



## Memorandum

To: Evolution Builders, LLC.  
From: King & Associates, Inc.  
Date: June 10, 2021 / Revised: June 23, 2021  
RE: Demographic and Competition Analysis for Proposed Roxborough Village Recreation Center

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### *SCOPE*

Evolution Builders, LLC has retained King & Associates, Inc. to assess i) estimated revenue and expense assumptions completed by Greater Than > Analytics Business Intelligence Specialists and the YMCA of Metropolitan Denver and ii) demographic and market competition in relationship to a proposed recreation center facility to be constructed in the Roxborough Village Metropolitan Community located in unincorporated Douglas County, Colorado.

### *SITE LOCATION & BACKGROUND*

The Roxborough Village Metropolitan District is proposing to construct a new recreation facility in the Roxborough Village Metropolitan Community. Roxborough Village is located in unincorporated Douglas County, with the proposed facility planned for a site south of West Waterton Rd. and west of N Rampart Range Rd. Evolution Builders, LLC, has requested a demographic and competitive assessment in the trade area surrounding the project site.

### *REVENUE & EXPENSE ANALYSIS*

The project will consist of a recreation center ranging from 45,007 to 55,548 square feet that will be owned and managed by the Roxborough Metropolitan District and operation of the facility is not yet determined.

#### *Revenue*

- Greater Than > Analytics Business Intelligence Specialists has identified several sources of operational revenue for the facility that include:
  1. Membership fees
  2. Specialty programs:
    - a. Cross / circuit training, personal training, Pilates, small group, virtual exercise, virtual non-physical and yoga.
  3. Fitness and wellness programs:
    - a. Group exercise classes, swim lessons, personal training, aquatic fitness programs, summer day camp activities, weight loss programs, nutrition classes, family personal training classes and senior specific fitness classes.
  4. Specialty services:
    - a. Physical therapy, occupational therapy, outpatient rehab and respite care.
  5. Sports:
    - a. Tennis, basketball, volleyball, dance, racquetball, swim, soccer, ninja warrior, ping pong, pickle ball, billiards, t-ball, tumbling, shuffleboard, bocce ball, lacrosse, futsal and dodgeball.

6. Non-physical classes

- a. Art, family fun, cooking, music, language, book clubs, computer classes, trivia, ski club, card game club, travel club, drama and basic STEAM classes.
- Total annual operational revenue is projected to range from \$1.92 million (45,007 square foot facility) to \$2.29 million (55,548 square foot facility).
- Initial year membership revenue is projected to range from \$950,400 (50% of total facility revenue) to \$1,055,894 (55% of total facility revenue) for the 45,007 square foot and 55,548 square foot facilities, respectively.
- Non-membership revenue is projected to range from \$967,776 (50% of total facility revenue) to \$1,233,094 (45% of total facility revenue) for the 45,007 square foot and 55,548 square foot facilities, respectively.
- See the following tables depicting Roxborough Village projected recreation center revenues.

Roxborough Village – Projected 45,007 Square Foot Recreation Center Revenues

Revenue Category	Amount	Percent
Membership Revenue	\$950,400	50%
Specialty Programs	\$191,539	10%
Personal Training	\$91,392	5%
Special Fitness Programs	\$79,872	4%
Swim Lessons	\$168,480	9%
Day Camps	\$78,467	4%
Sports Programs	\$201,796	11%
Non-Physical Classes	\$121,229	6%
Added Revenue Items	\$35,000	2%
<b>Total</b>	<b>\$1,918,176</b>	<b>100%</b>

Source: Greater Than > Analytics Business Intelligence Specialists.

Roxborough Village – Projected 55,548 Square Foot Recreation Center Revenues

Revenue Category	Amount	Percent
Membership Revenue	\$1,055,894	46%
Specialty Programs	\$239,424	10%
Personal Training	\$142,800	6%
Special Fitness Programs	\$99,840	4%
Swim Lessons	\$210,600	9%
Day Camps	\$78,467	3%
Sports Programs	\$201,796	9%
Non-Physical Classes	\$151,537	7%
Added Revenue Items	\$108,630	5%
<b>Total</b>	<b>\$2,288,988</b>	<b>100%</b>

Source: Greater Than > Analytics Business Intelligence Specialists.

