

# HEIGHTS SWIM CLUB Feasibility Survey

August 9, 2016



# Agenda

- Review of nearby Swim Clubs
  - Ownership Models
  - Amenities
  - Costs
- Estimate Our Costs
  - Capital Needed
  - Operating Budget
- Survey Responses
  - Amenities Desired
  - Capital Contribution
  - Dues Sensitivities
  - Gaps / Options
- Next Steps
  - Still interested?

# Before we get started...

## Special Thanks to:

- Katie Jesse
- Marie Wise
- Matt Johnson
- Curtis Willeford
- Darcie Durham
- William M. Getschow
- Stacey Coulville
- Jeff Jefferson
- John Williams
- David Dwigans and All Saints Catholic Church
- All those people I never got back to...
- And so many more...
- ... but especially **Laura Rigamonti**

- I do (almost) none of this professionally
  - But lots of things kinda like this
- I have never owned, tried to operate, or establish any of non-profit organization or for profit business
  - Actually, I co-founded this one thing in college but that's not totally relevant
- I have never swam anything like a competitive lap in a pool
  - I barely passed swim classes when I was about 8
- This voluntary effort has been done in service to my neighborhood and neighbors to see if we could pull this off
- Every element of this presentation should be vigorously questioned and scrutinized especially by those that have more specific experience and/ or expertise than I do

# Review of Nearby Swim Clubs



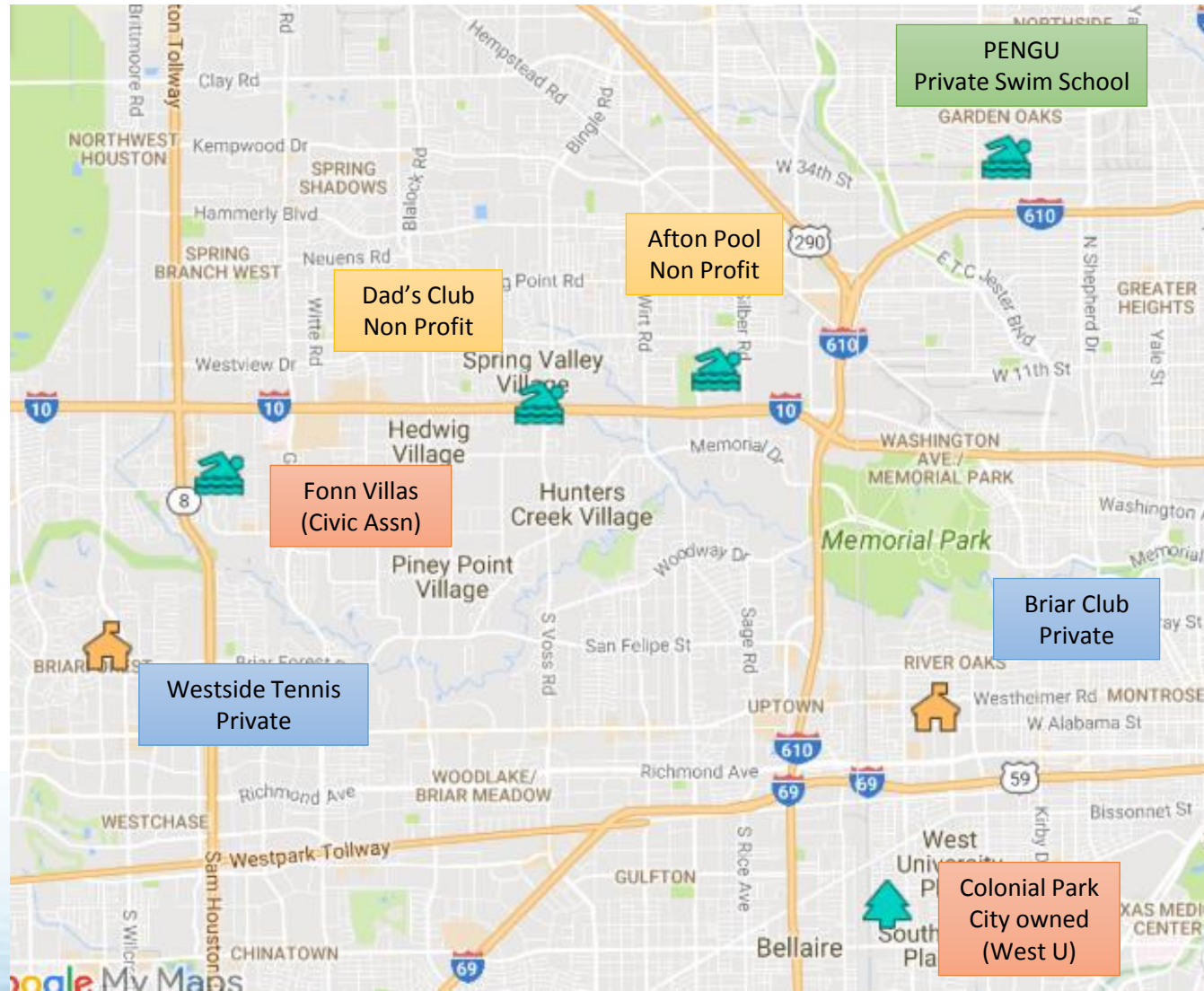
# Ownership Models

- Civic Association / Home Owners Association / City Park
  - Typically created when a neighborhood is developed
  - Included as an amenity at time of sale
  - All homeowners in the area pay whether the facilities are used or not as HOA dues or taxes
    - Sometimes additional costs to access
  - Difficult to establish in the Greater Heights
- Land Purchase
  - Members finance the purchase of land and construction costs
  - Highest initial capital requirements
  - Advantaged from a property tax perspective so long as designated a non-profit social club\*
- Land Lease
  - Members execute a land-only lease (25+ years) and finance improvements
  - Lowest Initial Capital Requirements
  - Lose some of the ongoing tax benefit
  - Lose access to the improvements at the end of the lease
- Conservancy
  - Members design Master Plan for a park, raise funds, donate to city on the condition that city executes the Master Plan
  - Lowest ongoing opex (city funds maintenance and operation typically)
  - No control over club membership or access



