

the **CrossFit** JOURNAL ARTICLES

Beyond the Garage Gym

Starting or Expanding a CrossFit Affiliate

Pat Sherwood

It happens to every affiliate after a while: they run out of square footage. It's actually quite a good problem. It means your client base is growing. However, trying to find a suitable new box to call home does present its own set of challenges. I can speak from experience, having recently gone through this very process with CrossFit Virginia Beach (CFVB).

CrossFit Virginia Beach was started in May of 2007 in my two-car garage. The endeavor was more casual than anything else. My girlfriend, Thomi, and I had attended several seminars over the course of the past year. At each seminar we would receive the usual battery of questions relating to starting an affiliate in Virginia Beach. One trainer from CrossFit headquarters whom we love to death, Dave Castro, is unmatched in the arena of peer pressure. He would relentlessly hound us each time. "When are you going to affiliate? What the hell is taking so long out there in VB? Open a gym already, would ya?" Hindsight being 20/20, we owe him a debt of gratitude. He stayed on us until one day we said, "Why not?"

So CrossFit Virginia Beach was under way. I got busy writing an essay for our affiliation application about why we wanted to join the family of affiliates. Thomi, being 500 times more computer savvy than I, handled getting the website up and running. I went to my lawyer and had a Limited Liability Company created. It can cost anywhere from \$500 to \$1000 (or more) depending on your lawyer and how complicated you want to get. We then went down to the City of Virginia Beach offices to check on zoning ordinances and get a business license.

The zoning department will look up whatever address you intend to do business from and tell you how many people can occupy that space, based on the location and the type of business you intend to conduct. We were told that, because the address of CFVB was a personal residence, we could legally have no more than one client in our place at a time. We then took the slip of paper they gave us with the permitted zoning information on it to the business license office. We got our license and paid the necessary fee. It cost around \$50. On our business license it has the name of our LLC, then it says "doing business as CrossFit Virginia Beach." We contacted an insurance company and took out a modest policy. The necessary fees were paid to affiliate, and then one day, boom, "CrossFit Virginia Beach" was listed on the main page under affiliates. We were ecstatic. We thought we had finally arrived! Little did we know that we were just at the base of the mountain, nowhere near the peak.

Our two-car garage, now officially CFVB, was already packed with enough gear for us and our friends to work out. We had three Olympic bars, a 15-pound training bar, a complete set of bumper plates, a pull-up bar, a squat cage, a Concept 2 rower, a glute-ham developer, rings (set at dip height, as the ceiling was too low for the likes of muscle-ups), 35- and 55-pound kettlebells, 20- and 10-pound Dynamax medicine balls, a 20-pound slam ball, some dumbbells, and a set of parallettes.

We scoured websites from other affiliates across the country to help establish what times we would offer classes and what our fees should be. The CrossFit community is special with regard to how we share

1 of 4

Beyond the Garage Gym (continued...)



This photo shows our entire garage gym, operating at essentially max capacity.

information. I randomly called other affiliates and asked what they were charging clients, paying for rent, equipment, expenses, how much they paid other trainers, what their clients thought of everything, what was going well, what went wrong, which classes were popular, etc., etc., etc. There was nothing I did not ask someone. Without exception, every person I called was friendly and more than happy to spill their guts to me on the phone. Try doing that in any other business.

So we set up our class schedule and fees and posted them on our site for the world to see. After speaking to many affiliates we decided to make it mandatory for our clients to attend three personal training sessions before joining classes. Some affiliates do this sort of thing and some don't. During these sessions we cover nine fundamental movements in CrossFit (air squat, front squat, overhead squat, deadlift, sumo deadlift high pull, clean, shoulder press, push press, push jerk). We also go over using the glute-ham developer, kettlebell swings, thrusters, use of the AbMat, and maybe a couple other odds and ends. These sessions have been crucial! I can't imagine having a client join a class without receiving this training first. We have found it indispensable.

Our advertising budget remained true to CrossFit principles. It was zero dollars. We had our website; we put links to it on our MySpace pages; we put up a personal training post on Craigslist.com. That was it. We waited. Then one day, less than one week after affiliating, we got an e-mail from some people interested in what we were offering. After a few e-mails and a phone call, they scheduled their first fundamentals class.



The new CFVB box—more space, high ceilings, all the tools we need.

