



WESLEYAN  
INVESTMENT  
FOUNDATION

# Kingdom Dreams, Kingdom Growth

11 Things Every Church Should Know  
About A Building Project



# Kingdom Dreams, Kingdom Growth

Considering a construction project or master plan for your church? This resource is for you! We walk through a typical construction process from casting the vision to final occupancy. You'll gain some ideas and begin to formulate a plan that serves the unique needs of your church, so you can focus on what matters most – pointing people to Jesus.

## **The Building Process**

The strategy for reaching your community will be impacted by the design and function of the buildings you create. You'll want to maximize your opportunities by engaging the right parties to help you dream, plan, design, raise funds, and ultimately build and equip a space tailored for your distinct ministry needs.

**Let's get started!**

# Cast the Vision.

## Isaiah 55:11

*So is my word that goes out from my mouth: it will not return to me empty, but will accomplish what I desire and achieve the purpose for which I sent it.*

**The places and spaces we meet matter.** Your church building can be a landmark and light to bless your community.

### Set yourself up to receive vision

As a senior leader, set aside time for personal retreat and make special study of scripture related to church planting and building. Allow God's word to soak in and inspire you as you seek his dreams for your church.

### Take notes

When you seek the Lord and the Holy Spirit speaks, put pen to paper! Having a written plan will be key for clarity.

### Share the dream

Engage informal conversation about God's vision for the church's future ministry spaces with fellow leaders, overseers, your board of directors, and subject matter experts in the church.

### Be patient and reasonable

You took time to wrap your brain around what God is up to. Give your people some time to get used to the idea, too. The next step is to begin to form teams to share the load of planning, so you'll need to practice inviting people into the process as well as valuing and welcoming their feedback.

# Plan and Strategize.

## Psalm 24:27

*Prepare your work outside; get everything ready for yourself in the field, and after that build your house.*

**Time for a master plan!** Once the vision is cast for a project (1-2 months), and building and finance teams are engaged to assess ministry needs and capabilities (1-3 months), you are ready to begin the master planning phase (2-3 months).

### EVALUATION

- Review land survey, zoning, permitting, & use.
- Take stock of existing building condition.
- Consider existing audio-visual equipment and furnishings' suitability for future ministries.
- Consider possibilities of multi-function spaces (worship, training, conference).
- Think through needed seating, parking, and access as service is beginning and ending.

### CONCEPT

- Select a qualified architect with **specific church master planning experience** to prepare a master site plan and preliminary drawings.
- Make initial cost projections using building cost averages, then adjust for local influence on costs.
- Present the conceptual drawings and site plan to the church and building/finance team, then refine and finalize based on their input.

# Select Construction Delivery Method.

## Proverbs 16:9

*The heart of man plans his way, but the Lord establishes his steps.*

**The project delivery method** is the selected approach of the church to design and build the needed facilities. There are three primary delivery types.

### Traditional

- Most common form of project delivery
- Design, bid, and build are completed by separate contracts for each
- Competitively bid
- Best suited for small, simple projects

### Turnkey (also known as “Design-Build”)

- Church contracts with one firm for both architectural design and construction
- Early cost commitment, with potential for compromises in quality to meet budget/schedule

### Owner Build (also known as “Owner Controlled”)

- Church independently hires a project manager, architect, and contractor
- Often used for large, complex projects
- Additional cost to church for independent project manager, but church benefits from costs saved due to the IPM’s expertise and management

# Engage.

## Psalm 33:11

*But the plans of the Lord stand firm forever, the purposes of his heart through all generations.*

The architectural design process lays the foundation for good construction project management. Depending upon what construction delivery method the church selects, some of these phases may be handled or overseen by an independent project manager, or may not be applicable.

**Important! Make sure you connect with your lender early to get a high-level idea of the church's borrowing capacity. This will reduce the risk of spending money to design a project that isn't feasible.**

### Design, Bidding, and Contractor Selection Process:

- **Pre-Design** - Architect and civil engineer collect information about the property, scope of the project, zoning and land use parameters, and any structures they'll be working with or around.
- **Schematic Design** - Architect, with client feedback, helps develop a site plan, floor plan, and overall building elevation drawings. Should include structural details as well as behind-the-scenes mechanicals & utilities.
- **Design Development** - After the client is satisfied with the overall schematic design, the architect fills out the plans with more detailed information such as placement of doors and windows, fixtures, and finishes. This phase may include some rough contractor estimates.
- **Construction Documents** - Design team prepares detailed working construction documents, fully defining the scope of all the work to allow for subcontractor bidding, field installation and execution of all work.
- **Permitting** - Construction Documents / Permit Set is submitted to the permitting authorities for review and issuance of the permits. Depending on the municipality, this process can take several months.
- **Bidding** - Bids are solicited from contractor(s) based on the completed plans. AIA contract for construction is negotiated and signed.

# Go All-In.

## Prov 3:9

*Honor the Lord with your wealth, with the firstfruits of all your crops.*

Now that you have counted the cost and obtained preliminary architectural renderings to show the congregation, it's time to raise money!