# Comparables

- Evaluated other swimming options in the general area
  - None within the Greater Heights
- Various Ownership structures and missions
  - Private and Public
  - Many of them are older (i.e. land is paid off)
- Need to ensure our club serves a market besides just geographic boundary
  - Ensures ongoing solvency



# Comparables

Site	Land Size (sq ft)	Memberships	Initiation Fees	Annual Dues	Facilities
<b>Non-Profit Social Swim Clubs</b>					
Afton Pool 501(c)7	34.9K	300	\$100	\$500	25M Pool, Toddler Pool, Lawn, grills
Dad's Club 501(c)3	~ 6 acres	~ 300	\$0 / \$175	\$650/ \$1,020	(summer only pool v. annual membership) 3 pools, fitness center, lap swimming, classes
<b>City or Civic Association Owned</b>					
Colonial Park Pool	~ 29.0K (pool only)	Neighborhood only	\$0	\$185 (residents)	Pools, rock wall, drop slide, lily pad crossing, play structure, Princes Hamburgers
Fonn Villas (owned by civic association)	40.4K	Neighborhood +100	?	\$525 (non-res) HOA = \$345-\$550	recreational pool, diving board, water slide, lap pool, baby pool, clubhouse, pavilion, snack bar, b'ball, table tennis, playground, Gaga Ball pit, lawn, picnic tables, grills, Wi-Fi
<b>Large Scale Social Clubs (swimming included)</b>					
Westside Tennis Club	14.5 acres	?	\$600	\$3,000	Tennis, Fitness, 3 pools, hot tub, bowling, indoor playground, Bball, Volleyball, Indoor driving range and batting cages, daycare, dining, monkeys
Briar Club	~ 4.3 acres	~1,100	\$35,000	\$5,400	Tennis, Fitness, Pools, Dining, etc. etc. etc

# Afton Village Swim Club

non-profit social swim club

Site	Land Size (sq ft)	Member ships	Initiation Fees	Annual Dues	Facilities
Afton Village SC	34.9K	300	\$100	\$500	25M Pool, Toddler Pool, Lawn, grills



- Functional private swim club with adequate facilities
- Long established in the neighborhood
- Prioritize membership for families in a geographic area



# Dad's Club

non-profit social swim club

Site	Land Size (sq ft)	Member ships	Initiation Fees	Annual Dues	Facilities
Dad's Club	~ 6 acres	~ 300	\$0 / \$175	\$650/ \$1,020	(summer only pool v. annual membership) 3 pools, fitness center, lap swimming, classes



- Stronger focus on competitive swimming
- Completing renovations

# Colonial Park Pool

city owned (west university place)

Site	Land Size (sq ft)	Memberships	Initiation Fees	Annual Dues	Facilities
Colonial Park Pool	~ 29.0K (pool only)	Neighborhood only	\$0	\$185 (residents)	Pools, rock wall, drop slide, lily pad crossing, play structure, Princes Hamburgers



- City Owned (West U Place) Public Park
- Mostly recreational facilities. Limited laps for exercise
- Lots of shaded areas for kids play
- Limited to West U residents



# Fonn Villas

Fonn Villas Civic Association owned

Site	Land Size (sq ft)	Memberships	Initiation Fees	Annual Dues	Facilities
Fonn Villas	40.4K	hood +100	?	\$525 (non-res) HOA = \$345-\$550	Rec pool, diving board, slide, lap pool, baby pool, clubhouse, pavilion, snack bar, b'ball, playground, grills, Wi-Fi



- Established ~1 acre facility with additional 10k square feet of parking
- Functional neighborhood pool



# Westside Tennis and Fitness Club

large scale social club

Site	Land Size (sq ft)	Member ships	Initiation Fees	Annual Dues	Facilities
Westside Tennis Club	14.5 acres	?	\$600	\$3,000	Tennis, Fitness, 3 pools, hot tub, bowling, indoor playground, Bball, Volleyball, Indoor driving range and batting cages, daycare, dining, monkeys



- Private Social club with numerous amenities
- Most of the land dedicated to Tennis
- Added pool and other amenities in 2006 (replaced clay, grass, and some indoor courts)



# Briar Club

large scale social club

Site	Land Size (sq ft)	Member ships	Initiation Fees	Annual Dues	Facilities
Briar Club	~ 4.3 acres	~1,100	\$35K	\$5,400	Tennis, Fitness, Pools, Dining, etc. etc. etc



- Country Club without a golf course

# Comparables - Summary

- No Swim Club type options in the Greater Heights area
- Many different ownership models
- Those with lower annual dues are supported by
  - HOA dues / Taxes that subsidize use, and/or
  - Old facilities that own land outright
- In the absence of those advantages, annual dues are considerably higher
  - Costs offset by more amenities (increased value for members)
- One heated outdoor swimming options to my knowledge

# Estimating our costs



## But before we get started...

- The NextDoor post, subsequent emails, and discussion thus far has just stated “The Heights need a neighborhood pool” ... but why?
- Feedback thus far has shows that we haven’t yet (but will soon need to) defined our purpose
  - A general neighborhood amenity?
    - HOA – difficult to set up in our circumstance
  - Serve the greater good?
    - Non-Profit CHARITY that serves a defined mission
  - A space where members can socialize?
    - Non-Profit SOCIAL CLUB for no individual members benefit
  - A social space for member’s benefit and founders equity?
    - For Profit Business



# Our Club's Purpose and Structure are TBD

None of the previously stated structures are necessarily right or wrong at this point. Below summarizes major difference (as I understand them and some of this is likely wrong / not completely accurate / too nuanced for this simplistic slide)

	Charity	Social Club	For Profit Club
Purpose / Contributions are to:	...accomplish a charitable mission	...provide members shared benefit	...benefit stakeholders and shareholders
Tax Exempt Status	501(c)3	501(c)7	N/A
Treatment of Contributions	Tax Deductible (consult your accountant)	No benefit	Equity Stake
Company Match	More Likely	Unlikely	None
Surpluses are...	Directed back towards the mission	Owned by the club (but not taxed)	Owned by the shareholders (taxed)
Major Open Items	What would our mission be? How can members benefit additionally?	How to define membership? Scope of services that members desire?	A lot more than I have had time to consider...

The actual capital campaign is very different depending on which structure/mission is chosen

# Example Purposes

- Charity

4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.

