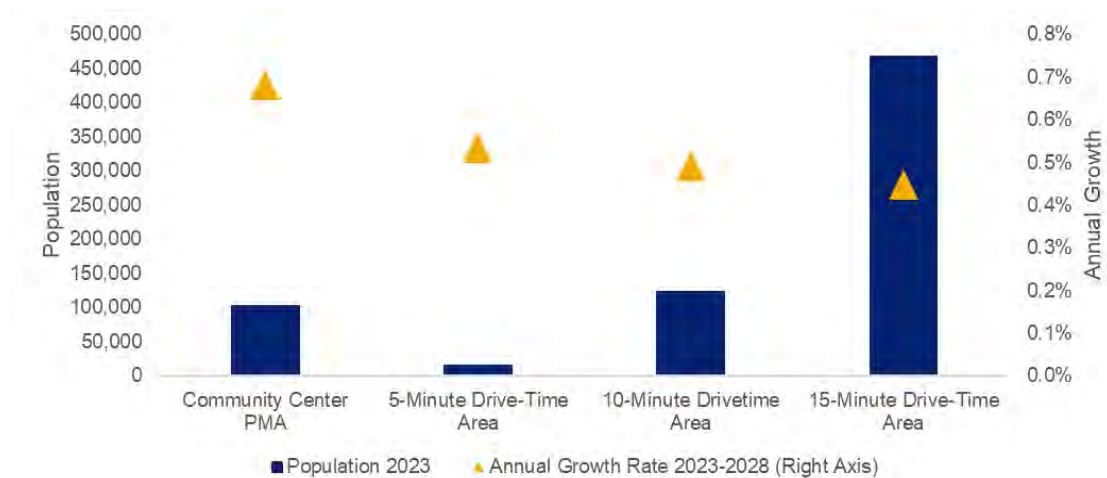


1 Population and Population Growth

	Census	Census	Estimate	Forecast	Annual Growth Rate	
	2010	2020	2023	2028	2010-2023	2023-2028
Community Center PMA	94,537	99,960	101,768	105,288	0.6%	0.7%
Proposed Site						
5-Minute Drive-Time Area	13,975	14,381	14,469	14,859	0.3%	0.5%
10-Minute Drive-Time Area	112,307	120,052	122,770	125,819	0.7%	0.5%
15-Minute Drive-Time Area	427,338	461,162	468,006	478,600	0.7%	0.4%
Mendota Heights	10,941	11,744	11,663	11,681	0.5%	0.0%
West St. Paul	19,540	20,615	20,692	20,929	0.4%	0.2%
Inver Grove Heights	33,944	35,801	36,649	37,646	0.6%	0.5%
South St. Paul	20,118	20,759	20,723	21,061	0.2%	0.3%
Sunfish Lake	550	522	517	497	-0.5%	-0.8%
Minneapolis-St. Paul CBSA	3,333,633	3,690,261	3,771,316	3,866,869	1.0%	0.5%
Minnesota	5,303,925	5,706,494	5,798,827	5,898,938	0.7%	0.3%
United States	308,745,538	331,449,281	337,470,185	342,640,129	0.7%	0.3%

Source: US Census Bureau; ESRI; LOCi Consulting LLC

2 Population and Projected Growth Chart



Source: US Census Bureau; ESRI; LOCi Consulting LLC

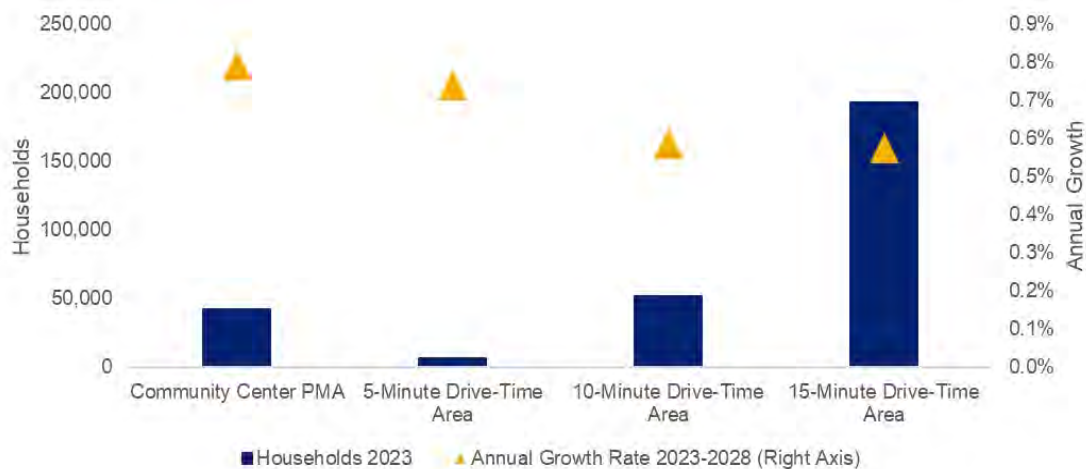


3 Households and Household Growth

	Census	Census	Estimate	Forecast	Annual Growth Rate	
	2010	2020	2023	2028	2010-2023	2023-2028
Community Center PMA	38,394	40,942	42,045	43,739	0.7%	0.8%
Proposed Site						
5-Minute Drive-Time Area	6,100	6,485	6,573	6,820	0.6%	0.7%
10-Minute Drive-Time Area	46,806	50,597	51,867	53,406	0.8%	0.6%
15-Minute Drive-Time Area	174,137	189,152	193,341	198,954	0.8%	0.6%
Mendota Heights	4,287	4,787	4,892	4,934	1.0%	0.2%
West St. Paul	8,529	8,996	9,048	9,256	0.5%	0.5%
Inver Grove Heights	13,500	14,338	14,722	15,125	0.7%	0.5%
South St. Paul	8,172	8,432	8,464	8,693	0.3%	0.5%
Sunfish Lake	188	179	177	170	-0.5%	-0.8%
Minneapolis-St. Paul CBSA	1,293,601	1,434,315	1,469,248	1,512,916	1.0%	0.6%
Minnesota	2,087,227	2,253,990	2,297,371	2,348,606	0.7%	0.4%
United States	116,716,292	126,817,580	129,917,449	133,099,006	0.8%	0.5%

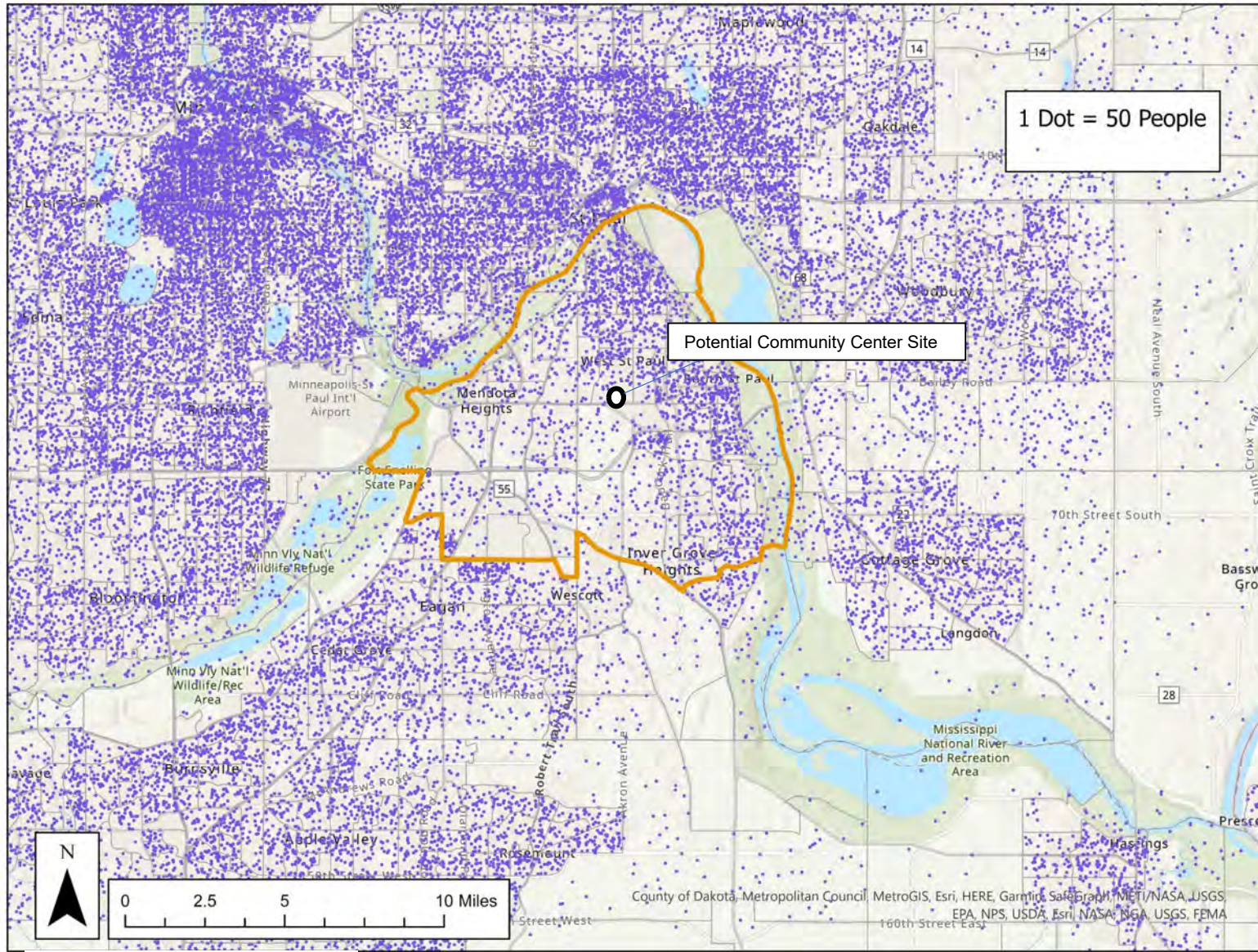
Source: US Census Bureau; ESRI; LOCi Consulting LLC

