Report from the Location Advisory Committee

The original charge for the Location Advisory Committee was "To recommend to the Covenant Executive Board a new location, facility configuration, and next steps resulting from the sale of 8303 W Higgins Rd." That original charge followed the Covenant Executive Board evaluating the 44,000 square foot facility in light of 1) a number of staff moving out of Chicago and functioning "remotely"; 2) the downsizing of Covenant staff in early 2020, and 3) Covenant Trust Company moving out of the facility to occupy new space in downtown Chicago. Following those three events, the Covenant was projected to need less than 50% of the facility. With Covid-19 just starting to play out, the Covenant Executive Board tried to get ahead of anticipated market slowdown in office space demand by putting the facility on the market. It also expanded that recommendation for sale to include the leasing of various spaces within the Higgins Road property to third parties, improving cash flow within the facility operating numbers, and thereby improving the potential for a sale of the property. Sale of the 8303 Higgins facility was anticipated to reduce annual operating expenses by about $500,000.

During the last ten months, the Location Advisory Committee has met 10 times. The progression of the meetings has gone something like this:

1. Assuming the Higgins Road property would sell quickly, there were early discussions about where we could start looking for alternative spaces. It was determined that there were a good number of potential options in the Chicago area and a number of other municipalities as alternatives. Due to the pandemic, office space is not in high demand (and may not be for some time) so good alternatives are likely to remain available.

2. With no buyers on the horizon, we started discussing what needs to happen to lease portions of the property to make it more attractive to buyers. Most buyers are "investors" (unless in the unlikely event someone needed the exact space the Covenant had for sale) who make their decisions based on the strength of the cash flow projections on the property. With no outside tenants, there was no demand.
3. As we were trying to sell the property, it became obvious that we might find a tenant(s) for portions of the building. In that case, having the Covenant commit to leasing back two to three floors (out of seven total) from a potential new owner would give a much more stable cash flow projection for that potential buyer to make a more informed decision.
4. We have spent extended time over multiple meetings discussing two potential leases. One user wanted to lease space for a counseling center for Chicago police officers. That use prompted discussions about concerns regarding the Covenant sharing space in the same property as the police. The second negotiation was with a foreign government consulate facility who wanted to move out of the downtown area to be closer to O'Hare and public transportation. After multiple meetings and property tours, neither of those two transactions worked out.
5. We have only had one serious buyer. That buyer ended their evaluation by saying the facility was not a good fit for their usage (they had six others they considered to be "better"). Over the last three months, we have received no further inquiries from any potential buyers and/or tenants.
6. Several months ago, it became obvious to Location Advisory Committee members that we needed to hear more from the Strategic Alignment Team as to which portions of the denominational team would continue to need physical space. Once the Annual Meeting votes on the Strategic Alignment Team recommendations, the Location Advisory Committee will have more defined decision trees ahead.