

PREPARING TO BUILD

**PRACTICAL TIPS &
EXPERIENCED ADVICE
TO PREPARE YOUR CHURCH
FOR A BUILDING PROGRAM**

**THROUGH WISDOM A HOUSE IS BUILT, AND
BY UNDERSTANDING IT IS ESTABLISHED;
FOR BY WISE COUNSEL YOU WILL WAGE
YOUR OWN WAR, AND IN A MULTITUDE
OF COUNSELORS THERE IS SAFETY.
PROVERBS 24:3,6**

STEPHEN ANDERSON



If the ax is dull, and one does not sharpen the edge, then he must use more strength; but wisdom brings success.”

Ecclesiastes 10:10

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Practical Tips & Experienced Advice to Prepare Your Church for a Building Program

Stephen Anderson

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PREPARING TO BUILD

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*Dedicated to helping churches
in advancing the Kingdom of God
and winning Souls for His Glory*

With Special Thanks

To my wonderful friend and dear wife, Candace, who has always encouraged me in so many ways, not the least of which was in the writing of this book.

To my Mom and Dad, without whose love and sacrifice none of this would be possible.

And to my good friend and mentor Robert, who taught me so much about helping churches build their vision.

TABLE OF CONTENTS

Preface	1
Special Building Challenges for Today's Church.....	5
Introduction.....	7
It's Harder Than It Looks	8
There's Nothing New Under the Sun	8
Common Mistakes in Church Construction	9
An Important Point to Remember	12
Chapter 1 - Proper Process Prevents Poor Performance	14
God is not the Author of Confusion.....	15
The Key to a Better Building Program.....	15
The Cost of Project Changes	16
Failure to Plan = Planning to Fail.....	18
Three Building Blocks of Any Building Program.....	19
The Pre-construction Process.....	22
Chapter 2 - Forming & Staffing a Building Committee	24
Building Committee - Overall Structure	25
Structure of the Executive Building Committee.....	26
Staffing Committees	28

Subcommittees.....	30
Chapter 3 - The Crucial Role of Vision in Building	34
Chapter 4 - Financial Ability & Counting the Cost.....	39
Financial Ability.....	41
Estimating a Maximum Building Budget	42
Lending – What to Expect	43
Chapter 5 - Needs & Wants.....	48
Separating Needs & Wants	50
The Benefits of Outside Counsel	51
How Much Does It Cost to Build?	55
Chapter 6 - Design	58
The Benefits of Conceptual Master Planning.....	60
Things to Remember in the Design Process:	62
75 Questions to Ask When Hiring a Church Architect.....	64
Pre-developed (off-the-shelf) Architectural Plans	71
Chapter 7 - Financing	73
Conventional Loan.....	73
Bond Offerings.....	78
Retiring Debt.....	86

Chapter 8 - Capital Campaigns & Fundraising	88
What is a Capital Campaign?.....	90
The Three Pillars of a Capital Stewardship Campaign	91
What You Should Expect.....	94
When Should the Church Run a Capital Campaign?	95
Retiring Debt Is More Expensive Than Avoiding It!	96
Fundraising.....	97
 Chapter 9 – Construction Methods	 99
Design/Bid/Build.....	100
Design/Build	102
Construction Management	106
 Chapter 10 - General Church Building Guidelines	 108
Issues That Drive Up Building Costs.....	111
 Chapter 11 - Special Challenges for Small Churches	 115
Financing Challenges.....	115
A Simple Financing Example:.....	116
Accounting Practices	117
Focus	119
Buying Land.....	120
Lease-Purchase – A Financing Alternative.....	121

Preparing for the Future	121
Chapter 12 - Purchasing Land	123
How Much Land?.....	123
Where to Build?	125
Searching for Land	128
Finding Land Through Social Networking.....	130
Finding Land Via the Internet	132
Land Purchase Options.....	134
Religious Land Use	137
Chapter 13 - Ponderings & Observations	140
Appendix A - Insights on Achieving a Positive Church Construction Experience	153
Appendix B - Giving in the Church: An Analysis of Average Giving per Person	160

Preface

Having spoken to literally hundreds of churches about their building programs, I have developed both insight into the process and an appreciation for how many churches need the type of information found in this book. The secret to successful building projects may be found in the planning and preparation process. Unfortunately, many churches are untrained and/or not experienced in either of these two critical areas.

Why I wrote this guide could be summed up in these three statements...

- Building is not easy and mistakes can be very costly to the church, emotionally, spiritually and financially.
- Very few churches have either the knowledge or the experience required to minimize the cost, risk and effort of building.
- I desire to minister to your church to help it become the vision and to accomplish the mission God has planned.

In the mid 90's I approached my pastor and shared my thoughts about how our small but growing church needed to make plans for getting out of the rented school, and that in order to expand our ministry we needed to prepare to find land and build. We needed to prepare for success, and even more importantly, not be dependent on the grace of the school district to have a place in which to hold church.

My proposition was that we needed to plan for the future; to become financially prepared to build, to find some land, and build a building where we could “do church” seven days a week instead of 3 hours on Sunday. He wholeheartedly concurred,

and to demonstrate that no good deed goes unpunished, he placed me in charge of the building team. At that time, I knew very little about building a church, and thankfully I recognized that important fact. My lack of knowledge drove me to begin the process of discovery, learning, and experience gathering that continues even to this day. Looking back, it is easy to see the hand of God on my life, preparing me for not only that responsibility, but also for the calling He put on my life to minister to other churches in their building programs.

After much research and fumbling around on my own, one of the things the Lord did was lead me to a (then) small organization of saints whose Christian company was dedicated to helping churches build. I was so impressed with what they did for our church, I answered God's call and left my career to work with them for a season in my life, ministering to other churches, eventually moving out on my own.

Through this book, I would like to share some of what I have learned, both from leading my church through this process, and from things I have learned from talking to literally hundreds of other churches. One of the many things that have been impressed upon me is how a large number of churches end up making the same types of mistakes. Most of these mistakes are the product of following a poor process, which is primarily caused by a lack of practical experience in church building. This is a problem that is readily solved if the church will seek qualified assistance.

One thing I want to be clear about from the very beginning is that this guide is not a comprehensive "how-to" manual on church construction. As building regulations and methods change, constant updates would make a comprehensive guide on church building encyclopedic in size. What this is, however, is a book that will minister to churches with a need to build, in order to properly prepare them for that task. I believe God called me out of the world to minister to His church in His name for His Glory – to equip the church for its mission of

winning souls for the Kingdom of God. Along with my church consulting services, this book is one of the ways for me to accomplish that task.

One of the things you may notice throughout this book is the number of times I strongly encourage the church to get some expert help. This is not meant to be either self-serving or a criticism of the church or building committee. It is that building is just not something that most churches have either the experience or training to do properly. Pastors are taught exegesis of the Word, they learn church planting and church growth strategies, and they are taught pastoral care, but no one teaches them what to do when they are successful and need to build. It is my hope that this guide will, at least in part, meet that need.

As a leader in your church, if you were to perform an impartial assessment, you would probably determine that, as a whole, the church leadership team does not have the *real world practical experience or training* to know the proper questions to ask, how to translate those answers into an effective building plan, and then execute that plan in the most effective manner. Simply but directly put, most church building committees lack the “across the board” combination of church growth, financial analysis, church design, and church construction experience to effectively and objectively guide a building program to its best conclusion.

As I will relate later in the book, there is a great need for this type of help, whether the church realizes it ahead of time or not. *If you had seen what I have seen, and heard the things I have heard over the years – so many churches getting in financial trouble, getting ripped-off by people who knew more about building than the church, disheartened congregations, and churches split down the middle – then I believe you would have the same burden to help as I have.*

As we look at the examples of two famous men of God in their building programs, we learn something of importance. In

Exodus 31:1–11 we see that God provided Moses with an expert to lead his project with "*the Spirit of God, in wisdom, in understanding, in knowledge, and in all manner of workmanship.*"

Later, Solomon, in his wisdom, recognized the need for someone experienced to help him with his building program. When he proposed to build the temple, the first thing he asked of the King of Tyre was for help from someone with the type of *skill that only comes from experience.*

“But who is able to build Him a temple, since heaven and the heaven of heavens cannot contain Him? Who am I then, that I should build Him a temple, except to burn sacrifice before Him? Therefore send me at once a man skillful to work in gold and silver, in bronze and iron, in purple and crimson and blue, who has skill to engrave with the skillful men who are with me in Judah and Jerusalem, whom David my father provided.” (2 Chronicles 2:6-7)

With respect to building, there is one particularly noteworthy difference between these two great men of God. As portrayed in Exodus 31, it does not seem to occur to Moses to ask for help. It appears that God had to “volunteer” someone and He had to tell Moses He was sending him help in the form of Bezalel. On the other hand, Solomon was wise enough to know *wisdom alone was no substitute for experience*, so he sought a skilled man to help direct his building program, and God provided Hiram.

The important thing we see in these two examples is that both of these Godly and wise men utilized outside help for their building program! I believe Solomon provides a good example of the church working with outside experts in the latter part of the very next verse where he says, *“Also send me cedar and cypress and algum logs from Lebanon, for I know that your servants have skill to cut timber in Lebanon; and indeed my servants will be with your servants.”* (Chronicles 2:8) I believe that what was modeled here was the church bringing in the experienced help they needed, which labored *along side* of the church to maximize its results. Today,

your church building committee will work alongside outside professionals to accomplish the job of building your temple.

It is my hope this book will reach churches that might otherwise not consider getting the appropriate help to maximize their building program. Please consider how God provided experienced help to both Moses and Solomon in their building programs and how He can do the same for you.

Special Building Challenges for Today's Church

The majority of churches that are building today find themselves in the position where they need to do *all the following tasks* without the benefit of either substantial training or experience:

- **Determine all of the proper steps that need to be taken in a building program, *and then...***
- **Learn how to accomplish those steps in the proper order, *and then...***
- **Execute those tasks with excellence *the first time!***

In its totality, these are daunting tasks, and unfortunately ones the church rarely executes as well as it should. Due to a lack of experience, churches often start down a bad path without even knowing it. From my experience with other churches, I assure you it can be very painful and expensive for churches to backtrack and recover from a poor beginning. It can be terribly embarrassing and painful to stand in front of a congregation and inform them that the building plans presented to them cannot be built. ***This is not a hypothetical problem.*** *Millions of dollars every year are wasted on architectural plans that are never built by the churches that paid for them.*

This book is only a limited resource and is insufficient to replace good godly experienced counsel that will address your specific situation. Those who have worked with me in the past have heard me tell churches over and over again that getting answers

to questions is easier than knowing what questions to ask and when to ask them. Answers are easy; it's the questions that are hard! As you enter the realm of church construction, you may find that the water is deeper and colder than it looks.

My hope is this book will impart some wisdom and understanding to your church, help you ask the right questions at the right time, and possibly, to seek your own Bezalel or Hiram to lead your church through a building program with minimal effort and maximum results.

May you be blessed as you do according to His will.

Introduction

You are reading this book today because you are...

- Thinking of building in the future and you are looking for good information.
- Getting ready to begin a building program and are looking to discover the “what and how” of building a church.
- Already in a building program and looking for insight or help.
- A consultant or denominational resource looking for building tips or insights to help in your work with your church clients.
- Short on other reading material.

Regardless of the reason you are reading this book, I believe it will be of great help to your church. Regretfully, the further your church is already into its building program, the less helpful this information will be in *this* building program. The reason for this is quite simple. The majority of this book is about what to do before you start the design and construction of your new church, as this is when the most basic and fundamental assumptions and decisions are made, and is the time when ideas and changes can be implemented at the lowest cost.

Any builder will tell you that a good house can't be built on a bad foundation. Projects that do not start off well tend not to end well. The goal of this book is to get started on the right path and to outline a process to help your church understand where it needs to go and how to get there, providing that firm foundation on which to build.

It's Harder Than It Looks

From concept to completion, your church will not undertake a more demanding and complicated task in terms of money, risk, and effort than it will in a building program. The proof of this can be found in the number of pastors who leave churches during or shortly after a building program.

Building a church is a commercial development. You have all the challenges and regulations to meet, just as if you were building a 7-11 or Wal-Mart. Your building program needs to be approached with prayer, planning, and wise counsel. Your building program needs to be run in a way that will maximize effectiveness while protecting the pastor and other leadership. Your building program needs to be run correctly *from the beginning*. It needs to be done right the first time, as mistakes & do-over's in construction are prohibitively expensive.

There's Nothing New Under the Sun

Speaking with hundreds of churches about building programs allows one to understand in a unique way the wisdom in Ecclesiastes when the author says, “*there is nothing new under the sun.*” While each church's challenges may seem unique to the church members, the reality is that most churches face variations of the same challenges and many make the same general types of mistakes simply because they don't know any better.

While church building projects cost hundreds of thousands or millions of dollars, *mistakes don't just have serious financial consequences*. Mistakes in a building program can be very costly, not just in terms of money, but also in the functionality of the finished facility, loss of confidence in leadership, and increased conflict or disunity in the body of Christ.

A large portion of mistakes made by churches today can be summarized into a single category – the failure to properly plan. Poor planning creates a faulty foundation on which to build.

Quite often, the church creates a vision committee or long-range planning committee and tasks it to present a plan to the congregation. Regretfully, even the best intentioned of committees generally do not have the training or experience to plan and execute a building program in a manner that *best* meets the needs and financial ability of the church. This is nothing against the volunteers on the committees; it's just unfair to expect these people to have the unique skills and know-how that can only come from experience.

Common Mistakes in Church Construction

Mistake #1 – Failure to Count the Cost

Before the church decides what to build, it must first determine what it can afford. A building program has two very real physical limitations: the amount of land available on which to build, and the amount of money the church has available for the project. *By far, the most common mistake in a building program is a church going into the design of a building without objectively understanding its real building needs that are framed within the context of a realistic budget based on what it can actually afford to build.*

Before you start planning, you need to know what your church can afford and how it will pay for it. The number of churches that end up with a beautiful set of million-dollar building plans with no concept of what the monthly payment would be or how they could pay for it is surprising. *In my experience, at least 4 out of 5 churches begin with plans from an architect that substantially exceed their financial ability to build.* This is not only a waste of time, effort, and money; but it can easily erode both the confidence and the enthusiasm of the congregation in the building program. Failure to count the cost is one of the most pervasive problems experienced by churches in building programs today.

True Story: I have seen churches in several variations of this story over and over again. A church contacted me looking for help getting financing for their church. They had their architect, their builder, and their building plans

all finished. All they needed was just over \$1 million dollars of funding and they could build. They were frustrated because the bank would only approve them for \$335,000 on their \$100,000 annual income. The Pastor had no answer except for stunned silence when I told him that even if someone were foolish enough to lend him the money, the mortgage payment would be more than the total amount the church received in tithes and offerings! It was clear that no one had counted the cost. Unfortunately, I have heard this same sad song with a variety of different choruses, but the same refrain.

Mistake #2 – Failure to Get Outside Help

If the church does not have substantial experience at building, where should it turn? Whether it turns to a denominational resource or independent consultant, *the church often needs to look outside the walls of the church for wise counsel*. Remember, few churches have the “across the board” experience in needs analysis, finance, design and construction to adequately minimize the cost and effort of a building program.

Through wisdom is a house built; and by understanding it is established... For by wise counsel thou shall make thy war: and in multitude of counselors there is safety. (Proverbs 24:3,6 KJV)

Once you go through a building program, you will have a better appreciation for the war reference in the preceding Proverb. A question for discussion might be how your church will work out the lesson of this Proverb in its building program.

Solomon, the wisest man who ever lived, realized wisdom alone was no substitute for experience when he proposed to build the Temple. This is clearly evidenced in the second chapter of Second Chronicles, where we read that the first thing he requested from the King of Tyre was for a man cunning or skillful (depending on translation) to manage the work of building the temple.

Skill, birthed out of experience, is a precious commodity. Keep in mind the wisdom of Solomon and consider seeking experienced help for your building program. Outside resources will often have the real-world experience, the tools, and proven process that will help *objectively* determine the best solution for your church.

Mistake #3 – Contracting Issues

When considering a building program, many churches make it one of their first priorities to engage the services of an architect, design/build firm, or contractor. As you will read in subsequent chapters, this may not be the best first course of action, as the church has significant homework to do before taking this step.

When the church contracts for design and/or construction services too early in the process, besides not having the information necessary to properly drive the design, the scope of the contract is often too broad, too vague, or includes items the church really does not need. Said another way, the church may be committing themselves to more than they need because they don't yet know what they need to build, what they can afford to build, what services they really need, and how to effectively negotiate the fees for those services. The end result is the church may find itself in a contractual agreement that will need to be changed or cancelled, situations that can be expensive to resolve. Proper contracting at the proper time will reduce the long-term liability of the church, insure it only commits for what it needs and can afford, will provide a better building plan, and will help reduce both cost and risk to the church.

Many churches also rely far too heavily on merely a legal review of contracts. While the attorney should be looking out for the church's best *legal* interests, the attorney is seldom in a position to offer any help with the *business* aspects of the agreement. The attorney may not have substantial experience with construction agreements or may not understand the nuances of church business. Not having this understanding, an attorney certainly

could not advise on how well the proposed building plan meets either the church's needs or budget, or whether the contract provides a fair and equitable business proposition.

Standard agreements for architectural or contracting services often contain options the church may not require or have ambiguous language that “somehow” always seems to resolve itself in favor of the vendor. Getting outside help from someone with experience in negotiating these types of agreements will help minimize cost and long-term liability. Once the legal review is done, an impartial third party that has the appropriate business and construction background should perform a review of the construction and business issues of the agreement in its entirety.

An Important Point to Remember

Ever hear the saying “*Never take a knife to a gunfight?*” It certainly paints a graphic word picture of being at the mercy of someone who is better “equipped.” Something that I believe is true for about 95 percent of churches is this: When the church begins to build, just about everyone you will talk to, including the banker, realtor, architect, builder, inspectors, and the planning and zoning officials will all know more about what you are doing than you will. Some of these people may truly try to help you; some will try to take advantage of you. Your church needs to equip itself to insure its best interests are met.

Moving on...

Beginning with the next chapter is an explanation of a proper process that will help prepare your church to build. We will continue on to discuss vision, mission, needs, and wants. We will provide an introduction to the process of how to determine if you should build, what you should build, what you can afford to build, and how to pay for it. You will be provided with general church building guidelines that, while generic in nature, will give you a general idea of space and land requirements. Speaking of land, we will discuss land purchase options as well

as some special considerations for smaller churches that may be looking at building their first church.

Now please fasten your seat belt and return your seat and tray to their full upright and locked position. We are about to take off.

Chapter 1 - Proper Process Prevents Poor Performance

An already difficult task can become quite painful by not understanding or adhering to a good process. It does not matter whether you are baking bread, building a space ship, or trying to build a church. *You get better with experience because you discover and apply the best practices that make the job easier and your effort more effective.* This is why experience is such a valuable commodity.

If your church follows a proper process of doing first things first, then your building experience will be a much more positive and rewarding one. When most churches think about building, they often jump right into building design and call an architect or builder, or look online to find a building plan. Doing this puts the proverbial cart before the horse, and will often lead a church down a path where it develops a building plan it cannot afford or does not truly meet the needs of the ministry.

I was surprised to learn how many pastors, when they take their position in a new church, find one or more sets of building plans in a closet or drawer that were never built. A church builder told me that 20 out of 22 pastors raised their hands at one conference when they were asked if there were unbuilt plans sitting in a closet when they took over the pastorate. Many times churches get to the point of realizing they can't build and then blame the lender, architect, or builder because they cannot get what they want; when in fact the real fault lay with the church and the implementation of a poor process.

The fruit of a poor process can be bitter indeed. I cannot remember number of churches I have visited or talked with over the years that have each spent thousands or tens of thousands of dollars on plans that will never be built. In two

specific instances that I know of, the churches each spent over \$100,000 on architectural and engineering services, only to find they could not come anywhere near being able to afford the project as designed. Millions of church dollars are wasted every year on plans that will never be built! Don't become just another statistic, look before you leap – or in this case plan before you build.

God is not the Author of Confusion.

If things don't seem to be coming together for your church in its building program, it is likely that you have gotten some things out of order or missed an important step in the process.

One could successfully argue that most of the problems experienced by churches in building programs have their roots in poor planning and preparation. Poor preparation fosters a lack of unity and confidence, can ruin pastors, increase building costs, and in general, make an already difficult task much harder. Poor preparation will result in more confusion, wasted time, increased stress and effort, and at worst, cause a church split. A key part of proper planning is to first correctly understand your needs, abilities and limitations.

The Key to a Better Building Program

The key to a better building program is to perform a needs and feasibility study as one of the first steps, as this tends to create a more satisfactory outcome. Quoting from the 2006 FIRST study done by the Rainer Group:

“We did find a strong correlation in overall satisfaction with the building project if a feasibility study was conducted. The disappointment, however, is that only one-third of the churches conducted a feasibility study.”

When a consultant says there is a strong correlation, the implication is often one of cause and effect. In the above quote, the operative phrase is “if a feasibility study was conducted.” This squarely identifies a causal relationship between proper

preparation and maximized satisfaction. They were satisfied because they conducted a feasibility study.

According to the study, 33 percent of the churches conducted feasibility studies, which correlates closely to the 35 percent that considered the building process as “excellent”, and the 40 percent that indicated the building program created no conflict in the church. I don’t believe it is a coincidence that those who planned better were happier with the outcome and had less conflict when building. Do you?

Herein lays the key to maximizing the church’s satisfaction while minimizing risk... A feasibility study provides a plan for execution, brings unity to the church, and provides the foundation for the design and construction process.

Poor planning can also be found at the heart of cost overruns and financial duress. Failure to properly research and objectively understand the needs of the church and its financial ability can cause the church to build facilities that are too small, too large, or otherwise inadequate. Failure to take adequate preparation in hiring the architect or builder can yoke the church to a poor performer or an improper relational fit. Failure to ask the right questions during the planning process will cost the church time, effort, and money...or worse.

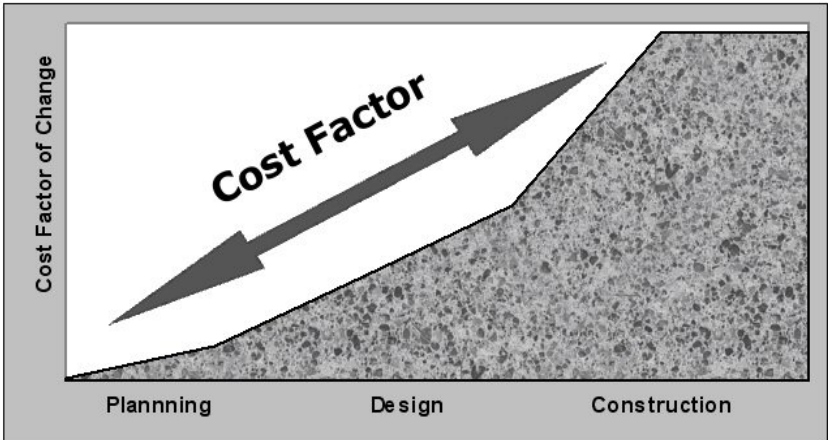
The Cost of Project Changes

If we were to divide the building process into three broad phases, they would be:

- Research & Planning
- Design
- Construction

The cost to implement project changes increases dramatically as the project timeline progresses. The further along the church

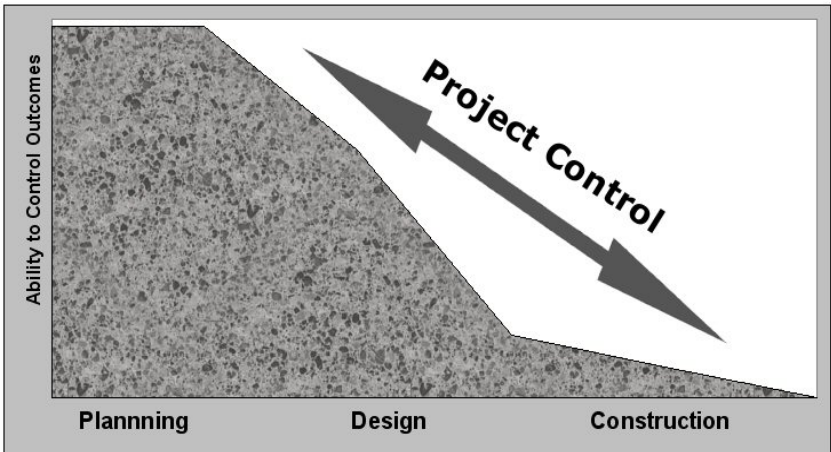
has proceeded down the path of design and construction, the more expensive revisions become. In fact, one of the major causes of cost overruns in church construction is change orders once construction has begun. It is far easier and cheaper to plan the project correctly in the earliest phase than to implement changes further into the design or construction process.



The further along the church is in the building program, the higher the cost of implementing change.