4 Households and Projected Growth Chart



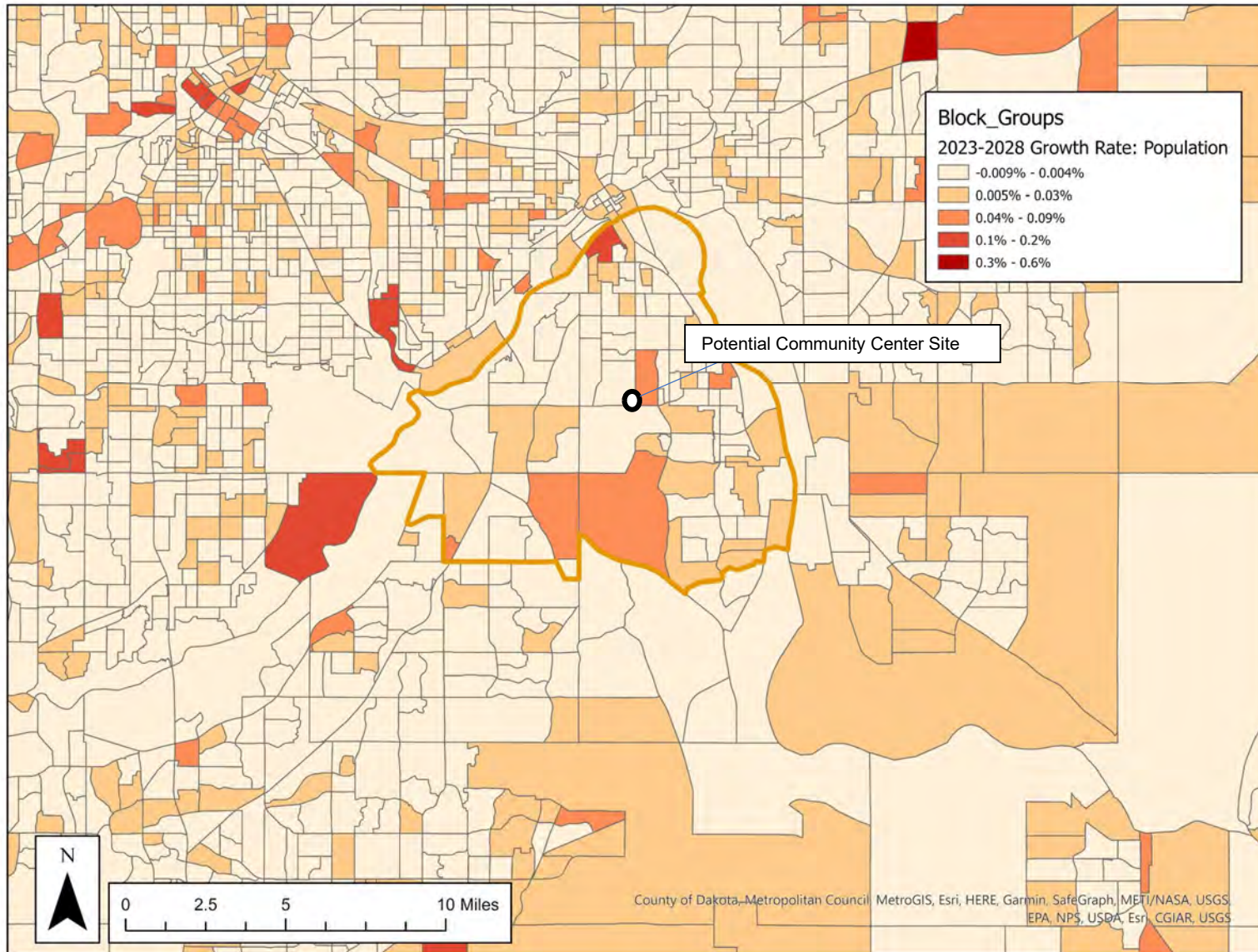
Source: US Census Bureau; ESRI; LOCi Consulting LLC

Map 4: Population Density in and near the PMA, 2023



Source: ESRI, LOCi Consulting LLC

Map 5: Projected Annual Population Growth in and near the PMA, 2023-2028



Source: ESRI, LOCi Consulting LLC

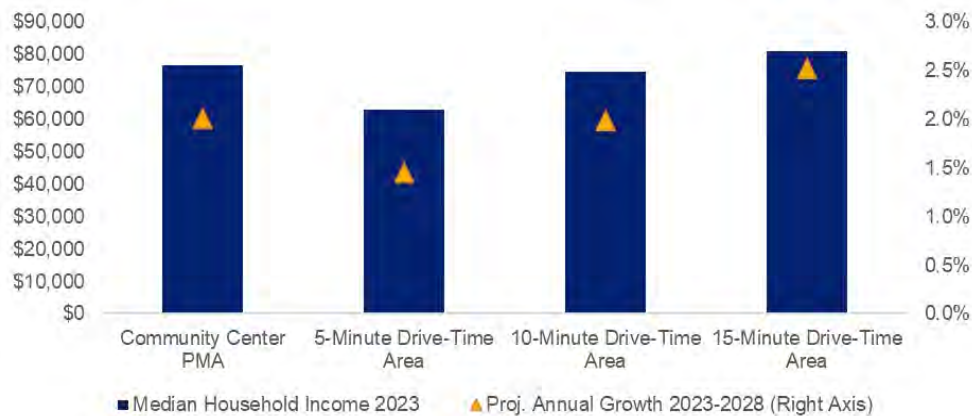


5 Median Household Income and Income Growth

	Estimate 2023	Forecast 2028	Annual Growth Rate 2022-2027
Community Center PMA	\$76,804	\$84,844	2.0%
Proposed Site			
5-Minute Drive-Time Area	\$63,211	\$67,938	1.5%
10-Minute Drive-Time Area	\$74,672	\$82,417	2.0%
15-Minute Drive-Time Area	\$81,085	\$91,849	2.5%
Mendota Heights	\$120,257	\$135,577	2.4%
West St. Paul	\$64,813	\$72,176	2.2%
Inver Grove Heights	\$89,418	\$102,125	2.7%
South St. Paul	\$72,095	\$78,926	1.8%
Sunfish Lake	\$80,092	\$78,239	-0.5%
Minneapolis-St. Paul CBSA	\$89,972	\$102,872	2.7%
Minnesota	\$80,483	\$90,958	2.5%
United States	\$72,603	\$82,410	2.6%

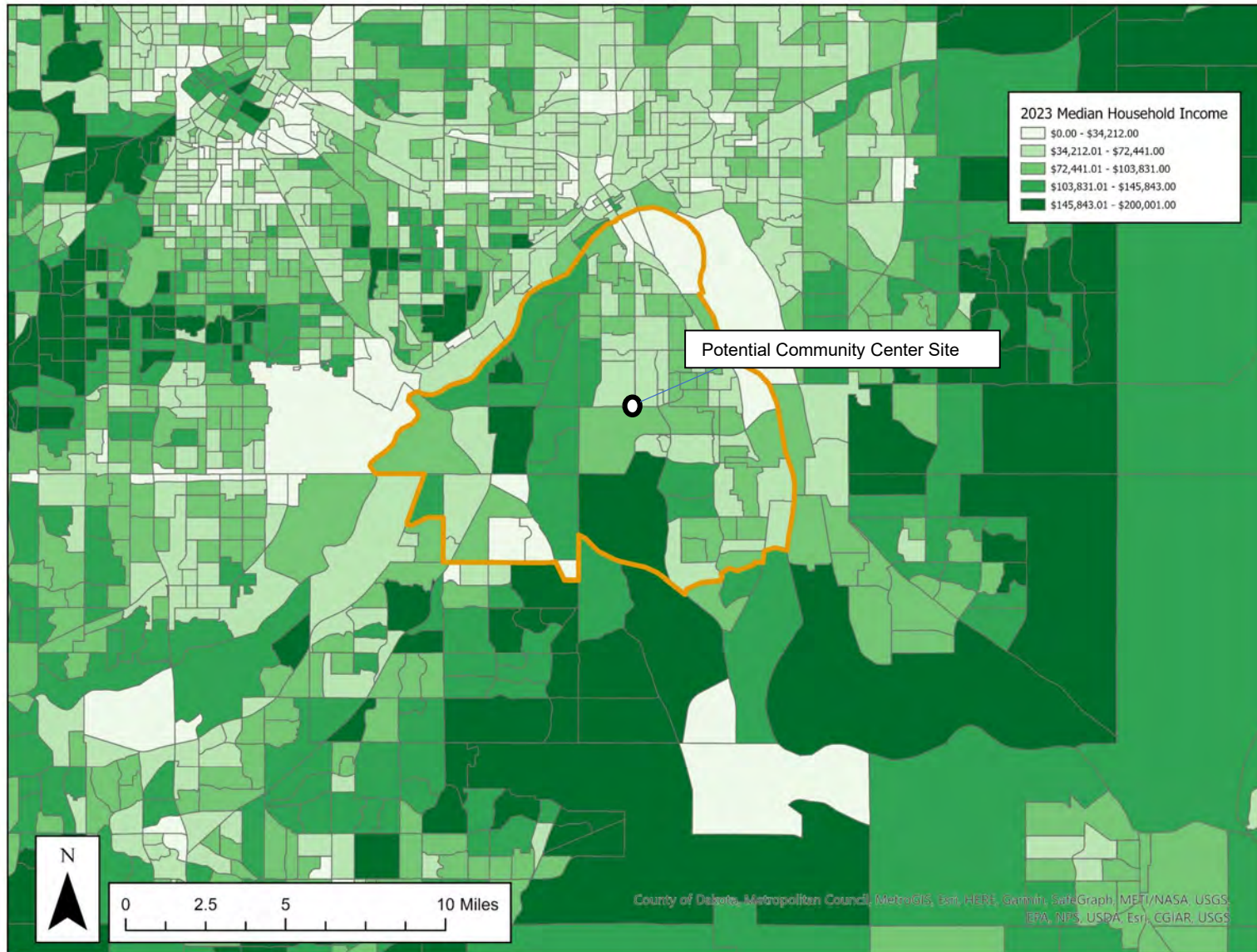
Sources: US Census Bureau; ESRI; LOCi Consulting LLC

6 Median Household Income Chart



Source: US Census Bureau; ESRI; LOCi Consulting LLC

Map 6: Median Household Income in and near the PMA, 2023



Source: ESRI, LOCi Consulting LLC

Age of Population

Figure 7 shows population by age and gender for the PMA. Figures 8 and 9 are population pyramids that visualize the data from Figure 7.