*Expenses*

- Annual facility expenses have also been projected and include two major categories: compensation expenses and operational / facility expenditures.
- The largest annual projected expenditure category involves wages and salaries for employees of the proposed facility.
- Aside from wages and salaries, other large annual expenses include utilities, supplies and landscaping.
- Anticipated ongoing annual expenses for the facility are projected to range from approximately \$1.87 million for the 45,007 square foot facility and \$1.97 million for the 55,548 square foot facility.
- Anticipated recreation center expenses are summarized in the following tables.

## Roxborough Village – Projected 45,007 Square Foot Recreation Center Expenses

Expense Category	Amount	Percent
<b>Wages and Salaries</b>		
Non-Instructor Base Staff	\$921,810	49%
Instructor Lead Staff	\$416,661	22%
<b>Total Wage Expense</b>	<b>\$1,338,471</b>	<b>71%</b>
<b>Utilities / Operating Overhead</b>		
Utilities	\$153,486	8%
District Accounting Fees	\$12,000	1%
District Legal Fees	\$10,000	1%
Board admin	\$5,000	0%
Supplies	\$78,000	4%
Telephone	\$15,000	1%
Repair & House	\$97,600	5%
Landscape- Snow removal	\$80,000	4%
Equipment Cost	\$10,000	1%
Insurance	\$25,000	1%
Misc.	\$48,609	3%
<b>Total Operational / Facility</b>	<b>\$534,695</b>	<b>29%</b>
<b>Total Expenses</b>	<b>\$1,873,165</b>	<b>100%</b>

Source: Greater Than > Analytics Business Intelligence Specialists.

## Roxborough Village – Projected 55,548 Square Foot Recreation Center Expenses

Expense Category	Amount	Percent
<b>Wages and Salaries</b>		
Non-Instructor Base Staff	\$921,810	47%
Instructor Lead Staff	\$453,176	23%
<b>Total Wage Expense</b>	<b>\$1,374,986</b>	<b>70%</b>
<b>Utilities / Operating Overhead</b>		
Utilities	\$175,524	9%
District Accounting Fees	\$12,300	1%
District Legal Fees	\$10,250	1%
Board admin	\$5,125	0%
Supplies	\$78,000	4%
Telephone	\$15,375	1%
Repair & House	\$127,020	6%
Landscape- Snow removal	\$80,000	4%
Equipment Cost	\$15,000	1%
Insurance	\$25,625	1%
Misc.	\$54,422	3%
<b>Total Operational / Facility</b>	<b>\$598,641</b>	<b>30%</b>
<b>Total Expenses</b>	<b>\$1,973,627</b>	<b>100%</b>

Source: Greater Than > Analytics Business Intelligence Specialists.

*Net Income and Income Assessment*

- Net income for the facility is projected to range from \$45,011 (45,007 square foot facility) to \$315,361 (55,548 square foot facility) during year 1 of operations.
- The net profit margin is projected to range from 2.3% (45,007 square foot facility) to 13.8% (55,548 square foot facility) during year one of operations.
- The revenue projection is based on first-year average monthly membership totals ranging from 1,100 (45,007 square foot facility) to 1,222 (55,5448 square foot facility) by the end of year one operations, which allows the facility to establish and grow its membership base and revenues in future years of operation.
- Furthermore, the YMCA of Metropolitan Denver has a long history of recreation center operation and management in the Denver area and has an extensive knowledge of facility revenue and expenses.

## MARKET ANALYSIS

The market analysis portion of this memorandum addresses supply and demand factors for fitness centers in the immediate geographic area (trade area) of the Roxborough Village facility. Although the Roxborough Village Recreation Center is a non-profit recreation facility, its primary competitors are anticipated to be other recreation and fitness centers in the trade area.

### *Trade Area*

- To assess demographics and competition a trade area has been identified.
- A trade area extending from a 5-mile radius of the project site has been determined as the primary geographic area in which fitness centers will provide competition to the proposed Roxborough recreation center facility.
- The trade area also includes the primarily area from which anticipated members of the proposed Roxborough Village recreation center currently reside.

