



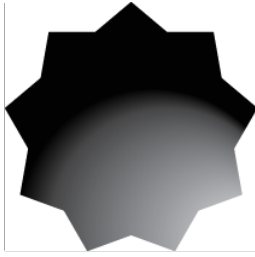
# **LOCAL BAHÁ'Í CENTERS TECHNICAL ASSISTANCE MANUAL**

**Prepared and Distributed by**

**BAHÁ'Í CENTER ASSISTANCE CORP.**

**An agency of the National Spiritual Assembly  
of the Bahá'ís of the United States**

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# The Role of Bahá'í Facilities in Advancing the Process of Entry by Troops

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From 1996 to 2021, the Bahá'í world is focused on one aim:

*advancing the process of entry by troops and on its systematic acceleration.*

Message dated 26 November 1999 written by the Universal House of Justice to the Bahá'ís of the world.

The purpose of the current Plan is systematic and sustainable growth. As part of efforts to advance the process of entry by troops, each community is responsible for aligning its resources in support of the core activities of the Plan. Bahá'í communities are learning to use assets and resources more effectively to support systematic growth and build vibrant communities. One of the most visible physical assets that a community can have is a Bahá'í center. The Local Spiritual Assembly is responsible for ensuring that such a facility supports the growth of the community now and in the future. Consideration of the acquisition, expansion or renovation of a Bahá'í facility should include whether it is supportive of, rather than a distraction from, core activities.

In its most recent communication concerning Bahá'í facilities shown following this Manual Introduction, the National Spiritual Assembly advises Local Spiritual Assemblies that:

*.... before taking action to acquire, expand, or renovate a Bahá'í Center, Assemblies need to give careful consideration to the question of whether such action would support or detract from their communities' core activities and pursuit of the other elements of the Plan.*

Letter dated November 28, 2007 to Local Spiritual Assemblies from the National Spiritual Assembly of the Bahá'ís of the United States (full letter is at page v of this Manual)

The letter further advises that in most situations, communities should first experience

leasing, before buying a Bahá'í facility and that monumental or extravagant facilities rarely meet the needs of an expanding community committed to growth and decentralization.

As we direct our energies toward meeting the goals and objectives of advancing the process of entry by troops, we need certain tools to facilitate our work. This manual provides materials to assist Local Spiritual Assemblies in assessing both the community and Assembly capacities, as well as its needs and desires to move forward with the establishment or renovation of facilities.

Local Spiritual Assemblies will also find materials in this manual for planning the acquisition, maintenance and use of facilities to support the community's growth. These materials have proven useful to diverse communities as some communities are considering their first center and others have maintained one or more centers for a number of years. Assessment and planning will also be important in communities where most activities have been decentralized into neighborhoods.

*Everywhere the friends had to learn the requirements of steady growth – to promote systematic action and to avoid distractions, to bring certain elements of collective decision-making close to the grassroots and to create communities with a sense of mission, to encourage universal participation and to accommodate different segments of society in their activities, particularly children and junior youth, the future champions of the Cause of God and builders of His civilization.*

Ridván 2007 message written by the Universal House of Justice to the Bahá'ís of the world,

For existing centers, this is an exciting challenge. Communities with existing centers will need to redefine their center mandates to be consistent with each current Plan. Bahá'í facilities can serve a fresh purpose towards outward orientation. Communities will also need to review how the center is utilized year-round and supports the neighborhood in which it is located.

As the Plan calls for the inclusion of increasingly diverse populations, communities will need to be sensitive to their demographics. At various points in the process, consultation should include the members of the community and the cluster, members of the Auxiliary Board and their assistants, and cluster agencies, all of whom have valuable input. This Manual and the Bahá'í Center Assistance website include methods to maintain unity and make realistic appraisals of time, effort and money associated with the development and maintenance of facilities. As clearly stated by the National Spiritual Assembly:

*Although a Bahá'í Center can serve the needs of a cluster, the decision as to whether and how to proceed with its rental or purchase must be made solely by the Local Spiritual Assembly in whose jurisdiction the facility is located. This Spiritual Assembly must be the sole owner or lessee of the facility and has the ultimate responsibility for its operation and maintenance.*

Letter dated November 28, 2007 to Local Spiritual Assemblies from the National Spiritual Assembly of the Bahá'ís of the United States (full letter is at page v of this Manual)

As we look to the future, it is anticipated that facilities fulfilling the various needs of a more diverse community with an outward orientation will be among the many tools that will assist with advancing the process of entry by troops.

### **Role of Baha'i Center Assistance**

The principal role of Bahá'í Center Assistance Corp. (BCA) is to call attention of communities to the guidance about Bahá'í facilities and provide training, technical assistance and on-going consultation for communities whose goal is to lease, purchase or maintain Bahá'í properties.

BCA is an agency of the National Spiritual Assembly of the Bahá'ís of the United States. Many Bahá'í communities experience challenges related to the building, acquiring or maintaining of a center whether the communities already own a center, are leasing one, or are still in the planning stages. In response, the National Spiritual Assembly of the Bahá'ís of the United States incorporated the Bahá'í Center Assistance Corp. a 501(c)(3) not-for-profit corporation in 2004, ~~after considerable investigation, consultation and planning since 1999.~~ Feasibility studies and operational planning were undertaken between 2000-2003 by committees appointed by the NSA, which ultimately provided the formative foundation for BCA, which became operational in December 2005. The Board of Directors, from the various regions of the country, are appointed by the National Spiritual Assembly. The National Spiritual Assembly provides ongoing direction and guidance to BCA through its Office of the Treasurer.

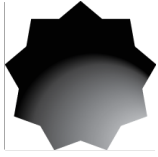
This Manual is one BCA tool for communities. The Manual is divided into chapters, each of which focuses on a functional step that each community will experience if it proceeds to acquire and maintain a facility. The material in any one chapter is not an exhaustive presentation and does not address all the legal, environmental, building code, permitting, architectural, construction and other issues that will often vary from state to state and region to region.



The Manual is not an exhaustive presentation on the administrative guidelines of the Faith relative to Bahá'í facilities. The Manual has been developed keeping in mind the overarching goal of the Faith at this time, a significant advancement in the process of entry by troops through the two essential movements. The rapid rate of change within the Bahá'í community at this time in the history of the Faith and the increased knowledge gained in the field by BCA, concerning facilities will result in periodic updating of the Manual. Current information about Bahá'í Center Assistance and its services are available at its website at: [www.bahaicenterassistance.org](http://www.bahaicenterassistance.org), or the following contact information.

Bahá'í Center Assistance Corp.  
1233 Central St.  
Evanston, IL 60201-1611  
Phone: 847-425-7940  
FAX: 847-425-7941  
[info@bahaicenterassistance.org](mailto:info@bahaicenterassistance.org)

Communities that are having any issues or concerns about acquiring, renting, upgrading, operating, and maintaining --or are considering selling or closing-- a center or facility, should contact the BCA.



# National Spiritual Assembly Guidance on Bahá'í Centers

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The following letter from the National Spiritual Assembly of the Bahá'ís of the United States provides guidance to Local Spiritual Assemblies on the acquisition and use of Bahá'í centers.

This letter can also be downloaded separately from the [www.usbnc.org](http://www.usbnc.org) and websites."

NATIONAL SPIRITUAL ASSEMBLY  
of the  
BAHÁ'ÍS OF THE UNITED STATES  
536 SHERIDAN ROAD, WILMETTE, ILLINOIS 60091-2849 • (847) 733-3537 • EMAIL: secretariat@usbnc.org

November 28, 2007

To all Local Spiritual Assemblies

Dearest Bahá'í Friends,

Bahá'í communities across the United States are engaged as never before in efforts to advance the process of entry by troops. Through these resolute efforts, we are learning how to use our assets and resources most effectively to further systematic growth of the Faith and to build vibrant Bahá'í communities. The most precious and telling attribute any organized group of Bahá'ís possesses is the vitality of its community life, for the world will increasingly measure our success as a religious community by the vibrancy and joy it reflects. The most visible physical asset a community can have is a Bahá'í Center. It is thus timely to take a fresh look at how Bahá'í Centers can enhance the vitality of Bahá'í community life and better support the process of growth.

As we prosecute the Five Year Plan, Bahá'í communities and the Spiritual Assemblies that serve them are responsible for aligning their resources in support of the core activities of the Plan. A Bahá'í Center is obviously one such resource. Experience has shown that it is the friends' focus on the core activities that determines the extent to which a Center furthers the aim of entry by troops and promotes growth in a community. Therefore, before taking action to acquire, expand, or renovate a Bahá'í Center, Assemblies need to give careful consideration to the question of whether such action would support or detract from their communities' core activities and pursuit of the other elements of the Plan. Continuous fundraising, for example, to gather the financial resources to fund the purchase or renovation of a Bahá'í Center could become a major distraction from the friends' efforts to prosecute the Plan. Similarly, prolonged debates about location, design, and usage can be detrimental.

In most situations, communities should, before purchase, first consider leasing a property for a Bahá'í Center. Experience has shown that facilities of grandiose or extravagant proportions rarely meet the needs of an expanding community committed to decentralization and growth at the grass roots. Rather than permanent fixtures, the best facilities for local Bahá'í purposes at the present time are those that allow for maximum flexibility in their use and in the financial arrangements made to secure them. Moreover, Bahá'í communities committed to growth would do well to anticipate the time when most activities will take place at the neighborhood level. Facilities purchased or rented for Bahá'í purposes can also serve a fresh purpose by striving for an outward-looking orientation.

Local Spiritual Assemblies should therefore carefully assess the capacity and current needs of their communities before moving forward with plans for the establishment or renovation of facilities for a Bahá'í Center. To foster unity of thought and vision,

their consultations ought to include opportunities for members of the community and the cluster, their assigned Auxiliary Board members, and members of their cluster agencies to share insights and offer opinions. While Auxiliary Board members do not determine whether or not a community acquires a Bahá'í Center, their counsel should be sought early on and welcomed as such a prospect is considered. Although a Bahá'í Center can serve the needs of a cluster, the decision as to whether and how to proceed with its rental or purchase must be made solely by the Local Spiritual Assembly in whose jurisdiction the facility is located. This Spiritual Assembly must be the sole owner or lessee of the facility and has the ultimate responsibility for its operation and maintenance.

As we look to the future, we can anticipate that Bahá'í Centers, fulfilling the various needs of a more diverse community with an outward-looking orientation, will be foremost among the physical assets assisting to advance the process of entry by troops. Strategies to maintain unity and to make realistic appraisals of time, effort, and money with regard to such facilities are included in the *Bahá'í Center Assistance* manual and website at [www.bahaicenterassistance.org](http://www.bahaicenterassistance.org). We trust that these guidelines will be helpful as individuals, communities, and Bahá'í institutions continue to embrace the framework for growth set by the Universal House of Justice.

Our prayers for your great success in the all-important work of the Five Year Plan are unceasing.

With loving Bahá'í greetings,

NATIONAL SPIRITUAL ASSEMBLY OF THE  
BAHÁ'ÍS OF THE UNITED STATES

Kenneth E. Bowers  
Secretary-General

cc: Counselors Farzin Aghdasi, Eugene S. Andrews, Stephen Birkland,  
Rebequa Murphy, Gerardo Vargas

Regional Bahá'í Councils

Referenced below are additional letters and messages from the Universal House of Justice and the National Spiritual Assembly of the Bahá'ís of the United States that provide guidance to Local Spiritual Assemblies on the acquisition and use of Bahá'í centers. These resources can be downloaded separately from the following websites: [universalhouseofjustice.bahai.org](http://universalhouseofjustice.bahai.org) and <https://www.bahai.us>

#### Universal House of Justice Letters

Ridván 2008 Message

Ridván 2010 Message

Ridvan 2013 Message

Calling for Regional Conferences (October 20, 2008)

Addressed to Friends at Six Regional Conferences (December 6, 2008)

Addressed to a National Spiritual Assembly Regarding

Methods of Teaching (December 28, 2008)

To the Baha'is of World, Jan. 1, 2011

To the Continental Board of Counselors (December 28, 2010)

Letter to Individual (Mashriqu'l-Adhkars)

Collecting Property Information (Sept. 27, 2007)

Compilation on the "Institution of the Mashriqu'l-Adhkár" A Statement

Prepared by the Research Department of the Universal House of Justice  
(September 2017)

#### National Spiritual Assembly Letters

Neighborhood Children's Classes (October 23, 2007)

Five Year Plan and Baha'i Centers - November 28, 2007



# Community Readiness

## Introduction

The American Bahá'í Community is experiencing significant growth in the diversity and number of participants in the community building process. As communities build capacity for effective action among diverse populations, there will be a need for communities to develop plans to lease space or purchase a building to conduct the community's activities. Communities may need to consider the acquisition of multiple modest, neighborhood facilities.

*Associated with this rise in collective consciousness is the Assembly's growing ability to properly assess and utilize resources, financial and otherwise, both in support of community activities and in discharging its administrative functions, which may in time include the judicious appointment of committees and the maintenance of modest physical facilities for its operations. No less vital is its ability to nurture an environment conducive to the participation of large numbers in unified action and to ensure that their energies and talents contribute towards progress. In all these respects, the spiritual well-being of the community remains uppermost in the Assembly's mind.*

28 December 2010 from the Universal House of Justice, addressed to members of the Continental Boards of Counselors during a conference at the Bahá'í World Center. P.9

*The significance of this development should not be underestimated. In every cluster, once a consistent pattern of action is in place, attention needs to be given to extending it more broadly through a network of co-workers and acquaintances, while energies are, at the same time, focused on smaller pockets of the population, each of which should become a centre of intense activity. In an urban cluster, such a centre of activity might best be defined by the boundaries of a neighbourhood; in a cluster that is primarily rural in character, a small village would offer a suitable social space for this purpose.*

...

Ridvan 2010 Message from The Universal House of Justice to the Baha'is of the World, paragraph 6

This section provides guidance to help Assemblies assess their community's readiness to lease space or purchase a Bahá'í facility. It covers how to assess readiness and

achieve unity of thought and purpose. The following quotes describe how the Spiritual Assembly should view a Bahá'í center or facility:

*When a Local Spiritual Assembly acquires a Bahá'í Center, it should regard this meeting place as an embryonic Hazíratu'l-Quds and should do everything possible to foster in the community a proper attitude of respect for the Center. . .*

Letter written on behalf of the Universal House of Justice, dated July 26, 1989, to a National Spiritual Assembly

*For even the first local center that a Bahá'í community erects can begin to serve not only as the spiritual and administrative center and gathering place of the community, but also as . . . the heart of other aspects of community life.*

Written on behalf of the Universal House of Justice, May 8, 1984, in "Extracts Concerning Bahá'í Social and Economic Development"

Before renting, purchasing or constructing a facility, the Local Spiritual Assembly must clearly understand the essential aspects of their need for space as well as the responsibilities of leasing or owning property. With this information, the Local Spiritual Assembly can determine whether the community is prepared to handle the extra financial, and administrative requirements of operating a facility.

### **Consider Alternatives**

The Local Spiritual Assembly needs to determine whether the community is

prepared for the stresses and challenges involved in both the process of leasing, purchasing or building a facility and maintaining it in support of the Plan. If the Assembly finds it sufficient to meet in private homes and possibly lease facilities when necessary, it does not need a separate Bahá'í center. Before deciding to acquire a Bahá'í center, several alternatives should be considered:

- Using private homes
- Using a combination of private homes, leased spaces, and other venues
- Leasing a full-time facility

Frequently in the past, Bahá'ís have adopted a "center model" of one very large facility in an urban area to which all Bahá'ís in the city and sometimes surrounding communities are expected to commute for activities. Some Local Spiritual Assemblies may consider that supporting more than one designated neighborhood center will be more suitable for the needs of the community. Others may decide to support community activities with a

larger center. It is clear that centers will have a role in supporting the activities of the Bahá'í communities. The National Spiritual Assembly has provided the following guidance:

*Experience has shown that facilities of grandiose or extravagant proportions rarely meet the needs of an expanding community committed to decentralization and growth at the grass roots.*

Letter dated November 28, 2007 written by the National Spiritual Assembly of the Bahá'ís of the United States to all Local Spiritual Assemblies, ¶. 2 (full letter is at page v of this Manual).

The decision to acquire a Bahá'í center should be based on the community's readiness, regardless of whether someone has offered to donate a building or whether sufficient funds to purchase or build a facility are available. Often it will be wisest for Spiritual Assemblies to rent facilities as needed for specific events. At a later stage of development, the Assembly will have acquired the experience to lease on a long-term basis or to acquire a facility of its own.

A Local Spiritual Assembly must clearly understand all aspects of owning property and be able to handle the extra financial, physical and administrative requirements. A Bahá'í center should not be seen as “a way to save money” or as an investment. The day-to-day operating costs of a facility can soon absorb any anticipated savings. Sometimes Local Spiritual Assemblies proceed to purchase a facility under the mistaken belief that a facility by its very nature will automatically foster greater unity and vitality in the community despite the community's lack of human and financial resources to sustain a facility.

*The House of Justice does not feel that . . . the building or buying of a Local Center will necessarily infuse the friends with a dynamic spirit for community development and inspire them to actively teach. On the contrary, the original cost and responsibilities of operation and maintenance may impose a heavy burden on them and create an adverse effect.*

Letter written on behalf of the Universal House of Justice, dated July 9, 1978, to an individual believer

### Assessing A Building or A Property

How does a community know when it is time to move toward leasing, purchasing or



constructing a facility? The Assembly should assess where the community stands relative to the characteristics listed below. Note that these are intended as guidelines, not inflexible rules.

- Community consultation at the Feast frequently involves the perceived need for a facility and a unity of thought is developing among the friends. The community has a demonstrated financial capacity to meet or exceeds all of its fund obligations (local, National, International, etc.) as well as sustain the added expense of a facility.
- The community can demonstrate a sustainable level of contributions even with unexpected changes in membership
- There are regularly scheduled core activities.

### **Leasing First Recommended**

If a community is performing well on most of the above, the Local Spiritual Assembly may want to begin consulting about leasing, purchasing or constructing a facility. A natural evolution is to start with leasing. Leasing gives the Assembly and community members experience with planning programs, scheduling, and routine financial obligations (other than the Fund) without the additional responsibilities of ownership. Leasing also gives the Assembly and community members experience with maintenance (e.g. grass cutting, basic repairs) and service responsibilities.

The Assembly should consider purchasing a property only when it has determined that the community's human and material resources and expertise can support the increased financial, maintenance and administrative responsibilities of property ownership. Constructing a facility also requires substantial additional resources and should be considered only as a last option.

### **Consideration of Benefits and Risks**

As with any important decision, the Assembly needs to be aware of and assess the benefits and risks associated with leasing, purchasing or constructing a facility. Important principles to apply include ascertaining the facts, and the independent investigation of truth. The consequences of proceeding without being fully informed and making a complete, professional assessment of the community's resources has

caused disunity for many communities. Rather than falling into the trap of “impulse buying or leasing”, it is important to ensure that the resources of the community are sufficient to maintain a well-functioning facility. Real estate agents may try to pressure their clients into buying by telling them that the property they want is likely to be sold to another buyer. The Assembly should be cautious of internal or external pressures to act before it is ready. There are clear benefits in making a well-informed decision based on a systematic process of investigation, planning and consultation.

*Associated with this rise in collective consciousness is the Assembly's growing ability to properly assess and utilize resources, financial and otherwise, both in support of community activities and in discharging its administrative functions, which may in time include the judicious appointment of committees and the maintenance of modest physical facilities for its operations.*

December 28, 2010 letter from the Universal House of Justice to the Conference of the Continental Boards of Counsellors, paragraph 3.23

## Benefits to the Community

Some of the benefits of having a Bahá'í facility include:

- The community has an attractive location to hold Feasts, Holy Days, deepenings, firesides, public meetings, Bahá'í weddings and memorial services.
- When people ask, “Where do you meet?” Bahá'ís can proudly direct them to their facility.
- The Faith's presence can be established and continually proclaimed by a sign, a phone listing, and a regular address for advertisements and printed materials.
- Seekers and other contacts will know where to come for activities and special efforts can be made to attract seekers to the Bahá'í facility. This can help foster an “outward orientation” within the community.
- The Assembly has a permanent meeting location that offers privacy for individuals who may be meeting with the Institution.
- Important Assembly files will have a permanent and secure location.
- A permanent location exists for the library or bookstore.
- Other Bahá'í agencies or communities can use the facility.

## Risks to the Community

The demands of a building on a community's resources and energies may be exhausting or greater than anticipated. For example, a Bahá'í facility could:

- Distract from the goals of the current Plan. It could redirect human resources from core activities and teaching to center management and maintenance.
- Drain community finances far beyond expectations. If the community's financial situation was not assessed correctly or membership dramatically drops, a significant reduction of contributions to the National or International Bahá'í Funds or even a community financial crisis may result
- Pose significant demands on Bahá'ís for upkeep of the property, both in time and money, that is beyond the community's capacity (unless a significant endowment is in place to pay for them).
- Convey a poor image of the Faith if upkeep of the structure and its grounds are not exemplary
- Cause divisions within the community over financial, management, and maintenance problems
- Require supervision that the community does not have the human resources to provide
- Introduce formality or stifle spontaneity at the Nineteen Day Feast or other meetings
- Provide a less personal and intimate environment for firesides or other teaching functions than is available in homes. Having a facility does not, however, eliminate firesides or core activities in people's homes

## Financial Status Of the Community

One of the first steps a community should take is to assess the health of its Local Bahá'í Fund.

1. Are contributions to the Local Fund regular and consistent, or
2. Do occasional large contributions make up for thin months?

3. If the Fund is supported in large part by contributions from a few individual believers, what would happen if one or two of these persons moved out of the community?
4. Does the annual budget of the Assembly allow for reserves in case of unexpected expenses?
5. Is the community regularly contributing all that it would like to the International Fund, Continental Fund, National Fund, Regional Branches of the National Fund and the Local Fund?

### Financial Requirements Of a Facility

The Assembly should make a financial analysis of the initial costs and ongoing regular expenses of a facility.

*We have been asked to say that there is no objection to the Local Assembly looking for a property to purchase for their Hazíratu'l-Quds, but they should be reminded that in addition to the initial cost of acquisition they must be prepared to assume the continuing costs of upkeep, maintenance, and services.*

*They should also decide whether they could manage the financial outlay required without interfering with the discharge of their other responsibilities toward the success of the Five Year Plan [1974–1979].*

Letter written on behalf of the Universal House of Justice, dated February 6, 1975, to a National Spiritual Assembly

It is important that communities establish a reserve fund for unexpected emergencies (roof and heating, ventilation and air conditioning (HVAC) repairs, etc.).

### Conclusion

Anyone who has leased or purchased a house is aware of the many issues involved. These issues are far greater and more important when the property will become a symbol of the Bahá'í Faith in the community. After reviewing the community's readiness to acquire a Bahá'í facility and weighing the viable alternatives, the Local Spiritual Assembly needs to make a decision on how to proceed. While this decision-making process may be lengthy, it is essential for community unity and will provide further evidence of the community's readiness to move forward with its plans for a facility.



## Organization and Processes

### Local Spiritual Assembly

The Local Spiritual Assembly for the community in which a facility is to be located is the body responsible for the process of the development and eventual acquisition of the local facility, whether rented or owned. As part of the Plan, the Local Spiritual Assembly will continually

*... learn in practical terms what it means to maintain unity of vision among the friends, to put the mechanisms in place that facilitate the community's endeavors and to allocate resources' in accordance with priorities wisely set.*

*Letter dated 27 December 2005 written by the Universal House of Justice to the Conference of the Board of Counsellors, p. 5.*

*In principle, Local Spiritual Assemblies are responsible for the Bahá'í activities and properties within their own jurisdictions. ... Too often, the strain and burden of maintaining a Center becomes a source of disunity. This possibility is increased when more than one Assembly is responsible for the Center.*

*Developing Distinctive Bahá'í Communities: Guidelines for Local Spiritual Assemblies, (2007) p. 528-9.*

The Local Spiritual Assembly is ultimately responsible for ensuring that the acquisition, renovation and management of the facility is conducted in a manner consistent with Bahá'í values, principles, and standards and at the same time sensitive and responsive to the unique environmental and cultural circumstances of the host community. No single process of organization, development, acquisition or design will accommodate all the diverse communities throughout the country.

Since the needs of the community will change over time, it is important to have a flexible approach to facility development.

*Rather than permanent fixtures, the best facilities for local Bahá'í purposes at the present time are those that allow for maximum flexibility in their use....*

Letter dated November 28, 2007 written by the National Spiritual Assembly of the Bahá'ís of the United States to all Local Spiritual Assemblies, ¶ 3 (full letter is at page v of this Manual).

A facility purchased today may be supplanted shortly either by a larger facility or by several smaller facilities scattered throughout the community to meet the needs of the Bahá'ís in various sectors of a large city.

## Clusters

*Today as we observe the workings of those clusters which are in a robust state of growth, we note that in every one of them the friends have continued to strengthen the institute process, while learning to mobilize their expanding nucleus of active supporters of the Faith, to establish an efficient scheme for the coordination of their efforts, to weave their individual initiatives and collective endeavours into an effective pattern of unified action...*

Ridván 2007 message written by the Universal House of Justice to the Bahá'ís of the world, ¶ 3.

With its letter of January 9, 2001 the Universal House of Justice introduced the concept of clusters to the organizational structure of Bahá'í activities. Just as the Local Spiritual Assembly is called upon to develop continually its capacities, without compromising the unique role, authority, or spiritual station of the Local Spiritual Assembly. While the Local Spiritual Assembly is helping the community to maintain focus in promoting individual initiative, channeling energies into the teaching field, underscoring the value of systematic action, fostering the spiritual life of the community and nurturing a welcoming environment, the cluster system encourages Bahá'í communities within defined geographic areas to collaborate and cooperate with one another on a wide range of activities such as study circles, devotional meetings, children's classes and youth programs.

As discussed in the Community Readiness chapter of this Manual, unity of purpose is vital to the long-term viability of a local facility. The Local Spiritual Assembly should consider ways to establish unity of purpose and vision early in the planning process by engaging the community and its neighbors within the cluster in a series of meetings about a local facility. The reflection meetings at the cluster level are becoming a forum for the discussion of needs and plans, creating a collective identity

and strengthening the collective will.

Awareness of cluster needs is important in the acquisition and maintenance of local facilities. Through consultation within a cluster, Local Spiritual Assemblies in the cluster may decide to support the overall project. However, once the facility is acquired, it must be purchased in the name of the Assembly where the property is located. *(See letter dated November 28, 2007 written by the National Spiritual Assembly of the Bahá'ís of the United States to all Local Spiritual Assemblies, on page v of this Manual.)*

That named Assembly will have authority over the operation and maintenance of the property, even though a multi-community committee may perform the day-to-day management of the facility. In an area with no other facility, the shared experience with the first facility can prove valuable as the multi-community committee continues its efforts in other arenas. This is part of a systematic planning and implementation process that will benefit all communities.

In the initial planning and organizing for a facility, an Assembly may decide to ask other Assemblies and groups within its cluster to support the acquisition of a property. Thoughts should be given to the need of balancing the support for a facility that serves a cluster with the requirement to hold Feasts locally. In time, the term “regional center” which has sometimes been used inaccurately, will not be an issue as more communities within a cluster collaborate on the development and acquisition of several local facilities. Since one Local Spiritual Assembly owns each local facility, collaboration within the cluster can be vital in resolving issues that may arise.

## **Fundraising Policies**

The National Spiritual Assembly has adopted the following policies about fundraising for Bahá'í facilities:

*In response to the birth of new cluster formations which are rapidly taking shape all throughout the United States, our National Spiritual Assembly has amended its policy concerning inter-community fund raising procedures. Up until recently, many Local Assemblies solicited contributions from surrounding communities for major capital development campaigns such as Local Bahá'í Centers or travel teaching events.*

*However, the policy mandates that local communities will only be able to solicit funds from other Bahá'í communities, groups, or individuals which are in their own cluster.*

*Regardless of how close a community may be in distance to the soliciting Assembly, fund raising appeals should not be aimed at these communities, whether it be by phone, email, or email listserves. The policy states the following:*

*It is entirely permissible to announce fundraising events on local Bahá'í email list serves for a Bahá'í Center within an assigned cluster, however solicitation of funds outside of the designated cluster is not permissible.*

*Individual believers and Local Spiritual Assemblies are encouraged to post information on local Bahá'í list serves about general fundraising events which include dinners, garage sales, auctions, and special performances. The friends should take special caution not to advertise these events on non-Bahá'í list serves. In the event that non-Bahá'ís are invited to these fundraisers, their Bahá'í hosts should cover the cost of their admission and refreshments. The Universal House of Justice states, "it is absolutely forbidden to accept from non-Bahá'ís contributions towards the work of the Cause itself."*

National Spiritual Assembly of the Bahá'ís of the United States October 2001

*The National Spiritual Assembly has asked that fund raising be conducted only among Bahá'ís who are current residents of the cluster in which the Center will reside. This policy applies to fund raising for acquisition, construction or maintenance of a Bahá'í Center.*

–American Bahá'í, 26 Feb 2004: 8

In some cases, local communities might receive an exemption approval from the National Spiritual Assembly which would allow them to fundraise outside their own cluster. A possible scenario for such an exemption is if two or more local communities began a collaborative fundraising campaign for a facility prior to the concept of clusters and the establishment of cluster boundaries.

In either case, the need for moderation is very important:

*Continuous fundraising, for example, to gather the financial resources to fund the purchase or renovation of a Bahá'í Center could become a major distraction from the friends' efforts to prosecute the Plan.*

Letter dated November 28, 2007 written by the National Spiritual Assembly of the Bahá'ís of the United States to all Local Spiritual Assemblies, ¶ 2 (full letter is at page v of this Manual).

## Committees

When a community wishes to acquire a facility, the sponsoring Local Spiritual



Assembly may want to appoint individuals or committees to act on its behalf to perform a variety of functions:

- Conduct space planning and other needs assessments
- Secure professional advisers and consultants such as an attorney, real estate agent, property manager, architect, or contractor
- Develop financial feasibility plans
- Develop plans for and conduct fundraising
- Develop a communication plan to inform individuals and Institutions within the community/cluster, especially regarding key issues such as building plans, location and fundraising
- Locate a building
- Negotiate and oversee closing on the property
- Develop and execute renovation plans as needed
- Perform management and maintenance functions

The Assembly can effectively organize its potential human resources in a variety of ways. How the Assembly delegates these functions will depend greatly on the size of the Bahá'í community and the range and depth of expertise available to draw upon both within its own community and within its cluster. Individuals from adjacent communities may be invited to serve on committees and to contribute time, expertise and financial support. Consultation at Reflection Gatherings that help define and build unity of purpose, could also be beneficial in ways that the proposed facility could benefit the entire cluster, increase its outward orientation, and focus on the process of entry by troops.

