

*Confidential*

**BHBE: Future of the Building**

**Final Report**

**EXECUTIVE SUMMARY:**

The members of this committee were asked by Cynthia Lerner, the President of our Board of Directors, to survey the options available to our BHBE community regarding the future of the building. The report that follows is divided into four sections, as outlined below:

1. ***An introduction describing the history of our building and providing a financial overview of our congregation.*** This section describes the ways in which our building, which was originally built to serve a community that was nearly three times the size of our existing community, is now too large for our congregation. The financial portion of this section describes the ways in which our declining membership has shrunk our revenues, while at the same time our expenses have continued to grow.
2. ***An explanation of our internal demographics and the demographics of the area surrounding our community.*** This section describes the ways in which the age distribution of our congregants is weighted toward those in their sixties, seventies, eighties, and older. In addition, our report describes the way that the population of the surrounding area is becoming less Jewish. This mirrors an overall shift in Jewish demographics away from those who choose to affiliate with congregational Conservative Judaism.
3. ***An explanation of the six options (including multiple variations of those options) generated by the members of our committee.*** These options are listed and explained briefly below, and in greater detail in the following report.
  - i. **Option 1** is the base case, which means that we stay in the existing building and make improvements as needed to address maintenance and aesthetic issues. Following this course of action would result in continually increasing expenses and is not viable in the long term unless significant additional revenue can be secured. **This option is not recommended without a secure source of additional revenue.**
  - ii. **Option 2** is that we rent various sections of the building to other non-profit organizations. Although this option would bring in additional revenue, it would also result in increased expenses and possible tensions between tenants. **This option is not recommended.**
  - iii. **Option 3** consists of two variations. The first variant is that BHBE moves into the school wing of the building and sells the remainder of the building, establishing a condominium arrangement with the new owner. Another possibility in this category is that we tear down or sell approximately half the land for residential development. This scenario offers a significant potential upside; however, there are also some uncertainties inherent in both variations of Option 3. **Due to the uncertainties in this scenario, we recommend further investigation in conjunction with a real estate professional and architect to determine if the potential benefits can be realized.**

- iv. Option 4** is that we “mothball” or tear down sections of the building. Neither of these variations would provide revenue; both would incur significant expenses in demolition or upkeep and would ultimately provide only minor reductions in building expenses. **This option is not recommended.**
- v. Option 5** is that we sell the building and land in order to pursue different post-sale options, such as purchasing or renting at a different location. Selling would generate significant proceeds, but there is not a clear path forward when it comes to post-sale options. There also exist many uncertainties in valuing the land and building, as well as in securing an appropriate post-sale home for BHBE. **Despite the uncertainties inherent in this process, the committee recommends that BHBE secure the assistance of a real estate professional to investigate this option further.**
- vi. Option 6** is that we tear down the building and construct a smaller facility on site. This option does not provide proceeds of sale, and BHBE would incur additional construction and furnishing costs. Raising the amount of money required for this option would be difficult. **Therefore, Option 6 is not recommended.**

The committee has concluded that the existing building is no longer optimal for the congregation’s needs. Option 3 and Option 5 appear viable. Although significant uncertainties exist in pursuing either of these options, we recommend that an architect and a real estate professional be engaged to determine the next steps forward for our congregation.

We recognize the complexity of this decision and acknowledge the importance of giving our many stakeholders a voice in this process as we move toward the future. To that end, we recommend that the Board hold town hall meetings and other forums for actively soliciting comments from congregants while also keeping them apprised of discussions that are underway.

In addition, we affirm that while this process is underway, we are concurrently investigating all possible avenues to ensure the long-term sustainability of our congregational community. Some of these avenues, such as a fundraising campaign to pay off the mortgage and loans or a merger with another congregation to increase membership and revenue, are beyond the scope of this study.

Ultimately, we recommend that after receiving input from congregants, architects, and real estate professionals, we put the property on the market. We recommend taking a flexible approach in order that either Option 3 or Option 5 can be pursued depending on the financial implications.

I.

## **INTRODUCTION**

### **BHBE History, Building, and Financial Overview**

The following section of this report describes the history of Beth Hillel and Bnai Emunah, as well as their subsequent merger to form Beth Hillel Bnai Emunah (BHBE).

Beth Hillel was established in 1958 and the congregation purchased land on Big Tree Lane in that year. Ground was broken for the school building in 1961, and the building was formally dedicated in March 1963. The congregation grew rapidly, and in 1973 the sanctuary building was constructed to accommodate the growing membership. At its maximum, Beth Hillel had approximately 1,000 family units.

Bnai Emunah was established in 1953. The congregation built its sanctuary and classrooms in Skokie in 1964. At its peak, Bnai Emunah had 950 family units and over 1,000 students in its Hebrew School.

By the 1980s, membership of both synagogues was in decline and both facilities were larger than needed. In June 2004, the two Conservative synagogues combined to form BHBE.

In 2009, BHBE had 630 member families and approximately 165 students enrolled in the Academy. Approximately 250 congregants attended Shabbat services weekly. The Three-Year Strategic Plan written in 2009 noted that the building was, at that time, too large for the congregation.

Currently, BHBE has approximately 350 member families and 60 children in the Academy. Seventy to 100 people attend Shabbat services weekly. Membership continues to decline at roughly three percent per year. At this rate of decline, the number of family units in 10 years will be approximately 250.

BHBE's current facility is much larger than needed. The building itself is approximately 54,000 square feet. The sanctuary seats over 600 people. Only a portion of Spak is used for Kiddush meals and other programs. The chapel is used only a few days per week for minyanim or youth services, and the Youth Lounge is used infrequently.

In a recent appraisal, (Valucentric, Rosemont IL, Oct. 21, 2020) BHBE property excluding the building was valued at \$4,380,000. The land is zoned for residential use (R1-A). Due to the demand for residential property in Wilmette, the land value may exceed \$5,000,000. Including the building, the property was valued at \$7,080,000. The market value of the building and land may be as much as 20 percent lower than the appraised value due to deferred maintenance. The appraisal document discusses the methodology, assumptions, and uncertainties of the appraisal.

## **Financial Overview**

BHBE has struggled to balance its budget for several years. Each year, balancing the budget becomes more difficult.

Membership dues comprise largest source of revenue. Dues, which cover approximately 50 to 55 percent of our operating costs, continue to decrease. Our operating costs, however, continue to increase. As such, and using only one example, we are only able to pay for the most critical building repairs, maintenance, and improvements due to our lack of liquidity (e.g., we continue to defer other much-needed building improvements).

Our fiscal year runs from July 1 until June 30, and each year we use our line of credit (LOC) for liquidity due to the mismatch in timing of membership dues compared to general operating costs. However, we continue to pull on the LOC earlier and earlier, and this year tapped the LOC in December, the earliest ever. This drives up our annual interest expense (by carrying a debt balance for longer each year), and causes us to spend money on debt service rather than items that actually benefit our synagogue and community.

In 2021 and 2022, BHBE received funds from the Paycheck Protection Program (PPP). This helped us delay pulling on the LOC in those fiscal years but simultaneously camouflaged the liquidity issues for two years. However, that government program has ended and we have spent those funds. As such, it is likely we will continue to rely even more on the LOC in the future.

