

Commissioners Attending the Working Session of Jan 5, 2021
January 4, 2021

Commissioners, City Manager, Mayor, and Staff:

We, the ownership group of the Peak Health and Wellness (Peak) facilities, would like to present an alternative option for the Aim High Big Sky Rec Center. This option will remove many of the obstacles currently facing the project, including funding, the long-term sustainability of the proposed business model, and the creation of a detrimental private for-profit versus government non-profit situation. We feel the overarching benefit of this proposal is for the people and the Community of Great Falls.

In late September, Doug Mahlum, Jack Tawney, and Forrest Ehlinger met with Greg Doyan and Mayor Kelly to discuss the new Aim High Big Sky Rec Center. The talk centered around our concerns regarding the current oversaturation of the Great Falls market (see attached report) with fitness facilities and the potential impact of a competing non-profit, City-run facility on existing privately owned fitness centers, such as the Peak. We discussed how we could help this entire process by having the City buy the Peak facility at a greatly reduced price. A few days later, Mr. Doyan notified us that our offer to sell would not be considered, in part due to the DCIP grant restraints about our lack of proximity to Malmstrom Air Force Base (Malmstrom).

While we were disappointed that our offer to sell the Peak to the City was declined, we remained optimistic that the project scope, replacing the Natatorium and City-run Gymnasiums, without a fitness component, along with the location next to Malmstrom would allow existing fitness centers to survive.

However, since that time, the Aim High Big Sky Rec Center plans have expanded such that the proposed facility will now include a full fitness component in addition to being located within the City. Since it seems the DCIP grant can now be modified, we would like to re-visit the possible Peak purchase. This will accomplish several of the City's goals to complete the project:

- The City would be taking over a successful, profitable, fitness business with 6,000+ members instead of trying to squeeze more members out of an overserved fitness market. It is very likely a new \$20 million City owned Rec Center would put several private, for-profit fitness businesses out of business, possibly including the Peak.
- The City would be acquiring a well-maintained, updated facility at an extremely attractive price, far below the replacement cost. The City could purchase the Peak, remodel and expand as desired, and have substantial funds left over for operational expenses, all for less than the cost of building a new facility.
- The Peak is close in proximity to the current proposed Aim High Big Sky Rec Center location. The Peak also has ample parking, unlike the other proposed locations.

- The Peak operation is stable, has competent, knowledgeable staff already in place and has an excellent reputation. The member base is loyal and has supported the Peak for nearly 20 years. All of which would be easily transferable to the new Aim High Big Sky project, giving them a sustainable business model on day one.

Being in the Health and Wellness business as consultants and owners for the past 30 years, we have gone through this process several times. We've watched what happens when a City-run non-profit competes with for-profit fitness businesses. The result is invariably messy, costly and in most cases ruinous to all parties. This will be detrimental to Great Falls. It would be much better to work together and create a Health and Wellness facility that will benefit the Community rather than tear it apart.

While we feel this option would be supportive of all parties involved, if it does not happen, we must continue to ensure our business remains viable. We will compete in the best way we know how, using our past experiences as a model on how to maintain a healthy business in the future.

We are firmly committed to serving the Great Falls community's fitness needs in the best way possible. We believe that our proposal offers the best path forward to allowing the Peak to survive as a community asset, continuing its longstanding history of leading the people of Great Falls to healthier lives. Thank you for your consideration in this matter.

Doug Mahlum
Jack Tawney
Forrest Ehlinger

Over the past 30 years, we have consulted on fitness projects all over the United States. These have ranged from small boutique studios to full-service facilities that include indoor tennis and complete aquatic systems.

When we first looked at Great Falls almost 20 years ago, we discovered an under-served market and community that truly needed a Health and Wellness Center. In conjunction with Benefis, we created the Peak Health and Wellness Center.

Since inception, the facility has been well-received in the Great Falls community, providing not only a place to become healthy, but to socialize and meet new people. Membership growth has been steady and the ownership group has looked to the long term goals of continuing to provide Great Falls with the finest in fitness, both equipment and Staff.

We would like to present you with a few pertinent facts about Montana & Idaho fitness facilities and the relationship between metropolitan areas and percentage of members.

