

“Building our Future” Committee Members

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The members of this committee have put together some frequently asked questions that we have heard from congregants. If you have any questions and or concerns that are not addressed here, please reach out to one of us. This FAQ is an evolving document and will be updated regularly.

How long has the property been on the market and how many offers have we received?

The property has been on the market for months. We have had approximately 20 showings to potential users, dozens of conversations with developers, and hundreds of inquiries. We have received seven offers, which is a lot for any property.

Most of these offers are quite attractive; however, we have yet to see the perfect deal that gives everyone what they want. Due to a combination of market factors including the high interest rate environment and anti-Chicago and anti-Cook County sentiment among real estate investors, the real estate professionals on the Committee do not anticipate that an offer more favorable than the ones we have received to date will come in.

Why can't we wait until we find a perfect new home for BHBE?

If we wait to have a guaranteed new location, we will lose our current best buyer and the other buyers. At that point, we will have to start over marketing the property. We will have to carry the property, with all of its attendant expenses and risks, without having the money in the bank from the closing.

Finding a “just right” new property will take time. It is unlikely that an existing church, synagogue, or property that we could affordably convert to a place of worship will suddenly become available. Even if such a property did become available, there is a high likelihood that we would need to obtain a variance or zoning change. This could take up to six to eight months to resolve, with no guarantee that it would be ultimately successful.

We have been talking about selling the building on and off for over a decade; can't we wait a few more years?

In short, no. According to our financial projections, we do not have any ability to wait any longer to sell the building as we are simply running out of money in the current setting.

As mentioned below, our membership is approximately 300 paying family units. These paying family units contribute between \$700,000 and \$750,000 annually towards membership dues. Our membership dues make up a little over half of our total revenue. Due to the amazing support of our members and hard work by our staff and volunteers, our revenue has stayed relatively stable for several years, even through COVID when many other synagogues saw their revenues decline.

Although we have been able to maintain relatively consistent revenue, our expenses continue to climb in an unsustainable fashion. Below are just a few examples:

1) Repair and maintenance costs: Key systems in our building are failing as they are past their useful life. Before the high holidays, we incurred \$50,000 in expenses to repair falling plaster in the Sanctuary due to water leaking in from the roof. This was a necessary expense in order to be able to use the Sanctuary for the high holidays. To fully replace the roof over the Sanctuary and social hall would cost approximately \$300,000. The building also has approximately a half-dozen HVAC units and two boilers. We have routine, ongoing repairs to those very old units to

keep them from failing. Some of the HVAC units are so old that parts need to be custom-made because parts are no longer available. In addition, repairing the HVAC units in the attic may require asbestos abatement. Over the fiscal year to date, we have incurred over \$40,000 on repairs to the HVAC units and boilers. We have received quotes that each boiler could be replaced for \$100,000. The various HVAC units in total could be replaced for over \$500,000. We have every reason to believe our repair and maintenance costs will continue to grow.

2) Inflation: We have all been hurt by the ongoing high inflationary environment, and BHBE is no exception. We are seeing continued upward pressure on costs across our income statement, including, but not limited to: security, food and beverage, utilities, professional service providers (e.g., third party bookkeeping services), and payroll of our hourly employees.

3) Borrowing costs: The current rate on our line of credit is nine percent, compared to only a few percentage points just a few years ago. The maximum we can borrow on the line of credit is \$350,000. For each of the past few years we have drawn on the line of credit earlier and earlier in the fiscal year due to our increasing operating costs caused by the aforementioned repair and maintenance costs and inflation.

4) Mortgage: Our mortgage currently has an outstanding balance of \$770,000 and the current interest rate is four percent. The mortgage matures in December 2024, and we expect the interest rate to increase to 6%-7% upon a refinancing at the end of the year.

In 2021 and 2022, BHBE received significant funds from the federal government's Paycheck Protection Program (PPP). In 2023, BHBE received significant funds from the federal government through the Employee Retention Credit (ERC). This helped us delay pulling on the line of credit in those fiscal years (as did closing the building during COVID), but simultaneously camouflaged our liquidity issues. As these government programs have ended, and we are fully reopened post-COVID, in hindsight it is now clear that had we not received those government funds BHBE would already have run out of money.

So without any future government help where does that put us? **Based on our financial projections, we will run out of cash in the first quarter of 2025 and the bank will foreclose on our building.** This will rob us of our ability to sell the building and walk away with any sales proceeds. For all these reasons, it is imperative that we sell the building in a timely way so that we can use the proceeds to both right-size our physical space and create a sustainable annual budget for the future.

Have we investigated renting/sharing space with another synagogue?

We have had two synagogues approach us (Temple Jeremiah and Niles Township Ezra Habonim) and both of those situations don't work for us for a variety of specific reasons.