Finally, we cannot pass on to our members our operating costs that have increased significantly year-over-year due to inflationary pressures in the market that impact expenses as far-reaching as our

utility costs, the interest rate on our line of credit (previously 4.75% and now 8.5%), cost of security, and cost of food.

In summary, maintaining a balanced budget continues to be more and more difficult due to the combination of shrinking membership dues and increasing overall operating costs. And if we cannot maintain a balanced budget, we will likely be unable to renew either our line of credit (\$350,000) or our mortgage (\$800,000) in the coming months and years.

## **Methodology**

The Future of the Building Committee was formed in 2022 at the request of BHBE President Cynthia Lerner. The committee's mission was to study the current and future needs of the congregation with regard to the building, and to make a recommendation about the most effective course of action to help ensure BHBE's long-term sustainability.

The committee has met on numerous occasions to accomplish this mission. Members of the committee have studied the congregation's internal demographics and analyzed the demographic trends on the north shore of Chicago. In addition, the committee has examined current and projected building expenses. Committee members have interviewed leaders from other congregations that have been through similar analyses. As a team, we have identified numerous options, determined their benefits and disadvantages, and clarified and outlined underlying assumptions and calculations.

## **II.**

### **DEMOGRAPHICS STUDIES**

This section of the report provides an overview of the demographics of the Conservative Jewish population living in the Chicago suburbs. This information informs our decision about a potential relocation in the future, as well as the sustainability of our current location.

Sources cited include those listed below.

The "Jewish Chicago: Who We Are, A 2020 Population Study" is a 200-page document that examined the Jewish population in Chicago and the Chicago suburbs. The study was completed under the auspices of JUF in conjunction with the National Opinion Resource Center (NORC) at the University of Chicago and the Brandeis Cohen Center for Modern Jewish Studies and Steinhardt Social Research Institute 2020.

Conversations with Dr. David Rubovits, Senior Vice President, JUF Chicago. Dr. Rubovitz highlighted the information that would be most relevant to our committee's questions regarding utilization of our building and land.

When it comes to the question of affiliation, both sources referenced above stated that the majority of Chicago-area people who identify as Jewish but who are not presently members of a congregation do not choose to identify with a specific denomination of Judaism. The exception to this appears to be more observant Jewish people, such as those who identify as Orthodox. Jews who appear to be Conservative seem particularly reluctant to identify themselves as linked to a specific group. In practice, this seems to indicate that Conservative Jews may affiliate with any denomination of Judaism rather than seeking a Conservative congregational affiliation.

## BHBE membership and demographics

Demographics were examined regarding two major topics:

1. The composition of the current membership of Beth Hillel B'nai Emunah, as well as projected membership;
2. An examination of the overall demographics of Conservative Jewish people living in the Chicago suburbs and analysis of whether these populations might be a source of future BHBE members.

An examination of our present membership with the possibility of an ongoing trend in the reduction of **paid** membership over the next 12 years indicates the following: If there is a 2% decline in our present membership of 330, we would be at 264; a 3% decrease would result in 236 paid members; a 4% decrease would result in 211, and a 5% decrease would result in a membership of 188.

In addition to considering the probable shrinkage of the Jewish population in the areas surrounding our current location, we also analyzed the demographics of our congregation. Our study revealed the following distribution of age:

AGE RANGE	NUMBER OF CONGREGANTS
80-plus	70
70s	73
60s	60
50s	52
40s	36
30s	17
20s	14

Based on the percentage of members aged 65 and older, we can anticipate a decline in that membership group based on those in their upper years who choose to join their children's congregations, transportation constraints, financial constraints, morbidity and/or mortality.

### Geographical Demographics

There is no way at present to predict with any accuracy the percentage of decline other than to anticipate a reduction in new Jewish families in our primary source geographical areas (See below). Therefore, the remainder of this section discusses the current geographical distribution of our membership and makes projections regarding future trends in location.

The demographics of the BHBE membership indicates that 90% of our present membership comes from the suburbs listed below and on the following page, listed in order of overall percentage:

- Wilmette (33.3%)
- Skokie (19.3%)
- Glenview (12.3%)
- Additional northern suburbs and out of area locations (10%)
- Evanston (9.2%)
- Chicago (5.9%),
- Northbrook (4.5%)

Lincolnwood (3.4%)  
Highland Park (3.1%)  
Winnetka/Northfield (2%)

The students in the Academy come primarily (89.8%) from the first 5 suburbs mentioned above.

The study mentioned above presents documentation indicating a decline in the Jewish population in the suburbs from which BHBE draws its primary membership.

Our committee's guiding question for this demographic study was "Where do currently-unaffiliated Conservative Jews who want to join a congregation live, and where might they choose to live in the next 10 years?" While the study referenced above does not explicitly answer this question, it does suggest that many Conservative Jewish people are moving to Deerfield, Highland Park, and suburbs further west where well-established synagogues exist.

The study further suggests that areas from which we currently draw our membership are not experiencing growth in Jewish population. Discussions with area realtors support this contention. This suggests that there would be a paucity of potential new BHBE members in our current location to target for membership in the near future.

It appears that we would find it challenging to encourage those already involved in synagogue life to join BHBE. The immediate suburbs surrounding BHBE, from which we draw large numbers of our members, are experiencing a decline in Jewish population. Those Jewish people who do purchase homes in our area identify with various segments of Judaism, not primarily the Conservative movement.

### III.

#### OPTIONS

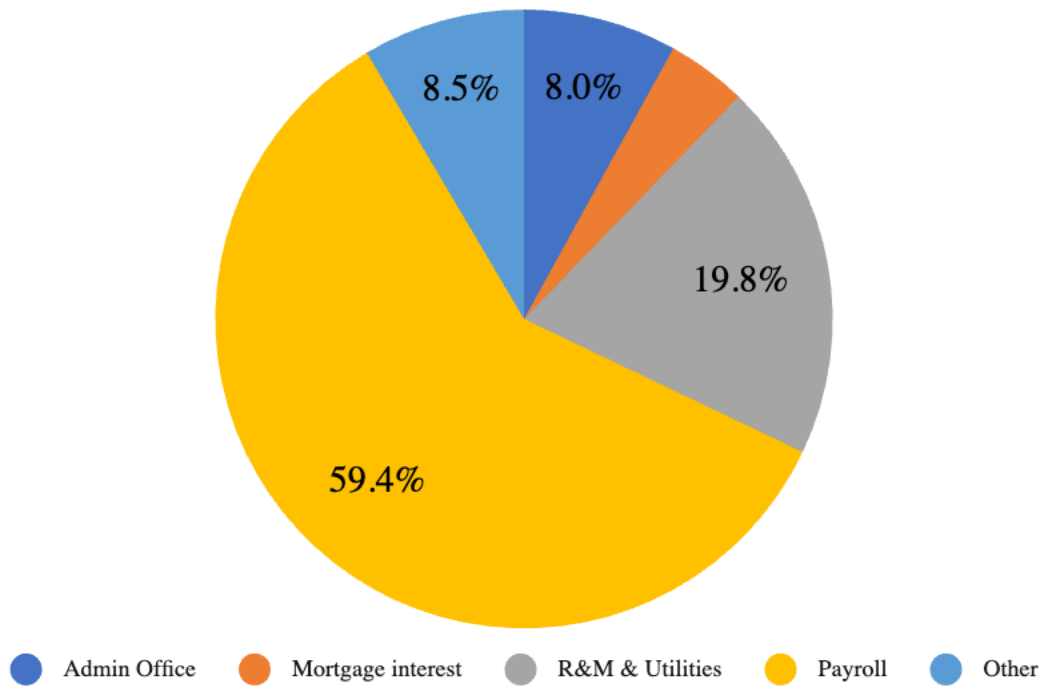
##### Option 1: Base Case

For the purposes of analyzing our current expenses, this section examines the base case scenario. This scenario means that we would retain our existing building and continue renting to BJE, making only the necessary facility upgrades or modifications such as parking lot repair, repainting, or flooring replacement.