### *Demographics Forecasts*

- The trade area has experienced strong population and household growth over the past several years.
- Demographic growth has been driven by strong demand in the Douglas County residential market.
- The northern Douglas County area is anticipated to experience strong household growth as a result of Sterling Ranch and other large master planned communities.
- The forecast 1.8% population and household growth rate is robust.
- Demographic trends and forecasts are presented for the trade area through 2025, with information presented including population and households.

### *Population*

- Population within the trade area was 22,169 in 2010 and increased to 25,116 in 2020.
- From 2010 through 2020, population in the trade area increased by 2,947 residents, reflecting growth of 295 residents per year, and a corresponding annual growth rate of 1.3%.
- Trade area population is projected to grow from 25,116 to 27,523 from 2020 to 2025, equaling an increase of 481 residents per year and a 1.8% annual growth rate.

### *Households*

- The number of households in the trade area equaled 7,408 in 2010 and increased to 8,369 in 2020.
- From 2010 through 2020, households in the trade area increased by 961 households, reflecting growth of 96 households per year and a corresponding annual growth rate of 1.2%.
- Trade area households are projected to grow by 156 each year, increasing from 8,396 in 2020 to 9,148 in 2025, equaling an annual growth rate of 1.8%.
- The following table presents demographic trends and forecasts from 2010 through 2025.

Trade Area - Demographic Trends and Forecasts

Year	2010	2020	2025
<b>Trade Area</b>			
Population	22,169	25,116	27,523
Households	7,408	8,369	9,148
<b>Annual Change</b>			
		<u>2010 - 20</u>	<u>2020 - 25</u>
<b>Population</b>			
Numeric		295	481
Percent		1.3%	1.8%
<b>Households</b>			
Numeric		96	156
Percent		1.2%	1.8%

Source: ESRI, King & Associates, Inc.

*Employment Trends & Forecasts*

- Employment trends have been presented as an indicator of overall economic growth in the metro area.
- In 2010, the average annual employment level stood at approximately 1.29 million and employment increased to 1.59 million at the end of 2018.
- During 2019, employment levels increased to 1.62 million through year end with 37,263 jobs added.
- During the 2010 through 2019 period, an average of 37,132 jobs have been added each year in the Denver - Aurora, MSA, representing average annual growth of 2.60%.
- Employment levels have declined slightly, and unemployment has risen slightly since year-end 2019, as a result of the Covid-19 outbreak.
- In 2020, Denver - Aurora, MSA employment levels decreased by approximately 192,000 jobs when comparing year-end 2019 levels to the April 2020 low; however, as of March 2021, employment levels in the Denver - Aurora, MSA have increased by approximately 149,000 jobs since the April 2020 low.
- The average annual unemployment rate in 2017, 2018, 2019 and 2020 was 2.5%, 2.9%, 2.6%, and 7.5%, respectively.
- Unemployment in the Denver - Aurora, MSA as of March 2021 was 6.6% and marked an increase from the 4.9% unemployment rate in March 2020 and reflects increased unemployment resulting from the Covid-19 outbreak.
- Unemployment in the Denver / Aurora, MSA reached its highest level in April 2020 (12.3%); however, as of March 2021, the unemployment rate stands at 6.60%.
- During the 2019 to 2029 period, employment is projected to increase in the Denver - Aurora, MSA from approximately 1.64 million to 1.81 million.
- During the ten-year period, employment is forecast to increase by 16,631 jobs per year or by a rate of approximately 0.97% annually in the Denver - Aurora, MSA.

*Trade Area Fitness Center Supply*

- There is one fitness center (Snap Fitness Roxborough) and one community center (The Overlook Clubhouse) located within the trade area’s 5-mile radius.
- Additionally, 32 most competitive fitness centers are located just outside of the 5-mile trade area boundary.
- Fitness center types range from high-end facilities with extensive features and amenities (VASA Fitness, 24-Hour Fitness and Chuze Fitness) to limited feature centers with basic cardio and strength equipment.
- Several of the centers provide a “concept based” approach to fitness with programs such as high intensity cardio / strength workouts (Orange Theory Fitness) to row themed exercises (Row House).
- The full and high-end fitness centers offer extensive instructor led exercise class schedules (some at additional cost) that include swimming, yoga, in-door cycling, boot camps, etc.
- Advertised membership rates range from \$29.99 to \$199 per month, depending on features, amenities and equipment offered by the facility.
- Many of the fitness centers also charge one-time initiation or sign-up fees that averages \$50.
- At \$34 (young adult) to \$66 (senior adult) per month, the individual membership rate structure proposed for the Roxborough Village recreation center compares favorably with other fitness centers located within 10-miles of the proposed recreation center.
- The following table and map summarize trade area fitness centers.