In many communities, it has proven effective to appoint two committees, one that focuses on technical issues and a second committee that focuses strictly on fundraising. In small communities where human resources are more limited, one committee may have to undertake the entire project.

Within any cluster it is important to maintain consistent communication about the facility so that it will be widely used by the communities within the cluster. It is important to have a committee(s) with membership from all communities involved to help ensure good communication, especially when financing will be sought from

communities and individuals throughout the cluster.

### **Appointing a Facility Committee**

Before appointing committees, the Spiritual Assembly should establish written mandates that state the vision for the project and define the specific goals and objectives that the committee is expected to meet. The Spiritual Assembly should appoint individuals who have the requisite experience and knowledge to achieve those goals and objectives. Individuals from adjacent communities may be invited to serve on committees and to contribute time, expertise and financial support.

When considering members to serve on committees and fulfill certain functions, the Assembly should carefully consider the qualities that are essential to all who serve within the Bahá'í administration, among them: devotion to the Faith, trustworthiness, knowledge of the fundamentals of Bahá'í administration and the ability to utilize effective consultation. The Assembly will want to consider those who inspire trust and confidence within the community. The Assembly may also ensure that the diversity of the community is well represented on the committees. The Assembly should also appoint individuals who have relevant experience in finance, real estate, law and management.

### **Unity of Vision, Thought and Action**

At this stage, the American Bahá'í community has many existing and emerging responsibilities and modest human and financial resources with which to address them. It is essential that local communities achieve a high degree of unity of vision, thought and action if they are to be successful in the acquisition and operation of local facilities. The expertise, initiative, dedication and inspiration of all members should be called upon to develop local facilities. These resources need to be channeled through the direction, guidance and oversight of the Local Spiritual Assembly so that the whole community is focused on the exciting challenge of teaching and how acquiring and operating a facility can support its core activities. It is thus undesirable for one or two inspired individuals to be overly dominant without actively consulting the community in the process.

The Local Spiritual Assembly can foster unity of thought and action through the

following steps:

- If possible, appoint at least two of its members to the committee(s) developing the center
- Provide clear mandates for committees
- Ensure there is a generous flow of information from the committee(s) to the Local Spiritual Assembly and all participating communities
- Facilitate frank and open consultation within the Assembly and with the committees on key issues to prevent misunderstandings and disunity

The Assembly must build unity of thought within the Local Spiritual Assembly around key decisions without becoming caught up in specific details. Such key decisions may include:

- The readiness of the community to purchase a facility
- The overall size of the property
- The acceptable overall projected cost for acquisition and renovation of the property
- The neighborhood locations within the municipality that are preferred, acceptable and not acceptable for locating a facility
- The plan for financing the acquisition
- Fundraising plans and processes
- Approval of the building/property to be acquired and its cost

### **Project Plans And Communication**

To assist the Local Spiritual Assembly in making key decisions and to generate active support from the community, the individuals or committees appointed by the Assembly to act on its behalf need to conduct assessments and prepare plans of action that present information about many aspects of the Bahá'í facility project. Several chapters in this Manual provide information that will assist in the development of these plans. Chapter 3, Planning and Feasibility, outlines the steps that will enable a community to develop a Statement of Purpose as described below.

### **Maintaining Unity: Purpose Statement and**

## Communication

Once the project begins, unity is essential to its success. The Assembly that consistently reports to and consults with the community about key aspects of the project is most likely to have a united community that enthusiastically supports its decisions. Sharing information with the community and seeking the community's ideas and opinions will demonstrate that the Assembly wants to know the needs and priorities of the community. Inviting the community to participate in the facility planning phase will foster unity, confidence, and trust in the Assembly. Preparing a Statement of Purpose and sharing it with the community for feedback and input is one way to stimulate discussion and help the community to develop a sense of ownership for the Bahá'í facility.

Whenever the lease, purchase, construction or the acceptance of a donation of real estate is being considered, it is important to review several basic issues. The Local Spiritual Assembly must carefully assess the community's needs and clarify how it wants the property to be used.

A one or two page "Statement of Purpose" can focus on:

- current program needs
- priorities
- future objectives
- management issues
- budgets for acquisition, maintenance and operation

The statement should be created after thorough consultation about the primary functions for the facility:

- devotional meetings
- study circles
- firesides
- junior youth activities
- children's classes
- public relations
- Nineteen Day Feasts
- Spiritual Assembly meetings

- social development
- Holy Days
- cluster reflection meetings

It may seem that only a large building could adequately accommodate all functions, but consultation on the major priorities of the community at that time and the near future may help clarify exactly what is needed and how the use of the space can be maximized. A suggested format to use in preparing the Statement of Purpose has been provided in the Appendix.

Along with the Statement of Purpose, one Assembly found it helpful to prepare a list of criteria for the ideal facility. There are two important reasons for this. First, it helps the Assembly clarify what it is looking for and second, it can serve to strengthen the Assembly's unity of purpose. The next step is to circulate the list and get feedback from the community and surrounding communities who are likely to use the facility. Feedback from members of the community and nearby communities will provide the Assembly with knowledge of issues and concerns that could challenge unity later in the process.

A Midwest Assembly applied a comprehensive approach to communicating and consulting with community members and nearby communities. It found that:

1) Even if the Assembly feels that it is 'over' communicating, some misunderstandings are almost inevitable. "Over" communicating will help minimize misunderstandings and make recovery from misunderstandings easier. The Assembly should address misunderstandings quickly, directly and tactfully. If the Assembly delays responding to a misunderstanding, difficulties will likely mushroom very fast.

2) The Assembly should not think that if it communicates with the Bahá'ís only in its municipality that it is enough. This resulted in the greatest misunderstandings in its community because a Bahá'í facility has an effect beyond the city in which it is located. This Assembly decided to travel to meet with the other nearby Spiritual Assemblies and groups in their respective areas because the Assembly believed the facility would have an impact beyond its city. In its meetings:

- The Assembly shared its vision for the Bahá'í facility. In addition, it videotaped the outside and inside of all buildings that it was seriously considering.
- The Assembly shared information at meetings for all area Bahá'ís. The meeting announcements and regular updates appeared in local newsletters.
- The Assembly used the telephone and word of mouth as a means of communicating. However, it found that communications limited to these means were the most likely to result in misunderstandings as one person tried to explain the subtleties to the next and so on.

groups and individuals through a variety of approaches including home visits, community meetings, surveys and social media. Communications should be supported by well-prepared written and visual materials. These approaches seem to be effective ways to maintain community-wide unity and avoid misunderstandings.

### **Avoiding Pitfalls**

The Local Spiritual Assembly and its working committees need to be aware of pitfalls that have troubled other Bahá'í communities in the past and take measures to avoid the same problems. Sustained attention to investigating needed information, seeking broad involvement and on-going consultation, while facing difficult, unpleasant facts can be very helpful in this process. Examples of pitfalls are:

1. Leasing or purchasing a property largely with the energy of a few individuals, and then having insufficient community support for the various responsibilities, such as financial obligations, proper management, usage or event management, operations and long term maintenance, repair and upgrades of the property.
2. Selecting a property which does not support teaching Plan activities or is located in a section of the town contrary to the wishes of a large segment of the community, so that the facility is not a source of unified, vibrant activity.

3. Leasing or purchasing a facility that is inaccessible, too large or too expensive given the membership or size of the community and its history of contributions.
4. Selecting a property without adequately inspecting the building conditions and thus seriously under-estimating the costs of renovations and repairs leaving the Assembly with either a financial burden or a building in need of repair and upgrading. This can demoralize a community.
5. Leasing or purchasing a property or land with the expectation that the individuals or institutions in neighboring communities will financially support the construction, renovation, operations and/or maintenance of the facility. It is the policy of the National Spiritual Assembly that active fundraising should not be conducted with individuals, households or institutions that reside outside the cluster where the facility will be located.
6. Purchasing land in anticipation of future property value increases and that the individuals or institutions in neighboring communities will financially support the future construction, renovation, operations and/or maintenance of the facility.
7. Putting pressure on specific individuals or families to support facility fund drives. This can be hurtful and lead to ill feeling and possible disunity.
8. Local Spiritual Assemblies have at times been challenged by the complexities of building unity among the members of their community and Bahá'ís residing in neighboring communities who have joined to help acquire, fund and share use of a facility. In such situations, issues of social class, culture, gender, race and ethnicity are factors to be consciously and actively addressed so that unity of action and spirit is fostered and preserved. Unity in diversity is a goal that frequently needs informed, sincere and persistent effort by everyone involved, especially under the wise guidance of the Institutions.

### **Conflict Of Interest**

Assembly members should avoid having an individual interest (financial or otherwise) in any transaction affecting a facility. If it cannot be avoided, then there

should be full disclosure to the Local Spiritual Assembly about any interest they may have in any transaction affecting a Bahá'í facility. For example, if a contractor is to be hired and an Assembly member may benefit as a result, another contractor should be used instead. While it is preferable to avoid using this contractor, the Assembly member should disclose details to the Assembly of the interest with the contractor. Otherwise, misunderstandings in the Assembly and the community can develop about whether the contractor is being recommended for their skills or for the benefit to a particular Assembly member.

Assemblies should select contractors or professionals because they can provide the best service, not because they are Bahá'ís. Sometimes in their sincere desire to be of service, Bahá'ís may be overly enthusiastic in describing, or an Assembly may be reluctant to question closely, their experience or skill. The objective should be to obtain the best service to the Assembly, which may or may not be from Bahá'ís who work in particular occupations in the area. In any event, it will be necessary to clearly define and document any relationship with a contractor.

## Summary

Earlier in this chapter, typical committee roles and responsibilities were described regarding the technical planning, fundraising and financing of Bahá'í facility projects. It is recommended that each Local Spiritual Assembly organize its planning, acquisition and ongoing management of a facility based on the community's unique human resources and circumstances.

Throughout this Manual, various committees are named and discussed as ways to organize the management of a facility. For example, several chapters refer to a planning committee. A fundraising committee is cited in the Fundraising chapter and a property and maintenance committee is mentioned in the Operations and Maintenance chapter. However the needed functions are fulfilled, the thrust of this chapter has been to encourage Assemblies undertaking the leasing or purchase of a facility to systematically plan and organize their resources, to delegate responsibility and include community members, and to build unity of thought through careful and consistent communication with the community.





## Planning and Feasibility

### Introduction

When the Local Spiritual Assembly begins to consult about entering into an active process of establishing a local facility, it is highly recommended to develop a vision about how the facility will complement and reinforce the primary responsibilities of the Assembly to significantly advance the process of entry by troops as well as administer the needs of its community.

*Experience has shown that it is the friends' focus on the core activities that determines the extent to which a Center furthers the aim of entry by troops and promotes growth in a community. Therefore, before taking action to acquire, expand, or renovate a Bahá'í Center, Assemblies need to give careful consideration to the question of whether such action would support or detract from their communities' core activities and pursuit of the other elements of the Plan.*

Letter dated November 28, 2007 written by the National Spiritual Assembly of the Bahá'ís of the United States to all Local Spiritual Assemblies, ¶ 2 (full letter is at page v of this Manual).

When a community decides to actively pursue acquiring a facility, it needs first to gather information about the feasibility of leasing space or purchasing a facility and define:

- The needs for a facility
- The time period the facility will be needed
- The estimated costs to lease, purchase, build or manage a property that will address the needs of the community
- The human and financial capacity of the community to meet the challenge.

When planning for the first facility in a cluster, the Assembly should realize that the facility does not need to be large enough to serve every community within the cluster over the long term. Local Spiritual Assemblies located in large municipalities, based on either geographic size or population, should also realize that a single large facility

acquired today may not meet the long-term needs of a growing community and that there may be the need to add additional facilities. With increasingly decentralized multiple facilities, members of the community can enjoy the benefit of attending Bahá'í activities and events in or near their neighborhood.

*Moreover, Bahá'í communities committed to growth would do well to anticipate the time when most activities will take place at the neighborhood level. Facilities purchased or rented for Bahá'í purposes can also serve a fresh purpose by striving for an outward-looking orientation.*

Letter dated November 28, 2007 written by the National Spiritual Assembly of the Bahá'ís of the United States to all Local Spiritual Assemblies, ¶ 3 (full letter is at page v of this Manual).

When a community starts to plan for more than one property type within its municipal boundaries, (e.g. communal areas for Feast and Holy Days, as well as **space for core activities**) **take out core activities too**, an opportunity is created to establish a modest-sized property as a Hazíratu'l-Quds, where the affairs of the Local Spiritual Assembly can be conducted in a properly dignified setting. Additional local facilities (not Hazíratu'l-Quds) can be established in various locations where meetings, festive occasions, and other social activities can be held. Another viable alternative are temporary start-up facilities. As the community looks at its progress during the current plan it may realize that it is time for a first Bahá'í facility or even another facility in a different part of town. This may be a start up or a temporary facility. For further information please refer to the Bahá'í Center Assistance website at [www.bahaicenterassistance.org](http://www.bahaicenterassistance.org).

### Needs Assessment and Space Planning

A starting point for this preliminary planning process includes identifying and prioritizing the reasons for the community to acquire a facility at this time. Those reasons may include:

- Greater visibility to the general public with a dignified, established image to seekers
- A more neutral facility to which seekers can be invited (not a private home).
- Fostering an “outward orientation”

- Space for Feasts, Holy Days, core activities, cluster gatherings, firesides, deepenings
- Larger space for public meetings and weddings than is available in private homes
- Suitable space for children’s classes, junior youth and youth programs
- Space for a community library and bookstore
- Meeting room and office space for the Local Spiritual Assembly and its committees

The planning committee that undertakes the project needs to assist the Local Spiritual Assembly in clarifying the community’s sentiments on these issues. Consultation throughout the cluster about a facility should be part of this process.

Once the priority objectives for acquiring a facility are specified, the planning committee should detail specific characteristics needed in a facility. These will typically include:

- Estimated total square footage
- Total number of usable rooms needed at one time; i.e., for children’s classes and other activities
- Number and general location of restrooms
- Kitchen or other food preparation area
- Storage and filing
- Office space
- Parking
- Access to public transportation
- Areas of the city where the facility could contribute to community building. Investigate whether other establishments near the location of the facility are in conflict with Bahá’í principles
- Consideration for the potential long term needs of facilities in more than one sector of a city
- Access for those who are differently-abled

### Accessibility of

## Facilities

A major goal of advancing the process of entry by troops is for each Bahá'í community to establish

*study circles, children's classes and devotional meetings, open to all the inhabitants of the locality.*

Message dated 9 January 2001 written by the Universal House of Justice to the Continental Boards of Counsellors, quoted in *Turning Point*, p. 263.

Such efforts to reach all inhabitants should include those with physical challenges.

*All sectors of society must work to integrate disabled persons into the life of society and give them equal opportunities in schools the workplace and the community at large. Society will be the loser if it fails to benefit from the talents of disabled persons.*

Bahá'í International Community, *Human Rights and Disability: Statement to the 40<sup>th</sup> United Nations Sub-commission on Prevention of Discrimination and Protection of Minorities*, August 1988, quoted in *Developing Distinctive Bahá'í Communities*, June 2007, p. 622.

The selection of property to lease or purchase, design of new or renovation of existing facilities to be used as a Bahá'í facility, should take into consideration accessibility for those with physical challenges. The Americans with Disabilities Act (ADA) became a federal law in 1990 to ensure that those with disabilities have equal access to public accommodations. While an exemption from ADA exists for religious organizations, communities should consider Having Bahá'í facilities that comply with ADA's requirements in Title III - Public Accommodations. Also city or state laws and local building codes that are applicable to Bahá'í facilities may impose more stringent accessibility requirements than federal law.

When selecting design professionals, such as architects and engineers, to design or renovate a Bahá'í facility, find out how much familiarity and experience they have with ADA Standards for Accessible Design. An Assembly should not rely solely on general contract language that they must design the building to comply with all applicable laws, or expect that it is enough if they follow your local building code. Issues such as access to appropriate parking and amenities on the site, entrance to the facility, access to public meeting areas and accessible restrooms should be considered in the final plans.

Helpful information on the Americans with Disabilities Act can be found at the U.S. Department of Justice website at <http://www.ada.gov/>.

For more detailed information, on planning and site selection, please see the section called Design Services Stages in Chapter 8. At the same time, the National Spiritual Assembly reminds us that “*prolonged debates about location, design, and usage can be detrimental.*” (See letter dated November 28, 2007 written by the National Spiritual Assembly of the Bahá’ís of the United States to all Local Spiritual Assemblies, on page v in this Manual.)

## Financial Projections

Once it defines the initial objectives and desired physical characteristics for a facility, the Assembly should work through its planning committee(s) to obtain estimates of the resources needed to acquire a building that meets those specifications. A first step is to work with knowledgeable and reputable real estate agents to investigate the leasing costs or offering prices of properties with the desired characteristics. It is recommended that the realtors be told that the services of more than one are being used.

Before the Assembly decides to lease space or purchase property, it should conduct a review of property for a good comparative analysis of the price range for properties regarding square footage, amenities, land, location, etc. The Spiritual Assembly and its planning committee can specify the price range by creating a comprehensive project budget that includes the cost of leasing a space or purchasing a property, project consultants and any renovation and construction expected, as well as the cost of furnishings and fixtures. The budget will require time and research to develop cost figures for every step; however, it is necessary to provide the Assembly with a realistic assessment of the total initial costs of leasing or ownership. (See the Bahá’í Facility Model Projections Form in the Appendix).

Working with a real estate agent (see Part 4, Preparing to Purchase), the planning committee should identify a few properties that meet or are close to meeting its objectives. If there are no appropriate facilities on the market, the committee can ask several real estate agents to identify comparable properties that were recently on the market and would have met the committees' objectives. In this way, the

committee can estimate the cost of the type of property it seeks to purchase or lease.

The planning committee should then estimate the cost of making necessary improvements to each facility. For example, one building identified for purchase might require renovation including new restrooms and a new furnace. Another might require a new roof and the purchase of a vacant lot for additional parking.

The estimated cost of acquiring a building and land plus the projected cost of renovation, plus possible “soft costs” such as architectural, engineering, permit fees or other costs comprise the “project cost” that needs to be covered through funds raised by the community and/or through mortgage financing.

Planning committees should not assume that the purchase of a blighted property in need of renovation and repair would save on the ultimate cost of the building. Frequently, when appropriate renovations are completed in such buildings, the cost of acquisition plus renovation exceeds what it would have cost to purchase a property in good condition. Moreover, cost overruns are more likely and can be much more significant in renovations of distressed properties.

The community needs to be able to make a down payment or equity investment to purchase a facility. The size of this investment determines the amount of the loan(s) that will be needed to finance the purchase. With projections for the cost of the property and the amount of equity the community can invest, the monthly mortgage payments or “debt service” can be estimated. The monthly mortgage payments plus the operating costs of the facility equals the cost the community will be obligated to support each month with a portion of their monthly contributions.

There are many operating costs involved with maintaining a Bahá’í facility. Estimates should include costs such as repair and maintenance, insurance, utilities, and possibly taxes. If the planning committee has identified an actual building to pursue for lease or purchase, it should obtain a history of operating expenses for that property. Otherwise, it will need to develop estimates based on research. The real estate agents can usually provide some cost estimates, but the committee can also

seek information from a local insurance agent, utility company, trash collection services, landscaping and snow removal services, etc. Another source of estimates could be a local organization with a similar building or another Bahá'í community with a facility of comparable size and location.

After preparing estimates of the project costs, the next step is to prepare a basic budget projection, often known as a financial pro forma, for the acquisition, renovation and ongoing maintenance and management of the property (See sample of Development Budget and Annual Facility Operating Budget in the Appendix, pages 11.7 - 11.8). A reasonably accurate pro forma will provide realistic estimates of the financial resources needed to achieve the community's goals. This initial pro forma used for cost estimates can later become part of the development and operating budget used to obtain financing and ultimately to develop the Bahá'í facility.

### **Resource Assessment**

Planning committees need to make informed projections about the community's financial capacity to fund a facility while still respecting and adhering closely to the Bahá'í principle of confidentiality for donations to the Faith. The committee should obtain from the Assembly Treasurer the annual financial reports of the community for the past three years. Analyzing the giving patterns of the community over multiple years should reveal useful information about the community's financial capacity to meet the challenges identified in the projections. If the community has raised funds for a facility development account or undertaken special fundraising campaigns, the success and patterns of these fundraising campaigns can be assessed. The Budget Worksheet, available in the Appendix helps analysis of past patterns of giving. The sources and uses of Funds will help the community to decide how much money is needed and what sources may provide those Funds (see Appendix, page 11.6).

When financing will be sought from a number of communities and individuals in a cluster, it might be helpful to work with the Local Spiritual Assemblies and review annual financial reports for the past three years from each Local Spiritual Assembly in the cluster. An analysis of the contribution patterns as well as the membership of each of the communities in the cluster can reveal the relative financial capacity of

the communities as well as the overall financial strength and resources within the cluster. The amount of money each community might be able to commit to the down payment should also be projected.

Receipt of funds from various communities within the cluster does not change the fact that the facility will be owned solely by the Local Spiritual Assembly where the facility is located. As in any Bahá'í endeavor, love, respect, trust and unity are essential for success.

### Feasibility Plan

Having 1) clarified and prioritized needs and desired facility characteristics, 2) developed reasonably accurate cost estimates and 3) made initial assessments of the community's financial capacity, the Assembly will have the essential components of a Feasibility Plan. These documents should then be combined with a short statement which includes the major research findings and conclusions and recommendations on how best to proceed. The conclusions and recommendations may state that:

*a) The community has the human and financial resources to handle the responsibilities of such a project, and fundraising and other activities should commence.*

Or,

*b) The project as described in the needs assessment is currently beyond the human and financial capacity of the community*

This constitutes the written Feasibility Plan for the Local Spiritual Assembly. In the last instance, it may be that the Spiritual Assembly needs to focus on:

- Increasing community participation in core activities
- Increasing the overall level of activity, vitality, and participation of the friends in community activities
- Pursuing teaching efforts so that the numeric size and strength of the community increases
- Increasing the level of participation in the local fund
- Assessing the capacity to raise more outright gifts to increase the equity



investment in the facility and reduce the monthly mortgage payments

*Everywhere there was a need to gain an understanding of the dynamics of human resource development. Everywhere the friends had to learn the requirements of steady growth – to promote systematic action and to avoid distractions, to bring certain elements of collective decision-making close to the grassroots and to create communities with a sense of mission, to encourage universal participation and to accommodate different segments of society in their activities, particularly children and junior youth, the future champions of the Cause of God and builders of His civilization.*

Ridván 2007 message written by the Universal House of Justice to the Bahá'ís of the world, ¶ 4.

If the project is currently beyond the financial capacity of the community, another option is for the Local Spiritual Assembly to prioritize by deciding to acquire a facility that will meet some, but not all of those needs. In this case, the needs that are not met by the proposed facility are met by using private homes or by leasing/renting public halls or other spaces.



# Selecting Location and Property

## Renting First

In its 2007 letter concerning Bahá'í centers, the National Spiritual Assembly advises Local Spiritual Assemblies that:

*In most situations, communities should, before purchase, first consider leasing a property for a Bahá'í Center.*

Letter dated November 28, 2007 written by the National Spiritual Assembly of the Bahá'ís of the United States to all Local Spiritual Assemblies, ¶ 3 (full letter is at page v of this Manual).

## Preparing to Rent

When the Local Spiritual Assembly determines that it will rent space to provide facilities for its core activities, the planning committee should compare specific available buildings or properties to the adopted criteria from Chapter 2, Maintaining Unity: Statement of Purpose and Communication. After reviewing the criteria for real estate selection from Chapter 3, Needs Assessment and Basic Space Planning, the planning committee may contact local real estate agents to find out about available properties.

## Considerations

Before renting any property, the Assembly and planning committee will need to conduct inspections and review possible lease agreements. They will also need to research and investigate legal and governmental requirements for occupying a property because the rental of a facility raises the need to consider the impact of complex federal, state and possibly local tax, zoning, insurance, environmental and other issues for consideration. Before renting its facility, a Local Spiritual Assembly or Registered Group should consult on the issues described below with:

- An experienced local tax attorney or accountant on the tax issues;
- An experienced real estate attorney on the zoning issues; and,
- An experienced insurance broker or agent on the insurance issues.

### 1. Local Zoning Issues

- Rentals can pose issues for the zoning and use status of a center. An experienced real estate attorney should advise a Local Spiritual Assembly on these issues.
- Investigate zoning of the area and zoning trends to determine if the present zoning is appropriate and if other establishments in the area are compatible with a Bahá'í facility.
- Investigate existing use permits, and if so, determine if there are any insurmountable issues or requirements.

### 2. Environmental Considerations

- Determine if there any harmful contaminants on the property such as asbestos, lead, mold, underground oil tanks and oil seepage, etc.
- If contamination is suspected or present, the committee should not consider renting or purchasing the property.

### 3. Other Property and Building Inspection

- Identify available utilities such as water, sewer, storm drain, power and gas, etc.
- Assess the quality and adequacy of roofing, waterproofing, security, and fire protection systems.
- Assess adequacy of existing restroom facilities.
- Depending on the property, other inspections or investigations may be necessary.

## Tax Considerations

The following information will help the Assembly understand the complexity of the issues for its consultation with the selected professional advisors.

### 1. Federal Tax Issues

#### a. Background on Nonprofit Tax Exemption:

Local Spiritual Assemblies are included under the National Spiritual Assembly's group exempt ruling from the Internal Revenue Service. The ruling letter holds that the National Spiritual Assembly and its subordinate organizations are exempt from federal income tax as organizations described in section 501(c)(3) of the Internal Revenue Code. The ruling

letter further states that the National Spiritual Assembly and its subordinates are not private foundations because they are organizations of the type described in Section 509(a)(1) and 170(1)(b)(1)(A)(i).

b. Federal Unrelated Business Income Tax (UBIT):

A nonprofit organization is taxed on its unrelated business income. Under Federal tax law, this is referred to as the Federal Unrelated Business Income Tax (UBIT). Trade or Business Not Substantially Related to the Organization's Exempt Purpose. One type of unrelated business income is income from a trade or business that is regularly carried on by the exempt organization that is not substantially related to the organization's exempt purpose.<sup>1</sup> Some types of unrelated business income, such as income from the sale of advertising in a newsletter, are not associated with centers and are not analyzed in this statement. Since a local Bahá'í center's purpose is to serve the religious mission of the Faith, anything that tends to serve that mission would more than likely not be taxed. Some examples of income from centers that would be permitted and not permitted as related income are given below:

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<sup>1</sup> The IRS website and IRS Publication 598 further clarify what these terms mean. "Trade or business" generally includes any activity carried on for the production of income from selling goods or performing services. "Regularly carried on" indicates a frequency and continuity. "Substantially related" requires an examination of how the activity relates to a purpose which causes the Assembly to be a nonprofit organization and if it contributes importantly to that purpose. The fact that an organization needs income to fund its related activities does not cause that income to become related income.

Trade or Business Related/Unrelated to the Organization's Exempt Purpose	
Related Income	Unrelated Income
Charging a fee for center use by organizations with compatible service goals, such as Alcoholics Anonymous, Health for Humanity, etc.	
Fees for Bahá'í marriage ceremonies or an occasional non-Bahá'í marriage ceremony	Fees for regular non-Bahá'í marriage ceremonies
Occasional rental of center parking lot	Regular rental of center parking lot one day a week
Book stores selling books and materials related to the Faith.	
Cafeterias and coffees shops operated for the convenience of the organization's employees or members	
Vending machines for snacks and beverages for the benefit of employees and members	

Another consideration is income from a center where debt financed and debt has been incurred directly or indirectly in order to acquire it, or to improve it while rented. Although generally not taxable, **passive income becomes taxable if the center is debt-financed**. Some exceptions are:

Not Taxable	Taxable
Property acquired by gift, bequest, or devise although now subject to a mortgage	Rental of personal property either by itself or real estate and personal property rented together
Substantially all (85% or more) of the use of any property is for exempt purposes	Rents based on income or profits derived by any person by any method unless on a fixed percentage of gross receipts or sales
The acquisition of real property with the intent of using it for exempt purposes in the future	Providing services not generally provided with the rental of real estate
The debt is an annuity obligation	Rent from a controlled organization

These exceptions have many nuances.

c. Form 990-T Filing Requirements Does Not Affect Tax Exempt Status

If the Local Spiritual Assembly's unrelated business income from all activities, before deductions, is \$1,000 or more, it would need to file an annual form 990-T with the Internal Revenue Service. Deductions are allowed for direct and allocated expenses and depreciation. If the income less expenses exceeds \$1000, federal income taxes at corporate rates would be due.

Federal tax exempt status of the Local Spiritual Assembly is generally not jeopardized by paying tax on unrelated business income. The Local Spiritual Assembly remains tax exempt. Only in rare circumstances is tax-exempt status jeopardized. One example of a jeopardized tax-exempt status is if the primary purpose of the organization becomes to carry on an unrelated business, which would be determined by examining all circumstances.

d. State Unrelated Business Income Tax (UBIT) and Property Tax Issues.

States and some municipalities may also collect income tax on unrelated business income. Each State and locality will have its own rules, which may differ from the Federal rules described above, about what constitutes unrelated business income.

Aside from the income tax, an entirely different tax is the State and local property tax.

For property tax purposes, some States require that a center be used exclusively for religious purposes. However, many States allow an occasional or minimal use for other purposes. Depending upon the particular State, occasionally allowing other groups to use local Bahá'í facilities may not cause loss of the property tax exemption. Local taxing authority requirements should also be investigated. Failure to comply with State and local property tax requirements may jeopardize the tax exempt status of the property and subject it to full property tax.

## 2.

### Insurance Issues

Insurance issues can also be a challenge for renting a facility to others.

- The local insurance agent or legal advisor should determine if the Local Spiritual Assembly's insurance policies cover usage by renters and their clients and guests, for example, members of the community renting the facility for private use.
- If not, the Assembly will either need to get a separate insurance policy (or a rider to an existing policy) or
- The Assembly will need to have the renter's insurance agent: a) provide a certificate of insurance naming the Assembly as an additional insured and; b) ensure that the Assembly will receive automatic notice of any change in status of the insurance.

### 4. Scenarios for Renting the Center

A Local Spiritual Assembly may face several different scenarios in the rental of a facility.

1. The ideal scenario is when the Assembly rents a property in good working order that is suitable for the needs of the local community. This building would:

- Have ample parking within the property or in the adjacent area,
- Be zoned and/or used for a similar purpose (i.e., a religious center, community hall, etc.), and
- Be ready to be occupied by the Bahá'ís upon signing the lease agreement or contract.

In this situation, the primary concerns of the planning committee are to conduct a comprehensive property evaluation that identifies deficiencies and, based on the terms of the leasing contract, to allocate responsibility for their correction either to the lessee

or the landlord prior to signing the lease.