##### Current and projected building expenses and revenue

For FY 2021-2022, the total building expenses were \$374,383. This does not include interest on the building loan.

Building and building-related expenses currently comprise approximately 20 percent of expenses, as illustrated in the following pie chart. These numbers are based on profit and loss statements for fiscal year 2022/2023 through February 17<sup>th</sup> of 2023.



BHBE currently rents most of the Academy classrooms to the Board of Jewish Education (BJE) preschool. The current rent is approximately \$110,00 per year. This income helps offset some of the building expenses. The lease agreement provides for a rent increase tied to the cost-of-living increase. Assuming a three percent increase in the cost of living per year, the rent for the 31/32 fiscal year would be approximately \$140,000 per year.

Annual building expenses and revenue extrapolated at 3 percent per year are presented in the table below. Building expenses discussed below include necessary or desired capital improvements. For example, approximately \$60,000 was spent in FY 21/22 on items such as parking lot improvements, painting, and flooring.

YEAR	BUILDING EXPENSES	BJE LEASE INCOME
2023	\$413,000	\$110,000
2024	\$425,000	\$113,000
2025	\$438,000	\$117,000
2026	\$451,000	\$120,000
2027	\$465,000	\$124,000
2028	\$479,000	\$128,000
2029	\$493,000	\$131,000
2030	\$508,000	\$135,000
2031	\$523,000	\$139,000

## **Energy Efficiency Considerations**

The building is energy inefficient. It is a sprawling, 54,000 sq. ft. structure built in 1960 and 1970 to insulation standards of the time. The air conditioning compressors are old and inefficient. The boilers were replaced about 15 years ago and are thermally efficient but not state of the art. Most windows in the building have been upgraded to double pane glass with thermally insulated frames. The roof over the Academy wing was replaced about five years ago. It now meets current insulation codes with five inches of foam insulation below the surface. The roofs over the rest of the building have little insulation.

## **Uncertainties**

Uncertainties in projecting the building expenses include:

- Rate of inflation. The rate is impacted by financial, national, and international events that cannot be accurately predicted.
- Unexpected repairs due to major structural, plumbing, sewer, electrical and HVAC issues. Although allowances can be made to provide for unexpected major repairs, these repairs and associated expenses are difficult to predict.
- BJE could terminate their lease and BHBE may be unable to find another suitable tenant for the Academy wing. This would result in a significant loss of revenue; however, it would reduce building expenses due to reduced need for cleaning services, utilities, and wear and tear.

## **Benefits and Disadvantages**

There are both benefits and disadvantages, outlined below, associated with the option to stay the course. A decision to stay would require careful consideration of not just the continued expense of remaining in place, but also of the aesthetic and emotional implications of continuing to operate in our current location.

### **Benefits**

- Familiar surroundings;
- Large social hall suitable for large functions;
- Adequate storage areas, office space and room for memorial plaques;
- Room for Academy classes to spread out in the large building;
- Room to accommodate High Holiday services.

### **Disadvantages**

- High maintenance cost;
- Large sanctuary appears empty on most Shabbatot;
- Areas of building look run down or dated, including hallways, carpeting and parking lot;
- Frequent plumbing and roof leaks;
- HVAC and kitchen appliances are old and prone to failure;
- Building is energy inefficient;
- Maintaining security is challenging, as the building was not designed to provide maximum security.

### **Next steps:**

- Contract with an energy consultant or utility company for an energy audit. There may be ways to reduce energy consumption with minimum investment and short payback.



- Request new assessments from roofing contractor, plumbing contractor, sewer contractor, paving contractor and HVAC contractor to identify major repairs or replacements that will likely be required during the next ten years.
- Get estimates from flooring companies to replace flooring throughout the building.

### **Option Two**

Rent out major portions of the building

The existing facility is too large for BHBE's current membership and needs, as stated in the Introduction. One possible solution to this problem is to make our space into more of a hub for Jewish life in the area by welcoming other renters. BHBE is currently renting the Academy wing to BJE for an early childhood education program during the week. The Academy currently uses portions of the building on Sundays, although they are not charged for their use of the space. Possible plans to rent space to another congregation are being considered.

There are several options for renting out sections of the building that are discussed below.

### **Option 2a**

The first variation of this option is to rent the Men's Club Auditorium and several rooms in the Academy wing to a separate Jewish congregation, while continuing to rent the remainder of the Academy wing to our current tenant, BJE.

### **Uncertainties:**

- If a rental agreement is signed, it is not certain that the tenant will renew the rental agreement when it expires. This means that rental may not be a reliable long-term solution to supplementing our building costs.
- It is not certain that BJE and the tenant will be willing to share space. It is possible that BJE will decide to terminate their lease as a result.

### **Benefits**

- BHBE will receive rent from the separate congregation, which may partly offset building expenses.
- BHBE and the separate congregation may collaborate on programs open to both congregations, which may positively impact attendance and participation.
- BHBE and the separate congregation may have a common kiddush on Shabbat and holidays.
- There may be potential for eventually merging BHBE and the separate congregation.
- BHBE will continue using the Academy wing for Hebrew and Sunday School, except the art room and the library which will be used by the separate congregation for offices. The separate congregation, BHBE and BJE will share the Men's Club Auditorium.

### **Disadvantages:**

- Although rental income may help offset the cost of building expenses, it is important to remember that managing a rental requires a significant investment of time, as well as continuing dedicated resources for cleaning and maintenance. These factors may make a rental less financially advantageous than desired.
- Operating expenses including janitorial services, security and wear and tear of the facility will increase.

- Any potential conflict over use of shared space between BJE and the congregation could result in losing BJE.
- BHBE may incur initial expenses to upgrade the facility in order to meet the needs of the separate congregation.
- Storage space for the separate congregation is limited. They may require some of BHBE's storage space, such as a section of the basement.
- The separate congregation may follow halacha that is different from our congregations' halacha, which could result in tensions between the two congregations.

### **Conclusion and next steps:**

Any negotiations with outside organizations must account for the increased wear and tear on the building, as well as the time investment from our salaried employees required for maintenance and managing tenants.

- If BHBE fails to reach an agreement with the congregation, we should proactively seek another Jewish congregation.
- Identify modifications to the facility, if any, that will be required to accommodate the separate congregation.
- Identify costs associated with facility modifications and work with future tenants to assume joint responsibility for all such costs.

### **Option 2b**

The second variation of this option is to rent the chapel, Youth Lounge and existing offices to a separate congregation or non-profit organization. In this scenario, BHBE offices would move to the Academy building. BJE rental would continue.

### **Uncertainties**

- We may experience difficulty identifying a separate congregation or non-profit organization that would lease this section of the building.
- If BHBE moves to the Academy building, BHBE and the existing tenants may find it difficult to share space.

