



September 29, 2020

Dear JCC Members and Friends,

On behalf of the Board of Directors, and with a heavy heart, we regret to inform you that the health club at the Jewish Community Center of Metropolitan Detroit (the “Health Club”) will be closing its doors permanently. We know this is a painful decision for so many people in our community. Please also know that our team of lay and professional leaders have fought desperately over the last several years to maintain the Health Club operation. However, there were several factors that made this very difficult decision necessary for the ongoing viability and relevance of the JCC:

1. **Financial and Mission Based Impact of a Declining Membership.** Over the last decade, our fitness membership has declined over 50%, turning an operation that was once a meaningful contributor to the financial viability of the JCC into a liability.

The decline in the Health Club membership is the result of two primary factors: unprecedented competition in the fitness marketplace and a rapidly shrinking demographic of people who place particular value on exercising in a Jewish environment.

Our Health Club has been enduring extraordinary competition from the high end (e.g. Lifetime Fitness and Equinox), lower end convenience operations (e.g. Planet Fitness and Fitness 19) and boutique fitness businesses (e.g. Soul Cycle and Equilibrium Pilates). Within all relevant demographics, it has become more and more difficult to compete effectively against nationally funded chains and a myriad of local operators.

Just as significantly, the unique value proposition of a Jewish place to workout which made our Health Club particularly attractive to so many people over the years is increasingly less relevant to our community. Historically, JCCs across the country included health clubs as part of their operations to provide Jewish people with a place where they felt a sense of belonging. Younger generations of Jews simply do not make fitness facility choices on this basis. As the number of Jewish health club members declines, so does the impact of the Health Club on the JCC’s mission to build Jewish Community.

2. **Necessity for a Paradigm Shift.** For decades, the JCC has been struggling financially. Each time a cash flow crisis has occurred, well intentioned community-based committees were formed to evaluate *the problem* and, in each case, it was agreed that the JCC’s most critical issue was based upon the burdens created by real estate. Its buildings were too big and too old for its core business operations to support and, ultimately, something had to give.

Real estate problems related to community buildings are unusually complicated and expensive to solve and, in spite of the efforts of many, the can was kicked down the road, again and again. It is also true that over time the JCC enhanced its “building problem” by expanding rather than reducing its real

estate footprint, thereby adding to its unsupportable burden. The combination of ongoing financial viability issues, the constant need for capital dollars to maintain the aging structures and the perception that the JCC was contributing to its dilemma has served to injure the JCC's reputation in the community. The damage the JCC has sustained to its community brand as a result of the collective failure to solve this real estate problem cannot be overstated and finding a way to fix it is critical to its future.

Over four years ago, the JCC commenced a formal process to re-evaluate its future and "how" to best fulfill its mission to build Jewish Community in Detroit. The traditional model employed by JCC's across the country was to build local Jewish Community by providing safe physical spaces (including health clubs) for Jewish people to recreate in a world that did not fully accept them.

Our JCC has determined that the future of building Jewish Community in Detroit cannot be based upon providing safe spaces for community members because the vast majority of Jews today do not perceive the meaningful lack of acceptance in the broader community that precipitated the need for facilities dedicated to them.

On the other hand, JCC education and engagement programs such as JLearn, JBaby, PJ Library, Melton and Book Fair (to name only a few) are thriving inside and outside of its buildings. As many traditional vehicles for engagement decline, Jews are seeking connections with other Jews in increasingly non-traditional ways and places. Consistent with this clear trend and profound opportunity, the JCC envisions its future as a provider of and catalyst for world class programs throughout the Community whenever and wherever people want to engage in them. As a result, in the fall of 2017, our Board adopted the following updated mission statement:

The JCC exists to build a more dynamic Jewish Community by collaborating to create world class education and engagement programs for the mind, body and soul throughout Metropolitan Detroit.

Note that there is no mention of buildings or membership. We describe this as a shift from the Real Estate-Membership Paradigm JCC to the Programmatic-Collaborative Paradigm JCC.

In the spring of 2018 a so-called "JCC Right-Sizing Committee" was formed to see if the community could coalesce around a plan to once and for all reduce the size of the D. Dan and Betty Kahn Building to a sustainable square footage consistent with the JCC's new program-centric mission. A plan was agreed upon that would have substantially shrunk the size of the JCC operational footprint including a significant reduction in the size of the Health Club. The proposal "right-sized" the footprint of the JCC from 340,000 square feet to roughly 240,000 square feet.

- 3. The Pandemic Accelerates the Pace of Change.** Then the pandemic happened. The future of the fitness industry, particularly large footprint health club operations, has been called into serious question as a result of the *short and long term* impact of Covid-19. In the short term the impact is financially devastating. JCCs around the country with large fitness operations are projecting to sustain, on average, losses of 1.5M to 2M over the next 12 months. These estimates are based on actual losses

sustained by JCCs operating in states that have allowed re-opening. Our JCC is facing the same challenges and does not have the ability to sustain such short term losses; it would be irresponsible for us to operate in that financial environment.

In the long term, North American JCCs are estimating substantial reduction in membership numbers as (i) the workout patterns of fitness participants change permanently and (ii) patrons no longer feel comfortable with strenuous exertion in close proximity to others. While the long-term impact of the pandemic is based upon conjecture, these risks are real and must be considered when evaluating the viability of the health club over time.

In April 2020, a new community based committee was formed to take another look at the JCC's efforts to fix its longstanding real estate problem, this time in the context of the pandemic. The committee is chaired by JCC Board Member and United Jewish Foundation ("Foundation") Vice-President Michael Berger. After significant research and review, the committee has recommended a plan with the full support of the JCC Executive Committee and Board of Directors that the JCC, in light of the pandemic, substantially reduce its footprint in the D. Dan and Betty Kahn Building from 340,000 square feet to 140,000 square feet including elimination of the space occupied by the Health Club.

It is important to note that the leadership of the JCC makes this difficult decision on its own. In the coming months, we will continue to work hard with our partners at Federation and Foundation in a shared effort to fix the building related burden that has plagued our institution for at least 3 decades and put the JCC on a sustainable and highly mission-focused path forward.

Although a long term transition from the Real Estate-Membership Paradigm JCC to the Programmatic-Collaborative Paradigm JCC was previously determined to be critical to the future viability of the JCC, we did not foresee having to make this transition so abruptly. The Board of Directors know that the closing of the Health Club will create significant disruption in the lives of our members who have been so loyal to us for so long. This is truly heart breaking and we are so saddened by this impact. From the bottom of our hearts, we are deeply sorry.

Over the coming weeks, we will be engaging with representatives of our membership to discuss ways that we can continue to bring fitness and wellness related programs to you, even in our radically reduced footprint in the Kahn Building.

Thank you for taking the time to consider this difficult communication.

Respectfully submitted,

Mark Rubenfire, President of the Board
Brian D. Siegel, CEO