• • •

Meanwhile, the cost-effectiveness of the church's ability to affect changes in the outcome of the building program decreases quickly.



The preceding two diagrams clearly demonstrate that the time when the church will have the most impact on the building plan for the least cost is early in the planning and design process. **Unfortunately, this is the time when the majority of churches often neglect to get professional assistance!** This oversight results in changes and corrections getting pushed into the more expensive phases of the project, thereby raising the total cost of the project.

Failure to Plan = Planning to Fail

The fruits of poor planning are:

- Lack of unity and/or confidence
- Damage to pastors and other leaders
- Increased cost
- Increased effort
- Increased risk
- Increased stress
- Increased conflict
- Financial problems
- Facilities that do not meet the needs of the ministry
- Reduced satisfaction with the completed project

Before you start, you need to know how you will finish. In Luke 14, Jesus gives us the example of counting the cost of building so we do not fail and be thought a fool. We are going to revisit this biblical example later in Chapter 4 of this book as we discuss financing, but right now it is important to remember that part of counting the cost in a building program involves organizing and planning.

Before you can count the cost, you need to know what you need to build. Building a church today is much more complicated than it used to be. Your church certainly cannot "wing it" with a project budget of six, seven or possibly eight figures! Sketching

a floor plan on a napkin and shopping for land seems so easy...and it can be, however, that's a *very* long way from being prepared to execute a building program in an effective manner.

There is an order of precedence in building that determines what should be done, and in what order; so that the building program is executed in an orderly, objective, and cost-effective fashion, having being built on a firm foundation.

Three Building Blocks of Any Building Program

As you will discover when you build, the foundation must be laid before everything else is built upon it. Even so, there is foundational preparation that is a part of the planning to build process.

Proverbs 24:27 has this to say about doing first things first: *“Prepare your outside work, make it fit for yourself in the field; and afterward build your house.”* As we apply this proverb to building, we are reminded there are preparatory steps that must be taken in order to build on a firm foundation.

In your building planning process, the three foundational elements are:

1. Knowing it is the vision and timing of God to build.
2. Understanding what you need to build, and why.
3. Knowing what you can afford to build and how to pay for it.

In the following chapters we will outline the basic pre-construction process for a church building program:

- Determine if there is a vision for your ministry that cannot be met in the current facility or location. (Chapter 3)

- Determine if the church mission is, or soon will be, compromised due to the current building or location. (Chapters 3 & 4)
- Insure that the church has individually and corporately sought the will of God, seeking His leading. (Chapter 3)
- Make sure the church is in corporate agreement on the timing and the need to do *something*. Determining “what to do” comes in a later step. (Chapter 3)
- Develop a realistic understanding of what the church can currently afford to build and what might be done to improve the church’s financial position. (Chapters 4 and 7)
- Determine what the church might be able to afford in the future based on changes to income and expenses. (Chapter 4)
- Evaluate the financial benefit of a capital stewardship campaign and how this will affect the church’s current and future financial ability to build. (Chapters 4 and 7)
- Determine the space and land requirements for current and future ministries or programs that will help the church realize the vision and accomplish its mission. (Chapters 5 and 9)
- Compare the needs of the ministry with the church’s current land and building assets to see if the church needs to build, relocate, or make more effective use of existing space. (Chapter 5)
- Determine if the current facility can be made to meet the needs of ministry versus having to build in order to accomplish the vision and mission. (Chapters 5, 6 and 10)
- Bring needs and desires into alignment with financial ability by prioritizing programs and scaling the building program to fit your budget. (Chapters 4 and 5)

- Determine the optimum building solution that will meet the needs of the ministry within the limits of your financial ability. (Chapters 4 and 5)
- Start a capital stewardship program. (Chapter 8)
- Possibly buy land. (Chapters 11 and 12)
- Hire an architect, engineer, design/build firm, or buy pre-developed plans. (Chapter 6)
- Develop building and site concept drawings. (Chapter 6)
- Get rough cost estimates from multiple contractors. (Chapters 6 and 9)
- Obtain a loan commitment. (Chapter 6)
- Hire a contractor. (Chapter 9)
- Get final working drawings. (Chapter 6)
- Close on financing. (Chapter 7)
- Begin construction. (Chapter 9)

The above list is not meant to be all-inclusive, nor is it necessarily chronological. Some churches will have to look for land and some will have to sell their current locations, while others have to consider their Christian schools, denominational restrictions, or other outside factors. There are certainly times when several of these steps will happen concurrently. Each church has different needs and starts from a different point; *there is no one-size fits all solution*. That's why experience plays such a huge role in building.

Important concept. The *gap* between knowing and not knowing what to do is much smaller than the *gulf* between knowing what to do and knowing how to do it.

It's one thing to know the basic steps - it's another to do them well. Your church knows it needs to design a building, but it doesn't really know how to design a building. The church knows it needs to hire an architect, but it doesn't necessarily know how to hire the right architect at the right price. The

church knows it needs to build, but it's never done it before. An analogy I often use is that of two airplane pilots. One pilot can quote technical manuals forward and backwards, and has spent time in a simulator. The other is an instructor with thousands of hours of actual flying experience. *Who would you want flying your plane?* The same concept regarding experience might apply to your church and who pilots its building program.

The Pre-construction Process

The fundamental pre-construction process can be summarized in the following points:

- Understanding how the vision for the church dictates a need to build.
- Understanding whether it is the Lord's timing for the church to build.
- Understanding what the church can afford to build and how the church will pay for it.
- Understanding what the church needs to build and why it is the right thing to build to meet the needs of the ministry.
- Developing a building plan that is defined by the church's needs and bound by the budget of the ministry.
- Starting a capital campaign.
- Securing a financing commitment.

Then, and only then, are you *really* ready to start construction, having followed a process that provides a firm foundation on which to build.

While some of these steps may overlap, most building programs will probably follow one of the two following processes:

1. Fundraising
2. Research & Planning

3. Conceptual Design
4. Financing
5. Final Design
6. Construction

Or...

1. Research & Planning
2. Conceptual Design
3. Fundraising
4. Financing
5. Final Design
6. Construction

If these process goals are adhered to, the church will:

- Avoid costly mistakes.
- Build unity in the leadership and body of the church.
- Minimize stress, uncertainty, and confusion.
- Enjoy the fruit of a good process – a happy and more unified congregation, and a building that best meets the needs of the ministry and its budget.

Chapter 2 - Forming & Staffing a Building Committee

Long before actual building begins, possibly even before the congregation at large is overtly aware of a building program in the works, the church must form a building committee. This is an important task, as a building committee that is either poorly staffed or ill-equipped can delay or sidetrack a building project; cost the church tens of thousands of dollars; or even end up splitting a church. In this chapter we will discuss various ways to form a building committee and how to staff it with the right people.

Whether you call it a building committee, expansion and relocation team, vision committee, or any number of other names, the church needs to put some good people in charge of the process. This team of people needs to be put into place long before the building is scheduled to start, sometimes several years beforehand, depending on the circumstances.

Some churches will create two committees, one is often called a long-range planning or vision committee, and the other is usually the building committee. Following this approach, the vision committee usually determines needs and feasibility, deciding what needs to be built and when. In this scenario, the building committee is responsible for the actual hiring of professionals and getting the building built. While this method can and does work, many churches will only use one committee. In the context of this chapter, unless otherwise noted, I will refer to either or both committees as the building committee, as everything is applicable to either methodology

Building Committee - Overall Structure

In my experience, there are two methods of running building committees that seem to be the most effective. The first method is a small committee of 3 to 4 people who enjoy a high degree of confidence and support from the congregation and who do most of the work and decision-making. The second is a moderate-sized committee that utilizes subcommittees to engage a larger portion of the body. In my experience, the latter of these usually works much better, though it is more work. What does not work well are the two extremes, large committees of 15-20 people (or more), or a pastor alone calling the shots.

It is best to get a lot of people from within the congregation involved in the planning and building process in order to help build consensus and unity. People who are not involved in the process are much more likely to be unduly critical than those who had a part in the process. Said another way, people tend to throw water on other people's ideas, but not their own. People in the church need to have ownership of the solution, and the best way to make this happen is to make them part of the process.

While you want to get as many people involved as desire to help, you don't want to put them all on the building committee! The best way to maximize efficiency, build unity, and best utilize the skills and enthusiasm of the congregation is through a structure that is comprised of an executive building committee and sub-committees.

Each of the members of the executive building committee will chair one or more of the sub-committees. Most of the work is done in sub-committees with recommendations being passed to the building committee for decisions and communication to leadership and other sub-committees.

Structure of the Executive Building Committee

In order to be effective, an executive building committee should be comprised of at least three and no more than ten people. In my experience, the most effective committees are typically moderate in size, usually not more than six or seven people. In this executive committee there should be a chairman, a secretary, and possibly a vice-chairperson. The chairperson (or in their absence, the vice-chair) is responsible for administration and coordination of the building committee and its subcommittees. The secretary's role is primarily to document and communicate, while the other member's primary roles are to chair various sub-committees.

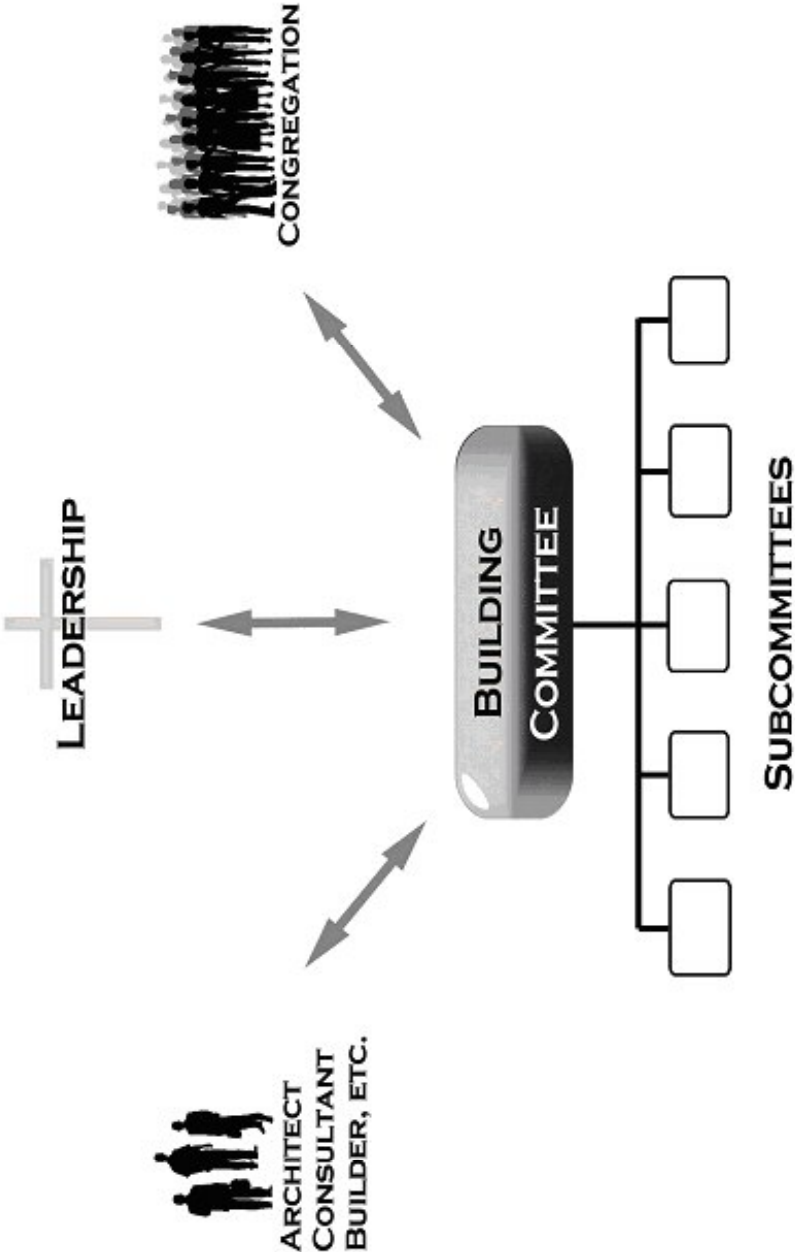


Overall Structure of the Building Committee

The purpose of the executive committee is to assign tasks, receive reports and recommendations from sub-committees, make recommendations and decisions, and communicate to the church leadership, the congregation, the consultant, and other professionals hired by the church.

The amount of time and effort required of the executive committee and subcommittees is lessened by the involvement of an outside consultant. As the church's experienced guide, the consultant can move a building committee through the planning phase quickly. A consultant can also off-load a significant portion of the analysis from the church, as the consultant will have more experience, better tools and more resources than the

Overall Organization



church. Speaking from my own personal experience, it is almost always easier, and certainly faster, for the consultant to do analysis than to teach the church how to do it, guide it through the process, evaluate findings, and then help refine the results.

Using this strategy, the building committee is tasked with data collection, which is forwarded to a consultant for analysis and recommendation. The consultant then makes recommendations in a report back to the building committee, who will then evaluate and refine the recommendations in conjunction with the consultant (see previous illustration). This process alleviates much of the work for a committee that already has its hands full. The resulting recommendations are discussed between the building committee, the leadership, and congregation (as appropriate), and then refined as needed. This single benefit alone will typically save many weeks during the needs and feasibility analysis phase.

Staffing Committees

Without exception, the men and women who serve on the executive building committee should display the following qualifications and characteristics:

- Be known and respected by the congregation.
- Display a life of good Christian character and integrity.
- Display a servant's heart.
- Understand and totally support the vision and mission of the church.
- Be good listeners and of humble spirit.
- Be peacemakers and reconcilers.
- Demonstrate good common sense and problem solving skills.
- Be able to encourage and exhort others.

In short, the people on your executive committee need to be organizers, coaches and peacemakers. These skills are much more important than construction or design experience.

It is important to note what qualifications are not significant when selecting the executive building committee team.

- ⊗ Being a large financial supporter.
- ⊗ Being experienced in building or design.
- ⊗ Being an elder, deacon, pastor, or otherwise in a church leadership position.
- ⊗ Being a person of prominence or one who enjoys being in the limelight.

The scriptures say God gives grace to the humble and resists the proud. Some of the best building committee members are people of quiet strength and humble spirit. While you may have people on the building committee that are large contributors, on staff, or a person of prominence, they should not be there because of those reasons, but because of their other qualifications.

As for the chairperson of the building committee, that person must truly exemplify all of the above qualifications. Of paramount importance is their walk with God, their dedication to the advancement of the church vision and goals, their communication skills, and their ability to interact with both the leadership and the congregation.

It is perhaps better to have those of your congregation that have experience with design or construction serve on those specific sub-committees rather than the executive committee, just as a church might have the treasurer be part of the finance sub-committee rather than the executive building committee.

Subcommittees

As stated earlier, the church may elect to form a vision or planning committee for research and obtaining church approval to build, and then form a separate building committee to oversee the actual construction. It is important to think of subcommittees in the context of how the church decides to implement planning and construction in its building program.

With each subcommittee being chaired by a member of the executive building committee, subcommittees are where the majority of the work is performed. Subcommittees are generally formed for specific purposes and with definite goals and timelines. Upon completion of their assigned tasks, the subcommittee should be dissolved and the members (with the exception of the subcommittee chairperson) be dismissed with thanks, possibly to serve again on another subcommittee. However, some subcommittees such as prayer, legal, financial, and a few others are formed for the duration of the building program

Like the executive building committee, subcommittees are composed of a chairperson, a secretary and some number of members. A subcommittee might have more people on it than the executive committee. If a large number of people wish to serve on a particular subcommittee, it may be advisable to consider an executive group of 3-5 people who are the core of the subcommittee and vote on making recommendations to the building committee. Subcommittees can be further broken down into task groups that report to the subcommittee executive group. The subcommittee executive group would then make recommendations to the executive building committee.

Here is a sample list of suggested or potential subcommittees:

Long-term committees

- Prayer Team
- Finance

- Administration & Timeline
- Legal
- Publicity and Communication

Short-term committees

- Land Search
- Research Team
- Ministries and Programs
- Facilities Evaluation and Planning
- Relocation / Site Evaluation
- Fixtures and Furnishings
- Architect Selection
- Builder Selection
- Utilities & Maintenance
- Interior Design
- Audio/Video/Lighting/Stage Production
- Sunday School and Christian Education
- Construction
- Worker Appreciation/Outreach
- Landscaping

Each church will have its own needs and its own way of organizing. The key is to try to spread the effort over as large group of people as you can manage so that no one person or group gets burned out during the process. As stated earlier, an outside consultant can alleviate the church from much of the analysis work. Data collection, communication, and decision making then become the primary tasks of the building committee, while someone with the tools and experience performs the analysis. This strategy allows everyone to do what they are best equipped and gifted to do.

Without going into detail about each of the potential subcommittees, a few are worthy of additional comment.

Finance. Many churches may already have a finance team or finance committee. If so, one or more members of this committee should serve on the finance subcommittee to insure good communication. These people will serve in a dual capacity, to get good financial information to the building committee for planning purposes, and to monitor spending and budgets during the building process.

Publicity and Communication is a very important committee. Folks get restless when they know something big is happening, but they don't know what it is. In the absence of real information, people often invent something to talk about, often without much regard for its accuracy. It is usually appropriate to communicate with the congregation via weekly updates, however small they might be. Communication needs to happen on a regular basis, accomplished from a combination of sources including the pulpit, newsletter, or bulletin. If there is a slow period in the project, communicate to the congregation that this was anticipated and let them know that the building committee is on top of everything and the project is progressing according to plan.

A much different type of communication is needed for the church leadership. Seldom is it a good idea to give the whole congregation much detail, as it lacks the contextual references and the benefit of the discussions considered by the various building committees. Leadership, on the other hand, needs more information, including the pros and cons of matters, so that it can make decisions. The congregation, as a rule, does not need options to consider; they need progress reports. In either case, it is the responsibility of the publicity and communications team to make sure that everyone has the information they need on a timely basis.

Prayer team. Expanding facilities to do Kingdom work can put your church on the front lines of spiritual battles. From before

the church enters into a building program, through dedication Sunday, the prayer team must be constantly seeking the guidance, protection, and grace of God. Pray for the building, pray for the leaders and committee members, pray for unity, and pray for those who labor for the church in building the new facility. Set up a prayer schedule to insure that several people are praying each day for the building program.

Worker appreciation and outreach is an evangelistic outreach ministry to those who labor on your building. I strongly urge organizing weekly on-site visits to bring drinks, snacks and words of thanks and encouragement to the laborers that are building your church.

Your church will want to equip this ministry with gospel tracts and free bibles to hand out. Upon showing up on the job site, the first thing the team should do is pray over the work site and thank God for the workers. Share the food and drink and personally thank as many of the workers as possible. Ask the workers for prayer requests and offer to pray for and with the workers. By showing the love of Christ to these workers, you will open doors of opportunity to share the Gospel. This ministry will make a great impression on those who are fortunate enough to work on your facility, and the church will have a wonderful chance to sow seed and reap souls for the Kingdom.

Chapter 3 - The Crucial Role of Vision in Building

You've got to be very careful if you don't know where you are going, because you might not get there.” – Yogi Berra

When we talk “process” in building, it must first be acknowledged that it all begins with vision. A church building program must start with understanding the God-given vision and mission of the church ministry. A church needs to know where it’s going with its building program, and why.

Vision and mission provide both the starting point and direction for your efforts and are the dual lenses through which myriad future decisions must be evaluated.

If vision charts the course for growth, the church needs to insure what it is planning to build is God's vision (destination) for the church. Psalm 127:1 tells us "*Unless the LORD builds the house, they labor in vain who build it.*" The church need not labor in vain by building something other than His vision for your church.

To be truly successful, the church must insure that it is God's vision and timing that is to be accomplished, and not their own.

The fundamental mission of the church is to both edify the saints and to win souls for the Kingdom (Eph 4:11-13). The church needs to understand the vision for the church as it pertains to what God has called it to accomplish both within the congregation and the community.

Vision is what the church will be "when it grows up." It may be helpful to consider the church's vision as the destination of what the ministry is called to be, and the church's mission as the goals and outcomes that are accomplished in becoming the vision. This introduces the concept of vision as a destination. Destination is a noun derived from the word destiny. God's vision for the church should be the church's destination – the church's destiny. The church's goal, supported by every member, should be to become the vision that God has for the church, accomplishing the mission along the way. Mission is what we do - vision is what we become.

The first step in building is to spend a great deal of time in prayer seeking wisdom and understanding about vision and timing.

One thing no author or consultant can probably tell you is God's will and His timing for your church. Vision comes from the appointed leadership of the church as they spend time in prayer seeking the will of the Heavenly Father. With respect to timing, sometimes our fleshly thoughts tell us to move forward when we have not heard from God. We can complete the house, but if it is not in God's will or timing, then our considerable labor is in vain. Conversely, there are times when it would seem impossible when God tells us to move forward. Over the years, I've seen miracles happen when godly men and women were sure in their hearts that God was calling them to move forward against all odds.

Vision can sometimes be a terrible burden. God may give a vision without the context of the time it will take to become the vision. Sometimes church leaders feel that because they have a vision, it must happen quickly. I am reminded of Joseph and the vision he had from God. I wonder how often Joseph sat in that jail cell expecting to be delivered at any moment, when it was going to be over 13 years until he was free and God's vision began to manifest itself. What a long time and much preparation

between vision and the working out of the vision! Wisdom would dictate that we prepare to do what we can when we can, and then wait on the Lord and His timing to bring the vision to fruition.

Many times visions come to pass in a measured fashion, such as when God gave Moses the vision of the Promised Land. He told Moses that He would not go before him in a year and wipe the land clean, but He would do it “*by little and little... until thou be increased, and inherit the land.*” In other words, they were going to get what they needed when they needed it. Paul said, “*God will meet all your needs according to His riches in Jesus Christ.*” He never said all your wants! God’s will, in His timing, gets His provision. I fully recognize that this is certainly easier to say than it is to live out on a daily basis, but it is nonetheless true for that.

God's vision for your church may be far larger than its budget. That is not only okay - it is what you should often expect! The One and True Living God is a God of growth. God's vision for Israel, as they were led out of Egypt to occupy the Promised Land, was more than they could ever have hoped to accomplish within their own abilities. God was faithful to progressively deliver the promised vision as Israel developed both the need for the land and the ability to maintain the land. (Of course Israel had that little obedience problem that interfered with the timing of the promise, but that’s a story for another time.) If you have a God-given vision that exceeds your ability, the vision may be realized in phases as the church grows and has the ability to support that growth.

Don't make the mistake of thinking you have to build the whole vision at once! Churches that overreach themselves find themselves with financial pressures that can have a negative impact on ministry. Jesus tells us in Luke 14 that a man is to count the cost to know whether he has enough to finish. *Jesus did not say to build beyond what the builder could accomplish, but to insure that he (the builder) could finish it in his own ability.* As God gives the

increase, the church will be empowered to grow into the vision He has provided. If God unexpectedly opens the gates of heaven and pours out His financial blessings on the church, it is able to move into the next phase, perhaps quicker than planned. If not, the church is able to make the payments in its own ability and will be ready when He gives the increase.

If you have a need, build what you can afford. As God gives the increase you will be able to afford the next phase of the vision.

A tightly held vision is ineffective. Habakkuk 2:2 states it this way, “*Then the LORD answered me and said: ‘Write the vision and make it plain on tablets, that he may run who reads it.’*”

If only the pastor or a handful of people share the vision, there is no power of agreement in unity. To be effective, vision must be:

- Clearly and repeatedly communicated in several different ways.
- Be understood by the congregation - they need to understand it the way the leaders do.
- Embraced by the congregation - it has to become their vision.
- Able to provoke a response from the members of the church.

The vision cast should be God’s vision for the church. The mission of the church should be to do the will of our Father in heaven.

If there is a God-given vision and mission that is not being accomplished because of building or land issues, it should be clear to the congregation there is a need to build.

If God has a vision or mission for the church that is not being accomplished, then something needs to be done about it. James said it this way in verse 17 of Chapter 4, “*Therefore, to him who knows to do good and does not do it, to him it is sin.*” At this point, building becomes more than just an idea, more than just a want or desire - *it is a call to action to meet a Kingdom need.* The concept of need is very important. For the most part, the membership will not support a building plan unless they personally understand and agree with the *need* to build.

It all starts or fails with vision. God said His people are destroyed for lack of vision. A lack of clear vision can cripple a building program. Psalms 127 teaches us that building man’s vision is a waste of time and Proverbs 16:9 reminds us, “*A man’s heart plans his way, but the LORD directs his steps.*” Church leaders need to get into their prayer closets and determine His will and timing to build, and allow God to direct their steps. When “you know that you know that you know”, then the church can get on with the rest of the process.

Remember: What the church decides to build must be examined through the lenses of God’s vision and His mission for the church. Sometimes it turns out that what the church needs to build is not exactly what the church desires to build. If this is the case in your church, remember the words of Jesus in His prayer, “*Yet not my will, but Yours, be done.*”

Chapter 4 - Financial Ability & Counting the Cost

“For which of you, intending to build a tower does not sit down first and count the cost, whether he has enough to finish it.”

