

Frequently Asked Questions- Two (FAQII)

1-21-2021

The following is a response to additional questions asked after distribution of the first FAQ. These responses were generated by our joint committees, which were tasked with providing a path toward forming a new synagogue. Since the first FAQ, the membership from both congregations chose a name for the future synagogue. The name is Kol Ami (“All of My People”). Therefore, we will refer to Kol Ami or “KA” herein.

Most of this FAQII focuses on two areas: (1) the building and location of KA, and (2) financial aspects to meet the recommendations of the Joint Facilities Task Force. No decisions have been made to date on financing the improvements to the Country Club property; and any related costs are not included in the *Plan of Consolidation* (PoC). No financials related to such expenses are shown in Exhibit B, *First Year Financial-Projection Summary*. The Kol Ami Board of Trustees will undertake decisions about the Alvernon or Country Club properties with an awareness of the emotional and financial impacts to KA members. The Trustees will evaluate the options for the properties and make financially sound and transparent decisions with the input and trust of KA members.

Please contact the presidents or the clergy of Temple Emanu-El or Congregation Or Chadash with questions, or if more information and discussion will help you. The conclusion of this document discusses a new aspect of community building and asks the question of how we will build on our legacies to make a home together.

Why is Kol Ami going to be at the Country Club property rather than the Alvernon property?

The original Facilities Task Force evaluated several basic options for the future site of our new congregation. There were a number of considerations:

- a. We’ve estimated between \$2 to 4 million to make needed additions and improvements to the Alvernon property to have the capacity to accommodate the new congregation.
- b. Although the Country Club and Alvernon properties are approximately the same size, the Alvernon property is a relatively “long” rectangle. It may be harder to add all the needed improvements to the Alvernon property.
- c. The location for the Early Childhood Learning (ECE) is critical to maintain continuity of its enrollment. A large portion of the ECE children come from the University of Arizona and downtown areas.
- d. The Country Club property and building is large enough to house the functions of Kol Ami.

What will happen to the Alvernon property?

The Kol Ami synagogue – which will be comprised of the former members of Congregation Or Chadash & Temple Emanu-El – will decide how to utilize resources, including real property, in the best interests of Kol Ami. There are no plans to sell the Alvernon property at this time.

What improvements have been recommended before or soon after we move in to Country Club?

The critical elements of the decision as to what improvements to recommend for immediate undertaking were identified as:

Code Compliance:

- Redesign and install an all new fire alarm and security/CTV system (still in design but expected to be around \$100,000)
- Miscellaneous electrical work (approximately \$10,000)

Priority items: (These are items we feel are necessary but not required.)

- Create new signage for all the entries (estimated at \$25,000)
- Augment the Yahrzeit lights boards to incorporate the Or Chadash lights (estimated to be between \$20,000 to \$30,000)
- Modify the Sanctuary to incorporate new lighting (less than \$5,000), modify the Bima (\$10,000 or less), carpet (\$20,000) and perhaps move some of the pews (less than \$3,000)

Deferred Maintenance:

- New roof (\$136,881)
- Repave and install dumpster enclosures at the south parking lot (\$132,838)
- Replace east entry doors with a handicap/ADA doorway (less than \$20,000)

How much will these improvements cost?

Total costs of each category:

Deferred Maintenance:	\$269,739
Code Compliance:	\$110,000
Priority:	\$93,000
TOTAL:	\$472,739

Based upon establishing an ARBITRARY initial budget of \$550,000, a loan for repairs and updates could be established. This would leave some funds available for contingency or “other” items to be determined by the new KA Board.

In the event of a future move from Country Club, wouldn't it be better to save this money for a new facility?

Perhaps one of the most asked questions is: why spend all that money now?

- a. Both Boards have decided to make this move to the Country Club campus. The Facilities Task Force concluded that some facilities investment should be done.
- b. In event that Kol Ami decided to sell the Country Club property, the selected items may be elements that a purchaser might find desirable. Therefore, not doing them could detract from the sales price.
- c. Committing to finding a new location and building a new facility would be a very time sensitive process. The sale would need to be completed before the next step could be started. It is not a project to be undertaken during our transition toward making KA viable.