Trade Area – Competitive Fitness Centers

Map Key	Facility Name	Address	Type of Facility
1	Snap Fitness Roxborough	8351 N Rampart Range Rd Littleton, CO 80125	Limited feature fitness center
2	The Overlook Clubhouse	7853 Piney River Ave. Littleton, CO 80125	Limited feature clubhouse
3	Mojo Fitness	8392 S Continental Divide Rd Littleton, CO 80127	Limited feature fitness center
4	Row House	10278 W Centennial Rd Littleton, CO 80127	Trainer led, row focused cardio
5	Crossfit Ken Caryl	11550 W Meadows Dr Littleton, CO 80127	Trainer led, cardio / strength based fitness center
6	Pure Barre	7403 W Chatfield Ave Littleton, CO 80128	Trainer led fitness classes
7	Anytime Fitness - Coal Mine Centre	5935 S Zang St Littleton, CO 80127	Full feature fitness center
8	Paragon Fitness	5894 S Zang St Littleton, CO 80127	Trainer led, cardio / strength based fitness center
9	24 Hour Fitness	6044 S Kipling Pkwy Littleton, CO 80127	Full feature fitness center
10	Chuze Fitness	8996 W Bowles Ave Littleton, CO 80123	Full feature fitness center
11	Spenga Littleton	7735 W Long Dr Littleton, CO 80123	Trainer led, cardio / strength based fitness center