- The largest age groups in the PMA are ages 55 to 74.
- Not shown in the figure, the median age for the PMA in 2023 is 55-years old. That is older than the median age for the Minneapolis-St. Paul Metropolitan Area, which is 51-years old.
- The growth of senior population is expected to significantly outpace growth of the overall population, both in the PMA and the U.S. as a whole. But, between 2030 and 2040, that population is projected to decline as a percentage of the whole.
- Map 7 shows the median age by Census Block Group in and near the PMA in 2023.

Health Club Behaviors and Spending

Figure 10 shows estimated exercise activity rates for the PMA in 2023. The data is from MRI-Simmons, a marketing firm that makes projections based on surveying. The figure includes a market index that shows a comparison to the national rates. Figure 11 shows consumer spending on fees for social, recreational, and health clubs. The consumer expenditure data is from ESRI.

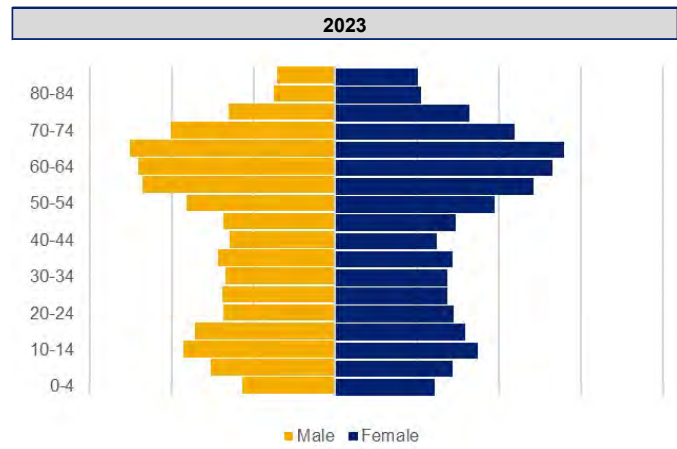
- Based on the estimates and the index reported in Figure 10, the population of the PMA is 4% more likely than the national population to exercise more than seven hours per week and 7% more likely to work out at a club more than twice per week.
- Households in the PMA are estimated to spend \$12 million per year on memberships to social, recreational, and health clubs in 2023. By 2028, expenditures on memberships are projected to grow by about 18% to about \$14 million.

7 Age and Gender in the Community Center PMA

Age	2023			2028		
	Female	Male	Total	Female	Male	Total
0-4	243	226	469	253	240	493
5-9	288	305	593	288	304	592
10-14	350	371	721	326	348	674
15-19	317	342	659	299	338	637
20-24	290	273	563	259	256	515
25-29	274	276	550	245	264	509
30-34	274	269	543	268	251	519
35-39	288	287	575	325	297	622
40-44	248	259	507	326	328	654
45-49	295	274	569	293	295	588
50-54	390	363	753	334	321	655
55-59	486	470	956	420	415	835
60-64	530	481	1,011	438	391	829
65-69	560	502	1,062	517	484	1,001
70-74	439	401	840	497	425	922
75-79	328	260	588	410	333	743
80-84	210	151	361	283	208	491
85+	201	142	343	243	159	402

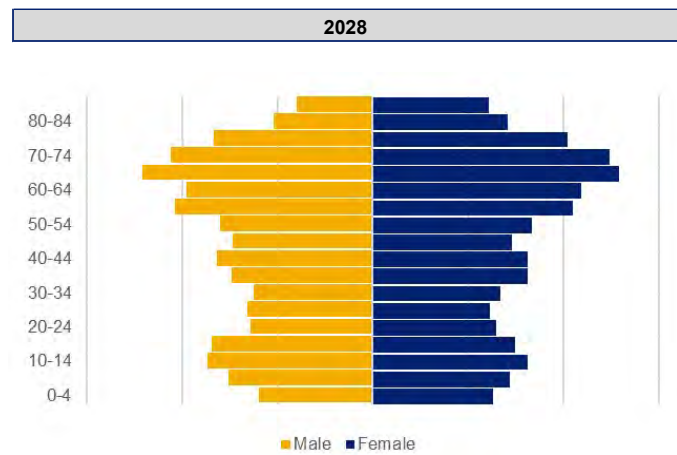
Source: ESRI; LOCi Consulting LLC

8 Population Pyramid, 2023



Source: ESRI; LOCi Consulting LLC

9 Population Pyramid, 2028



Source: ESRI; LOCi Consulting LLC



10 Health and Fitness Behaviors in the Community Center PMA, 2023

	Expected Number of Adult Population ¹	Expected % of Adult Population ¹	MPI ²
Typically Spend 1-3 Hrs Exercising/Wk	19,998	25.2%	101
Typically Spend 4-6 Hrs Exercising/Wk	17,465	22.0%	99
Typically Spend 7+ Hrs Exercising/Wk	20,078	25.3%	104
Exercise at Home 2+ Times/Wk	39,644	49.9%	101
Exercise at Club 2+ Times/Wk	10,011	12.6%	107
Exercise at Oth Facility (Not Club) 2+ Times/Wk	5,897	7.4%	96

1. These data are based upon national propensities to use various products and services, applied to local demographic composition. Usage data were collected by MRI-Simmons in a nationally representative survey of U.S. households.

2. An MPI (Market Potential Index) measures the relative likelihood of the adults in the specified trade area to exhibit certain consumer behavior or purchasing patterns compared to the U.S. An MPI of 100 represents the U.S. average.

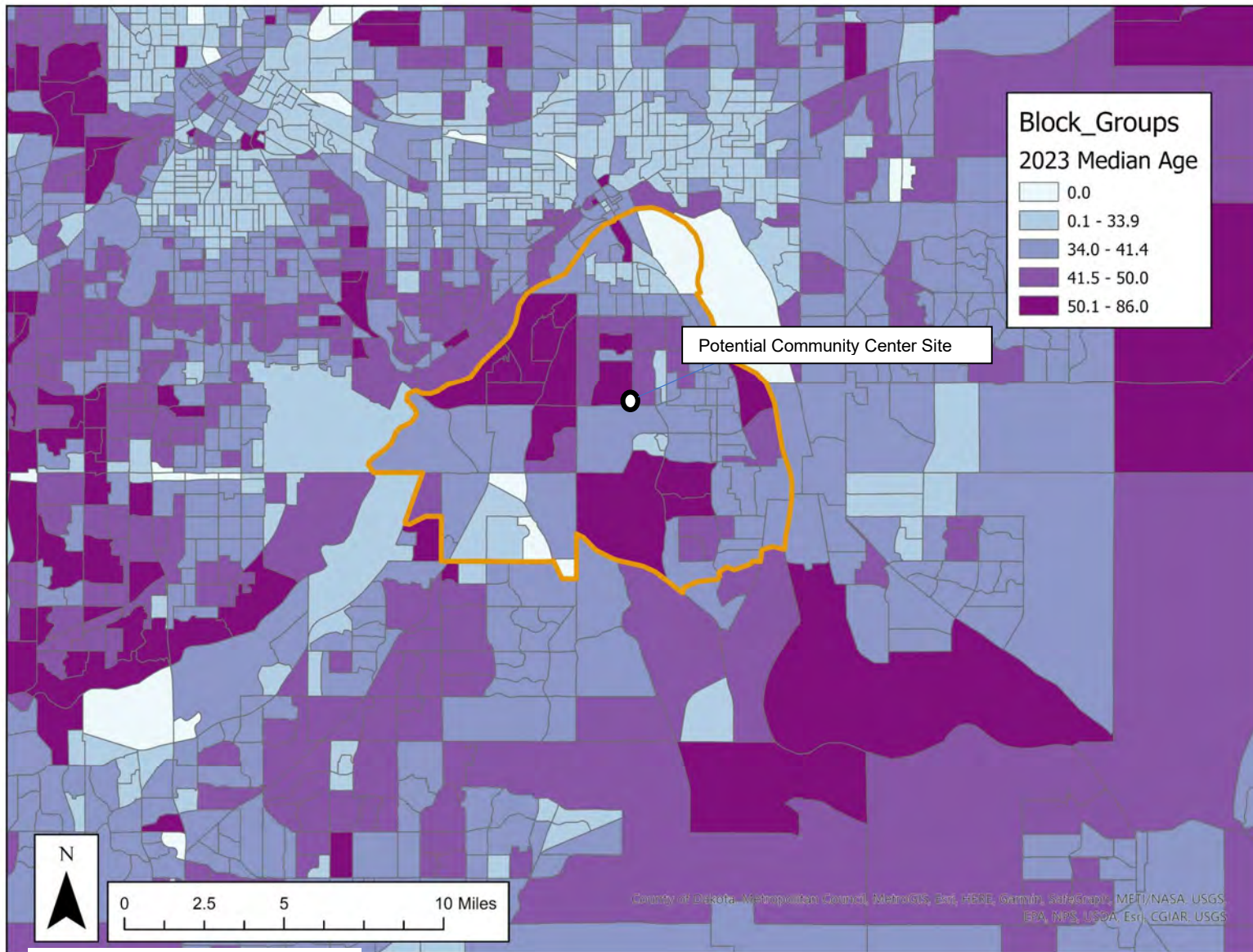
Sources: MRI-Simmons; ESRI; LOCi Consulting LLC

11 Consumer Spending on Club Memberships in the Community Center PMA



Sources: ESRI; LOCi Consulting LLC

Map 7: Median Age of the Population in and near the PMA, 2023



Source: ESRI, LOCi Consulting LLC

Community Centers and Non-Profit Fitness Centers in and near the PMA

LOCi Consulting identified five municipally operated community centers and one non-profit fitness center that are located either within the PMA or in close proximity to the boundary. These facilities are already serving the potential market and would provide the greatest competition to a proposed facility serving Mendota Heights and West St. Paul.

Figure 12 shows the identified centers along with details about their facilities and selected membership pricing information. Map 8 shows the location of the facilities relative to the PMA. (Note: the Apple Valley Community Center is not shown on the map.)