IHRSA (International Health Racquet Sport Association) has determined that close to 24% of a given population in the US will join a fitness facility. In our studies, see the below figures for Montana & Idaho cities:

Great Falls, MT Metropolitan Area	Missoula, MT Metropolitan Area	Coeur d'Alene, ID Metropolitan Area	Kalispell, MT Metropolitan Area
Peak (2): 6,500	Peak (3): 7,500	Peak (3): 9,000	
Access: 1,500	FUEL: 3,000	Planet Fitness: 4,500	Summit: 7,000
Planet Fitness: 4,000	Women's Club: 2,000	Kroc Center: 9,000	Flathead Health & Fitness: 1,500
Fit Republic: 4,000	YMCA: 4,000	SNAP (2): 3,500	Access: 1,000
SNAP (2): 1,600	Ridge: 1,200	FUEL: 3,500	FUEL: 2,000
Anchor Fitness: 300	Source Fitness: 1,500	360 Fitness: 500	World's Gym: 750
YOGA Studios: 1,000	Small Clubs: 1,000	Splash Fitness: 500	CrossFit: 100
Studio Barre: 50	Planet Fitness: 4,000	Studio One: 1,000	Mountain Planet Fitness: 300
CURVES: 100			Outreach CrossFit: 100
Precision Pilates: 50			Iron Hawk: 100
CrossFit (2): 200			
Community Rec Center: 500			
Population: 71,112	Population: 96,213	Population: 118,000	Population: 52,213
Total Members: 19,800	Total Members: 24,700	Total Members: 28,500	Total Members: 13,050
% by Population: 24%	% by Population: 25%	% by Population: 24%	% by Population: 25%
Total Clubs: 15	Total Clubs: 12+	Total Clubs: 10+	Total Clubs: 9+

As you can see, with the addition of 2 new facilities, Planet Fitness and Fit Republic, the community of Great Falls is currently overserved with health and wellness facilities. This does not include any number for the new Rec Center. The point being – where are the new members going to come from for the Rec Center? Some will be new members, but the majority will have to come from existing fitness facilities.

PEAK HEALTH & WELLNESS GREAT FALLS FACTS

Three expansions to the Main facility in 16 years, totaling \$2.4 million, equaling the original cost of the Peak.

Second location added in 2018, West Bank Landing, at a cost of \$1.5 million. Total re-investment in community is **\$5.7 million** by ownership group.

Since opening in 2002, the Peak facilities have contributed over **\$21,000,000** in payroll to the Great Falls community.

Total expenses, the majority of which flow back into the community of Great Falls is over **\$80,000,000** since opening.

The Peak currently employs about **170** people from the Great Falls community.

The Peak facilities have paid over **\$1,800,000** in property taxes to the city of Great Falls since opening.

Since opening, the Peak facilities have contributed over **\$125,000** to the Great Falls United Way fund drives.

PEAK FACILITY REPLACEMENT COSTS

The Peak Main location sits on 7.45 acres and is 63,150 SF. Replacement costs, at current examples, range from **\$14,000,000 to \$15,000,000**. This does not include West Bank Landing furnishings, equipment or land value.

PEAK STAFFING

The Peak has over **160** highly trained and motivated staff, with a proven record of success.

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Commissioners, City Manager, Mayor, and Staff:

My name is Doug Mahlum. I am not a resident but have had a business in Great Falls for the past 18 years – as one of the owners of the Peak Health and Wellness.

Concerning the Aim High Big Sky Rec Center, I do have 3 questions:

1. The City received a grant from the Department of Defense, the DCIP grant for \$10 million to build a facility that would support the servicemen and families of Malmstrom AFB. In order to receive the grant, the City must match the \$10 million amount. My question is where will the City matching funds come from? Will it be through taxation or private fund drives? Will there be any debt on the project?
2. What other City programs will be affected by using the \$10 million for the Rec Center?
3. How does the City plan on covering the operation expense of the Rec Center, over and above income. Particularly if it is a new, stand alone facility – competing in a overserved, highly competitive market? Will it be through taxation or private fundraising?

Thank you for your time and consideration

Doug Mahlum