4a (Code: ) (Expenses \$ 1,217,439 including grants of\$ ) (Revenue \$ )

THE PURPOSE OF THE DAD'S CLUB SWIM TEAM SHALL BE TO ASSIST THE 300 SWIM TEAM MEMBERS TOWARD THEIR GOAL OF TOP LEVEL COMPETITION AND TO REWARD THEIR ACHIEVEMENTS. DAD'S CLUB SWIM TEAM TEACHES OVER 1000 CHILDREN A YEAR TO LEARN TO SWIM IN AN EFFORT TO HELP THE COMMUNITY REDUCE THE NUMBER OF YOUNG CHILDREN DROWNING IN AREA SWIMMING POOLS. NON-MEASURABLE ACHIEVEMENTS INCLUDE YOUTH FITNESS, SELF-ESTEEM AND DISCIPLINE THROUGH PARTICIPATION IN SPORTS.

- Social Club

## ARTICLE III: PURPOSE

The purpose for which the Club is formed is to promote the health and general welfare of its Members and in pursuance thereof to construct, own and operate a swimming pool, and other recreational facilities, together with such incidental objects as are appropriate in the conduct of its activities, in the City of Houston, Texas, for the exclusive use of its Members and their families.

# Establishing a Baseline

- Based on survey results and other discussions, created the following as a baseline
  - Assumed **NON-PROFIT SOCIAL CLUB**
  - Can be adjust for any given mission
- Variables can be adjusted as we get closer to viability
  - Actual Lot Size
  - Actual Lot Cost
  - Actual Improvements Cost
  - Operating Hours

## Capital Budget:

- 1 acre facility (43k ft<sup>2</sup>)
- \$85 / ft<sup>2</sup>
- \$750K in improvements
- Target Price: \$4.5MM

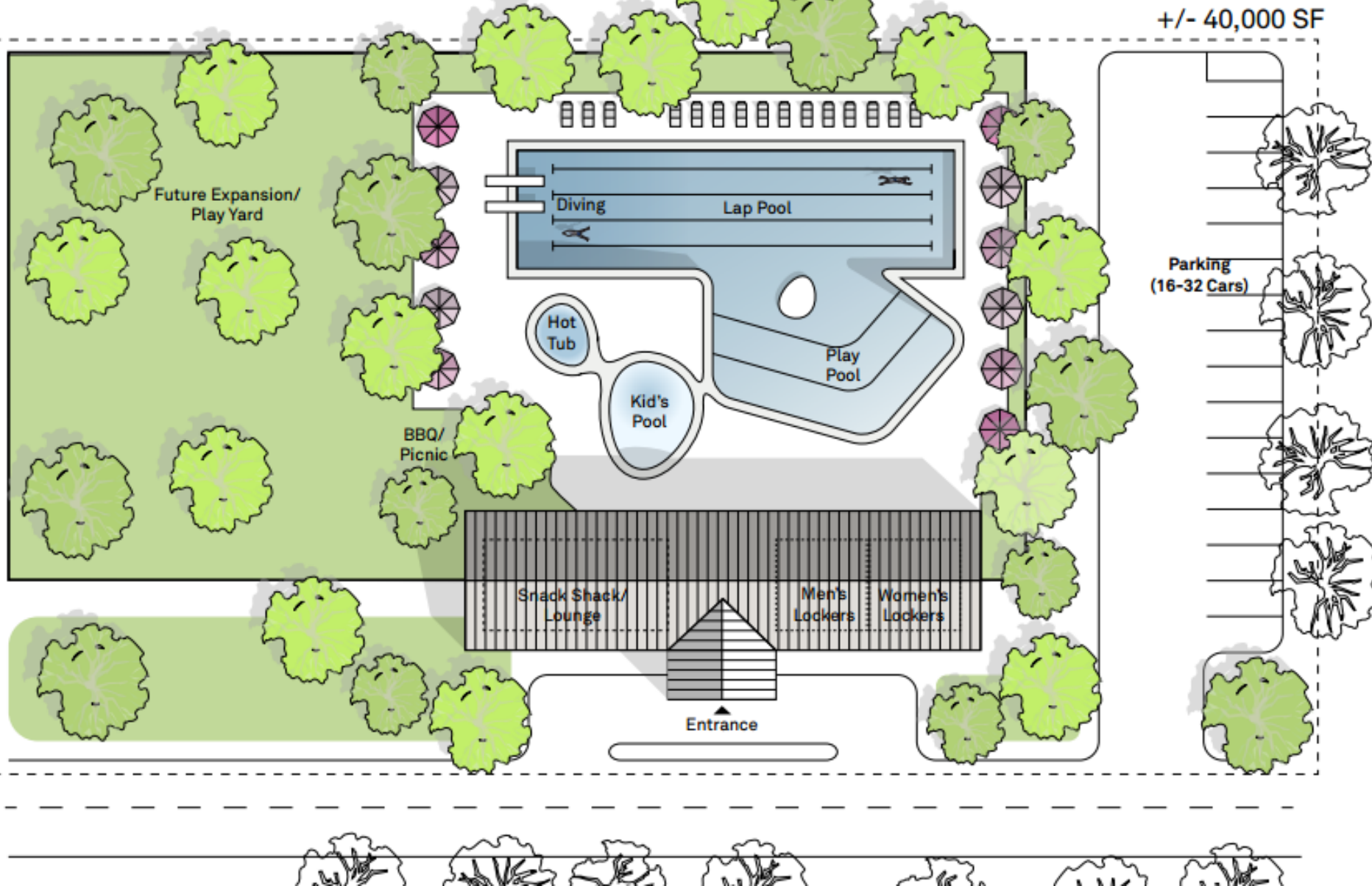
## Operating Budget

- Operating Hours
  - Open every day from Memorial day to Labor Day
  - Open weekends only 5 weeks before and after
  - 4 lifeguards on duty during these hours
  - Morning swim would be available year round
    - no lifeguards