- The centers range in size from about 30,000-square feet to 93,000-square feet. The smallest centers are essentially gymnasiums with fitness rooms with workout equipment. The largest facilities have multiple components—with aquatic centers, gymnasiums, indoor running tracks, large fitness rooms, concessions, and community and programming spaces.
- Three of the six centers have indoor aquatic facilities or indoor pools.
- Membership or admission fees vary significantly across the facilities. The Central Square Community Center and Apple Valley Community Center do not charge for monthly memberships, offering only daily passes. The El Rio Community Center has significantly discounted annual memberships, charging \$30 per year for St. Paul residents and employees and \$60 per year for non-residents.
- The Eagan Community Center does not have an indoor pool or aquatic center. The monthly fees for single memberships are \$40 per month for residents of Eagan and \$45 for non-residents.
- Facilities with indoor pools and aquatics charge higher monthly fees. The Grove and the YMCA—Eagan both have indoor pools and charge between \$63 and \$73 per month for single memberships (age 16 and over).
- Five of the six facilities are located within 10 minutes' driving time of the proposed site. The Apple Valley Community Center is located about 20 minutes from the proposed site.



Gymnasium at Apple Valley Community Center. Source: LOCi Consulting LLC



12 Community Centers and Non-Profit Fitness Centers in and near the Primary Market Area

Community Center	Estimated Square Footage	Aquatics Ctr./Pool	Community Resources	Fitness Facilities	Sports Facilities	Select Membership Rates
Community Centers in the Primary Market Area						
The Grove -- Inver Grove Heights Community Center 8055 Barbara Ave Inver Grove Hts, MN 55077	55,000	<ul style="list-style-type: none"> Indoor water park 8-lane lap pool Dive well with 1- and 3-meter dive boards Hot tub 	<ul style="list-style-type: none"> Senior center Childcare center Community rooms 	<ul style="list-style-type: none"> Free weight area and cardio equipment Indoor walking/running track Fitness studios TRX room and cycle room Locker rooms with saunas 	<ul style="list-style-type: none"> Ice arena Indoor turf Gymnasium for basketball and pickleball 	Single (12-59): \$63/month, \$643/year Senior (60+): \$50/month, \$510/year Household: \$95/month, \$969/year
Central Square Community Center 100 7th Ave N South St Paul, MN 55075	30,000	<ul style="list-style-type: none"> Indoor pool with diving board area and swimming lanes 	<ul style="list-style-type: none"> Community education offered Community meeting rooms available 	<ul style="list-style-type: none"> Fitness center closed in 2021 Fitness classes offered 	<ul style="list-style-type: none"> Gymnastics facility 	Lap swim punch card: \$35 for 10 admissions, \$70 for 30 admissions Daily rate is \$4 (Senior discounts available)
El Rio Vista Recreation Center 179 Robie St E St Paul, MN 55107	93,000	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> (2) Computer labs Dance studio Meeting rooms Lounge rooms Teaching kitchen Theater 	<ul style="list-style-type: none"> Fitness Center (2) Gyms Locker Rooms Walking Track 	<ul style="list-style-type: none"> Baseball field Football field Soccer field (2) Softball fields (All outdoor) 	\$30/year annual resident; \$60/year annual non-resident \$1-\$3 for daily pass

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* Data collected September and October 2023

Source: Websites; interviews, LOCi Consulting LLC



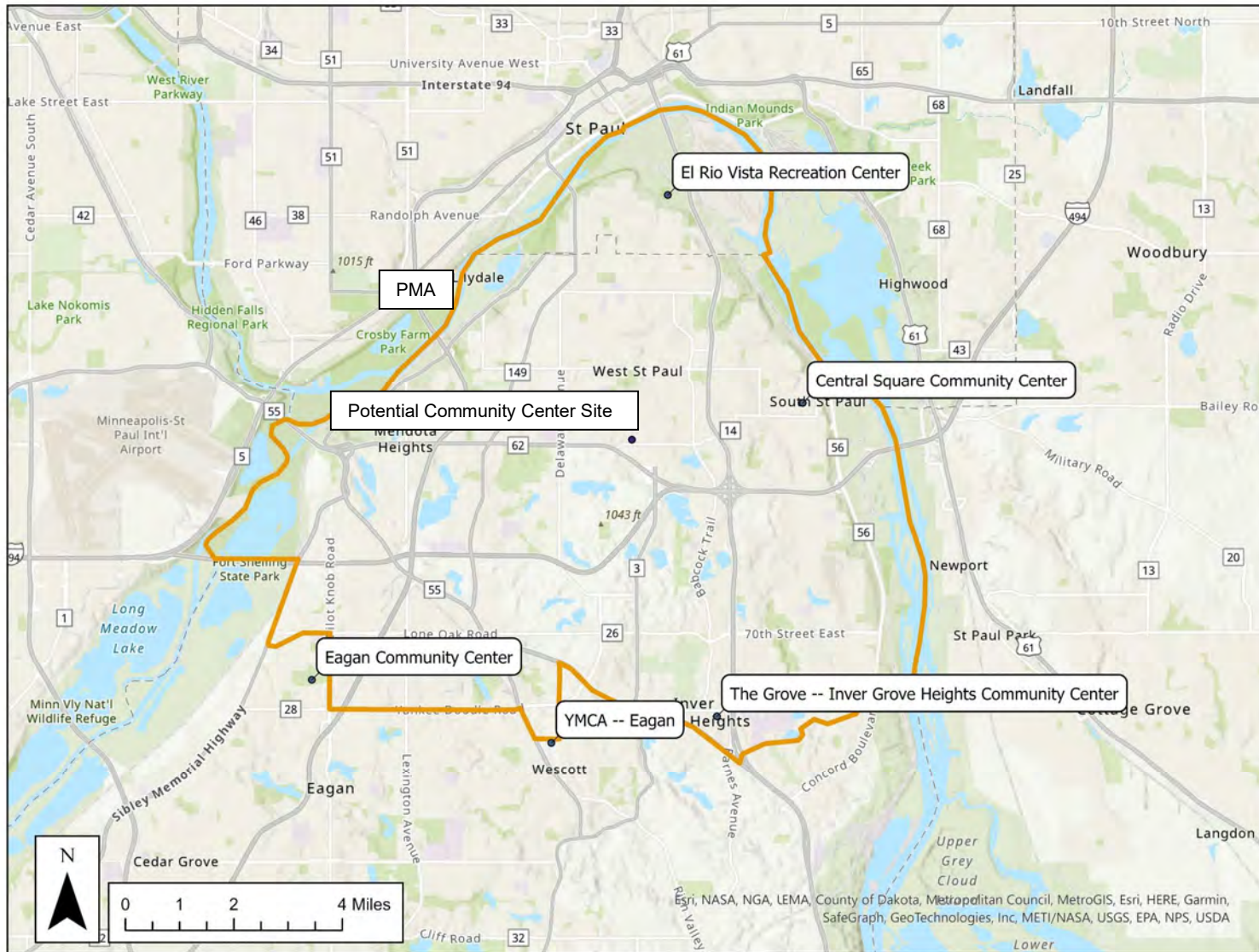
12 Community Centers and Non-Profit Fitness Centers in and near the Primary Market Area (Continued)

Community Center	Estimated Square Footage	Aquatics Ctr./Pool	Community Resources	Fitness Facilities	Sports Facilities	Select Membership Rates
Community Centers and Non-Profit Fitness Centers Near the PMA						
Eagan Community Center 1501 Central Pkwy Eagan, MN 55121	70,000	• None	<ul style="list-style-type: none"> • Senior center • Teen center • Meeting rooms • 350-seat banquet room 	<ul style="list-style-type: none"> • 40+ cardio pieces • 30+ strength training pieces • squat racks • 40+ group fitness classes per week 	<ul style="list-style-type: none"> • 3 court gymnasium for basketball, volleyball, and pickle ball 	Single Resident (16+): \$40/month, \$435/year Single Non-Resident (16+): \$45/month, \$490/year Senior Resident (60+): \$33/month, \$360/year Household Resident: \$89/month, \$973/year
Apple Valley Community Center 14603 Hayes Rd Apple Valley, MN 55124	50,000	• None	<ul style="list-style-type: none"> • Banquet / event center • Kitchen facilities • Public meeting room 	<ul style="list-style-type: none"> • No fitness center 	<ul style="list-style-type: none"> • 2 Gymnasiums for basketball and volleyball • Badminton court • Pickleball court • Playground 	Open gymnasium passes: \$40-\$45 for 10 passes
YMCA -- Eagan 550 Opperman Dr. Eagan, MN 55123	56,000	<ul style="list-style-type: none"> • Indoor pool • Whirlpool • Sauna • Waterslide 	<ul style="list-style-type: none"> • Meeting rooms 	<ul style="list-style-type: none"> • Fitness center • Running/Walking track • Group exercise classes 	<ul style="list-style-type: none"> • Gymnasium 	Single (18+): \$73/month Youth (10-17): \$40/month Family: \$135/month

* Data collected June and July 2023

Source: Websites; interviews, LOCi Consulting LLC

Map 8: Community Centers and Non-Profit Fitness Centers in and near the PMA



Source: ESRI, LOCi Consulting LLC



Eagan Community Center in Eagan. Source: LOCi Consulting LLC



The Grove in Inver Grove Heights. Source: LOCi Consulting LLC



For-Profit Fitness Centers in the PMA

LOCi Consulting identified five competitive for-profit fitness centers in the PMA. These facilities would also provide competition for potential members and membership revenue. Figure 13 shows the facilities. Map 9 shows the location of the facilities within the PMA.

- The for-profit fitness centers are typically smaller than the community centers and non-profit fitness centers. The square footages range from 3,400- to 47,000-square feet.
- The LA Fitness Center in West St. Paul is the only facility with an indoor pool. The facility also offers a whirlpool and sauna.
- Membership fees (not shown in the figure) are typically lower than those at the community centers and non-profit fitness centers.
- Anytime Fitness has the highest fees—charging between \$27 and \$30 biweekly for 12- and 18 - month memberships (equates to between \$58 and \$65 per month). That membership includes

some personal training services. Single memberships at LA Fitness are \$40 to \$50 per month with an additional annual fee of \$50 per year. Single memberships at Snap Fitness are \$43 per month, and single memberships at Planet Fitness range from \$10 to \$25 per month.

