

FAQ -- Acquisition of Bainbridge Athletic Club by the Bainbridge Island Metro Park & Recreation District

How was this transaction initiated?

The BAC was contacted by a regional fitness company about selling, but the owners wanted to maintain the community feel of the facility, which is why they reached out to the District about potential purchase.

What is the Park District purchasing?

The Park District is purchasing the land and the buildings, and also the business assets of the BAC, which include tangible assets (such as computers, fitness equipment, furniture, etc.) and intangible assets (such as going concern value and good will).

What is included with the facility?

BAC facilities include indoor sports courts (tennis, basketball, pickleball); multiple fitness areas for strength and cardio, with equipment; a multi-lane outdoor swimming pool with “free swim” area; multi-purpose activity rooms; administrative office space; and parking. The facility also includes exercise and weight equipment, computers, furniture and other tangible assets currently in use at BAC. The facilities total 53,000 square feet.

Why is the District interested in purchasing the athletic club?

There are many reasons why the District is interested in purchasing the athletic club. During the Sakai Park planning process, the community expressed strong interest in developing an indoor recreation center with sports courts and other year-round exercise amenities. Acquiring an existing facility would be far cheaper than planning and building a new one, saving tens of millions of dollars for island taxpayers and bringing a public recreational center online immediately. It is also an environmentally sound choice, honoring the community’s values of reusing existing resources rather than developing new ones. In consideration of the general public, the disruption to downtown traffic and school activities would also be significantly impacted by building a large-scale facility at Sakai. The purchase would also allow the District to better fulfill our mission by providing new and needed year-round recreation opportunities for island residents and families.

What is the purchase price?

The proposed purchase price is \$13.15 million. The District is obtaining appraisals and an inspection to ensure the purchase price is reasonable (see FAQ below). If the District opted to build a new community exercise center at Sakai Park instead, it would cost considerably more. A new recreation facility at Sakai Park was estimated in 2019 to cost \$52 million, and building costs are considerably higher now. Development of a brand-new facility would also

take years to complete. In addition, acquisition of exercise equipment, computers, furniture, etc. would be additional costs over and above the initial construction costs.

How does the District know that the purchase price is reasonable?

The District has hired experienced appraisers to value the business and business assets, and the land and improvements. Steven Kessler is the business appraiser. Peter Shorett is the land and improvements appraiser. Both of them have had conversations with the owner of the BAC, have had access to necessary financial information, and are otherwise performing their appraisals in accordance with their professional standards. Their qualifications and final reports, which are nearing completion, will be publicly available in the near future. In addition, the District has hired inspector Cris Ugles to review the condition of the buildings.

Where are the purchase funds coming from?

Having received several financing offers from financial institutions, the District has decided to obtain a loan from Commerce Bank for the purchase price with favorable terms: 20-year term; fixed interest rate of 1.91% until 2035; interest-only payment the first 5 years (\$257,000 per year); no prepayment penalty. This is non-voted debt and will not result in a tax increase. The financing for this transaction is unrelated to the upcoming levy lid lift vote.

How will the District service this debt?

Revenue generated by the BAC facility will service the debt. The District plans to continue to operate the facility much like it has been run in the past. We will continue the membership model, and continue in large part existing programs like tennis and exercise opportunities. So, there will continue to be monthly passes for families and individuals, plus drop-in fees for occasional users, increased classes and instruction, and rental fees for private clubs. The BAC has been a viable, profitable business for years with strong community support.

What are your plans for the club's offerings?

The Park District plans to continue offering tennis, aquatic, fitness, and exercise classes. We plan to continue the membership model with enhanced community access options.

Where is the status of the transaction?

The transaction is in the due diligence/financing contingency phase. The due diligence involves the above-mentioned appraisals and inspection, as well as a thorough review of club's operations and potential integration with the District. If the Board is comfortable with the due diligence and financing, the transaction will close in August.

There are many opportunities for the public to comment at future meetings and via written communication. Please see the schedule of the upcoming Board meetings on our website.

Is there an issue with water supply at the facility?

The current owners have never had an issue with water supply. If you have additional questions or comments, please send us an email at info@biparks.org.