# HEIGHTS POOL CONCEPT SITE PLAN

40,000 SF (1 Acre) Site + Parking

Thank You Matt Johnson





# Baseline Operating Budget

<u>Expense</u>	<u>Source</u>	<u>Annual</u>	<u>Comments</u>
Management (2)	payscale	\$ 47,000	
Wages	built up	\$ 65,565	4 Lifeguards, 1 additional for all open hours
Payroll Taxes	10% wages	\$ 11,257	
Insurance	Farmers Insurance	\$ 65,000	Dad's Club Ins = \$58K in 2013 Amenities would likely affect costs
Utilities	SWAG	\$ 25,000	Needs further research
Maintenance (Pool, Buildings, Grounds)	SWAG	\$ 50,000	Needs further research
Contingency (15% variables)		\$ 39,573	Contingency would later be adjusted

<b>Subtotal</b>	\$ 303,395	
Mortgage / Land Lease	\$ TBD	Varies based on CAPEX needs and CAPEX raised
<b>Total OPEX Budget</b>	\$ TBD	

**Cost @ 350 Families**

**\$867 + Mortgage Costs**

- Sought to validate costs where easily available
- Finance Committee would need to validate
- City Park is sending over Stude Park 2016 Budget
  - Note: Some costs will be held at COH or Parks Department Budget level
    - i.e. insurance
- Any mortgage payments would need to be added to the Opex Budget

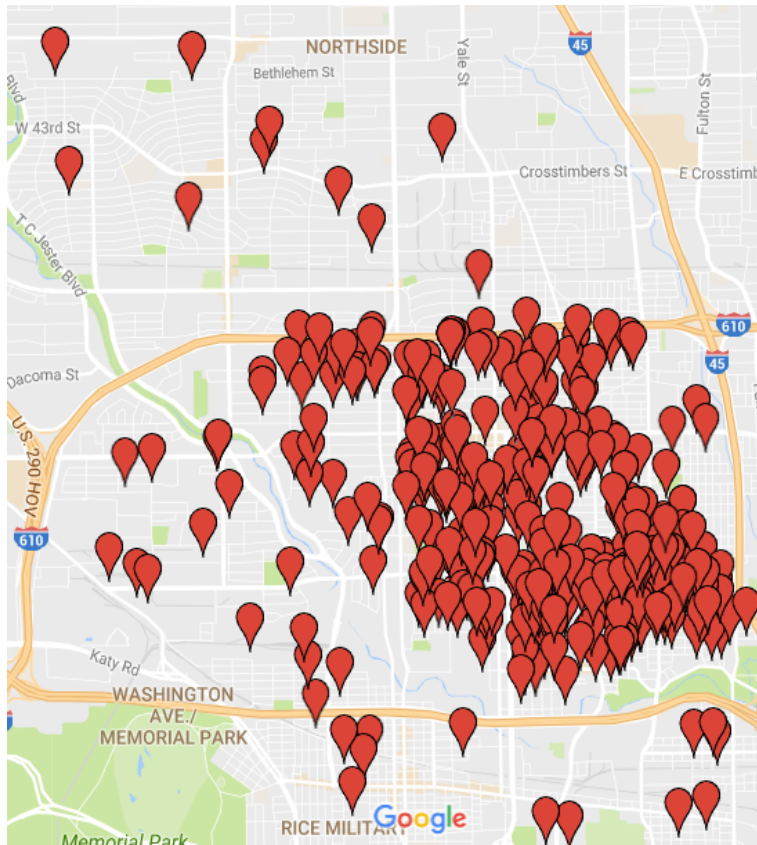
# Estimating Our Costs - Summary

- Estimated Facility Costs = \$4.5MM
  - 1 acre facility at \$85/ft<sup>2</sup>
  - \$750 K in improvements
- Estimated Operating Costs = \$303K annually
  - Plus mortgage expenses

# Survey Responses

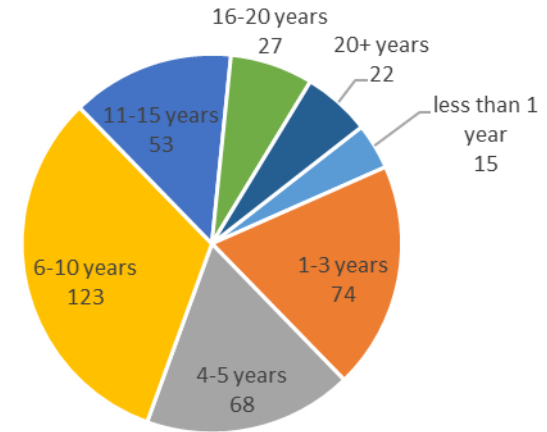


# Survey Responses

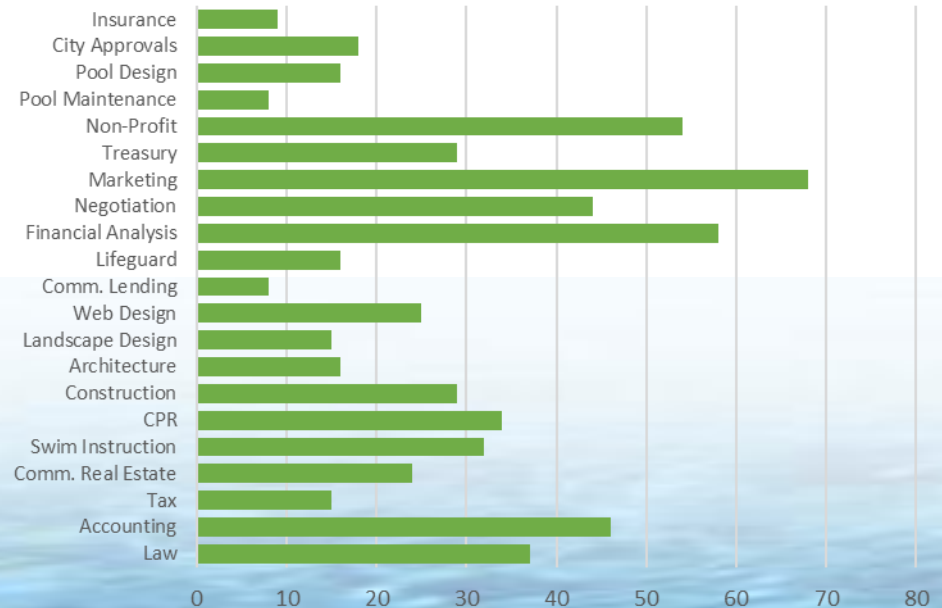


- 390 total responses
- Cross-section of time in the neighborhood
- Talent-rich neighborhood