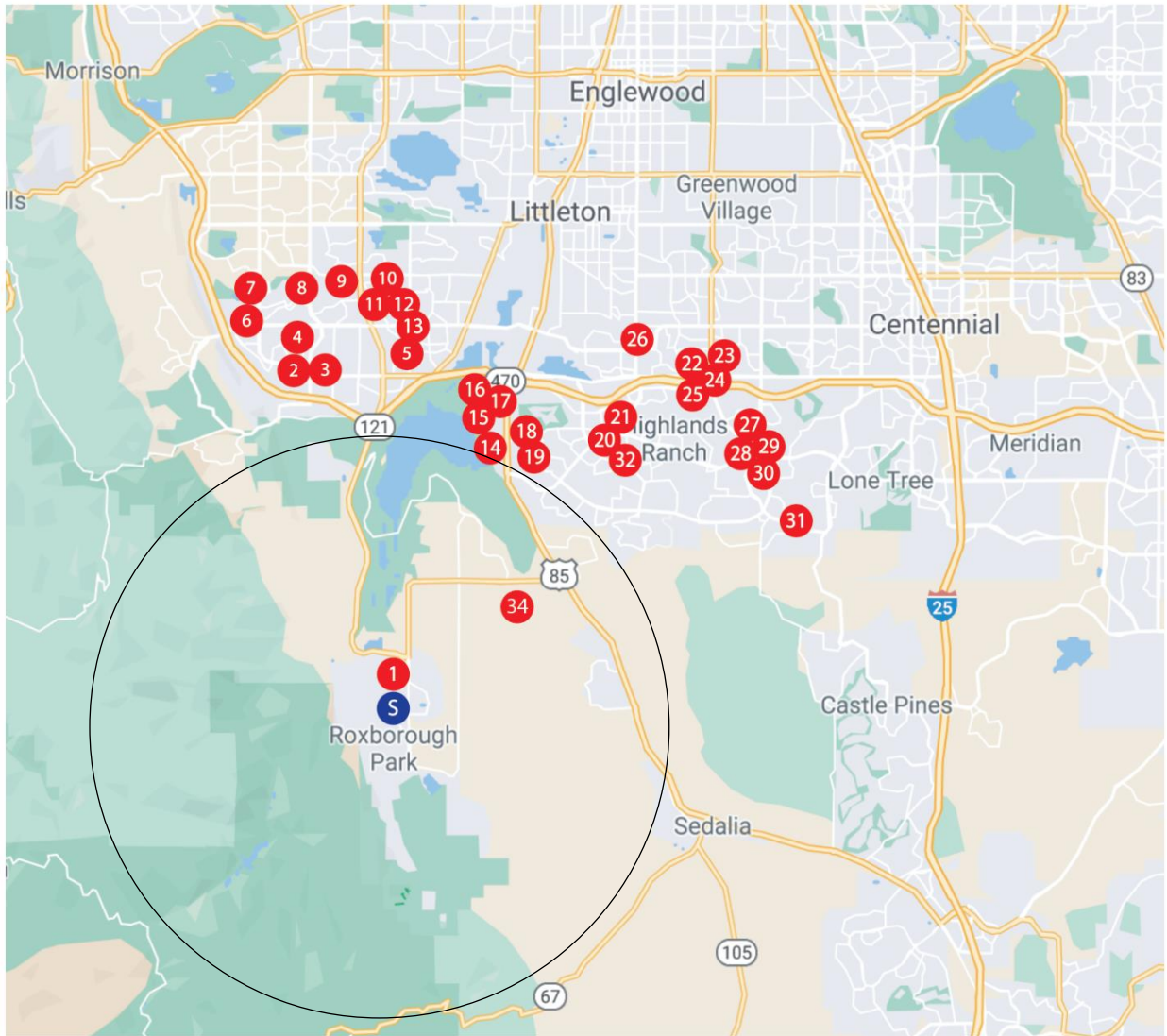
Roxborough Village Recreation Center

12	VASA Fitness	8055 W Bowles Ave Littleton, CO 80123	Full feature fitness center
13	Vitality Training Studio	7735 W Long Dr Littleton, CO 80123	Trainer led, cardio / strength based fitness center
14	Anytime Fitness	7580 S Pierce St Littleton, CO 80128	Full feature fitness center
15	Sledge Fitness	12415 N Dumont Way Littleton, CO 80125	Trainer led, cardio / strength based fitness center
16	Redstone Crossfit	12909 Division St Littleton, CO 80125	Trainer led, cardio / strength based fitness center
17	Jim's Gym	3852 Norwood Dr Littleton, CO 80125	Trainer led, cardio / strength based fitness center
18	N'Tense Fitness	3724 Norwood Dr Littleton, CO 80125	Trainer led, cardio / strength based fitness center
19	Beyond Fitness and Performance	9150 Commerce Center Cir Highlands Ranch, CO 80129	Trainer led, cardio / strength based fitness center
20	Divine Body Fitness	9335 Commerce Center Highlands Ranch, CO 80129	Limited feature fitness center
21	9Round	9325 Dorchester St Highlands Ranch, CO 80129	Trainer led, cardio / strength based fitness center
22	Total Fitness Colorado	8955 S Ridgeline Blvd Highlands Ranch, CO 80129	Limited feature fitness center
23	Manic Training	2000 E County Line Rd Highlands Ranch, CO 80126	Trainer led, cardio / strength based fitness center
24	Bronyx Strength and Performance	4181 E County Line Rd Centennial, CO 80122	Limited feature fitness center
25	Moving Forward Performance & Fitness	2680 E County Line Rd Highlands Ranch, CO 80126	Limited feature fitness center
26	F45 Training	2670 E County Line Rd Highlands Ranch, CO 80126	Trainer led, cardio / strength based fitness center
27	Outlaw Training Gym	7600 S Grant St Littleton, CO 80122	Trainer led, cardio / strength based fitness center
28	Chuze Fitness	9449 S University Blvd Highlands Ranch, CO 80126	Full feature fitness center
29	Orangetheory Fitness	9559 S University Blvd Littleton, CO 80126	Trainer led, cardio / strength based fitness center
30	Shred415	9370 S Colorado Blvd Highlands Ranch, CO 80126	Trainer led, cardio / strength based fitness center
31	Spenga Highlands Ranch	9567 S University Blvd Highlands Ranch, CO 80126	Trainer led, cardio / strength based fitness center
32	Highlands Ranch Rec Center	4800 McArthur Ranch Rd Highlands Ranch, CO 80130	Full feature fitness center
33	Active Adults Highlands Ranch	TBD	Full feature fitness center
34	The Overlook Clubhouse	7853 Piney River Ave. Littleton, CO 80125	Limited feature clubhouse

Source: King & Associates, Inc.