2. A less desirable scenario is to rent a property that requires minor repairs or upgrading of certain facilities such as restrooms, kitchen or the landscape. The Assembly will need to negotiate these repairs and upgrading with the owner of the building and avoid signing a lease while the repairs or upgrades are in progress. If more extensive work is required, the Assembly may decide to look for another property or wait until the needed work is complete before signing a lease.
3. The least desirable scenario is to rent a building that requires significant renovation or remodeling before it can be used as the Bahá'í facility. This situation will require consultation with professionals to determine the extent of the work needed, the work to be done by the owner of the building and to ensure that the renovation and remodeling costs are not prohibitive. The Assembly should consider the amount of money needed to renovate or remodel a property that it does not own. The Assembly should also consider the amount of time necessary to successfully complete the project and the potential additional drain on the community as a result of delays and unforeseen costs.
4. As described in more detail later in this chapter (page 4.9), it is ideal when only one person, preferably an experienced, trusted Bahá'í with a business background is the contact person for negotiations. Although the Assembly may consider the lease a temporary commitment, assuring consistent communication during discussions and negotiations with the owner of the property will reduce the chance of someone claiming that a person with merely the appearance of authority made a decision. The designated contact should consult regularly with the Assembly or committee to keep it fully informed and to receive directions from the decisions of Assembly or committee. Naturally, this person could at times be given some scope of legal authority reflected in the minutes of the Assembly or committee so that not every small detail is a matter of consultation. Patience is advisable because the real estate market is constantly changing.

### **Preparing to Purchase**

Once the Local Spiritual Assembly determines that it has sufficient human and financial capacity and knowledge of local real estate, renovation and operating costs, the planning committee should compare specific available buildings or properties to the adopted criteria.



The Assembly will need to find real estate agents who are capable and trustworthy, familiar with the area and experienced in the type of property the Assembly wants to buy.

It is wise to interview several agents prior to making selections. Many real estate agents specialize in residential real estate and do not have experience with the type of buildings that communities need for Bahá'í facilities. It would be advantageous for the agents to have expertise in religious and community centers or at least in commercial property rather than purely residential real estate.

The planning committee can be actively involved in these selections. The agents should be contacted by the planning committee and given certain parameters, including time limits, based on the needs and resources of the community.

The real estate agents can be involved early to assist the Assembly and planning committee in determining the price range.

Review the criteria for real estate selection from Chapter 3, Needs Assessment and Basic Space Planning.

Before purchasing any property, the Assembly and planning committee will need to have property surveys and environmental inspections done or review existing surveys and reports. They will also need to research and investigate legal and governmental requirements. These investigations include:

### **Compliance**

- Investigate city and county zoning of the area and zoning trends to determine if the present zoning is appropriate for the intended uses of a Bahá'í facility
- Investigate existing use permits and grand-fathered permits to determine if a Change of Use permit is required, and if so, determine what the requirements are and how to meet them
- Verify any deed restrictions

- If an existing survey of the property is available, identify any right of ways, easements, servitudes or encroachments
- If no survey is available, determine whether there is a need to conduct a survey to verify boundaries and issues such as right of ways, easements, etc.

#### **Environmental Issues**

- Determine whether an existing Phase One Environmental report is available. *If not, the committee needs to ensure that one is completed*
- The report should identify any harmful contamination on the property such as asbestos, lead, mold, underground storage tanks (oil or gas) and oil seepage, etc.
- If contamination is suspected or present, the committee will need to proceed with additional environmental testing and potential remediation

#### **Other Property and Building Inspection**

- Identify available utilities such as water, sewer, storm drain, power and gas, etc.
- Identify structural, soils, seismic and health and safety issues
- Assess the quality and adequacy of roofing, waterproofing, security, and fire protection systems
- Consideration of opportunities for energy efficiency upgrades
- Ensure Americans with Disabilities Act (ADA) compliance or that the facility has grandfathered compliance that would limit modifications

#### **Existing Building and Construction Permits**

- Acquire copies of existing permits and “as-built” drawings including architectural, engineering and other drawings

- Identify any pending governmental corrections, required modifications or citations
- Acquire disclosure from the seller about existing conditions of the property and any adverse requirements or conditions. It is recommended that the Assembly requires the seller to remedy all key outstanding conditions

## Purchasing the Center

A Local Spiritual Assembly may face several different scenarios in its purchase of a building.

1. The ideal scenario is when the Assembly purchases a property with an existing building in good working order that is suitable for the needs of the local community. This building would:
  - Have ample parking within the property or in the adjacent area.
  - Be zoned and/or used for a similar purpose (i.e., a religious center, community hall, etc.), and
  - Be ready to be occupied by the Bahá'ís upon closing on the purchase of the property

In this situation, the primary concerns of the planning committee are to conduct a comprehensive property evaluation that identifies deficiencies and, based on the terms of the purchase contract, to allocate responsibility for their correction either to the seller or the buyer prior to closing.

2. A less desirable scenario is to purchase a property that requires minor repairs or upgrading of certain facilities such as restrooms, kitchen, or the landscape.
  - If little work is required, then the facility can be used while the repairs are in progress.
  - If more extensive work is required, the Assembly may decide to wait until the needed work is complete before occupying the building.
3. The least desirable scenario is buying a building that requires significant renovation and remodeling before it can be used as a Bahá'í facility. . This situation also will require the

selection of an architect. Due to the magnitude of the work, making the right selection is crucial.

- Considerable structural, architectural, electrical, mechanical and interior work may be required to give the building(s) a facelift and to modify the structure for its new intended use.
- At the same time, the interior may need to be completely redone. This may well require professionals who should understand the needs of the facility and be able to convert the existing facility accordingly. . Depending on the condition of the property, additional consultants may be needed.

Most likely, the Spiritual Assembly will have to wait to occupy the facility for months until the required governmental approvals are obtained and work is complete.

Again, due to the magnitude of the work under this scenario, selecting a quality contractor will be more critical than the second scenario. Although it is important to select a contractor on the merit of proposed cost, it is just as important to select one with a reputation for integrity, effective communication skills, and quality of workmanship.

### Existing Building and Construction Permits

Assemblies will need to acquire copies of all existing permits, “as-built” architectural and engineering drawings, equipment owner’s manuals, as available. If not available, it is important to obtain any relevant architectural or engineering drawings. It will also be important to:

- Identify any pending governmental corrections, required modifications or citations, and
- Acquire an affidavit from the seller about existing conditions of the property and any adverse requirements or conditions.

### Contact Person

Ideally, only one experienced, trusted Bahá’í should be the contact person for negotiations. This helps assure consistent communication, reduces the chance of someone claiming that a person with merely the appearance of authority made a decision, and minimizes efforts by others to “lobby” individual members of an Assembly or committee. It will be imperative that the Assembly engage in frequent consultation to support the contact person in their work on behalf of the Assembly. The designated contact should consult regularly with the Assembly or committee to keep it fully informed and to receive directions from the decisions of Assembly or committee. Naturally, this person could at times be given some scope of legal authority reflected in the minutes of the Assembly or committee so that not every small detail is a matter of consultation.

### Final Thoughts

Some Assemblies may decide that no existing building on the market is appropriate. Patience is advisable because the real estate market is constantly changing.

The decision to build a center on vacant land should be the last option considered as it contains a number of substantial additional risks and expenses. For example,

- Substantial construction cost overruns are common.
- Construction delays are also common and can be significant.
- Legal issues can be significant if contractors and subcontractors put liens on the Assembly’s title to the property if and when payment disputes develop.

This manual does not currently attempt to address the many issues of building a center on vacant land, however for more information please refer to Chapter 8 of this Manual.



# Fundraising

## Introduction

This chapter on fundraising will help communities consider how to raise the money to invest in a Bahá'í facility property and to support the ongoing operation and management of the facility. There is no one correct way to raise funds for a local facility. However, it is best to consider certain factors that have proven effective in both Bahá'í and secular sectors when preparing a fundraising process.

## Fundraising Plans

Fundraising plans need to be developed either by the planning committee or by a fundraising committee appointed by the sponsoring Spiritual Assembly. When the acquisition of a local facility is a collaborative undertaking of the cluster, these committees should be composed of members from each of the Spiritual Assemblies in that cluster. The members of the committees should receive the endorsement of their respective Spiritual Assemblies and be trusted and respected by members of their community.

It is the policy of the National Spiritual Assembly that active fundraising should not be conducted with individuals, households or institutions that reside outside of the cluster where the Bahá'í facility will be located.

The fundraising committee needs to be closely linked to and in open, regular communication with other committees working on the project. If the fundraising committee is large due to representation from numerous communities, then it is best for a core group to provide sustained direction and planning.

## Case Statement

At the outset, the fundraising committee should prepare a Case Statement. This Statement presents the essential information that both the Local Spiritual

Assemblies and individual Bahá'ís will want to know when they are asked to donate to a fund for a local facility. A great deal of that information should be readily available from the work and investigations conducted during early phases of the project (see Chapter 3, Resource Assessment). If a Statement of Purpose was written as discussed in Chapter 2, it would be a good starting point for a Case Statement. Information that should be in the Case Statement includes:

- The location of the Spiritual Assembly that is sponsoring the planning process, which is also where the facility will be located
- The committees, including their members, to develop the project
- The priorities and driving factors to acquire a facility at this time
- The primary intended uses of the facility in support of the core activities
- The square footage and other physical requirements that have been identified
- Projected cost of the facility
- Pro forma detailing costs of acquisition, renovation, permits, fees, attorney and consultant expenses and projecting the sources of funds to cover the total project development costs
- Pro forma detailing annual operating costs including repairs and maintenance, all utility costs, services such as trash removal, landscaping, cleaning and other supplies, and monthly debt service, as well as sources of income projected to cover these expenses
- Recommendations on how the building will be managed
- When the acquisition of a facility is a collaborative effort, suggested fundraising goal amounts for each of the communities in the cluster with a Local Spiritual Assembly, and possibly one for the combined groups and isolated believers in the cluster
- Written endorsements from all participating Assemblies
- If it has been determined, neighborhoods in the site city which have been identified as preferred locations

### **Establishing Goals and Timetables**

Once the overall fundraising goal has been established by the sponsoring Local Spiritual Assembly in consultation with the planning committee, the fundraising

committee can then proceed to use the data obtained from the Feasibility Study as described in Chapter 3 (pages 3.7 - 3.8), to propose goal amounts for each of the participating communities, or for each stage in the process. Participating Spiritual Assemblies are consulted during this process in order to achieve unity of thought on the overall goals and the goals to be adopted by each Local Spiritual Assembly. If only the sponsoring Spiritual Assembly has ownership of these goals, arrangements may be made to have the friends throughout the cluster pledge and contribute either through their own Spiritual Assembly or directly to the sponsoring Spiritual Assembly.

In planning the fundraising campaign, different approaches will be appropriate for different communities. Some communities will have a targeted amount of funds to raise in a relatively short period of time through appeals to the community and fundraising events. Other communities may need to launch multi-year campaigns. In either case, careful planning is important. Ideally the fundraising campaign will have a designated duration and each community will strive to achieve its fundraising goal within that timeframe.

### **Communication**

Once a fundraising campaign is launched, regular communications, at least quarterly, from the fundraising committee should be sent to all community members. The friends should receive timely information regarding the progress of the project as well as changes or modifications to the original project plans. Charts, graphs or other visuals (such as the thermometer sometimes used to show contributions to date) are effective ways to illustrate the progress in pledges and contributions towards achieving the goal. The fundraising committee will need to consult with the Local Spiritual Assembly and the friends on a consistent basis. Frequent, appealing and factual communications will help to maintain and increase interest in the facility project and motivate the friends to contribute regularly.

### **Adhering to Bahá'í Principles**

Throughout the fundraising process, the friends are encouraged to keep in mind the Bahá'í principles and virtues that are the foundation of all of our community endeavors:

- Strive to earn continuously the trust and confidence of the friends by the thoroughness of your work and the effectiveness of your communications.



- Always remember that the contribution of an individual member is a confidential act of spiritual devotion between themselves and the Blessed Beauty. Strict protection of confidentiality is essential to the fundraising process and the Assembly and the fundraising committee must comply with the National Spiritual Assembly's confidentiality guidelines.
- Never pressure any member of the community regarding contributions
- Process receipts and acknowledgements of contributions timely to strengthen the confidence of the contributing members, demonstrate integrity and show appreciation.
- Earmarked funds raised for the facility must be used for that purpose only. Questions about earmarking should be referred to the National Treasurer's Office.

Planning and fundraising committees over time may well experience various levels of fatigue and frustration as they strive to build and maintain enthusiasm among the friends and encourage the sacrifice of precious time, expertise and funds. The friends are encouraged to follow the admonition of 'Abdu'l-Bahá to be joyous while walking the often strenuous path of service to our Beloved Cause.

When conducting a capital campaign, the friends must be steadfast in their determination to maintain practices, procedures and attitudes that are consistent with the spiritual principles related to fundraising and giving to the funds. A first principle is that contributions are to be "purely and strictly voluntary in character" and that "any form of compulsion, however slight and indirect," is not permissible. Appeals of a general character should be carefully worded, moving and dignified in tone. Contributing to the funds of the Faith "is a spiritual responsibility and a privilege of profound significance in the spiritual life of the individual believer, and care must be taken not to trivialize this aspect of Bahá'í life by applying too many gimmicks or treating it with lack of dignity." In this regard, the friends should be aware that it is inappropriate to name buildings, rooms or other objects related to a Bahá'í facility in the name of any living individual, or to "sell naming rights." For further information on these matters, and permissible fund-raising approaches, contact the Office of the Treasurer, Bahá'í National Center.

### Conducting

## the Campaign

Most fundraising will begin with a launch meeting to kick off the campaign. Many campaigns seek large outright gifts as well as pledges that can be fulfilled over time.

Prior to the kickoff, briefing meetings should be held with each participating Local Spiritual Assembly to inform them about the project and fundraising plans. The first time a Local Spiritual Assembly is briefed on a project fundraising campaign should not be at the actual campaign kickoff.

The kickoff for the campaign should engage the enthusiasm, confidence, trust and participation of all Bahá'ís within the area. The kickoff may be a single meeting or a series of meetings. The kickoff should have presentations by those involved in the project planning process. Copies of the Case Statement should be available for each of the attendees. Where possible, slides or other visuals of sample properties should be used to convey the vision and expectations for the project.

A festive atmosphere should be fostered with refreshments and possibly music and entertainment. The kickoff may be held as a special meeting for all the Bahá'ís in the cluster, or it may be held at the Feasts of the communities within the cluster. If part of a Feast, the presentations should be given the same effort in planning and execution that a separate event would require. Sufficient time should be allotted on the Feast agenda.

## Gifts and Pledges

At the outset of the campaign, a process should be established to allow individual contributors to make both gifts and pledges to support the campaign. Pledges that entail ongoing contributions on a monthly, quarterly or annual basis should be welcomed. It should also be possible for pledges to be fulfilled on a one-time lump sum basis once a site has been identified and an offer for the property is underway. Utilizing means to make contributing convenient will improve the success of the campaign.

Occasionally, someone will wish to make a contribution of an appreciated asset, such as stocks or real estate. Before accepting the contribution, the Assembly should

contact the National Treasurer's Office to familiarize themselves with the current guidance on accepting such gifts.

It is usually less straightforward to determine the value of other non-cash asset contributions and more complicated for the treasurer to convert the asset to cash. The Assembly should encourage any friends who wish to contribute in this way to consider divesting themselves of these assets first and then giving the cash to the fundraising effort. If a friend has a strong need to give the asset, encourage him to obtain an appraisal before the contribution. A receipt for the contribution will need to be given with a description of the asset and no stated dollar amount. The Assembly should not quickly accept a gift of real estate because of obligations it may impose (e.g., environmental, taxes, etc.) and expectations it may create (e.g., this will become the facility property).

Below is a sample pledge card:

**Pledge Card For Bahá'í Facility of** (*Community Name*)

*"To give and to be generous are attributes of Mine; well is it with him that adornest himself with*

*My virtues."* —*Hidden Words*

- I/We pledge to contribute \$\_\_\_\_\_ toward the acquisition of a new Bahá'í Facility in (*Community*). This pledge will be honored by making monthly contributions of \$\_\_\_\_\_ for the next \_\_\_ months/quarters/years (circle one).
- I/We pledge to contribute \$\_\_\_\_\_ toward the acquisition of a new Bahá'í Facility in (*Community*). This pledge will be honored no later than thirty days after the Local Spiritual Assembly of (*Community*) has notified me (us) that an offer has been accepted on property suitable for this purpose.
- I/We offer this contribution of \$\_\_\_\_\_ earmarked for the (*Community*) Bahá'í Facility Fund.
- I/We offer this non-cash asset (e.g. stock, bonds real estate, etc.):

\_\_\_\_\_

Date: \_\_\_\_\_

Signature \_\_\_\_\_

Signature \_\_\_\_\_

**Lead Pledges/  
Contributions**

It is highly desirable for all members of the sponsoring Local Spiritual Assembly and all members of the project planning and fundraising committee(s) to demonstrate their unity in support of this project. One way to show support is by making contributions or written pledges to the campaign prior to the formal campaign launch meeting(s). These pledges and contributions will give significant impetus and credibility to the initial launch. Plans and announcements for fundraising meeting(s) might include the suggestion that the friends come to the meeting(s) prepared to make contributions or pledges to help raise a targeted percentage of the campaign goal.

**Periodic  
Fundraising  
Meetings and  
Activities**

The campaign fundraising committee, in collaboration with the Local Spiritual Assemblies, should consider hosting various kinds of gatherings and activities designed to engage all segments of the community in the campaign. For example, activities and presentations by children and youth can motivate and inspire the adult members to participate more actively. All segments of the community can experience the joy and sense of accomplishment in striving for the goal. The committee may plan concerts, plays, luncheons, dinners, picnics, carnivals, garage sales, bake sales, special excursions and other appropriate special events or activities to raise funds. However, moderation in all things is advised. The National Spiritual Assembly reminds us in its letter of November 28, 2007 to all Local Spiritual Assemblies that: “Continuous fundraising, for example, to gather the financial resources to fund the purchase or renovation of a Bahá’í center could become a major distraction from the friends’ efforts to prosecute the Plan.” (See page v of this Manual)

**Recognition**      Consistent, discreet and confidential forms of recognition should be given to those who have contributed to the campaign. Special receipts may be designed for their contributions or some memento given to each participant. Letters can be sent acknowledging the progress being made on their pledges and stressing the spiritual bounties of their continuing support.



# 6 Financing

## Introduction

The National Spiritual Assembly has given specific guidance on financial issues relating to local Bahá'í facilities in light of the Plan:

*Continuous fundraising, for example, to gather the financial resources to fund purchase or renovation of a Bahá'í Center could become a major distraction from the friends' efforts to prosecute the Plan....*

*In most situations, communities should, before purchase, first consider leasing a property for a Bahá'í Center. Experience has shown that facilities of grandiose or extravagant proportions rarely meet the needs of an expanding community committed to decentralization and growth at the grass roots. Rather than permanent fixtures, the best facilities for local Bahá'í purposes at the present time are those that allow for maximum flexibility in their use and in the financial arrangements made to secure them. Moreover, Bahá'í communities committed to growth would do well to anticipate the time when most activities will take place at the neighborhood level. Facilities purchased or rented for Bahá'í purposes can also serve a fresh purpose by striving for an outward-looking orientation.*

Letter dated November 28, 2007 written by the National Spiritual Assembly of the Bahá'ís of the United States to all Local Spiritual Assemblies, ¶ 2,3 (full letter is at page v of this Manual).

For communities that have decided to purchase Bahá'í facilities in support of Plan activities, the following sections describe guidelines for Local Spiritual Assemblies to thoughtfully and responsibly use debt financing, where appropriate, to acquire a local facility in a cost-effective, timely manner.

Purchasing property at today's price with borrowed funds may be far less costly for your community than waiting until you have raised sufficient capital to pay fully in cash. A community may explore financing options related to a facility for a number of reasons, including:

- Buying or building a center;

- Facility renovations, for example to conform to current codes or accessibility requirements;
- Refinancing current debt; or
- Covering a construction cost shortfall due to unforeseen conditions.

In the following sections, will present how to thoughtfully and responsibly use debt financing to acquire a local facility in a cost-effective, timely manner.

### **Risks of Financing**

There are significant long term obligations associated with using debt financing. To date, most local Bahá'í facilities have been purchased outright with cash contributions resulting from long-term fundraising campaigns or through large gifts from generous individuals. As institutions, Spiritual Assemblies often have little appreciable financial assets and no credit history. Thus, even if such a Local Spiritual Assembly wanted to borrow from a reputable lending institution, it would most likely encounter difficulty receiving approval for a loan sizable enough to finance a major portion of a Bahá'í facility. In circumstances such as this, banks will often require that individual members of the community assume responsibility by co-signing loan and mortgage agreements. This can be very undesirable as it may create strains within the community.

### **Benefits of Financing**

Real estate is an asset that may increase in value as long as the initial purchase is wisely researched and carefully done, and the property is well maintained. Prudent leveraging of small portions of a community's capital into the acquisition of real estate may allow the community to derive a favorable long term return on the investment. The Bahá'ís also establish a credit history and become more active participants in the development of the greater community.

When Spiritual Assemblies make prudent, careful use of borrowed funds, they allow the precious financial resources of the American Bahá'í community to be directed most efficiently towards its wide range of pressing needs. At this time the financial requirements of the international, national, continental, regional and local Bahá'í



institutions are placing increasing demands on the total annual revenues within the American Bahá'í community. From a national or “big picture” perspective, it is not realistic to expect that our community can increase its level of contributions sufficiently to meet the pressing needs of all the institutions of the Faith while paying cash for a growing number of local facilities.

### **Basic Funding Plan**

Before proceeding to contact potential lenders, a Local Spiritual Assembly should develop a basic funding plan, setting forth:

- the cost estimate, with appropriate contingencies
- equity available to the Assembly, either through savings or highly certain near-term fundraising, and
- the amount of debt required, and whether financing from more than one lender will be sought.

### **Obtaining Bank Financing**

Bahá'í Center Assistance has developed resources to assist Local Spiritual Assemblies to obtain debt financing from local lending institutions to acquire Bahá'í facilities. Some Assemblies may be currently able to obtain the financing they need from reputable local lending institutions. It is anticipated, however, that many Assemblies need training and technical assistance and could be successful after using the guidance provided in this Manual. Others may also need to increase the size and commitment of their Bahá'í communities before they can obtain financing. There are also loan options available a limited basis by the Bahá'í Center Assistance (and subject to the approval of the National Spiritual Assembly). Please see the section entitled Bahá'í Center Loan options later in this chapter.

The following sections provide guidelines for the preparation of a realistic plan and the requisite documentation necessary to request a loan from a local commercial lending institution. This section also surveys the information that a lender typically requires when making a loan decision, and suggests methods for organizing the information that may be requested on bank application forms.

### **The Lender's Process**

There are four critical areas that lending institutions will examine when

considering a loan. They are:

- **Credit history** of the borrower
- **Income and cash flow** history and projections
- **Collateral** used to secure the loan
- **Character** of the borrower

The first three criteria are generally based on financial data. The last criteria, character of the borrower, allows the bank to employ subjective criteria to evaluate the lending institution's belief that the loan will be repaid. Following is a detailed examination of each of the four criteria.

### **Credit History**

Evidence of having paid all obligations on time is an important factor as lenders review the credit history of the Spiritual Assembly. A bank may require an Assembly to provide names and contact information of vendors and creditors in order for the bank to verify satisfactory repayment history of prior credit. Most lenders will look for four or five credit experiences. If an Assembly has been operating without credit, it should consider providing utility bills or references from other companies with whom the Spiritual Assembly has owed and/or done business.

### **Income and Cash Flow**

The monthly and yearly income or cash flow is the most important factor to a lender in judging credit worthiness. Cash flow is the actual and anticipated cash inflows and outflows. The balance (ratio) between the two shows the ability to repay the loan. By plotting the major sources of income and major expenditures over a period of time and projecting a year or two into the future, the Spiritual Assembly will document to the bank that it has the necessary resources to support its expenditures and repay the proposed debt.

Cash inflow includes:

- Regular, dependable monthly contributions
- Interest income
- Income from property rental or lease
- Extraordinary income from fundraising events and campaigns may be included, but projections for this income will need to be explained to the bank and should be based on conservative estimates

Cash outflow includes:

- Regular committed contributions to the National Fund and other Institutions
- Spiritual Assembly and committee expenses
- Other Assembly and community commitments such as costs related to conducting children's classes, study circles and devotional meetings
- Once a facility has been acquired, cash outflows will include utilities, insurance, payroll (if any), taxes, repairs, upkeep of the property and major purchases (equipment, furniture, vehicles, etc.)

A format for a Bahá'í facility Operating Budget is part of the sample pro forma in the Appendix to this Manual. Local Spiritual Assembly annual budget formats, based on those provided by the Office of the Treasurer of the National Spiritual Assembly, are also included in the Appendix. While an annual operating budget projects income that will be received over the period of a year, mortgage payments and operating costs of a Bahá'í facility will need to be covered on a monthly basis. If a community's income fluctuates significantly from month to month, it would be wise for the community to project its monthly income and expenses. This monthly projection (for twelve or nineteen months) is a **cash flow analysis**. (See Appendix for forms.) The cash flow analysis will enable the Assembly to identify any problems in the timing and regularity of income to cover regular community expenses, operating costs of the Bahá'í facility, and to make timely mortgage payments. Not only will this type of cash flow budget be useful to the Assembly, but it may be required by a lending institution.

## Collateral

Lenders secure a loan with a mortgage on real estate in order to minimize the risk of default. Lenders will discount the value of the offered collateral (called a loan to value ratio) so they are not lending more than the collateral's market value. An appraisal will typically be commissioned by the bank to establish the market value. The cost of the appraisal is usually part of the borrower's loan closing costs.

Once a market value has been established, the lender will discount the value of the real estate by at least 25% and make a loan for no more than 75% of the value of the

real estate. This is a typical loan to value ratio for residential and commercial real estate. Special use facilities, however, are often treated differently. This is in large part because the market for such real estate is much more limited than that of a standard house or apartment building. A lending institution may limit such facility loans to thirty to fifty percent of the value of the real estate. A Bahá'í facility will likely be classified as a special use facility or church. Often times, banks will shy away from lending to these types of facilities or churches.

### Character

Character is the most subjective portion of the process. Lenders vary in the importance they give to the character of the borrower. Aspects the lender will consider are:

- Successful prior management experience
- Past or existing relationship with the lending institution
- Referrals by respected community members
- References from professionals in your community (accountants, lawyers, business advisors) who have reviewed your proposal
- Community involvement

In addition, careful preparation of the loan proposal demonstrates a strong commitment to the project.

### Guarantees

Some lending institutions may want personal guarantees. A personal guarantee is an obligation by someone who promises to repay any default on the loan by the named borrower. Individuals who sign for the loan, either as the named borrower or guarantors, will be held responsible for the entire amount of the loan, or a portion of the loan if the guarantee is limited. The Spiritual Assembly should carefully consider the ramifications of asking individual members of the community to provide such guarantees.

Usually, if there is sufficient cash flow and collateral to support the loan, the Spiritual Assembly should be able to negotiate with the lender and avoid any additional guarantees. Additionally, in lieu of a personal guarantee the Spiritual Assembly may negotiate a higher interest rate or points, borrow a lower amount for

a shorter period, or try to modify the capital or net worth minimums that trigger the guarantee. The Assembly may also at the very least limit the guarantee itself by setting a fixed monetary cap or percentage of responsibility for the loan guarantee, exclude certain personal assets from the scope of the guarantee, and reduce the time and amount of the guarantee. It will be important for the Assembly to negotiate out of any personal guarantees as it develops a lending history with an institution.

### **Lender's Review of the Application**

Lenders will focus on the Spiritual Assembly's ability to repay the debt as scheduled based on historical and projected income and cash flow. The lending institution will want to know what the loan funds will be used for and whether the revenues are sufficient to repay the loan based on negotiated terms. It is crucial for the lender to see an explanation and documentation of the sources of income the Assembly will use to repay the loan and its experience in meeting obligations combined with a solid repayment plan.

Some lenders rely heavily upon certain financial ratios, such as debt service coverage, **current ratio**, or debt-to-net assets in assessing the creditworthiness of a prospective borrower. Of these, most lenders will focus on a debt service coverage ratio. The **debt service coverage ratio** (DSCR), or debt coverage ratio (DCR), is a widely used benchmark that measures a property's ability to cover the monthly mortgage payments and operating expenses.

The DCR is calculated by dividing the net operating income (NOI) by a property's annual debt service. Annual debt service equals the annual total of all interest and principal paid for all loans on a property. Operating expenses typically include utilities, insurance, maintenance, property taxes, property management, repairs, supplies, etc. To acquire a loan, the debt coverage ratio must usually be greater than 1.1 and most lenders require a ratio greater than 1.2.

The following examples may be helpful in illustrating how the debt coverage ratio is calculated and how it functions in the financial analysis of a loan.

The Assembly is considering the purchase of a facility. It projects a net operating income of \$24,000 from its contributions and other income. The annual debt service for the mortgage on the property is \$20,000. The debt coverage ratio (DCR) for this property would be equal to 1.2. This means that there is 20% more annual net operating income than is required to cover the annual mortgage payment.

The Assembly allocates \$35,000 of its contributed income to support the facility. Subtracting projected operating expenses of \$11,000 (for insurance, utilities, maintenance, etc.), you have a Net Operating Income of \$24,000. Subtracting Annual Debt Service of \$20,000 leaves cash flow of \$4,000 and a Debt Coverage Ratio of 1.2.

Local Spiritual Assemblies and their Treasurers should have developed accounting and financial recordkeeping systems that can provide information on the community and its financial condition. If this is the first time that the Local Spiritual Assembly has investigated borrowing from a local lender, the Assembly may need to undertake a considerable amount of preparation for the application process and the review of its financial capabilities.

In preparation, the Treasurer should have a working knowledge of the accounting records and procedures outlined in the *Stewardship and Development Manual*. Treasurers will need to review the records of the Local Spiritual Assembly. The yearly auditor's report to the Local Spiritual Assembly and the National Spiritual Assembly should provide the primary financial history that the lender will need. The Treasurer may also find other reports prepared for the community and the National Spiritual Assembly useful in preparing information for the lender.

Lenders will consider the quality of the Local Spiritual Assembly's financial records as an important indicator of the Assembly's capacity to support a facility. Some banks will require that financial statements be prepared or reviewed by an accountant. If no such requirement is stated, the Spiritual Assembly may use the financial reports or statements submitted annually to the National Spiritual Assembly. However, local lenders may find an Assembly's proposal more credible if

a reputable local Certified Public Accountant (CPA), perhaps someone that the lender may already know, has participated in reviewing or preparing the Assembly's financial statements.

Working with an accountant may also be helpful because a lender sometimes wishes to discuss a potential borrower's plans or financial statement with a professional. These conversations can have a powerful influence on the outcome of a loan application. If an Assembly's loan application is denied, its accountant can also assist in finding out as much as possible about the lender's review and how to improve the chances of obtaining a future loan.