Why don't we find a permanent new home before we sell?

We do NOT have the funds to close on a permanent location, nor would it make sense for us to spend the money on zoning/etc (possibly \$20,000 - \$30,000 for legal and consultants) until we have closed on our property and have the substantial sales proceeds sitting in the bank earning interest.

What is going on with our current best offer?

Our current best buyer is a municipal entity, as opposed to a developer. This municipal entity will be able to close on the property in a much shorter time frame than a developer. This will help us mitigate the risk of us running out of money before the anticipated closing.

It is important to note that although our best buyer would be able to close quickly, that does not mean we will have to leave the building quickly. The best buyer is willing to work with us to allow us to stay through the High Holidays in 2024. We are working on an arrangement to occupy the property by a leaseback through the end of 2025. These proposed time frames would allow us a very long period of time to find and vet a new permanent or temporary location.

What happens if we take no action?

We need to be cognizant of what happened to Niles Township Ezra Habonim. They couldn't refinance their mortgage, sold the property at a steep discount, and left an enormous amount of money (probably close to \$2M) on the table because their congregants and leadership couldn't make a decision in time.

Our existing building is a significant drain on our finances, and the sooner we can get the property sold and the sales proceeds in the bank earning interest, the better for our long-term viability.

Can we sell one half of the building?

We have only received one offer that would potentially accommodate this. The offer is from an inexperienced purchaser. In addition, the potential buyer can only complete the purchase in an installment sale, which carries risk of not receiving all of the sales proceeds and having to foreclose on the property. We are not certain that this buyer has the money or knowledge to operate and maintain the property after closing. In addition, there is a high likelihood of not going through with the transaction due to inspection issues.

We have been advised by our attorney that this is not only very complicated and costly to transact a partial sale. This would entail subdivision of the property with new tax pins for each portion, creating a Reciprocal Easement Agreement that manages sharing the property between the parties, figuring out co-existing on the property when it comes to dates, parking, etc. Such an arrangement would also require managing expenses, shared utilities and infrastructure, and sharing the property especially with regards to parking. In addition to being complicated, a partial sale would likely require a special use or zoning variance with the village that may or may not happen.

As Committee member Arthur Braun said, "Any attempt to partition the building will require legal and financial effort way beyond what is required for sale transaction, significantly reducing the sale proceeds and complicating the transaction, thus further stressing our resources."

Why isn't moving into half the building feasible?

We will have to make substantial improvements and upgrades to the school wing (adding adult bathroom, modifying HVAC and possibly separating furnaces and air handling systems between the two parts of the building). Once we start to submit drawings for a building permit and the village comes in to inspect the property, there will likely be substantial additional code compliance issues that need to be resolved, which can be an enormous amount of unforeseen expense.

In addition to separating the mechanicals, we will have to make many cosmetic alterations to the school wing. This will be very expensive with the classrooms not being easily modifiable spaces.

We (and the purchaser) would still have an old building that would need to have major upkeep and repairs.

Possibly the biggest issue is if we ever wish to sell the school wing down the road. This will be much more difficult as there will be a much smaller pool of buyers interested in that sort of shared property arrangement. No developers, for example, would be interested. This means the value we get for it down the road will be depressed and once again, depending on what a future buyer wants to do with the school wing, they will have a complicated co-existence with the other owner, and may have to deal with the same zoning items we discussed above.

Is BHBE closing?

No! Absolutely not. BHBE is a vibrant, committed, and multi-generational community of wonderful people who remain engaged congregants. We continue to attract young families to our "Littles" events and we have sustained an increase in new members over the past few years. Many younger people are joining our Board of Directors to help lead us into our future. We have been active and engaged for over six decades and we plan to be here for at least that many more. We are simply looking for an appropriately-sized building that is accessible for our multi-generational community. Our current building is approximately 54,000 square feet. Our research shows that we need a building of approximately 12,000-15,000 square feet. We need to match our facility with the needs of our congregation.

Why now? This seems so sudden.

Our total membership is now approximately 300 family units. The building we occupy was designed to hold 1,000 units. As the building ages, we have spent a great deal of time and money maintaining and repairing our facility.

Over the past 20 years, many discussions have been held about our building by our lay leadership. Most recently, we completed our second major strategic plan. The strategic plan yielded the “Future of the Building Committee,” which met over the course of a year to produce a detailed study about the range of options available to us as we seek to right-size our physical space.

In short, this process has not occurred suddenly. Our decision to put the building on the market is the result of a decade’s worth of research, analysis, and discussion between all of our community members including congregants, staff, board members, and clergy.

What will we gain?

We would like to put our resources of time and money into the rituals, programs and events that are meaningful to our members. As a result of this process, we would have the funds available to envision new sacred spaces and places for communal gatherings. We also would be able to employ staff members dedicated to programming, marketing, and administration.