Luke 14:28

Before the church begins to work with an architect or design/build firm to develop floor plans, and certainly before hiring a builder, it must be understood what the church can afford... it must first “count the cost.”

The parable of counting the cost before building was obviously not intended as a command on how to build. Jesus used it as a truism to demonstrate a common sense approach (dare we say - proper process!) to illustrate a Kingdom truth. For our purposes, we want to focus on the truism that one must count the cost before one builds.

J. Oswald Sanders had this to say about the above verse in his book *Shoe Leather Commitment*, “Jesus employed these illustrations to demonstrate His disapproval of impulsive and ill-considered discipleship. Like the builder, He too is engaged in a building program – *‘On this rock, I will build my church.’*”

When Christ admonishes us to first count the cost of building, by implication there must have been some prior action. Why is this? It is simply because one cannot count the cost of the unknown! This example of counting the cost actually breaks down into a 4-step process

First it would need to be determined that something needed to be built. The building was contemplated because there was a need that was not being met.

Secondly, the builder would determine where to build, whether on the plain or on the mountainside. The builder would build where it would best meet his needs. Building on the side of a mountain might aptly meet the needs of a goat farmer, but would not best meet the needs of the builder who was a farmer.

Thirdly, the builder had to determine whether to build a tower or another type of building. This is the second step of making the tool meeting the need. He knows where, and now he answers the question of what he needs to build, at least in a broad sense.

And finally, in the fourth step, the builder would further refine his decision as to whether he needed a 3-story tower or 10-story tower, based on the budget and need. Once again, the builder is crafting the tool to fit the problem, rather than making the problem fit the tool.

In short, the builder needed to understand his need to build, where he wanted to build, and what he needed to build. Once that was done, *then* the cost could be counted to see if there was enough to finish: to insure what was planned was within his ability to pay. It is also important to understand Jesus did not say, “...whether He [God the Father] has enough to finish it.” He was referring to “he” the builder.

We all know there is a fine line between faith and foolishness. Prudence would dictate that in most circumstances the church should build what it knows it could afford and not build solely on potentially misplaced faith. I realize this statement may not sit well with some readers, but too often we all (not just churches in building programs) plan first and pray later; we ask God to bless our mess, which is pure presumption on our part. If the church is building God’s vision in His timing, then moving in faith is not misplaced. If the church is moving forward with any other vision or timing, then there is no *valid* basis for faith.

Once you understand the vision and mission, you must then determine how much of that vision you can afford to build today.

When the church builds based on what they know they can afford, and God then opens the gates of heaven and pours financial blessing on the church, the church is in a position to move into its next phase of building quickly. Conversely, if the church builds on projected financial growth that does not happen, then the church will be left with a project that it cannot afford.

When the church decides to build, instead of developing a building plan to see if the church can afford it, and then go through repeated cycles of changing plans and reevaluating costs to develop a plan that is affordable (time consuming and expensive), there is a cheaper, simpler, more effective method. *The proper way to approach design is for the church to first determine its actual financial ability and then design a building that meets its needs within its budget.* Plan, budget and then design; what a concept! Stated this way, it seems like common sense, but it is surprising the number of churches that plan, design and then budget or, even worse, design and then budget with little real planning.

Financial Ability

Typically, the best way to calculate the church's financial ability to build is to determine how much the church can afford in monthly payments in order to pay for their new facility. However, if the church wants to build without debt, its financial ability will be determined differently, leaving out the debt values in the example that follows. This simple, yet flexible formula will provide the church with a ballpark starting estimate for a building budget.

The basic formula for calculating a preliminary budget for a building project takes into account several factors to determine the *maximum* amount that should probably be considered for the

building budget. If your church does not believe in debt, set the financing variable to zero.

Estimating a Maximum Building Budget

You maximum building budget can generally be calculated as the cash the church has on hand now, plus the cash that can be raised in contributions by the end of construction (other than loans), plus cash from the sale of assets, plus the amount of money that can be borrowed through loans or bonds. This total equals the maximum building budget.

Cash on Hand	
+ Cash Raised By End of Construction	
+ Cash From the Sale of Assets	
+ Financing (Loan or Bonds)	
= Total Estimated Building Budget	

The purpose of the above exercise is to set an optimistic upper limit for the building budget. Using this total, the church will get the first approximation of the *maximum possible* budget for the building program. *It is important to note that this amount may be more than the church can actually afford!*

In reality, the church's borrowing limit, as determined by the bank's underwriting and approval formulas, *may be higher than what the church can actually afford.*

If the bank commits to loaning the church a million dollars, but the church does not have the monthly cash flow to service a loan payment of approximately \$8,000 per month, it can't afford a million dollar loan! The bank may look at discretionary expenses and assume the church will make cuts in this spending

that it is not willing to make. *Therefore, the church's maximum budget is the lesser of what the church or the lender believes the church can afford.*

Lending – What to Expect

Typically, the maximum total safe debt a conventional lender will approve is approximately 3 to 3.5 times the church's current annual income (as demonstrated by the previous year's financial statement). If the church has an annual income of \$100,000, it would probably be looking at a maximum *total* debt (new debt plus any existing debt) of \$350,000.

What does this mean to the church? In order to service the debt (pay the monthly mortgage payment) on a loan that is 3.5 times its current income, the church would need to allocate approximately 35% of all its income to making the payments on that loan (estimated using 8% interest rate).

Using our example of the church with \$100,000 income, the church would spend \$2,928 per month (\$35,130 per year) to service a mortgage of \$350,000. As interest rates climb, the amount of loan that could be acquired for the same monthly payment will go down. The converse is also true; a lower interest rate means more could be borrowed for the same monthly payment.

Unless the church has a cash surplus at the end of every month that is equal to or greater than the future mortgage payment, the leadership will need to do some serious planning to determine how the church can accommodate this additional expense. There are only three basic ways to financially address this issue.

- 1) Reduce debt - look at areas where temporary cutbacks can be made in spending in order to grow the church.
- 2) Increase giving - usually by increasing attendance and through teaching stewardship principals.
- 3) Reduce project cost - reducing the project scope and/or implementing design concessions.

† Preparing to Build

In the final analysis, once the church has accurately totaled its income and expenses, made the necessary expense reductions, and worked on increasing giving through teaching and practicing good stewardship (including a capital stewardship program to raise money for the building project), the church will then be able to calculate a loan payment it feels it can afford on a monthly basis. The following table provides some shortcuts that give a good approximation of borrowing capacity.

To determine the church's borrowing capacity with a 20-year commercial loan, take the monthly payment the church believes it can afford and divide it by the factor for the interest rate the church believes it can obtain.

Interest Rate:	Divide payment by:
6%	0.007164
7%	0.007754
8%	0.008364
9%	0.008997
10%	0.009650

As this table demonstrates, by working backwards from a maximum monthly payment, an estimated loan can be easily calculated. The examples in the following chart demonstrate how interest rates will affect the church's borrowing capacity for a given payment amount.

Borrowing Power Estimation:

Interest Rate:	Loan Calculation:
6%	$3,500/0.007164 = \$488,553$
7%	$3,500/0.007754 = \$451,379$
8%	$3,500/0.008364 = \$418,460$

As shown in the previous table, for a monthly payment of \$3,500 the church would be able to borrow approximately \$418,460 at 8 percent interest.

Now we plug the \$418,460 borrowing capacity into the loan amount in our simple budget estimator worksheet along with the other known financing variables...

Cash on Hand	75,500
+ Cash You Can Raise By End of Construction	50,000
+ Cash From Sale of Assets	0
+ Financing (Loan or Bonds)	418,460
= Total Estimated Building Budget	\$ 543,960

Example - Maximum Building Budget Estimate

Remember: The maximum debt will be based on the lesser of what the church or the bank believes the church can afford.

It is important to remember that the church's maximum project budget must cover all the costs associated with the building program, not just the building. It is easy to overlook or not prepare for all the costs involved in a building program.

These costs include, but are not limited to:

- § Professional consulting fees
- § Architectural and engineering drawings
- § Surveys and environmental reports
- § Permits, fees and licenses
- § Inspections
- § Land acquisition
- § Land clearing and site work
- § Wetland mitigation
- § Road improvements

† Preparing to Build

- § Storm water management
- § Building construction
- § Construction interest
- § Fire suppression
- § Utilities and/or septic and well
- § Moving and relocation expense
- § Furniture and fixtures
- § 10 percent contingency buffer

As was pointed out earlier in this book, counting the cost requires an understanding of all that needs to be counted. *Accurately counting the cost requires both the experience to do so correctly and an objective viewpoint.* It is in the church's best interest to insure that the right questions are asked and answered to insure that the church's needs are met in the most cost effective manner.

Vision is a future destination, often realized over time in incremental steps. The example I used is that of the Lord delivering the Promised Land to Tribe of Israel. His vision of the land for them was a sure promise - delivered as they *needed* it. Like Israel, the vision may exceed its current financial ability. In fact, I would expect this to be the case in more building programs than not.

What the church builds must be based on what it needs and what it can afford. If the church's vision is bigger than its "piggy bank," the proper course of action may often be to build what is needed most right now, and then building the rest as the Lord gives the church the increase. To conceptualize this, it is helpful to develop a master plan that shows the church's best prediction of the future building phases. This will also help insure that you place the current building in the right place on the site as part of a larger plan.

A conceptual master plan will also help communicate the overall vision to your congregation. ***Remember, a picture can often do what a thousand words cannot.*** Communicating clearly is absolutely critical to visioning, developing focus, and is also a key component of a capital stewardship program. A master plan demonstrates how the vision will be worked out over time. Your financial ability and building budget determines how much of that vision is built in this phase.

Chapter 5 - Needs & Wants

As we have shown, building your church begins with vision. The *vision highlights and defines the need to build*. Said another way, when the building (or lack thereof) becomes a stumbling block to your ministry, this defines a quantifiable need to build. The problem is, if twenty people are asked their opinion of what they *think* the church needs to build, the church would probably get at least twenty different answers. This is why congregational surveys are only one facet of a needs analysis.

One of the many difficulties the church must overcome is that of separating and prioritizing needs and wants. As imperfect, fallible humans, we always think ministries or programs we are involved in are more deserving than others; it's human nature. This often makes the process of prioritization difficult to do *objectively* when you are a member of that church.

Over the years I have talked to many churches about building. A vast majority talk about building in terms of what they *want* to build. A much smaller group talk about what they *need* to build. Not to split hairs, but I believe it is more than just a matter of semantics, it's a matter of providence. God has promised to meet our needs, not our wants. When preparing to build, the church's needs and wants must be identified and then prioritized. I have noticed that, in many cases, churches were able to afford what was needed, but struggled with affording what they wanted. Sometimes this struggle to afford wants has delayed a building program for years.

As stated earlier, land and facility *issues that hinder* the church from achieving its vision and mission *define the need* to build. For example, let's say the church has a more than adequate sanctuary space, but too few classrooms, and the vision and mission of the church are to create disciplined families by

reaching children and families through Christian education and family counseling. The vision and mission define the need to build additional classrooms and/or multi-purpose rooms.

Properly done, this new space will meet the educational, counseling, and other ancillary ministry needs in order to accomplish the mission and become the vision. In order to create a long-term master plan, an experienced guide can quantify the amount and type of space that can be built within the constraints of the budget, and what effect adding this space might have on future sanctuary needs. The church must always plan beyond the current phase and always look ahead to make sure the decisions implemented now won't haunt the church later.

The question may be, “why can't an architect do this?” Some can, but most do not know enough about “church” to be the most effective, and I have yet to meet an architect that would (or could) help with the church's budgeting to determine what could be afforded. Most importantly, architects get paid to draw. The larger and more expensive the project, and the more time they spend drawing (including revisions), the more money they can charge.

Think about it... Call me silly, but it seems unwise to let someone who derives financial benefit in proportion to the size and cost of the building project to determine the size and cost of the project!

What the church needs to build is objectively quantified by understanding the needs of each of its programs and ministries, how they have grown to this point, and then projecting how they may grow to become the vision and accomplish the mission. The church also needs to identify programs and ministries that do not exist today, due to lack of space, budget or staffing limitations, but are expected to be part of the future church.

Church leaders are often amazed when someone takes time to list out every current and projected program and ministry in the church. It can often be a long list, but doing so is an important step both in determining need and in counting the cost.

The old saying of making the shoe fit the foot is very applicable in this circumstance - you need to make sure the building is made to fit the ministry, not the other way around.

The process of design should be one of molding the building around the needs of the ministries instead of trying to make the ministries fit into a floor plan that “looks good.”

Separating Needs & Wants

How does a church go about separating needs and wants? The answer lies in the prayerful consideration of a number of variables:

- What programs and ministries are vital to achieving the mission and vision?
- What programs and ministries are producing fruit?
- How has each program or ministry grown, and how is it expected to grow?
- Projection of growth by ministry, program, and age group.
- What are the demographics of your congregation?
- Current and projected demographics for your area.
- What new ministries or programs may need to develop as the church continues to grow?
- Analysis of current facilities and how they meet current and projected needs.
- Additional needs of the congregation and community.

To determine need, the church must look at the big picture, the entire scope of ministry, and do so through the refining lens of its vision. Unfortunately it is often difficult for church leaders to always have an objective view of the big picture when they are constantly involved with the nitty-gritty details of the day-to-day operation of the church. One of the issues church leaders must recognize is the fact *it is hard to see the big picture when you're in the picture.*

The Benefits of Outside Counsel

Scripture tells us there is safety in the counsel of many. In fact, this quotation from Proverbs 24 is on the front cover of this book as an exhortation to find that safety. An outside consultant can help objectively analyze the church's needs and abilities. A person from outside the church family has no "agenda" and is outside the politics and peer influences of the church membership. An outside consultant will not avoid "sacred cow" issues and can be helpful in generating new ideas that may not occur to the membership just because "we've never done it that way before."

Following an objective impartial finding of fact, a consultant can make a recommendation to the church that is objective, free of partisan influence, and is based on a wide range of church building experience.

Another important point to consider is a consultant can see things more the way visitors will. By that, I mean people who have been attending the church for years do not see the building or facilities in the same way that a visitor does. When I was a manager of a computer retail store, one of my mentors told me that it is very hard to see your store the way customers do. My problem was similar to that of most church members; that because of familiarity, I saw my surroundings more in my mind than with my eyes. The picture we might have in our mind's eye is often a lot rosier than reality.

Through repetitive exposure, a congregation can grow blind to conditions and issues that a consultant (and visitors) may see plainly. Perhaps it will help to think about it this way. Have you ever been somewhere and noticed a strong odor that seems to fade away until you leave the room and come back? The odor did not fade; your nose just got used to it and subtracted it from your conscious thought. In much the same way, our mind gets used to things being a certain way, and can “subtract” them from our mental picture. This is as true of physical things as it is of process and procedures, and it’s true in the church too.

Almost without exception, the church will greatly benefit from a fresh viewpoint and professional assistance with tactical issues, including those of understanding need, financial ability, and plan development. I am so adamant about this because I have seen church after church heading down a bad path, spending money they did not need to spend, failing in building programs that did not need to fail, losing unity in the body of Christ, and churches even splitting because of poor planning and execution. I have seen good men and women beaten up by the building process, up to and including pastors stepping down from the pulpit.

Before you recoil at the perceived cost of engaging wise counsel, it is imperative to understand the risk, and to count the potential cost of mistakes. Your church is about to embark on a commercial development project that will cost hundreds of thousands to millions of dollars. Mistakes can easily cost tens of thousands of dollars and will negatively impact the church’s overall satisfaction with the building project, or even hinder its effectiveness in ministry. In the worse case, it can set the church back years, or even split the church.

Investment in wise counsel is just that, an investment. An investment is something that is expected to be recouped with an increase. The only time wise counsel might be considered an expense is when the church does not move forward with building.

Consider this example: Let us say the church is anticipating a \$750,000 building program and the church decides to pay a church building consultant \$8,000 to help with an initial need and feasibility study, (about 1 percent of the proposed budget).

It would be very difficult indeed to argue that the focused application of proven processes, experience, and practical knowledge would not improve the church's building process by at least 1/100th. More realistically, a consultant working with the church throughout construction might save 10 to 30 percent of the cost of the building program while at the same time saving the church much time and effort.

If one were to take a conservatively pessimistic position and say the consultant ended up costing 5 percent of the project cost and only helped save the church 10 percent of the project cost, the church would still receive a 100 percent return on its investment. Not only would the church save \$2 for every dollar spent, it would also save time, effort, wear and tear on the church leaders, and probably build a better building.

If the consultant saved nothing except time and effort, the church is still ahead of the game, having received as much or more in value than was spent!

Let us consider again the often-stated benefits of saving time, effort, money and stress. In only accounting for one of the four benefits (saving money), the church would not only save enough money to pay for a sanctuary full of nice chairs, it would avoid the other fruits of poor planning. *The investment in expert help pays multiple dividends in time, money and reduced effort.*

Coincidentally, churches never seem to have enough time to do everything they want, the money they need to do it, and the workers for the effort. Anything that can be done to help in these areas will help the church's ministry as a whole.

It is often very much in the church's best interest to give serious consideration to retaining an experienced consultant to help in the preparation for building – if not for the whole process, at least through the preconstruction needs analysis and getting the right architect and builder onboard with the church.

In the final analysis, the investment in wise counsel should cost you nothing. It should in fact save money! This is the difference between a cost and an investment.

When the concern is about the cost of wise counsel, it is important to realize that money is going to be spent anyway, either in wise counsel, or in additional effort or mistakes that result in reduced efficiency and a higher project cost.

Summary of Benefits from Outside Counsel

- Able to provide a proven and objective process that will save the church time and effort.
- Has a broad base of church construction experience that can help provide a better solution at a lower cost.
- Is not unduly influenced by history or a vocal minority.
- Can serve as a lightning rod for critical comments to help maintain unity in the body.
- Can be an arbitrator and peacemaker to help maintain unity in the body.
- Often has access to resources that the church does not.
- Translates ministry needs and wants into building and land requirements.
- Can save your church several times the cost of their fees, *often making all of the above benefits essentially free.*

Following is an excerpt from a white paper I wrote (see Appendix “B”) that analyzed some of the interesting points coming out of a study by the Rainer Group. This report was the

result of interviews with over 300 churches that had recently completed building programs. While I wrote this in Chapter 1, I think it makes sense to quote my comments again in this context.

“According to the study, 33 percent of the churches conducted feasibility studies, which correlates closely to the 35 percent that considered the building process as ‘excellent’ and 40 percent that indicated the building program created ‘no conflict’ in the church. Herein lays the key to maximizing the church’s satisfaction while minimizing the risk in building. A feasibility study provides a plan for execution, brings unity to the church, and becomes the foundation for the design and construction process.”

A properly run building program should result in a completed building that the church is pleased with and should also result in increased unity in the body of Christ.

How Much Does It Cost to Build?

One of the most frequently asked questions is “What does it cost per square foot to build?” The answer to that question is about as easy to answer (and as accurate) as “How far is up?” There is no real way to answer the question of cost until you clarify several underlying questions. This is a hard question to answer, even for finished projects, and here’s why.

In order to determine a meaningful value to use for cost comparison purposes, one must first determine what goes into the definition of cost. One person may say the building cost for a finished project is \$75 a square foot and another may say \$125 ***and they may both be right!***

How can two answers so different both be right?? Well, as a recent president so glibly demonstrated, the answer depends on how you choose to interpret the question. To determine cost per square foot, it must be known what was factored into the cost calculation. For instance, were design fees, site work, permits, construction interest, utility tap fees, and other expenses that were not part of the “building”, yet necessary to

the project, calculated into the cost per square foot? In our example of two people giving diverse yet accurate costs to build, the difference lay in what they factored into the building cost. ***Without knowing exactly what is factored into the cost calculation, cost per square foot estimates are meaningless at best, and deceiving at worse.***

Design considerations and location can sometimes make huge differences in cost per square foot. A simple 15,000 square foot single story building in rural South Carolina will cost far less to build than a similar building in metro Washington, DC or Orlando, FL. A simple yet well built building may cost less than one-half to one-third that of a similarly sized cathedral with ornate design and construction. Another design issue that is often overlooked in the cost per square foot calculation is building height. A 10,000 square foot building with a low roof is cheaper to build than the same building with a 25-foot ceiling height, such as you might find in a multi-purpose building. Even simple things such as roof pitch can make a difference. One moderately sized church project was able to save almost \$28,000 by changing the roof pitch from 8:12 to 3:12 pitch.

In building a church there are a number of variables that can affect the cost per square foot.

Total Square Footage – There are economies of scale in larger building projects.

Location – The building costs could vary by 30 percent or more for the same church building built outside Augusta, GA as would be built in New York City or San Francisco.

Style and Amenities – Dramatic architectural elements, design features, and amenities can substantially drive up costs without adding to square footage or functionality.

Total Volume – High walls and ceilings, and steep pitched roofs add to the cubic footage of the building

without changing the amount of square footage of the building.

Special Considerations – Site work, utilities, legal fees, land costs, soil types, and number of stories are all factors that can affect the project cost and therefore the cost per square foot.

Site work is a large and extremely variable expense item in a building program. One church may have \$50,000 worth of site work expense and another, for a similar sized building and parcel, spend \$250,000. For this reason, site work expense should not be included in the building cost. However, this brings up an interesting point. What the church needs to focus on is total project cost, not building cost.

Overly focusing on building cost per square foot can be misleading at best and dangerous at worse. The building is certainly a large part of the project, but it is far from the whole project. Professionals familiar with church design can closely estimate the cost per square foot once the church has done some preliminary needs analysis and developed a conceptual plan, however, the church needs to remember to focus on the total project cost, not just the building cost.

Chapter 6 - Design

When churches seriously begin to consider building, the majority of them either start by developing plans with an architect or builder, or looking at existing building plans too early in the process. As demonstrated in Chapter 1, there is a lot of work to do before signing on the dotted line with an architect or builder, or purchasing a set of pre-developed church plans.

The process of design needs to be sensitive to the history and culture of the church while being steadfast in its determination to meet the *future* needs of the ministry.

It is important to remember that the church you build today is not so much for the current membership as it is for those yet to come. The goal in church design should be to develop a set of plans that will meet the church's current and future functional needs and aesthetic goals within the established budget. Properly done, the process will produce a design that provides balanced space.

By balanced space, I refer to a design goal for a future time when the sanctuary is 75 percent full, the classrooms are 75 percent full, the parking lot is 75 percent full and a seat for a chicken dinner in the fellowship hall can still be found. While this plan is seldom 100 accurate, the only way to get close to it is through an *objective* understanding of the needs of the church. From this understanding, a church can reasonably forecast its future needs. It is in this way that the church will receive the most value for every construction dollar spent.

When started too early in the building process, the church design can *only* be driven by *subjective* criteria such as appearance, style, or an unqualified opinion (an opinion based on something other than factual data).

The most common result of a subjective process is a set of plans that do not effectively meet the real needs or the budget of the church.

All too often the leadership, building committee, or church body places too much focus on the appearance of the building and not enough on the function. Once the functionality and space requirements have been determined, the church can, within reason, design the building to look however it wants.

After reading this far, it should not come as a surprise that the design of the new church facility must be driven by the following factors:

- Vision** What is God’s vision for your church? What is the church going to be when it “grows up”?
- Mission** What is the church trying to accomplish for the community and congregation?
- Financial Ability** What can the church afford to build and how will it be paid for?
- Needs** What does the church *need* to build in order to become the vision and accomplish the mission?

The design for what is built, whether it is the church’s first building, relocation, or an expansion to the current campus, must focus on helping the ministry to become the vision. The long-term vision for the church’s ministry is often accomplished in phases. It would be wise to develop a master plan that conceptually shows each phase and the order in which the church expects to build those phases.

Do not spend more than necessary on conceptual master site plans, as they are seldom built exactly as proposed. If a master plan is needed

for visioning or for the permitting process, only pay for as much detail as needed.

Following are options for conceptual plans in order by increasing cost:

1. Single Line Drawing
2. Shaded Drawing
3. Color Drawing
4. 3D Full Color Rendering
5. Computerized 3D Model with “walk-through”
6. Scale Model

How much is enough and how much is too much? That is something each church will have to decide based on the value received from the concept plans. Spending mega-bucks on highly detailed master plans is not a good idea since the passage of time has a way of modifying the church’s needs and the church will want to be able to adapt without having invested too much in long-term plans.

The Benefits of Conceptual Master Planning

- Provides a clear vision to help create unity and focus by clarifying the need to build.
- Helps the congregation develop a comfort level that the leadership has a long-term plan for achieving church goals.
- Insures the early stages of the building program do not become a hindrance to future phases.
- Forces the church to think through a long-term plan.
- Provides a key component of a capital stewardship campaign.
- Provides a plan to take to the city or county to insure that the church’s concept is reasonable and feasible

given the local zoning, land use codes, utilities and access.