### **Documentation**

The lender will most likely require an Assembly to complete loan application forms. The development and operating pro forma and the information included in the Assembly's Case Statement as previously discussed, will be useful in answering questions in the loan application and as attachments to the application.

The lender will require a description of the primary budget line items in the pro forma and a description of the Assembly's need for the loan, planned use of funds, project timelines, and building management plan. The Spiritual Assembly should be prepared to provide the following supporting documentation:

1. Projected operating budget for the facility (One year's actual operating budget, and two or more years of operating projections may be required)
2. Financial Statements usually for 3 prior years and including balance sheets and income statements or Budget verses Actual Worksheets prepared for the Local Spiritual Assembly and the National Spiritual Assembly
3. Description of project and collateral including a description of the property being acquired, its cost, location, square footage of land and building, and age and condition of the building and its major systems (such as the roof, heating/cooling and electrical systems). It should also include a description of any renovations needed and planned, and a discussion of any land that may be included in the purchase and whether future expansion is envisioned. Any information on the property's appraised value should be included. The bank will likely commission an appraisal.

4. If environmental tests have been conducted on the property, any reports should be included (The lender may require such tests)
5. Project cost estimates provided in the pro forma and explained in a narrative
6. Project timetable for purchase, renovation and occupancy
7. “Management or business plan” includes a description of the intended use and a plan for managing and maintaining the property
8. Annual budget of the Local Spiritual Assembly
9. Listing of all Spiritual Assembly members. The Local Spiritual Assembly should also be prepared to provide clear, concise information about the Faith, the role of the Local Spiritual Assembly and its work in the local community

### **Project Costs Detailed In Projections**

The lender will require a budget projection that includes all project development costs, loan repayment terms, initial start-up and monthly operating costs. These items are all part of the development projection that the Assembly may have already completed. Project costs will include the following:

- Property acquisition and installation of equipment, fixtures and signage
- Utility hookups (deposits and installation cost estimates can be provided by your utility providers)
- Real estate expenses (interim rent, code upgrades, remodeling, title search, title insurance and other closing costs)
- Professional fees (accounting, legal, building inspection, architectural, contractors)
- Licenses and permits (local, state and federal)
- Employee expenses
- Startup supplies
- Insurance (building, liability, flood, hazard...see details in Addendum)
- Unanticipated expenses (estimate 10% of total start-up dollars to provide a cushion for the unexpected)

### **Project Narrative**

A portion of the narrative description of the Assembly’s project may be referred



to by the lender as a management or business plan. This will explain the specific use for the funds borrowed and document a realistic plan for repayment. Any assumptions used in creating the projected budget pro forma should be identified and explained. For example, if the Spiritual Assembly planned to rent or lease space (or continue existing leases), provide copies of prior leases on the property and/or provide documentation of comparable local property to justify that projected income. When describing the Assembly's plan for managing and maintaining the property, include any relevant experience of staff or community members involved.

## Budgets

In planning to acquire a facility and to apply for financing, several budget projections are required. The development and operating projections for the cost of purchasing and renovating a property and projections for its operating costs and the income to support these costs. Linked to this budget is the Assembly's operating budget. A financial institution will analyze the Assembly's financial statements and compare its financial history over the last few years against its budget projections.

## Balance Sheet

The balance sheet is a financial "snapshot" of the Local Spiritual Assembly's financial position at a given date in time. The balance sheet contains a list of assets and liabilities, and is prepared when accounts are reconciled and the amounts of any outstanding debts are verified. The **accounting equation** (assets = liabilities + owner's equity) is the basis for the balance sheet or a statement of financial position. The difference between the Assembly's assets and liabilities is its net assets, or net worth.

For more detailed information on balance sheets and other financial statements, consult the National Treasurer's section of the National Spiritual Assembly's website.

### Balance Sheet Basics:

**Assets** are those items owned by the Assembly and are convertible to cash. They are further defined as follows:

- **Current assets** can include cash, short-term investments, marketable securities, accounts or notes receivable, prepaid rent and prepaid insurance

- **Fixed or Long-term Assets** are items owned that would typically take up to a year to convert to cash and can include land, buildings, and equipment or other property held in the name of the Assembly
- **Restricted Assets** are those assets that have restrictions placed on their use. For example, earmarked contributions for the purpose of acquiring a Bahá'í facility would be shown on the balance sheet as restricted assets. These funds would be released from restrictions only when they have been used for the acquisition
- **Temporarily Restricted Assets** are assets that have been received for a particular purpose and will soon be used to fulfill that purpose. For example, if funds were contributed for Bahá'í school scholarships, the funds would be released from restrictions once the bill has been paid to the Bahá'í school
- **Net Assets** is the value of the assets minus the liabilities. This number includes the excess of income over expenses from the income statement
- **Liabilities** are what an Assembly owes and are listed in the order that they come due.
- **Current liabilities** are due within a year, such as accounts payable, wages and current long-term debt
- **Fixed or long-term liabilities** are due in more than one year and may include notes payable that have a longer maturity, long-term debt, deferred taxes or other long-term commitments

## Income Statement

Income statements show the Assembly's **actual monthly income and expenses**. An Assembly that uses a CPA would have an Income Statement prepared by the accountant as part of the Assembly's financial statements. Another form of income statement is the Budget versus Actual Worksheets provided by the National Spiritual Assembly Treasurer's Office. These worksheets are prepared by Assembly Treasurers to identify monthly income and expenditures for each year.

An Assembly can submit the Budget versus Actual Worksheets as its income statements to the bank. To supplement these, the Assembly might consider providing additional materials such as graphs to aid the lenders' understanding of the community's financial position.



## Bahá'í Center Assistance Loan Fund Options

Bahá'í Center Assistance Corp. has established the following loan options to provide local communities with assistance with certain improvements to local Centers. The options are as follows:

- **Energy-related improvements.** Increasing energy costs and environmental impacts from energy use increase the need for local energy-related improvements. Moreover, energy savings pay for these improvements. BCA requires that the projected return of investment cost be realized in less than 36 months. The loan amount is limited to not more than 75% of the total project cost or \$50,000, whichever is less
- **Safety-related renovations.** Communities may need to upgrade facilities for safety reasons, and/or to conform to current codes, accessibility requirements and make them more presentable and user-friendly. Total renovation loans will not exceed 50% of the total renovation cost or \$100,000, whichever is less.

In order to apply for a loan from Bahá'í Center Assistance Corp. (BCA), an Assembly must first contact the BCA via email or letter to make the initial request and then complete an application to determine eligibility.

**Eligible Borrowers:** Local Spiritual Assemblies officially recognized under the guidelines established by the National Spiritual Assembly

### General Basic Requirements for all BCA Loans

- The uses of the loan increase the market value of the property securing the loan
- Loans are extended only when borrowers have made or are willing to make equity commitments **that reduce the amount of loan needed for the project**
- The value of the property securing the loan exceeds the total debt (including all debt owed to Bahá'í Center Assistance) by a minimum of 25%

- Evidence of a high degree of involvement, support, and unity within the community for the project
- Capacity of the Assembly to complete the project, and the financial and managerial capability of the Assembly to carry and repay the debt. Creditworthiness as evidenced by the repayment of any existing loan will be viewed favorably.
- Evidence of readiness to assume ongoing financial, technical and managerial responsibility for the project and the ongoing operation of the center is an important factor.

**Term:** up to five years, ( possibly with a balloon payment).

**Repayment Terms:** generally 5-years; however loan may be approved with up to 10-year amortization. Payments generally made in equal monthly payments of principal and interest (No pre-payment penalty)

**Interest Rate:** Interest rates for acquisition or construction shortfall loans will approximate market rates and generally match the loan rates available for a second mortgage in the borrower's local area. Interest rates for energy-related improvements and safety-related renovations will be at a small margin to BCA's cost of funding.

**Collateral:** The loan options will generally be secured with real estate mortgages on the property.

**Geographic Area Served:** Continental United States of America (48 states)

**Size:** Up to \$500,000



# Legal Considerations

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## Introduction

The Assembly will need to assess its capacity to effectively evaluate the provisions of the legal documents that are a part of any transaction related to the lease or purchase and management of a Bahá'í facility or center.

In most cases, it is most prudent for the Assembly to engage the services of legal professionals. The Assembly will need to sign or rely upon several important agreements and other documents prepared (or at least reviewed) by a lawyer who is experienced in real estate matters.

The lease or purchase and management of a Bahá'í center will generally require the services of legal professionals. The Assembly will need to sign or rely upon several important agreements and other documents prepared (or at least reviewed) by a lawyer who is experienced in real estate matters. Some of the documents that the Assembly may need are:

- Offer to Purchase or Sale Agreement
- Surveys
- Title Insurance
- Commitment and Policy
- Mortgage applications and other financing documents
- Deeds
- Contracts for work to be done by contractors on the building or property
- Insurance policies of various kinds
- Leases (if leasing instead of buying, or if a portion of the building to be purchased has rental property connected to it)
- Brokerage Listing Agreement (if selling an old center)

In addition, zoning laws and deed restrictions may need to be considered by a lawyer to ensure that the Assembly's intended use of the building or property meets zoning and deed restriction requirements. An Assembly would face too many risks if it

signed documents or relied on particular laws without proper legal advice.

### **Finding a Real Estate Attorney**

Attorneys known within the Bahá'í Community or recommended by the Assembly's local bank, insurance agent or accountant local real estate attorneys. The Assembly can also contact a local lawyers' bar association or a title insurance company for referrals to lawyers experienced in real estate work.

There are several important factors to consider when selecting a real estate attorney. While a solo practitioner or an attorney practicing in a small group may provide the most personalized attention, a large firm is likely to bring a greater depth of resources and specialized expertise. In most cases, an individual attorney will work directly with members of the planning committee and the Assembly. Attorneys at large firms may charge high rates for their services but are likely to have staff who bill at lower hourly rates available to handle aspects of the work.

Another obvious consideration in selecting an attorney is location. In real estate law, it is best to select a local attorney because he/she will have experience working in the municipality and because attorneys may charge for transportation time to get to and from meetings.

After identifying potential real estate attorneys, the planning committee or Assembly may want to meet with each lawyer before making a decision. It is wise to ask if the attorney will charge a fee for this interview. This meeting will enable the committee to get a sense of the attorney's approach to the work ahead, including how well he or she listens to the committee's goals and concerns and clearly explains legal issues to those unfamiliar with legal terms.

The interviewer should ask what percentage of the attorney's practice is real estate work. Assemblies that reside in a state that has special certifications for real estate attorneys should ask each attorney if he or she has one. Each candidate should provide the names and telephone numbers of client referrals for the Assembly to contact.

### **The Lawyer's Fees**

The lawyer should be asked for an estimate of how much she/he expects to charge, what the lawyer's hourly rate is and whether the lawyer will be charging

by the hour or be charging a flat fee for the work, regardless of the time spent. Although an attorney may not be able to give an exact cost, most attorneys will be able to provide a ballpark estimate of their fees.

### Using a Real Estate Agent or Broker

To find the “right” property, real estate agents or brokers will likely be necessary. In many areas, the buyer is not required to have a written contract with a real estate agent. The seller normally pays the real estate agent a portion of the purchase price that the Assembly or committee agrees to pay. Thus, in some states, real estate agents are legally the agents of the seller, not the buyer, even when all the initial contacts have been with the Assembly or committee. This means that real estate agents may have limited legal obligations to the Assembly or committee.

### Negotiating Legal Issues

In negotiations with non-Bahá'ís, the Assembly or committee should clarify that only the Bahá'í Institution purchasing the building or property has the authority to make any decision or binding agreement. Assemblies and committees should not assume that non-Bahá'ís are familiar with the Bahá'í consultative process. As a matter of law in the United States, if someone gets a “decision” from a Bahá'í who reasonably *appears* to have authority to make that decision, the Bahá'í Institution is bound to that individual's “decision.” As a result, misunderstandings can develop as non-Bahá'ís may try to “get a decision” from an individual whom they think has authority.

Similarly, any Bahá'ís who are involved in the buying process should clearly understand that they are not authorized to bind the Spiritual Assembly. Contracts or agreements should be signed only after: 1) consultation and specific authorization by the “buying” Assembly and, 2) careful review and approval by its lawyer and any other experts that the Assembly or committee should consult.

### Contractors

Many building or land purchases will require contractors to perform construction or renovation work. The American Institute of Architects (AIA) Contract is the industry standard which normally should not be rewritten. The lawyer and other experts



should review all agreements with contractors. While it is not possible to list every legal issue involved in such contracts, the following preventative measures should be considered:

1. Identify who has the risk of deeming the site too difficult or unsuitable for the proposed construction, which would thus cause delays in design or construction.
2. Schedule contractor payments to be consistent with the progress of work performed rather than made in advance.
3. Hold back a portion of the contract price called retainage (e.g., 5-10%) throughout the project and after all the work is done, until it is certain that 1) the work meets all contract, building code, zoning and other requirements, 2) lien waivers are received from all contractors and subcontractors, and 3) final work is fully completed.
4. Request partial lien waivers from all sub-contractors as the work progresses. This ensures that sub-contractors are paid timely by the contractor so that no liens are placed on the title of the property which might require the Assembly to pay twice for the same work.
5. Specify an alternative dispute resolution method that could save time. Consider mediation as a first step.

This is only a partial list of the many legal issues to consider.

## Insurance

The Assembly or committee should have title insurance for its property purchased to insure against various title defects in the ownership of the property. Providing a title policy is normally the responsibility of the Seller.

The Assembly or committee should also consult with an insurance agent or broker about other various forms of insurance to protect the Assembly during and after construction and renovation. *The National Assembly's insurance does not cover communities that have centers.*

When a space is rented or leased, the Assembly should protect its contents with a tenant's policy that includes public liability coverage. When a center is purchased, the Assembly should obtain property casualty and public liability insurance. If the

Assembly has any employees, it should also have workers' compensation insurance. Some states also require a statutory form of disability insurance. A caretaker of a local center may also be considered an employee, thus requiring coverage. When a vehicle is obtained, an automotive policy should be purchased.

When hiring outside contractors to perform construction or maintenance services on Assembly property, additional coverage may be required if the contractors do not carry adequate coverage themselves. To be sure an outside contractor has proper liability and workers' compensation coverage, the Assembly must insist upon receiving a "certificate of insurance" evidencing the contractor's coverage. The certificate should name the Assembly as an additional insured. It is recommended that the Assembly consult its insurance agent for more information concerning the adequate levels of coverage required when hiring outside contractors.

## Taxes

It is important to investigate all applicable taxes in an acquisition. Although the Assembly may be considered tax exempt, the property acquired may not be treated as such by all taxing authorities. Sometimes the Assembly may have to take steps to have the property treated as tax exempt after the acquisition. In some situations, the property may still not be treated as tax exempt. For example, some states do not regard vacant land as tax exempt property even when owned by a religious institution.

Religious institutions are also frequently exempt from sales tax. This may result in a significant savings in the purchase of renovation materials. However, a state may have specific requirements for a transaction to be tax exempt, such as completion of a form. Some transactions may not be exempted from sales tax. For example, unrelated business income can be subject to tax. The Assembly should get sound tax advice about its particular activities and circumstances. In all cases, strict adherence to federal, state and local tax requirements is crucial.



# Construction and Renovation

## Overview

This chapter provides an overview and summary of different stages involved with a building construction project. Whether the Assembly is considering renovation, addition, or all new construction the basic process is the same with some minor variations. These stages can be summarized as follows:

1. Select and acquire a property
2. Decide on the project delivery method and hire the professional team
3. Prepare the drawings, obtain firm prices, and obtain permits
4. Hire the contractor and carry out the construction work

The steps outlined below in detail will most likely apply to your project with little exceptions unless your project consists of very minor work or simple cosmetic upgrades.

An orderly and well run construction project will pass through these stages in the order it is outlined below (with some rare exceptions). This chapter of the Manual should be used as a step by step guide. If the Assembly is doing very minor work, review the steps to see whether they are applicable.

Communities are still urged to rent before buying, and ultimately to buy buildings that require modest renovations rather than building new or acquiring a building that would require major renovations.

The steps outlined below provide the greatest protection for Bahá'í communities. It is possible to develop projects in different ways, but this will significantly increase risks. For example, a project may be small enough in scope that it appears not to

warrant the services of an architect or an engineer. However, input from an architect or engineer may provide assurance and protection for the community in reducing risks and controlling costs of the project.

## Selecting Property

### 1. Due Diligence

Once a decision has been made to proceed with a Bahá'í facility project, the next step will involve selecting a property. Whether the Assembly is buying a building or land, it will need to carry out “due diligence” in assessing the viability of the property. Reliable and trusted real estate agents and brokers can assist in this process. It is not necessary for the realtor to be a Bahá'í. There are many due diligence considerations, such as neighborhood, condition of the property, visibility, parking, zoning, accessibility, safety, traffic, etc. Therefore, it is critical that due diligence is carried out by or on behalf of the Assembly in order to verify potential pros and cons of any given property.

The Assembly may need the services of professionals in this phase of the project. Experienced and trusted realtors, real estate attorneys, architects, engineers, property managers or individuals with experience in purchasing property can assist the Assembly with this effort.

Please review Chapter 4 and Chapter 10 of this Manual particularly for information regarding environmental issues and zoning.

### 2. Build or Renovate

When selecting a property, the Assembly should bear in mind that the choice between different properties is not always an “apples to apples” comparison. For example, one property may be suitable for minor renovation, another may be best for major renovation, and yet another might well be suited to an addition or even all new construction.

The decision for the most suitable property for a Bahá'í facility may require

willingness to consider all viable options. From this perspective, if the Assembly decides at the outset that it will consider only one type of property this may seriously limit the Assembly's options.

Many times the decision on a property is made on the basis of cost. Although renovation is generally believed to be less costly than new construction, this is not always the case. For example, an existing building which appears to meet all the requirements of a Bahá'í facility may have very serious hidden costs, such as asbestos, lead, termite or dry rot, etc. Or a suitably sized building may require extensive plumbing, electrical or accessibility upgrades to meet current codes. Since the cost of renovation work is often more labor intensive than new construction, it is not hard to see that in some cases an extensive renovation can be as costly as new construction.

Therefore, it is important to carry out due diligence as to the potential "end cost" of a property. By "end cost" is meant what it will cost to achieve a Bahá'í facility when all the expenses of acquisition and renovation/construction have been taken into consideration. Construction project budgeting will be discussed in more detail in future sections of this chapter.

### **3. Initial Team**

Although the Assembly may not be ready to assemble a design or construction team at this early stage of its project, it will need some input from specialists in order to calculate its potential "end cost" for the properties the Assembly is considering. This may be a good opportunity to make the first contact with a potential design team as well as possible contractors.

Some contractors may be willing to spend a few hours to look at some properties in the hope that it might turn into a project. Beware not to take such services for granted. If the Assembly is going to ask such individuals to give it what are in effect free services, then be sure to make arrangements so that their time is not wasted. For example, schedule visits to all the properties the Assembly is considering so that they occur in one day; compile and make copies of data sheets relating to each

property ahead of time; write down all your questions ahead of time; in short, be well organized.

For properties that have particular issues, the Assembly may need to have specialist professionals walk through the properties with it as well as possible contractors. For example, if the Assembly suspects some structural problems, then arrange for a structural engineer to walk with it and the contractor. They will make observations as they walk through each property; such observations will assist them come to an understanding of the scope of the work involved and hence the potential end cost to the Assembly.

Since contractors are in the business of buying material and labor daily, they can provide up to date information on potential cost. However, some contractors may not be willing to share their knowledge with the Assembly frankly. Some may think that by stating a low “ball park” number they will have a foot in the door. Others may think that it is best to give a fully loaded number. Therefore, an architect involved in this early stage can be helpful to counteract such deviations. Again, many professionals may be willing to participate in these early discussions about the potential scope and cost of a project without any charge. The Assembly can benefit from this, but should be clear with them at the outset what the Assembly needs from them and make it clear that this early discussion does not translate into a contract for their services. In some cases, it may be best to offer to pay the cost of a few hours of work by engineers, architects or contractors so as to get their undivided attention. To avoid any expectation of a contract or payment for services in the future, a “consulting fee” can be negotiated with a contractor or building professional.

#### **4. Project Manager or Owner’s Representative**

In most projects where the owner is the Local Spiritual Assembly, designating an Owner’s Representative to deal with the day to day project operations may be a good idea. The duties and responsibilities of the Owner’s Representative depend on the type of the project. In small projects, the secretary or a member of the Assembly may be able to facilitate the required actions, but as projects become larger or more

complex, it may become necessary to assign another person to this task. Care should be taken to avoid duplicating the duties and responsibilities of the various design team members. In general, the following tasks are regarded as the Project Manager's responsibilities;

- Act as liaison between the Assembly and the design and construction teams
- Ensure timely actions on decisions that need to be made
- Arrange for the review of the legal documents, such as contracts, permits etc.
- Meet regularly with the design team during the design stage and report to the Assembly and the community
- Meet with the design and the construction teams during construction and report to the Assembly and the community
- Prepare documents relating to funding the project and ensure timely payment to the hired consultants and construction entities
- Review schedule and the progress of the work and monitor the project progress
- Participate in the selection process for the architect and the contractor
- Arrange for the purchase of the necessary insurance during various phases of the project

In large projects, an independent individual or company can be hired to provide the services of the Owner's Representatives (sometimes called Project Managers). If the Assembly opts for this option, carefully check the detailed description of services they provide. In many instances a large portion of their services are duplication of the standard responsibilities of the project architect. Read the architect's standard American Institute of Architects (AIA) contract carefully and compare the architect's duties/responsibilities with the proposed Owner's Representative scope of services. It is not a good idea to pay extra for services that the Assembly can already demand

and receive from its architect or general contractor. Only in very large and complex projects are duplicating responsibilities needed. In most Bahá'í facility projects, such duplication should be avoided.

For smaller and medium sized projects, the Assembly may opt for a non-professional Owner's Representative. In that case, an individual may be selected from the community to perform this task. This position demands at least some, if not all, the following abilities:

1. Capable and preferably experienced in managing projects
2. Well organized with good communication skills
3. Dedicated to the project
4. Trustworthy
5. Good negotiation skills
6. Humble to the friends and Assembly
7. Friendly but assertive towards contractors, authorities, etc.
8. Availability to dedicate a good portion of his/her time to the project, if needed

## **Project Delivery**

A construction project can be carried out in three alternative ways:

1. Competitive Bid (design-bid-build)
2. Construction Management
3. Design Build

Each of the three methods is briefly described below. However, the Competitive Bid method is most often the best choice since it has the highest likelihood of an economical delivery, and it allows for review and deliberation of the design by the Assembly and the community as the project develops. Construction Management and Design Build are both negotiated methods, and are seldom used on small projects.

### **1. Competitive Bid**

This method of project delivery is the most common way to carry out a project. It is



linear in that each task follows completion of another. In this method, an architect (or a team of architects and engineers) prepares a full set of construction documents (commonly referred to as “the Plans”), which are then sent to alternative general contractors to bid on. The contractors bid on the project exactly as it is designed and one general contractor, often the lowest bidder, is selected to carry out the work. The design team works independently of the contractor and reports to the owner while answering the questions that arise during construction.

Positives:

- Relatively simple process to manage
- Most people are familiar with this process
- Project scope is fully designed before any work starts
- The price is the lowest proposed and it is often fixed (including the contractor’s overhead and profit)
- Provides the best price
- Very good for projects that are cost sensitive

Negatives:

- It may require a longer schedule than other methods and therefore it is not the best method for projects that are very schedule sensitive
- If the bid prices are high, the design and drawings may need reworking after they are completed
- The Assembly will have limited ability to select sub-contractors
- If the construction documents are not well prepared there may be a large number of change orders
- Cost estimates are subject to change during design process
- It may create adversarial relationships among all parties which may lead to disputes
- Contractors will not provide input during the design phase

## 2. Construction Management

In this method, the Assembly will select a construction manager, such as a general contractor with appropriate experience and qualifications. The construction

manager will participate in the design process with the architect and the engineers and prepare a “Guaranteed Maximum Price” to complete the work. The construction manager will then use the construction documents provided by the architect to solicit proposals from sub-contractors to carry out the work. The final construction cost is the sum of all the sub-contractors’ costs plus the construction manager’s fees. Normally, if the final cost is less than the Guaranteed Maximum Price, then the saving or agreed percentage is given back to the Assembly. The construction manager’s fee is either a percentage of the construction cost or a fixed sum.

Positives:

- The construction manager provides input during the design phase to assist in remaining within budget
- The Assembly participates in selection of sub-contractors
- Project can be delivered faster
- The Guaranteed Maximum Price is generated early in the design process
- In theory, it can reduce changes and claims during construction
- Good for projects with tight schedules, or when it is important to start construction without defining the full scope of the work.

Negatives:

- It is not easy for Assemblies to evaluate the Guaranteed Maximum Price and determine whether the best price is given
- The construction manager may artificially produce a high Guaranteed Maximum Price at the outset to create a “savings” at the end.
- Total cost is normally higher than the traditional bid method
- Cost increases and change orders are likely to be high due to lack of detail in Guaranteed Maximum Price
- Difficult for the Assembly to evaluate the Guaranteed Maximum Price or determine if the best possible price has been achieved

### 3. Design Build

In this method, the Assembly hires a developer or contractor to design and build the project. The developer or contractor is the only entity responsible to the Assembly. The contractor hires an architect or has a Design Team “in house.” (on its staff). A guaranteed maximum price is provided by the design build contractor early on. This Guaranteed Maximum Price is based on a rough definition of scope and specifications. The design build contractor prepares the construction documents and the work is then sub-contracted out by the design build entity.

#### Positives:

- Single point of responsibility for both design and construction
- Contractor provides input during the design and budgeting phase
- Fast delivery time is possible
- Guaranteed Maximum Price is developed early in the process
- Theoretically, change orders are limited
- Good for new projects that require very fast delivery

#### Negatives:

- No checks and balances exist between the contractor and the architect. The Assembly has no impartial observer in the process.
- Reduction in quality is hard to catch and correct
- Design build team has a conflict of interest because lower quality and corner cutting results in higher profit for the design build team.
- The Assembly has no input on the selection of the design team.
- The need for speed (meaning more profit for the design build entity) can seriously compromise quality of the design and construction and can lead to more mistakes

- The Assembly will have to respond very quickly to the design build entity and has little time for review by various users of the building.

## The Design Team

### 1. Size of the Team

The type of the project on which the Assembly embarks and the consideration for the preferred method of delivery as outlined above will determine the size and type of the team the Assembly will need to assemble. For example, a large new construction project will need the services of a full design team, while a minor renovation project may only need a contractor. It is best to keep the design team as small as possible in order to keep the process manageable and also keep the cost down. The following paragraphs will address the questions relating to assembling a design team for a Competitive Bid or Construction Management project delivery method, but not a Design Build arrangement.

### 2. Team Members

A typical construction project design team will consist of the following disciplines:

- Architect
- Structural Engineer
- Civil Engineer and Surveyor
- Mechanical, Plumbing and Electrical Engineer

Some major construction projects may require the services of other consultants such as landscape architect, lighting designers, interior decorators, acoustical engineers, audio visual consultants, energy efficiency or green building experts etc. However, for most medium or small sized Bahá'í facilities, the basic team is as listed above.

Most team members require a team leader through whom the information flows. Architects are usually the design team leaders. The architect's common responsibilities are listed below, but one key function is that of the main

communication channel between all parties. All communications from the Assembly (or its representative) to the contractor and consultants should be directed through the architect.

The architect's main responsibilities include:

- Assist the Local Spiritual Assembly in defining the program for a Bahá'í facility (see Design Services section below for definition of the Program)
- Assess the suitability of the property for the project
- Assist the Assembly in determining the scope of the work
- Prepare the design and construction documents
- Ensure compliance with current Building Codes
- Assist the Assembly in obtaining permits
- Coordinate the consultants' work
- Prepare Bid documents and assist in narrowing down the list of potential contractors
- Administer the bid process and reconcile the bids
- Assist the Assembly with the selection of the bid winner
- Visit the construction site regularly and clarify drawings and details
- Participate in site meetings with the contractor and sub-contractors
- Clarify construction documents, answer questions, provide additional details for the contractor to carry out the work
- Review contractors' Applications for Payment (often called "requisitions") and certify the correct amounts for payment
- Review Change Orders submitted by contractor and assess their legitimacy and amount
- Prepare final documents to close the project

Please note that this list is not exhaustive. For a full list of the architect's

responsibilities, see the standard Architect-Owner agreement forms available from the American Institute of Architects.

### 3. Selection Criteria

The architect is the key consultant in most projects; therefore, care should be taken in selecting the right architect for the project. In many Bahá'í communities, the tendency will be to use a local talent or a Bahá'í friend or some member of the community for the project. This may be financially beneficial, since many Bahá'í professionals provide services to the institutions of the Faith for free or at a reduced rate. Although tempting, this criteria alone does not ensure the best choice for the project and the community. Another consideration is that a Bahá'í architect would be more familiar with the typical use of a Bahá'í facility and may therefore be a better choice. However, most of the functions of a Bahá'í facility are not unique to the Bahá'í community. Many churches have similar functional needs, and many non-church going architects provide competent services to them.

Some key considerations in selecting an architect are:

1. Proven ability to design and deliver a project successfully
2. Prior experience with similar type of project (e.g., renovation, addition, new construction)
3. Good design ability
4. Good technical ability
5. Familiarity with non-residential construction
6. Familiarity with the relevant building codes
7. Experience with local zoning requirements is preferred, though not essential
8. Experience or familiarity with regulatory agencies that may have jurisdiction over the project (e.g. wetlands commission, historic commission, etc.)

9. Ability and willingness to work with a committee
10. Good communication skills
11. Ability to assemble a design team (such as structural, mechanical and electrical engineers, who will work independently, but under the direction of the architect)

Whether the Assembly is familiar with the architect or not, it is a good idea to ask for a list of completed projects as well as references. Visiting a few completed projects will aid in understanding the architect's capabilities. During visits to completed or on-going projects, the Assembly representative could ask if the architect did the following:

1. Provided deliverables on time and within budget, including schematic and preliminary drawings and construction documents.
2. Followed through with the project team with design and construction schedules, punch lists and project close out items, obtained warranties and as-built drawings.
3. Designed the project so that numerous revisions were not required.

References can also be helpful, though an architect or engineer will try to give favorable references. If references are asked the right questions, they are usually willing to provide both positive and not so favorable information.

It is a good idea to "short list" 2-3 architects for the project and to interview them. During the interview, the Assembly can see samples of their work, meet the key personnel with whom the Assembly will be dealing with during the project and be able to compare the short listed architects' capabilities. The Assembly should give all the short listed architects the same amount of time during the interview and ask them the same set of questions so that it will be able to make an objective comparison.