Trade Area – Competitive Fitness Center Locator Map



Source: King & Associates, Inc.

Note: Red circles depict approximate location of competitive fitness centers and blue circle depicts approximate location of the proposed Roxborough Village Recreation Center location.

*Fitness Center Demand*

- Per the International Health, Racquet and Sports Club Association 2020 Health Club Consumer Report, there are nearly 42,000 fitness centers in the United States with approximately 64 million members, which equals an average of 1,524 members per facility.
- Fitness centers range from low membership models that offer limited equipment and focus on small group classes (400 to 800 members per location) to mega-sized, amenity rich facilities, such as Lifetime Fitness (approximately 10,000 members per location).
- As of 2019, per capita fitness center membership rates totaled 21.2% in the United States.
- The per capita fitness center membership rate has increased steadily from 17.7% in 2010 to the 2019 level of 21.2%.
- Per capita fitness center membership rates have been adjusted to range from 16% to 21% to reflect potential industry changes as a result of the Coronavirus outbreak.
- There is one fitness center in the trade area (Snap Fitness Roxborough) that totals an estimated 4,000 square feet, and provides group classes, nutrition consultations, personal training and exercise equipment.
- Additionally, there is one community center in the trade area (The Overlook Clubhouse) that totals an estimated 4,900 square feet, and provides youth programs, limited group fitness classes and exercise equipment.
- There are an estimated 400 to 800 members at Snap Fitness Roxborough, which is located in the trade area, with an estimated average of 600 members at the facility.
- The Overlook Clubhouse offers memberships to Sterling Ranch residents and will primarily serve as a community gathering space rather than a fitness center due to the limited fitness equipment and classes.
- Given current population and per capita membership rates (16% - 21%), the total number of fitness centers demanded in the trade area is estimated at 6.7 to 8.8 facilities.<sup>1</sup>
- The adjusted fitness center demand rate in the trade area is anticipated to range from 2.0 to 2.6 facilities.<sup>2</sup>
- With just one existing fitness center and one community center, adjusted unmet fitness center demand equals 1 to 2 fitness centers in the trade area (total demand less the number of existing facilities).
- In addition to existing unmet demand totaling 1 to 2 fitness centers, forecast population growth (2020 – 2025) is anticipated to marginally increase fitness center demand ranging from 0.2 to 0.25 facilities.
- Given unmet and projected demand, total trade area demand ranges from approximately 1 to 2 full feature fitness centers from 2020 through 2025.
- Trade area fitness center demand is summarized in the following table.

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<sup>1</sup> Unadjusted trade area fitness center demand utilizes an average monthly membership totaling 600 per facility based on the existing facility in the trade area.

<sup>2</sup> Adjusted trade area fitness center demand utilizes an average monthly membership per facility totaling 2,000 per facility to reflect membership levels at a full feature fitness center similar to the anticipated Roxborough Village recreation center.

Trade Area – Fitness Center Demand Estimate and Projection

<i>Trade Area Population</i>		
2020		25,116
2025		27,523
Total Change		2,407
<i>Trade Area Membership Summary</i>		
	<u>Low Range</u>	<u>High Range</u>
Estimated Current Trade Area Fitness Center Membership Count (1)	400	800
Average Monthly Membership Per Facility		600
Adjusted Monthly Membership Per Facility (2)		2,000
<i>Demand Projection / Unmet Demand:</i>		
	<u>Low Range</u>	<u>High Range</u>
Estimated population utilizing fitness centers (3)	4,019	5,274
Estimated number of fitness centers demanded (4)	6.7	8.8
Adjusted Fitness Centers Demanded (5)	2.0	2.6
Unmet demand given existing fitness center	1.0	1.6
<i>Future Fitness Center Demand</i>		
Estimated future population utilizing fitness centers	385	505
Projected number of future fitness centers demanded	0.19	0.25
<i>Total Number of Fitness Centers Demanded</i>		
Unmet demand	1.0	1.6
Future fitness center demand (2020 - 2025)	0.19	0.25
Total demand (unmet and projected)	1.2	1.9

Source: ESRI, International Health, Racquet and Sports club Association, King & Associates, Inc.