- Unlike the competitive community centers and non-profit fitness facilities shown in the previous section, the for-profit competitive facilities are located closer to the proposed site. All of the facilities are located within five minutes’ driving time of the proposes site except for the Snap Fitness in Inver Grove Height which is located about 10 minutes from the site.
- In addition to the for-profit fitness centers serving the PMA, we identified several cross-fit and strength training facilities in the PMA. These include Los Campeones and Kilo Strength and Performance in St. Paul, F45 Training in West St. Paul, CrossFit Eagan in Eagan, and Mendota Fitness in Mendota Heights.

13 For-Profit Fitness Centers in the PMA

Property	Address	City	Square Footage
Anytime Fitness	756 North Plaza Dr	Mendota Heights	8,000
Anytime Fitness	1201 S Robert St Ste 2	West St. Paul	5,000
LA Fitness	1611 Robert St,	West St Paul	47,000
Planet Fitness	1675 S Robert St.	West St. Paul	12,000
Snap Fitness	6502 Cahill Avenue	Inver Grove Heights	3,400

Source: Websites; interview; LOCi Consulting LLC

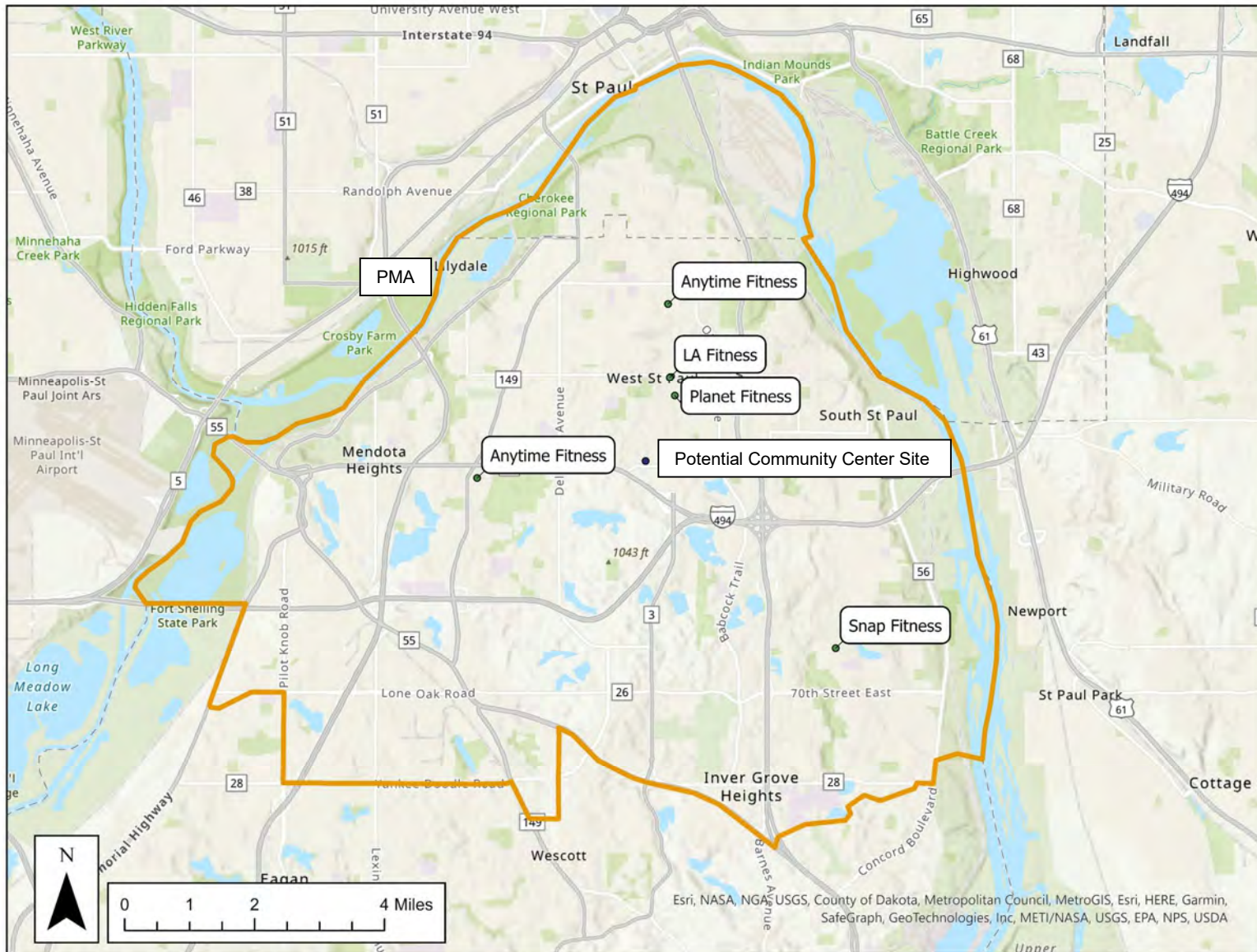


LA Fitness in West St. Paul. Source: LOCi Consulting LLC



Planet Fitness in West St. Paul. Source: LOCi Consulting LLC

Map 9: For-Profit Fitness Centers in the PMA



Source: ESRI, LOCi Consulting LLC

Analysis of Comparison Community Centers in the Metropolitan Area

LOCi Consulting collected data on five comparable city managed community centers in the Twin Cities Metro Area. This analysis provides key data that informs the membership and revenue forecasts.

The five community centers profiled are:

- Eagan Community Center
- The Grove Community Center in Inver Grove Heights
- Mounds View Community Center
- Chaska Community Center
- Shakopee Community Center

The community centers in Eagan and Inver Grove Heights were selected because they are immediately adjacent to the proposed service area. The community centers in Chaska and Shakopee were selected because they serve south metro communities and because they are located in close proximity to each other. Mounds View Community Center was selected because we wanted to have at least two community centers that do not have indoor pools or aquatic facilities.

Figure 14 shows the five community centers profiled with information on size, features and amenities, and selected membership fees. Map 10 shows the location of the five community centers along with the proposed site.

- The comparable facilities range in size from 40,000-square feet at the Mounds View Community Center to 210,000-square feet at the Chaska Community Center.
- The community centers in Eagan and Mounds View do not offer indoor pools or aquatic facilities. The remaining three facilities have aquatic facilities that include lap pools, leisure pools, and water features for kids.
- All of the facilities offer community spaces. All of the facilities are able to leverage these spaces to generate revenue to support the community center.

- For community centers without aquatic facilities, the membership fees for individual adult residents range from \$25 per month at the Mounds View Community Center to \$40 per month at the Eagan Community Center.
- The monthly fees at community centers with aquatics are not significantly higher than those without aquatic facilities. For centers with aquatic facilities, individual adult fees for residents range from \$37 per month at the Shakopee Community Center to \$63 per month at The Grove.
- With the exception of The Grove, all of the community centers offer preferential pricing to residents of the city where the facility is located. The Grove does have a preferential enrollment fee for residents of Inver Grove Heights.

Demographics

- Figure 15 shows a comparison of population and median household income data for the five- and 10-minute drive time areas around the proposed site and each of the community centers. Figure 16 shows the estimated annual spending on memberships to social, recreational, and health clubs in 2023 within each of these areas.
- For purposes of this comparative analysis, we believe that the 10-minute drive time areas represent the service areas for the facilities and estimate that about 75% of all memberships and revenues are derived from these areas. Note that the 10-minute drive time for the proposed site used in these figures is slightly different from the PMA used in the previous analysis. We selected 10-minute drive time areas for this analysis because they provide good estimates of draw area and are relatively easy to determine.
- The demographic profile of the proposed project serving Mendota Heights and West St. Paul is most comparable to the Mounds View Community Center. Both have larger populations with 10-minutes driving time of the location and lower median household incomes. Likewise, the estimates for spending on memberships for the area around the proposed site are similar to the 10-minute driving time area around the Mounds View Community Center.



14 Comparison Community Centers in the Twin Cities Metro Area

Community Center	Estimated Square Footage	Aquatics Ctr./Pool	Community Resources	Fitness Facilities	Sports Facilities	Select Membership Rates
Eagan Community Center 1501 Central Pkwy Eagan, MN 55121	70,000	• None	<ul style="list-style-type: none"> • Senior center • Teen center • Meeting rooms • 350-seat banquet room 	<ul style="list-style-type: none"> • 40+ cardio pieces • 30+ strength training pieces • squat racks • 40+ group fitness classes per week 	<ul style="list-style-type: none"> • 3 court gymnasium for basketball, volleyball, and pickle ball 	Single Resident (16+): \$40/month, \$435/year Single Non-Resident (16+): \$45/month, \$490/year Senior Resident (60+): \$33/month, \$360/year Household Resident: \$89/month, \$973/year
Mounds View Community Center 5394 Edgewood Dr. Mounds View, MN 55112	40,000	• None	<ul style="list-style-type: none"> • Banquet / event center accommodating banquet-style for up to 350 guests or theater seating for up to 400 • Other meeting rooms 	<ul style="list-style-type: none"> • Fitness center 	<ul style="list-style-type: none"> • Gymnasium with 6 separate hoops and the option of 2 completely separate courts • 2 separate indoor volleyball courts with nets, pads, and referee stands 	Youth: \$12/month (resident); \$22/month (non-resident) Adult: \$25/month (resident); \$35/month (non-resident) Family: \$40/month (resident); \$50/month (non-resident)
The Grove -- Inver Grove Heights Community Center 8055 Barbara Ave Inver Grove Hts, MN 55077	55,000	<ul style="list-style-type: none"> • Indoor water park • 8-lane lap pool • Dive well with 1- and 3-meter dive boards • Hot tub 	<ul style="list-style-type: none"> • Senior center • Childcare center • Community rooms 	<ul style="list-style-type: none"> • Free weight area and cardio equipment • Indoor walking/running track • Fitness studios • TRX room and cycle room • Locker rooms with saunas 	<ul style="list-style-type: none"> • Ice arena • Indoor turf • Gymnasium for basketball and pickleball 	Single (12-59): \$63/month, \$643/year Senior (60+): \$50/month, \$510/year Household: \$95/month, \$969/year

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* Data collected September and October 2023