#### 4. Formal Agreement

Once the Assembly has selected an architect, formalizing the relationship with a written contract/agreement with the Assembly is very important for a number of reasons. First, a written agreement clarifies the scope of responsibilities of the architect to the Assembly (referred to as the Owner in standard agreements) and vice versa. Second, it minimizes potential misunderstandings and misconceptions. Third, it establishes a formal legal boundary for each side of the agreement. Fourth, it establishes a business-like and orderly process. Fifth, it provides for clear legal remedies in case of non-performance. Sixth, it formalizes the amount and scope of liability by each party. Finally, it clearly deals with the issue of compensation.

The Assembly should resist the temptation of a “hand shake” agreement. A signed, written agreement can help the Assembly minimize misunderstandings or misconceptions that can easily develop during a project.

The most common agreements are provided by the American Institute of Architects (AIA). These standard agreements can be modified, but rewriting the entire document should be avoided as it alters the well understood legal limits and responsibilities and also may inadvertently jeopardize other aspects of the relationship. For example, a request for significantly increased liability for the architect may result in the loss of insurance coverage during the project.

#### 5. Fees/Compensation

Fees are the compensation paid to the architect or the engineers to carry out their professional services for the project. The fees provide for the salaries of the architect and engineer, their overhead costs, taxes, their standard liability insurance coverage and a reasonable profit.

Since projects for Bahá'í facilities are all for the progress of the Cause and many individuals donate their time in promoting the work of the Faith when they serve on the many institutions of the Faith, some Bahá'ís may have an expectation that



Bahá'í professionals should waive their fees “for the sake of the Faith”. Although individuals are free to offer whatever assistance they wish, financial or otherwise, it is unrealistic to expect all professional services needed for the work on a Bahá'í facility would be done as “pro bono” work. Most often the amount of time needed for such work is substantial. Very few individuals are able to donate all such time especially when that is done during their normal working hours when they are making their living.

Other considerations in offering and accepting “pro-bono” work include the expectation of both parties on the amount of work, degree of professionalism and the delivery schedule. For example, it is business-like and not unexpected to demand timely performance and a high level of professionalism from an architect or an engineer when they are being paid for the work, but is very difficult to demand accountability for the same thing when such work is being given free of charge.

If the Assembly's architect of choice is a Bahá'í and is willing to offer his/her services, a productive way would be to establish some equitable compensation and then leave it to the individual to donate the fees or part of the fees they have earned after the work is completed. This method also allows for an accounting of all the costs of building/renovating a Bahá'í facility.

Architects' and engineers' fees are structured in a number of ways depending on the type and complexity of the project. The most common are:

1. Percentage of Construction Cost
2. Hourly
3. Fixed Fee
4. Cost per Square Foot

**a. Percentage Basis**

The percentage basis is the most common method of charging professional fees. In this arrangement, the architect's or an engineer's fees are calculated as a set percentage of the final construction cost (or an agreed estimated construction cost) for all his/her "basic" services (basic vs. additional services are discussed below). The percentage amount varies depending on the size and type of the project as well as the geographical location and current market conditions. Also, some architects include the essential engineers' fees in theirs, and others do not.

Architects' and engineers' compensation for renovation work is generally higher than new construction, so the Assembly should expect the percentage to be higher if it is carrying out a renovation project.

Architects' fees alone (excluding the engineers') could vary from 5% to 12% for a new "community center" project depending on the complexity of the project, location, site, and the status of the architect.

The downside of the percentage basis is that it gives the impression of a conflict of interest since the more expensive the project becomes, the more the architect will make. Although most architects will not make the project more expensive on purpose for financial gain, it may be a good idea to monitor the construction cost carefully throughout in order to reassure the community of the absence of any abuse. A future revision of this chapter will discuss in more detail construction cost and budgeting.

#### **b. Hourly**

In this arrangement, the architect and the engineers are paid for every hour they spend on the project. This is not as common as the percentage basis and is good for the project where the scope the services are very unclear or cannot be reasonably estimated (e.g., in renovation work where the true scope of the work cannot be determined until walls are opened up, or where the community or the Assembly are not being decisive).

In an hourly arrangement, the professionals are not under any financial risk or constraint, and therefore have little or no financial incentive to be efficient. Also, the architects' and engineers' hourly rates are subject to change at the end of each year, which will result in additional costs.

If the Assembly has entered into an hourly fee agreement, an upper limit to the total fees that can be charged should be established to limit this otherwise open ended arrangement. This is called a "Not to Exceed Clause." If the Assembly insists on such a clause, the architect will almost always also place strict limits on the contracted services.

### **c. Fixed Fee**

In this arrangement, a fixed sum is paid to the architect or the engineer for a clear scope of services. This amount should not be exceeded unless there is a change in the scope of services. Normally, a fixed sum fee includes an agreed upon time limit for the performance of the services.

Since the scope of many projects is very hard to determine ahead of time with accuracy, the fixed sum will often be exceeded by a determined "additional services" arrangement. The additional services are normally charged on an hourly basis.

A fixed fee arrangement is not ideal for major renovation work because often the clear scope of the work cannot be determined at the outset. If the Assembly insists on a fixed fee for this type of work, the architect/engineer may be forced to build an unusually high margin of error (or "cushion") in his/her fixed fees to cover potential costs. This will result in a fixed, but higher, fee.

### **d. Alternatives**

In some instances, the Assembly can structure the fees to be a mixture of the above in order to suit the project. For example, if the scope of the project is not very clear at the outset, the Assembly may be able to ask for hourly services for the initial stages of the work, and upon arriving at a design, the remainder of the work can be

charged on a percentage (albeit a smaller percentage) basis. Another example would be the use of a fixed fee for a basic scope of work and a percentage based arrangement for services beyond what is defined as basic.

### **6. Additional Services**

The architect's scope of services is clearly defined in the standard agreement forms. The most common set of services needed to carry out a project is called Basic Services. In some instances, it may be necessary for the architect to redo some of the work or provide services that are not normally included. These are called Additional Services. Please note that Additional Services do not normally apply to services that are the result of the architect's failure to carry out his/her work. They are services that are caused by change in the scope, process, and direction.

The most common method of compensation for the Additional Services is the hourly method which is charged over and above the Basic Services fees. An effective way to avoid these charges is to become thoroughly familiar with the scope of the architect's basic services and avoid taking actions that will lead to additional work. The Standard AIA agreement normally lists these services in detail. The Assembly should familiarize itself with the terms of these agreements.

### **7. Expenses**

All "out of pocket" expenses are chargeable to the project and are in addition to the fees. Typically, these charges include cost of printing, telephone, mail, out of town travel, etc. Some architects charge a set percentage extra (about 10%-15%) for handling charges. The Assembly may be able to negotiate elimination of these surcharges.

### **8. Consultants**

Architects commonly hire the structural, mechanical and electrical engineers for the project directly. If so, these consultants are sub-contracted by the architect. Their fees are included in the architect's fees, which is clearly higher than their own alone. A project may require additional consultants, such as a civil engineer,

surveyor, etc. If requested, the architect will hire these consultants and bill the Assembly for the cost of these services, plus an additional handling charge (10%-15%). If possible, the Assembly should hire these additional consultants directly, but be clear that they are all required to coordinate their work with each other through the architect.

## 9. Retainer

A common practice is for architects to request a retainer before they start work. Unlike most attorneys' retainer, where the sum is used as a deposit to draw from, the architect's retainer is used as a means of cash flow assistance. The net difference is that the architect's retainer is given back to the Assembly in full at the end of the project.

### Design Services Stages

#### 1. Program

The "program" for a facility is a full description of physical aspects of the building in order to provide for the needs and requirements of the end users. This includes, not only a list of the rooms or spaces with their physical sizes, but also a description of each space, its proximity to other spaces, pattern of use, visual and environmental requirements (such as heating, ventilating, etc.).

Since Bahá'í facilities are not limited to just Bahá'í centers, listing a typical program for them is not possible. However, a small example is used here in order to clarify the above description.

*Example:*

*Bahá'í Facility for the town of Anytown, Anystate, USA*

*Description: The Bahá'ís of Anytown, Anystate intend to build a Bahá'í facility. Since this is the only Bahá'í facility in their town, it will accommodate the administrative headquarters of the Faith in that town and also function as a*

meeting facility. Currently this town has 150 Bahá'ís. Most activities are open to the inhabitants of their town.

*Planned Use of the Facility:* They plan to use this facility to attract town inhabitants to Bahá'í activities, so it is important that it feels open and welcoming and be readily visible and accessible. In order to open it to the community at large, the Local Spiritual Assembly wishes to place a small information center or possibly a bookstore in the front of the center with good signage and a friendly environment. The information center will need to be accessible from the street without having to enter the center, and it will need to be like a store front. The meeting room should be able to accommodate an average of 150 chairs. Since core activities may be held in the center, there should be 2-3 separate smaller rooms. The Assembly will meet in a separate room, capable of being locked and with secured files. A kitchenette, for warming up food, and serving, is needed. Adequate restroom, storage, and mechanical spaces will also be needed. The mechanical system should be capable of having air conditioning added in the future since it is believed that the community cannot afford it now.

*It is envisioned that with a steady expansion, other Bahá'í facilities will need to be built or purchased in the future, or this center will be sold and a new one built or purchased. How would this one center accommodate a large number of new Bahá'ís spread among various neighborhoods of a city?*

*List of Spaces/Rooms:*

<i>Entry Lobby/ Display Area</i>	<i>300 Square Feet(SF)</i>
<i>Main Meeting Room</i>	<i>2,000 SF</i>
<i>Information Center/Bookstore</i>	<i>450 SF</i>
<i>Committee/Seminar room 1</i>	<i>150 SF</i>
<i>Committee/Seminar room 2</i>	<i>150 SF</i>
<i>Committee/Seminar room 3</i>	<i>150 SF</i>
<i>Assembly/consultation room</i>	<i>150 SF</i>
<i>Kitchenette</i>	<i>200 SF</i>
<i>Restrooms</i>	<i>200 SF</i>

*Storage/Costs Closets*

*100 SF*

*Circulation and Walls (25% of the total of above)*

## **2. Design**

Once the program is determined, the design stage starts. The design stage itself is divided into two stages: schematic design and design development.

Architects present their design in the form of drawings. These drawings take different forms, such as “plans”, “elevations”, “sections”, “interior elevations”, “details” etc. If the Assembly is not familiar with typical architectural drawings it will have difficulty understanding what they mean, at first. The Assembly should not hesitate to ask the architect to explain all the drawing conventions to it ahead of time so that it can follow what they are presenting to the Assembly.

### **a. Schematic Design Phase**

During this phase, the initial layout of the new building is determined and its general appearance is designed. During this phase, the “geographical” location of the rooms and spaces in the building is worked out and their sizes are confirmed. Most likely, the first version of the schematic design does not meet all Assembly requirements. This design will need to be reviewed and adjusted a few times before a final schematic design is determined. This stage of the project is critical because all the other stages of the project will rely on it, so the Assembly should make sure that it is not hurried through this stage.

Obtaining an estimate of the construction cost at this stage is very helpful because it is reasonably inexpensive and easy to alter the design and make programmatic adjustments to contain the cost at this stage. Controlling the cost becomes progressively more difficult as the project moves through its later stages.

If the Assembly is working with the Construction Management or Design Build arrangement, the Construction Manager or the Design Build entity will be responsible to provide the Assembly with the updated estimates at this time. However, if the Assembly is working under the Competitive Bid arrangement, it will not have a

contractor on board to obtain real prices. The Assembly has a number of options to get real estimates at this time:

- a) Approach one or two of the short listed contractors for “ball park” pricing. This is a good possibility, but the Assembly may not get very accurate initial pricing.
- b) Engage the services of an independent cost estimator. This will give the Assembly the most accurate and the most objective first look at what the end costs may be. Many cost estimators are former contractors, and some are quantity surveyors. These independent cost estimators will charge a flat fee to provide the Assembly with an estimate.
- c) Ask the design team to provide an estimate. Since the design team members do not purchase building labor and material, their estimate may not be up to date. However, they should be able to provide a reasonable “ball-park” estimate. Alternatively, the Assembly may wish to consult one or two contractors for alternative “ball-park” estimates without making promises of the award of the contract. An Assembly may also hire a cost consultant, but this is not usually done on projects under \$1 million.

#### **b. Design Development**

Once a schematic design is agreed on and the Assembly has authorized the architect to proceed with it, the design is then developed further. In this phase, the design is fine tuned, interiors of the rooms are determined and basic materials are narrowed down and selected. Again, in this phase, the Assembly will be asked to review the drawings, and these reviews can occur in stages. At the end of this phase, all the final locations of rooms, their exact sizes, the finish materials (referred to as the “finishes”) are selected, and typical (not exhaustive) details are worked out. Importantly, estimated construction costs should be updated at the end of this phase.

### **3. Construction Documents**



The Construction Documents phase is the heaviest portion of the design team's work. During this phase, the architect will need to put together and create the complete set of construction documents. This is the set of documents that are commonly referred to as "plans", even though they are more than just the plans of the building. The Assembly should expect to see drawings for architectural, structural, electrical, plumbing and mechanical work. In addition to these, there should be a set of specifications describing the materials, standards of construction, procedures for reviews, etc. The specifications could be included in large scale drawing set or be a separate book size document. The need for a separate specification book depends on the size of the project

During this phase, the architect will need to do the final coordination with the engineers and other consultants involved in the project. As in the previous phases, the Assembly should expect some review process and regular updates. Sometimes the decision on some of the materials used for the project will be made during this phase, so it is important to meet with the architect regularly to make decisions on the materials and be fully aware of the progress of the work.

Architects vary in the degree of details they show on the drawings, depending on their previous experience, the habit of the locality, and other factors. The Assembly should not hesitate to ask for detailed drawings. The more detailed the drawings are, the less chance of bid irregularity and guess work from the contractors. There is no such thing as a perfect set of drawings. The Assembly should assume that some minor information may be missing from the drawings. These will be brought to light during construction and clarified and answered by the design team. However, every attempt should be made to reduce these omissions at the outset. If the architect has a quality control review process, the Assembly should insist on it.

#### **4. Bid and Negotiations**

Irrespective of which project delivery option the Assembly chooses, this is the time when the Assembly can obtain the most detailed bid or offer for the construction cost of the project. If the Assembly is proceeding with the Competitive Bid arrangement, it will need to short list a number of general contractors who are

qualified to carry out the work. This is called “the bidders’ list.” The architect can assist the Assembly in this process. The AIA has certain checklists in order to guide the Assembly through this selection. The Assembly should check the contractor’s references, the Better Business Bureau and the State licensing board’s website. Contractors should not be used if they are not licensed or if their license is not in good standing. Diligent attention is needed to verify that both are current.

Once the bidders are selected, the architect will send multiple copies of the construction documents to all bidders. The common practice is to give all bidders the same amount of time to bid. The bidders are asked to provide a detailed bid breakdown, as well as projected completion dates along with any qualifications they wish to make. The Assembly may wish to include a desired completion date. If certain items in the project lack enough definition on which to obtain firm prices, then the bidders will insert “allowances” for those items (a future revision of this chapter will discuss budgeting).

The bid process should take no more than 3-4 weeks for small and medium sized buildings.

During the bid process, all bidders are invited to visit the property, become familiar with the project and ask questions in order to clarify the intent of the construction documents. The architect will then compile all such questions and issue a list of clarifications in the form of an Addendums to all bidders during the bid process.

Once the bids are submitted, the architect will need to reconcile the bids to make sure they are comparable and nothing is left out. For example, if one bidder has left out anything inadvertently, then an adjustment should be made so that bid does not appear lower by error.

After the reconciled bids are submitted the Assembly will need to select one of the bidders as soon as possible. The lowest bidder is often the selected contractor, but there may be other considerations that will favor the selection of another bidder, such as faster completion time, amount of “allowances” a bidder has inserted in the

bid, etc. The Assembly should scrutinize the bid and make sure it understands clearly all the provisions of the contract, particularly the clarifications by contractors on any exclusions, unit prices and Alternates and Allowances.

### **5. Value Engineering**

On occasion, the lowest bidder may still be higher than the budget the Assembly has in mind. The Assembly should remember that the bid price is almost always lower than the final construction cost. In that case, it is customary to think about ways to reduce the construction cost. This can be achieved in a number of ways:

1. The scope of the project is reduced (this is not easily achieved at this late stage in the project).
2. Certain materials and methods of construction are altered to obtain the best use of the available funds (this may result in some compromises in the quality and performance).

Careful consideration must be given when evaluating green and energy efficient related parts of the project. Materials, equipment and systems with sustained paybacks should not be sacrificed for short term gain, if financially feasible.

The process of reviewing the details, materials, methods (and certain aspects of the design) in order to provide the optimum use of the funds is called Value Engineering. In the Competitive Bid arrangement, value engineering is often done when the bids come in.

In this process, the selected contractor (often the lowest bidder) and the design team carefully review the prices, drawings and the specifications in order to develop a list of potential cost savings. This list is then reviewed with the Owner's Representative through a series of meetings and distilled into a set of savings.

Once everyone agrees on the scope of the cost saving changes, the drawing and the specifications are then amended to reflect the cost saving changes.

## 6. Contract Preparation

Once the construction cost has been agreed upon, the contract should be drafted. A standard AIA contract is recommended. AIA provides many different contract types for different sizes and types of project. The Assembly should review and select the one that is most appropriate for its project. Other standard contracts are available from alternative sources, but the most common and legally tested set of contracts are those prepared by the AIA.

During this stage, some attorneys, whether hired by contractors or the owners, may attempt to rewrite major portions of the standard contract. This is not a good idea for a number of reasons:

1. The standard owner-contractor agreements have been in use for decades and have been tested in courts and adjusted periodically. Major rewriting of the contract will cause a number of unknown and unintended consequences, which may not be desirable.
2. Any tougher than standard condition will inevitably result in an equally tough and onerous request by the other party. These terms will have to be negotiated and what remains often is close to the standard conditions.
3. Major rewriting may marginalize the few truly important changes that the Assembly may need to make (due to special conditions, etc.) and jeopardize their inclusion.

Please note that the construction contract is between the Assembly and the contractor with the architect as an indirect party through whom the communications and decisions are made. This means that the contractor is legally responsible to the Assembly for delivering the project.

The contract documents consist of the actual agreement forms, and the drawings and specifications. The construction documents prepared by the design team define

the contractor's obligations. For this reason, the design team should prepare as complete a set of drawings as possible. The design team's participation in the construction is critical. They should be given an opportunity to answer questions relating to their work and address any conflicts between the drawings and the work under construction. Unless the design team can address errors and omissions, they cannot be held responsible for future problems.

### **7. Construction Administration**

Construction Administration is the phase of the project when construction starts. During this phase, the Assembly should expect that its architect will visit the construction site on a regular basis and review the progress of the work. The Assembly should request that regular site meetings are held and attended by the architect, and other design team members as needed, and the general contractor. The Owner's Representative should attend site meetings on a regular basis, although it is not necessary to attend them all since these meetings are primarily technical in nature.

During this phase, the design team will clarify the intent of their drawings, produce additional sketches or details as necessary to assist the contractor to carry out the work, reconcile any conflicts in the drawings, and ensure that the contractor delivers what the drawings show.

Another aspect of this phase of the project is the architect's responsibility to receive, review, and certify the contractor's applications for payments. Normally these applications for payment are sent out every month, but on smaller projects with shorter delivery time it could also be bi-weekly. These applications for payment or requisitions should follow standard formats and procedures and will need to be reviewed and forwarded to the Owner's Representative for payment within a predetermined time period. All billings should be scrutinized. The Assembly should ask the architect to ensure that the Schedule of Values submitted in the applications for payment by the general contractor is identical to the Schedule of Values submitted during the bid and agreed upon in the contract.

Each project may have a number of “Change Orders”. Change Orders are official documentation of changes to the scope and cost of the project. The architect is responsible for reviewing these upon submittal by the contractor, evaluate them and verify that they are legitimate. Change Orders may require careful examination and some negotiations. If not properly controlled, they can get out of hand and cause significant cost and time over runs. The Owner’s Representative and the architect may need to be vigilant not to cause change orders, and if necessary, to monitor them carefully to keep the cost under control.

The architect is responsible for preparing a “punch list” at the end of the project. The “Punch List” is a list of minor items that may need to be completed or corrected by the contractor at the end of the project. Once this list is completed at the end of construction, the project can be closed out.

#### **8. Drawings Ownership and Use**

It is often assumed that the primary product of an architect or design team’s work is the construction drawings. This assumption can lead to misunderstandings and conflict. Drawings and specifications are the “instruments” of the design team’s services. As such, they belong not to the Assembly, but to the architect or the engineers who produced them. Even the up-to-date payment of the professional’s fees does not automatically entitle the Assembly to the use of the drawings. Therefore, it is important that the Assembly specify the right to use the drawings in order to complete the project even without the architect or engineer’s involvement in the construction administration. The Assembly should formalize this arrangement in the written agreement with its design team.

#### **9. Standard of Conduct**

As stated above, the Assembly will be reviewing the progress of the work throughout the project. In some cases, the Owner (the Assembly) or the Owner’s Representative will not be comfortable making a decision or is doubtful of the ability of the design team. Or, the Assembly may be advised that it can save costs by cutting the services of the design team as soon as the “drawings” are in hand, and then proceed with

the project. These and similar actions can lead to serious technical, ethical, as well as legal problems.

For example, the Owner's Representative may decide to have another outside entity review the design and make suggestions for changes. This process can be productive if dealt with openly. But if done behind the scenes, it can be very destructive of the relationship between the Assembly and the design team. This is not the best business practice. If the Assembly is not comfortable with its design team or its architect, the Assembly should address this with them directly. If the Assembly still wishes to have a "second" opinion by a trusted professional, the Assembly should make this clear to the architect and the design team and bring these entities together for open discussion and review.

Many individuals with experience in real estate and development have been successful by reducing their costs and maximizing their profits. Since these individuals are successful in business, it is assumed that their work practices are always the "best" method. Running an operation with "best" practices and being financially successful are not always one and the same. Some practices, even though legal, may not be entirely ethical or worthy of conduct by Bahá'ís and Bahá'í institutions. Bahá'u'lláh has set for His followers the highest standard of conduct irrespective of what the local business culture may dictate. A Bahá'í facility project is an outward expression of the Faith. In all matters relating to the Bahá'í facility, the Assembly should maintain the highest level of professionalism and integrity.

Future revisions of this chapter will include sections on code compliance, permits, budgeting for construction and post construction.



# Operations and Maintenance

## Responsibility of Assembly

As Local Spiritual Assemblies concentrate on the current Plan and core activities, operations and maintenance of their Bahá'í facilities is critical to maintaining the property's value. Equally as important, a Bahá'í facility will represent the Bahá'í Faith in the eyes of the public when it is used to support core activities including children's classes, study circles, devotions and youth activities. As such, the property's appearance and maintenance is essential to the reputation of the Faith. The facility must meet the standards of dignity and quality that enhance the prestige of the Cause and contribute to betterment of the community at large.

As stated by the National Spiritual Assembly in its letter of November 28, 2007 to Local Spiritual Assemblies:

“This Spiritual Assembly [the Assembly in whose jurisdiction the facility is located] must be the sole owner or lessee of the facility and has the ultimate responsibility for its operation and maintenance.” (the full letter is at page v of this Manual).

Other communities may use and support the facility and may be represented on facility committees. A property management person or committee working under the authority of the Local Assembly and in collaboration with the community can avoid the often found strain and burden of maintaining a facility which can become a source of disunity.

The Assembly needs clearly to designate a responsible person or party for handling the interior and exterior maintenance of the facility and other issues regarding its use. Individuals may be appointed as property manager, caretaker, proctor, and/or



scheduler, and a Property and Maintenance Committee may be formed.

### **Property Manager**

The property manager should be responsible to the Assembly and mandated to provide for the facility's overall operations, including beautification, regular cleaning, and other necessary care. The Manager could also schedule the activities held in the facility, or that responsibility could be assigned to another person. The mandate for the property manager should be in writing so that all responsibilities are clear. The manager may be expected to perform most of the tasks involved, or for larger communities to coordinate volunteers, or to supervise paid personnel. If other caretakers are employed, on either a volunteer or paid basis, they must understand exactly what is expected of them. Otherwise, a problem could easily evolve into virtually every task undertaken at the facility as expectations arise that are not shared by everyone involved.

One of the first challenges that a Spiritual Assembly may experience after it rents or purchases a Bahá'í facility is that suddenly many Bahá'ís become interior decorators. Members may want to rearrange furniture to their own preference, bring furniture to the facility or even borrow furniture from the facility for their personal residences. One Assembly managed such situations by appointing a person to decide such issues called a Proctor. When anyone wished to make a change or borrow or donate furniture, the Proctor had to first approve the action. The Assembly drew up a signed agreement with anyone who allowed his or her personal property to be used in the facility, specifying the length of the loan and other terms of use. In lieu of accepting furniture the community members could be encouraged to sell the items and donate to the Fund.

### **Property and Maintenance Committee**

The Assembly may also wish to appoint a Property Management Committee that would coordinate the fee-based as well as volunteer services of skilled Bahá'ís whenever possible. The Committee could request a local qualified electrician to volunteer electrical help or contact a professional painter to volunteer painting services. A human resources list should be maintained with the skills, aptitudes and availability of Bahá'ís in both the community and cluster communities who can assist

with various portions of the maintenance and operation. The list may identify those members of the community who have experience in real estate, finance, law, management, architecture and construction.

The Committee can decide when it needs to pay for the services still unmet by qualified volunteers. It can also recommend necessary building or grounds improvements to the Assembly and then oversee their implementation. The Assembly or the property management committee may determine that two separate committees are appropriate, one for the building and one for the grounds. A budget should be prepared to cover the projected expenses of the Committee. Special committees or task force for specific purposes may be established. This will require close coordination with the project management committee and Assembly to ensure unity of thought and vision, and efficient and effective use of resources to complete projects.

### **Responsible Operations and Maintenance**

The Bahá'í facility must always be kept in good condition and repair with concern for both safety, energy efficiency, conservation and beautification. Careless, inadequate or deferred maintenance invites misuse and destruction of property and can result in unsafe conditions or even litigation. Maintenance and operational costs can be expensive. However, lack of predictive or proactive maintenance will increase operating costs.

The use of volunteers may reduce cost, but it adds to the task of coordination and quality control. Some Assemblies have experienced difficulties in getting local Bahá'ís to provide consistent volunteer maintenance services. The time commitments necessarily involved can prove to be too burdensome for some. Also, the law requires permits for many electrical, plumbing, heating, structural and other modifications.

The Assembly or Property Manager may determine that in order to assure the facility is kept clean, the grounds mowed, and other essential maintenance is done in a timely manner, it is necessary to pay for these services. Incidental costs for general

upkeep, repair, and operating costs may include the following:

- Tools, locks, keys, light bulbs, fuses, filters, etc.
- Trash removal, yard upkeep, and landscaping
- Window, carpet, bathroom, and general cleaning
- Cleaning supplies
- Heating and air conditioning service
- Refurbishment of drapes, carpets, and furnishings
- Office equipment and mailing supplies
- Cups, plates, towels, napkins and refreshments for public meetings
- Snow removal
- Pest control
- Roof, plumbing, electrical, window, heating and air conditioning repairs
- Parking lot and sidewalk patching, seal coating, and striping
- Gas, oil, water, electricity, and telephone utilities
- Permits, inspections, property taxes, and assessments
- Alterations required by city codes
- Maintenance for special facilities, e.g. repairs of sound or video system or computer, piano tuning, lawn mower repair, etc.

The number of activities, participants, and hours of occupancy will all have an effect on the amount and cost of required maintenance. To prevent interruptions in the work of the Cause by sudden repairs requiring large sums, the Property Manager should submit an annual budget request to the Assembly so that they can set aside enough money to regularly repair and maintain the property in good condition.

To effectively maintain your facility it is imperative there be regular inspections. To assist you with the orderly evaluation process we have provided (3) three inspection reports that can be used; 1) Short inspection form for monthly inspections, 2) quarterly inspection form that is more detailed and 3) annual inspection form that is very detailed.

The short inspection form can be used on a regular basis for a quick look to the facility primarily to check for items that are need of repair and maintenance. We consider Baha'i facilities as silent teachers in our community therefore the exterior should be maintained to create curb appeal for those passing by. Most fire equipment needs to be inspected to make sure in the event of a fire, every effort has been taken to make sure it doesn't get out of control. Extinguishers are to be inspected every month by law and inspected by a servicing company at least once a year.

The quarterly inspection report provides more detailed items to be checked to evaluate standards and determine if repair and maintenance is needed.

The annual inspection form is very detailed and when used along with information gathered from the short and quarterly inspection will provide a list of items that can be used to develop short term, annual and long term (5 year) budgets.

Regular inspections of the facility are required to protect the asset.

It is imperative that the Assembly or Property Manager determine by an environmental assessment if the center has asbestos-containing material i.e., floor tile, ceiling tile, plaster/stucco, sheet rock, fireproofing, thermal systems insulation, etc. If asbestos is found on the property, it is recommended that the Assembly consult with a licensed professional to develop a Written Hazardous Communication Plan to comply with federal, state and local laws, rules and guidelines. "Danger Asbestos" labels or signs should be affixed or posted in mechanical rooms, telephone and electrical closets and garages where asbestos-containing materials are present. All asbestos-containing construction materials must be kept in good condition.

## **Emergency Preparedness**

**The Assembly will need to consider the creation of an Emergency Operations Plan (EOP) for its community and facilities. There may also need to be a specific plan for each facility called a Building Emergency Preparedness Plan (BEPP). Members of the community should be instructed on the use of the EOP. If these plans have not been done, the Assembly will need to focus resources on this matter. The BCA**

has created a manual to assist Assemblies in creating their plans. The manual can be found on the BCA website ([www.bahaicenterassistance.org](http://www.bahaicenterassistance.org)). Even in a small facility, this subject should be discussed and the Assembly should hold emergency evacuation drills.

### **Fire Extinguishers**

Fire extinguishers should be inspected monthly and should be easily accessible. They should be easily seen or identified. If the building has a fire sprinkler system, it must be inspected by a licensed professional every five years and tested quarterly. If the facility has a standpipe system, it must also be inspected semi-annually and tested quarterly. The BCA strongly recommends that the Property Manager confirms the time frames with the local fire marshal to ensure compliance in accordance with local codes.

### **Elevators**

All elevators and escalators must have current permits to operate. It is suggested that a copy of the permits be located in the elevator cars, and the original be kept in the office. If the copy of the permit in the elevator is lost, it can be easily replaced. In some areas, the Assembly may be able to obtain a permit for 2 years vs. every year which will reduce cost; however, a maintenance contract will be required which is highly recommended for this equipment anyway.

### **Other Equipment**

In larger Bahá'í facilities, the Assembly may have pressure vessels, i.e., boilers, air receiving tanks, etc. This equipment requires permits to operate. The Permit to Operate must be in plain view of the pressure vessels.

