

# \$99 million deal spotlights a pair of quiet real estate moguls

California Family Fitness founders selling land to diversify portfolios

KELLY JOHNSON | STAFF WRITER

To Sacramentans who recognize the names, Larry Gury and Russ Kuhn have been known as the low-profile founders of California Family Fitness.

Even fewer knew that Gury and Kuhn also owned the land and buildings in which many of the gyms — known to some as “CalFit” — operate.

So for most locals, it came as a surprise last Friday when the business partners revealed they had sold a package of 10 properties, which are leased to CalFit gyms, for \$98.76 million. They plan to spend \$130 million to buy properties to add to their already sizable real estate holdings.

Gury and Kuhn are among a very few Sacramentans who have created their own wealth and amassed more than 15 good-sized properties, said Jon Gianulius, a Core Commercial retail investment broker and a commercial real estate investor.

“There aren’t a lot of folks like that around Sacramento,” he said. He estimates 30 to 50 self-made locals over the last two and a half decades have assembled 15 or more commercial properties.

“Obviously these guys have been enormously successful and they’ve done so with a low profile,” said Randy Getz, a CBRE investment real estate broker.

In just a sampling, Gury and Kuhn’s holdings through Fit Development include 17 acres of commercial property in Sacramento’s Metro Air Park, Highland Village land next to Westfield Galleria at



California Family Fitness founders Larry Gury, front left, and Russ Kuhn, along with their staff, recently put the cap on a \$98.76 million real estate sale.

Roseville for six restaurant sites, 12 finished housing lots on the Sacramento River next to Chevy’s restaurant, 70 acres for future housing in Boise, Idaho, and the 90,000-square-foot Sunray Plaza, a Citrus Heights shopping center anchored by a CalFit gym.

While Sacramentans might be surprised by the extent of Gury and Kuhn’s holdings, people who know them are not surprised by what they’ve accomplished. The partners do their research so they can make wise decisions, observers said, citing their hard work, skills and smarts.

And the CalFit-anchored shopping centers they owned — or still own — benefited from the big draw of the gym, Gianulius said.

Two decades ago Gury, 58, and Kuhn, 53, were young men with a business dream but no real estate holdings. Kuhn had one Elk Grove gym, after previously selling three World Gym franchises. Gury had introduced himself to Kuhn, hoping to learn the fitness business.

While maintaining his full-time job as general manager of Southgate Recreation and Park District, Gury also would work

early mornings, evenings and weekends at the gym.

In 1994 they launched their family-oriented California Family Fitness business, with a club in Carmichael. For the next four years, Gury would continue the punishing schedule of his day job and the fitness business, missing out on time with his kids.

“I was excited just to have my own business,” Gury recalled. But, he said, “Russ was a stickler,” insisting that the young business partners also own the property on which the gym would operate, a philosophy Gury soon embraced. The partners “got into property ownership from Day 1,” Gury said.

“It was quite a struggle for a number of years,” Gury said. Whenever the cash flow would allow it, the partners would invest the money into another piece of property and another gym.

With last week’s deal, Gury and Kuhn sold the package of properties within their Orangevale-based Fit Development in order to diversify their holdings, instead of relying on a single tenant, even though that tenant — CalFit — is a strong and growing business, Gury said. The sale also will allow Fit Development to continue building future sites for CalFit.

“It really comes down to diversification,” Gury said. “We wanted to have a balance in our real estate portfolio.”

The properties that Gury and Kuhn sold are the sites that house the following gym locations: East Arden, Carmichael, Folsom, McClellan, Madison Avenue, Sunrise and the Rocklin Sports Complex. The Elk Grove club on Bond Road, Natomas

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# LAND | Clock is ticking for the two investors to acquire new property under 1031 exchanges

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and Roseville will close escrow by Sept. 30.

A sale of the properties has been the plan since Gury and Kuhn sold their majority share of California Family Fitness in 2006 to Bunker Hill Capital LP, a Boston private equity firm. They sold the gym business for \$85 million and after the sale, Gury and Kuhn each bought back 10 percent of the business.

Then the real estate market tanked.

"Today, the commercial real estate market is starting to pick up a lot of momentum and it is a good time to return to our original plan of expanding and diversifying our Fit Development real estate holdings," Gury said.

Gregg Thompson is handling the real estate transactions for Fit Development.

Gianulius and other local real estate investment brokers are scrambling to find quality properties they can offer Gury and Kuhn.

In accordance with the tax laws of so-called 1031 exchanges, based on the federal tax code section, Gury and Kuhn have 45 days to identify properties and six months to complete their trade investments.

"It's not easy. The clock's ticking. It's hard to get sellers to sell," said Gianulius,

## Fit Development property

### DEVELOPED PROPERTIES

- Sunray Plaza in Citrus Heights, 90,000 square feet anchored by CalFit
- Orangevale medical and office, 80,000 square feet anchored by CalFit
- Citrus Heights Plaza, a 25,000-square-foot retail center
- Greenback retail, 35,000 square feet anchored by Ross, Payless Shoes and Golden I
- A 60,000-square-foot shopping center in League City, Texas
- A Natomas office complex, seven units in a total of 18,000 square feet
- An El Dorado Hills office complex, eight units totaling 20,000 square feet
- A 70-unit apartment complex near University of

adding that there are few quality shopping centers on the market.

In last week's deal, Gury and Kuhn sold a total of 425,000 square feet of indoor space plus 271,000 square feet of outdoor pools and play areas to Realty Income Corp. The company is a publicly traded real estate company (NYSE: O) that leases its

### California Riverside

- A 20,000-square-foot Rocklin office complex
- Retail adjoining the east Arden gym, which will remain with Fit Development

### LARGER LAND HOLDINGS

- 17 acres of commercial land in Metro Air Park
- 70 acres for housing in Boise, Idaho
- 170 acres of mitigation property in Lincoln
- 10 lots remaining from a 73-lot housing project it developed in McAllen, Texas
- 77 lots for housing in Dayton, Nev.
- Six restaurants sites at Highland Village, next to Westfield Galleria at Roseville
- 12 finished housing lots on the Sacramento River, next to Chevy's

properties to such big-name companies as L.A. Fitness, Fed Ex and AMC Theatres. The first seven of the sites closed escrow Aug. 30 and three others scheduled to be done by Sept. 30, Gury said.

Most of the proceeds will go to buy retail investment property.

"We are primarily exchanging into

upscale retail centers, power centers and stand-alone speciality stores anchored by a national tenant," Gury said. "Our goal is to acquire \$130 million of trade investments. To date, we are in contract for over 500,000 square feet of commercial property and are adding more properties until we hit our goal."

Gury and Kuhn are buying mainly in California, Arizona, Oregon and Texas. They're also in contract for two and a possible third location for future CalFit gyms in the four-county region. It would be up to Bunker Hill to enlist Gury and Kuhn to do a build-to-suit for the gyms.

Since selling the majority share of CalFit in 2006, Gury has spent much of his time enjoying his four grandkids while Kuhn stays busy with his three high-school and college-age children.

But all the real estate buying and selling efforts this summer have cut into that precious time. "I want to play with my grandbabies," Gury said, adding that he's making up for those earlier years when work kept him away from his own children.



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