Source: Websites; interviews, LOCi Consulting LLC



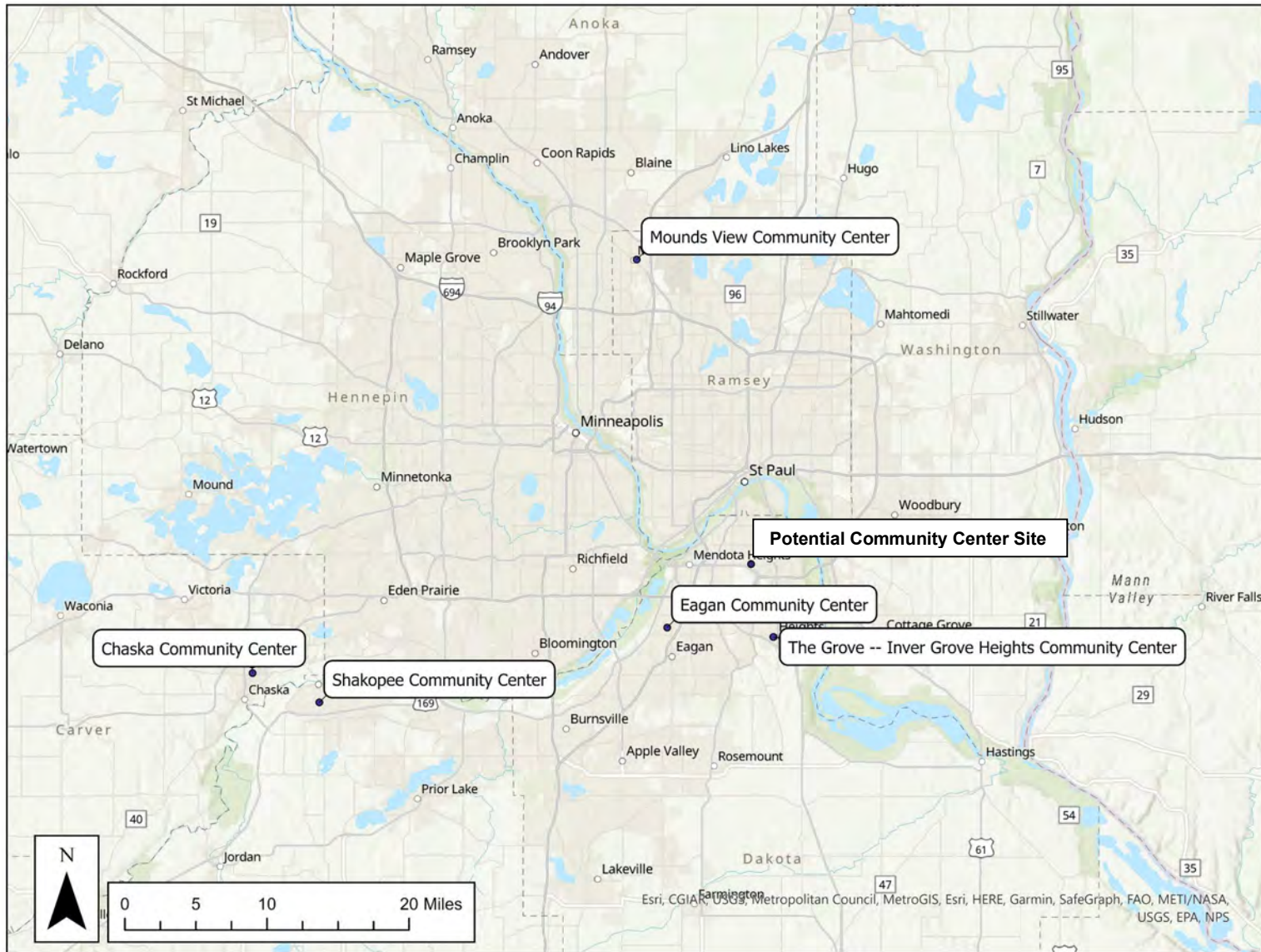
14 Comparison Community Centers in the Twin Cities Metro Area (Continued)

Community Center	Estimated Square Footage	Aquatics Ctr./Pool	Community Resources	Fitness Facilities	Sports Facilities	Select Membership Rates
Chaska Community Center 1661 Park Ridge Dr. Chaska, MN 55318	210,000	<ul style="list-style-type: none"> • 4 lane lap pool with a giant waterslide, rope swing, and diving platform • Leisure pool with a zero-depth entry featuring the caterpillar slide and interactive water features • Sauna and steam rooms 	<ul style="list-style-type: none"> • Community rooms • Childcare facility • Movie theater • Art gallery 	<ul style="list-style-type: none"> • Cardio fitness area and equip. • Strength equipment area • Functional fitness area 	<ul style="list-style-type: none"> • Gymnasium • Indoor track • Racquetball • Pickleball • Ice arena (2 rinks) 	Youth: \$30/month (resident); \$36/month (non-resident) Adult: \$40/month (resident); \$48/month (non-resident) Senior (65+): \$30/month (resident); \$36/month (non-resident) Family: \$75/month (resident); \$90/month (non-resident)
Shakopee Community Center 1255 Fuller St S Shakopee, MN 55379	130,000	<ul style="list-style-type: none"> • 22,300-square-foot aquatic center with a zero-depth-entry leisure pool with play features and a water slide • 4-lane lap pool for lap swim, water aerobics, open swim, and swimming lessons 	<ul style="list-style-type: none"> • Community rooms • Meeting rooms • Multipurpose activity room • Lounge for seniors • "The Lookout" indoor playground 	<ul style="list-style-type: none"> • Treadmills • Ellipticals • Recumbent Bikes • Upright Bikes • NuStep • UBE (Upper Body Ergometer) • Free Weights • Machine Weights 	<ul style="list-style-type: none"> • Gymnasium • Skate park 	Youth: \$26/month (resident); \$36/month (non-resident) Adult: \$37/month (resident); \$50/month (non-resident) Senior (65+): \$26/month (resident); \$36/month (non-resident) Family: \$59/month (resident); \$78/month (non-resident)

* Data collected June and July 2023

Source: Websites; interviews, LOCi Consulting LLC

Map 10: Comparison Community Centers in the Twin Cities Metro Area



Source: ESRI, LOCi Consulting LLC

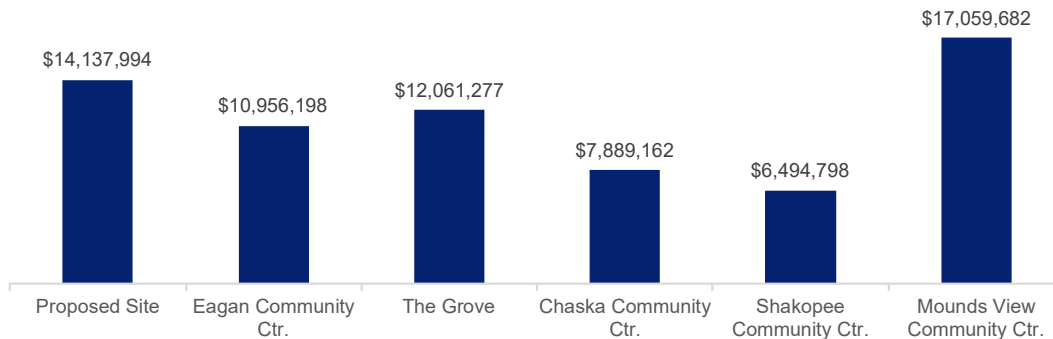


15 Population and Income for Comparison Community Centers

	Population			Median Household Income
	Estimate	Forecast	Annual Growth Rate	2023
	2023	2028	2023-2028	
Proposed Site				
5-Minute Drive-Time Area	14,469	14,859	0.5%	\$63,211
10-Minute Drive-Time Area	122,770	125,819	0.5%	\$74,672
Eagan Community Ctr.				
5-Minute Drive-Time Area	10,678	10,904	0.4%	\$75,718
10-Minute Drive-Time Area	76,060	78,211	0.6%	\$91,015
The Grove				
5-Minute Drive-Time Area	12,608	12,794	0.3%	\$90,016
10-Minute Drive-Time Area	94,858	96,994	0.4%	\$82,535
Mounds View Community Ctr.				
5-Minute Drive-Time Area	18,700	19,109	0.4%	\$75,874
10-Minute Drive-Time Area	146,567	149,068	0.3%	\$80,736
Chaska Community Ctr.				
5-Minute Drive-Time Area	11,898	12,019	0.2%	\$83,355
10-Minute Drive-Time Area	55,956	56,809	0.3%	\$100,169
Shakopee Community Ctr.				
5-Minute Drive-Time Area	22,088	22,932	0.8%	\$77,732
10-Minute Drive-Time Area	55,046	57,118	0.7%	\$90,700

Source: ESRI; LOCi Consulting LLC

16 Spending on Memberships in the 10-Minute Drivetime Areas, 2023



* 2023 Membership Fees for Social/Recreation/Health Clubs

Source: ESRI; LOCi Consulting LLC

Competitive Profiles

- Figure 17 shows a summary of the competitive environment for the 10-minute drive time areas around the proposed site and the comparable community centers. The figure shows that all of the comparison community centers have significant competition from other city-operated community centers, non-profit fitness centers, and for-profit fitness centers.

Membership and Financial Data

- Figure 18 shows membership and financial data for each of the comparison community centers. This data was collected through reviews of recent financial statements, budget proposals, and interviews with community center staff.
- Please note that this data was collected to provide high-level comparisons for projected membership and revenue. In some cases, we estimated data based on financial reporting or asked staff to make estimates. In addition, reporting for this type of data is not standardized across community centers. For example, sometimes membership includes insurance-based memberships (e.g., Silver Sneakers) and sometimes it does not. Likewise, financial reporting sometimes includes non-operating transfers as revenues.
- Memberships ranged from 650 members at the Mounds View Community Center to over 8,000 members at the Shakopee Community Center in 2022.
- In interviews, staff at the comparison community centers said that typically up to one-third of the memberships are discounted, insurance-based memberships. Under programs like Silver Sneakers and Renew Active offered through Medicare Advantage plans, these members do not pay a monthly fee but rather pay a per visit fee up to a maximum fee of about \$25 per month. Members using these programs can use more than one facility, and some split visits between facilities, depending on what activity they want to engage in for that particular day.
- In 2022, revenues from membership are estimated to range from \$70,000 at the Mounds

View Community Center to over \$1 million at the Chaska Community Center. These comparisons can be difficult because, in some cases, revenues include daily admissions and in others they only include monthly paid memberships.