If the facility has an emergency generator, it should be frequently tested. If the generator fuel storage tank is below ground, it will require a designated underground storage tank monthly visual inspection. Regular and frequent inspection should be conducted on above ground and day tanks.

### **Security**

The facility will be used for various purposes throughout the month, with different people responsible for these activities. Giving keys to each person who will at various times need access to the center can be both expensive and risky, requiring frequent re-keying of locks if keys are lost or in the possession of people who no longer legitimately need them. A successful alternative is to install a combination lock box

to hold a key on-site. Its combination can be changed on a regular basis and provided only to those with a current need for access. Another alternative is to use a card entry in connection with the burglar alarm system.

The Property Manager or Property Management Committee should prepare an Opening and Closing checklist. Each time the facility is occupied, the checklist should be performed in order to minimize regular and special cleaning and maintenance activities. The checklist of one facility is provided below as a guideline and can be adapted for the specific needs and conditions of each facility.

### Sample Opening and Closing Checklists

When opening the facility:

- Punch in the code on the lock box location on (*specify location*). (Code is available to Spiritual Assembly authorized people only, managed by Property Manager)
- Return the key to the box and replace the cover. To prevent getting locked out, *DO NOT TAKE THIS KEY INSIDE*.
- Unlock other doors, using keys attached to lock cabinet (*specify location*).
- Set air condition thermostats in the kitchen and main room to every 3 hours occupied
- If using sound system in the main room, turn on the switch on the extension bar next to the system. DO NOT turn on/off any other buttons; just use the volume knobs as needed.

When closing the facility:

- Dump all trash.
- Clean dishes in sink.
- Wipe down tables.
- Pick up and replace items to the original conditions as when entered in all rooms used.
- Sweep or mop floors as needed.
- Make sure all fans, heaters, coffeepots, or equipment is turned off.

- Make sure all water is turned off in rest rooms and kitchen.
- Turn off the sound system.
- Make sure everyone has left the building.
- Turn AC/Heater OFF or set to UNOCCUPIED.
- Turn off all lights
- Lock all doors and double-check them to make sure they are locked.
- Return all keys to cabinet.

## Environment

As mentioned before, Bahá'í facilities will be a focal point in a community and cluster as the Assembly focuses on the current Plan and core activities of the current Plan. An important aspect of property management is to ensure a safe and healthy environment by keeping all areas clean and orderly. Rest room facilities should be clean and sanitary. Storage areas should be clean and orderly and supplies put away.

All heat-producing appliances and devices (coffee maker, microwaves, refrigerators, etc), should be located in break rooms or kitchens. Extension cords and power strips should be used properly. Heat-producing items should not be plugged into extension cards, and power strips should not be “daisy chained” together.

All areas should be adequately illuminated keeping energy savings in mind to avoid or reduce operating cost for the facility. Timers and motion sensors should be used inside and outside the facility on both decorative and security lights whenever feasible. Of particular importance to lighting, exits must be marked with exit signs and illuminated by a reliable light source.

The exits when not immediately apparent must be marked with visible signs which at a minimum must meet local code requirements. Doors, passageways and stairways that are neither exits nor access to exits and which could be mistaken for exits should be appropriately marked “NOT AN EXIT” “TO BASEMENT” “STORAGE ROOM”, etc. All exit signs should be provided with a word “EXIT” in letters in at least 5 inches high and the size of the lettering at least ½ inch wide. The number of exits from each floor of a building and the number of exits from the building itself must be appropriate for the building occupancy load. All exits must be kept free of

obstructions.

All doors should be maintained in good working condition, i.e., door handles, closures, locks, thresholds, and fire stripping on fire rated doors. Handicapped entrance, exit doors and bathroom doors require different types of handles and closures that must be maintained for proper operation.

Doors that are required to serve as exits must be designed and constructed so that the way of exit travel is obvious and direct. When panic hardware is installed on a required exit door, it must allow the door to open by applying a force of 15 pounds or less in the direction of the exit of travel. When there is frequent traffic, viewing panels should be installed in doors that swing in both directions where doors are located between rooms.

When exit doors open directly onto any street, alley or other area where vehicles may operate, barriers and warnings must be provided to prevent anyone from stepping in the path of traffic.

### **Usage, Hours, and Staffing**

The facility will possibly be the heart of Bahá'í community and cluster activity, a place for Bahá'í gatherings, a place for teaching the Faith and a place for local Bahá'í administrative activities. Other institutions of the Faith may sponsor activities in the facility. Community members may use it for weddings, memorial services, baby and wedding showers, birthday parties, or similar events. The facility may be used for social development projects. In addition, it may be made available to non-profit organizations for various activities. One facility is routinely used by a United Nations chapter for meetings, the Red Cross for training, and by other organizations for similar activities. A portion of the facility may be rented or leased on a regular basis to another organization.

The Assembly needs to adopt policies as to who can use the facility and under what conditions. Any organization that is allowed to use the facility should have aims and purposes that are compatible with Bahá'í beliefs. No activity on the premises should be in conflict with the Teachings. It is wise to research any individual or organization with which the Assembly is not already very familiar. For instance, a peace group



may focus on partisan politics, an environmental group may advocate illegal activity, or a music recital could plan on serving alcohol. The Assembly should consider whether a written agreement or contract with the user is necessary, or whether explaining the policies and procedures either orally or in writing is sufficient. The Assembly should consider questions such as: Under what circumstances should a cleaning fee or usage fee be charged? Should fees be the same for any non-Bahá'í user, or would certain organizations pay different rates?

The guidelines on renting a Bahá'í facility are available in Chapter 4 and on the Bahá'í Center Assistance website at [www.bahaicenterassistance.org](http://www.bahaicenterassistance.org).

### **Insurance from Users**

Although states may differ in their Insurance requirements, it is imperative that the Assembly contact an insurance agent to obtain information on the necessary evidence of insurance needed from users.

When a portion of the facility is leased or rented to another organization (profit or nonprofit), whether on a month to month or multi-year basis, a written lease should be prepared or reviewed by an attorney. Clear understanding regarding what portion of the premises are being rented and what standards are required or expected is important. References should be carefully checked on a prospective tenant since their aims, purposes and actions will undoubtedly reflect on the Bahá'í Faith due to their proximity.

The tenant should be required to maintain property and liability insurance on the rental facilities naming the Assembly as an additional insured and arrange that the Assembly receive automatic notice of any change in the status of the insurance. The Assembly should consult with its attorney and real estate professionals regarding what it should do as a landlord. In some instances, renting a portion of the facility can affect the tax exempt status of the property. The Assembly should make certain that it understands the laws or regulations that apply to its situation.

The Assembly needs to decide whether the facility will only be open for specific activities or be open to the community and the public on a regular basis. A sign

should provide some information for the public about how they can obtain information or attend programs. Members of the community may be scheduled for regular shifts to staff the facility.



## Environmental Considerations

Green and environmentally conscious design and implementation is a rapidly evolving field. While many ideas are being developed, those things that make sense and are practical for your community should be considered. Today we must be concerned with how we build and operate Bahá'í facilities because of their effect on the environment and the Bahá'í Fund. The approach of the world-wide Bahá'í community to the conservation and protection of the earth's resources is based on a number of fundamental principles derived from the Bahá'í Writings:

*The Universal House of Justice sets out the role of the individual Bahá'í and of Bahá'í communities in relation to saving "the wildlife and natural condition of the world" as follows:*

*...the best way in which you can help to save the wildlife and natural condition of the world is to exert every effort to bring the Message of Bahá'u'lláh to the attention of your fellow-men and to win their allegiance to His Cause. As the hearts of men are changed, and they begin to work in unity in the light of Bahá'u'lláh's teachings, they can begin to implement many practical improvements to the condition of the world. This is already beginning in the efforts at social and economic development in those areas where large Bahá'í communities have been founded. Of course, you can also assist those with whom you come into contact who have an interest in improving the environment, but the fundamental solution is the one that Bahá'u'lláh has brought.*

Universal House of Justice, Department of the Secretariat, from a letter dated 14 June 1984 to an individual believer, quoted in Conservation of the Earth's Resources, Research Department of the Universal House of Justice (1990) p. 85.

*In addition to addressing the issue on a fundamental spiritual level, collaboration with individuals and groups interested in improving the environment is encouraged. The Bahá'í communities are called upon to make the conservation of the environment an integral part of their ongoing activities by...assisting in endeavours to conserve the environment in ways which blend with the rhythm of life of our community....*

Conservation of the Earth's Resources, Research Department of the Universal House of Justice (1990) p. 86, including a quotation from the Universal House of Justice, 1989 Ridvan Message to the Bahá'ís of the World.

### Responsible Practices

As Bahá'ís managing our facilities, we should incorporate environmentally

responsible practices that show our commitment to protecting our environment and helping to ensure a future for all living things. Green buildings and sustainability programs include solid waste reduction, material reuse, recycling, energy and water conservation, and hazardous waste elimination. Implementing these programs will usually result in cost savings, in addition to the environmental advantages, thus making more funds available for other needs of the Cause. Education and communication to the members of the community is necessary to make environmental awareness second nature to those responsible for and using the Bahá'í facilities.

Traditional building operation and maintenance practices often overlook the interrelationships between a building, its components, its surroundings, and its occupants. "Typical" buildings consume more of our resources than necessary, negatively impact the environment and generate a large amount of waste.

One typical way to begin incorporating these considerations is with lighting throughout the facility, including light bulbs and fixtures. Choosing more efficient light bulbs or light fixtures can make a big difference on utility bills and the environment. Replacing lights with ENERGY STAR qualified lighting can save energy costs. An ENERGY STAR qualified compact fluorescent light bulb (CFL) uses about 75 percent less energy than a comparable standard incandescent bulb. However, do not carry out wholesale replacement of light bulbs in your facility. Although simple to implement, this can have many undesirable outcomes if done without knowledgeable input.

ENERGY STAR qualified heating equipment can be up to 15 percent more efficient than standard models. ENERGY STAR qualified heating systems are designed to use less energy than standard systems. When properly installed, these heating systems can save money on utility bills.

We realize that light bulbs are a relatively low cost item and building systems and appliances cost much more. It is important to think green when purchasing all items for Bahá'í facilities.

### **Green or Sustainable Ideas**

Other green or sustainable ideas to incorporate into operation and maintenance

practices are as follows:

#### KITCHEN AND GENERAL HOUSEKEEPING

- Eliminate the use of Styrofoam food containers in the kitchen.
- Eliminate the use of aerosol spray products in the kitchen and for cleaning the facility.
- Eliminate the use of plastic trash can liners and use recycled liners when needed.
- Use non-toxic cleaning materials in the kitchen and other areas in and around the facility.
- Compost organic kitchen waste for use as soil amendment in gardens.
- Re-use appropriate leftover food for a bird-feeding program.

#### ADMINISTRATIVE OFFICES AND PURCHASING/RECYCLING

- Reduce waste through careful buying to eliminate excessive packaging.
- Support community businesses by purchasing as many locally made products as possible.
- Buy only recycled paper products for office use, newsletters, and promotional materials.
- Photocopy all materials on both sides.
- Recycle soda cans, food cans, newspapers, glass, and plastics.
- Cut up used office paper for note pads.
- Distribute recycling bins throughout the Bahá'í center
- Use E.P.A. "ENERGY STAR compliant" machinery whenever possible.

#### LANDSCAPING AND MAINTENANCE

- Compost organic waste from the kitchen and garden.

- Eliminate chemicals in the gardens and use botanical controls to treat fungus and insect problems.
- Use native plant species in garden design.
- Grow herbs and flowers for use in kitchen.
- In renovation projects, use construction methods and materials that are kind to the environment.

Green buildings, sustainability, energy conservation, waste reduction, water stewardship and other environmental concerns are addressed by utility companies, as well as numerous local, regional and national organizations. There are many energy saving and cost avoidance measures that can help in constructing, renovating, maintaining and operating buildings that can be applied to Bahá'í facilities.

Because of the large volume of information available from several sources, we encourage research and use of environmental considerations in building, maintaining and operating Bahá'í facilities.



# Appendix

## Statement of Purpose

**For a Bahá'í Facility in \_\_\_\_\_**  
(insert community name)

### **Community/Cluster Plan Status:**

- How far has a community progressed in the two essential movements of the Plan of the Universal House of Justice, or is acquiring a Facility becoming a substitute for attention and progress in the Plan?

### **Community/Cluster Priorities Are the Plan:**

- Will the time, effort and money needed (which communities frequently underestimate) to acquire, maintain, operate and resolve issues about a Facility distract from Plan efforts?

### **Community/Cluster Needs for a Facility to Support Plan:**

- If activities in homes are becoming so large in a community that Bahá'ís are contemplating acquiring a Facility, can the community divide activities into sectors and still function effectively in homes and possibly rent a space for occasional large full community or cluster meetings?

### **Objectives of a Facility**

- What are the objectives to be achieved by acquiring a Facility?
- Is acquiring a Facility the firm desire of the community as a whole or the vision of one or two strong-willed Bahá'ís?

### **Facility Program Activities**

- Is a Facility a necessary tool to support Plan activities, even if activities are divided into sectors in a community? What activities need availability of a Facility?

### **Operational Management**

- How will a Facility be managed?

Note: A development budget (acquisition and renovation) and an operational budget (on-going expenses) should be prepared and attached. See Appendix of Bahá'í Center Assistance Manual for proposed budget forms.

## Short Inspection Report

BUILDING \_\_\_\_\_  
 ADDRESS \_\_\_\_\_

DATE \_\_\_\_\_  
 INSPECTOR \_\_\_\_\_

		Good(G) Fair (F) Poor (P)	Actions/Comments
A	EXTERIOR: Cleanliness & Appearance; Landscaping; Sidewalks; Lighting; Windows; Signage		
B	FIRE CONTROL CENTER		
C	FREIGHT ELEVATOR		
D	PASSENGER ELEVATORS		
E	ESCALATORS		
F	COMMON STAIRWAYS & STAIRWELLS		
G	LOBBY		
H	LOBBY CENTRAL SECURITY		
I	COMMON AREAS		
J	GENERAL MEETING SPACE		
K	VACANT SPACE		
L	RESTROOMS		
M.	SERVICE/LOADING AREA		
N.	RECYCLE PROGRAM		
O	INTEGRATED PEST MANAGEMENT (IPM)		
P	ROOF (Age of Roof: _____)		
Q	BASEMENT AREA		
R	MECHANICAL ROOM		
S	ELEVATOR EQUIPMENT ROOMS		
T	FAN ROOMS		
U	FIRE SUPPRESSION SYSTEMS		
V	STORAGE / VENDING MACHINE ROOMS		
W	MAIN ELECTRICAL SWITCHGEAR		
X	EMERGENCY GENERATOR		
Y	MAIN POINT OF ENTRY (MPOE) & OTHER TELEPHONE ROOMS		
Z	MAINTENANCE OFFICE / SHOP		
AA	RECORDS MANAGEMENT AREA(S)		
AC	PARKING STRUCTURE		
AD	SURFACE PARKING		
AE	DUMPSTER		



## Physical Inspection Report

MISCELLANEOUS COMMENTS:

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- 1 = Good
- 2 = Fair
- 3 = Poor

Inspected by: \_\_\_\_\_

Date: \_\_\_\_\_

## Quarterly Inspection Report

BUILDING \_\_\_\_\_ DATE \_\_\_\_\_  
 ADDRESS \_\_\_\_\_ INSPECTOR \_\_\_\_\_

Quarterly Inspection Report		Good(G) Fair (F) Poor (P)	ACTION TO TAKEN/COMMENTS
A	<b>EXTERIOR: Landscaping, Sidewalks, Signage, Lighting, Windows, etc.</b>		
B	<b>LOBBY: Floors, Walls, Ceilings, Emergency Exit Signs, Fire Extinguishers</b>		
C	<b>COMMON STAIRWAYS &amp; STAIRWELLS: Treads, Handrails, Lights</b>		
D	<b>COMMON AREAS: Floors, Walls, Ceilings, Emergency Exit Signs, Fire Extinguishers</b>		
E	<b>GENERAL MEETING SPACE; Floors, Walls, Ceilings, Emergency Exit Signs, Fire Extinguishers, Lights</b>		
F	<b>CLASS ROOMS: Floors, Walls, Ceilings, Emergency Exit Signs, Fire Extinguishers, Lights</b>		
G	<b>RESTROOMS: Cleanliness/Appearance, Floors, Drains clean/disinfected, Walls, Ceiling, Vanities, Mirrors, Stall Partitions/Doors (including ADA), Toilet Fixtures, Ventilation</b>		
H	<b>OFFICE – ADMINISTRATIVE AREAS: Cleanliness, Appearance, Phone Lists – Emergencies, Authorized Access Procedure, Key Control</b>		
I	<b>BASEMENT AREA: Floors, Walls, Ceilings, Emergency Exit Signs, Fire Extinguishers</b>		
J	<b>KITCHEN/BREAK ROOMS: Extension Cards, Cleanliness/Appearance, Floors, Drains clean/disinfected, Walls, Ceiling</b>		
K	<b>ROOF: Conditions/Appearance, Leaks Reported, Pending Problems, Flashing, Parapets, Drains</b>		
L	Quarterly Inspection Report	Good(G) Fair (F)	ACTION TO TAKEN/COMMENTS

		Poor (P)	
	<b>Records, Cleanliness Appearance, Leakage/Corrosion, Fire Extinguishers</b>		
M	<b>ELEVATOR EQUIPMENT ROOMS: Maintenance Logs/Records; Safety/Signage</b>		
N	<b>FAN ROOMS: Cleanliness/Appearance, Fire Extinguishers; Safety/Signage</b>		
O	<b>FIRE SUPPRESSION SYSTEMS: Cleanliness, Appearance, Test Runs/Log, Maintenance Log</b>		
P	<b>STORAGE ROOMS: Cleanliness/Appearance, Lighting, Inventory Control</b>		
Q	<b>MAIN ELECTRICAL SWITCHGEAR: Equipment Labeling, Maintenance Records, Equipment Condition</b>		
R	<b>MAINTENANCE OFFICE/SHOP: Cleanliness, Appearance, Lighting, Safety Equipment/Signage, First Aid Kit/Equipment</b>		
S	<b>SURFACE PARKING: Drainage, Surface Condition, Striping and Directional Arrows, Signage, Landscaping, Lighting, Security</b>		
T	<b>PASSENGER ELEVATORS: Permits, Floor Covering, Wall Panels, Door Panels, Ceiling Lighting, Emergency Telephone/Call System</b>		
U	<b>RECYCLE AND TRASH STORAGE AREAS</b>		
V	<b>OTHER AREAS:</b>		

## Annual Inspection Report

BUILDING \_\_\_\_\_  
 ADDRESS \_\_\_\_\_

DATE \_\_\_\_\_  
 INSPECTOR \_\_\_\_\_

Annual Inspection Report		Actions/Comments
Good(G) Fair (F) Poor (P)		
<b>A</b>	<b>EXTERIOR</b>	
1.	Cleanliness & Appearance	
2.	Landscaping	
3.	Sidewalks	
4.	Signage (including No Smoking & ADA)	
5.	Fountain/Art/Furniture	
6.	Lighting	
7.	Entrances/ADA Access	
8.	Canopies	
9.	Store Fronts	
10.	Windows	
11.	Façade/Caulking/Painting	
12.	Fire Dept. Connections	
13.	Safety	
14.	Knox Boxes	
	(a) Fire Department Access	
15.	Other	
<b>B</b>	<b>FIRE CONTROL CENTER</b>	
1.	Cleanliness & Appearance	
2.	Fire Alarm Panel -Status and Condition	
3.	Auxiliary Control Panels-Smoke Control etc.	
4.	Printer -On-line Working Properly	
5.	Alarm Monitoring-Dialer Working Properly	
6.	Fireman's PA System	
7.	Remote Elevator Control - Overrides	
8.	Other	

	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
<b>C</b>	<b>FREIGHT ELEVATOR</b>	
1.	Cleanliness/Appearance	
2.	Floor Covering	
3.	Wall Covering	
4.	Ceiling	
5.	Lighting	
6.	Elevator Call Buttons	
7.	Permit Expiration Date	
8.	Other	
<b>D</b>	<b>PASSENGER ELEVATORS</b>	
1.	Cleanliness/Appearance	
2.	Floor Covering	
3.	Wall Panels	
4.	Door Panels	
5.	Ceiling	
6.	Lighting	
7.	Control Panels (including ADA)	
8.	Floor/Position Indicator Lights/Signals (ADA)	
9.	Emergency Telephone/Call System	
10.	Emergency Switches	
11.	Permit Expiration Date	
12.	Ventilation	
13.	Lobby/Corridor Door Fronts	
14.	Floor Numbers on Door Frame	
15.	Call Buttons (ADA)	
16.	Permit Expiration Date	
17.	Other	
18.	Other	

	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
19.	Other	
<b>E</b>	<b>ESCALATORS</b>	
1.	Cleanliness/Appearance	
2.	Lighting	
3.	Signage	
4	Equipment Condition	
5.	Safety	
6.	Pits	
7.	Equipment ID & Plans	
8.	Maintenance Logs/Records	
9.	Other	
<b>F</b>	<b>COMMON STAIRWAYS &amp; STAIRWELLS</b>	
1.	Cleanliness/Appearance	
2.	Treads	
3.	Risers	
4	Gates	
5.	Handrails	
6.	Walls	
7.	Ceilings	
8.	Lighting	
9.	Doors/Locks	
10.	Fire Doors / Magnetic "Hold Open"	
11.	Emergency Exit Signs	
12.	Fire Extinguishers	
13.	Signage (including ADA & Life Safety)	
14.	Other	

	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
<b>G</b>	<b>LOBBY</b>	
1.	Cleanliness/Appearance	
2.	Floors	
3.	Walls	
4.	Ceiling	
5.	Lighting	
6.	Doors	
	a) Locks	
	b) Pulls	
	c) Push Plates	
	d) Kick Plates	
	e) Seals/Weather Stripping	
	f) Door Frames	
7.	Fire Doors / Magnetic “Hold Open”	
8.	Emergency Exit Signs	
9.	Fire Extinguishers	
10.	Directory	
11.	Signage (including ADA)	
12.	Furniture	
13.	Elevator Panel / Call Buttons	
14.	Other	
<b>H</b>	<b>LOBBY CENTRAL SECURITY</b>	
1.	Lobby Security & Log	
2.	Post Orders (Last Update)	
3.	Emergency Procedure Manual	
4.	Emergency Call List	
5.	Fire, Life & Safety Control	
6.	Elevator Trouble Log	
7.	Security System	
8.	Other	
<b>I</b>	<b>COMMON AREAS</b>	
1.	Cleanliness/Appearance	
2.	Floors	
3.	Walls	
4.	Ceiling	
5.	Lighting	

	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
6.	Directory	
7.	Signage General (including ADA)	
8.	Emergency Evacuation Signage	
9.	Fire Doors / Magnetic “Hold Open”	
10.	Emergency Exit Signs	
11.	Fire Extinguishers	
12.	Drinking Fountains	
13.	Telephone/Electrical Closets	
14.	Other	
<b>J</b>	<b>GENERAL MEETING SPACE</b>	
1.	Cleanliness/Appearance	
2.	Floor Covering	
3.	Wall Covering	
4.	Ceiling	
5.	Lighting	
6.	Fire Doors / Magnetic “Hold Open”	
7.	Emergency Exit Signs	
8.	Fire Extinguishers	
9.	HVAC System	
8.	Sprinkler System	
10.	Code Compliance/Safety/Energy	
	Minimum 18” sprinkler head clearance	
	Exits clean, not propped open	
	No extension cords, heaters, fans, etc.	
11.	Other	
.		
<b>K</b>	<b>VACANT SPACE</b>	
1.	Cleanliness/Appearance	
2.	Other	
<b>L</b>	<b>RESTROOMS</b>	
1.	Cleanliness/Appearance	
2.	Signage (including ADA)	
3.	Floors	
	a) Drains clean/disinfected	
4.	Walls	
5.	Ceilings	





	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
2.	Is the program being managed?	
3.	Are building tenants participating?	
4.	Dockside Containers	
	a) Adequate number of containers	
	b) Condition	
5.	Adequate Pick-up	
6.	Records and Log Books	
<b>O</b>	<b>INTEGRATED PEST MANAGEMENT (IPM)</b>	
1.	Entryways (pest access to building)	
	a) Doorways, overhead doors, windows.	
	b) Holes in exterior walls, openings around pipes,	
	c) Electrical fixtures and/or duct openings	
2.	Condition of storage areas for food.	
	a) Containers should be inaccessible to pests.	
	b) Containers must have tight lids and be made of plastic, glass or metal.	
3.	Storage Areas for Food Wastes	
4.	Maintenance Records	
	a) Repaired leaks and correct other plumbing problems to deny pests access to water.	
5.	Floors (including drains, pipe chases, etc.)	
6.	Maintenance Areas	
	a) Boiler/chiller rooms, mechanical room, maintenance shops, hopper rooms, pipe chases.	
8.	Eating / Break Areas	
9.	Kitchens –General Cleanliness	
	a) Trash Cans in Kitchen Areas	
10.	All Areas	
	a) Clean and as dry as possible and free of debris.	
11.	Other	
<b>P</b>	<b>ROOF</b> (Age of Roof: _____)	

	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
1.	Condition/Appearance	
	a) Leaks reported	
	b) Pending problems	
2.	Flashings	
3.	Parapets	
4.	Drains	
5.	Roof Lights	
6.	Doors/Hatches	
7.	HVAC Equipment	
8.	Fans	
9.	Window Washing Stages	
10.	Wind Sock	
11.	Helipad	
12.	Satellite Dishes & Antennas	
13.	Last Roof Inspection	
14.	Other	
<b>Q</b>	<b>BASEMENT AREA</b>	
1.	Cleanliness	
2.	Floors	
3.	Walls	
4.	Ceilings	
5.	Lighting	
6.	Sprinkler System	
7.	Ventilation	
8.	Fire Doors / Magnetic “Hold Open”	
9.	Emergency Exit Signs	
10.	Fire Extinguishers	
11.	Storage Space	
12.	Other	
<b>R</b>	<b>MECHANICAL ROOM</b>	
1.	Cleanliness/Appearance	
2.	Lighting	
3.	Color Coding	
4.	Computer Operation	
5.	Automatic Controls	
6.	Leakage/Corrosion	
7.	Maintenance Records/PM	
8.	Safety Inspections	
9.	Safety Equipment/Signage	
10.	Fire Extinguishers	

	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
11.	Energy Conservation	
12.	Other	
<b>S</b>	<b>ELEVATOR EQUIPMENT ROOMS</b>	
1.	Cleanliness/Appearance	
2.	Equipment Condition	
3.	Equipment ID & Plans	
4.	Maintenance Logs/Records	
5.	Lighting	
6.	Temperature Control	
7.	Fire Extinguishers	
8.	Safety/Signage	
9.	Elevator Pits	
10.	Other	
<b>T</b>	<b>FAN ROOMS</b>	
1.	Cleanliness/Appearance	
2.	Lighting	
3.	Controls	
4.	Fire Extinguishers	
5.	Safety/Signage	
6.	Other	
<b>U</b>	<b>FIRE SUPPRESSION SYSTEMS</b>	
1.	Cleanliness/Appearance	
2.	Pressure	
3.	Leakage/Corrosion	
4.	Test Runs/Log	
5.	Maintenance Log	
6.	Safety Inspections	
7.	Fire Extinguishers	
8.	Safety/Signage	
9.	Sprinkler Test Log	

	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
10.	Other	
<b>V</b>	<b>STORAGE / VENDING MACHINE ROOMS</b>	
1.	Cleanliness/Appearance	
2.	Lighting	
3.	Safety/Signage	
4.	Proper Ventilation	
5.	Inventory Control (Building Storage)	
6.	Inventory Status (Vending Machines)	
7.	Other	
<b>W</b>	<b>MAIN ELECTRICAL SWITCHGEAR</b>	
1.	Cleanliness/Appearance	
2.	Equipment Condition	
3.	Equipment Labeling	
4.	Transfer Switches Operation	
5.	Maintenance Records/PM	
7.	Safety Equipment/Signage	
8.	Mats	
9.	Lighting	
10.	Temperature Control	
11.	Spare Fuses	
13.	Other	
<b>X</b>	<b>EMERGENCY GENERATOR</b>	
1.	Cleanliness/Appearance	
2.	Test Runs/Log	
3.	Maintenance/Log	
4.	Batteries/Fuel Source	
5.	Other	
<b>Y</b>	<b>MAIN POINT OF ENTRY (MPOE) &amp; OTHER TELEPHONE ROOMS</b>	
1.	Cleanliness/Appearance	
	a) Cable/Line Identification	
	b) Connections and Terminations.	
	c) Cable and Wire Routing (organization)	

	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
2.	Other	
<b>Z</b>	<b>MAINTENANCE OFFICE / SHOP</b>	
1.	Cleanliness/Appearance	
2.	Floors	
3.	Walls	
4.	Ceiling	
5.	Lighting	
6.	Exits	
7.	Safety Equipment/Signage	
8	First Aid Kit/Equipment	
<b>AA</b>	<b>RECORDS MANAGEMENT AREA(S)</b>	
1.	Fire Extinguishers/Maintenance Records	
2.	Maintenance Logs	
	b) Maintenance Contracts	
	c) Preventative Maintenance System & Records	
	d) Meter Reading Log	
	e) Chiller/Boiler Logs	
	f) Water Treatment Log	
	h) Inventory Control Log	
	i) Operations Log & Shift Records	
	j) OSHA Log	
3.	Building Plans	
4.	Permits	
5.	Other	
<b>AB</b>	<b>BUILDING OFFICE – ADMINISTRATIVE</b>	
1.	Cleanliness/Appearance	
2.	Building Operations Manual	
3.	Tenant Handbook	
4.	Emergency Procedure Manual	

	Annual Inspection Report Good(G) Fair (F) Poor (P)	Actions/Comments
	a) Building/Floor Wardens	
	b) Tenants	
	c) Tenant Education Programs	
5.	Fire Drill Log	
6.	IIPP Binder	
7.	MSDS Binder	
8.	Phone Lists – Emergencies	
9.	Lease Abstracts	
10.	Filing system	
11.	Insurance Files	
	a) Contractors	
12.	Contract Files	
13.	Window Cleaning Log	
14.	Custodial Service Log	
15.	Window Washer Inspection Log –EBM Equipment	
16.	Lobby Security & Log	
17.	Authorized Access Procedure	
16.	Key Control	
18.	Tenant Complaint Log	
19.	Purchasing Records	
20.	EPP (Environment Preferential Purchasing)	
21.	Tenant Construction Coordination	
	a) TIW/BIW Files	
22.	Tenant Meeting Minutes	
23.	Management Operations Plan (MOP)	
24.	Other	
<b>AC</b>	<b>PARKING STRUCTURE</b>	
1.	Entry/Exit	
2.	Drainage	
3.	Cleanliness	
4.	Floors/Curbs	
5.	Walls	
6.	Striping and Directional Arrows	
7.	Signage (including ADA)	
8.	Lighting	
9.	Stairs	
10.	Lobbies/Corridors	
11.	Elevators (ADA)	
12.	Parking Equipment	
13.	Ventilation	
14.	Fire Exits	







Budget - Fiscal Year: \_\_\_\_\_

Date: \_\_\_\_\_

**Local Spiritual Assembly / Bahá'í Group Financial Report**

Local Assembly of \_\_\_\_\_  
 Bahá'í Group \_\_\_\_\_ Of: \_\_\_\_\_ State: \_\_\_\_\_  
 Number of Bahá'ís in your community:  
 \_\_\_\_\_ Adults (Age 21 and over) \_\_\_\_\_ Youth (Age 15-20)

Category	Proposed Current Year	Actual Amount Current Year	Next Year	Notes
<b>BEGINNING BALANCE</b>				
Income				
Contributions	\$ -	\$ -	\$ -	
Other Income / Fundraising	\$ -	\$ -	\$ -	
Contributed Expenses				
Interest Income	\$ -	\$ -	\$ -	
<b>Total Income &amp; Beg Bal.</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
Expenses:				
Regional Bahá'í Fund				
National Bahá'í Fund	\$ -	\$ -	\$ -	0.00%
Continental Bahá'í Fund	\$ -	\$ -	\$ -	0.00%
International Bahá'í Fund	\$ -	\$ -	\$ -	0.00%
Kingdom Project	\$ -	\$ -	\$ -	0.00%
Administration				
Administration	\$ -	\$ -	\$ -	0.00%
Education, Bahá'í School	\$ -	\$ -	\$ -	0.00%
Contribution to Other Comm.	\$ -	\$ -	\$ -	0.00%
Teaching & Proclamation	\$ -	\$ -	\$ -	0.00%
Fundraising Comm.	\$ -	\$ -	\$ -	0.00%
Building: Bahá'í Facility				
Operational Expense	\$ -	\$ -	\$ -	0.00%
Convention	\$ -	\$ -	\$ -	0.00%
Junior Youth Activities	\$ -	\$ -	\$ -	0.00%
Other Expenses	\$ -	\$ -	\$ -	0.00%
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>ENDING CASH BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>

Comments:

Person completing this report for Assembly /Group

Name: \_\_\_\_\_

Address: \_\_\_\_\_

This report must be reviewed and approved by the Assembly/Group when completed.