Our first clients! We were excited and nervous. How would they be? What would they think of working out in our garage? Would they really pay us? How the heck should we run the first fundamentals session?

So, one evening these two people pulled into our driveway. Their names were Penny and Chris. All of us gathered in our kitchen and we just talked for probably thirty minutes. We spoke about CrossFit in general, why it works, how long we have been doing it, what they could expect, etc. In retrospect, I realize now that we were in the kitchen for so long before we started the session because we felt like we had to validate ourselves. I still thought of my garage as just my garage, not as CrossFit Virginia Beach. It can be tough to make that distinction initially. However, we finally got out into the "gym" and knocked out the training. It went great. Everyone learned a lot and we laughed a bunch. Before they left they scheduled their other two fundamentals sessions. The second one took place with no problems. Before the third, Thomi and I started to worry; were certain that they would leave and never return. I would have bet money on it. We still could not believe that someone was going to pay to work out in our garage, especially after the mild beatings they had received from us for workouts. Much to our surprise and delight, they said they wanted to sign up for the three-classes-a-week package. Our first clients!

At this time both Thomi and I had full-time jobs. The nice thing about opening up in our garage was that there was almost no risk involved. If the business grew, then great. If it failed, then no big deal, we were only in our

Beyond the Garage Gym (continued...)

garage. We had two classes in the mornings and two in the evenings on our schedule. Sometimes both of us could be there; sometimes it was just one of us. We went several weeks before getting another client, but eventually we did. Then we got a fourth. Now we were in a situation.

In our garage, two people could train comfortably, but three was tight. Four took serious planning. So if all four of our clients wanted to work out at the same class time, we were in a bad spot. Also, if we gained one more client, we might have to tell someone that they could not attend a class due to limited space. Obviously we did not want to tell a client they could not come to a class. We needed more room.

Thomi and I originally thought we would outgrow our garage in six months to a year. One month after affiliating, though, we saw the writing on the wall and began the search for a box. I didn't think it would be any trouble at all to find a suitable space to move CFVB into. I am a real estate developer by trade and have to deal with this kind of stuff all the time. Let's just say I underestimated how challenging it would be.

We wanted 1,500 to 4,000 square feet for our gym. I did not want to go too small and then have to move again in six months. We wanted high ceilings, at least fifteen feet, for rope climbs, rings, and wall ball. We wanted low rent and low maintenance. We also wanted a big roll-up door. The roll up door is not necessary; it's just damn cool for some reason.

All these requirements are best found in light industrial buildings such as warehouses. As a general rule, commercial spaces that are retail-oriented are much more expensive to lease or purchase than those that are suitable for industrial applications. We never even really considered moving into a retail space, as the cost would have been prohibitive. Also, most retail spaces are not going to have the high ceilings and bay doors we wanted. The most desirable floor plan for a CrossFit gym is lots of open floor space—also found most commonly in warehouses.

So we started our search. We spent about 100 hours on commercial websites such as loopnet.com and driving around in our car visually inspecting locations. Nothing is ever perfect, and this held true for our search for a warehouse. Most warehouses are not designed to be occupied by a business where people show up for the services you are offering. That is a nice way of

saying that the parking usually sucks in industrial areas. Zoning regulations are different in each city, but it is not uncommon for a warehouse to have one parking space for every 1000 square feet of floor space. You can do the math, but it's not good. There are warehouses out there with good parking situations, but you need to hunt for them.

So we visited warehouse after warehouse. Some had great square footage but low ceilings; some had great square footage but no parking; some had good parking and square footage but were in a ghetto. Nothing is ever perfect. Patience is a virtue. One warehouse in particular kept popping back into our heads. It was huge, with 4,000 square feet of open floor space, two handicap-accessible bathrooms, and 500 to 700 square feet of office space. It was also expensive, almost \$600,000. My initial intention was to buy a space, and then lease it to CFVB. The way it would work is that we would create an LLC to purchase the building. Let's say the address of the warehouse was #1 Happy Street. We would name the LLC after the address, so it would have been Happy Street LLC. Once the building was purchased, Happy Street LLC would lease the space to the LLC that is doing business as CrossFit Virginia Beach. To make a long story short, we went down that road for about a month and then the financing fell through.