## Years in the Neighborhood



## Skillsets



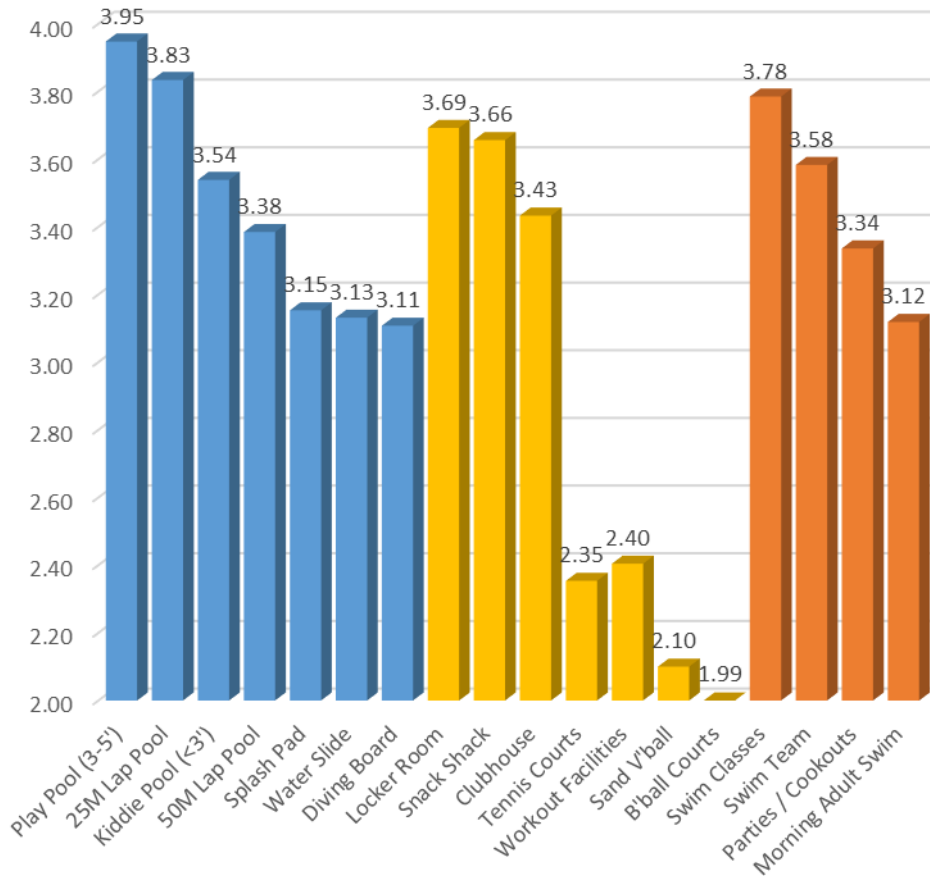


# Amenities

- Collecting feedback on amenities was designed to help give the design team some direction on what the members would prefer
  - Get an idea on collective vision
- Any design would be based on:
  - Capital raised
  - Site size
  - Final Approval by Design Committee / Membership

# Pool, Site, and Services Amenities

Amenities Scores



## • Pool Amenities

- Play pool, 25M pool, Kiddie pool all received support
- 50M pool less preferred to 25M
- Splash Pad, Water Slide, Diving Board all received moderate support
- **BOLD SUGGESTION:** Lazy River

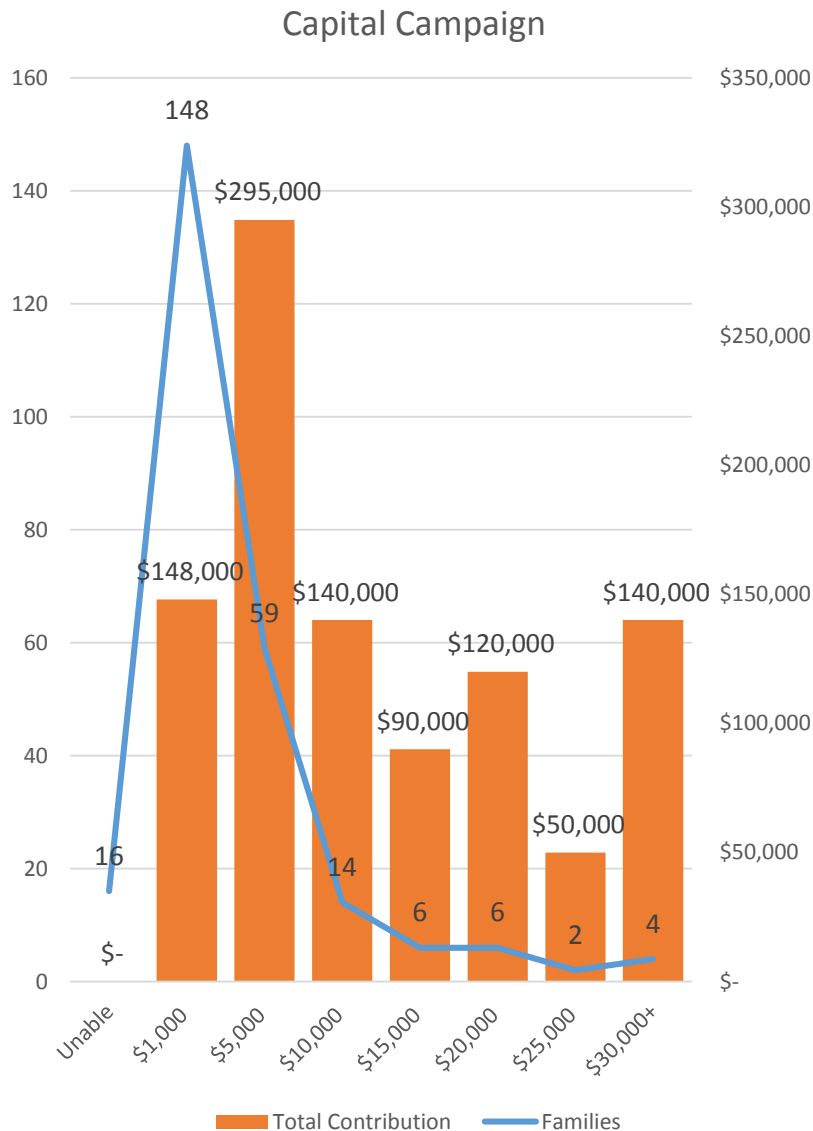
## • Site Amenities:

- Locker room, snack shack, clubhouse all had large support
- Little support for sports courts or workout facilities
- **BOLD SUGGESTION:** Steam Saunas

## • Services Amenities:

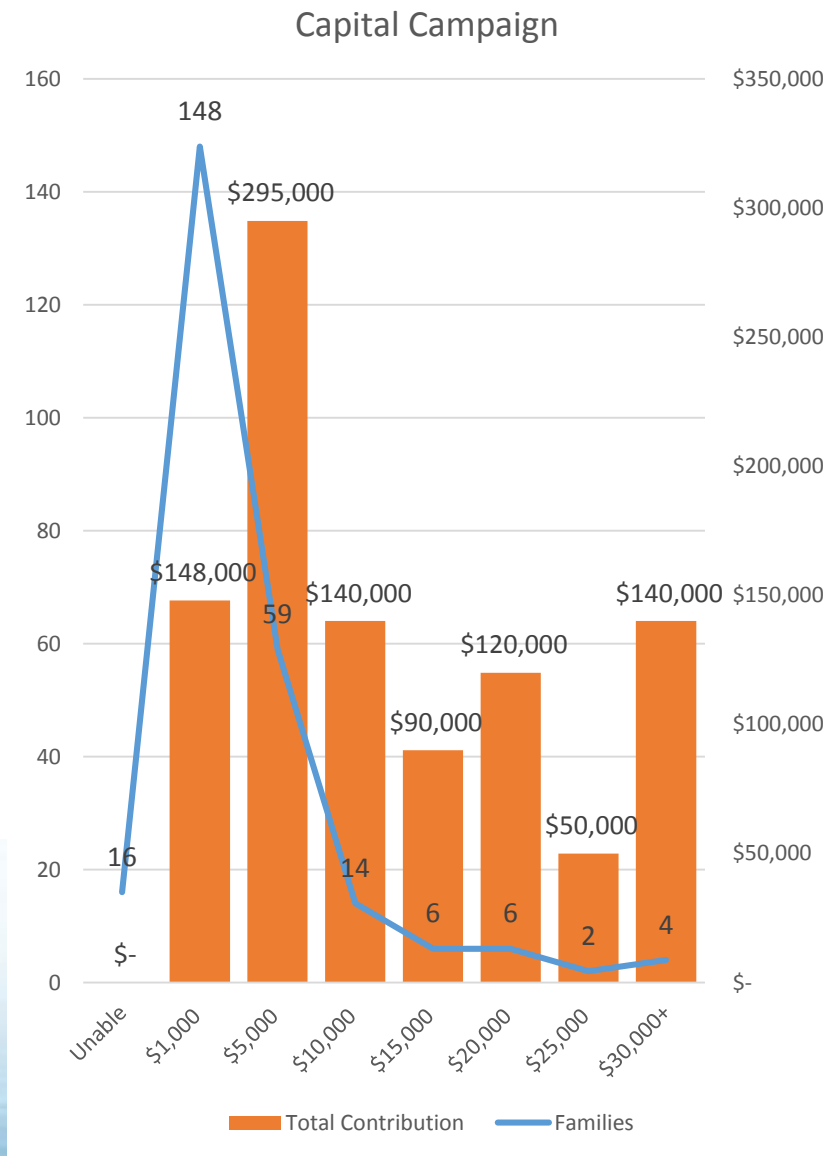
- Swim classes, swim team, cookouts, all received strong support
- Morning swim had moderate support
  - **NOTE:** Morning swim was well supported by individuals willing to support the capital campaign

# Capital Commitments



- 288 families expressed willingness to contribute to the capital campaign
  - 239 of the families gave specific amounts
  - 49 families: Yes, but no specific amount
    - 17% of “yes” responses
- Sum of potential contributions: **\$\$\$983 K**
  - 45% of that funding would come from families donating \$5K or less
  - Suggests the need to find incentives across different contribution levels
- Expected Facility Cost **\$4.5MM**
  - Balance would be financed

# Potential Capital Incentive Plan



- Finance Committee would be responsible for creating final Incentive Program
- Likely include elements of the following
  - Initiation fees for all members
  - Family Names On Bricks
  - Founding Families , plaque at facility entrance
  - Design Board membership
    - Approve final design
  - Naming Rights for Facilities
    - i.e. Smith Family Club House
- AR personal opinion:
  - Would like to see a program for long time neighbors with lower initiation fees and dues

# One Last Note on Capital

- Mission effects on the capital/ contributions campaign
- Hypothetical:
  - Family making a \$10k donation
  - 28% marginal tax bracket
  - Employer will match all contributions to 501(c)3 orgs

	Charity	Social Club	For Profit Club
Contribution	\$10,000	\$10,000	\$10,000
Family Net	\$7,200	\$10,000	\$10,000
Club Net	\$20,000	\$10,000	\$10,000
Club Tax Exemption	Yes	Yes	No
Purpose of Donation	In service of mission	Access to amenities	Profit
Additional Family Benefit	None	None	Share of Profits



# Potential Annual Dues



- Survey suggests \$244,300 available as dues
  - Sum of all 390 responses
- \$59,059 (19.5%) short of OPEX budget projections (\$303,395)
  - Would also need to cover mortgage expenses
- Could not see families paying different dues unless based on access to amenities / some other rationale

OPEX Cost @ 350 Families

\$867 + Mortgage Costs

# Challenge: OPEX Budget Deficit

- First, the OPEX budget should be further scrutinized ensure its accuracy
- Once complete, will likely need to test alternatives to bring budget into balance