- Insures you have enough land to accomplish the vision and mission.

Each phase of the church’s master plan should have clear and quantifiable goals, for instance; sanctuary seating for 300, classrooms for 100 elementary age children, fellowship hall for 200, and so on. As we have said several times, *what the church designs must reflect the needs of the ministries while being in balance with what the church can afford.* The dual processes of determining both need and financial ability will provide the foundation for the design phase of the church facilities. That is so important I am going to repeat it.

The dual processes of determining *both* need and financial ability provide the foundation for the design of the church facilities.

It is important, whenever possible, not to attempt to make the foot fit the shoe, but to make the building meet the needs and abilities of the ministry. A thorough understanding of the needs of the ministries and the financial abilities of the church are required in order to count the cost. (Sound familiar yet?)

Remember: Financial analysis determines the scope (size) of your project. A needs analysis determines how that space is designed to best meet ministry needs.

Proper design process, viewed as a series of steps, will minimize risk:

1. Define need and what should be built to meet the need.
2. Determine and set a firm budget for construction.
3. Develop a conceptual master site plan.
4. Develop conceptual plans for the current building phase.

5. Get multiple preliminary construction estimates based on the concept plans.
6. Revise steps 3-4 until step 5 comes within your projected budget.
7. Complete full working drawings.
8. Get multiple construction bids based on working drawings: building, M.E.P., civil and/or site engineering.
9. Select a builder.
10. Revise working drawings until within budget.
11. Manage change orders.

Note: The above points address only the design process and do not account for critical-path issues related to obtaining financing, hiring an architect or engineer, hiring a general contractor, or obtaining governmental approval.

Things to Remember in the Design Process:

- Do not sign a design agreement with an architect or engineer for the whole project up-front. Contract only for the services needed at that stage of the process (for instance conceptual drawings) and give the vendor an opportunity to earn more of the church's business. Make sure there is a way for the church to terminate the agreement at certain milestones, should it be decided not to move forward with the building program; if the architect or engineer does not perform to your satisfaction; or a decision is made to use another design professional for any other reason.
- The same principle applies to design/build as it does to architectural and engineering services. Do not sign a development agreement with a design/build firm without the right to cancel at the end of either conceptual or working drawings.

- Do not sign away the church's rights. Make sure in any design agreement or design/build contract that the church owns the rights to use, without further cost or penalty, the drawings and other intellectual property at the end of each phase of the agreement.
- Do not bypass good process for any reason. Know what can be afforded (see counting the cost) before engaging any design professional.
- Do not hire any design professional without getting at least three qualified competitive bids.
- Talk to the local planning or building department before getting too far into the design process. It is a free venue in which to discuss ideas and make sure that the local governing authority has no issue with your ideas before spending a lot of money on plans that cannot be built.
- Look for a design professional or design/build firm that regularly designs churches of the type and within the price range the church wants to build. Just because a design professional has designed multi-million dollar churches does not mean they would be the best choice for a \$500,000 project.

When shopping for architects, pay special attention to how they calculate fees. A fixed-price contract for each phase of services is usually a good pricing model. A fixed-price contract that includes price protection for corrections, errors, and omissions relieves the church of financial uncertainty in the design process. However, this type of agreement needs to be carefully negotiated so that the church does not pay too much for this certainty.

This very important concept must be remembered when negotiating with an architect for design services. A percentage-based contract provides no incentive for the architect to save the church money in the design and building process. In fact,

one can easily make the case that the opposite is true. A percentage-based design agreement is more likely to be an encouragement to increase the cost of your project because the vendor will make more money. In a percentage-based contract for services, your goals and those of the architect or builder can be in opposition, since they make less money when they save you money.

75 Questions to Ask When Hiring a Church Architect

The design and construction of church facilities may very well be one of the most important activities in your organization's history. One of the many critical components of your building success is hiring the right architect. If going the custom plan route, instead of with pre-designed plans, the church must consider bids from *at least* 3-4 architects or design/build firms who have a good reputation for building the type and style of structures you are considering, and are familiar with designing within the budget range the church can afford.

General Background Questions

1. How long has the architect been in business?
2. What percentage of the firm's business is designing church facilities?
3. How many people does the architect's firm employ?
4. Does the architect have a valid license for the state where you intend to build?
5. Does the architect commonly do church projects of the style, size and budget that the church anticipates building?
6. Is the architect familiar with the nuances of your denomination and worship style and what this may mean in building design?

7. Does the architect have a specific design style and how well does their design style match what the church desires to build?
8. Does the architect intend to use consultants for this project and if so, how are they paid?
9. What types of insurance does the architect carry?
10. What are the policy limits for each type of insurance carried?
11. Will the architect provide proof of insurance should the church decide to hire the firm?
12. When and what was the architect's most recent project?
13. When and where was the architect's most current project similar to yours?
14. May the church view examples of the architect's previous projects that are similar to your proposed project, including sketches, photos, plans and budgets?
15. Should the church decide to hire their firm, may the church get the names, addresses, and telephone numbers of the clients for these previous similar projects?
16. What services did the architect provide for those church clients during the design, bidding, and construction phases?
17. Who will provide each of these services for the church: the architect, the architect's employees, or outside professionals?
18. What was the actual construction cost versus the architect's estimated cost for each of these projects, and how do they account for the variance?
19. Who from the firm will the church deal with directly? Is it the same person who will be designing the project? If

not, who will be designing it and what direct interaction will the church have with this person?

20. What is the proposed mediation process for resolving disputes and will the architect agree to handle disputes through binding arbitration?

Proposed Project Questions

1. What are the most significant challenges of the proposed project and how does the architect anticipate dealing with them?
2. How well does the architect understand the church's goals and constraints? (Ask the architect to reiterate back to you the overall goals, design and budget constraints and evaluate how well they understand them.)
3. How confident is the architect of meeting the church's proposed schedule?
4. What experience does the architect have for translating ministry needs into space requirements?
5. What is the objective process that the architect will use to gather information for evaluating the needs and goals of the ministry to provide the optimum design solution?
6. What sort of information will the church need to provide, and when?
7. What services does the architect propose to provide during construction?
8. Which of the proposed services are optional?
9. What are the steps or phases in the design process and how long should each take?
10. What does the architect show to explain and present the project? (Models, computer 3D models, color renderings, line sketches)

11. What are the options and price differences for each option?
12. How viable does the architect believe your proposed project is with respect to timeline, budget and land constraints?

Fees & Contractual Issues

1. How does the architect establish fees and when will payments be expected?
2. How does the architect tie fee payments to milestones or phases in the scope of work?
3. What are the architectural and engineering fees for each phase of this project?
4. What specific services do the fees cover?
5. How does the architect establish fees for additional services?
6. How does the architect establish fees for reimbursable expenses?
7. What additional costs (e.g. permit, impact and other governmental fees) or services (e.g. time spent obtaining permits and approvals) does the architect anticipate for your project in addition to architectural and engineering fees?
8. If consultants or engineers (civil, structural, mechanical, electrical, geotechnical, testing and inspection) are necessary, are their fees included in the architect's quoted fee or are they separate services?
9. How might the church structure the contract so that the church has the ability to “walk away” from the agreement at the conclusion of any phase without additional cost or penalty?

10. How does the church insure they own and have the right to use the intellectual property (drawings, research findings, etc.) from each phase if they should decide to terminate their relationship with the architect?
11. What engineering work will the architect sub-contract, will it be sent out for bid, and will the church be able to see those bids?
12. What is the architect's markup on third party services if they sub-contract out the work?
13. Will the architect provide construction cost estimates for the project?
14. What happens if the architect's construction estimates are not in line with construction quotes?
15. Who is liable for the cost of redesign if it is necessary to meet the construction budget?
16. Will there be additional charges for changes required by the building department or other government agency? If so, how are these charges calculated?
17. How are additional charges computed for design changes requested by the church after working drawings are already completed?
18. How are additional charges computed for design changes requested by the contractor?
19. Who is financially responsible for correcting errors and omissions in design and bids?
20. Will the architect provide a fixed price agreement for each phase instead of a percentage-based fee? (Fixed price is usually better.)

Making the Final Decision

Do not trust your feelings, check the references! Call or visit each reference that each architect gives you and ask and evaluate the answers to the following questions:

1. How well did the architect adhere to schedules?
2. How well did the architect live up to the expectations they set during the sales phase?
3. Did the project complete within budget? If not, why not?
4. Were the references pleased with the architect's services and their working relationship with the architect? (Compare to the architect's explanation to the same question)
5. Did the architect listen to their concerns and attempt to resolve them to their satisfaction?
6. Would the reference hire the architect again? Why or why not?
7. What problems surfaced during the project?
8. What were the architect's strong points?
9. What were the architect's weak points?
10. What would the reference do differently next time, with respect to the project design and working with the architect?

Ask each reference about other projects they know the architect was involved with. This will give some additional references to check. Remember, no one will knowingly hand out references that will not give a glowing report. Seeking out other “off list” references may give a more balanced viewpoint.

Subjective Issues To Evaluate And Consider

These are questions that may not always be directly asked, but may be evaluated from the architect's responses to other questions and actions.

1. How interested is the architect in the project?
2. How much time and effort has the architect put into winning the church's business and earning their confidence?
3. How busy is the architect?
4. What sets this architect apart from the rest?
5. How well does the architect respond to being asked why he or she should be hired over someone else?
6. How well do your thoughts on why this architect may be the best fit for the church line up with their answer on why you should hire them?
7. On other projects, how well has the architect performed in bringing projects to completion within the proposed budget?
8. How well does the architect understand the church's goals, priorities and constraints?
9. Is the architect's personality a good fit with the church?
10. Does the architect have an "all or nothing" attitude towards the proposed services, or is there a willingness to offer services "a la carte" to help the church meet its budget?
11. Are the agreements and pricing for services straightforward and easy to understand?
12. Has the architect responded to the church's questions and communications in a timely and accurate fashion?

It is recommended that a form (or forms) be created with all the questions and provide space for ranking replies, permitting each person on the evaluation team to rank each respondent's response on a scale of 1 to 10.

If possible, visit the projects the architect has used as references for their services and, if possible, speak to members of the building committee. This will provide an objective valuation for each applicant that should weigh heavily in the final decision and help eliminate personal feelings and preferences.

As you may notice, many of the questions assume the church has a good idea of what it wants to build, why there is a need to build, and how much can be afforded. If these questions cannot be definitively answered, it is probably premature to solicit the services of an architect or design/build firm.

It is reasonable to expect that someone familiar with the needs and ability of the church and who understands the design and building process should be able to save the church 10-30 percent in architectural fees by planning hard and negotiating harder. And if the church decides to use pre-developed plans, it will generally save even more.

Pre-developed (off-the-shelf) Architectural Plans

One variation of the design/bid/build process that warrants consideration is that of purchasing pre-developed, or pre-engineered plans instead of developing custom designed plans.

Depending on where the church is located, it may be able to save 50 percent or more on the cost of its church building plans by using pre-engineered, or off-the-shelf, church plans. These plans are typically from another church building program that can be modified for this church's building project. Besides having a distinct price advantage, these plans have the additional benefit of having already been built, the costs are known, and the kinks worked out. Using this design approach, the church uses the results of the needs and feasibility study to look at a catalog of church plans for a specific size, style, and floor plan

that meets its criteria. This enables the church to get its plans for less cost and to typically get them faster than having them drawn from scratch.

Most likely, the church will not find a church plan that is in *perfect* alignment with the church's needs. However, plans that are reasonably close can usually be easily modified to rearrange, within reason, the internal structure and some exterior features of the building. Typically, changes are going to be constrained to non-load bearing walls, however, changes such as resizing rooms and moving rooms can typically be done with minimal time and cost. Many plans will support the addition of a basement or balcony. If the church finds a plan that is exciting and can be adapted to meet their criteria, it can save tens of thousands of dollars and several weeks (or possibly months) of time.

In summary, using this design strategy will typically cut many weeks off the design process while reducing the cost of church design. It is also important to note that a catalog of church building plans can be a great catalyst for stimulating a church building committee's thinking and excitement. Just make sure that the plans are provided by, modified and sealed by an architect licensed in the state in which they will be used.

A final word of caution: Picking a plan out of a catalog without the objective understanding of what you need and can afford is just as much a recipe for failure as creating custom plans with the same lack of understanding.

Chapter 7 - Financing

For some churches financing church construction is a relatively easy task, while for others it is a source of seemingly never-ending frustration. Some of the factors that might place a church in one group or the other, and what can be done to get into the right group, will be explained later. First, however, let's review three primary methods of funding church construction, along with their benefits and drawbacks.

The three primary methods of funding church construction (in part or in whole) are conventional lending, bond offerings, and capital stewardship campaigns. Either of the first two methods, loans or bonds, are available in a variety of "flavors." And while it is true that capital campaigns can be used as a funding source, it is infrequently done as the sole method of funding. Capital stewardship campaigns are typically done in conjunction with a loan or bond to either retire debt, or in some cases, to expand the scope of a building program. More on capital campaigns later in this chapter and the one following.

Conventional Loan

A conventional loan is one in which the church goes to a lender (like a bank) and receives a construction loan that is usually based on two primary factors: the church's current cash flow and the collateral value of its assets (including the future value of the new building facilities).

Too frequently, churches proceed under the assumption that the bank will loan them money based on their assets. Equity (assets) alone is insufficient to qualify your church for a loan. While a lack of equity will kill a loan deal, assets alone will not make the deal. The bank will analyze the cash coming in against the

expenses going out to confidently understand where the money will come from in order to service the mortgage each month.

Make no mistake; the primary criteria the bank will use to qualify your church for a loan will be based on past documented income and demonstrated ability to make a loan payment.

Most churches do not have the extra money left over every month to make the payment on additional mortgage debt. If this is the case with your church, it must look at its discretionary expenses to see where it can cut back to make the loan payment. And by the way, you should make those reductions before you talk to the bank, as actions speak louder than words.

Another incorrect assumption is that the church can qualify for a loan based on its projected future revenue, be it from church growth or from a proposed Christian Daycare or School. In some cases, where the church has an existing daycare or school and a backlog of enrollments, the bank *may* consider some portion of this projected future revenue in qualifying the church for a loan. Otherwise, you will find the bank somewhat deaf to claims of future revenue or financial growth.

Financial Tip: A year or two prior to building it would be good practice to put a line item into the budget for servicing a mortgage payment. Try making the amount as close as possible to what might reasonably be the future payment. This is a great way to accumulate savings in the building fund for the new facilities. Further, when applying for a loan, this amount will demonstrate the church's ability to service debt, as this income will be applied to debt service instead of savings.

With a conventional loan, the church is essentially borrowing all the money from a single source - the bank or lending institution. If building, a construction loan will be required. Construction loans are temporary interest-only loans that can usually be converted into a regular mortgage at the end of construction.

Many lenders will allow construction loans to convert to permanent mortgages without a separate closing fee at the time the loan converts. This is cost to evaluate when the church is shopping for a loan.

For either a conventional loan or a bond offering, the amount of money that can be borrowed will be limited by the church's current income and cash flow. Cash flow is the difference between money coming in and money going out. If, on a monthly basis, the church has \$10,000 income with \$9,000 in expenses, the net monthly positive cash flow is \$1,000. One of the common lending rules of thumb is that the church will only be allowed a total indebtedness that can be serviced with a payment that is no more than 35% of its income. At the prevailing interest rates as of this writing, this will be between of 3 to 3.5, and in some cases, possibly as much as 4 times its current income, depending on interest rates. This is generally referred to as the safe debt limit. While some lenders in some circumstances may allow more, it is uncommon for a church's total safe debt limit to be much greater than around 3.5 times its current annual income at the interest rates as of this writing.

For example, if the total church income for the year is \$150,000, its maximum borrowing capacity is probably around \$500,000. In some special circumstances, it might be higher than 3.5 times the church's income, however, it is much more likely to be lower than higher.

The two major factors that affect your borrowing capacity are cash flow and equity. Regardless of whether it is a bond or loan, the lenders need to be able to see how the church will make the mortgage payment from its current cash flow. The other major qualifier is that lenders will probably not loan more than a certain percentage of the value of the property (or completed project). This limit can vary by lender, but it is usually in the 70 to 80-percentile range. This is called the "loan to value" ratio. The loan to value ratio is usually never not than 80 percent of the improved value of the property and building(s), meaning the

church needs at least 20 percent of the project cost in cash and/or land equity.

To summarize, the banks want to see how the loan payment will be paid out of your operating budget, and they will probably limit your total debt to a maximum of 3.5 times your income or 80 percent of the appraised value of the completed project, *whichever is less*.

The advantages of a conventional loan are:

- There are more sources for reputable lenders than bond companies. Competition is a good thing. The more solutions you have to choose from, the better.
- Many churches would rather do business with a local bank than with an out of town bond firm.
- The loan process is simpler, more straightforward, and better understood than a bond offering.
- The level of documentation for a conventional loan is usually much less than that for a bond offering which must comply with the Securities and Exchange Commission (SEC) and State regulations for each of the states in which the offering is made available.
- Because a public bond offering is a multi-state investment offering, it is highly regulated by the SEC. The SEC process is complex and somewhat convoluted and compliance adds cost and time to the bond offering.

Outlined here are a few things that should be watched for in a conventional loan agreement.

- Origination fees. Typically this amount should not be more than 1 to 1.5 percent and can often be negotiated down to a lesser amount.
- Personal guarantees. Avoid them unless there is just absolutely no other option.
- Prepayment penalties - NEVER!

- Variable interest rates. Be careful here. At the time of this writing, rates seem to have bottomed out and are steadily creeping up. If interest rates are not expected to fall in the next few years, variable rates are generally not a wise solution.
- Balloon or call date. While the loan may be calculated on a 20, 25 or even 30 year amortization, the entire loan may be due at some predetermined date in 3 to 10 years, with a last payment equal to the then unpaid balance. This generally requires the church to refinance the remaining balance on or before the balloon date.

The downside of a conventional loan is the *perception* that the interest rate for a loan is higher than a bond. ***While it is true the monthly interest rate may be lower in a bond offering, it will be demonstrated later in this chapter how a bond with a lower interest rate can cost more than a conventional loan at a higher interest rate.***

Financial Loan Package

Preparing a high-quality financial package is important when seeking financing. Contrary to what many churches often provide, the financial package is more than just a few financial reports. The purpose of the financial package is to answer questions the lenders will have, *before they ask*, and to portray the breadth, depth, and financial ability of the ministry in the best possible terms.

Loan rates and terms are set and money is loaned based on perceived risk. A properly prepared financial package demonstrates professionalism and creditability, which gives the lender confidence they are dealing with a knowledgeable, capable, and finance-worthy church. In addition to being a great aid in building confidence and respect for the church in the eyes of the lender, a complete and well-organized financial package can greatly speed up the lending process. A financial package should be comprehensive in scope, incorporating, among many

other things, summaries of the needs and feasibility study and the financial analysis. Financial representations must be accurately detailed and supported by clear documentation. A good financial package will not only help a lender make a quicker decision, but is a tool which may be used in negotiating lower fees, better rates, and better terms. A consultant or loan broker can really help a church shine in this area. Note, however, that on any loan a broker arranges, the church will typically be charged anywhere from 0.5 to 3 percent of the loan value, and sometimes more, as a brokers fee.

When you are ready to talk to a lender, look for a lender that specializes in church lending. You will want to check with the bank you do business with of course, but also look for lending institutions that specialize in church lending.

Bond Offerings

A bond is an interest accruing debt instrument issued by the church for a period of more than one year for the purpose of raising capital by borrowing from investors who purchase the bonds. In a bond offering, the church will borrow money by offering to sell bonds. Individuals and institutions “loan” the church money by purchasing the bonds as investments. The church will deal with a bond company that specializes in putting together and promoting the bond offering. As the bond company sells the bonds, the money becomes available to the church.

There are two fundamental types of bond offerings - public and private. Most churches are familiar with the more common public offerings. A public bond offering is one in which the money the church “borrows” comes from a number of people “investing” in the church by buying bonds that have set interest rates and maturity dates. These bonds are purchased, in large part by investors and institutions unaffiliated with the church, which invest based on a prospectus prepared as part of the offering. These public bond offerings must fully comply with

state and federal regulation, with all the accompanying paperwork and documentation that requires.

Private bond offerings are those in which members and other people closely affiliated with the church purchase all the bonds. Regulation of private offerings is somewhat less severe, and marketing is greatly simplified, so the cost of preparing and marketing this offering is less than that of public offerings. The net result is that private offerings, while somewhat less common, are less expensive. ***The challenge and potential downside of private offerings is the requirement to sell the whole offering to the congregation and to people they know.***

Private offerings may be a very good choice in a church with members who enjoy an above average income, have other investments they may wish to redirect, or would be likely to use this bond offering as part of a financial portfolio. From a spiritual viewpoint, it may also be good for the people of God to divest themselves of secular investments and redirect those investments into the church and Kingdom work.

A private bond with low costs and flexible call dates can present the right church a very good financial option, *if* the members and people they know have the resources to “cover” the offering.

Church bonds are normally very safe investments that create a competitive return for investors on the investment. The advantage of a bond program to the church is usually found in the potential flexibility in the repayment of the bonds. It is possible to have different bonds with different interest rates that mature at different times. This may permit the church an option to graduate its payments over time, with lower payments for the first few years and increased payments later on after the church has had an opportunity to financially grow.

As stated above, public offerings are much more time consuming and expensive than either private offerings or loans due to the increased cost of marketing and compliance with state and federal regulations.

Be careful when signing up for in a bond program. Many church bond offerings are underwritten on a "Best Effort" basis. In a bond offering, ***best effort means the bond company will not guarantee that the bonds will be sold, how fast they may sell, or that your loan will ever be fully funded.*** In a "best effort" offering, the underwriter simply commits to offer the bonds for sale. Slow sales of this type of bond offering can jeopardize the completion of a building project. Unless the bond company guarantees 100 percent of the bond offering, the church runs the risk of not raising all the money it needs to build or not raising the money as fast as needed. In a best efforts offering, your construction financing is dependent on the bond company's ability to sell all the bonds. Therefore the amount of the final financing and the rate at which the church will receive money is not guaranteed.

Some church bond offerings, however, are issued on a "Firm Underwriting" basis. In a Firm Underwriting offering, the bond company makes a commitment to buy all of the bonds it cannot sell in a predetermined time period. This provides the church with a guaranteed loan that will be fully funded. However, the additional cost for this guarantee can be high. When dealing with bonds, it is important to remember that because bond offerings are generally less well understood and more complicated than loans, the opportunity for the church to make a poor decision is greatly increased.

As we will see a little later in this chapter, do not select bond financing because of the (mistaken) belief that a lower monthly interest rate is always the better deal. A public offering will often have an additional cost of anywhere between 8 and 10 percent (or possibly more) of the loan amount. These additional fees are for the marketing and legal expense of the offering. If talking to

a bond company, this is one of the two first things that should be discovered – what are the total fees and expenses to the church for the bond offering. The second is the total cost of the financing over the life of the bond offering – how much will the church end up paying in expenses, fees, principal and interest when it is all said and done.

Having been involved in a number of bond offerings, I can tell you they are a *lot* of work. Most bond companies will finance some or all of the fees, which they then recoup from the offering. I understand private offerings have substantially less expense due to the reduced cost of marketing and SEC compliance; however, I have not personally worked with any churches that were able to buy up a private offering, so my experience is limited in this area.

Note: Most bond companies will recoup their fees and profit from the proceeds of the bond offering before the church receives any funding from the bond offering.

With the possible exception of a private bond offering, the primary benefit of a bond offering is usually *not* lower total cost.

For the purposes of discussion, let's consider 8 percent as the overhead cost for a bond offering. If the church needs \$500,000 to build, the total bond offering would be for \$540,000 (\$500,000 for church needs and 8 percent for the bond company). By comparison, a conventional loan may have an origination fee of 0.5 to 1.5 percent (one percent or less is normal). This is where we are able to begin comparing “apples to apples” and see that non-interest expenses for a bond program could be as much as 16 times more than that of a conventional loan.

Please Note: For comparison purposes, the following examples assume the church will finance all of its financing expenses. If the church paid cash to cover the

expenses, this would reduce the amount of money available for building, which in turn may increase the amount of money that the church needs to borrow, producing essentially identical results.

Important Principle: Whether bond or conventional loan, the fees the church pays as part of the cost of financing must be added to the interest cost and then amortized over the life of the loan to determine the effective interest rate.

Let's take our hypothetical church, which needs \$500,000, and see what happens as we look at financing with a traditional loan versus a bond offering. For the purpose of this comparison, we will use a rate of 7.25 percent for the traditional loan interest rate and 6.25 percent for the bond offering, a significant difference of 1 percent.

Note: Bonds are not usually all sold at the same rate of interest or with the same maturity dates. For the purpose of this example, we will assume the average of all the bonds would be 6.25 percent. In actuality, the average interest rate may be higher or lower than our example.

