

Lakewood Racquet Club
Master Development Plan

Updated October 2007

Lakewood Racquet Club Mission Statement

Lakewood Racquet Club's mission is to provide the best family-friendly tennis and fitness facility at a reasonable rate in the Tacoma area. Our goal is to provide a meeting place to promote the social and physical well-being of our members by maintaining programs for all ages and levels of play.

Operating Philosophy

We are committed to providing a quality, family-friendly tennis and fitness facility, based on member and community needs. We recognize the most important part of our business is member satisfaction.

To meet this objective, we will work to keep the facilities and equipment of the club in the best possible working order. We will seek to preserve the financial integrity of the club by offering an environment which promotes tennis through the use of lessons, fitness programs, tournaments and social events for the benefit of our membership and the tennis community.

Master Development Plan Executive Summary

- For long-term survival and growth, Lakewood Racquet Club needs increased capital to add courts and upgrade facilities.
- The LRC Board evaluated and rejected options to work and/or merge with Tacoma Golf & Country Club.
- Preferred solution: Sell a portion of LRC land for residential development, providing the necessary capital to improve facilities and add courts.

Situation

Lakewood Racquet Club Issues
Local Competition
Other Local Dynamics
National Trends

Lakewood Racquet Club Issues

- Limited by only four indoor courts
 - Full at prime hours (no courts available)
 - As a 'playing club,' LRC doesn't want to sacrifice court time for a second pro
 - Current pro is maxed out / LRC can't handle all the requests for lessons
 - No courts or pro for junior programs so member parents send their kids elsewhere
- Tired facility (40 – 45 years old)
 - Needs upgrades
 - Pool too small
 - Outdoor courts cracked
- Lack of capital (Cost for indoor tennis structure is about \$250,000 per court.)
- LRC membership getting older
- Land-rich
 - The LRC's most valuable asset is the land itself. Increasing tax pressure, operating costs and competition from other recreational opportunities require the Board to maximize the use of this asset. The land was sold with certain deed restrictions. The need for increased capital to expand the member opportunities suggests that the Board find a way to utilize its land asset.
 - The Pierce County Assessor recently valued the land alone at \$1.2 million. The fair market value of the property in the hands of a developer may exceed that value by anywhere from 30 to 50%
 - Should the Club fail to meet the market competition, the recreational and open space opportunities for the community would be lost.

Local Competition

- Fircrest Tennis Club closed in 2006 due to low membership levels / financial loss
- Sprinker
 - Good junior program
 - Owned by Pierce County / may close tennis operations for other sports
 - Used to hold many adult drills. Lost popular pro mid-2006. Many adult women got more involved with LRC.
- Tacoma Lawn
 - Good junior program, able to expand in part through the addition of pros and the commitment of court space to junior programs
 - Exclusive 'North End' of Tacoma
 - Unable to expand
- Bally's (tennis facilities in Tacoma, Puyallup and Federal Way)
 - Parent company reportedly going bankrupt
 - Uneven tennis programming over time in Tacoma. Not a priority for front desk.
 - Spring 2007: Tacoma branch soliciting tennis memberships
- Gig Harbor
 - Recent decrease in rumors about new tennis club in Gig Harbor
 - About ___% of LRC members now reside across the Narrows Bridge
 - LRC membership could fall as bridge tolls impact travel times and pocketbooks
- Seattle Tennis Club example
 - Used to have one pro
 - Former touring pro Jonathan Stark built the junior program. Club now has 5 teaching pros.

Other Local Dynamics

- Tacoma Golf and Country Club building 20 larger luxury condos on club grounds with lake views. Condos designed by AustinCina.
 - True condos, parking garage, average 2300 square feet
 - 3 floor plans and 3 interior design schemes to choose from
 - High-end / Priced at \$1MM - \$2.5MM
 - Good marketing brochure
 - Sold out relatively quickly, 16 out of 20 to current members
 - Club membership required
- Downtown Tacoma condos reportedly overbuilt
- City of Lakewood supports LRC development plans as a complement to Lakewood Towne Center planning
- Unusual Lakewood demographics with both high-income and low-income skews

National Trends

- Increased attention to fitness at all ages / lots of new choices in adult fitness clubs
- Aging population
 - Number of tennis players over the age of 50 is disproportionately high relative to the general population
 - Older adults tend to be price-resistant
- Losing indoor tennis courts (Minneapolis)
- Ashland club bought out by club members due to unprofitability
- Some for-profit clubs closing due to low profit or loss
- Athletic club dues are relatively inelastic over time

Project History

Land Purchase

Tacoma Golf and Country Club Exploration

Resolution of Land Use Restriction with Orr Descendants

Land Purchase

- Deed restriction when LRC first purchased property from the Orr family: to be used only for recreation / tennis

Tacoma Golf and Country Club Exploration

THREE OPTIONS TO INVESTIGATE THAT MAY ACCOMPLISH GOALS & OBJECTIVES

- a. Merge with Tacoma Country Club, sell facilities and build new at TCC site
 - i. Advantages for our members
 1. New facilities that will offer more
 2. Access to TCC facilities and services
 3. Daily operations now in hands of “others”
 4. Ongoing financial concerns now in hands of “others”