### **Benefits**

- BHBE will receive rent for the rental areas.
- If renting to a separate Jewish congregation, BHBE and congregation may collaborate on programs open to both congregations, potentially increasing attendance and participation.
- If renting to a separate Jewish congregation, BHBE and the congregation may have a shared kiddush on Shabbat and holidays.
- If renting to a separate Jewish congregation, there may be potential for eventually merging BHBE and the congregation.
- BHBE will continue using the sanctuary, Spak and the Academy building but will no longer have use of the chapel and Youth Lounge.
- The basement storage area, cantor's office, and choir loft will continue to be used by BHBE.

### **Disadvantages:**

- Operating expenses including janitorial services, security, and wear and tear of the facility will increase.

- BHBE may incur initial expenses to upgrade the facility to meet the needs of the separate congregation or organization.
- BHBE will incur expenses to move offices to the Academy wing.
- It may be necessary to provide doors between the rented area and the area occupied by BHBE for privacy and security.

### **Conclusions and next step:**

As with Option 2a, the net economic benefit to BHBE will be only a fraction of BHBE's projected budget deficit. Initial expenses to move offices to the Academy wing may offset most of the financial benefits in the short term.

- Discreet conversations should be initiated with other Jewish congregations or non-profit organizations if the current negotiations for Option 2a fail to reach an agreement.

### **Option 2c**

In this option, portions of the Academy wing and the offices, chapel, and Youth Lounge would be rented to two different congregations or non-profit organizations. BJE rental would continue. The BHBE offices would be moved to the existing coat room and gift shop. The sanctuary and Spak would be reconfigured to accommodate BHBE and Academy needs.

### **Uncertainties:**

- Major modifications will be required to Spak and other areas of the building to accommodate the new uses. Costs have not been estimated, but could be substantial.
- Security could be more challenging with BHBE and three renters occupying one building.

### **Benefits:**

- Same as Options 3a and 3b. BHBE will collect rent from several organizations.
- BHBE will continue to use the sanctuary and Spak.

### **Disadvantages:**

- Same as Options 3a and 3b plus the following:
- BHBE will incur expenses to remodel Spak to accommodate the Academy, and to remodel the coat room, gift shop, and possible Spak storage area to accommodate additional offices.
- It may be necessary to modify the HVAC system and install windows in windowless rooms to make these spaces usable.

### **Conclusions and next step**

Option 2c will provide greater revenue than Options 2a and 2b because there will be new two organizations renting from BHBE.

However, rent from the two organizations will not completely offset building-related costs. In addition, operating expenses and wear and tear on the building will increase significantly. Investment costs to accommodate the tenants have not been estimated; however, it is reasonable to assume that payback time for the investment will be at least several years.

We do not propose further study of Option 2c at this time.

## Option 2d

In this option, BHBE would move to the Academy wing. The remainder of the building would be rented to a congregation or non-profit organization.

### Uncertainties

- It may be necessary to make major modifications to Spak, the sanctuary and other areas of the building to accommodate a tenant. Costs have not been estimated but could be substantial.

### Benefits:

- BHBE will receive rent for two-thirds of the building.

### Disadvantages

- BHBE may not have use of the sanctuary or Spak unless special arrangements are made with the tenant.
- It may be necessary to hold High Holiday services at a different location to accommodate all congregants.
- BHBE may lose members due to the changes.
- BHBE may have to make improvements to the Academy wing to accommodate all the functions of our congregation.
- BHBE may have to make improvements to the rest of the building to accommodate the new tenant.
- BHBE may not be able to share space with BJE and a possible new tenant in the Academy wing.
- BHBE will have to continue maintaining the entire building and paying utility costs.
- BHBE may not be able to find a tenant willing to pay sufficient rent to cover all operating costs.

### Conclusions and next step

We have not estimated the initial investment or the potential revenue for Option 2d. We know the current and projected operating costs for the building. This is provided in the previous table. We expect there will be additional costs to accommodate the tenant. It is not known if the rent that we can expect will exceed the operating costs for this portion of the building.

We do not propose further study of Option 2d at this time.

## Option Three

**BHBE moves into the school wing of the building. The remainder of the building and a portion of the property are either demolished and sold for residential use or kept intact and sold for compatible non-profit use.**

The next set of options describes two scenarios, Option 3a and Option 3b. In Option 3a, BHBE moves into the school wing of the building, the remainder of the building is torn down, and a portion of the property is sold for residential development. In Option 3b, BHBE moves into the school wing of the building and the remainder of the building and property is sold to a non-profit organization such as a religious institution, school, or community center.

For both versions of Option 3, BHBE floor space would be reduced to 18,000 square feet, which is the square footage of the Academy wing. This is approximately one-third the current floor space of 54,000 square feet. The Academy wing includes the classrooms, Men's Club Auditorium, offices, and library. This

portion of the building was constructed in 1960 and originally accommodated the entire synagogue. It is large enough to accommodate all current functions of BHBE.

In light of the recent appraisal of our building and land, we have assumed that the sale price for 50 percent of the land would be \$2,190,000, or 50 percent of the total estimated land value. This assumption cannot be supported without further study by professionals.

### **Option 3a**

In this variation of Option Three, BHBE would move into the Academy wing. The remainder of the building would be demolished. A portion of the property would then be sold.

Costs associated with moving into the Academy wing and tearing down the remainder of the building and selling 50 percent of the property would include, but not be limited to:

- Fees for a real estate broker, legal professional, and architect.
- Demolition and land restoration.
- Modifications to the school wing including:
  - Repairing the north side of the school building adjacent to the demolition site.
  - Modifying the utilities as necessary. Power and sewers may have to be relocated.
  - Remodeling the school wing to accommodate new uses. As an example, the Men's Club Auditorium may be upgraded to become a sanctuary and social hall. Restrooms may need be upgraded for adult use. The kitchen may be upgraded. The art room and library may be converted to offices. Some classrooms may be converted to multipurpose rooms that could accommodate kiddushim and other functions. Worn out, leaking water lines may be replaced. Indoor sewers may be repaired or replaced. Lockers may be removed from hallways and memorial plaques may be moved to hallways. Flooring may be replaced. Ceilings in hallways may be replaced.
  - Replacing the HVAC system and window air conditioners in classrooms, possibly with a heat pump system.
  - Repaving or rebuilding the parking lot.

The table below provides rough financial estimates for Option 3a including proceeds of sales and costs. None of these estimates has been validated. Most of the estimated numbers have a high degree of uncertainty. It is assumed that BHBE would pay the cost to demolish everything but the Academy wing and to restore the land so that it is suitable for residential construction. It is also assumed that BHBE would receive \$2,190,000 for the land, incur expenses of \$1,765,000 to tear down the structure and modify the school wing, and pay \$800,000 to retire the mortgage. This would result in a net loss of \$375,000. Refining these numbers would require an updated building and land appraisal, an architect to develop a scoping-level design and cost estimate, and a real estate professional to determine the marketability of the land.

The two tables below also provide rough estimates of building expenses for Option 3a. In the first table, the estimated revenues and expenses are listed in decreasing order. Our estimation of the reliability of each estimate is listed alongside the estimates.

