

CONSTRUCTION ROADMAP FOR YOUR FITNESS CENTER PROJECT

This is an overview of the typical construction loan process for a fitness center project. Each project is unique and may vary slightly from what you see here. For a complete understanding of the process as it relates to your specific project, please speak to a Live Oak Bank fitness center loan officer.



REACH OUT TO LIVE OAK BANK



- Connect with a loan officer about the ideas you have for your construction.
- Obtain pre-approval for a loan to find out what you can afford.



BUILD YOUR TEAM

- Choose an architect and contractor with fitness center experience.
- Get quotes for needed equipment.



2



1



IDEA OF PROJECT

- Things to consider:
- Size of space needed.
 - Amount of room needed to increase future capacity.
 - Any additional products and services you plan to offer.

3



FINALIZE YOUR PLAN

- Consider your qualifications.
- Choose the type of construction you want to complete.
- Purchase and improve an existing building.
- Lease a space with the plans to make improvements.
- Build from the ground up.

5



APPLY FOR A LOAN

- Once approved, you'll be assigned a dedicated loan closing specialist and construction loan specialist.
- The construction loan specialist will work directly with the architect and contractor to qualify them and gather appropriate construction documentation.

6

CONSTRUCTION

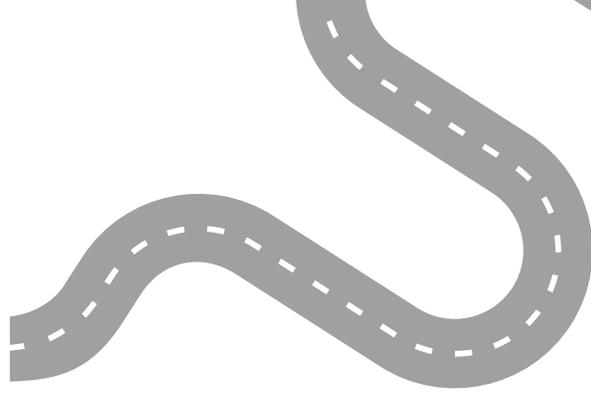


- Your Live Oak Bank construction specialist will help keep your project on track and act as your funds manager. They will distribute funds and monitor your loan balance so you can stay focused on what you do best—running your business



Learn more at liveoakbank.com/fitness

ESSENTIAL CONSIDERATIONS FOR GROWING YOUR FITNESS CENTER



Taking on a construction project may seem daunting, but the end result could be the key to the successful growth of your fitness center business. Design and construction take a considerable amount of time, so it's always a good idea to plan ahead. There are four major components to consider before starting any construction project:

- People
- Money
- Space
- Timeline

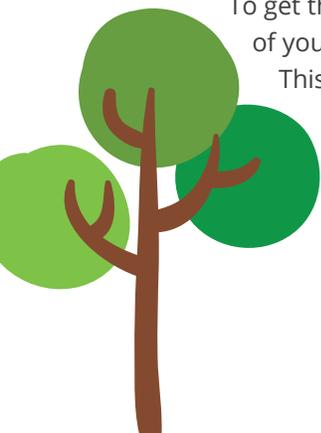
THE PEOPLE

Design with the end in mind. Customers and team members should ultimately be at the heart of your decision to grow. By using a human-centered design approach and empathizing with the end user, you may find solutions to problems you didn't even know existed. Start by asking customers and employees about their experiences at your facility; have them tell you a story that covers each step of their most recent visit, starting from before they arrived and ending with when they left. If you can, record the conversation and/or take notes. Listen carefully for what was truly important to them and try to gain an understanding of the way they felt during their experience. Once you get the whole story, it might be helpful to ask them a few specific questions

- What did you enjoy most about your experience?
- What did you enjoy least about your experience?
- What would you like to see at this fitness center in the future?

To get the best results, meet with a variety of your customers and team members.