Where do my High Holiday Appeal dollars go?

The fundraising we do each year at the holidays is to supplement the current year’s budget. Our membership dollars only cover about half of our expenses. The High Holiday Appeal is a very significant component of our budget and finances.

What about considering a merger?

We have actively been looking for and discussing options in the area. Unfortunately there are no viable options at this time. This continues to be an area of interest and something we would consider should an opportunity arise.

What process have we followed to get to the decisions we’re facing now?

In 2020, BHBE embarked on a strategic planning process led by the USCJ which helped us to identify issues we need to confront to continue to be a strong, vibrant synagogue for generations to come. One of these areas focused on the building. We created a “Future of the Building” committee, which provided the BHBE board of directors with guidance on selecting a path to follow. In 2023, the board gave the go-ahead to select a real estate broker to list our building so that we could make informed decisions.

How did we choose SVN as our broker?

BHBE engaged in a detailed, carefully planned process to secure the best possible broker to represent us. BHBE put out an “RFP” (Request for Proposals) from which a committee reviewed the responses and made a decision to hire SVN.

Where will we move?

Our broker is watching for properties that we can consider. Through guidance from organizations such as the USCJ, we understand we need a facility of approximately 12,000 square feet (compared with our current facility which is 54,000 square feet). We are looking to remain within approximately 3 miles of our current location. Currently, the options we are investigating fall into three main categories: renting from an existing synagogue in our area, leasing or buying a commercial space, and leasing back our existing space for a short term while we consider other options.

Are there interim plans should we need a temporary home for BHBE?

We have started discussions with alternate locations in the event that we should need a temporary home.

What will become of our current facility?

This will depend on who might purchase the building and land. One of two scenarios is most likely: either another religious organization or compatible-use nonprofit could move into and use the existing building, or a developer may want to take down the building and build housing.

What about the option to sell part of the building instead of the entire property?

The realtors who replied to our Request for Proposals believed that this is not a feasible idea; selling part of the building and/or part of the land is not really a viable money-making option.

What about my life-cycle event?

Please rest assured that your life-cycle event will occur as planned, with the full support of our clergy and administrative staff and the participation of as many community members who would like to participate. We are at the beginning stages of this process, and we will ensure that all eventualities are taken care of as we go.

Where can I go for the most current information about the building and where we are in the process?

Please feel free to approach any board member with questions, or to refer to this document. We will be updating regularly as we continue this process.

How can I be part of this conversation? How can I help?

BHBE Board meetings are open - feel free to join each month. Email any member of our clergy, staff, or lay leadership. You can also reach out to members of this committee.

What fundraising plans do we have?

We are focused on two areas of fundraising: (1) to support our current financial situation, which we aim to do with our annual High Holiday Appeal and (2) as our plans progress, we will look ahead to fund the exciting changes on the horizon for our congregation.

What will happen to our most treasured parts of our building, such as the stained glass windows and the memorial plaques?

We recognize that there are many physical objects in the building that are personally meaningful to us. We have a dedicated committee reviewing the conservation and display of these treasured items.

What is the valuation of the property?

The valuation depends on several factors, including the buyer's proposed use. We expect that the proceeds of sale would allow us to pay off our debt and move into a structure better suited to our congregation's needs.

What are some of the major anticipated expenses on our current building?

We expect to face the following challenges in the near future:

- Roof replacement
- HVAC replacement
- Sound system replacement
- Flooring replacement
- Other interior updates
- Unexpected emergency expenses - TBD (e.g., recent sanctuary ceiling work)

What about the parsonage?

We need to convene a group to discuss the many issues surrounding the parsonage:

- Proximity to where we reside
- The current loan
- Upkeep

What is the timeline we can expect to follow?

There are many variables that will affect the timeline we face. Most significant of these is the intended end use of the building and property. While we acknowledge that many of these variables are outside of our control, we intend to keep every one of our stakeholders apprised of our progress as we begin this process.

Will the naming of particular spaces continue in a new facility?

Wherever we go, we will find the space to honor our congregation's heritage.

What will we do with proceeds from the sale of the building?

We will invest in a facility that is “right-sized” for us. In addition, we will dedicate additional resources to programming and staff that will help us achieve our mission.

Why can't we raise money to modernize our current building?

Historical fund-raising efforts have shown we cannot raise enough money to make the improvements we would need to sustain the building. Even if we were able to accomplish the necessary fund-raising, our building would still be too large for us to maintain in a sustainable manner.

What is required of the Congregation in order to sell our property?

Please log into your BHBE account and navigate to the Board page (<https://bhbe.shulcloud.com/bhbe-board.html>) where you'll find a link to view our congregation's Constitution. The sale of the building requires a congregational vote.