In the second table, building expenses are estimated by multiplying the current building expenses by a fraction based on the reduced size of the building. This table provides some insight into the ways in which building expenses may be reduced by downsizing.

	<b>Estimated cost (\$)</b>	<b>Reliability of estimate</b>
<b>Revenue</b>		
Proceeds from sale	2,190,000	Medium
<b>Expenses</b>		
Retire mortgage	(800,000)	High
Modifications to school wing	(500,000)	Low
Demolition and restoration	(500,000)	Medium
Contingency, unplanned expenses	(160,000)	Low
Architect fees	(150,000)	Medium
Real estate broker fees	(100,000)	Medium
Repair north side of school wing	(100,000)	Low
Parking lot modifications	(100,000)	Low
Legal fees	(50,000)	Low
Misc. fees	(50,000)	Low
New furnishings	(25,000)	Low
Moving expenses	(20,000)	Low
Security systems, internet, phone, etc.	(10,000)	Low
<b>Expense Subtotal</b>	<b>(1,765,000)</b>	
<b>Total</b>	<b>(375,000)</b>	

<b><i>Operating Expenses</i></b>	Building Expenses 21/22 year	Estimated fraction of building expenses	Estimated building expenses
Improvements	\$66,336	0.33	\$21,890.85
Janitorial Services	\$50,817	0.25	\$12,704.33
HVAC Repair & Maintenance	\$40,391	0.5	\$20,195.41
General Maintenance & Repairs	\$24,256	0.5	\$12,127.96
Landscaping	\$18,641	0.5	\$9,320.56
Snow Removal	\$16,691	0.5	\$8,345.65
Kitchen Equipment Maintenance	\$10,454	0.33	\$3,449.86
Maintenance & Cleaning Supplies	\$9,131	0.33	\$3,013.08
Trash Removal	\$7,331	0.33	\$2,419.13
Equipment Maintenance	\$5,771	0.5	\$2,885.72
Improvements - Parsonage	\$5,605	1	\$5,605.15
Exterminating	\$2,655	0.5	\$1,327.43
Sub-total	<b>\$258,079</b>		<b>\$103,285.10</b>
<b><i>Utilities</i></b>			
Electric	\$60,325.77	0.33	\$19,907.50
Gas	\$37,344.53	0.33	\$12,323.69
Water	\$9,820.45	0.33	\$3,240.75
Telephone	\$8,813.03	1	\$8,813.03
Sub-total	<b>\$116,303.78</b>		<b>\$44,285</b>
Total	<b>\$374,382.92</b>		<b>\$147,570</b>

### **Uncertainties:**

There are many uncertainties associated with this scenario, including those listed below and on the following page.

- It is uncertain if the Village of Wilmette would permit this option.
- It is possible that the appraiser's assumptions contains errors, that the conclusions are incorrect, and/or values are not valid for current market conditions.
- Estimated costs associated with Option 3a are not supported by professionally conducted studies. There could be substantial errors in the estimates.
- There may be additional costs that have not been included in the study.
- Estimates of operating expenses assume that operating expenses are roughly proportional to the space that the building occupies. This assumption is not supported by a professionally conducted study. Building costs have not been adjusted for inflation.

- It is assumed that the sanctuary section of the building could be demolished, and one half of the land sold for single-family residential development. It is uncertain if a developer would be found to purchase the land.
- The value of the land could be diminished by dividing the parcel in two.

### **Benefits:**

- Continuity in terms of location.
- School wing would require only limited modifications to accommodate current and future synagogue needs.
- Move to the school wing would cause only limited disruption to religious services, school classes, and programs. It may be possible to operate from the sanctuary side of the facility during upgrades to the school wing, and from the school wing during demolition of the remainder of the building. It may not be necessary to move to a temporary facility during the conversion.
- The school wing is relatively energy efficient. It has a new, well insulated roof, all windows are double pane glass, and the lighting is all LED.
- Minimal upgrades would be required for security. All doors and windows are either laminated glass or have security film. Doors are protected by bollards. Closed-circuit cameras cover the perimeter of the building.
- It may be possible to accommodate BJE and continue receiving rent from BJE.
- Operating costs would be significantly lower.
- Memorial plaques could be installed in the halls.
- The existing ark and stained glass windows could be moved to the Men's Club Auditorium.

### **Disadvantages**

- BJE may not approve of the shared arrangement with BHBE and choose to move out, resulting in loss of rent.
- Storage spaces are limited.
- There is only one kitchen.
- The stage of the Men's Club Auditorium is smaller than the bimah in the current sanctuary. The sound system in the auditorium may need upgrading.
- BHBE may lose congregants who disapprove of the downsizing.
- High Holiday services would initially have to be held outside the building. As membership continues to decrease, the auditorium would become adequate to accommodate the High Holiday services.
- BHBE would not be able to accommodate large functions such as parties, rummage sales, etc.
- The estimated costs and proceeds from sale are uncertain. Costs could be higher than estimated and proceeds from sale could be lower resulting in a larger deficit.

### **Conclusion and next steps:**

Option 3a allows BHBE to downsize its facility, stay at the same location, and reduce operating costs substantially. It is suggested that a real estate professional look into the viability of selling one-half the property to a real estate developer. It is also suggested that BHBE contract with an architect to determine the viability of tearing down part of the building and to estimate the cost for demolition and restoration of the remaining portion of the building.



### Option 3b

In this variation of option three, BHBE would move into the school wing and sell the remainder of the building and a portion of the property to a religious organization, school, or community center.

The following discussion of this option is based on the assumption that BHBE would receive \$3,000,000 from the sale of the building and a portion of the property minus the school wing.

The costs associated with this option would include:

- Fees for real estate broker, legal, and architect.
- Modifications to the school wing including those discussed above in the section describing Option 3a, in addition to walling off the north entrance to the school wing if desired.
- Replacing HVAC systems in classrooms, possibly with a heat pump system and forced air to eliminate window air conditioners and maximize energy efficiency.
- Repaving parking lot.

The following table provides estimates of proceeds of sale and expenses for Option 3b. None of these estimates has been validated. Most of the line items have a high degree of uncertainty. The potential proceeds of sale from Option 3b are greater than the proceeds of sale from Option 3a because both a portion of the building and a portion of the land are sold. Expenses are lower because there are no costs for demolition.

After paying off the existing mortgage, it is estimated that BHBE would have a net of \$1,130,000.

Refining these numbers would require an updated building and land appraisal, an architect to develop a scoping-level design and cost estimate, and a real estate professional to evaluate the marketability of the building.

	Cost (\$)	Reliability of Estimate
<b>Revenue</b>		
Proceeds from sale	3,000,000	Medium
<b>Expenses</b>		
Real estate brokerage fee	200,000	
Architect fees	75,000	
Legal fees	50,000	Low
Miscellaneous fees	50,000	Low
Demolition and restoration	0	High
Modifications to school wing	500,000	Low
Parking lot modifications/repair	50,000	Low
New furnishings	25,000	Low
Security, internet, phone	10,000	Low
Moving expenses	20,000	Low
Contingency, unplanned	90,000	Low
Retire mortgage	800,000	High
<b>Total</b>	<b>1,130,000</b>	

As with option 3a, building expenses are estimated by adjusting the current building expenses by a fraction. This fraction is based on the reduced size of the building and the building's expected use. These values are highly speculative. They have not been adjusted for inflation. These building expenses are the same as for Option 3a.