For comparative purposes, assume a church will borrow \$505,000 from a traditional lender (\$500K plus 1 percent in origination fees). A bond offering where the bond includes an estimated 8 percent in additional expense will mean a total bond offering of \$540,000. (These examples assume that the church is financing the expenses associated with the financing.)

Payment Comparison: Bond vs. Loan

20-Year Amortization

Loan	\$505,000 @ 7.25%	Payment = \$ 3,991.40
Bond	\$540,000 @ 6.25%	Payment = \$ 3,907.77

As you can see from the previous example, over the life of a 20-year payback, the bond is only marginally less expensive after one factors in the expense of the bond offering. If the church took twenty years to pay off the bond debt, they would save \$64,440.80 in interest in comparison to the comparable conventional loan over the same period of time. However, that is only part of the story...

Total Cost Comparison: Bond vs. Loan

20-Year Amortization

		Total Interest	Total of Payments
Loan	\$505,000 @ 7.25%	\$ 452,936.00	\$ 957,936.00
Bond	\$540,000 @ 6. 25%	\$ 416,640.45	\$ 956,640.45
	Total Savings	\$ 68,497.60	\$ 1,295.55

Note: Bond refers to a public bond offering.

From the preceding table we see that while it is true that the church paid almost \$36,296 less in interest through the bond program, the total savings over 20 years was less than \$1,300!

It cannot be overstated that the church needs to investigate the total cost of financing when comparing different financing options.

The purpose of these examples is to enlighten and encourage the church to investigate the total cost of all financing options given the loan and bond terms available to the church when seeking financing.

The total cost situation changes significantly when bonds are paid off early. Remember, the total cost of the bond offering is spread over the number of years it takes to pay off the bonds. This total cost must include interest expense plus the fees and additional costs associated with the offering. The more quickly a bond is paid off, the worse the financial performance of the

bond will be in comparison to a loan because the higher up-front costs are amortized over a much shorter period.

When bonds are prepaid early, all the fees and costs of the bond offering are spread over a shorter term. As a result, the true annualized cost including interest plus all expenses often proves to be significantly higher than what the stated interest rate would lead one to believe.

***A point worth noting:** In a market where interest rates are expected to fall, the loan may be a better proposition since it may be possible to refinance the loan at a lower rate, comparable to the current bond offering, without having to pay the high costs inherent in many bond programs.*

For example, Church “A” borrows \$500,000 plus \$5,000 in fees from a lender and is aggressive about paying off their loan and does so in 7 years. Church “B” needs the same \$500K from a bond offering, which totals \$540,000 (including all costs) and also pays off the bonds in 7 years.

Assuming the same interest rates and expenses as stated in the prior example, and figuring level payments over a 7 year period:

7-Year Payoff Comparison: Bonds vs. Loan

	Church “A” 7.25% Loan	Church “B” 6.25% Bond
Monthly Payment	\$ 7,683.67	\$ 7,953.50
Total Interest Paid	\$ 140,428.28	\$ 128,094.00
Total of Payments	\$ 645,428.28	\$ 668,094.00

Church “B” with a bond offering and a stated interest rate of 1 percent *less* than church “A”, paid nearly \$23,000 *more* in payments over the 7 years.

Lesson learned: If you plan to pay off your debt quickly, a loan will almost always outperform a bond.

When the total cost of the bond offering is amortized, using this example, we discover *the bond's effective annualized cost over 7 years was approximately 8.75 percent - much higher than the stated annual interest rate of 6.25 percent.*

In a bond vs. loan decision, the deciding factor on which is best will be determined, in large part, by how long the church plans to take in repaying the debt.

There are two positive features of a bond program that the church should consider when making a financial decision. First, the interest rate can be locked in for the whole length of the bond offering. Today, many fixed rate loans have a call, or balloon payment, that is typically due in 3, 5, 7 or 10 years. If the church is certain it is going to take 20 years to pay off the loan, then there may be an advantage in locking in for 20 years with a bond – it depends on what happens with interest rates. However, if the church plans to pay off the debt in 7 years or so (which it should), then a loan is probably the better financial decision.

The interest rate on a fixed rate loan is fixed until the balloon date or maturity of the loan date, at which time the church renegotiates a loan based on the prevailing rates at that time. The church would be refinancing a relatively small amount of debt, if the church has retired the majority of its debt by that time (as it should). Even at a higher interest rate on the refinanced portion (which should be paid off very quickly), the total cost of the loan may still be less than a bond over the same period. If loan rates go down, then the church is in an even better financial position in comparison to a bond.

The second feature is that a bond program offers options to structure the payments in such a way as to allow for escalating

payments, allowing the church to start off with a lower initial payment and increase it over time.

Lesson Learned: Conventional loans are typically not much more expensive in the long run than bonds and can be much less expensive if the church is going to retire the debt early. The faster the debt is retired, the more important it is to stay away from deals with high financing costs. At the end of the day, the church needs to evaluate *all* the up-front and long term costs of the lending options and make a sound business decision based on both the total cost of financing as well as short-term benefits.

Which brings us to our next point...

Retiring Debt

It is one thing to get a loan, it is quite another to pay it off. With few exceptions, shame on the church that takes 20 years to retire a 20-year loan! ***Most churches should have a workable plan to retire their debt in 7 years or less.*** Interest is money the church gives to the world to foster the world's economy. That money should stay in the Kingdom to finance Kingdom work.

Debt Free in 7 Years

Stewardship plays a large role in both planning to build and in getting out of debt in a reasonable amount of time once the church has completed construction. Stewardship in planning involves building only what the church can reasonably afford and having a plan in place to pay for it. Stewardship in retiring debt involves executing the plan in a purposeful fashion. As demonstrated in the following chapter, the church can be debt free in seven years through good stewardship.

As stated earlier, the church can borrow up to around 3 to 3.5 times its current income (usually calculated on the last year's financial statement). Assuming an income of \$150,000, this

would indicate a total maximum safe debt for the church of approximately \$525,000.

Now hold onto that number as we talk about the third way to fund (to some degree), your building program – a capital stewardship program.

Chapter 8 - Capital Campaigns & Fundraising

Over the past several decades, thousands of churches have executed professionally facilitated capital campaigns. What has been learned from these churches over the years is that the majority of churches were able to raise between 1.5 to 3 times their current income through a purposeful and professionally facilitated capital stewardship campaign. This is in contrast to fundraising, which provides more modest revenue to the church from the sale of goods or services.

Ignoring for the moment the tremendous spiritual benefits that result from a capital stewardship campaign, there are at least five ways a church building program can *financially* benefit from a capital campaign.

1. Some churches may use a capital campaign to begin a savings program in order to pay cash and avoid debt.
2. Some churches, in order to expand the scope of the building project, may opt to augment their borrowing capacity with additional funds from a capital campaign.
3. Some churches, without the necessary cash to begin a building program, may use a capital campaign to help raise the necessary cash to cover up-front expenses prior to securing a construction loan.
4. Some churches will choose to use a capital stewardship campaign to pay off the debt as quickly as possible.
5. A capital campaign provides a fund from which a portion of the higher mortgage payments may be paid until the congregation and giving grow to meet the payment.

In reality, a church may actually use capital stewardship program funds to achieve a combination of these financial benefits.

Let's consider again our sample church with the \$150,000 per year income. In the previous chapter, it was determined that conventional lending guidelines would indicate that a maximum safe debt for this church would be about \$525,000. Given historical precedent from other capital stewardship programs, it would reasonably be expected that this church would raise between \$225,000 and \$450,000 over the next three years in a professionally facilitated capital stewardship campaign.

If we took a conservative viewpoint and said the church raised only 1.5 times its current income (\$225,000), at the end of three years the church could retire as much as \$225,000 of the \$525,000 in construction debt by applying 100 percent of the proceeds from the campaign to retiring debt. During this same time period, the church will have reduced its principal balance by at least another \$38,000 through its regular monthly loan payments, leaving an unpaid balance of approximately \$262,000 after only 3 years.

As shown by this example, the combination of regular payments plus the proceeds from the capital campaign has enabled the church to retire just over one-half of the debt by the end of the third year. Of course, if the church raises more in its campaign, then the remaining debt is reduced correspondingly.

Therefore, it seems reasonable to expect that if the church can retire half of its debt in three years it should certainly be able to retire the remaining half over the next four years. Being optimistic, I believe the church will grow numerically and financially over the period of paying off the debt. This is supported by a recent study of churches that showed 80 percent experienced growth after completing the building program.

The church should also strongly consider a second stewardship campaign that is a non-stop continuation of its first campaign. This campaign will help pay off the remaining debt and put

money back into a building fund account for future renovation or building programs. Hopefully the church will be considering its next expansion plans before the end of the seven years, which is certainly a very good reason for becoming debt free!

Becoming debt free in seven years begins with the concepts discussed in Chapters 3 and 4 about knowing what is needed and what can be afforded. The church needs to do this *before* getting too far into a building program, and then put a plan into place to make it happen. **Part of the financial plan for any building program should include a plan to retire the debt.**

Many churches elect not to hire outside help for a capital campaign. For the majority of churches, this decision is often to their financial loss. Estimates are that a church will only raise from 1/3 to 2/3 of the money it would have raised using a capital campaign consultant, unless a church has prior experience running a capital stewardship program. While there are exceptions to every rule, my personal experience is, on the whole, churches inexperienced in fundraising that do not use outside consultants, typically raise about 50 percent less in their fundraising efforts. It would be to the church's advantage to hire a capital campaign consultant to assist with the fundraising. Any increase in the cost of the campaign due to hiring a consultant is almost certainly more than offset by the increased giving that results from this assistance.

Now that we know what a campaign does, we need to understand what a campaign is.

What is a Capital Campaign?

If the church has never executed a capital stewardship campaign, or if it is one of the few that has had a less than positive experience with one, the church might not know what can be expected from a properly run capital campaign.

What is a Capital Stewardship Campaign? Many churches have the misconception of what a proper capital campaign is, and what it is not. A capital campaign is designed to help raise

money for large capital projects, such as construction, renovation, or the purchase of expensive items such as vans, organs, stained glass, or playgrounds. A properly run capital campaign will effectively raise money from within (and potentially outside) the congregation through giving that is above and beyond the current tithes and offerings. Most importantly, ***a capital campaign is at least as much about spiritual growth as it is about raising money.***

What a capital stewardship program is not, is a high-pressure sales pitch used to fleece the sheep of their money. In fact, the focus really is not on money, it's on communicating a need and then meeting that need through the proper stewardship of time, talents and treasures. A capital campaign should also not be based solely on an emotional appeal, but should be a balance of three foundational elements.

The Three Pillars of a Capital Stewardship Campaign

When God created man He gave him his mind, emotions and spirit. To maximize success, the campaign must successfully address each of these three facets of man in fairly equal proportion. Therefore, the three pillars of a successful capital campaign are intellectual information, emotional excitement and spiritual development.

The people who are asked to give to the church's campaign must intellectually understand and agree with the need to build. Facts and figures on what the church needs to do, why it needs to be done, and how much it will cost must be provided in conjunction with how they are expected to participate. This information should satisfy the rational mind by removing as many intellectual impediments as possible. Successfully addressing the issues of the mind leaves it free to act in concert with the emotions and spirit. Much of the information that is required for this part of the capital campaign will be supplied by the needs and feasibility study.

While the focus on a capital campaign should not be a strictly emotional appeal, the emotions do need to be brought into balance with the mind and spirit. Generally speaking, emotions are easily stirred up and swayed, sometimes reversing with little cause. For this reason, emotion must be balanced with the other two elements, as emotion alone will not endure for the long haul of a capital campaign.

A strictly emotional appeal may produce a quick flurry of money and commitments but will soon fade away, just as a roman candle soon flames out after a spectacular start. Those people who are quickly and easily swayed to give can, with equal ease (and speed) become emotionally attached to other things, such as a new car or boat, a new boyfriend or girlfriend, a new house or other affections. And when the heart settles on another object of affection, it generally takes the wallet with it. For this and other reasons, the campaign must address all three sides of man over a period of several weeks to develop a commitment that will stand the test of time.

Giving must be rationally considered in light of biblical principals, and the emotions must support it so that people will give with a cheerful heart. If people understand the need, understand how God provides through His people, and develop an excitement about meeting that need, they will develop a commitment that will generally stand the test of time.

The final pillar, of the stewardship campaign is spiritual. Like a three-legged stool, all three legs are needed for it to work properly. Of the three equal pillars, this one is perhaps a “little more equal” than the others. Ultimately, a stewardship program is not really about money, it’s about helping people make an appropriate faith response to meet a need.

As the church moves through the various phases of the capital campaign, the people will be called to make a faith response. The Scriptures tell us that, “*Faith comes by hearing and hearing by the Word of God.*” Everything needed to teach someone about stewardship comes straight from scripture. The church’s

challenge is to both proclaim it and model it in a way that is understood and applicable to the lives of the people in the congregation. The ultimate goal is for people to prayerfully consider how the Spirit of God moves them to participate in giving and then to cheerfully give in accordance with His prompting.

A capital campaign is a several month program comprised of several phases, not all of which are public. The two initial phases of recruiting, selecting, organizing and training a capital campaign committee, and the team's preparation for the public phases of the campaign, happen behind the scenes. The next phase is the public phase, the one that the church body most visibly notices and what most people think of when talking about a capital campaign.

It is during this public phase that the church capital campaign committee provides information, builds excitement, and provides the spiritual equipping to help bring people to an understanding of the need to build and how they will participate in the campaign to meet that need. A campaign is usually capped off with a Commitment Sunday or banquet to collect the pledge commitments and to celebrate what God has done, and will do, in the church. The final phase is the ongoing collection of pledge contributions, accounting, follow up, and new member assimilation into the campaign.

A capital campaign is typically broken down into several phases. Here is a sample 5-phase plan.

Planning & Recruiting	3 weeks - 6 months
Equipping & Preparation	5 - 10 weeks
Public Phase	5 - 8 weeks
Receiving Commitments	1 to 3 weeks
Collection & Follow-up	Typically 3 years

The first two phases can go as quickly as the church can move or take as long (within reason) as it must. A longer period of time is usually less stressful and more effective than trying to cram it all into a few weeks. Once the church moves into the third, or public, phase, events need to stay more on a rigid timeline. For most campaigns, recruiting, preparing and equipping the stewardship committee may start 4-6 months before the church wishes to be in front of the congregation with the public phase. Doing so will make the whole process much easier, less stressful, and generally improve the overall quality of the campaign.

What You Should Expect

Most churches should expect to experience most or all of the following in a professionally run campaign:

- Spiritual growth and increased faith
- A pledge commitment of 1.5 to 3 times the current annual income in tithes and offerings.
- A greater understanding of God's perfect plan of providence and stewardship, with a corresponding dependency on His Word.
- An increase in normal tithes and offerings of 10-15 percent. (This may dwindle over time if stewardship principles are not taught on a regular basis).
- A greater sense of unity and purposefulness in the congregation.

It must be noted that a primary presumption of a capital campaign is that the church has a good idea of what it wants to build, why it needs to build, and what it can afford. *If the church cannot definitively answer these questions, it is premature to run a capital campaign.* The “what”, “why” and “how much” of the building program are critical requirements for the intellectual and spiritual components of your campaign.

When Should the Church Run a Capital Campaign?

With few exceptions, the answer to this question is generally “as soon as possible.” The money raised before construction can either be used to reduce the amount of money the church needs to borrow or to increase the scope of the building program. How this money is utilized depends on the church’s interpretation of financial stewardship, and of course, the church’s unique situation.

Finances are the biggest limiting factor in most building programs. If planning to build in three years or less, now would be the appropriate time, a season of preparation, to start becoming financially prepared. As it is written in Ecclesiastes 3:1, “*To everything there is a season, a time for every purpose under heaven*” The scriptures also direct us to consider the ant who, “*Prepares her food in the summer and gathers her provision in the harvest.*” (Proverbs 6:8 NASB)

The bottom line is that the church needs to be financially prepared when the season of building comes upon it. I have seen too many churches struggle, or even fail for a time, because of lack of timely preparation. There are several reasons to execute a stewardship program well in advance of building.

- A building program and capital campaign are both complicated and time-consuming events and both deserve undivided attention.
- By starting sooner rather than later, the church will have more money with which to build.
- The increased giving to the building fund can be included in the loan calculations, potentially increasing the amount of financing the bank may offer.
- A demonstrated pattern of giving to a building fund improves how lenders rate the risk in lending to the church. This can potentially improve the loan rate and terms.

- As stated earlier, the more money raised now, the less the church may need to borrow.

Retiring Debt Is More Expensive Than Avoiding It!

An important point to remember is that a dollar given in advance of the building program is more valuable than a dollar given to reduce debt. For every dollar of debt that the church assumes in a building program, it will cost significantly more than a dollar to retire it. For example, at a 7.5 percent interest rate, every dollar of debt will cost \$1.28 to retire *if* the loan is paid off in 7 years. If the church takes 20 years to retire its debt, every dollar borrowed will end up costing the church \$1.98 to retire.

Two important questions that need to be asked of the membership as it prepares for a capital campaign are: Who gives to the church building fund in a capital campaign, and, who pays the mortgage every month? The bottom-line answer to both these questions is that the congregation does.

If the congregation has the option of giving a dollar now to avoid debt, or giving as much as \$1.98 to pay off a dollar's worth of debt, which would they rather do? It comes down to paying a dollar today or as much as two dollars later.

Would your members rather contribute \$1 now to avoid having to borrow it, or pay \$1.98 later to retire \$1 worth of debt?

This logic, however, does not apply if the church is electing to use the capital stewardship funds to extend the scope of the building program instead of retiring debt. In this case, the capital campaign merely permits a larger project to be built than would otherwise be possible.

Fundraising

Not to be confused with a capital stewardship campaign, which is a purposeful long-term offering, fundraising is a shorter-term program (or series of programs) in which money is given in exchange for goods or services provided, with the profits going to the church. Fundraising events come in a variety of different shapes and sizes, from candy bars, bake sales and chicken dinners, to car washes and rent-a-youth.

Fundraisers are a good way to keep financial needs fresh in people's minds, and gives the church a way to encourage members to approach people outside the church to ask them to help with the building program. Through fundraisers, the congregation and community are given multiple opportunities to contribute financially to the building fund. Don't think, however, that this type of fundraising will replace a capital stewardship program.

The most effective way of raising money for the building program is through the determined, sacrificial, weekly giving by the congregation through a purposeful capital stewardship program. Fundraisers *can* raise money for the building program; however, fundraisers will not be the *primary* source of funding a new church.

Fundraisers are great ways to raise money for various aspects of the building program, including new furniture, sound systems, stained glass windows, or new audio/visual equipment. All things that the church may need to purchase that may not be in the building budget. And it goes without saying that the church always has the option to apply the proceeds from the fundraiser to the building cost, with the goal of reducing the amount of money the church needs to borrow in a construction loan or retiring debt more quickly.

In summary, a capital campaign is the most effective way of raising money; reducing the amount of money the church needs to borrow and/or helping pay the loan off as quickly as

possible. Fundraising, then, is no substitute for a capital campaign, but rather, a complementary strategy that, when used in conjunction with a capital stewardship campaign, will enable the church to raise the most money it can for this important work.

Chapter 9 – Construction Methods

While the focus of this book is on pre-construction preparation, there are issues regarding construction methodology that require due consideration during the preparation phase. Once the church has an understanding of what it needs and can afford to build, it will then be time to find an architect and contractor, or a design/build firm. This chapter should help start the church thinking about which method is more appropriate.

Other than the church building the building itself (which I strongly discourage), the two primary methods of building are design/bid/build and design/build. As a general rule, I discourage churches from trying to build it themselves because, apart from a lack of experience and knowledge, the leadership of the church typically does not have the time to invest. I believe pastors and leaders were raised up to preach, teach, and minister, not to be builders. If a person were called to be a builder, then they would probably be one! ***While I will freely admit there are exceptions to every rule, odds are that you and your church are not one of them.***

What many churches overlook in building is that the very effort of building can cause the leadership to lose spiritual focus and possibly jeopardize the very things that caused the church to need to build in the first place! That being said, let's look at the two popular methods of building, with an eye towards determining which is the right method for the church.

As stated above, the two primary development methods are design/bid/build and design/build. Looking at these two methods, one must be careful not to lose sight of the fact that *the most important factor is not the method, but it is the people with whom you are working.*

Viewed from a modern perspective, the majority of churches have probably been built using the design/bid/build method. However, when viewed from a lengthier historical viewpoint, the majority of the churches in the world probably be seen to have been built using some variation of design/build, in which the designer was also responsible for construction.

CAUTION: Pastors and leaders must not fall into the trap of becoming *unduly* involved in the building process. The primary role of church leadership should be spiritual development, not construction. Don't get sucked into the black hole of day-to-day building oversight at the cost of the spiritual health of the church.

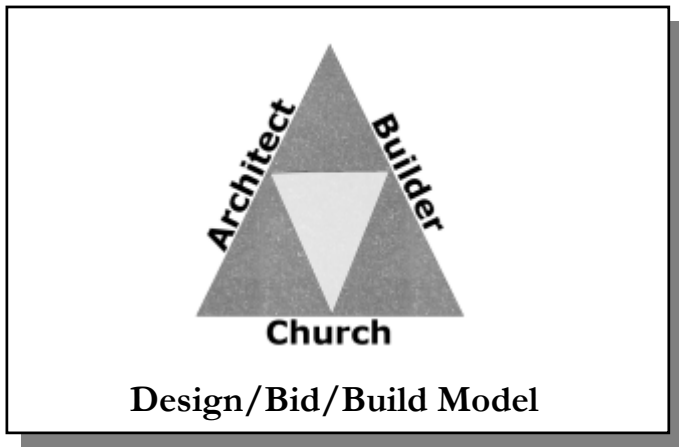
Design/Bid/Build

In design/bid/build, the church hires an architect (or buys off-the-shelf plans) to design a building independent of a builder. Once the building is designed, the plans are sent out for multiple bids and a builder, independent of the designer, builds the building. In this method, both the designer and the builder work directly for the church. The church is responsible for hiring these professionals and managing them, a task the church may not be properly equipped to perform.

There are two primary advantages to this development method. First, the church gets to (hopefully) select a best of breed vendor for both design and construction. Secondly, in a design/bid/build model, the church, the designer, and the builder are in “dynamic balanced tension” with each other. Hopefully, like iron sharpening iron, each is the better for the oversight of the other.

As can be seen from the diagram following, there are checks and balances between the designer and construction firm, with the church being the mediator. While this balance can help with keeping honest people honest, it also provides an occasion to have design and construction issues discussed in a forum where

the church is caught between two differing opinions. This can be confusing to the church if it is not equipped to understand the advantages and disadvantages of each position or solution presented by the architect and builder. In the design/bid/build model **the church can find itself mediating issues it is not equipped to understand.** This is definitely an area in which an owner's representative or church consultant can be a great benefit to the church.



The design/bid/build methodology places a burden on the church, making it more responsible for sorting out differences of opinion between the architect and the builder. These disagreements can cover a range of topics including aesthetics, functional and structural issues. These differences can also become exercises in finger pointing and blame shifting when something goes wrong.

In design/bid/build, the church will need to negotiate separate agreements with both the designer and the construction firm. Design/bid/build *may* cost the church more than design/build, especially if the church does not have the experience and know-how to properly manage the bid and contract process.

Another potentially significant problem with design/bid/build is ***the designer has no responsibility for the actual cost of the project.*** The church may have determined it has a \$1M

budget, which was duly communicated to the architect. However, despite assurances to the contrary, when the church gets the construction bids it may find the bid cost is much higher than the architect's estimate. In this case, unless the church was very wise in its contractual arrangement with the architect (hint, hint), the architect or engineer has no liability and the church's only option is to get the plans redone, usually at substantial additional cost.

With the design/bid/build method there are more challenges in communication, cost control, defining which vendor is responsible for which issues, arbitration of differences in opinion, and of course, time efficiency. The upside is that the church has the ability to select the "best of breed" vendor for both design and construction, with the ability to negotiate each contract separately. It will also hear differing opinions from the designer and builder as they strive to resolve differences of opinion, *which can be a good thing* if the church has the ability to mitigate these discussions and select the best solution.

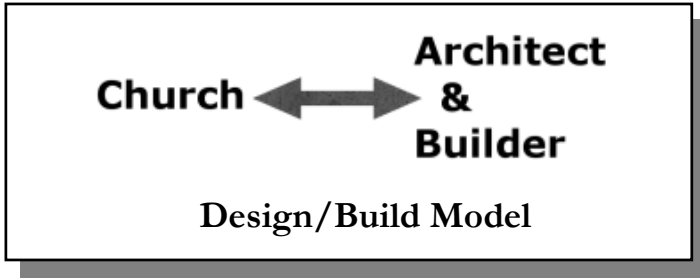
One cost-saving variation of the design/bid/build model that is worth investigation is that of buying off-the-shelf, pre-developed plans as the "design" portion of design/bid/build. The use of stock plans was covered in some detail in Chapter 6, Design.