### Bahá'í Facilities Model Projections Forms

This Projections Forms has been provided as a model for creating development and operating budgets for Bahá'í properties.

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#### Uses of Funds

##### Acquisition

Land and buildings	0
Legal, Environmental Assessment, and Closing Costs	0
	<b>0</b>

##### General Development Costs

Architecture & Engineering	0
Furnishings and Equipment	0
	<hr style="width: 100%;"/>
	0
Hard Construction Costs	
Renovation Costs	0
Contingency	0

<b>Total</b>	<hr style="width: 100%;"/> <b>0</b>
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#### Sources of Funds

Source	Rate	Term	Principal	Annual Debt Service	Monthly debt Service
Bahá'í Community (20% minimum)	Down payment		0		
Bank Loan	0.00%	0 yrs	0	0	0
BCA Loan Fund (improvements only) (maximum 25%) 5 year loan/ 10 yr amortization*	0.00%	0 yrs	0	0	0
Balloon Payment					
Total Project	\$0.00		\$0	\$0	\$0

\*Generally the BCA Loan Fund will provide a 5 year loan with 10 year amortization period for certain improvements to the property.

**Development Budget**

<b>Acquisition</b>	<b>COMMENTS</b>
Land and Buildings	0
<b>Legal, Environmental, and Closing</b>	
Survey & maps	0
Environmental Testing	0
Recording fees	0
Loan closing cost (financing fee = approximately 1 point/each lender)	0
Legal Fees	0
Title Insurance	0
	0
<b>Carrying Charge(on property during renovation)</b>	
Interest Expense	0
Insurance (general liability, property)	0
Taxes	0
	0
<b>Structures improvements</b>	
Construction Contracts	0
General Contract Amount	0
Landscaping/Paving/Signage	
Removal of asbestos or underground oil tank	0
	0
Utility Hookups	
Gas Lines	0
Electric	0
Water & Sewer	0
Building Permit (included in General Contract)	0
<b>Design, Engineering and Administration</b>	
Architect/Interior Designer	0
Accessibility Consultant	0
Boring and test pits	
Blueprinting and supplies	
Clerk of the works	
Environmental	0
Asbestos removal	
Total Environmental	
Accounting and Audit	
Contractual Services	
Other consultants as needed	
Concrete testing	
<b>Total</b>	0
<b>Other Program Expenses</b>	
Equipment (e.g., snow blower, lawnmower, refrigerator)	
Furnishings (e.g., drapes, furniture)	
<b>Total</b>	\$0
Contingency @ 8%- 10% of construction	
Operating Reserve @ 10%	
(May be more if systems (roof or heating/cooling) are near the end of their useful life.)	
<b>Total w/Contingency</b>	

## Annual Facilities Operating Budget

Income	Monthly Income	Yearly Income
Contributions	0	0
Other income/fundraising		
Interest income		
Rental income		
<b>Total Income</b>	0	0
<b>Expenses &amp; Debt Service</b>		
<b>Administrative</b>		
Legal/ Accounting/ Audit		0
<b>Total Administrative</b>		0
<b>Utilities(Common Areas)</b>		
Water & Sewer		
Electricity		
Heating (Oil or Gas)		
<b>Total Utilities</b>		
<b>Maintenance</b>		
Pest control		
Snow removal		
Materials & supplies		
Refuse removal		
Repairs & Maintenance (Items such as plumbing and heating repair)		
Insurance		
<b>Total Maintenance</b>		
<b>Property Taxes</b> (unless waived)		
<b>Reserves for repair and replacement</b> (new roof, heating and air condition system)	0.0%	
<b>Collection Loss</b>	0.0%	
<b>Total expenses</b>		
<b>Net Income before debt service</b>		0
<b>Debt Service</b>		0
<b>Net Cash Flow</b>		0
<b>Debt Coverage</b>		0.0

## Glossary of Real Estate and Financing Terms

COMPILED BY BAHÁ'Í CENTER ASSISTANCE

*Note: This glossary has been compiled from many sources. While lengthy, is not an exhaustive list.*

**Acceleration:** The right of the mortgagee (lender) to demand the immediate repayment of the mortgage loan balance upon the default of the mortgagor (borrower), or by using the right vested in the Due-on-Sale Clause.

**Accountant's Equation:** The equation that is the basis of a balance sheet. It is as follows  $\text{Assets} = \text{Liabilities} + \text{Equity (Net Assets)}$ . After verifying assets values and outstanding debts, net assets can be determined.

**Acquisition:** To come into possession of property by means of buying, gift, foreclosure, eminent domain, escheat, construction, transfer.

**Acquisition Date:** The date that the fixed asset was received, usually the date the closing occurred. The date the transfer of property ownership is completed. This is the first day of the asset's useful life.

**Adjustable rate mortgage (ARM):** A mortgage in which the interest rate is adjusted periodically based on a pre-selected index. Also sometimes known as a variable rate mortgage.

**ADA** means the American Disabilities Act. Refer to Chapter 3.

**AIA or the American Institute of Architects:** The professional organization of architects in the US. The AIA provides contract documents which consist primarily of owner/architect agreements called the A201 documents. The AIA periodically updates the documents to reflect changes in industry trends and practices with input from owners, contractors, attorneys, architects and engineers. The AIA website is at [www.aia.org](http://www.aia.org).

**Amortization Term:** The length of time required to amortize the mortgage loan expressed as a number of months.

**Amortization:** The method of repayment whereby, the amount you borrow is repaid gradually through regular blended monthly payments of principal and interest. The first few years of payments is mostly applied toward the interest owed. In the final years of the loan, payment amounts are applied mostly to the remaining principal. For example, 360 months is the amortization term for a 30-year fixed-rate mortgage.

**Annual Percentage Rate (APR):** The cost of credit expressed as the yearly percentage required to be disclosed by the lender under the Federal "Truth in Lending Act." It includes up-front costs (pre-paid) and finance charges associated with obtaining the loan. Therefore, it is usually a higher rate than the interest rate on the note.

## Appendix

**Application Fee:** A Fee that is paid with a loan application.

**Application:** A statement of financial and other information that is required to start the process of obtaining a credit decision on your loan request.

**Appraisal:** An opinion of the property's market value made by a qualified professional called an "appraiser," as of a specific date. This is a requirement of most lenders to obtain the loan.

**Appraised Value:** An opinion of a property's fair market value, based on an appraiser's knowledge, experience, and analysis of the property.

**Assessment:** A local tax levied against a property for a specific purpose, such as a sewer or streetlights.

**Assignment:** The transfer of a mortgage from one person to another.

**Assumability:** An assumable mortgage can be transferred from the seller to the new buyer. Generally requires a credit review of the new borrower and lenders may charge a fee for the assumption. If a mortgage contains a due-on-sale clause, it may not be assumed by a new buyer.

**Assumption Fee:** The fee paid to a lender (usually by the purchaser of real property) when an assumption takes place.

**Assumption:** The agreement between buyer and seller where the buyer takes over the payments on an existing mortgage from the seller. Assuming a loan can usually save the buyer money since this is an existing mortgage debt, unlike a new mortgage where closing costs and new, probably higher, market-rate interest charges will apply.

**Audit:** An unbiased examination and evaluation of financial statements. It can be done internally or externally by an independent outside firm.

**Balance Sheet:** A balance sheet is an itemized statement that lists the total assets and the total liabilities of a given business to portray its net worth at a given moment of time. The amounts shown on a balance sheet are generally the historic cost of items and not their current values.

**Balloon Mortgage:** A loan that is amortized for a longer period than the term of the loan. Usually this refers to a thirty-year amortization and a five-year term. At the end of the term of the loan, the remaining outstanding principal on the loan is due. This final payment is known as a balloon payment.

**Balloon Payment:** The final lump sum paid at the maturity date of a balloon mortgage.

**Basis Point:** One one-hundredth of a percent (.01%).

**BEPP:** A Building Emergency Preparedness Plan.

**Betterment or Improvement:** An addition made to, or change made in, a fixed asset that is expected to prolong its life or to increase its efficiency over and above that arising from maintenance, and the cost of which is therefore added to the book value of the asset. The term is sometimes applied to sidewalks, sewers, and highways.

**Binder:** An agreement secured by earnest money, which a buyer offers to purchase real estate.

**Blanket Mortgage:** A mortgage covering at least two pieces of real estate as security for the same mortgage.

**Book Value:** An accounting term, which usually refers to a business' historical cost of assets less liabilities. Book value of the assets of a company may have little or no significant relationship to market value.

**Borrower (Mortgagor):** One who applies for and receives a loan in the form of a mortgage with the intention of repaying the loan in full.

**Cap:** A maximum allowable increase, either for payment or interest rate, for a pre-determined period on an Adjustable Rate Mortgage.

**Capital Budget:** This is the estimated amount planned to be expended for capital items in a given fiscal period. Capital items are fixed assets such as facilities and equipment, the cost of which is normally written off over a number of fiscal periods. The capital budget, however, is limited to the expenditures that will be made within the fiscal year comparable to the related operating budgets.

**Capital Costs:** Expenditures that typically result in the acquisition or addition to fixed assets that have a useful life of over one year and a cost greater than a threshold value established by the owner. Capital costs include expenditures for replacements and major additions, but not for repairs.

**Cash Flow Analysis:** The study of the cycle of cash inflows and outflows, with the purpose of maintaining an adequate cash flow for your organization and property.

**Cash Flow:** Essentially the movement of money into and out of your organization; it is the cycle of cash inflows and cash outflows that determine your organizations' solvency. When related to a property, the amount of cash derived over a certain period of time from an income-producing property. The cash flow should be large enough to pay the expenses of the property (mortgage payment, maintenance, utilities, reserves etc.).

**Ceiling:** A maximum allowable interest rate that can be charged on an adjustable rate mortgage over the life of the loan.

**Clean Title:** A title that is free from liens and or legal restraints or questions as to who owns the property.



## Appendix

**Closing:** The meeting between the buyer, seller and lender or their agents where the property and funds legally change hands, also called settlement. Closing costs usually include an origination fee, discount points, appraisal fee, title search and insurance. The costs of closing usually are about 3 percent to 6 percent of the mortgage amount.

**Closing Costs:** The expenses over and above the price of the property that are incurred by buyers and sellers when transferring ownership of a property. Closing costs normally include an origination fee, property taxes, charges for title insurance, and escrow costs, appraisal fees, survey, conveyance taxes, deed recording fee, credit report charge, and other costs assessed at settlement. Closing costs will vary according to the area of the country and the lenders used.

**Collateral:** Assets pledged as security against a loan in case of default. The intangible or tangible property given as security to the lender by the account credit for any obligations and indebtedness of account creditor.

**Commitment:** A statement in writing representing a lender's legal commitment to a borrower that it will loan a certain amount of money at a particular interest rate and term, contingent upon specific conditions being met by the borrower.

**Commitment Fee:** Lender's charge for agreeing to hold credit available for a specific period of time and to reimburse the lender for administrative costs of underwriting the loan. The fee is usually payable when the borrower accepts the commitment, evidenced by signing the commitment letter.

**Construction Costs:** All associated cumulative cost (i.e. design, survey, furnishings and fixtures, etc.) related to renovating or a constructing a building.

**Construction Loan:** A short-term interim loan to pay for the construction of buildings or homes. These are usually designed to provide periodic disbursements to the builder as the project progresses.

**Contingency:** Condition that must be met before a contract is legally binding.

**Contract of Sale:** An agreement between buyer and seller for the price, terms, and conditions mutual to both parties to convey title to the buyer.

**Conventional Loan:** A mortgage not insured by FHA or guaranteed by the VA.

**Covenant:** As part of loan documents, obligates or restricts the borrower and if violated can result in foreclosure or repossession of the property. Also as part of title to property, a written agreement or restriction on the use of land or promising certain acts. In some areas, cities and towns enforce restrictive covenants governing architectural controls and maintenance responsibilities. Land can also be subject to restrictive covenants.

**Credit Report:** A report generated by a credit bureau that shows credit or repayment history over time. Used by lenders to determine creditworthiness.

## Appendix

**Credit Risk Score:** A statistical summary of the information contained in a consumer's credit report. The most well known type of credit risk score is the Fair Isaac or FICO score. This form of credit scoring is a mathematical summary calculation that assigns numerical values to various pieces of information in the credit report. The overall credit risk score is relative in the credit underwriting process for a mortgage loan.

**Current Assets:** Assets which are reasonably expected to be realized in cash or sold, or consumed during the normal operating cycle of the business (usually one year). Such assets include cash, accounts receivable, and money due usually within one year, short-term investments, US government bonds, inventories, and prepaid expenses.

**Current Liabilities:** Liabilities to be paid within one year of the balance sheet date.

**Debt Service Coverage (DSC) or Debt Service Coverage Ratio (DSCR):** A measure of total annual income allocated to support the property less the operating expenses of the property divided by the annual debt service/mortgage payments. A sound debt service coverage ratio is at least 1.1 to 1.2 that insures a modest surplus after all expenses are covered.

**Debt Service:** The combined total of all principal and interest payments that you are obligated to pay on all mortgage or other debt. Usually amounts paid on a monthly basis.

**Debt-to-Income Ratio:** The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her gross monthly income. See housing expenses-to-income ratio

**Deed of Trust:** An instrument used to pledge the real estate as security for a the loan, similar to a mortgage. Mostly used in western states.

**Default:** Failure to meet legal obligations in a contract, specifically, failure to make the monthly payments on a mortgage.

**Deferred Interest:** When a mortgage is written with a monthly payment that is less than required to satisfy the note rate, the unpaid interest is deferred by adding it to the loan balance. See negative amortization

**Deferred maintenance:** - The practice of postponing maintenance activities such as repairs on both real property (i.e. [infrastructure](#)) and personal property (i.e. [machinery](#)) in order to save costs, meet budget funding levels, or realign available budget monies. The failure to perform needed repairs could lead to asset deterioration and ultimately asset impairment. Generally, a policy of continued deferred maintenance may result in higher costs, asset failure, and in some cases, health and safety implications.

**Delinquency:** Failure to make payments on time. This can lead to foreclosure.

**Discount Point:** See Point

**Down Payment:** The difference between the purchase price and the part of the purchase price being financed. Lenders may require the down payment to be paid from the buyer's owned funds. Gifts from related parties are sometimes acceptable, but must be disclosed to the lender.

**Due Diligence:** Process undertaken by venture capitalists, investment bankers or others to investigate a company or property before financing or purchasing it.

**Due on Sale:** A clause in the mortgage agreement saying that, if the mortgagor (the borrower) sells the property, the mortgagee (the lender) may demand any outstanding balance to be paid in full.

**Earnest Money:** Money given by a buyer to a seller as part of the purchase price to bind a transaction or assure payment.

**Easement:** In most states, an easement is a legal restriction contained within a deed that prohibits certain land uses in perpetuity. An easement is also a right held by one person to make specific, limited use of land owned by another person. An easement is granted by the owner of the property for the convenience, or ease, of the person using the property. Common easements include the right to pass across the property, the right to construct and maintain a roadway across the property, the right to construct a pipeline under the land, or a power line over the land.

**Effective Interest Rate:** Cost of credit on a yearly basis expressed as a percentage. It includes any up-front costs paid to obtain the loan, and is, usually a higher amount than the interest (note) rate in the mortgage. This is useful when comparing loan programs with different rates and points.

**EOP:** A Emergency Operating Plan to be created and used to ensure emergency preparedness. (See also the BCA website for the Emergency Operating Plan Manual/

**Encumbrance:** The claim on a property by another party that would normally affect the ability to transfer ownership of the property.

**End cost** The cost to achieve a Bahá'í facility when all the expenses of acquisition and renovation/construction have been taken into consideration. See Chapter 8, p. 8.4

**Energy Star:** An international standard for [energy efficient consumer](#) products originated in the United States of America. It was created in 1992 by the [Environmental Protection Agency](#) and the [Department of Energy](#) during the [Clinton Administration](#).<sup>[2][3]</sup> Devices carrying the Energy Star service mark, such as computer products and peripherals, kitchen appliances, buildings and other products, generally use 20%-30% less energy than required by federal standards.

**Equal Credit Opportunity Act (ECOLAB):** A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status or receipt of income

from public assistance programs.

**Equity:** The difference between the fair market value (appraised value) of the property and the outstanding mortgage balance. The value an owner has in real estate over and above the obligation against the property.

**Escrow Disbursements:** The use of escrow funds to pay real estate taxes, hazard insurance, mortgage insurance, and other property expenses as they become due.

**Escrow Payment:** The part of a mortgagor's monthly payment that is held by the service to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due.

**Escrow:** An account held by the lender into which the homebuyer pays money for tax or insurance payments. In addition, earnest deposits held pending loan closing.

**Fannie Mae:** See Federal National Mortgage Association

**Federal Home Loan Mortgage Corporation (FHLMC) or "Freddie Mac":** A quasi-governmental agency that purchases conventional mortgage from insured depository institutions and HUD-approved mortgage bankers.

**Federal Housing Administration (FHA):** A division of the Department of Housing and Urban Development. Its main activity is the insuring of residential mortgage loans made by private lenders. FHA also sets standards for underwriting mortgages.

**Federal National Mortgage Association (FNMA) or "Fannie Mae":** A tax-paying corporation created by Congress that purchases and sells conventional residential mortgages as well as those insured by FHA or guaranteed by VA. This institution, which provides funds for one in seven mortgages, makes mortgage money more available and more affordable.

**FHLMC:** See Federal Home Loan Mortgage Corporation

**Financial Statement:** Written account of the financial condition of an organization; includes a balance sheet and income statement.

**Fines and Penalties:** Fines and penalties require offenders to pay monetary damages for violating government laws or regulations.

**Firm Commitment:** A promise by FHA to insure a mortgage loan for a specified property and borrower. A promise from a lender to make a mortgage loan.

**First Mortgage:** The mortgage that is the first lien on the title, taking priority over all other "junior" liens (which are financial encumbrances).

**Fixed Costs:** Operating expenses that are incurred to provide facilities and equipment that are kept without regard to actual number of events, people, or activity. Fixed costs remain relatively constant until changed by managerial decision. Examples of fixed costs consist of rent, and fixed rate interest expense.

**Fixed Installment:** The monthly payment due on a mortgage loan including payment of both principal and interest.

**Fixed Rate Mortgage:** The mortgage interest rate will remain the same on these mortgages throughout the term of the mortgage for the original borrower.

**Fixed Rate:** An interest rate that is fixed for the full term of the loan.

**FNMA:** See Federal National Mortgage

**Foreclosure:** A legal process by which the lender or the seller forces a sale of a mortgaged property because the borrower has not met the terms of the mortgage. Also known as a repossession of property.

**Freddie Mac:** See Federal Home Loan Mortgage Corporation

**Fully Amortized ARM:** An adjustable-rate mortgage (ARM) with a monthly payment that is sufficient to amortize the remaining balance, at the interest accrual rate, over the amortization term.

**Ginny Mae:** See Government National Mortgage Association.

**Good Faith Estimate:** The written estimate of closing costs to obtain the mortgage, which lenders must provide to you.

**Government National Mortgage Association (GNOME) or "Ginnie Mae":** Provides sources of funds for residential mortgages, insured or guaranteed by FHA or VA.

**Grace Period:** The period of time that a loan payment may be paid after the due date and not incur a late charge. Any late payments may be reported on your credit report.

**Graduated Payment Mortgage (GPM):** A type of flexible-payment mortgage where the payments increase for a specified period of time and then level off. This type of mortgage has negative amortization built into it.

**Gross Income:** The income or revenue of the borrower before taxes or other deductions.

**Growing-Equity Mortgage (GEM):** A fixed-rate mortgage that provides scheduled payment increases over an established period of time. The increased amount of the monthly payment is applied directly toward reducing the remaining balance of the mortgage.

**Guaranty:** A promise by one party to pay a debt or perform an obligation contracted by another if the original party fails to pay or perform according to a contract.

**Hazard Insurance:** Insurance that covers property damage caused by fire, wind, storms, and other similar risks. Sometimes earthquakes and floods are also covered, while other times they are not.

**HUD-1 Statement:** A document that provides an itemized listing of the funds that are payable at closing. Items that appear on the statement include real estate commissions, loan fees, points, and initial escrow amounts. Each item on the statement is represented by a separate number within a standardized numbering system. The totals at the bottom of the HUD-1 statement define the seller's net proceeds and the buyer's net payment at closing.

**Improvement:** See Betterments

**Index:** The economic indicator, by which future interest rates for Adjustable Rate Mortgages are based. A published interest rate against which lenders measure the difference between the current interest rate on an adjustable rate mortgage and that earned by other investments. Common indexes include the "Cost of Funds" for the Eleventh Federal District of banks or the average interest rate of a 1 year Government Treasury Security.

**Indexed Rate:** The sum of the published index plus the margin. For example if the index were 9% and the margin 2.75%, the indexed rate would be 11.75%. Often, lenders charge less than the indexed rate the first year of an adjustable-rate mortgage.

**Initial Interest Rate:** The original interest rate of the mortgage at the time of closing. This rate changes for an adjustable-rate mortgage (ARM). It is also known as "start rate" or "teaser."

**Installment:** The regular periodic payment that a borrower agrees to make to a lender.

**Insured Mortgage:** A mortgage insured by the FHA or by private mortgage insurance (PMI).

**Interest Accrual Rate:** The percentage rate at which interest accrues on the mortgage. In most cases, it is also the rate used to calculate the monthly payments.

**Interest Rate:** A periodic charge, expressed as a percentage, for use of credit.

**Interest Rate Buydown Plan:** An arrangement that allows the property seller to deposit money to an account. That money is then released each month to reduce the mortgagor's monthly payments during the early years of a mortgage.

**Interest Rate Ceiling:** For an adjustable-rate mortgage (ARM), the maximum interest rate specified in the mortgage note.

**Interest Rate Floor:** For an adjustable-rate mortgage (ARM), the minimum interest rate, as specified in the mortgage note.

**Interest:** The fee charged for borrowing money.

**Interim Financing:** A construction loan made during completion of a building or a project. A permanent loan usually replaces this loan after completion.

## Appendix

**Late Charge:** The penalty a borrower must pay when a payment is made a stated number of days (usually 15) after the due date.

**Lease:** A contract through which an owner of property or equipment (the lessor) conveys the right to occupy property or use its equipment to another party (the lessee) for a specified period of time (the lease term) for specified periodic payments.

**Leasehold Improvements:** An addition made to, or change made in, a leased property the cost of which is therefore added to the cost of leasing a property.

**Lease Schedule:** A schedule to a Master Lease agreement describing the leased equipment, rentals and other terms applicable to the equipment.

**Lease-Purchase Mortgage Loan:** A loan that allows lease with an option to buy. Each month's rent payment consists of principal, interest, taxes, and insurance (PITI) payments on the first mortgage plus an extra amount that accumulates in a savings account for a down payment.

**Leadership in Energy and Environmental Design (LEED):** A suite of rating systems for the design, construction and operation of high performance [green buildings](#), homes and neighborhoods. Developed by the [U.S. Green Building Council](#) (USGBC), LEED is intended to provide building owners and operators a concise framework for identifying and implementing practical and measurable green building design, construction, operations and maintenance solutions.

**Lessee:** The party to a lease agreement who is obligated to pay the rentals to the lessor and is entitled to use and possess the leased property or equipment during the lease term.

**Lessor:** The party to a lease agreement who has legal or tax title to the property or equipment (in the case of a true tax lease), grants the lessee the right to use the property or equipment for the lease term and is entitled to receive the rental payments.

**Liabilities:** A person's financial obligations, both long-term and short-term debt.

**Lien:** Legal claim against a property. Once the property is sold, the lien holder is then paid the amount that is owed to them.

**Lifetime Rate Cap:** For an adjustable-rate mortgage (ARM), a limit on the amount that the interest rate can increase or decrease over the life of the loan. See cap

**Loan:** A sum of borrowed money (principal) that is generally repaid with interest.

**Loan to Value Ratio (LTV):** The percentage determined by dividing the lesser of sales or appraised value of the property into the loan amount, with the result expressed as a percentage. For example, if the sales price of the property is \$100,000 and the mortgage loan is \$90,000, the loan to value percentage would be 90%. Loans with LTV's over 80% may require Private Mortgage Insurance (PMI).

## Appendix

**Lock:** Lender's guarantee that the mortgage rate quoted will be good for a specific number of days from day of application. Provides protection against rising interest rates between the time you apply for a loan, obtain loan approval, and the closing of the loan. Also called Rate Lock.

**Maintenance:** Day-to-day, routine, normally recurring repair, and upkeep to keep an asset in its existing state. Maintenance activities keep an asset in good working condition throughout its estimated useful life.

**Margin:** The amount, normally a percentage that is added to the index, that determines the interest rate for an Adjustable Rate Mortgage. The lender is required to disclose this information. This documentation is in the note when closing.

**Market Value:** The highest price that a buyer would pay and the lowest price a seller would accept on a property. Market value may be different from the price a property could actually be sold for at a given time.

**Maturity:** The date on which the principal balance of a loan becomes due and payable.

**Minimum Payment:** A minimum amount you must pay, on a periodic basis for a line of credit. With some programs, the minimum payment may be "interest only," (simple interest). In other programs, the minimum payment may include principal and interest (amortized).

**Mortgage:** A legal document that pledges a property to the lender as security for payment of a debt.

**Mortgage Broker:** An individual or company that charges a service fee to bring borrowers and lenders together for the purpose of loan origination. Like mortgage bankers, mortgage brokers initiate and process the loan application. However, they don't fund the loan with their own money, and usually work as an "agent" on behalf of several investors, like mortgage banker, S & L's, banks, or investment bankers.

**Mortgage Insurance (MIP or PMI):** Insurance purchased by borrowers to insure the lender or the government against loss if the borrower defaults. MIP, or Mortgage Insurance Premium, is paid on government-insured loans (FHA or VA loans) regardless of the LTV (loan-to-value). If you pay off a government insured loan before maturity, then you may be entitled to a refund of the MIP. Private Mortgage Insurance, (PMI) is paid on conventional loans that are not government insured and the LTV is greater than 80%. Once you have accumulated 20% of the property's value as equity, the lender may waive PMI "at your request." Please note that this insurance does not involve any form of life insurance that pays off the loan in the event of death.

**Mortgage Life Insurance:** A type of term life insurance. In the event that the borrower dies while the policy is in force, the debt is automatically paid by insurance proceeds.

**Mortgage Loan:** A loan which uses real estate as security / collateral to provide for



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repayment if the borrower defaults on the terms of the loan. The Mortgage or Deed of Trust is the agreement pledging the property as security.

**Mortgagee:** The LENDER in a mortgage loan transaction.

**Mortgagor:** The BORROWER in a mortgage loan transaction.

**Negative Amortization:** Amortization whereby the payment is insufficient to fund complete repayment of the loan at its end of term. Often occurs when an increase in the monthly payment is limited by a ceiling or cap. The part of the payment which should be paid is added to the remaining balance. Thus, the balance owed may increase, rather than decrease over the life of the loan.

**Non Assumption Clause:** A statement in a mortgage contract forbidding the assumption of the mortgage without the prior approval of the lender.

**Note:** A legal document that obligates a borrower to repay a mortgage loan at a stated interest rate during a specified period of time.

**Operating Reserves:** Funds set aside to be used to offset possible losses due to unusually high operating and maintenance costs.

**Option:** An agreement granting the right to buy or sell property for a stated price within a stated period of time.

**Origination Fee:** Fee for processing a loan application generally stated as a percentage of the mortgage amount or points.

**Owner Financing:** A property purchase transaction in which the party selling the property provides all or part of the financing.

**Owner's Representative:** The person appointed by the Local Spiritual Assembly to deal with the day to day operation of the project. The duties and responsibilities of the Owner's Representative depend on the type of the project. See Also Project Manager.

**Permanent Loan:** A long-term mortgage, usually ten years or more. Also called an "end loan."

**PITI:** Principal, Interest, Taxes and Insurance (hazard) that usually comprise the monthly payment.

**Points (Loan Discount Points):** Prepaid interest assessed at closing by the lender. Each point is equal to 1 percent of the loan amount (e.g., two points on a \$100,000 mortgage would cost \$2,000).

**Power of Attorney:** A legal document authorizing one person to act on behalf of another.

**Pre-Application:** The initial statement of financial and other information that is required to start the process of obtaining a credit decision on your loan request.