As with Option 3a, the sales price, expenses and operating expenses generated for Option 3b have a high degree of uncertainty. Real estate, architecture and legal professionals would have to be hired to refine these numbers and confirm that this option is feasible.

### **Uncertainties**

- The assumption that BHBE could receive \$3,000,000 for sale of the building minus the Academy wing is highly speculative.
- There is no guarantee that a buyer could be found for two-thirds of the building.
- There is no guarantee that the Village would permit dividing the property and selling part in a condominium arrangement.
- The estimates of expenses in the tables above are highly speculative.
- The estimates of operating costs for BHBE's portion of the building is also speculative and based on the assumption that the maintenance and utility costs would be roughly proportional to the square footage of the building.

### **Benefits**

The potential benefits of this scenario are the same as those described above in the discussion regarding Option 3a. In addition, it may be possible to rent the sanctuary from the new owner for High Holiday services. It may be possible to rent the social hall for other functions.

### **Disadvantages**

The potential disadvantages of this scenario are the same as those described above in the discussion regarding Option 3a.

### **Conclusion and next steps:**

Option 3b allows BHBE to downsize its facility, stay at the same location, and reduce operating costs substantially. This would be accomplished by dividing the building into two sections, establishing a condominium-type arrangement and selling approximately two-thirds of the building to a suitable non-profit organization. It is suggested that BHBE contract with a real estate professional and an architect to determine the costs associated with this option and its feasibility.

### **Option Four**

Downsize the building by "mothballing" or demolishing

The fourth option considered by this committee is to downsize the existing building by either "mothballing" or demolishing sections of the building. Mothballing would mean closing off one or two of the following sections of the building in order to reduce operating and maintenance expenses.

### **Option 4a**

In this option, one or two of the following portions of the building would be closed off:

- The Academy wing,
- The front offices, chapel, and Youth Lounge,

- The sanctuary, Spak, and the meat and pareve kitchens.

If the Academy wing is closed, the Hebrew school could be moved to the remainder of the building with only minor adjustments. BJE's lease would be terminated.

If the front offices, chapel, and Youth Lounge were closed, their functions could also be moved to other parts of the building.

If the sanctuary, Spak, and the meat and pareve kitchens were closed, services would have to be moved to the Men's Club Auditorium and major functions that use Spak could not be held in the building. High Holiday services would have to be held in rented space.

Closed sections of the building would still have to be heated during the cold months and cooled during the warm months, albeit to a lesser amount. This would prevent damage due to condensation, mold formation, freezing, and vermin infestation. In addition, the roofs would have to be maintained. Pipes would be drained to reduce damage in the event of a leak. Security would have to be maintained throughout the building.

Costs to "mothball" sections of the building may include:

- Remodeling section(s) of the building to accommodate new uses.
- Moving furniture and equipment.
- Purchasing new furniture and equipment.
- Revising security features.

Potential savings would include lower utility and maintenance costs. It is unlikely that the potential savings would justify the costs to "mothball" sections of the building. In addition, it may be more difficult for BHBE to refinance its loans if sections of the building were "mothballed."

### **Benefits**

- Ability for BHBE to stay at the current location.
- Moving to the school wing would cause only limited disruption to religious services, school classes and programs.
- Minimal or no upgrades would be required for security.
- Operating costs would be somewhat reduced.

### **Disadvantages**

- If the Academy wing is shut down or if BHBE moves services and Kiddushes to the Men's Club auditorium, BJE's lease may have to be terminated, resulting in loss of rent.
- Storage spaces may be limited.
- There may be only one usable kitchen.
- If the sanctuary and Spak are "mothballed" and services and Kiddushim are moved to the Men's Club Auditorium, new furniture and a new sound system may be required. BHBE would not be able to accommodate large functions such as parties, rummage sales, etc.
- BHBE may lose congregants who disapprove of closing off sections of the building.
- If the sanctuary and Spak are "mothballed," High Holiday services would initially have to be held outside the building. As membership continues to decrease, the Men's Club Auditorium would become adequate to accommodate the High Holiday services.
- The estimated operating expense savings will be modest.

## **Conclusions and next steps**

Option 4a does not appear to be cost effective. No further actions are recommended.

### **Option 4b**

Another variation of downsizing the building is to tear down sections of the building in order to reduce operating and maintenance expenses. In this scenario, one or more of the following sections of the existing building may be torn down:

- The school wing,
- The front offices, chapel, and Youth Lounge,
- The front offices, chapel, Youth Lounge, sanctuary, Spak, and meat and pareve kitchens.

Costs incurred may include:

- Architectural services, permits, demolition and land restoration, and repair of remaining building;
- Remodeling section(s) of the existing building to accommodate new uses;
- Moving people, furniture and equipment;
- Purchasing furniture and equipment;
- Revising security features;
- Renting suitable space while work is in progress.

Potential savings would include lower utility use and lower maintenance. As with Option 4a, however, it is unlikely that the savings would justify the costs to tear down sections of the building. In addition, it may be more difficult to refinance loans if sections of the building are torn down.

### **Benefits**

- Continuity in terms of location;
- Moving to the school wing would cause only limited disruption to religious services, school classes and programs;
- Minimal upgrades would be required for security;
- Operating costs would be reduced by an amount dependent on how much of the existing building is torn down.

### **Disadvantages**

See Disadvantages for Option 4a.

### **Conclusions and next steps:**

Option 4b does not appear to be cost effective. No further actions are recommended.

### **Option Five**

Sell the building; lease or purchase a facility

The fifth option considered by this committee is to sell the building. Variations of Option Five address post-sale options such as leasing or purchasing a facility.

As stated in the introduction, both the appraisal and further data indicate that substantial value exists in our current assets. The \$7.1 million appraisal from 2020 equals approximately \$130 a square foot. This

may be a bit lofty considering the amount of deferred maintenance on the building, but even at a 20 percent discount from that valuation we would still have a value exceeding \$5.5 million. A variety of potential buyer pools exist, including the two listed below.

- 1) Another religious or education institution or non-profit organization may find value in the existing building and site layout. This type of purchaser would likely close on the property after only several months of contract and due diligence time.
- 2) A developer who would build single-family homes and/or townhomes on the site. The Wilmette/north shore area does today, and likely will for the foreseeable future, have a shortage of housing, both in "For Sale" and "For Lease" product. An analysis of the land site (approx. 4.2 acres) and the zoning (R1-A) indicates that based on the in-place zoning ordinance, if the existing building were demolished, approximately 23-25 single family homes with lot sizes of at least 8400 SF of land could be constructed. Due to the proximity to the highway, our property is more of a "B site" than an "A site" for single-family homes. In addition, in the fact that the property is not a perfect square or rectangle could alter the number of homes that are able to be built. But even considering the lowest likely value, the site should be valued in the +/- \$225,000 per buildable home site, which would give us a valuation of over \$5M. Additionally, our conversations with officials in the village of Wilmette have revealed that the Village might be willing to allow for a bit more density on the site by the way of townhomes on part of the site, as long as the north portion of the site on Temple Lane were single-family homes (to protect the integrity of the homes on Temple Lane). If a portion of the site were able to be developed into higher density town-home type product, that would increase the yield on the site to a developer, and likely provide higher sales proceeds to BHBE. This sort of sale would require allowing a developer enough time to get their proposed project fully entitled and engineered with the village of Wilmette, which would likely take about 9-12 months. This would provide us a good amount of time to seek out a new location for BHBE.