Notes:

1. Current trade area fitness center membership count includes one existing fitness center (Snap Fitness Roxborough).
2. Adjusted trade area fitness center demand utilizes an average monthly membership per facility totaling 2,000 to reflect membership levels at a full feature fitness center similar to the anticipated Roxborough Village recreation center.
3. Demand range based on 16% to 21% per capita membership rates.
4. Demand range based on estimated average monthly membership at existing trade area fitness center.
5. Adjusted fitness centers demanded utilizes adjusted monthly membership per facility (2,000 members).

*Fitness Center Demand Summary*

- There is one fitness center in the trade area (Snap Fitness Roxborough) with an estimated membership level that ranges from 400 to 800 members, with the average membership rate estimated at 600 members.
- There is one community center in the trade area (The Overlook Clubhouse) which offers memberships to Sterling Ranch residents and will likely not capture fitness center demand due to the facility's limited fitness equipment, fitness area size (16 person maximum) and class sizes (10 to 15 person maximum).
- Average trade area fitness club memberships have been adjusted to total 2,000 members to reflect demand for full feature fitness centers.

*Demand for New Fitness Centers*

- Trade area population is currently (2020) 25,116.
- Based on national per-capita fitness center membership rates and potential market changes due to Covid-19, current demand in the trade area ranges from approximately 4,000 to 5,300 (16% to 21% penetration rate).
- Trade area population is forecast to increase to 27,523 by the end of 2025, with estimated trade area fitness center membership demand ranging from approximately 4,400 to 5,800.

*Unmet Demand (underutilization) by Existing Trade Area Population*

- In addition to new demand generated by population growth in the trade area, it is believed unmet demand for a full feature fitness center exists in the trade area.
- There are several reasons that may contribute to this occurrence.
  - Lack of full feature facilities in the trade area.
  - Existing population utilizing fitness centers outside of trade area boundaries (within 10-mile trade area, facilities near work or schools).
  - With just one fitness center and one community center located in the trade area, the proposed Roxborough Village recreation center facility will provide a more convenient and accessible fitness club option to surrounding residents.
- Calculated demand suggests the trade area could currently support 6 to 9 limited feature fitness centers or 2 to 3 full feature facilities.
- Subtracting existing trade area fitness centers (1 facility), from potential demand (2.0 to 2.6 centers), there is unmet demand for an additional 1.0 to 1.6 facilities.
- In consideration of new and unmet demand, there is total new full feature fitness center demand in the trade area equaling 1.2 to 1.9 facilities from 2020 through 2025.
- There is sufficient demand in the trade area to support the proposed Roxborough Village recreation center.

*CONCLUSION*

- King & Associates, Inc. has reviewed the pro-forma (projected revenue, expenses and gross profit) of the proposed Roxborough Village recreation center that has been provided by the YMCA of Metropolitan Denver and Greater Than > Analytics Business Intelligence Specialists.
- Additionally, the fitness center market in the trade area has been analyzed to assess supply and demand factors as well as to complete a demand projection.
- King & Associates, Inc. has determined that the factors outlined in the pro-forma are reasonable and concludes there is current unmet and future demand for 1 to 2 full feature fitness centers in the trade area.
- King & Associates, Inc. further concludes there is sufficient demand in the trade area to reasonably support the proposed Roxborough Village recreation center project.

**DISCLAIMER**

King & Associates, Inc. has reviewed real estate market and fitness center conditions in a defined trade area to assess development potential in the project area of Roxborough Village recreation center. Readers of this report should understand that real estate market and fitness center conditions are dynamic and that unforeseen factors can have a negative impact, sometimes materially, on market conditions in the region, trade area and the project. The findings and conclusion put forth within this report are based on information and market conditions as of its date and should not be interpreted as a guarantee of development potential and ultimate project performance.

**COVID - 19 DISCLAIMER**

Research and analysis of this report was completed in 2021 (to date). During this time the COVID - 19 virus has become a significant factor to global health with yet-to-be determined economic impacts. The conclusions and findings of this report do not adjust for impacts that may occur within national and local markets that may result from the COVID - 19 virus. Therefore, King & Associates, Inc. does not make any claims or guarantees there will be no resulting real estate market and fitness center impacts resulting from the COVID - 19 virus within local real estate markets or the Roxborough Village recreation center.