This exercise almost always illuminates areas in your business that need improvement and areas that deserve a high five. You never know what



you may learn; all feedback is important and useful for the future design and operation of your expanding business.

THE MONEY

Financing a construction project can be a bit mind-boggling. Where should you start? In this stage, one of the most important questions to ask yourself is this: "Can I afford what I need or want?" The goal of expanding is to increase business, not stress your cash flow. If you overbuild, you risk not being able to generate enough business to support your construction costs. If you build another space equivalent to the size of your existing one, you won't be able to achieve your goal of accommodating greater capacity and more business. Here's the bottom line: Examine your finances early to set appropriate expectations of what your final product will be.

Assembling and listening to a team who is experienced in fitness center construction projects will help ensure your budget includes all the necessary categories. Total project cost categories can include architectural, electrical, mechanical, structural and civil engineering, plus the cost of construction. Check out the following breakdown:

- **Construction costs:** Site acquisition and site development costs (if building from the ground up), utilities, paving, stormwater management and the costs of the actual "sticks and bricks" for the building itself.
- Other costs to consider are IT cabling, the purchase and installation of a security system, phone service and any office equipment you may need. Contingency costs are also important for a successful project. They are funds built into the loan budget to serve as a buffer in case unforeseen issues or cost overruns arise.

Conventional lenders and SBA lenders alike have favorable terms available for financing fitness center construction

projects. To determine how much debt your business can reasonably support, the lender will evaluate whether or not the business's cash flow is sufficient to cover monthly payments associated with financing the project. In addition to cash flow, the lender may also examine the following factors:

- **Revenue trends**
- **Whether or not revenues are maxed out (due to limited space)**
- **Upgrades needed to keep up with competitors**
- **New services you will or will not be able to offer after construction**

Lenders consider not only the business's ability to pay the loan back, but also the owner's personal credit history as a major factor in their decision to provide funding. Early conversations with your lender about your credit and financial history can set you up for more successful access to the financing you need.

THE SPACE

Now equipped with new information from your employees and customers, along with a greater understanding of how much you can afford, begin evaluating what your new space will actually look like. For this step, it's a good idea, with the help of your architect, to create a list of your wants vs. your needs for the new building. Ask yourself the following questions:

- **What fitness equipment will be required?**
- **What additional services will you offer?**
- **What kind of building and style do you have in mind for the new space?**

The answers to these questions will influence the design of your building and ultimately, the total cost of construction.

THE TIMELINE

Construction projects don't happen overnight, so setting realistic expectations on timelines is critical. The planning process alone can take months or even years. Any effort put toward planning can dramatically influence outcomes in a positive way. For instance, realizing early in the process that you may not need an extra 500 square feet of space could save you upwards of \$100,000. The cost influence curve is an important concept to recognize in any construction project. It shows that as you advance through the phases of a project, the ability to decrease costs continually diminishes. Once the planning process is

complete, the time it takes from groundbreaking to being fully operational can also take anywhere from months (renovation) to more than a year (ground up construction).

Seasonality is an important factor to consider when deciding when and where to build. For example, frozen land might make it tough to build in northern states during winter months. Likewise, the risk of flooding and excessive rain could be problematic for building in areas near the coast during rainy seasons.

Additionally, it's important to know if the land is properly zoned ahead of time. Take the time to research zoning and permits in the area to help improve the accuracy of the timeline you have in mind.

The key to setting a realistic timeline is getting the right team on board from the get-go. Your team will likely consist of a lender, an architect, a contractor and of course you, the owner. Fitness facility construction expertise may cost more upfront but will likely save you time, stress and long-term costs in the end. To summarize, your construction team exists to execute a successful project that will help your business prosper. With your people, money, space and timeline in mind, your team will help lay the foundation for you to love and fully utilize the new space you build.

At Live Oak Bank, this is what our construction loan specialists do every day. We are with you every step of the process, from start to finish. Live Oak is your trusted fitness center financing partner. Contact one of our dedicated loan officers today to explore your options for business growth.