In either of the two buyer scenarios noted above, it would not make sense for BHBE to move out of the property until at least several months after the closing, just in case the buyer at the last minute is unable to close for some unforeseen reason. We would need to arrange as part of the purchase terms for BHBE to have post-closing possession of the property for a minimum of 6 months, if not longer, so that we have the time to re-locate, not be under time pressure, and not be in a position where we have vacated the property without surety that the sale will consummate. This post-closing arrangement will at minimum require BHBE to pay for the new owner's out of pocket costs during this time frame, although we may be able to negotiate this to be on more favorable terms.

While it can be argued that the property is worth more than the mid \$5 million range, due to the current economic uncertainties, and high interest rate environment, we are better off being cautious in what we think our proceeds are.

### **Possible next steps**

Once again, on a "bad day", we should expect to have at least \$3M come out of the sale of the property after paying off our current bank, parsonage, and other debts (again, this could be more, but we want to be conservative). The remaining section of this report details several options for possible post-sale possibilities.

First, we could consider buying or renting at a new location within the same geographical area. Based on our current membership, it will be important for us to locate any new facility within only a few miles of our current location. Our demographic research indicates that there is limited growth available in terms of Conservative Jewish individuals who are currently unaffiliated. For the purposes of this report, we would assume that we are not relocating outside of our current geographic area. Doing so would put us at risk for competing with existing congregations.

In a perfect world, we would stay exactly where we are, as it is difficult in many cases to acquire the zoning variances needed to operate a religious organization. But, if we do sell the entire property, we will have to find a new home one way or another.

For the purposes of having some baseline for potential property type acquisitions, both for purchase and for lease, the following are ranges of value for several different property types. These values assume that the properties will be either vacant or can be vacated.

VALUE RANGES, PROPERTY FOR PURCHASE	
Retail	\$75-\$200/sf
Office	\$50-\$150/sf
Industrial	\$50-\$120/sf
VALUE RANGES, PROPERTY FOR LEASE	
Retail	\$25-\$40/sf Gross
Office	\$20-\$30/sf Gross
Industrial	\$12-\$22/sf Gross

Additionally, the rehab that would be required if we either purchase or lease a new facility will greatly depend upon the existing condition of the ultimate property we decide to acquire. In order to outfit a new synagogue facility, our likely investment into a new property (in addition to the purchase price or lease cost) would be a minimum of \$75/sf and could be as much as \$200/sf.

There are a variety of post-sale options that could be available to us, as outlined below in the discussion on Option 5a and Option 5b.

**Option 5a**

After selling, the first option to consider is that we rent a temporary facility, evaluate our financial position after several years and then decide to purchase or rent a new facility. There are a variety of congregations that are located in alternative sites that they rent for a period of time. Examples include office buildings, shopping centers/free standing retail buildings, former churches, former school facilities or even industrial/flex spaces. Rather than diving right into owning another property without having a good feeling as to our congregation size and scope, we may consider renting a facility for several years so that we can get a better determination of the future of our congregation. While this may require two moves in a relatively short two-to five-year period, in addition to the cost of potentially retrofitting a relatively short-term location, this is an option that could be explored until we see if we are able to stabilize our membership going forward and grow the congregation. The costs of renting space will

depend greatly on the timing of when we are looking to do this and the availability of properties at the time of sale of our existing facility, but we will certainly have enough proceeds of sale to fund renting a facility for quite some time.

### **Benefits**

- Should the sale of the building proceed as anticipated, we would be able to eliminate our debt going forward.
- A short- to medium-term rental may allow us to assess our congregation size more accurately, and then to determine how large a building we would need.
- Renting in the same area as our existing building would allow us to retain our membership base.

### **Disadvantages**

- Multiple moves in a relatively short time frame
- Potential uncertainty of finding a suitable rental location
- Additional cost of retrofitting a short-term location.
- Continued search for appropriate long-term home would be time-consuming.

### **Next steps**

- Investigate rental opportunities in the area.

### **Option 5b**

As part of a potential sales process, we may want to also seek out a purchaser who is basically willing to buy the property as what we would call a “covered land play.” This would mean that BHBE would rent back our current facility for a period of time (could be a year or even more) while the new owner seeks out development options, or just holds the property for the rental income that our lease would provide.

### **Benefits**

- BHBE would not be under pressure to leave immediately after the sale closes, giving us more time to find a new home.
- This structure potentially provides prospective purchasers with incentive to close earlier as they will have a “tenant” in BHBE.
- This structure may provide for a broader base of potential purchasers (long term hold investors who don’t need to immediately develop or occupy the property).

### **Disadvantages**

- This option would be financially challenging in that if we are looking for proceeds of sale based on market value, we might have to pay a lease rate that would provide an owner a reasonable rate of return and/or at the very least, cover their expenses (mortgage, taxes, insurance) during the time we are leasing the space back. This may be more than what we wish to pay.
- In addition, we would likely still have to operate the facility and likely deal with some or all of those costs on a building that is deteriorating.

### **Option 5c**

Another way to potentially facilitate a capital event, albeit a bit more complicated, would be to find an equity partner who would be willing to infuse cash into the congregation for partial ownership in the real estate. This option may present a smaller pool of prospects, and would likely have to be someone or a

group of people that we are already very close with (i.e., existing congregants). This structure would provide the partner an opportunity to invest in the real estate, have BHBE as a tenant, and provide the partner with equity ownership in the ultimate sale of the property.

### **Benefits**

This arrangement has two principal advantages, including:

- Provides cash for us to pay off our debt.
- Gives us much more time to find a new home.

### **Disadvantages**

The structure is potentially complicated, especially if it erodes a portion of our non-profit status.

We would still have to deal with the building and maintenance issues on some level.

We would have a partner who would need to approve any future decisions.

### **Conclusion and Next Steps**

If the congregation ultimately decides to test the market via a campaign to sell the property, we would need to do the following:

- Put together an RFP and send it out to a number of qualified commercial real estate brokerage firms.
- Solicit their proposals and get their advice on pricing, marketing strategy, and possible sale structures.
- Choose a firm to market the property and proceed with that process.

It is important to remember that just because we put the property on the market for sale does not mean that we are obligated to sell the property until and unless the right deal comes along for us.

### **Option 6**

The final option considered by the committee was to tear down the existing building and build a smaller building on the existing site.

The existing building, which is 54,000 sq-ft, would be demolished and replaced with a smaller, more efficient building of 15,000 sq-ft. The cost to operate and maintain the new building would be significantly less while still providing the same level of service.

Demolition, consisting of tearing down the existing building and removing and discarding the debris, would cost between \$6 to \$10 per square foot or between \$300,000 and \$500,000.

Based on information from other synagogues, the average size of a synagogue is about 40 sq-ft per member unit. Using these criteria and a membership of 300 to 350 member units, the new building would require 12,000 to 15,000 sq-ft.

The minimum construction cost of a new building on the same site in Wilmette, IL is approximately \$200/sq-ft or \$3,000,000 for a 15,000 sq-ft building. Additional costs are likely to include:

- A sprinkler system and storm water retention which may be required by Village code.
- Building enhancements including aesthetic improvements and a commercial-grade kitchen which may be desired by the congregation.
- Security upgrades (bollards, heavy duty doors, security lighting, closed circuit cameras, laminated glass windows, access control system) which are necessary.
- Landscaping and parking lot installation and/or repair.



