



International Health, Racquet & Sportsclub Association

July 20, 2020

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
S-230, U.S. Capitol
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
U.S. Senate
S-221, U.S. Capitol
Washington, D.C. 20510

Dear Leader McConnell and Leader Schumer:

As the Senate continues to address the economic crisis created by the COVID-19 pandemic, I write to update you on important developments in the states, causing even greater harm to an already reeling health and fitness industry. The recent spike in COVID-19 cases across the country has resulted in states and local governments ordering thousands of health and fitness clubs to close again.

These new closures add another devastating blow to the already struggling industry, its employees, and customers. Without immediate federal assistance, IHRSA, the industry's trade association estimates that 8,000 businesses could shutter, permanently affecting tens of thousands of workers across the industry.

For a sense of the scope of recent developments. The following states have ordered health and fitness clubs closed again:

- | | | |
|--------------|-------------|-------------------|
| ● Arizona | 632 clubs | 29,000 employees |
| ● California | 4,172 clubs | 192,000 employees |



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In addition to the recently reclosed states, the following states are at high risk of closing health and fitness clubs imminently:

- Texas 2,577 clubs 118,500 employees
- Florida 2,250 clubs 103,000 employees
- Pennsylvania 1,296 clubs 59,000 employees

The closures above are in addition to the states where health and fitness clubs have remained closed since the start of the pandemic. Even though some rural portions of Michigan have reopened, and Washington has allowed a very limited reopening, neither are meaningful, and both states remain effectively closed.

- Michigan 1,000 clubs 46,000 employees
- New York 1,955 clubs 90,000 employees
- New Jersey 1,154 clubs 53,000 employees
- North Carolina 985 clubs 45,000 employees
- Washington 743 clubs 34,000 employees

- **Totals: 16,764 clubs 770,042 employees**

Taken together the clubs in these states represent 40% of the health and fitness clubs in the country. IHRSA continues to urge Congress to provide economic assistance to the industry to prevent the collapse of thousands of small businesses and the loss of hundreds of thousands of jobs across the country.

Federal Assistance is Required to Save the Industry

At the start of the COVID-19 outbreak, state and local governments moved quickly to shut down health and fitness businesses. This had a devastating impact on an industry, comprised overwhelmingly of small independent operators. Unlike many other businesses affected by the COVID-19 pandemic, health and fitness clubs could not pivot



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to new revenue streams. In addition to the loss of membership incomes, many clubs lost all ancillary revenue i.e. concessions, children's programs and private events.

According to IHRSA surveys and data:

- \$7 billion in lost revenue through July 1, 2020
- 25% of clubs could close by the end of 2020
- National fitness chains have filed for bankruptcy with expected closures of many facilities
- Massive layoffs, many permanent closures, and substantial bankruptcies expected through end of 2020

Based on IHRSA's data from Europe and reopened states, most health and fitness clubs will see only 25% to 50% of customers return when allowed to do so. The industry will face unique long-term consequences from the COVID-19 pandemic. Without immediate economic assistance, the industry will be far smaller, employ far fewer people, and serve far fewer customers. Many communities may lose their only access to health and wellness facilities.

To address the unique and pressing needs of the health and fitness industry, IHRSA would like to offer the following policy proposals.

Recommendation – Provide Direct Financial Assistance to Industry Through Additional Loan Forgiveness

- IHRSA supports S. 3814, the RESTART Loan Program

Recommendation – Modify the Paycheck Protection Program to Allow Mid-Sized Health and Fitness Chains to Participate

- Issue a blanket waiver for health and fitness clubs from the Small Business Administration (SBA) affiliation rule to access the PPP while resources are still available; or



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- That funding prioritization be given to businesses that can demonstrate revenue losses of 15% or more.
- Businesses with demonstrated revenue losses over 20% should be eligible for a second round of funding under PPP.

Recommendation – Provide Tax Incentives to Spur Consumer Spending on Health and Fitness

- IHRSA supports including S. 680/H.R. 1679, the Personal Health Improvement Act (PHIT), which allows HSA and FSA dollars to be used to pay for fitness and healthy living.

Taken together, these proposals will help ensure health and fitness clubs have increased liquidity and access to resources to help them survive the total loss of revenue so many of them have experienced.

We know that millions of small businesses are struggling to survive the economic crisis brought on by the coronavirus pandemic, but health and fitness clubs have been particularly hard hit. These small business owners, their clubs, and their employees are an incredible asset to the communities they serve. The services our clubs offer provide a wide range of physical and mental health benefits, and as our nation emerges from this pandemic and seeks a return to normalcy, these services will become more important than ever.

Thank you for your consideration.

A handwritten signature in black ink that reads 'Joe Moore' in a cursive, slightly slanted script.

Joe Moore
President & CEO
IHRSA