Design/Build

Design/Build presents a simpler solution for most churches and is one that can potentially provide significant time and cost savings. Design/Build (D/B) is a development method whereby one firm is responsible for both the design and construction of the project. This method more closely reflects how churches were built through the ages, when master builders oversaw all aspects of design and construction.

Today, in a typical church building scenario, the D/B firm may be a construction company with in-house architects or it may have an operating agreement with an architect for those

services. It may, however, be the other way around, in that an architect has an operating agreement with a builder. In either case, the church gets a “packaged deal” of design and construction.



I have often rendered the opinion that a quality D/B firm is a very good approach for many churches. Some advantages for the church in a D/B relationship are:

- A single party is responsible and may be held accountable for all aspects of design, cost control, timeline, and quality from design to dedication ceremony.
- The potential for improved communications between the design and construction teams.
- Fewer contractual relationships to negotiate – saving time, effort and cost.
- A streamlined process and (typically) a shorter timeline to project completion.
- Increased efficiencies provide cost savings that can be passed along to the church by the D/B.
- Avoids “finger pointing” between designer and builder.
- Typically less work for the church.

As you can see, the design/build methodology certainly offers potential benefits in keeping with the goals of the church in saving time, effort, money and stress.

The largest potential downside to Design/Build is that the church has all its eggs in one basket. Since the architect and builder are “on the same team,” the church may find itself without the potential benefit of the dynamic tension inherent in the checks and balances that Design/Bid/Build is capable of providing.

If the church makes a bad decision in hiring a D/B firm, the church can be in serious trouble. One of the valid concerns with design/build is the potential for the architect and builder to make decisions in favor of the bottom-line of the design/build firm, without the church’s knowledge or consent, and to the possible detriment of the church. It may be wise to invest in third party oversight (owners representative) to help the church keep good honest partners good and honest, and to help watch out for the other kinds.

Remember that whom you do business with is much more important than the construction methodology. Integrity and quality of work are much more important than the method used to build your church.

As the church investigates architects, builders, or design/build firms, ask for references - lots of them. Ask for both older and more recent references, particularly for church projects of the same size, building type and budget. Do not hire someone just because a pastor’s buddy had a good experience with the builder. There are two reasons for this. The first is that the pastor’s friend may not have received such a good of a deal and just does not know it (ever hear the saying “ignorance is bliss”?). Secondly, things may have changed with the builder since the other church was in their building program. The construction business is very volatile. A couple of larger deals that go badly for a builder can bring a smaller firm to the point of insolvency.

Knowing that things can quickly change, when checking on builders, both past and present performance must be reviewed. What that firm did two years ago is great, but how is it doing

today? A few basic things that need to be reviewed and verified when hiring a contractor are:

- § Customer references
- § Vendor references
- § Better Business Bureau
- § Insurance Coverage

***Note:** You may also want to review the questions in Chapter 6 regarding hiring an architect for more ideas on questions to ask the builder.*

In checking with the vendors and the Better Business Bureau, make sure that the builder has been in business for some time. With vendor references, find out how long the builder has had a relationship with the builder. If the builder has been around for several years, but many of the vendor references are only a few months or a year old, it may indicate a problem. The builder may have had to find new vendors due to payment problems. Another question to ask the builder is how long they have been in business and then check their response with the Better Business Bureau or state corporation commission. Be alert to name changes. The builder may have been in business 20 years, but if the builder changes names of the company every few years, it is a definite red flag, as some builders have been known to close a company to avoid legal problems and open a new one under a different name.

Another thing to consider is whether the architect or builder has experience designing and building churches in your size, style and budget range. A firm that has dozens of mainline church references for multi-million dollar edifices may possibly not be the right fit for a smaller church that is building a multipurpose building on a small, tight budget.

One of the things that I have often noticed is that if the church is planning a larger building program, say over \$1,000,000, companies will crawl out of the woodwork and stand in line to

help spend the church's money. Fewer are those who line up to help the smaller churches. And what a shame that is, as nearly two out of three churches in America have less than 125 adult members, and they are certainly not building multi-million dollar churches.

Construction Management

A final method of development is construction management. Construction management comes in a variety of flavors, with the most common being one in which the church hires a construction manager who in turn hires the architect and contractors. What essentially happens in this arrangement is that the church hires a managing organization to get the project completed on the church's behalf, much like an agent. In many respects, as far as the church is concerned, construction management works in much the same fashion as design/build.

Construction management is more often seen in larger-scale and/or complex building programs. The advantage is less work and effort for the church, a single point of contact, and professional assistance to coordinate the project. The drawbacks are the same as design/build in that the church needs to hire the right construction management firm. The other concern is whether construction management will add to the net cost of the project or reduce the cost, although in theory it should save more in efficiency than the cost of their services, much like design/build.

In any case, the church must practice discernment in the selection of its building partner regardless of whether it is design/bid/build, design/build, or construction management. The scriptures tell us that we should be careful with whom we become yoked. The church needs to do its homework and really get to know who will be working with the church on this important task.

It is a good idea for the church to get experienced and impartial help on its side when building, as *it is hard to objectively evaluate*

options that are not fully understood. With careful planning and preparation, experienced counsel, judicious vendor selection, and wise contract negotiation, the church should expect to save 10 to 30 percent in the costs associated with the design and construction of new church facilities.

Chapter 10 - General Church Building Guidelines

The following guidelines have been compiled from a variety of sources, including my own experiences of seeing what really works and what does not. Use these guidelines as a starting point for planning, but please note, these are general guidelines and every one of these has exceptions or modifiers based on a church's particular needs and circumstances. These guidelines should not be construed as advice on what to build, but should only be used as starting points of reference in the planning and budgeting process.

- In general, a church should estimate approximately one acre per hundred people on campus at one time. This allows space for the building and adequate parking, green space, setbacks, playground, recreation, and storm water management. This space requirement may be greatly reduced in a metropolitan area where on-street or public parking is available or where many members utilize public transportation to get to church.
- Plan for one parking space for every 2.25 people on campus at one time. This will probably be less than the minimum required parking by the city or county, but will more accurately reflect real need. Initially a church can get away with fewer parking spaces, however, it will need to plan for adequate parking for the total capacity of the facilities, even if the church decides to grow into it over time.
- To get an accurate idea of your church's parking requirements in a future building program, have

- someone go into the parking lot and count cars over a several week period in conjunction with taking a good attendance of *everyone* on campus, including men, women, children and babies. Divide the total average attendance by the average number of cars. The result will probably be somewhere around 2 to 2.5 people per car. Divide this number into the capacity of the new facility and this will tell how many parking spaces the church will eventually need in order to fill the building to capacity.
- Estimate parking to be approximately 100-110 cars per acre using *efficient* parking. A church of 250 should anticipate needing to park 110 cars, which will require approximately 1 acre of land in order to park the cars on-site.
- Structured parking (parking decks/garages) is very expensive to build. While structured parking can dramatically increase parking per acre, use only as a last resort.
- Sanctuary seating requirements typically range from 10 to 15 square feet per person, depending on layout, seating type, seating pattern, and total size of the sanctuary. Stage and chancel area, which may vary greatly between churches, should be calculated separately from seating area, based on specific needs.
- Using chairs instead of pews will generally allow the seating of more people in the same space, perhaps as much as 20 percent more. Chairs also allow for the reconfiguration of the sanctuary as needed to support various uses (weddings, Sunday morning service, special events, community use, fellowship, and more).
- The Vestibule/Lobby/Narthex area should be about two square feet for every seat in the worship center. Normally this will be approximately 10 to 20 percent of

the sanctuary seating space. If the church plans to have multiple services, it should consider increasing this space to facilitate the "shift change."

- Classrooms range in size from 12 square feet per person (for adults) to 35 square feet per person (nursery and toddlers), depending on the age group using the space.
- Almost no church is built with enough storage, janitorial, or working space.
- A high school size basketball court is 50x84 feet. Adding even a modest amount of space around the edge of the court for out of bounds, plus allowing for restrooms, storage rooms, and multipurpose rooms means that a church could be looking at a *minimum* of 7,500-8,000 square feet of building for a multi-purpose facility that will include a basketball court.
- Individual staff offices are usually recommended to be a minimum of 120 square feet. The pastor's office should be a minimum of 150 square feet (with a recommended size of 300 square feet). Cubicles in open workspace areas typically range from approximately 48 to 105 square feet, although they may be as small as 4'x4' (16 square feet).
- Using rectangular tables is much more efficient than round tables. While round tables are more conducive to fellowship, round tables in a fellowship hall will reduce seating capacity by approximately 20 percent. In calculating space needs for the fellowship area, plan on 12 square feet per person for rectangular tables and 15 square feet for round.
- A building with dedicated spaces for sanctuary, fellowship, education, administration, and some multi-use space may require from 35-55 square feet of space per person, depending on programs, ministries and other factors.

- How often do you see a line for the men's room compared to the ladies room? Plan on at least twice the restroom capacity for women than for men.
- Hallways should be no less than 6-7 feet wide. Wider halls (10 feet or more) are important if running multiple services in order to facilitate "shift change." Wider halls are especially important around the Sunday school rooms, an area that is frequently congested.
- Handicap ramps should have a slope of no more than 1 inch drop per linear foot unless handrails are provided.
- Plan to budget approximately 10 percent of the building cost for new fixtures and furnishings.
- Generally speaking, ground floor space on grade is cheaper to build than basement or second floor space. To minimize cost, if there is room, it is generally better to spread out horizontally instead of building vertically.

Issues That Drive Up Building Costs

There are several things in a building program that the church has little or no control over, for instance things like zoning and building codes. However, there are a great many that it can control. This section will attempt to highlight a few of the issues that tend to increase the cost of construction. These are issues the church should be aware of in its planning and land search process that may not be as blatant or intuitive as others.

▪ Topography

Hilly, sloped, rocky, or uneven terrain, as well as creeks, springs, wetlands, and other marvels of nature can significantly add to the cost of site work. Excluding purchasing land, site work is often the second largest cost in a building program, after the building itself.

- **City or County Location**

A church may find that the cost of building outside the city limits is less expensive due to less demanding building codes, landscaping requirements, and a quicker plan approval process (time is money).

- **Utilities**

Extending a sewer or water line to reach the property can be a very expensive proposition. If the sewer hookup is to a pressurized sewer line, you will have to install a lift station, a potentially significant expense.

- **Roof Height and Pitch**

Raising the height of the roof incurs increased cost in walls and possibly increased foundational and structural support. High pitch roofs also require more material and have higher labor costs than do lower pitched roofs. Increasing the cubic footage of a building has a similar effect to increasing square footage in terms of increasing building cost, not to mention increased heating and cooling costs.

- **Fire Suppression**

The requirement for sprinklers can increase the cost of water utilities due to requirements for increased water flow and pressure. If on a well system, the local fire codes may require a holding tank for the fire suppression system. The total cost of the fire suppression and annunciator system is several dollars per square foot. So, as the church evaluates potential building locations, it needs to remember the water supply issues.

- **Soil Issues**

Soft or mucky soil must be removed and replaced with good dirt. Rock outcroppings may need to be blasted or removed. Soil issues can have a significant impact on the cost of site work, and therefore the project cost.

▪ **Multiple Stories**

As a general rule, adding additional stories, in either a basement, second, or third floor is usually more expensive than building all on one level. Potential savings from a reduced footprint can often be offset by increased costs in excavation, floor trusses, and stronger footings. Multiple floors will also require the additional cost of adding non-productive space such as multiple stairways and elevators in order to comply with ADA and fire codes.

▪ **Building Materials**

Aesthetic design elements such as brick exterior, laminated beams and stained glass windows will have a significant impact on the cost of a building without adding a proportionate amount of functionality or capability.

▪ **Time**

Time can work against you in two ways. Building costs have been going up each year by nearly 10 percent, so delaying construction can be expected to increase the cost of the project. Think of it this way, postponing a \$1M building project might cost the church an extra \$100,000(over \$8,000 per month) for one year's delay in beginning the project.

During construction, poor planning or slow decisions on the part of the church can cause costly delays. These delays create increased cost due to construction interest being accrued on a daily basis. A modest sized building program may average about \$100 - \$150 a day in construction interest. However, this is only an average. Delays in the early part of construction when the church has a lower construction draw is much cheaper than later in the project when the church has drawn a significant portion of their construction financing.

▪ **Street Access**

If the primary access to the property is from a high-speed road, the project will probably incur additional costs for

† Preparing to Build

traffic studies, curb cuts (for divided highways), turn lanes, acceleration and deceleration lanes.

The previous points are just a few of the less obvious but none-the-less important things to consider when a church is evaluating locations and building designs.

Chapter 11 - Special Challenges for Small Churches

Every church faces its own unique combination of problems in building, regardless of size or income. Larger churches have the challenge of motivating and trying to develop consensus in larger numbers of people. They generally have more complex issues to resolve, more programs and ministries for which to provide, and other size-related challenges. Younger or smaller churches generally face another set of unique problems when considering a building program. Most of their building challenges stem from too few workers, a lack of building experience, low income or low cash reserves, and difficulty obtaining financing.

Financing Challenges

Churches with less than three full years of financial history will have nearly a zero chance of getting financed through a loan or bond offering. Three years of financial history is the absolute minimum for most lenders (unless you have a co-signer, such as a creditworthy denominational entity), and some request as many as five years of history. For churches that do not meet this requirement, owner financing is usually the only option open to them. (See Land Purchase Options in Chapter 12 for more information on owner financing).

One of the challenges smaller or younger churches typically have is that of little or no cash in the bank with which to build. To overcome this will require careful financial planning and stewardship.

Lenders will usually require a 20 to 30 percent equity investment by the church into the building project, which can be a substantial impediment to building. For the purchase of

undeveloped land, the lender may require an equity investment of as much as 40 percent. Different lenders will have different criteria on how much equity the church will need and how much of the total equity the bank will accept as land equity. Many lenders will often want the church to have some cash in the deal, not just land equity. If a bank's lending criteria is 70 percent loan to value (LTV: the amount of the loan as a percentage of the completed project's appraised value), the church needs to provide cash for the difference between the financing amount and the project cost.

A Simple Financing Example:

The church owes \$125,000 on a piece of land worth \$175,000 and has \$35,000 cash. The cost of the building project is \$650,000 (\$700,000 with contingency) and the value of the completed project (land and building) is appraised at \$920,000. The bank will loan a maximum of 80 percent LTV, which is \$736,000 (even if the church may qualify for a larger loan). The estimated cost of construction, plus contingency, plus land payoff is \$825,000. Subtracting the \$736,000 of bank financing leaves a shortfall of \$89,000. Since the church has \$35,000, it must raise at least another \$54,000 to completely fund the project.

In this example, had the church had less cash or land equity, or if the site work or the construction costs had been higher, the cash requirements to complete the project would have been much greater. If the church will be both buying land and building, it will need a significant amount of cash prior to starting its building program.

One of the best ways to develop cash equity is to start a capital stewardship program (see Chapter 8) well in advance of building. These funds will be designated for the purchase of buying land, land and building, or new construction. This is best started as soon as possible, preferably as much as 2 to 3 years before the church needs the funds.

The borrowing capacity of a smaller church is limited. Given that most lenders will only allow 3 to 3.5 times the church's current income in total debt, a church with an income of \$70,000 may only be able to borrow a total of \$210,000 to \$245,000 - enough for a nice home, but not enough to buy land and build a church for a "family" of 200 people.

A smaller church will generally need to focus on increasing both attendance and giving before trying to build. In this case, the church may want to consider buying land sooner and building later. For more information on this, see the land section later in this chapter as well as Chapter 12 – Land.

Regardless of the size of the church, incurring too much building debt (or any kind of debt) places too large a financial burden on the families in the church. The smaller the church, the easier it is to overburden the members and the greater the financial risk if a couple of good givers leave the church.

When the church is too close to the financial edge, even a few givers leaving (for any reason) can mean the difference between making a mortgage payment, or defaulting on the loan.

Accounting Practices

If the church is planning to borrow money with which to build, it is imperative that the church gets its financial house in order. Proper financial accounting is a problem for many churches, particularly smaller ones. In order to qualify to borrow money, the church must first have good financial record keeping and reporting. From a church construction point of view, the goal of financial reports is to demonstrate the financial ability to service debt. The best way to do this is by providing accurate and properly formatted financial reports that demonstrate both financial ability and good accounting process. Please note that just because the church keeps every check and every receipt does not qualify that shoebox full of paper as an accounting

process. If you properly record every check and every deposit in your checkbook or ledger (with details on what the expense represents), an accountant can create a compiled report for you every year. This would be the *minimum* level of accounting that the church needs to maintain.

Perhaps an even better solution is to use church management software to help track giving, attendance, and accounting functions. A good software program will provide a level of accountability for the money the church receives and spends, as well as making it much easier to prepare to borrow money.

I recommend that the church purchase a software package that will do multiple functions, such as fund accounting (non-profits do not account for funds in the same manner as businesses), track building campaign contributions, membership, attendance, and events such as baptisms. While it can certainly always spend more, the church can buy software for as little as \$200 that will meet the needs of most small to medium sized churches. Not only will this program make the day-to-day administration much easier, it will organize and report the church's finances in a way that will make sense to the bank.

Do not let the cost of a computer dissuade the church from buying one. At the time of this writing, a very good office computer system can be bought for \$300 to \$500. Combined with the free open source office software suite available from www.openoffice.org, a church can implement a complete church accounting and administration system for well under \$700. *This is an investment that every church should make.*

Note: The church should seek the counsel of a CPA familiar with non-profit fund accounting to help set up the books on the computer; to help insure that the church's records and reports comply with generally accepted accounting principles, and to insure that transactions are properly recorded and reported.

While we are talking about accounting, I would like to include this important tip. Put all the money the church receives into the bank, including love offerings, pastor appreciation, benevolence, and any other offering or received income, and ***never ever pay cash out of the plate***. There are two reasons for this. If you will remember from Chapter 7, a church can usually borrow up to about 3.5 times its income. This means that for every dollar of *documented* tithes and offerings, the church can borrow up approximately \$3.50. If over the course of a year, the church has \$10,000 that does not ever “hit the books,” then it has shorted itself \$35,000 in borrowing capacity. The second reason may be even more compelling. The improper accounting and distribution of funds can put the church in violation of Federal and State laws and jeopardize the church’s tax-exempt status.

Focus

Besides dealing with a shortage of funds, smaller and younger churches also have fewer people available to do the work. In most churches (and not just smaller ones) 80-90 percent of the work is done by 10-20 percent of the people. This means that the effort involved in building falls on fewer shoulders, usually those same saints who are already doing most of the other work of the ministry.

In my opinion, the effort required in a building program can have a disproportionately larger impact on smaller churches than larger. In a larger church, if a few leaders become heavily involved in a project, the effect on the church is less noticeable. In a small church, where there already does not seem to be enough time in the week to do everything, the church leaders need to be on guard that the time and effort put into a building program does not impact the health and growth of the church. This is especially true of bi-vocational pastors who are already juggling a busy schedule.

Large church or small, it is quite easy for a pastor to get caught up in a building program and forget his first love and first calling. Not to downplay the advantages to larger churches, but smaller churches can benefit greatly, financially and otherwise, from some outside assistance, as they usually have fewer internal resources on which they can draw.

Buying Land

Many younger churches meeting in rented space have the challenges of both buying land and then needing to build. Too often these churches have the financial ability to buy land *or* build a building, but not both at the same time. While the church may be able to find a ready-to-use building for sale with owner financing, it may be best to assume it will not, and try to buy land as early as possible. If a church has land, it can always be sold (often at a profit) if the decision is later made to buy an existing building.

In order to buy land as early as possible, the younger or smaller church may need to implement a combination of two strategies: initiating a capital campaign and looking for land for sale by owner. The more cash the church has to put down, the more likely an owner-financed deal may be arranged. In this case, the capital campaign is used to help build a cash reserve that will prepare the church to purchase land when it finds it. It is very heart wrenching for the church to be offered a deal on a piece of land and not be able come up with the down payment when it is needed. For more information on purchasing land and owner financing, see the next chapter.

It will be much easier to get a loan when the church owns land with equity, has demonstrated an ability to raise money, and has at least 3 years of financial history than it will be if all the church has are a vision and some faith. I do not mean to downplay vision and faith in building (quite the opposite), but bankers do not deal in vision and faith – you’ve gotta’ show ’em the money.

Lease-Purchase – A Financing Alternative

A financing alternative for a church that is having a difficult time qualifying for a construction loan is a lease-purchase. In a lease-purchase program, a developer builds the building within budget constraints that the church can afford. The owner builds the building (and in some cases buys the land as well) and then leases the entire facility to the church for a period of time until the church can qualify for a loan to purchase the property. Often, the owner will use the lease as collateral to borrow some of the money to build, so the lease payment must not exceed a reasonable percentage of the total income of the church, or the lender will probably not consider the lease as a valid asset.

Lease-purchase can be a great program for churches meeting in rented space, especially those that already have land. A lease-purchase program is ideal for churches that have some land, and either cannot come up with the equity to qualify for a loan, or the loan for which they qualify is less than the best construction estimate for what they need to build. The builder/owner takes the financial risk on behalf of the church to build the building. If the church defaults, they are replaced by another church, which can be offered the same lease-purchase opportunity.

Preparing for the Future

Regardless of how the church eventually ends up financing its first building, the younger or startup church needs to focus on growing both its congregation and giving; setting aside a portion each month from the operating budget (as the church is able) toward future land and building. As the church grows, it should encourage its regular givers to give toward a dedicated building fund. Make this process a regular point of discussion with the core members of the church and weave it into the church vision and mission.

As the congregation continues to grow, look toward implementing a church-wide plan of giving (a structured capital stewardship program) and do not set the bar too low! While

many church leaders worry people will take from the offering to pay into the building fund, experience shows when it is done right, people not only give to the building fund, but also give even more in regular tithes and offerings. Remember, a professionally orchestrated stewardship program should normally raise (over three years) at least 1.5 times the church's current annual income from tithes and offerings. This equates to a 50 per cent increase in giving *above and beyond the current tithes and offerings!* If approached properly, the church should not only raise this money, but the church often sees an increase in the normal tithes and offerings of 10 to 15 percent.

Believe it or not, churches often do themselves a disservice by asking for less than they should. I have seen churches try to run their own building fund programs, and ask for \$50,000 (often missing even this low goal) when it could have been able to raise \$125,000 or more in a properly executed campaign. Before the church decides to run its own capital campaign, it should be aware that a poorly executed or lackluster stewardship campaign can “inoculate” the congregation against further giving, creating resistance to a follow-up campaign and making it much harder to execute, even with outside help.

Chapter 12 - Purchasing Land

Oh what a joyous time, buying the land God has prepared for the church! Purchasing land is a momentous and definitive time in a church's life. It is laying claim to a place to do the Lord's work - a central point from which to minister to the church's mission field. A land purchase will be an important part of many building programs, and as such, requires a great deal of prayerful consideration.

Land acquisition may end up being a compromise between what is wanted, what is needed, and what can be afforded. If you have turned to this chapter without reading chapters 1-5 of this book, you have missed some important discussion on these important topics. One should find time to review them before moving forward with a land search or purchase.

How Much Land?

How much land should be purchased is always the question. I have heard it said the church should buy as much land as it can afford and I agree, *in principle*. Most churches should not consider less than a minimum of 3 to 5 acres. As read in Chapter 10, General Church Building Guidelines, a general rule of thumb is that the church needs 1 acre for every 100 people. If the vision includes becoming a church of 500, then it should probably be looking for *at least* 5 acres. The exceptions, of course, are those churches in metro and urban locations that will have little or no on-site parking or green space (grass and trees).

If the church's ministry includes outdoor recreational facilities such as baseball, soccer, or large playgrounds, then the land requirements will greatly increase. Between the infield and outfield, an observation area, and a reasonable separation from

other buildings, a Little League-sized baseball field can occupy nearly an acre by itself. A regulation soccer field can actually vary considerably in size. Soccer is played on a rectangular field, traditionally called a pitch, which must be between 100 to 130 yards long and 50 to 100 yards wide. This makes the area of just the playing field anywhere from just over 1 acre to over 2.5 acres, not including an observation area.

How much land that is *needed* is going to be determined by the size of the church, its programs and ministries, the ancillary uses of the land, and zoning regulations. Earlier I stated that I agreed *in principle* with the advice that a church should buy all the land it could afford. Churches start getting into trouble when they *literally* buy all the land they can afford, and then do not have enough money left with which to build. I call this situation “dirt rich and cash poor.” Too many churches have ended up with a nice piece of dirt and can do nothing with it except either sell and start over, or wait several years until enough debt can be retired so they can then afford to build.