It is assumed that these upgrades will increase the cost of the building by at least \$100/sq-ft. The total cost of a new building, including the upgrades and the cost to tear down the existing building, would be \$5,000,000. An additional \$300,000 would be required to furnish the new building.

### **Uncertainties**

- The cost of demolition and construction of a new building may be significantly greater than estimated.
- The sprinkler system and storm water retention may not be required. If required, the cost may be significantly less or greater than the estimate.
- The Village may not permit building on the parking lot. In this case, BHBE would have to temporarily relocate while the existing building is torn down and the new building built. BHBE would incur the cost to temporarily rent a facility.
- BHBE may not be able to raise the funds for a new building either through donations or mortgage.

### **Benefits**

- BHBE will be able to stay at the current location.
- If the new, smaller building is built on the existing parking lot, BHBE may be able to stay in the existing building until the new structure is completed.
- The building will be energy efficient and being new and smaller it will require less maintenance.
- The building can be designed to maximize security, potentially lowering contract security costs.
- Stained glass windows and the ark can be moved to the new building.
- The building space can be designed to maximize flexibility.
- A new, attractive building may attract new members.

### **Disadvantages**

- The building will not accommodate BJE, resulting in loss of rent.
- BHBE may lose congregants who disapprove of the changes.
- The High Holiday services will initially have to be held at a different location to accommodate the number of congregants attending. As BHBE membership continues to decrease, the building's sanctuary may eventually be adequate to accommodate the High Holiday services.
- The existing structure is an iconic design and has won architectural awards. Some congregants may object to tearing down such a building.
- BHBE will have to pay the total cost of demolition and construction and will have to pay off the existing mortgage.
- A major fundraising campaign will be required to obtain the capital to proceed with this option.

### **Conclusions and next steps:**

BHBE should determine if at least \$5,000,000 could be raised by donations to build a new structure on the existing site. If only a fraction of this amount could be raised, BHBE should determine if they could support a mortgage of several million dollars based on a declining membership. If it is concluded that these funds could not be raised and that BHBE could not support a several million dollar mortgage, then Option 6 is not viable.

## IV.

### CONCLUSIONS AND RECOMMENDATIONS

The recommendations of this committee regarding the future of the building cannot be entirely separated from the congregation's financial situation.

As discussed above and noted below, there are two primary causes for the ongoing financial challenges we face.

- 1) *Decline in membership.* First, our revenues continue to decline due to declining membership. The decline in membership is due to two factors. First, there has been a decrease in the Conservative Jewish population in our area that is interested in congregational affiliation. In addition, our membership is aging. Since the mid-1980s, our membership has been decreasing at a rate of over three percent annually. We expect this trend to continue.
- 2) *Increasing expenses.* The building is much larger than our current membership requires, and the cost of maintaining, repairing, and improving the building continues to rise.

The table below summarizes the options explained in this report and provides a brief overview of the feasibility analysis conducted by the members of this committee.

<b>Base Case (Option 1)</b>	<ul style="list-style-type: none"> <li>Continuity</li> </ul>	<ul style="list-style-type: none"> <li>Continually increasing expenses</li> </ul>	<b>Not viable long-term</b> unless significant additional revenue can be obtained
<b>Option 2</b> Rent various sections of building	<ul style="list-style-type: none"> <li>Bring in additional revenue</li> </ul>	<ul style="list-style-type: none"> <li>Increased expenses</li> <li>Possible tensions between tenants</li> </ul>	<b>Not viable long term</b>
<b>Option 3</b> Move into school wing; sell remainder of building or establish condominium arrangement OR Tear down remainder of building and sell half the land	<ul style="list-style-type: none"> <li>Proceeds of sale</li> <li>Reduced operating costs</li> </ul>	<ul style="list-style-type: none"> <li>Uncertainties in determining value of the land and building;</li> <li>Costs associated with conversation and relocation;</li> <li>Future building expenses</li> </ul>	Difficult to determine financial benefits or legal feasibility. <b>Further investigation recommended.</b>
<b>Option 4</b> "Mothball" or demolish sections of the building	<ul style="list-style-type: none"> <li>Slight reduction in expenses</li> </ul>	<ul style="list-style-type: none"> <li>Mothballed areas would still need to be maintained;</li> <li>Demolition expenses may not be recouped;</li> <li>No proceeds of sale to fund future operations.</li> </ul>	<b>Not recommended</b>
<b>Option 5</b> Sell the building; purchase or rent at a different location	<ul style="list-style-type: none"> <li>Selling would generate significant proceeds</li> </ul>	<ul style="list-style-type: none"> <li>No suitable buildings currently for sale in the surrounding area;</li> <li>Timing of property search could be complicated;</li> <li>Contract with buyer could be complicated with regard to timing;</li> <li>Value of building difficult to assess until property is on the market;</li> <li>High cost of rental or buildout</li> </ul>	Despite the potential complicating factors, this option has the potential to yield the highest proceeds. <b>Further investigation recommended.</b>
<b>Option 6</b> Tear down building and construct a smaller facility on-site	<ul style="list-style-type: none"> <li>Lower costs once building is constructed</li> </ul>	<ul style="list-style-type: none"> <li>No sale proceeds</li> <li>Cost of building and furnishing</li> <li>Storm water retention on-site may be required</li> <li>Challenging to raise funds</li> </ul>	<b>Not recommended</b>

The committee concludes that the existing building is no longer optimal for the congregation's needs. As expenses continue to rise and our membership declines, staying the course with regard to the building will soon result in increasing and intractable debt.

In the course of our research, the committee decided that both Option 3 and Option 5 may be viable. These options are summarized in the preceding table. Significant uncertainties exist with both options. The hiring of architectural and/or real estate professionals may help clarify the viability of either of these options.

It is also important to note that while selling all or part of the building may provide significant proceeds of sale and/or lower eventual building expenses, these benefits may not be sufficient to guarantee long-term sustainability of the congregation. Other measures must be pursued as well, as stated in the Introduction to this report. Some of the avenues the Board may want to pursue may include a major fundraising campaign to pay off the mortgage and loans or a merger with one or more congregations to increase membership and revenue. These approaches were beyond the scope of this report, but they merit mention because of the importance of a holistic approach to ensuring our sustainability as a congregation.

In addition, the committee recommends that the congregation as a whole should be kept informed of all steps being undertaken. Congregants' input should be solicited and incorporated into decisions as appropriate.

The committee recommends to the Board the following measures:

- That the Board hold town hall meetings and discussion groups to solicit comments from congregants and keep them apprised of steps being proposed;
- That the President form a committee to contract with an architect and real estate broker to pursue Option 3 and Option 5;
- That the Board take a holistic approach and consider every avenue that may contribute to our long-term sustainability, including those that are beyond the scope of this report;
- That BHBE, after receiving input from congregants and additional professionals, put the property on the market but take a flexible approach such that Option 3 or Option 5 can be pursued depending on the financial implications.

Respectfully submitted,

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Cynthia Lerner, President BHBE Board of Directors  
Michael Kahn, Executive Director

Arthur Braun  
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