- For facilities where reporting was available (Shakopee does not report its community center separately from its Parks and Recreation department), none of the comparison community centers generated enough revenue to cover expenses.

Interviews with Staff and Leaders at Comparable Community Centers

As a part of the data collection process, LOCi Consulting interviewed staff and leadership at the profiled comparison community centers. The following key themes emerged from those discussions.

1. Community fitness centers rarely provide enough revenues to cover expenses.

All of the sources that we interviewed said their facilities require a subsidy to cover operating costs. One said that he thinks that the Minnetonka Community Center is one of the few in the Metro Area that has revenues that exceed costs. "If these things made money, don't you think the private sector would be all over it," said one staff person.

Another source said, "A lot of communities don't break even because they want to cater to their community's needs. If you want to break even, you have to operate like a Y[MCA] or a Lifetime. You have to push sales and develop programs that drive revenue. That isn't always in the best interests of the community."

2. Most of the sources we interviewed said that their memberships have not returned to pre-pandemic levels.

Most of the sources that we interviewed said that 2022 and 2023 have been good years in terms of adding new members, but that levels are still below 2019. Staff at The Grove, however, said that they are now seeing memberships exceeding 2019 levels and that interest has been very high.



17 Competition in the 10-minute Drive Time Areas

Community Center	Community Centers and Non-Profit Fitness Centers	For-Profit Fitness Centers
Proposed Site	Central Square Community Center El Rio Vista Community Center YMCA--Eagan	Anytime Fitness (3) LA Fitness Planet Fitness (2) Snap Fitness
Community Centers without Aquatic Facilities		
Eagan Community Center	YMCA--Eagan	Anytime Fitness (3) Orange Theory Lifetime Fitness Planet Fitness Snap Fitness
Mounds View Community Center	New Brighton Community Center Shoreview Community Center Fridley Community Center YMCA Shoreview YMCA Coon Rapids	Anytime Fitness (5) LA Fitness Lifetime Fitness Planet Fitness (4)
Community Centers with Aquatic Facilities		
The Grove -- Inver Grove Heights Community Center	Central Square Community Center El Rio Vista Community Center YMCA--Eagan	Anytime Fitness (3) LA Fitness Planet Fitness (2) Snap Fitness
Chaska Community Center	Shakopee Community Center Eden Prairie Community Center Victoria Recreation Ctr.	Anytime Fitness Orange Theory Lifetime Fitness Snap Fitness (2)
Shakopee Community Center	Chaska Community Center	Anytime Fitness Orange Theory Planet Fitness Snap Fitness

* Data collected October and November 2023

Source: ESRI; LOCi Consulting LLC



18 Membership and Revenue from Operations at Comparison Community Centers

Community Center	Memberships in 2022	Total Revenue, 2022	Revenue from Membership, 2022	Cost Recovery, 2022
Community Centers without Aquatic Facilities				
Eagan Community Center	• 3,685 Down 28% from prepandemic levels	\$1.3 million	• Membership and admissions account for 20% of revenue (staff interview)	\$450,000 transfer is required per year on total expenses of \$1.7 million
Mounds View Community Center	• 649 ~90,000 daily admissions in 2022	\$409,000 in revenue from memberships, banquet center, leases etc. (\$550,000 so far in 2023)	Memberships included in general programming revenue--about \$70,000 from both memberships and daily admissions	Transfer of \$350,000 per year to support the community center. Community center building expenditures are about \$802,000
Community Centers with Aquatic Facilities				
The Grove -- Inver Grove Heights Community Center	• 3,072 184,181 admissions	\$2.7 million	\$900,000 from memberships; \$185,000 from admissions	\$2.2 million transfer is required on \$4.9 million in expenses
Chaska Community Center	• 3,300 (2,100 standard and 1,200 insurance based) Down 25% from prepandemic levels	\$4.4 million (includes transfers for debt service)	\$1.2 million projected for 2022	Facility revenue generally covers between 78% and 83% of expenses (\$4.5 million in 2022)
Shakopee Community Center	• 8,334 members 57% increase from 2019 210,000 admissions 22% decrease from 2019	Total revenue is not broken out within Parks and Recreation Budget	\$710,000 projected revenue from memberships and admissions	Cost recovery for Community Center is not broken out within Parks and Recreation budget

* Data collected October and November 2023

** Note that some data shown on this is estimated from financial reporting available and some was estimated by community center staff.

Source: City financial reports for 2022, city budgets for 2023, interviews with city staff and officials; LOCi Consulting LLC

3. Expenses—particularly labor costs—have been increasingly challenging.

A couple of staff people said it has been very difficult to get part-time workers and lifeguards to staff their facilities. One person said that leadership were taking shifts at the front desk to make sure they have coverage.

4. The decision on whether to add aquatic facilities is extremely important.

One source said they need more storage for fitness equipment and other items than they had planned. Figuring that out at the during the planning phases is very important. Staff at facilities without aquatics and indoor pools said that it is a continual concern on guest feedback forms.

Another source at a facility without a pool said he was kind of glad his facility does not have a pool. He said indoor pools are expensive and are hard to staff. He also said that lap swimmers are also notoriously particular about pool temperatures, and he is glad he does not have to deal with that.

Another source said the issues that come up the most through membership feedback are the need for additional aquatic features, increased size of the fitness room with more machines, and more group fitness class opportunities.

5. Facility design has to optimize staffing.

One person interviewed said that their kid pool area was not designed with good sightlines for lifeguards. She said it means they have to have extra staffing. She said that was a mistake that should have been figured out during the planning phases.

6. Multiuse spaces are critical.

Sources said that it is important to have spaces that can be used for many different activities. She pointed to the racquetball courts at her facility as examples of single use spaces that are underutilized. For future planning, she said has asked that the pickleball courts be included in multiuse space so that does not come up in the future.

7. Carefully consider the tradeoffs of scheduling multiuse spaces versus the long-term cost of dedicated spaces.

One source said that there is a balance between having the right amount of specialized space that can accommodate demand and maximizing existing multiuse space through appropriate scheduling. If you can avoid having both a lap pool and a leisure pool and satisfy both sets of users with a schedule, you can really save huge investment and operation costs long term. But those decisions can be challenging because it means trying to anticipate future needs.

8. Do not underestimate the need for storage.

One source said they need more storage for fitness equipment and other items than they had planned. Figuring that out at the during the planning phases is very important.

Preliminary Membership Demand and Revenue Estimates

Based on the review of the comparison community centers in the Twin Cities Metropolitan Area, we believe there is market potential to support a community center to serve the cities of Mendota Heights and West St. Paul. These comparison community centers operate in areas with similar demographic characteristics and similar competitive environments and are able to provide the services and amenities to attract membership and drive revenue.

Based on the analysis of comparison community centers, Figure 19 shows the preliminary projections for memberships, membership revenue, and total revenue that could be achieved by a community center serving Mendota Heights and West St. Paul. Projections are provided for community center concepts with and without aquatic facilities. Projections are also provided for the first and fifth years of operations to provide some perspective on the growth of memberships and revenues as a potential project stabilizes.

The Appendix includes several metrics of the comparison communities that were used to develop the preliminary projections.

Preliminary Membership Projections

- For a community center without an aquatic facility, we project stabilized membership at between 2,500 and 3,500 members. Memberships



19 Preliminary Membership and Revenue Projections for Community Center Serving PMA

	First Year of Operations	Fifth Year of Operations
<u>Projected Membership</u>		
Facility without Aquatic Center	1,500 - 2,500	2,500 - 3,500
Facility with Aquatic Center	2,000 - 3,000	3,000 - 4,000
<u>Projected Revenue from Memberships</u>		
Facility without Aquatic Center	\$100,000 - \$300,000	\$300,000 - \$500,000
Facility with Aquatic Center	\$400,000 - \$800,000	\$800,000 - \$1,200,000
<u>Projected Total Revenue</u>		
Facility without Aquatic Center	\$500,000 - \$1,000,000	\$1,000,000 - \$1,500,000
Facility with Aquatic Center	\$1,500,000 - \$2,000,000	\$2,000,000 - \$2,500,000

* Data is presented in 2023 dollars.

** Memberships include full memberships and discounted insurance-based memberships (e.g., Silver Sneakers)

Source: LOCi Consulting LLC

include youth, adult, seniors, and family memberships. Memberships also include insurance-based memberships (e.g., Silver Sneakers program participants).

- For a community center with an aquatic facility, we project stabilized membership at between 3,000 and 4,000 members.
- Figure A2 in the Appendix shows membership benchmarked to population within the 10-minute drive time areas of comparison community centers. As stated previously, it is assumed that about 25% of the demand would come from outside of this primary area.
- Membership projections assume that the proposed community center would be similar in size and offer services and amenities comparable to the comparison community centers analyzed.

Preliminary Membership Revenue Projections

- For a community center without an aquatic facility, we project annual membership revenue of between \$300,000 and \$500,000 could be

achieved in stabilized operation. For a center with an aquatic facility, we project membership revenue of between \$800,000 and \$1.2 million could be achieved in stabilized operations.

- Figures A3 and A4 show how these projections compare to the community centers profiles, both in total and relative to consumer spending on memberships within the 10-minute drive time areas around each center.
- Revenue from membership projections assume that the proposed community center would be similar in size and offer services and amenities comparable to the comparison community centers analyzed.

Preliminary Total Revenue Projections

- Total revenue projections assume that a potential community center would offer additional revenue driving features and amenities. The comparison community centers have the ability to drive additional revenues, at differing levels, based on their ability to provide attractive and



Meeting space at the Eagan Community Center. Source: LOCi Consulting LLC

competitively priced services for the community. These revenues sometimes include:

- Daily admissions to facilities beyond memberships
 - Classes on top of memberships
 - Community programming
 - Event center and meeting space rental
 - Leasing opportunities for third party businesses
- For a community center without an aquatic facility, we project that a total annual revenue of between \$1.0 million and \$1.2 million could be achieved in stabilized operation. For a center with an aquatic facility, we project that a total annual revenue of between \$2.0 million and \$2.5 million could be achieved in stabilized operation.
 - The total revenue projections require that a community center facility would be developed to maximize non-membership revenue opportunities, similar to what has been done in the comparison community centers profiled.