Chapter 4 discussed the concept of financial ability. The church should start with a total project budget based on its financial ability and determine how much should then be allocated to land and how much to construction. This is another area in which a consultant or denominational resource can be of great benefit to the church. An experienced consultant will be able to help the church develop an optimum budget for land and construction.

If a needs and feasibility analysis indicates the church will need at least 7 acres of land, and the budget says it can only afford approximately \$200,000 for land, then the church will know it is looking for 7 or more acres of land for less than \$30,000 an acre. If a church finds 10 acres for \$200,000, then praise God, and if it finds 6 acres for \$300,000, it doesn't need to look twice at it.

Remember: The church building budget is fixed. The more money spent on land and/or site development, the

less the church will have with which to build a building. The key is to find the right balance between land cost and building cost. When looking for that balance, remember you can usually add onto buildings much easier than you can add additional land.

Where to Build?

Unfortunately there is no single easy answer to this question. The church will, of course, want to find a building location reasonably central (or at least accessible) to its core membership. *Sometimes the land a church can afford is not exactly where it wants to be.* When this happens, the church leadership and body need to spend time seeking the Lord's guidance to determine whether He is leading the church to a different place, or if the church is to bide its time and wait on the Lord. It is often easier to jump to the second conclusion, but the church needs to look at their vision and mission, pray about the issues and never forget that man has his plans, but it is God who orders his steps.

In order to find reasonably priced land, the church may consider positioning itself ahead of growth and let the area grow up around it. The church may also look for land bargains within the city limits. Within the city, there are sometimes good deals in or near urban revitalization areas, before property values begin to rise. It may not be the greatest neighborhood when the church builds, but it is likely to improve. Even if it does not, I believe a good church in a not so desirable neighborhood is far better than no church in a good neighborhood. You may also look in areas zoned for residential instead of commercial (check local zoning regulations), as in most cases residential land is going to be less expensive than commercial property.

When looking for land, there are a number of things that the church will want to weigh in the balance. For each land parcel under consideration, it would be helpful to the church to create a "scorecard" of the important evaluation criteria and have each of the members of the land search committee score each parcel.

This approach will make it easier to compare properties in a more objective manner.

- **Visibility** – The location should be easily visible from the road.
- **Accessibility** – The location should have easy ingress and egress. Just because the church is visible from the interstate does not mean people will take the time to figure out how to get to the church. Accessing the property from high-speed roads will require additional cost in creating merge and turn lanes and, if a divided road, cuts through the curb. Property that has access from two roads is a real benefit from a traffic management point of view.
- **Shape** – A square shaped property is generally the best for maximizing land use. Try to avoid long narrow property and odd shapes as they reduce the usable land space and make site planning difficult.
- **Zoning** – Land zoning is a huge issue. Make sure the land use and zoning regulations will permit the building of a church on the property, preferably without the need of a hearing or special permits.
- **Jurisdiction** – Building within the city limits may be more appealing, but building outside the city limits usually means the land is cheaper and building regulations less stringent, thereby reducing the church's cost to build.
- **Long Range Planning** – That busy little two-lane road today may become a four-lane connector in the not so distant future. The city, county and state commonly have 3-year, 5-year and sometimes 10-year development plans. Get to know the local planning department. They can help in understanding where development is heading and where roads are planned for construction or widening. Getting there ahead of development will greatly reduce the church's land cost.

- **Topography** – Sloped or hilly land is more costly to develop than flat land. Watch out for creeks and ponds as they complicate the building process with large environmental setbacks. Even “dry creeks” where there is only water flow during wet weather can hinder the building process and increase the cost.
- **Neighborhood** – If locating in a commercial area, check to see whom your neighbors will be. If the land is vacant, it would be a good idea to see who owns it, to see if they are the kind of potential neighbors the church would want to have. If in a residential area, it would be a good idea to meet the neighbors, particularly if the church has to apply for a special use permit or exception. The last thing the church needs is to meet the neighbors for the first time in opposition at a zoning hearing.
- **Noise** – Go out to the site at several different times during the week, even on a Sunday morning either before or after church service, and see what the noise level is like. Make sure the land is not under an approach to an airport and there is not an unusual amount of heavy equipment or tractor-trailers rumbling up and down the street when the church would be trying to have worship service. This is especially important if the property is not very deep and building away from the road is difficult. Also make sure the property is not too close to a gun club or quarry (both have happened) as people often find it harder to concentrate on a sermon when they hear gunfire or explosions.

Before purchasing any property, have the successful completion of the following tests included in the contingencies clauses of the contract. As part of the contract to purchase, the church should have a negotiated amount of time to do due diligence and get these tests performed:

- Soil Test

† Preparing to Build

- Level I Environmental Survey (including endangered species and wetlands)
- Perc Test. Only needed if the building will be on a septic system.
- Soil. Watch out for rock and bad soils.

In addition to the above tests, look into the availability and cost of hooking up utilities. It will be necessary to not only check into the availability of utilities, but also the cost to bring service *to the building site*. It is not enough to ask if utilities are available, get an estimate of the cost to get it to the building.

If the church has properly analyzed its needs and financial abilities and knows the general area in which it is called to build, it then becomes merely a process of matching needs to opportunity.

Searching for Land

Once again, there is not just one right way to do this. Land search begins with understanding what the church needs and what the church can afford, which will provide the church with a description of the land the church should be looking for and how much the church can pay for it. I cannot tell how much time and effort this will save in eliminating pointless investigations. If it is determined the church needs at least 5 acres of land and can only spend \$150,000, then there is no sense looking at 4 acres for \$200,000.

Before looking for land, let's put a few myths to rest.

Myth #1 – The church needs to wait and not buy land until it is ready to build.

I believe in most cases just the opposite is true, especially for smaller churches that, today, are meeting in rented spaces. For many churches, the financial burden of buying land and building is too great to overcome. *As stated earlier, many churches can afford to buy land or build, but have a hard time doing both at the same time.* It is

doubtful that land will never get any cheaper, so a church should try to buy land as early as possible and pay it off as quickly as it can. This will not only reduce the overall cost of the building project, but it will provide needed equity for when the church seeks the financing for construction. It also enables the church to break an overwhelming financial burden into two manageable transactions instead of one impossibly large one.

Take a tip from the big boys... Many of the mainline denominations will buy land outside growing areas several years before the town grows out that far. When the population arrives, the church can build a building on land that is debt free, for which they paid a fraction of the current land cost.

Myth #2 – All land is expensive.

Even in areas where land is priced by the square foot (and there are 43,560 square feet in 1 acre), there are opportunities to be had. Developers are often required to set aside land in planned developments for churches, schools and other community related facilities. It is also possible that someone who has made a nice profit selling other land might consider donating some to your church for the tax write-off. Churches get land donated to them all the time, but no one will give the church land if they don't know it is looking. See the next two sections in this chapter for ideas on how to search for land.

If the church wants to be right downtown, land will generally be much more expensive. If the church is willing to move outside the city limits, the price of land will drop sharply in most cases. Moving from a commercially zoned area to one zoned residential can also reduce the cost of land. You will also want to check local zoning codes for which zonings are most compatible with church development. If possible, try to avoid property that will require a change of zoning, special exception or special use permit as this can add time and cost to the building process. In considering land, you certainly should give preference to property that is already properly zoned.

Myth #3 – A church needs a realtor.

IF the church is buying land that is listed by an agent and *IF* the listing agent is unwilling to reduce the commissions (to the church's financial benefit) when the church does not bring a buying agent to the table, then by all means get an agent to represent the church, as it will cost nothing extra.

However, a church does not *need* a realtor to find property that is listed for sale. Information on property listed through a realtor is available through any number of web sites, the most notable of which is www.realtor.com. For MLS listed properties, there is 24/7 access to most of the same information realtors have. If the church finds a property of interest, the church can view the property and then, if interested, contact the broker handling the listing for more information.

Do not sign a dual agent agreement with the listing agent just because they ask. Tell them the church reserves the right to get a buyer's agent involved unless the realtor would be willing to reduce the commission to be both the listing and selling agent. It may be advantageous to point out that their reduction of commissions may be deductible as a charitable contribution.

If the church is only looking at property listed for sale or that has a for sale sign out front, it is probably missing the best deals on land!

Besides looking for property that is listed for sale through a realtor, there are two other ways to look for land: Networking and the Internet.

Finding Land Through Social Networking

As stated earlier, no one is going to give the church land if they do not know the church is looking for it. Networking through the people the church knows *and the people they know* can be an effective means of finding land for the church.

There was a popular pastime a few years ago called six degrees of separation. It was based on the mathematical theory that anyone on earth can be connected to any other person on the planet through a chain of no more than five acquaintances. No doubt you are wondering how this amazing piece of trivia applies to hunting for land. Allow me to explain. It would seem to stand to reason that if by networking through five “friends of friends” a connection could be made to someone like Bill Gates or George Bush, then a church should be able to connect to someone in its community with some land for sale!

Let’s say you are the pastor of a church with a congregation of 75 adults and the church needs to buy land. Let’s go on to say that you and each of your adult members are on an acquaintance basis with another 40 people outside of the church who live in your area. If there were no overlap in “who knows whom,” this would directly connect your church to 3,000 people!

To be conservative, let’s say there is a 50 percent overlap in who knows whom. Even with that much overlap there are still 1,500 people to contact about land. *If the ministry and the congregation clearly communicate the fact that the church is looking for land to these 1,500 people and encourage them to talk to people they know, it will not take long to get the word into the right ears.* If one-half of those 1,500 people talked to only 5 people each, the church’s need for land will reach over 3,700 people!

The better a church is at communicating the need, perhaps backing it up with a small pamphlet or handout, the better the results. If a church can take this grassroots approach and make it effective to three or four levels of friends of friends, a church of 75 adults could reach 10,000 people with its need! As the church is about to roll this program out, seek the blessings of the Lord and ask him to open some ears and prepare a heart to meet the need.

Now we all know that in reality it never works as well as our model. Many of the people in the church may only ask a handful

of people and the numbers go down with every step removed from the church. However, if the church makes it a matter of prayer and consistent reminders to its congregation to talk to the 40 or so people they know, the church should expect to see results. Encourage church members, four, five or even ten times over a period of months to mention it to their network of family, friends, and co-workers, and eventually the need will worm its way to the right ears. Obviously the larger the church and the more motivated the members, the more people can be reached in a shorter time.

Finding Land Via the Internet

The other network to use is the Internet. We already discussed how one could go online and see MLS listed property for sale. There are also several “For Sale by Owner” web sites where one can look for private listings. However, there is yet another powerful option, especially when it is discovered that many times the land sold to churches was not listed for sale when the church bought it!

Many counties and cities have automated their property tax system, making property information available online through a web browser. Most of them have the option of providing a map-based search through what is typically called a GIS (Geographical Information System). Through the county or city GIS system, one can get an aerial view of the county, with the ability to see roads and property lines along with owner information – all right on line.

A GIS system is like a shopping catalog for land! As the building committee chair of my church, I was able to research and compile information on hundreds of properties right from my desk. For each property, I compiled owner contact information, flood plain determination, topographical maps, aerial views, tax value, and in some cases, sales history. I was able to create a binder full of possible church sites without getting out of my chair!

From the computer's aerial viewpoint, streets and roads can be followed with the ability to zoom in on land in the areas in which a church would like to build. The size of the land parcel and owner contact information can be determined. Using the owner name and address, an online phone number lookup can be done for published numbers using any number of telephone number lookup sites, such as the one at www.whitepages.com. Other types of information that may be available, depending on the GIS system, are: zoning, sales history, flood plain determination, property photos, topographical maps, soil types, utilities, and aerial photographs.

Note: Because of the image rich nature of searching for land using a GIS system, a lot of data will be moved from the web server to your computer. Therefore, having a fast Internet connection is imperative, or a great deal of time will be spent waiting for new images to load. If Internet access via DSL or other high-speed Internet connection is not available, the public library's computers could be used for free (however printing may be limited, non-existent, or on a pay-per-page basis.)

While searching for property, remember that the church will generally have better results buying property that is either undeveloped or that has an older rental house on it than it will trying to buy the owner's primary residence. Once a list of potential properties and associated contact information has been compiled, it is as easy as picking up the phone, calling to introduce yourself and saying...

"Hello, Mr. Smith? This is Pastor Hopeful at Grace Community Church in Anywhere, USA. Our church is looking to find some land on which to build our new church and I was calling to ask if you would be interested in an offer on the X acres of land you own on Such and Such Road."

Now there are only three likely answers to this question: "yes", "no", and "gee, I hadn't really thought about it." If you get anything but an outright no, see about trying to set a meeting to

get to know each other. This will be a chance to build a relationship with the landowner, talk about the great things the church does, and to ask them to work with the church on the land. It also presents a wonderful opportunity to share the gospel!

Note: For landowners whose address of record is a Post Office Box, a certified letter stating something similar to the above example should get some attention.

One of the advantages of buying land that is not listed for sale is that the owner has not fixated on a sale price or started to mentally spend the money in anticipation of the sale. As such, it might be easier to negotiate a deal in this circumstance than one in which the sale price is more firmly entrenched in the seller's mind. Another advantage is there is no need for realtors, which reduces the expense to the seller, hopefully reducing the cost to the church.

Land Purchase Options

Land deals for property on which to build the church can end up being quite complex, or they may be dirt simple (pun intended). The simplest deal is when the church can pay cash for a piece of land. Actually, that's not quite accurate, the simplest deal is when someone walks into the church office with a deed and donates some property. After that, things start getting a little more complex.

When the church finances vacant land, the lender will probably require the church to have at least 30 to 40 percent cash or other equity in the property as opposed to the 20 percent or so usually required for construction projects. If the land appraises for \$200,000, the bank is probably going to lend a maximum of \$140,000. For a traditional lender, the church will need to show at least three years of financial reports and demonstrate the necessary cash flow in order to service the loan.

Owner financing of land is a desirable option, especially if the church is younger and/or will have difficulty producing the 30

to 40 percent equity or down payment most lenders require for the financing of vacant land. You can use owner financing to sweeten the deal on the purchase of land in the following way.

Let's say Mr. Jones wants to sell a piece of land for \$100,000. The church has \$10,000 to put down and asks him to finance \$90,000 at 7 percent interest. Mr. Jones knows if the church defaults on the payments, he keeps the church's \$10,000 down payment plus any other payments the church made *and* he gets the land back. If the church does make its payments, he will get significantly more than the \$100,000 asking price, because he also receives the interest income. If the church took 5 years to pay off the land, the seller would be receiving approximately \$18,000 of interest income (depending on the interest rate) on the loan. Effectively Mr. Jones will receive \$118,000 for a piece of land he wanted to sell for \$100,000.

Owner financing is a low-risk opportunity that offers a higher return for the seller. Owner financing can work well if the seller does not owe a large amount of money on the land and does not need a cash infusion from the sale of this property for other purposes, like buying another property.

Note: Owner financing may not work with a seller who owes significant money on the land the church is hoping to buy unless the church cash deposit is greater than the money owed. However, for land with little or no debt against it, owner financing can be a great financing solution and bargaining tool.

Another land purchase option is to offer to buy the land in multiple parcels over time, with each parcel having its own contract for sale. Let's say the 10 acres of land the church requires has been found, but it is more than the church has determined it can afford. In most cases, the church will not need all 10 acres today. The church should consider offering to buy 5 acres today and put the remainder under contract for sale with a closing date in the future (3-5 years out). In this scenario, the church would make a significant good faith deposit on the

second 5 acres (say 10 to 15 percent) and perhaps even agree to a premium price (based on today's prices) on the second, 5-acre tract. This allows the church to get the land they need today while deferring half the cost of the land until the church has had a chance to grow. The church growth will provide both the need and the ability to buy the land.

There are a number of variations on the above scenario, including carving the land into the smallest possible parcels and crafting an offer which includes buying the land in multiple parcels over time in conjunction with land donations from the seller (sort of like buy 3 acres and get 1 free). Under the proper conditions, and with some experienced help, it is possible to reduce the total cost of a land purchase by a sizable portion while offering tax advantages to the seller. Properly done, this allows the seller to realize a net profit equal to or greater than they would have received if the church had written a check for the full asking price of the land, while reducing the total cost of the land to the church.

Owner financing, especially those deals that include some combination of sale and charitable donation of property, have several financial advantages for the seller. The charitable donation of land can help offset the seller's capital gains tax and/or the tax liability from other income they may have. The tax advantages are different in each deal, but it may help the seller to pay less tax when they are able to spread income out over several years in multiple smaller sales, rather than to take a lump sum payment.

When the circumstances are right, creative land purchase deals will permit the seller to net as much or more than was anticipated, while the church pays less for the land. The only entity that does not profit from this type of arrangement is the IRS. Properly done, these deals are perfectly proper and legal according to the IRS' own rules! Creative land purchase contracts can save the church considerable money, but it takes

some experience and know-how to properly put the deal together and communicate it to the seller.

Another potential option is for a small number of the core members of the church to form a partnership and buy the land for the church. This group would use their personal credit to purchase the land, and then write a contract for sale to the church, contingent upon it being able to obtain financing. The church would pay down the debt on behalf of the members until such time as it could obtain its own financing to buy the land from the members for the amount of the remaining loan balance. This is a course of action that should be a last resort and should involve the fewest number of absolutely solid, dedicated members as possible. It should also be properly set up and reviewed by an attorney to minimize the risk both to the members and the church.

Religious Land Use

In several areas of the country, churches are experiencing increased resistance about where they are allowed to build. In some cities, zoning regulations have nearly prevented churches from building in their traditional residential settings, forcing them to areas which are potentially less effective for their ministry. In 2000, the church received a valuable legal tool with which to counter this growing trend - the Religious Land Use and Institutionalized Person Act of 2000, commonly referred to as RLUIPA.

A number of states also offer a state version of this protection, perhaps under a title such as the Religious Freedom Restoration Act. The state RFRA Act offers similar and complimentary protections to RLUIPA.

Under RLUIPA, the church is provided three important protections. The first major protection is found in Section 2(a)(1) of the Act, which states:

"No government shall impose or implement a land use regulation in a manner that imposes a substantial burden on the religious

exercise of a person, including religious assembly or institution ...unless the government demonstrates that imposition is due to a compelling governmental interest and is the least restrictive means of furthering that interest."

What this means to the church is that the government cannot, as a general rule, deny a church the use of any land regardless of its zoning, as doing so would place a substantial burden on the church by limiting its religious expression. Unless the government can show that denial was both necessary, due to some compelling government interest, *and* the least restrictive means of achieving that interest, then the officiating body could be found in violation of federal, and possibly, state law.

The second protection offered to the church is found in Section (7)(B), which specifically states:

"The use, building, or conversion of real property for the purpose of religious exercise shall be considered to be religious exercise of the person or entity that uses or intends to use the property for that purpose."

In plain English this means that buying property and building a church on it is considered a protected exercise; part of free religious expression that is protected under the First Amendment of the Constitution.

Thirdly, the church is protected by the equal terms clause in Section 2(b)(1) where it states:

"No government shall impose or implement a land use regulation in a manner that treats a religious assembly on less than equal term with a non-religious assembly or institution."

From a land use point of view, your church cannot be treated any differently than other places of assembly such as a school, social club, conference center, or theater. If other places of assembly are permitted uses in a given zoning classification, then a church cannot be denied the use of the land solely under zoning laws. Failure to do so could make a case that the church

is not being treated on equal terms with other places of assembly. As an example, a church in Florida was denied a special exception in an agricultural zoning that otherwise permitted schools. Under RLUIPA, this was a clear violation of equal terms where a secular place of assembly was permitted, but not a religious assembly, and the decision was reversed.

Some municipalities are making it a requirement that churches have a minimum of five acres of land in order to build. While having this much land might be seen as a good thing, it is unfair to impose this as a condition to build. On the face of it, it would appear to be unlawful under RLUIPA to arbitrarily impose such a burden on a church, especially if these restrictions did not apply to similar places of assembly in the same zoning classification. If the church has burdens and conditions placed on it that are not placed on other, similar structures, then there may be a case to be made under RLUIPA.

If you have any questions or problems regarding land use and zoning, I suggest that you seek legal counsel from organizations such as The Liberty Counsel, The American Center for Law and Justice, The Becket Fund for Religious Liberty, or others that have had success defending the church's rights under RLUIPA.

Chapter 13 - Ponderings & Observations

It is my intent, as this book begins to draw to a close, to share with you some random thoughts and opinions on things related to building churches. No attempt is going to be made to categorize them in any way; it will be a somewhat free association. Some ideas that I considered worthy of reiteration may be familiar from other places in the book. I hope you find some nuggets of wisdom in the following and perhaps a chuckle or two.

I had briefly considered an alternative title for this chapter, but Proverbs and Lamentations have already been done.

* * *

For your convenience, here are 3 sure-fire ways to increase the cost of a building program:

1. Poor planning
2. Poor negotiation & contracting
3. Change orders

* * *

It always amazes me how otherwise really smart people seem to become less smart in the aggregate of a church committee. If people made decisions in their lives and businesses like some churches do in committee, we'd still be driving horse and buggies to church. To be effective, keep committees as small as possible.

* * *

* * *

No executive decision-making meeting should take more than 60-90 minutes. Use an agenda. Make sure people have access to the information they need to review before the meeting, and set an expectation with everyone to be prepared to make a decision. Executive meetings should generally be for clearing up questions, voting, and handing out assignments to the subcommittees.

* * *

A capital campaign is less about money than it is about understanding a need exists, equipping the saints with the knowledge of how God provides for needs to be met, and then calling people to make the appropriate faith response. If the members understand and embrace these precepts, the money will take care of itself.

* * *

Change can be difficult! There is a natural resistance to change, but sometimes we (the church) struggle *a little too much* with change, making it harder than it needs to be. After all, things have changed a lot in the last 2,000 years and they will continue to do so until the return of Christ. Some of the most effective words that hinder a church from moving forward are “*we’ve never done it that way before.*”

* * *

Speaking of change, here is a joke I once heard about change in the church. “How many deacons does it take to change a light bulb? Answer: Change?? Who said anything about *change?*”

* * *

One way to estimate the cost of furnishings is to take the floor plan of your new facilities and perform a room-by-room inventory of what you will need to buy for that room. The easiest way to do this is in a spreadsheet with columns for room,

item description, quantity, item cost, and total cost (formula of quantity times item cost). Once you have your list, open a church furniture and supplies catalog and assign reasonable prices for each item and let the spreadsheet total the results.

* * *

Lenders are in the business of selling you money. Most often, when you first talk to a lender, things sound quite positive. However you should know that this is somewhat similar to walking onto a car lot and talking to a salesman, except the lender is there to sell you money instead of a car. However, no lender can really tell you if they can make your church a loan without good financial statements and a review of all the paperwork by the loan underwriters. *Never make any financial commitments until your church has a loan commitment letter in-hand.* The church should always pursue multiple sources of funding to find the best deal for the church.

* * *

Something always goes wrong in a building program, it's simply too complicated for it not to happen. It will probably cost more and take longer than you think it should. Anticipate it - plan for it - deal with it.

* * *

Churches can typically afford to build facilities for about 2 to 3 times their current attendance.

* * *

Make sure you know your priorities. At some time in the planning process you may have to make the decision between bricking the building's exterior and providing additional seating or classrooms.

* * *

* * *

The executive building committee should not be too large. The optimum size for an executive committee is about seven people. Seven people are generally enough people to spread the work around without making the committee unwieldy. These people can oversee sub-committees where the real work is done and meet as necessary to make decisions. The executive committee charts the course, hands out work, and makes decisions while the majority of the work is done in subcommittees chaired by members of the executive committee.

* * *

It has been said the effectiveness of a committee is inversely proportional to the number of people on the committee. So, before you add too many people to the committee, think about how it may reduce effectiveness.

* * *

Excessive church voting can really slow down building programs. Your building committee should be empowered to make decisions to whatever level is appropriate and then leave them alone to do their jobs without a lot of voting. If they need a vote of confidence, they'll ask. Sometimes church voting gets a bit out of hand, as in the following real-life example.

After moving to a new state, my family and I were visiting churches. At one church of a couple hundred attendees, we heard an announcement for a church vote on whether or not to buy 12 chairs for the education department! Can you imagine how this sort of process would hinder a building program?

* * *

Another true story: Churches have split over the color of carpet and whether or not to have stained glass or pews. Having an objective process to determine needs, and then framing potential solutions within the context of the church's vision,

† Preparing to Build

mission, need, and financial ability will peaceably avoid or resolve most conflicts.

* * *

A great deal of conflict can be avoided by not letting large numbers of people vote over small details.

* * *

If this were easy, everyone would be doing it.

* * *

A good contingency clause to put into any contract to purchase land or a building is one stating the contract is subject to approval by a vote of the congregation. It's a great catchall clause that allows the church to get out of a purchase agreement without losing its deposit should something unforeseen happen.

* * *

Beware of too many meetings without concrete results. Some good folks are happier to talk about doing stuff than doing it.

* * *

Answers are easy. Knowing what questions to ask (and when to ask them) is the hard thing. It's often the question that you do not ask and answer that will come back to haunt you later in the building program.