Options	CAPITAL						OPERATIONS BUDGET				
	lot size (ft2)	PPSF	Lot Value	Improv.	Capital	Loan	OPEX	Mortgage	Annual Total	Members	Annual Dues
<i>Baseline (1 acre)</i>	43,560	\$ 85	\$ 3.70MM	\$ 750 K	\$ 0.98MM	\$ 3.47MM	\$ 303 K	\$ 198 K	\$ 502 K	350	\$ 1,433
<b>1) Smaller Lot</b>	25,000	\$ 85	\$ 2.13MM	\$ 500 K	\$ 0.98MM	\$ 1.64MM	\$ 303 K	\$ 94 K	\$ 397 K	350	\$ 1,135
<b>2) More Capital</b>	43,560	\$ 85	\$ 3.70MM	\$ 750 K	\$ 2.00MM	\$ 2.45MM	\$ 303 K	\$ 140 K	\$ 443 K	350	\$ 1,267
<b>3) More Cap/Small Lot</b>	25,000	\$ 85	\$ 2.13MM	\$ 500 K	\$ 2.00MM	\$ 0.63MM	\$ 303 K	\$ 36 K	\$ 339 K	350	\$ 969
<b>4) #3 + Mem to Lab only</b>	25,000	\$ 85	\$ 2.13MM	\$ 500 K	\$ 2.00MM	\$ 0.63MM	\$ 278 K	\$ 36 K	\$ 313 K	350	\$ 895

## Increase Revenue

- Increase Membership
  - Example: Morning swim only, etc.
- Increase Dues
- Additional revenue sources
  - Advertising
  - Facilities Rental
  - Swim Meets (~\$5 per kid)
  - Outsourced Kitchen
  - Merchandise
  - NOTE: None have been substantial in financials I have reviewed
- Recommend that Year 1 dues cover operations budget
  - Any surplus could be credited to members for Year 2 at Board discretion

## Increase Capital Raised

- Each additional \$1MM raised in capital cuts mortgage costs by ~ \$60K (\$160/family)

## Decrease Costs

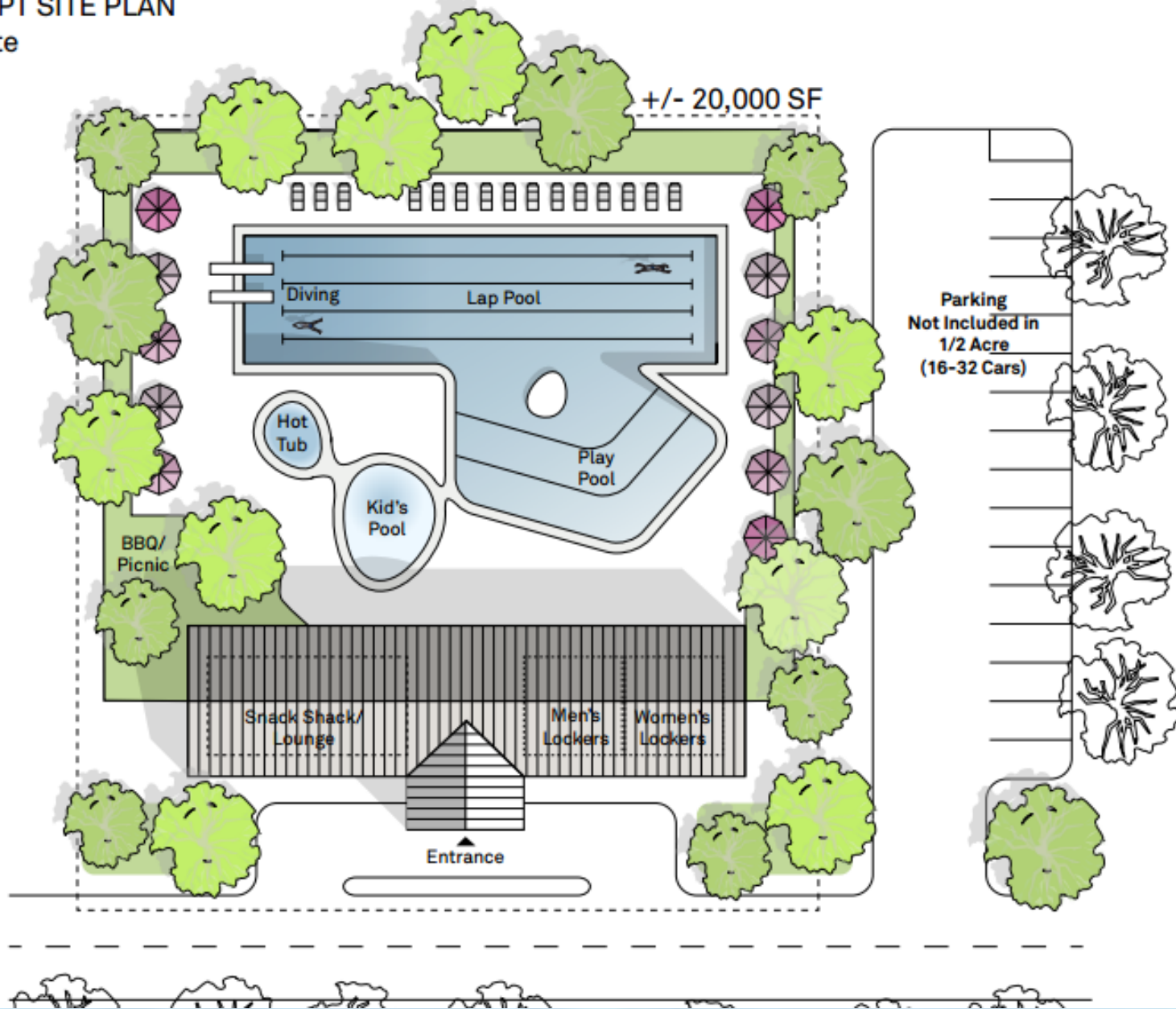
- Cut hours
  - Closed Mondays = \$10K annual savings
  - Memorial to Labor Day only = \$16k annual savings
- Cut construction costs
- Identify cheaper land options

# HEIGHTS POOL CONCEPT SITE PLAN

20,000 SF (1/2 Acre) Site

Includes:

- 5-lane Lap Pool
- Play Pool
- Kid's Pool
- Jacuzzi
- Snack Shack
- Indoor Lounge
- Men's/Women's Lockers
- BBQ/Picnic Area
- Sunbathing Area