**Pre-Approval:** The process of determining how much money you will be eligible to borrow before you apply for a loan.

**Predictive maintenance (PdM):** Techniques that help determine the condition of in-service equipment in order to predict when maintenance should be performed. This approach offers cost savings over routine or time-based [preventive maintenance](#), because tasks are performed only when warranted. The main value of Predicted Maintenance is to allow convenient scheduling of corrective maintenance, and to prevent unexpected equipment failures.

**Prepaid Expenses:** Necessary to create an escrow account or to adjust the seller's existing escrow account. Can include taxes, hazard insurance, private mortgage insurance and special assessments.

**Prepayment Penalty:** The fee that may be imposed by a lending institution for paying off a loan before its maturity date.

**Prepayment:** A privilege in a mortgage permitting the borrower to make payments in advance of their due date.

**Primary Mortgage Market Lenders:** Lenders such as savings and loan associations, commercial banks, and mortgage companies, who make mortgage loans directly to borrowers. These lenders sometimes sell their mortgages to the secondary mortgage markets such as to FNMA or GNMA, etc.

**Principal Balance:** The outstanding balance of principal on a mortgage not including interest or any other charges.

**Principal, Interest, Taxes, and Insurance (PITI):** The four components of a monthly mortgage payment. Principal refers to the part of the monthly payment that reduces the remaining balance of the mortgage. Interest is the fee charged for borrowing money. Taxes and insurance refer to the monthly cost of property taxes and hazard insurance, whether these amounts that are paid into an escrow account each month or not.

**Principal:** The amount borrowed or remaining unpaid. The part of the monthly payment that reduces the remaining balance of a mortgage.

**Private Mortgage Insurance (PMI):** In the event that you do not have a 20 percent down payment, lenders will allow a smaller down payment as low as 3 percent in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance will usually require an initial premium payment and may require an additional monthly fee depending on your loan's structure.

**Pro Forma Income and Expenses:** Statement including numbers and narrative showing the expected development or annual income and expenses of a project.

**Program:** In Chapter 8, a program for a facility is a full description of physical aspects of the building in order to provide for the needs and requirements of the end users.

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This consists of a list of the rooms or spaces with their physical sizes, but also a description of each space, its proximity to other spaces, pattern of use, visual and environmental requirements (such as heating, ventilating, etc).

**Project Manager:** The person appointed by the Local Spiritual Assembly to deal with the day to day operation of the project. The duties and responsibilities of the Owner's Representative depend on the type of the project. See Also Owner's Representative.

**Purchase and Sale Agreement:** A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

**Purchase Option:** An option given to the lessee to purchase the property from the lessor, usually as of a specified date.

**Qualifying Ratios:** Calculations used to determine if a borrower can qualify for a mortgage. They consist of two separate calculations a housing expense as a percent of income ratio and total debt obligations as a percent of income ratio.

**Rate Lock:** A commitment issued by a lender to a borrower or other mortgage originator guaranteeing a specified interest rate and lender costs for a specified period of time. See Lock

**Real Estate Agent:** A person licensed to negotiate and transact the sale of real estate on behalf of the property owner.

**Real Estate Settlement Procedures Act (RESPA):** A consumer protection law that requires lenders to give borrowers advance notice of closing costs.

**Realtor®:** A real estate broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors.

**Rescission:** The cancellation of a contract. With respect to mortgage refinancing, the law that gives the homeowner three days to cancel a contract in some cases once it is signed if the transaction uses equity in the home as security.

**Recording Fees:** Money paid to the lender for recording a home property sale with the local authorities, thereby making it part of the public records.

**Refinance:** Obtaining a new mortgage loan on a property already owned. Often to replace existing loans on the property.

**Renegotiable Rate Mortgage:** A loan in which the interest rate is adjusted periodically. See adjustable rate mortgage

**Renovation Costs:** All associated cumulative cost (i.e. design, survey, construction, furnishings and fixtures, etc.) related to a renovation of a property.

**Replacement Reserves:** Funds set aside by the property owner on an annual basis to be used to pay for anticipated replacement of systems and equipment.

**Reserves:** That portion of a borrower's monthly payments held by the lender or servicer to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due.

**RESPA:** See Real Estate Settlement Procedures Act

**Retainer:** An amount paid to a consultant, contractor or professional to engage their services for advice or services or for a claim on services when needed. Understandings and practices about retainers vary among the different professions.

**Revolving Liability:** A credit arrangement, such as a credit card, that allows a customer to borrow against a pre-approved line of credit when purchasing goods and services.

**Right of Rescission:** The legal right to cancel a mortgage contract that treats the contract as if it never existed. The Right of Rescission does not apply when purchasing a home or refinancing an investment property. It is applicable to refinances and home equity loans.

**Satisfaction of Mortgage:** The document issued by the mortgagee when the mortgage loan is paid in full. Also called a "release of mortgage."

**Second Mortgage:** A mortgage made subsequent to another mortgage and subordinate to the first one.

**Secondary Mortgage Market:** The place where primary mortgage lenders sell the mortgages they make to obtain more funds to originate more new loans. It provides liquidity for the lenders.

**Security Interest:** The interest a lender takes in the borrower's property to ensure repayment of the debt. See Mortgage and Deed of Trust above

**Security:** The property that will be pledged as collateral for a loan.

**Seller Carry-back:** An agreement in which the owner of a property provides financing, often in combination with an assumable mortgage. See owner financing

**Servicer:** An organization that collects principal and interest payments from borrowers and manages borrowers' escrow accounts. The servicer often services mortgages that have been purchased by an investor in the secondary mortgage market.

**Servicing a Loan:** All the steps and operations a lender performs to keep a loan in good standing, such as collection of payments, payment of taxes, insurance, property inspections and the like.

**Settlement/Settlement Costs:** A universally utilized loan closing form that itemizes the costs associated with purchasing or refinancing property. The HUD 1 settlement statement form is used for the purchase or refinancing of a home. See Closing/closing costs

**Simple Interest:** Interest which is computed only on the principle balance.

**Site Control:** Evidence that a borrower has, or will have control of a site by the time financing is committed. Evidence can be a purchase agreement or option to purchase.

**Standard Payment Calculation:** The method used to determine the monthly payment required to repay the remaining balance of a mortgage in substantially equal installments over the remaining term of the mortgage at the current interest rate.

**Step-Rate Mortgage:** A mortgage that allows for the interest rate to increase according to a specified schedule (i.e., seven years), resulting in increased payments as well. At the end of the specified period, the rate and payments will remain constant for the remainder of the loan.

**Survey:** A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and dimensions of any buildings.

**Sweat Equity:** Equity created by a purchaser who performs work on a property being purchased.

**Term:** See Amortization Term

**Third-party Origination:** When a lender uses another party to completely or partially originate, process, underwrite, close, fund, or package the mortgages it plans to deliver to the secondary mortgage market.

**Title:** Written evidence that proves the right of ownership of a specific piece of property.

**Title Company:** Company that specializes in insuring titles to properties.

**Title Insurance:** Insurance which protects the lender (Lenders Policy) or the buyer (Owners Policy) against loss from disputes of ownership. The cost of the policy is usually a function of the value of the property, and is often borne by the purchaser and/or seller.

**Title Search:** An examination of municipal records to determine the legal ownership of property. Also ensures that there are no liens or claims against the property. Usually is performed by a title company.

**Total Expense Ratio:** Total obligations as a percentage of gross monthly income including monthly property housing expenses plus other monthly debts.

**Transaction Fee:** The fee that may be charged each time you draw on a credit line.

**Truth-In-Lending:** A federal law requiring disclosure of the Annual Percentage Rate to homebuyers shortly after they apply for the loan. Also known as Regulation Z.

**Underwriting:** The decision whether to make a loan to a potential buyer based on credit, employment, assets, and other factors and the matching of this risk to an appropriate rate and term or loan amount.

**Usury:** Interest charged in excess of the legal rate established by law.

**Variable Rate Mortgage (VRM):** See Adjustable rate mortgage

**Variable Rate:** The interest rate that changes periodically based on changes in the corresponding index. Payments may increase or decrease accordingly.

**Verification of Deposit (VOD):** A document signed by the borrower's financial institution verifying the status and balance of his/her financial accounts.

**Verification of Employment (VOE):** A document signed by the borrower's employer verifying his/her position and salary.

**Wraparound Mortgage:** Results when an existing assumable loan is combined with a new loan, resulting in an interest rate somewhere between the old rate and the current market rate. The payments are made to a second lender or the previous homeowner, who then forwards the payments to the first lender after taking the additional amount off the top.

## Compilation on the Mashriqu' l-Adhkár and Hazíratu' l-Quds

### EXCERPT FROM A LETTER DATED 20 APRIL 1997 WRITTEN ON BEHALF OF THE UNIVERSAL HOUSE OF JUSTICE

There are many ways in which the institutions and activities of the Bahá'í community can develop, but it must be remembered that the Bahá'í Cause is an organic body, and it is for the World Centre of that Cause to determine the methods and steps by which its potentialities and functions will unfold. The term "Mashriqu'l-Adhkár" has been used in the Writings to describe various things: the gathering of the friends for prayers at dawn; a building where this activity takes place; the complete institution of the Mashriqu'l-Adhkár, with its dependencies; the central edifice of that institution, often described as a "House of Worship" or "Temple". These variants can all be seen as denoting stages or aspects of the gradual introduction of Bahá'u'lláh's concept as promulgated in the Kitáb-i-Aqdas. For the development of the Mashriqu'l-Adhkár, several lines of action have been set in motion, and it is to these that the believers should devote their efforts and attention.

At the local level, emphasis has long been placed upon the believers' gathering regularly for worship, in whatever location they can effectively use. After the Kitáb-i-Aqdas had been revealed there was a spontaneous reaction among the friends in Iran to implement the ordinance of the Mashriqu'l-Adhkár, and `Abdu'l-Bahá encouraged this, stressing the importance of the friends' meeting for devotions, even if, owing to the conditions of the time, this be in an inconspicuous place. During the lifetime of `Abdu'l-Bahá, the various community functions and institutions, such as the Mashriqu'l-Adhkár and the Local Spiritual Assembly, were developed in a variety of evolving and temporary manners.

In obedience to the Will and Testament of `Abdu'l-Bahá, Shoghi Effendi began to raise up the entire structure of Bahá'u'lláh's Administrative Order on a systematic basis.

As the community has evolved, the importance of the friends' meeting, not only for worship, but also for the teaching of the Faith and the administration of the community and its activities became evident. Hence under the guidance of the Guardian, the concept of a local Bahá'í centre and then a local Hazíratu'l-Quds was progressively developed.

The Guardian made it clear that the Mashriqu'l-Adhkár and Hazíratu'l-Quds were different, complementary institutions, both under the aegis of the Local House of Justice, and preferably functioning in close proximity to each other. For the immediate future, he placed the stress on building up the Hazíratu'l-Quds, which should be used for all the functions of the community.

In a letter written in July 1925 to the Bahá'ís of Iran, Shoghi Effendi stated:

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That which is highly imperative in these days, which is bound to attract an abundant flow of heavenly blessings and would be conducive to the care and protection of the servants of the one true God, is that in every locality a suitable place be acquired and dedicated exclusively to use as the focal centre of the Cause of God....

Moreover, if practicable, and provided local conditions do not prove unfavourable, it is recommended that all Bahá'í gatherings such as the communal meetings for reciting prayers and the Holy Writings, the sessions of the Spiritual Assembly, firesides, conferences, memorial meetings, festivities and banquets be held in this place, even if the accommodation is extremely modest. Furthermore, if the prospects prove favorable and the lofty edifice of the *Mashriqu'l-Adhkár* could also be reared in the same consecrated spot in the future, then there would be light upon light.

This focal centre should be called "Hazíratu'l-Quds" (Sacred Fold) so that the musk-laden breezes of the fervent supplications which are wholeheartedly offered by the people of Bahá, and the sweet savours of their spiritual deliberations and brilliant exploits, may be carried to neighbouring regions, thus bringing healing to the infected nostrils of the people of the world, and enabling them to inhale this divine fragrance.

Thus at the local level, the Hazíratu'l-Quds is currently conceived as the focal point of local Bahá'í activity, the centre of the local community in which all its activities, devotional, social and administrative, can take place. In the future, a local Hazíratu'l-Quds will be used for the kinds of administrative purposes described by Shoghi Effendi on pages 339-349 of *God Passes By*, and local *Mashriqu'l-Adhkárs* will be established, but, at this stage in the development of the Cause, the Hazíratu'l-Quds is not just the seat of the centre of Bahá'í administration, it is also a centre of worship and a centre of spiritual unity; it must perform these three functions, all under the unifying aegis of the Local Spiritual Assembly.

As yet, too few local communities have been able to establish an adequate Hazíratu'l-Quds, and it would be both unnecessary and undesirable for Local Spiritual Assemblies, let alone individual believers, to attempt to establish *Mashriqu'l-Adhkárs* now at the local level. What is required is for Local Spiritual Assemblies, as their communities grow, to strive to obtain a modest local centre and ultimately to acquire a Hazíratu'l-Quds, and to encourage the greater use of the local Bahá'í Centre for devotional, as well as other gatherings.

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The establishment of the Mashriqu'l-Adhkár as a distinct institution has been started at the continental level, with the erection in each continent of the building which constitutes the prayer hall and central shrine of a Mashriqu'l-Adhkár and then, as material means permit, by the construction and operation of the dependencies which are designed to surround that edifice. So far only the Home for the Aged in Wilmette has been established. Another has been called for in Langenhain, Germany, but practical issues have thus far delayed its construction.

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### COMPILATION ON THE MOTHER TEMPLE AND THE MASHRIQU'L-ADHKÁR

A Selection of extracts from the Writings of `Abdu'l-Bahá and letters written by and on behalf of the Guardian and the Universal House of Justice

#### From the Writings of `Abdu'l-Bahá

When the Mashriqu'l-Adhkár is completed, when the lights are emanating therefrom, and the righteous assemble therein, when prayers are offered to the Kingdom of divine mysteries and the voice of glorification is raised to the Supreme Lord, then shall the believers rejoice, and their hearts be dilated, overflowing with the love of the ever-living and self-subsisting God.

The people shall hasten to worship in that heavenly Temple, the fragrance of God will be diffused, the Divine Teachings will take root in the hearts like unto the establishment of the spirit in the souls of men and the people will stand firm in the Cause of your Lord, the All-Merciful.

(Translated from Arabic, dated May 1903) [1]

Although to outward seeming the Mashriqu'l-Adhkár is a material structure, yet it hath a spiritual effect. It forgeth bonds of unity from heart to heart; it is a collective center for men's souls. Every city in which, during the days of the Manifestation, a temple was raised up, hath created security and constancy and peace, for such buildings were given over to the perpetual glorification of God, and only in the remembrance of God can the heart find rest. Gracious God! The edifice of the House of Worship hath a powerful influence on every phase of life. Experience hath, in the east, clearly shown this to be a fact. Even if, in some small village, a house was designated as the Mashriqu'l-Adhkár, it produced a marked effect; how much greater would be the impact of one especially raised up.

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(Selections from the Writings of Abdu'l-Bahá (Wilmette: Bahá'í Publishing Trust, 1997), section 60, pp. 101-2) [2]

### From the Writings of the Guardian

Superb and irresistible as is the beauty of the first Mashriqu'l-Adhkár of the West, majestic as are its dimensions, unique as is its architecture, and priceless as are the ideals and the aspirations which it symbolizes, it should be regarded, at the present time, as no more than an instrument for a more effective propagation of the Cause and a wider diffusion of its teachings. In this respect it should be viewed in the same light as the administrative institutions of the Faith which are designed as vehicles for the proper dissemination of its ideals, its tenets, and its verities.

(The Advent of Divine Justice (Wilmette: Bahá'í Publishing Trust, 1990), pp. 44-5) [3]

This unique edifice, the first fruit of a slowly maturing Administrative Order, the noblest structure reared in the first Bahá'í century and the symbol and precursor of a future world civilization, is situated in the Heart of the North American continent.... It had already, long before its construction, evoked, and is now increasingly evoking ... such interest and comment, in the public press, in technical journals and in magazines, of both the United States and other countries, as to justify the hopes and expectations entertained for it by `Abdu'l-Bahá. ...this great "Silent Teacher" of the Faith of Bahá'u'lláh, it may be confidently asserted, has contributed to the diffusion of the knowledge of His Faith and teachings in a measure which no other single agency, operating within the framework of its Administrative Order, has ever remotely approached.

" When the foundation of the Mashriqu'l-Adhkár is laid in America," `Abdu'l-Bahá Himself has predicted, "and that Divine Edifice is completed, a most wonderful and thrilling motion will appear in the world of existence.... >From that point of light the spirit of teaching, spreading the Cause of God and promoting the teachings of God, will permeate to all parts of the world." "Out of this Mashriqu'l-Adhkár," He has affirmed in the Tablets of the Divine Plan, "without doubt, thousands of Mashriqu'l-Adhkárs will be born." "It marks," He, furthermore, has written, "the inception of the Kingdom of God on earth." And again: "It is the manifest Standard waving in the center of that great continent." "Thousands of Mashriqu'l-Adhkárs," He, when dedicating the grounds of the Temple, declared, "... will be built in the East and in the West, but this, being the first erected in the Occident, has great importance." "This organization of the Mashriqu'l-Adhkár," He, referring to that edifice, has moreover stated, "will be a model for the coming centuries, and will hold the station of the mother."

(God Passes By (Wilmette: Bahá'í Publishing Trust, 1987), pp. 350-51) [4]

It should be borne in mind that the central Edifice of the Mashriqu'l-Adhkár, round which in the fullness of time shall cluster such institutions of social service as shall afford relief to

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the suffering, sustenance to the poor, shelter to the wayfarer, solace to the bereaved, and education to the ignorant, should be regarded, apart from these Dependencies as a House solely designed and entirely dedicated to the worship of God in accordance with the few yet definitely prescribed principles established by Bahá'u'lláh in the Kitáb-i-Aqdas. ...the central House of Bahá'í worship, enshrined within the Mashriqu'l-Adhkár will gather within its chastened walls, in a serenely spiritual atmosphere, only those who, discarding for ever the trappings of elaborate and ostentatious ceremony, are willing worshippers of the one true God, as manifested in this age in the Person of Bahá'u'lláh....

But however inspiring the conception of Bahá'í worship, as witnessed in the central Edifice of this exalted Temple, it cannot be regarded as the sole, nor even the essential, factor in the part which the Mashriqu'l-Adhkár, as designed by Bahá'u'lláh, is destined to play in the organic life of the Bahá'í community. Divorced from the social, humanitarian, educational, and scientific pursuits centring around the Dependencies of the Mashriqu'l-Adhkár, Bahá'í worship, however exalted in its conception, however passionate in fervour ... cannot afford lasting satisfaction and benefit to the worshipper himself, much less to humanity in general, unless and until translated and transfused into that dynamic and disinterested service to the cause of humanity which it is the supreme privilege of the Dependencies of the Mashriqu'l-Adhkár to facilitate and promote.... Nothing short of direct and constant interaction between the spiritual forces emanating from this House of Worship centering in the heart of the Mashriqu'l-Adhkár and the energies consciously displayed by those who administer its affairs in their service to humanity can possibly provide the necessary agency capable of removing the ills that have so long and so grievously afflicted humanity. For it is assuredly upon the consciousness of the efficacy of the Revelation of Bahá'u'lláh, reinforced on one hand by spiritual communion with His Spirit, and on the other by the intelligent application and the faithful execution of the principles and laws He revealed, that the salvation of a world in travail must ultimately depend. And of all the institutions that stand associated with His holy Name, surely none save the institution of the Mashriqu'l-Adhkár can most adequately provide the essentials of Bahá'í worship and service, both so vital to the regeneration of the world. Therein lies the secret of the loftiness, of the potency, of the unique position of the Mashriqu'l-Adhkár as one of the outstanding institutions conceived by Bahá'u'lláh.

(25 October 1929 to the Bahá'ís of the United States and Canada) [5]

Land for no less than eight of eleven Temple sites to be acquired according to the provisions of the Ten Year Plan, and involving an expenditure of eighty thousand dollars has been purchased in the following places: in the holy city of Baghdad, on the banks of the Tigris, blessed by the footsteps of Bahá'u'lláh, of an area of thirty thousand square metres; on the banks of the Nile in Cairo, the centre of both the Arab and Islamic worlds, of an area of seventeen thousand square metres; in Frankfurt, the heart of the European continent, of an area of seventeen thousand square metres; in New Delhi, the capital of India, of an area of sixty-six thousand square metres; in Sydney, the oldest Bahá'í centre in the Australian continent, of an area of eleven thousand square metres; in Kampala, in the heart of the

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African continent, of an area of twenty-four thousand square metres; in Johannesburg, the second largest city in the African continent, of an area of six thousand square metres; and in Panama City, the importance of which has been underlined by `Abdu'l-Bahá in the Tablets of the Divine Plan, of an area of twenty thousand square metres.

(March 1955 to the Delegates of the National Convention of the Bahá'ís of the United States)  
[6]

He sincerely hopes that now that the Temple is completed it will be filled to the full with pure seeking souls. It should be different from the other houses of worship which even if they are filled, their source of attraction is the music heard. Here the spirit should be so powerful as to awaken the heart of everyone that enters it to the glory of Bahá'u'lláh and to the importance of the message of peace He has brought to the world. Please God, the Master's promise will be fulfilled and the construction of the Temple will inaugurate a new era in the history of the Cause in America.

(31 May 1931 to an individual believer) [7]

The Temple has, indeed, achieved one of its fundamental purposes in the Bahá'í community of today. For although its physical structure still remains to be completed yet, it has drawn to itself the attention of every believer throughout the world, and has become the focal centre of every important Bahá'í activity. In this way it has enabled the Faith to achieve the organic unity of its members, and to cement the bonds of co-operation and love between them. The spiritual significance of the Temple is thus made manifest to every fair-minded observer, and this alone is a sufficient proof of the divine potency with which it is endowed. What institution in our world of today has been able to weld together into one unit so many different communities, and has succeeded in concentrating their entire efforts on so noble and so unique an Edifice? Future historians of the Movement will undoubtedly consider such an event, which today seems to be of such slight significance, as one of the landmarks in the history of the world.

(31 October 1933 to an individual believer) [8]

The wide and deep interest which this glorious Edifice has created in all circles is, indeed, the full realization of the promises of our beloved Master concerning the future glory of the Temple. The latter, as a matter of fact, has become the most effective medium through which the friends can spread the Teachings. Its physical beauty, which combines majesty with grace, its slow, though continued and uninterrupted construction, despite the severe and unprecedented economic crisis in which the entire world is deeply plunged, and above all the spirit of fellowship, of goodwill and of co-operation between peoples of various races and cultural backgrounds which it has been able to create, all these combined cannot but impress the masses of visitors who daily throng its doors with the beauty, power and effectiveness of this mighty Cause of God.

(7 November 1933 to an individual) [9]

The Guardian hopes that the meetings held in the Temple will grow to be a national

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attraction and lead to the conversion of many, many thirsty truth- seekers. Now that the building is all but completed, it must be of far greater interest to the public than ever before, and no doubt when the steps are laid, and wide publicity is given to the fact that our first, historic, Temple is at last finished, a far greater number of people will flock to its doors and be eager to hear its Message.

(18 September 1942 to an individual believer) [10]

The completion of the exterior ornamentation of the *Mashriqu'l-Adhkár* in Wilmette, the most hallowed Temple ever to be erected by the followers of Bahá'u'lláh and the crowning glory of the first Bahá'í century, is an event of unique and transcendental significance. Neither the first *Mashriqu'l-Adhkár* of the Bahá'í world, reared in the City of Ishqabad, nor any House of Worship to be raised in succeeding centuries, can claim to possess the vast, the immeasurable potentialities with which this Mother Temple of the West, established in the very heart of so enviable a continent, and whose foundation-stone has been laid by the hand of the Centre of the Covenant Himself, has been endowed. Conceived forty years ago by that little band of far-sighted and resolute disciples of `Abdu'l-Bahá, members of the first Bahá'í community established in the Western Hemisphere; blessed and fostered by a vigilant Master Who directed its course from the hour of its inception to the last days of His life; supported by the spontaneous contributions of Bahá'ís poured in from the five continents of the globe; this noble, this mighty, this magnificent enterprise deserves to rank among the immortal epics that have adorned the annals of the Apostolic Age of the Faith of Bahá'u'lláh.

...The creative energies its completion must unleash are incalculable. The role it is destined to play in hastening the emergence of the World Order of Bahá'u'lláh, now stirring in the womb of this travailing age, cannot as yet be fathomed. We stand too close to so majestic, so lofty, so radiant, so symbolic a monument raised so heroically to the glory of the Most Great Name, at so critical a stage in human history, and at so significant a spot in a continent so richly endowed, to be able to visualize the future glories which the consummation of this institution, this Harbinger of an as yet unborn civilization, must in the fullness of time disclose to the eyes of all mankind.

(28 March 1943 to a National Spiritual Assembly) [11]

The Guardian does not wish to interfere unduly with the national tastes nor the actions of the National Assembly; but he attaches the utmost importance to the Temple in Eschborn, as this is the first Temple in Europe, and the only one to be constructed in Europe during the Ten Year Crusade. Therefore, he feels that this House of Worship must represent throughout Europe the dignity and spirit of the Faith.

(10 November 1955 to a National Spiritual Assembly) [12]

Repercussions of the Chicago Temple are felt everywhere, and the same is becoming increasingly true of the Shrine. One single edifice, raised to the glory of Bahá'u'lláh, shines

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like a beacon and attracts the hearts of the people; no doubt many seeds are sown just through the act of people visiting these edifices -- seeds which in the future will germinate. It is because of this that he is very eager to have the Australian one commenced as soon as circumstances permit.

(13 June 1956 to a National Spiritual Assembly) [13]

He feels that, as this is the Mother Temple of Europe, and an institution which will be supported by contributions from Bahá'ís all over the world, it has a very great importance, and must under all circumstances be dignified, and not represent an extremist point of view in architecture....

(21 June 1956 to a National Spiritual Assembly) [14]

The influence that this Mother Temple of the whole Pacific area will exert when constructed is incalculable and mysterious. The beloved Master told the American friends that their Temple would be the greatest silent teacher, and there is no doubt that this one building has exerted a profound influence on the spread of the Faith, not only in the United States and the Western Hemisphere, but throughout the world. We can therefore expect that the construction of another "Mother Temple" in the heart of Australasia, and one in the centre of Africa, as well as one in the heart of Europe, will exert a tremendous influence, both locally and internationally.

(19 July 1957 to a National Spiritual Assembly.) [15]

### **From letters written on behalf of the Universal House of Justice**

With praise and gratitude to God the whole Bahá'í world acclaim the dedication of the Mother Temple of Latin America, an edifice which glorifies the Cause of Bahá'u'lláh at that point where, the beloved Master asserted, "the Occident and the Orient find each other united through the Panama Canal," where "The teachings, once established..., will unite East and the West, the North and the South."

This historic project, in a hemisphere of infinite spiritual potentiality, fulfills one of the most important goals of the Nine Year Plan, and brings untold joy to the hearts of the friends in every land. Privileged are they who share in the raising of this glorious Silent Teacher with deeds of loving generosity and sacrifice. A crown to the labors of all those who have striven to establish the Faith of Bahá'u'lláh in Latin America, this *Mashriqu'l-Adhkár*, the rallying point for the Bahá'ís of those lands, whether they are of the blessed Indian peoples or represent the other races whose diversity enriches the nations of that hemisphere, will be a fountainhead of spiritual confirmations, and this mighty achievement will endow the Bahá'í Community with new and greater capacities, enabling the friends in Latin America, and particularly in this privileged land of Panama, to win victories that will eclipse all their past achievements.

(19 March 1972 to the Beloved of God gathered in the Conference called on the occasion

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of the Dedication of the Mother Temple of Latin America; published in Messages from the Universal House of Justice, 1968-1986 (Wilmette: Bahá'í Publishing Trust, 1996), pp. 210-11) [16]

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(20 April 1997 to an individual) [17]

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## ANOTHER LETTER FROM THE UNIVERSAL HOUSE OF JUSTICE

20 April 1997

Dear Bahá'í Friend,

The Universal House of Justice has received your email of 20 November 1996 and warmly agrees with the view that Bahá'í communities need to raise their awareness of the importance of the devotional aspect of Bahá'í life, not only as an individual and private practice of believers, but also as expressed in gatherings of Bahá'ís for worship. Such gatherings enrich the life of Bahá'í communities and can also attract to the Faith many seeking souls.

The only question at issue would seem to be the method of developing this important element of Bahá'í community life and whether it is now timely for the believers in all localities to establish specific locations or buildings, which would be designated Mashriqu'l-Adhkárs. The central point in the letter written on behalf of the Universal House of Justice to the Local Spiritual Assembly of the Bahá'ís of ... is that such a step in the evolution of local Bahá'í communities would be premature at this time.

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The Guardian made it clear that the Mashriq'u'l-Adhkár and Hazíratu'l-Quds were different, complementary institutions, both under the aegis of the Local House of Justice, and preferably functioning in close proximity to each other. For the immediate future, he placed the stress on building up the Hazíratu'l-Quds, which should be used for all the functions of the community.

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Moreover, if practicable, and provided local conditions do not prove unfavourable, it is recommended that all Bahá'í gatherings such as the communal meetings for reciting prayers and the Holy Writings, the sessions of the Spiritual Assembly, firesides, conferences, memorial meetings, festivities and banquets be held in this place, even if the accommodation is extremely modest. Furthermore, if the prospects prove favourable and the lofty edifice of the Mashriq'u'l-Adhkár could also be reared in the same consecrated spot in the future, then there would be light upon light.

This focal centre should be called "Hazíratu'l-Quds" (Sacred Fold) so that the musk-laden breezes of the fervent supplications which are wholeheartedly offered by the people of Bahá, and the sweet savours of their spiritual deliberations and brilliant exploits, may be carried to neighbouring regions, thus bringing healing to the infected nostrils of the people of the world, and enabling them to inhale this divine fragrance.

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The House of Justice trusts that this explanation will help to clarify this important aspect of the development of the Cause.

With loving Bahá'í greetings,  
For Department of the Secretariat

### Prayer for Reflection

Let all reflect on the stirring words of the Master, revealed in connection with the raising up of the first House of Worship of the West:

*O God, my God! I implore Thee with a throbbing heart and streaming tears to aid whosoever expendeth his energy for the erection of this House, and the construction of this Building wherein Thy name is mentioned every morn and every eve. O God! Send down Thy divine increase on whosoever endeavoureth to serve this edifice and exerteth himself to raise it amongst the kindreds and religions of the world. Confirm him in every good deed in promoting the welfare of mankind. Open Thou the doors of wealth and abundance unto him and make him an heir to the treasures of the Kingdom, which perish not. Make him a sign of Thy bestowals among the peoples and reinforce him by the sea of Thy generosity and bounty, surging with waves of Thy grace and favour.*

*Verily, Thou art the Generous, the Merciful and the Bountiful.*

✎ 'Abdu'l-Báhá