* * *

City or county minimum requirements for parking are usually less than what you will really need if you are going to fill up your new building. If you build according to code minimums on parking, have a plan on where you can expand parking when your building starts to fill up. Plan for one parking space for every 2.5 people that will be on the church property at one time. *A half-full building with a full parking lot is usually a waste of building and money.*

* * *

If you are planning on multiple services, make sure your parking, foyer and halls are a bigger than normal to allow more room for the “shift change”.

* * *

Building programs that seem to go around in circles and end up nowhere will inevitably be found to suffer from one or more of these four conditions: Lack of real need, lack of good process, lack of effective leadership, or lack of faith. *The first and last are between you and God. A good consultant can help with the other two.*

* * *

If you are thinking of letting a contractor who is a member of your church build your new facilities, you should proceed with great caution, as often as not this does not end well. If you are considering this, you really should try to talk yourself out of it. If that fails, get someone else to try to talk you out of it.

True story. I know of one church that had the great idea of letting two contractors in their church bid on the project. (Some of you know probably already know where this is heading.) The one who lost the bid got mad, picked up his toys and left the church. The winning contractor ended up wishing he hadn't and resigned about halfway through the project. For every time this has worked well for a church, there are probably as many times it went the other way. As a member of the building committee, a contractor can be a tremendously valuable resource without being the one who actually has to build the building.

* * *

It will probably never be cheaper to build than it is today. I haven't noticed land, materials, or labor getting cheaper, have you?

* * *

* * *

An outside consultant can be a great lightning rod for critical comments, ideas or decisions that are unpopular with some of the members. This can be a great help in maintaining peace and unity in the body of Christ.

* * *

If you are saving up for a church construction project, make sure that costs are not rising faster than savings. I know of a church that could afford a \$700,000 project. The trouble was that they wanted to build a building that was going to cost \$1.2M. Rather than build what they could afford, they decided to raise the \$500,000 shortfall through a capital campaign. Three years later they had the \$500,000 in hand, but with the increase in material and labor costs over time, the project estimate had grown to well over \$1.7M. *After three years of saving, they were nearly \$100,000 further away from their goal than when they started!*

* * *

Here is a prescription for your building program.

Rx:

The cheapest price is not always the lowest cost.

Say it out loud

Repeat every day, as needed, to prevent painful results.

* * *

When the construction crews are on the church building site, form a ministry team to take them snacks and drinks in the afternoon (except Friday, which is traditionally payday, when they often leave early). It will give you a chance to show your appreciation, demonstrate the love of Christ, and share the gospel. You'll probably get a little extra effort and a better building out of it too!

* * *

* * *

Pastors should not be any more involved in the building program than they feel they must be. God called pastors to teach and preach, not be builders. The pastor needs to look after the spiritual side of building the house, not the bricks and sticks.

* * *

Equip your building committee - get some outside help from a consultant and/or denominational resource. The people in your church are too busy to reinvent the wheel, so why spend time trying to correctly figure it all out for the first time when someone can help?

* * *

Buildings are tools for ministry. Tools aren't always pretty, but they do need to be effective. Too often churches build edifices that are as much or more a monument to the architect, pastor, or building committee than a tool for ministry. God does not care how pretty your church building is, He is interested in what you do with it. I am not advocating ugly - just a balance in priorities and goals.

* * *

Many builders consider churches to be difficult to deal with, primarily for these two reasons.

The first reason is churches typically have a difficult time making decisions, especially in a timely manner. Time is money to contractors. But don't forget that time is money to you also. When the church is paying interest on a construction loan, every day of delay costs more money.

Make a Note: When the church has to have a meeting to elect a committee to research some options to make a recommendation to the deacons to present at an elders

meeting so they can call a church vote, it tends to slow down the process. (Watch out for dripping sarcasm)

Elect an executive committee and empower them to make decisions within a defined scope of authority. *The church body will squabble less over the decisions the committee makes than it will trying to make the same decisions in a business meeting.*

Secondly, and to its shame, churches often have a reputation for not paying their bills in a timely fashion. Contractors live by cash flow, so pay your bills promptly and remember the ninth commandment when you tell them the check is in the mail.

* * *

You can have your church built cheap, fast, or good – you get to pick any two. Construction has three primary variables: cost, time and quality. You can control any two of these factors, but the third will be dictated by the other two. You can have it fast and good, but it won't be cheap. If you want it cheap and fast, it won't be good.

* * *

The building permit process can take anywhere from two days to two years. If you are in the county and have no zoning regulations, it can be as little as a few days or weeks. In some high-density metropolitan areas, it can take as much as a couple of years.

* * *

You are not going to please all the people when you build, so don't get upset when everyone is not happy. Do what you know is the right thing to do and resist giving in to an overly vocal minority.

* * *

You know how to tell a goat from a sheep. A goat is always going “but, but, but”. One upset goat makes more noise than 100 contented sheep.

* * *

Sometimes when people leave the church it can be a good thing. Said another way, there are some people who advance the cause of peace and unity by their absence!

* * *

What they didn't teach you in seminary! Pastors are taught how to exegete the Word, they learn church planting and church growth strategies, and are taught pastoral care, but no one teaches them what to do when they are successful and need to build. (If you are interested, contact the author about seminars and speaking engagements).

* * *

It used to be “metal church” buildings were often less expensive than conventional wood frame construction. However, with the recent increases in concrete and steel prices, buildings less than 10,000 square feet usually need to be priced both ways.

* * *

Don't buy a metal building out of the back of a magazine! ***Anyone who tells you that you can build a 10,000 square foot church for \$86,000 is lying or deceived.*** One of the largest and best-known steel building companies lost a class action lawsuit for fraud and deceptive sales practices. (*See State of Colorado v. General Steel Domestic Sales, LLC, dba General Steel & Capital Steel Industries, LLC, dba Capital Steel*) Regardless of the company, ads for factory closeouts and overstocks are most often gimmicks to separate the church from its money. With the increasing price of steel, metal is almost an investment, so it's doubtful that anyone is truly overstocked or doing factory closeouts.

I have witnessed & heard far too many horror stories: churches with piles of steel rusting on the ground because they can't afford to erect and complete the building; huge advance deposits paid to “protect a special price” where the church

cannot get their money back when they realize the truth; building projects half complete because no one understood the complete cost to finish the project; and so many more. There is no such thing as a free lunch. If it sounds too good to be true; it probably is.

* * *

Almost every building proposal put forth in the church will have its naysayers. However, if the majority of solid, sold-out, fruit producing saints in your church are prayerfully behind the building program, go for it. Let those in opposition decide on whether to join you, get out of the way, or find a new church to hinder.

* * *

It is my opinion that more churches should consider Christian day care and private Christian schools. I believe there are both spiritual and financial justifications for this.

Spiritually, I believe we need to provide a Christian alternative to public education. This is certainly true for our children, who are being placed under the yoke of anti-Christian rhetoric, man-centered theology, and physically dangerous circumstances. A daycare or private school is also a wonderful way to reach into the community and meet a need while also sharing the Gospel. It can also help financially support a church and provide a resource for home school groups. I believe that most churches could justify offering these services on the spiritual merit alone, however there is also a financial reward.

Many churches invest significant money in Christian education spaces that, for the most part, sit empty 6 days a week. The two largest expenses that a day care or private school has are rent (or mortgage) and payroll. Since the church has already built the space, it can essentially subsidize one of these two major expenses of the school, since it is already paying for the education space. Having owned and operated an early childhood

education center, I can tell you with confidence that a Christian day care or early education facility should significantly add to the finances of the church.

Properly run and with the rent subsidized by the church, I see no reason at all why a properly run, modest sized center of 60-70 full time children should not be able to add thousands of dollars to the church income every year. Not only that, it should be able to do so at a lower cost than competing corporate centers. Churches that are financially supporting established schools are just not doing something right (unless you are offering low tuition as a ministry). Most often, the church can turn a center around by getting the right director to run the program. The director is the key person to the success or failure in almost every daycare or pre-school, and is the one most likely to be responsible for the center being profitable, or not. A daycare or school must be run as a business if it is going to pay for itself. A Christian education center can help retire the debt on the building, it can provide a safe haven for children, and it can win souls for the Lord that you might not otherwise reach.

* * *

If you build more than one story, there are things that can make the same amount of total square footage more expensive than if you built on one level. For example, basements require excavation and waterproofing of walls that can more than offset the savings in additional foundation and roofing. Additional stories require stronger footers and foundation. Any multi-story church will require stairwells (usually two to comply with fire code) that cost as much per square foot as the rest building, but do nothing to add to functionality. Handicap access required by Federal ADA requirements may mean that you have to add an elevator or chair lifts *in addition* to the stairs. Fire code compliance becomes more expensive from a suppression and annunciation point of view. In general, try to go out, before you go up.

* * *

In most churches, it seems that 90 percent of the work gets done by 10 percent of the people, or if you are fortunate, it may be 80/20. Unfortunately it is usually this same 10 or 20 percent that will also be involved in your church building program. It's in the best interest of the church (and these helpful few) to do everything it can to equip these good saints for the work of building.

* * *

If you take a vote on building or other important issues and the vote is not overwhelmingly in favor of the resolution, do not move forward. A house divided will not stand. Moving forward on a controversial issue with a church vote of 55 percent may be the first step towards involuntarily planting a new church. On the other hand, don't hold out expecting 100% support either. God is not a God of confusion. Generally speaking, if less than 75-85 percent of the congregation is in agreement on an issue, it's probably a good time to back up and build unity before proceeding.

* * *

A building program is not a replacement for evangelism. If attendance is in decline, building is seldom the solution. Unless the building is in very poor condition and falling down around you, chances are it is not the building that is the main issue.

* * *

Of all the programs and studies done by my church, nothing brought us together in unity and mutual sacrifice like the capital stewardship program.

* * *

If the ax is dull, and one does not sharpen the edge, then he must use more strength; but wisdom brings success."

Ecclesiastes 10:10

Appendix A - Insights on Achieving a Positive Church Construction Experience

An Analysis of Select Findings from the Facility Impact Research Study (FIRSt Report)

In 2005, the Rainer Group was commissioned by The Cornerstone Knowledge Network to study the impact of building programs on churches. From the resulting study of 321 churches came several interesting facts that must be taken into consideration for any church that is contemplating a building program.

While an exhausting analysis of the study is beyond the scope of this article, there are three points that warrant special consideration and application by the church.

The first point is that many church leaders expressed concern after their building program, feeling that their builder had encouraged or guided them to build facilities that were too small.

Quoting from the FIRSt study, “...*the single greatest regret expressed was that the expenditures were too low and the projects too small.*”

Later in the report this thought was repeated, “*We consistently heard that church leaders felt that church builders encouraged them to build too small. There is a sense that church builders are erring on the side of caution while church leaders would like to take greater steps of faith.*” While one must be careful not to infer too much from too few comments, these quotes seem to indicate an underlying problem of understanding who is responsible for which issues in a building program. While the input of the builder is important, it would appear from these statements that many churches might

have relied on the builder for expertise outside of their core competency. Seeking counsel from a builder on construction issues is wise, but how many builders (or architects) have the financial expertise and in-depth understanding of the church's financial situation to direct a church on how much building they can afford? First of all, it's just not part of their core competency and secondly, the financial ability and maximum project budget should have been resolved before serious discussions regarding project scope were begun with the builder.

Further, to fault builders for erring on the side of caution when providing advice outside of their area of core expertise (if that was the case), is grossly unfair. Would the church instead prefer to find itself in financial hot water to the detriment or even demise of the ministry because the builder thought they should build a bigger building? It would seem infinitely better for the church to build additional facilities at a later date, than to risk going "belly-up" sooner. To be honest, in church building programs it is much more common that the builders and architects have to be "reigned in" to stay within the budget than to recommend too small of space. After all, the more they design or build, the more money they make.

The church may realize in hindsight that they may have been able to afford a bigger building program because of giving or growth that could not have been guaranteed before the building program began. Hindsight is 20-20, and it is reasonable to assume that in most cases the church, lender, and builder probably pushed the financial envelope as far as they could, based on the financial information available at the time. The flip side of that approach is the danger of churches "betting the ministry" on future numerical growth in order to finance the building. According to the same study, 80 percent of the surveyed churches experienced growth from building, meaning that 1 out of 5 did not and may well have financially collapsed had they built beyond their demonstrable means.

What a church constructs must be based on ministry needs and placed in context of what it can afford. The responsibility for knowing what the church can afford and how it will pay for it is the responsibility of the church, not the builder. It would appear that the builder, being the last person in the chain of building events, is getting an unfair criticism in that they are getting the blame for something of which they were not responsible. The building budget and prevailing construction costs determine the size of the building, and with careful design and bid processes the church can minimize construction costs. This then leaves the budget as the single largest variable in determining the scope of the church's building program.

A conservative budget formula that implements good stewardship principles is fairly straightforward: it is the money you have on hand, plus the money you can borrow, plus the money the church can raise from the sale of assets, such as land. Others, perhaps less conservative, would add to this amount, the money the church could raise during and after the building program through a capital campaign. This, however, may be arguable from a stewardship point of view in that the money raised through a capital stewardship campaign might be better applied to becoming debt free rather than increasing the size and financial liability of a building program. Since there is no one-size-fits-all solution, this needs to be carefully thought through early in the planning process. Bringing needs, desires and budget into balance is a key goal of wise preparation, which is highlighted as the third and final point in this article.

Secondly, the church's level of satisfaction was much higher with multi-purpose buildings or multi-building solutions and lowest with dedicated fellowship halls.

Quoting again from the FIRSt study, "*The lowest level of satisfaction tended to be the result of building a fellowship hall that did not have function beyond fellowship gatherings and meals. The highest level of satisfaction surprisingly took place in multi-building projects in a total church relocation.*"

This concept was presented again later in the report; *“Multi-purpose buildings bring the greatest satisfaction to church clients after the fact. Before the fact, many churches may lean toward single-use facilities.”*

From a recent historical perspective, single use facilities have been the approach of most churches. Single use facilities are “the way we’ve always done it” when it comes to most church building programs. Parenthetically speaking, “that’s the way we’ve always done it” can be the seven deadly words in today’s dynamic church environment. Multi-use buildings are being driven by two factors; changes in how churches “do church”, and rising building costs.

Multi-purpose space is coming to the forefront as the solution of choice as churches adapt to changing styles of worship and new ministry approaches while trying to get the most building for the money spent. Multi-phase building programs comprised of more than one building (multi-building) are common solutions to larger and growing churches whose needs are greater than their current budget.

This is not to say that some churches should not build just a fellowship hall or education building to bring the total church campus into balance. The dissatisfaction of many churches in building may often be due to a lack of understanding of the true building requirements (both long and short term) and the possible solutions that may be implemented to meet those needs. A simple fellowship hall that seats 150 people might be 2,200 square feet with a building cost of between \$150,000 and \$250,000(or more), depending on location and stylistic issues. Some people in the church may have misgivings about the value proposition of spending \$200,000 for a building they will use on an infrequent basis. However, if a fellowship hall can be shown to help achieve the overall mission and goals of the church, and the congregation understands and accepts the value proposition, then the church can be assured of a higher degree of satisfaction with its project.

In the final analysis, this issue, like the preceding one, comes down to understanding what must be built, why it must be built, what it will cost, and how it will be paid for - all before the church starts to build. This is the fundamental purpose and goal of a feasibility study. Regardless of whether the church calls it a feasibility study, a needs analysis, or some other name, it is a critical step in *any* church building program, which leads up to this final point.

The third point is that feasibility studies tend to make for better building programs and happier outcomes.

Quoting from the FIRSt study, “*We did find a strong correlation in overall satisfaction with the building project if a feasibility study was conducted. The disappointment, however, is that only one-third of the churches conducted a feasibility study.*”

When a consultant says there is a strong correlation, the implication is that of cause and effect. In this case, the operative phrase is “*if a feasibility study was conducted.*” This then squarely identifies a causal relationship. They *were* satisfied *because* they conducted a feasibility study. According to the study, 33 percent of the churches conducted feasibility studies, which correlates closely to the 35 percent that considered the building process as “excellent” and the 40 percent that indicated the building program created no conflict in the church.

What did the minority do different than the majority of churches that reported conflict and dissatisfaction? The evidence would seem to indicate that a feasibility study helped decrease conflict while increasing the level of satisfaction with the building program.

A significant challenge with churches conducting feasibility studies is that most churches are not equipped to perform them in an effective and objective manner. Despite their best intentions, most church members are lacking two important qualifications: experience and objectivity. With isolated exceptions, most committees do not have the across the board

experience in needs analysis, financial analysis, church design or construction to be effective in performing a feasibility study. While some members may have some needed skills, as a whole the church is lacking the skills and experience to come to an accurate and objective analysis. Additionally, one person with some experience and/or force of personality can unduly influence the process, especially when there is little or no other experience in the church.

As an active member in the church, objectivity is often hard to obtain and maintain when you are part of the church building committee. Said another way, seeing the big picture is hard when you are *in* the picture. It is difficult to set aside our personal preferences and needs in order to be objective about the needs of the church when those needs do not coincide with our own. Moreover, churches, and particularly churches that have been in operation for a long time, have cultures and ways of doing things that can make it difficult to think “outside the box.” Unless motivated by a significant outside influence, churches tend to continue to think and do things they way they always have. Planning is an investment that will pay large dividends, including savings in cost and time. An outside church building consultant can help objectively guide the church through this process.

In summary, a church considering building should invest in a formal feasibility study to help maximize the church’s satisfaction with the building program, to insure they get the most building they need (and can afford), and to get the best building to meet the needs of the ministry, the members and the community they serve. A feasibility study provides a plan for execution, brings unity to the church, and becomes the foundation for the design and construction process.

In the final analysis it would seem likely that the investment cost for proper planning to explore feasibility and needs should be more than offset by the hard dollar savings the church experiences in time and effort. Added to this saving is the

additional, non-monetary value of increasing satisfaction, maintaining unity, and reducing stress and effort on the part of the church leadership.

As it says in Proverbs 24:3-6, *“Through wisdom a house is built, and by understanding it is established; by knowledge the rooms are filled with all precious and pleasant riches. A wise man is strong, yes, a man of knowledge increases strength; for by wise counsel you will wage your own war, and in a multitude of counselors there is safety.”* (NKJV). From these verses we see that the wise will seek counsel from many people. It may be prudent to insure some of those counselors are from outside the church in order to help provide an objective and experienced viewpoint.

Appendix B - Giving in the Church: An Analysis of Average Giving per Person

Do you ever wonder how your church compares in the giving department to other churches? Many churches “feel” like their members give sacrificially, but have little real objective data on which to make an evaluation or comparison. It does not help that much of the information available on giving is usually measured in the mystical terminology of a “giving unit.”

Regretfully, the definition of a giving unit seems to be somewhat vague and prone to interpretation. For example: Is a nuclear family with two working and tithing adults one giving unit or two? How about two roommates who each earns an income and tithes? Is this one giving unit or two? Most of us would probably agree the second case is two giving units, but what about the first? The only difference is the first are (hopefully) married. If a couple write separate checks they might well be considered two giving units, but if they combine their giving into one, does doing so arbitrarily reduce your giving units by one?

Cash offerings in the plate provide another challenge, as there is no way to know if the cash came from one family, five families or thirty different people. An offering envelope system will help reduce some of the variables, but not eliminate them. When discussing giving in terms of giving units, comparisons or calculations based on a vague or poorly defined terminology will always be suspect at best, and meaningless at the worse.

As a church construction consultant, I have worked with a large number of churches over the years that were looking to build or relocate. One of the many factors I help churches analyze is

financial ability. Even though many lenders will often apply a formulary based on giving per giving unit as one of their criteria, I prefer to deal in a simpler unit of measure when doing initial evaluations. Drawing upon my years of being a church treasurer, I went back to a calculation I used to monitor giving patterns. This calculation is based on a simple and effective formula - giving per person.

When initially working with churches that need to build, I always ask two very simple questions.

1. What is your average attendance, counting men, women and children of all ages?
2. What was your total income in tithes and offerings last year (or last 12 months)?

Once these two numbers are ascertained with reasonable accuracy, it is a simple process to divide the total income by the total average attendance to determine the average giving per person per year. A church with an average attendance of 150 and annual giving of \$165,000 averages \$1,100 per person per year in giving.

An analysis of nearly 200 churches, with average total attendances ranging from 9 to 2,500 persons, indicated a median giving per person per year of \$1,038.

Over the years, I became aware of what seemed to be an emerging pattern in the relationship between income and attendance. It appeared that for a significant percentage of churches, one could take the average attendance and by adding three zeros, come up with a very close approximation of the annual income.

If my hunch proved to be correct, this would mean that the average giving was approximately \$1,000 per year for every man, woman and child in attendance. Eventually I decided to put my impressions to the test. Over the years I had accumulated hard

data from many churches, including giving and attendance information, into a database. I exported the information into a spreadsheet and did the simple math. I was pleased to discover that mathematical analysis confirmed my anecdotal estimate.

Interestingly, there appears to be no significant correlation between the size of the church and giving per person. In fact, 80 percent of the churches that ranked in the top 10 for giving per person had attendance of less than 500 with 2 of those top 10 churches reporting attendance of less than 50 persons. The average attendance of churches in the top 10 giving per person was 305, with an average income to the church per person per year (counting men, women and children of all ages) of \$2,250.

It is important to remember that averages are just that, an average. There are churches with giving per person well above the average and those that are well below. The churches in the analysis were primarily protestant evangelical churches in the eastern half of the United States. The analysis included downtown, mainline churches and small independent churches in the cotton or tobacco fields of the Deep South. Economically, the churches ranged from dual income families in major metropolitan areas to financially challenged areas where unemployment or social security was the primary source of income for a significant percentage of the church.

What does this mean for your church? It is impossible to say how this information can be applied in an “across the board” fashion to all churches. One area in which this information can help is in trying to predict the church’s future financial ability in order to service construction debt as the church grows. If your average giving per person is \$1,000 per year and you can add 200 people in an expansion program, what might that do in helping you retire your construction debt? Please note this does not in any way advocate betting on future income; that is, taking on too much debt in the hope you will be able to afford it at a later date! While a recent study of over 300 churches, which had recently completed building programs, indicated that 80

percent of churches grew after completing construction, this means that 1 in 5 did not!

Each church must take the information presented here, perform their own giving analysis and try to apply it to their situation. If you feel your church is above average in financial ability, but giving is less than average, you may want to consider how to better communicate the blessings of good stewardship. If you feel you are right on the mark with respect to the averages, you may decide you don't want to be an "average" church and look to bless the Lord (and your congregation) by striving for excellence in giving.

How blessed is the man who finds wisdom and the man who gains understanding. Proverbs 3:13

My hope and prayer is that you have found a measure of wisdom and understanding in the pages of this book.

May the Lord bless you as you do all that which is according to His will.

Stephen Anderson
December 2006



About the Author

Stephen Anderson has served in his church as both administrator and treasurer as well as the chairperson of the executive building and capital campaign committees. Since 1999, he has ministered to churches as a church building consultant, helping churches prepare for building or capital stewardship programs. The father of 7 boys, he is also a seminar speaker and past contributing editor for various church industry magazines.

Mr. Anderson may be reached by email at p2b@amiccs.com

Reader Reviews & Comments

“Preparing to Build was an incredible value - just a wealth of information. The truth and his experience jump off the pages.”

“Your book, Preparing to Build, is right on target. I have read the book twice and strongly recommend that anyone contemplating a new church building project acquire the book and read it thoroughly.”

“This isn't ivory tower theory; this is real practical real-life advice from someone who's been there.”

“The book, I think would be an eye opener for those on the trustee board of my church; I really feel your book would lead them in a more positive direction.”

“The material is excellent! Five years ago I was minister of a church in New York and we began a building project that later stalled. Your information helped me understand where we could have improved our plan.”

“I actually read the whole book before purchase and was most enthusiastic about it. I will certainly be sharing it with the other church leaders.”

Building - A Real Challenge for Today's Church

Many churches that are building today find themselves in the position where they must accomplish the following without the benefit of substantial experience or training:

- **Determine all of the proper steps that need to be taken in a building program, and then...**
- **Learn how to accomplish those steps in the proper order, and then...**
- **Execute those tasks with excellence the first time!**

From concept to completion, your church will not undertake a more demanding and complicated task in terms of money, risk and effort than it will in a building program.

The proof of this is found in the number of horror stories we hear about church building programs and the number of Pastors who leave churches during or shortly after a building program.

Your building program needs to be run in a way that will maximize effectiveness while protecting the pastor and other leaders. It needs to be run right the first time.

Preparing to Build provides valuable *real-world* insight to help your church:

- **Protect the Church, its Leaders, and its Members**
- **Reduce the Cost of Design & Construction**
- **Reduce the Effort, Stress & Risk in Building**
- **Improve Church Satisfaction with its Building Program**

Published by the Author