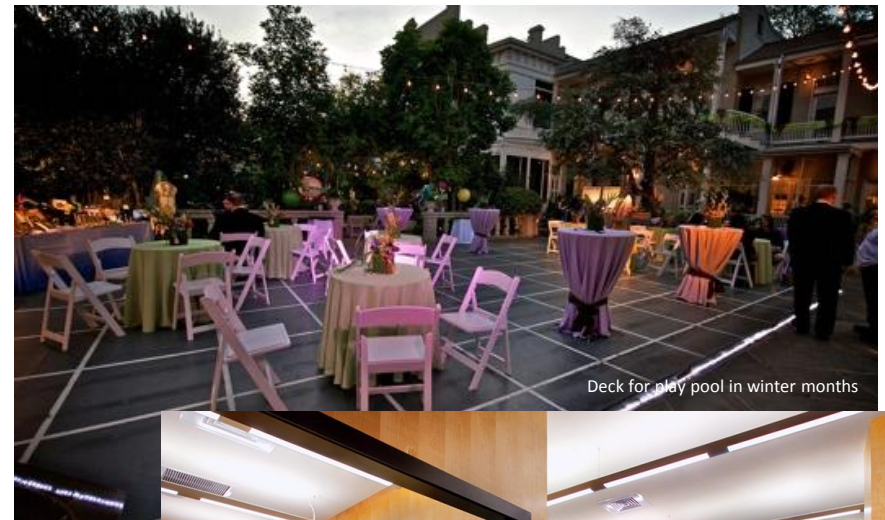


# Another Alternative

## More than just a Swim Club

Options	CAPITAL						OPERATIONS BUDGET				
	lot size (ft2)	PPSF	Lot Value	Improv.	Capital	Loan	OPEX	Mortgage	Annual Total	Members	Annual Dues
Baseline (1 acre)	43,560	\$ 85	\$ 3.70MM	\$ 750 K	\$ 0.98MM	\$ 3.47MM	\$ 303 K	\$ 198 K	\$ 502 K	350	\$ 1,433
Heights "Social" Club	87,120	\$ 85	\$ 7.41MM	\$ 1500 K	\$ 2.50MM	\$ 6.41MM	\$ 400 K	\$ 366 K	\$ 766 K	350	\$ 2,188

- Land is too expensive to sit unused for 6 months per year
- Capital is relatively cheap
  - \$1MM in amenities only costs members ~ \$160 per family (\$13/mo)
- Add amenities that bring value all year
  - Target ones that have little or no operating costs
- Likely still need additional capital
- Improved ability to attract additional revenue (rentals)
- Admittedly, this goes beyond the scope of "Swim Club"
  - Briar Club Lite (or Ultra)





# Next Steps

- Committees Needed:
  - Governance
  - Finance
  - Real Estate
  - Design and Construction
  - Aquatics
- Need volunteers, but the size of a herd affects its speed
- Will leverage the mailing list for targeted assistance, but need folks that can commit 4-5 hours (or more) per week
- Will send an email / survey asking for volunteers
  - Committee Members
  - Committee Chairs
- I will meet with prospective committee chairs and select by end August
  - Will try to meet with all prospects but cannot commit to that
  - Sorry, cannot think of a better / more democratic way to do this that doesn't take forever
- Chairs then select their committees as they see fit from those that have volunteered
- Self imposed deadline:
  - 60 days for continue / stop decision
    - Scope and Mission defined
    - Specific deliverables on next slide
  - 2 x 30 day "Sprints"
  - November 1 target (or sooner)
  - Can't let this to drag on forever



# Committee Deliverables

Additional deliverables to be defined by committee chairs

## Governance Committee

- Sprint 1:
  - Draft Bylaws for Development Period
  - Define mechanisms for making offers on Clubs behalf
  - Rules on how to refund parties in the case of no go decision
- Sprint 2:
  - Articles of Incorporation

## Finance Committee

- Sprint 1:
  - Validate / improve on Opex Budget
  - Insurance and indemnification
  - Capital Contribution Incentives Plan
- Sprint 2:
  - Explore tax advantages and how to achieve
  - Define funding mechanism (who pays what when)

## Real Estate Committee

- Sprint 1
  - Define potential sites and costs
  - Approach landowners about interest to sell / lease land
- Sprint 2
  - Continued approach to land owners

## Design Committee

- Sprint 1:
  - Parking requirements
  - Develop drawings for facilities
- Sprint 2:
  - Estimates on construction costs

## Aquatics Committee

- Sprint 1:
  - Potential revenue opportunities
  - Research programs to offer (swim club, master swim, morning adult swim)
  - Give guidance on how big the club should be
- Sprint 2:
  - Define resource for each program
  - Certifications needed

Additional Ad Hoc Support as needed:

- Web design
- Communications

# Summary

- This is doable if the neighborhood is willing
  - There is definitely interest
  - About \$4.5MM for the land and facilities
  - About \$300K plus mortgage expenses for operating budget
  - Could choose a more ambitious scope as well
- A swim club in our neighborhood is likely going to be more expensive than in other parts of the city
  - Don't have some of the advantages that others use to keep costs down
- Need volunteers, but cannot make a career out of this.
- Thanks so much for your time and interest. Will keep everyone up to date as appropriate
  - Will post this presentation to our website
  - [heightsswimclub.wordpress.com](http://heightsswimclub.wordpress.com)
- Any questions: email [houstonheightsswimclub@gmail.com](mailto:houstonheightsswimclub@gmail.com)

# Back-up

- Locations
- Nominal Designs



# Draft Operating Budget

- Desire for service extending beyond Memorial to Labor Day
  - **Ultimately, the pool will be open for the hours the members are willing to pay for**
- For modeling purposes, the following are incorporated
  - April 30<sup>th</sup> to Memorial Day / Labor Day to October 15<sup>th</sup>
    - Fridays 3pm – 9pm
    - Saturdays 11am to 9pm
    - Sunday 1pm to 9pm
  - Memorial Day to Labor Day
    - Monday to Saturday: 11am to 9pm
    - Sunday 1pm to 9pm
    - Likely to have (self-funding) swim programs before 11am during the summer
- Adults Swim: 5:30am to TBD year round (no lifeguards to duty)
- Although additional sources for revenue may be available besides dues alone, would recommend that first year dues cover 100% of operating budget
  - Any additional first year revenue could be divided among the members / credited to the following years dues