Competitive Impacts and Membership Growth

- Because the PMA already has a mature community center and fitness center market, we

have chosen to be more conservative with preliminary membership and revenue estimates. We believe that a new facility would generate new demand in the PMA for memberships, as an attractive option for residents not currently using such facilities. But we also believe that to be successful, a new community center would have to steal market share from existing community centers and for-profit fitness centers. In a mature market, this can be a challenge for new facilities. The competition and maturity of this market also led us to flatten the growth expectations for a new community center.

Conclusion

This analysis finds demand for a community center to serve the communities of Mendota Heights and West St. Paul. This study also finds that similarly sized suburban communities across the Twin Cities Metropolitan support comparable facilities with support from the local government. Most importantly, community members have voiced support for such a facility through surveys and discussions.

There are challenges to the development and operation of community centers in communities like Mendota Heights and West St. Paul, however. These



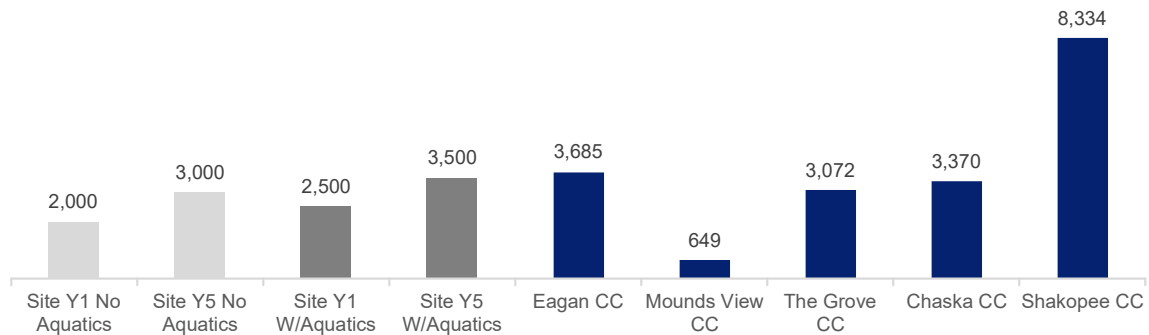
facilities more often than not do not generate the revenues required for development and operations. This study found that the proposed center has the potential to generate significant revenue per year—but will likely require additional funding from other sources to cover expenses. The second phase of this analysis will provide estimates of those development costs and on-going operational expenses.

It is the goal of this study to provide background information to allow the cities of Mendota Heights and West St. Paul to make informed decisions about the potential development of a community center. As further discussions occur and more detailed plans are developed, we expect that much of this preliminary analysis will be revised.



Appendix—Membership and Revenue Projections Based on Comparison Community Centers

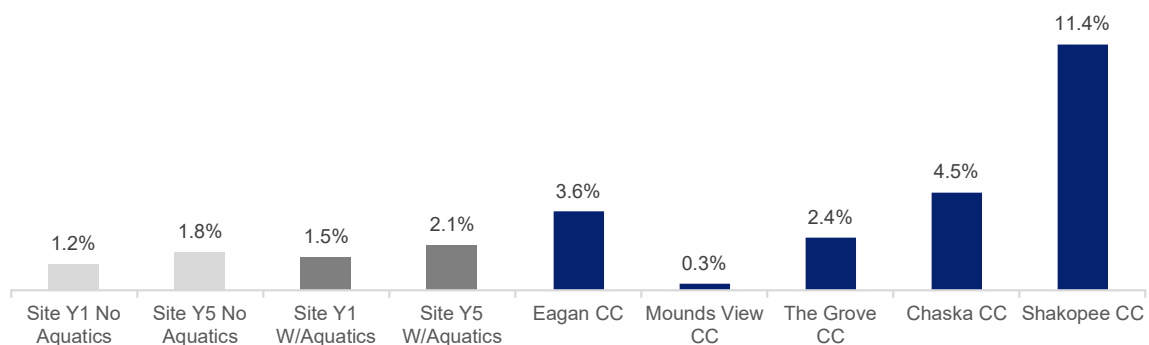
A1 Membership Projections and Membership at Comparison Community Centers, 2022



* 2023 Membership Fees for Social/Recreation/Health Clubs

Source: Data collected through city reports and interviews; LOCi Consulting LLC

A2 Memberships as a Percentage of the 10-Minute Drive Time Population, 2022

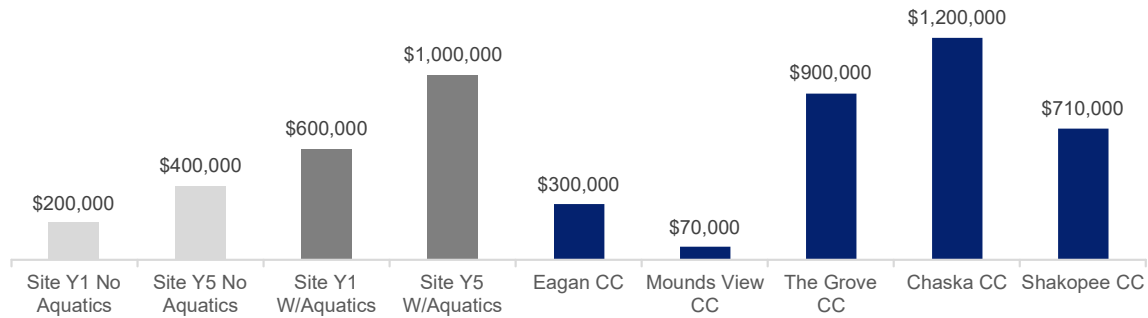


* 75% of membership is estimated to come from population base within 10 minutes driving time of the CC
5th Year Projections use population projections for 2028

Source: ESRI; LOCi Consulting LLC

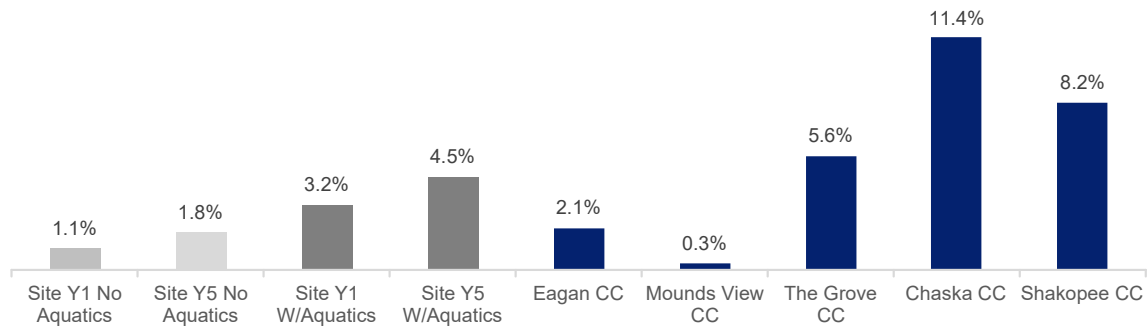


A3 Projected Membership Revenue and Membership Revenue at Comparison CCs in 2022



Source: Data collected through city reports and interviews; LOCi Consulting LLC

A4 Proj. Revenue as a Pct. of Spending on Memberships in the 10-Minute DT Areas, 2023

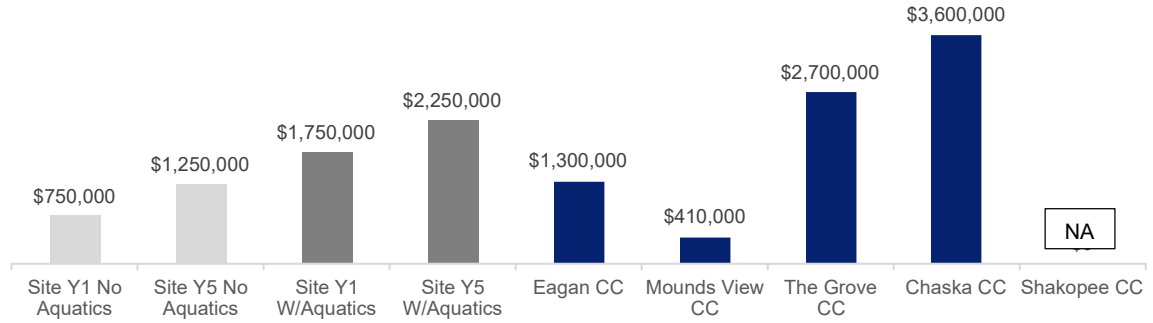


* 75% of membership revenue is estimated to come from population base within 10-minutes' driving time of the CC
 Denominator is 2023 Membership Fees for Social/Recreation/Health Clubs from ESRI
 5th Year Projections use spending projections for 2028

Source: ESRI; LOCi Consulting LLC



A5 Projected Total Revenue and Total Revenue at Comparison CCs in 2022



Source: Data collected through city reports and interviews; LOCi Consulting LLC



About LOCi Consulting LLC

LOCi Consulting LLC was founded by Grant Martin in 2019. The company is dedicated to the belief that location intelligence drives critical strategy for any organization.

Grant has over 15 years' experience conducting market research studies and providing critical recommendations for a wide range of real estate uses, including residential, retail, office/industrial, healthcare, and mixed use. He has presented meaningful and actionable recommendations to CEOs and CFOs, corporate real estate committees, city councils and economic development boards, and industry associations.

For over 10 years, Grant developed and led new store forecasting strategy, property portfolio optimization, and location-based analytics for Target Corporation. As Director of Regional Market Analysis, Grant and his team owned the geographic infrastructure and provided key data and market intelligence that continues to drive successful location strategy for the organization. Grant also managed regional market planning teams for Target, directing retail market research in a wide variety of markets across the United States and Canada.

Grant has completed over 60 market studies across the United States. Prior to coming to Target, Grant was Director of Market Research at Clifton Larson Allen, where he consulted with senior living and healthcare clients, estimating demand and providing strategic recommendations. He also conducted a wide variety of research for real estate uses at Maxfield Research Inc., including studies for multifamily, single-family, office, industrial, hospitality and mixed-use projects.

Grant is a member of the International Council of Shopping Centers, where he is a member of the North American Research Group; the Minnesota Shopping Center Association; and the Minnesota Commercial Association of Realtors. He is a licensed real estate broker in Minnesota.

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