How will Kol Ami finance the recommendations of the Facilities Task Force?

Making improvements to the Country Club property is an important consideration for Kol Ami, not only for stability of the building, but also for the financial management of the new synagogue. No decisions about improvements or loans have been determined. Those decisions will be made by the new Board of Trustees with input from Kol Ami members. However, in checking locally, there are several financing options to secure funds for repairs and improvements:

Option 1 - Construction Financing:

Positives:

- Funds can be disbursed as they are needed.
- Keeps interest costs low, as Kol Ami only pays interest on the funds drawn.
- Lowest payment, based on interest only monthly.

Negatives:

- It is a variable rate loan tied to the Prime Rate, with rates about 4.25%, subject to market movement at any time.
- Short-term, usually 12 months, then will have to refinance at market rates, incurring closing costs again.
- Option to roll the loan to a permanent loan at market rates.

Option 2 - Credit Line:

Positives:

- Keeps the interest costs low, as Kol Ami only pays interest on the funds drawn.
- Lowest payment, based on interest only monthly.
- Approved for largest loan needed, and can draw or repay any amount at any time.

Negatives:

- It is a variable rate loan tied to the Prime Rate, with rates about 4.25%, subject to market movement at any time.
- Short-term. Will have to refinance at market rates, incurring closing costs again.

Option 3 - Mortgage:

Positives:

- Fixed rate loan.
- Only incur loan costs one time.

Negatives:

- Pay interest on the entire loan amount starting with month one.
- Payment based on Principal and Interest, so it is larger than an interest-only loan.
- Must refinance in 10 years (only if selecting a longer amortization period).

What are the actual costs of financing?

Actual costs will vary based on the amount borrowed and terms of the loan. Here is an example to illustrate possible costs: a \$500,000 construction loan that will turn into a permanent loan; 10-year term; up to 25 years amortization, and an interest rate of 4.25%. This loan may incur a monthly principal and interest payment of \$1,770.83, which equates to \$35.42 per \$10,000 borrowed.

It is anticipated that Kol Ami will have the cash flow to be able to handle any of multiple scenarios, based on the first-year cash flow projections.

As you can imagine, the financial aspects of both OC and TE have been impacted by COVID-19. This is true for the projections associated with Kol Ami. Financial projections beyond the first year will have more assumptions and unknowns involved. Many unknowns are associated with long-term projections of a new synagogue; so only the first year is included in a projection presented to our members at this time. This first-year projection is a positive outlook.

Why doesn't our joint leadership commit to an exact course of action now regarding the building?

This is a decision for Kol Ami leadership, after an affirmative vote on the PoC. The job of the Joint Facilities Task Force was to provide information to the current Boards and synagogues that then would allow the boards and members to establish a feasible path to attain our goals. The Joint Facilities Task Force has met this goal. The Task Force continues to work and make recommendations as requested by the Joint Executive Committee.

How are we really going to build on the legacies of our two communities?

Fundamentally, we are asking first and foremost how we are going to be able to trust ourselves and one another. To this there is no ready-made answer. Indeed, it is a question at the heart of our faith in our mission as a People. We can only imagine it was the very question with which Abraham and Sarah wrestled when they left the familiar to embark on a venture to which we are heirs. It begins with trust in ourselves, a trust that has seen us through many challenges — emotional, existential, as well as communal. It begins with our willingness to recognize and celebrate the heartfelt and transparent efforts of those whom we have chosen to walk with us through this process. It begins with our recognition that what we feel we are losing about ourselves will be recognized, but will be more than made up for by the energy and creativity we will find in each other's company and common vision. And we will take parts of the past with us; we will not lose our history. The journey has already begun and will continue with future opportunities to share our losses and our gains, our tears of sadness and of joy.