5. Our current operations are not disrupted during a construction project
- ii. Disadvantages for our members
 1. Lose total control of our own direction
 2. We no longer own the club
 3. Relocation may result in loss of members
 4. Increase in cost to belong
 5. Lose our identity and history
 6. Potential increase in members (TCC members) may limit access to services
 - iii. Who and how to pay for improvements
 1. Proceeds from sale of property go towards funding
 2. Remaining funding will come from where?
- b. Merge with Tacoma Country Club and remodel existing facilities
 - i. Advantages for our members
 1. We maintain some identity and history
 2. Access to TCC facilities and services
 3. Less likely to loose members
 4. Dick Ebbs can still find the club
 5. Location may be obstacle to TCC members wanting to use facilities
 - ii. Disadvantages for our members
 1. Old building with lots of fix-up
 - a. May be hard to make it all look and feel new
 - b. Maintenance costs will continue to increase with no value added for members
 2. Lose total control of our own direction
 3. No longer own the club
 4. Increase in cost to belong
 5. May still loose our identity and history
 6. We will have to put up with construction while still occupying buildings

- iii. Who and how to pay for improvements
 - 1. Will be looking to TCC to fund most of the project
 - 2. Potentially sell off some land to help offset costs
- c. Remain independent and remodel existing facilities
 - i. Advantages for our members
 - 1. Maintain total control for our future
 - 2. Maintain ownership of the club
 - 3. History and identity remain intact
 - ii. Disadvantages for our members
 - 1. May be too expensive to undertake on our own
 - 2. Will still have to deal with ongoing operations and maintenance
 - 3. Old building with lots of fix-up – May be hard to make it all look and feel new
 - 4. We will have to put up with construction while still occupying buildings
 - iii. Who and how to pay for improvements
 - 1. We pay our own bill
 - 2. Will have to raise dues or assess members one-time charge
 - 3. Could partner with developer in developing and selling “condos” or ?
 - a. Joint venture with developer to build and sell condos

Resolution: Merging with Tacoma Country & Golf Club was rejected by LRC Board as more of a takeover than a merger

- TC&GC never shared financials with LRC
- Only 1 of 9 Board members to come from LRC

Survival and Growth Strategy

Generate capital for facility enhancement by selling LRC land for residential development.

Board Action

Feb07: LRC Board voted to proceed with Master Plan approval by the City of Lakewood.

- Relatively low cost for significant benefits in timing

Once approved, LRC can proceed with any phase at any time without city approval

Project Description as of Mid-2007

Designs drawn for mid-priced residences to the south and west of the current LRC facility

- 20 private residences
- Special appeal for empty nesters / older residents
 - No lawns
 - One level (also minimizes neighbor view disruption)
- Design by AustinCina
 - Several key players at firm are LRC members
 - Work being done at fair rates
 - AustinCina shows no apparent bias toward their preferred vendors

LRC Changes

- Expansion to 8 indoor courts
- Enhanced instruction capabilities
- Additional locker facilities and central viewing lounge overlooking 2 courts on each side, Current loft area expanded
- 6 outdoor courts moved
- Enhanced entry area
- Expanded kitchen and clubhouse facilities
- Fitness facilities expanded and enhanced
- No change in pool due to county regulations for lifeguards, etc.

Member Communications to Date

- Info trickled out about Tacoma Country and Golf Club possibilities causing too many rumors
- 2006 Christmas Party included an ongoing slide show about project objectives and design
- Late 2006: open Board meeting to discuss growth strategy (no attendees)

Member Response

- Old guard concerned about club spending
- At least 3 current members have expressed interest in buying condos

Concerns

- Increased LRC spending level (of particular concern to older members who may be on fixed incomes or who may not enjoy long-term use of the improved facilities)
- Losing small club feel
- Squeezing out the people who founded and built Lakewood Racquet Club
- Zoning change by City of Lakewood requires a public hearing. Anything can happen at a public hearing.
- As required by City of Lakewood, LRC now maintains a buffer on east side of court 10. Current building is too close to residences as LRC should have allowed a 100-foot buffer.
- Increased scale of finance and operations. Is this development project too much for staff and Board to manage and administer effectively?
- Current club management stable but club has experienced embezzlement and mismanagement in the past
- Can we generate enough new tennis players to realize projections and keep additional pros busy?
- New tennis club in Gig Harbor could deplete membership levels

Opportunities

- More tennis courts = more ongoing revenue for LRC
 - More members (national average = 100 members per court)
 - Junior programs
 - Additional programming for other member segments
- Increased satisfaction among younger members due to junior program availability
- Added value from on-site condominiums
 - Captive market for club membership
 - Vested interest in the property from people living on the grounds
- Opportunity to ‘rezone’ LRC regarding site plan, setbacks, extent of landscaping, etc. ‘Outdoor recreation space’ is a gray area since Lakewood split from Pierce County where zoning was initially established. State law allows a new development agreement to be submitted to the City of Lakewood
- Apparent City of Lakewood support for LRC’s development plan
- Low risk
 - Building sites are hard to find in Lakewood
 - Tacoma Country & Golf Club condos sold out quickly
- The LRC Board believes that this plan is financially viable and in the best interests of the Club for both the near term and the long range success of the Club
- Developing into the best family-oriented tennis and fitness facility in the greater Tacoma area