If you have the resources to make that scenario happen, then I recommend you go for it. You are going to pay rent anyway, so why not pay it to yourself? Also, while you are making money with the gym, you are also paying down the mortgage on a piece of real estate. One day you can own the building free and clear, or lease it to someone else, use the equity to finance another purchase, or sell it for a profit. It's nice to have options, not to mention being your own landlord. There are pros and cons to trying to purchase instead of lease. We'll dive into those so that they become a bit clearer.

If you buy a commercial piece of property the lender will most likely want to see a 20 percent down payment. So let's say you are going to buy a 2500-square-foot warehouse at \$100 per square foot. The cost of the warehouse is \$250,000, and a 20 percent down payment is \$50,000. I am willing to make the assumption that most people opening a CF gym don't have or want to put \$50,000 down. Now, I'm using common Virginia Beach prices when I said \$100 per square foot. Your market may be very different. You also need to bear in mind that price is for what is called a "cold, dark shell,"

Beyond the Garage Gym (continued...)

meaning it is just a concrete slab floor, walls, a ceiling, and maybe one small bathroom. That's it. So anything you want to have in your building will be extra—lighting, an HVAC system, additional bathrooms, showers, interior walls, etc., etc. By the way, an HVAC system can easily cost \$7,000. Things add up quick! Now you still need to outfit the gym with equipment and flooring.

The numbers I used in the previous paragraph are rough, and they can fluctuate, but they are generally pretty solid. You may find a lender that will give an 85 percent loan to value on commercial property, but it is not the norm. Commercial properties are income-producing by nature. So the value of a property is directly related to the money it makes each month. The money it makes is from the tenant that occupies the space. If your CrossFit gym is going to be the tenant, then the lender will most likely not smile at this news. Chances are that your CrossFit gym is new and growing, so it will not have two or three years of bank statements, tax returns, and earnings to show the bank. The bank will probably not consider the gym a strong tenant at all. This is another factor that will make getting a loan challenging—not impossible, but likely pretty hard.

So, with all that in mind, we decided to lease. Our search finally paid off after about a month of frustration. We found 2500 square feet with 24-foot ceilings, decent parking, and good accessibility to the highway. It had one handicapped-accessible bathroom and a small 10-by-12-foot heated and cooled office. The main space had lights, but no HVAC system. We entered into a two-year lease, put down two months rent as a deposit, and the space was ours! The rent on warehouse space can be anywhere from \$5 to \$11 per square foot or more, depending on the market, location, and a multitude of other factors. For the purposes of this example, let's just say a typical lease rate would fall in the middle, call it \$8.50 per square foot. That is \$8.50 per square foot for the year, or an annual rent of \$21,250, which comes out to \$1,770.83 per month. So if you had to put down two months rent as a deposit, that would be \$3,541.66 out of your pocket. Not bad compared to having to put down \$50,000 to try to purchase the same space. We did not have enough clients to pay our rent when we signed the lease. It was a catch-22. We felt that not having a space limited our growth. So we had to take a leap of faith and spend some money in order to grow our business, be successful, and deliver to our clients the training environment we felt they deserved. It was

the best move we could have made. Whether it is fair or not, sometimes perception is reality. We can turn someone into a world-class athlete in our garage just as well as in our new box. But most people take your business more seriously when you are in a legitimate commercial space. That's just the nature of the world.

Now we had to fill our space. Our goal was to outfit the gym for less than \$20,000. We easily accomplished this task. Thomi is a notorious bargain shopper. She scoured the Internet for the best deals on brand-name equipment. She spoke to companies directly and negotiated prices. The lesson here is that everything is negotiable. We designed our own pull-up bar structure based on what we had seen that worked and did not work. We found a welder through Craigslist. He made us a prototype to see if we liked his work, negotiated a price, and got our bars. My advice is to put a lot of thought and time into your pull-up station. I think it is kind of the focal point of a CrossFit gym. CrossFit loves pull ups! We also use the bars for ring dips, muscle-ups, knees to elbows, assisted handstand push-ups, jumping pull-ups, ring push-ups, and many other activities. Okay, I'm getting off topic. I'll save my ideas on outfitting a gym for another article.

If you operate a CrossFit gym and need more space, don't be afraid to take that first step. It's almost always exactly as Coach Glassman says: "You can't afford not to expand."



Pat Sherwood is a level-3 CrossFit trainer, co-owner of [CrossFit Virginia Beach](#), and co-owner of Neptune Development, a real estate development company. His most dreaded workouts are "Fran," "Michael," and "Kelly."