### Campaign information and best practices:

- A campaign consultant can help you plan a campaign but **does not guarantee success**. Consultants may oversell on feasible fundraising goals for the church and are expensive.
- Rule of Thumb: Over a 2-year period, it's reasonable to expect a well-engaged congregation to be able to raise "over and above" funds equal to **1x-1.5x its annual tithes** and offerings. This is an estimate only, and many factors can affect this dynamic.
- **Don't count on collecting all pledges.** An 80-90% pledge collection rate is a successful campaign.
- **Most campaigns include a "silent" phase.** Key givers, legacy team, and board members are approached one-on-one by senior church leadership. Often, as much as 20-50% of a project's goal is met in the silent phase before the campaign is made public.
- When the campaign is announced, there is often a "firstfruits" Sunday where early pledges are made and collected. The % of goal raised from the "firstfruits" offering gives church leadership insight about **how successful the campaign will be** in raising the necessary funds.

**Important!** If possible, raise a large portion of funds needed for construction (50% or more) prior to breaking ground. Delays due to fundraising shortfall can be costly and jeopardize the project!

Have a clear understanding of how and when the funds will be received, as this plays a significant role in forecasting cash available for project expenses, and therefore the schedules for both design and construction.

# Coordinate.

## 1 Corinthians 14:40

*But all things should be done decently and in order.*

### Important Pre-Construction Topics

**Permitting** – Before beginning construction, ensure you have obtained all the necessary building permits. These vary by construction type and municipality but may include a dig permit to begin sitework, a construction/building permit, and sub-trade permits such as electrical, mechanical, and plumbing. Your Independent Project Manager and design team should assist in identifying, managing, and tracking all these activities.

**Entitlements** – The entitlements process deals primarily with a structure's intended use, changes in intended use, and whether it complies with appearance standards for the area and the overall city plan. For municipalities that require a complicated entitlement process, churches should educate themselves on the entitlement process in their area. This often involves notification requirements to neighborhoods and the general public through hearings and meetings before work can begin. Your Independent Project Manager and design team should manage this process on your behalf.

**Deed restrictions, zoning, and use issues** – Carefully review the deed, as well as zoning and use information for the proposed property. Some questions you should be asking include the following:

- Is this property zoned for church use; i.e. can a church be built here?
- If not, what is the process, likelihood, and timeline for rezoning?
- Can/will the property be revised to tax-exempt status?
- Are there any deed restrictions, easements, or encroachments? These can restrict the use of the property both for current and future owners, and can also cause reduced marketability and resale value.

**Builder's risk insurance** – This specialized type of insurance protects the church's building project and supplies from property damage due to common hazards such as fire, lightning, hail, and theft. Builder's risk insurance is a requirement in order to be able to obtain financing. In most cases, it is most economical to purchase this coverage through the general contractor and should be included in their cost of the work.

**Interim plan** – Where will the church meet while construction is in process? If selling an existing facility, can the church arrange to continue to occupy it by leasing it during the construction period? Be sure to negotiate a lease extension option in case construction delays occur. Also, think through the financial impact of both making a lease payment AND paying construction loan interest during the construction period.



# Secure a Financing Partner.

## Psalms 25:9

*He guides the humble in what is right and teaches them his way.*

**Important!** Do not incur significant architectural costs until you have contacted your lender to determine the church's borrowing capacity. This will prevent you from spending thousands of dollars on architectural plans that you may not be able to utilize. Additionally, you do not have to contract with a design team for full design services in order to engage your congregation. Design work can be completed in phases, such as first completing concept drawings for vision casting and preliminary project budget. You'll need the full set of plans in order to refine and finalize the project budget, though.

### Key Lending Guidelines:

- **Leverage/Borrowing Capacity:** As a general rule, the total loan amount should be less than three times annual recurring tithes and offerings. This can vary based on personnel costs and other operating factors.
- **Equity:** Typically, the loan should be less than 70-75% of the project cost. More equity may be required for land purchases.
- **Liquidity:** Churches should aim to keep a minimum of 90 days worth of cash on hand for operating expenses and emergencies – before, during, and after a purchase or project.
- **Cash Flow:** Adequate recurring cash flow to make the ongoing loan payments.

### Other Questions to Ask About Loan Structure:

- **Loan Term:** How long is the loan term? This may be shorter than the amortization.
- **Construction Draw Period:** This is the length of time you have to make construction draws, often under an interest-only structure.
- **Amortization:** This is the amount of time payments are spread over. Industry standard for church lending is 20 years, but longer amortization may be available from some lenders.
- **Interest Rate:** How much the lender is going to charge you for using their money.
- **Fixed or Variable:** Construction loans may be on a variable rate until the construction draw period is completed. Or, they may be set up with a fixed rate for a certain period of time – say 3-5 years – with an adjustment after that.
- **Closing Costs:** Will the lender require attorney prepared loan documentation, or prepare the documents internally? What are the expected costs and fees associated with loan documentation and closing?
- **Rate Lock:** Is the interest rate subject to change between now and closing?
- **Prepayment Penalty:** Will the lender charge the church a fee if they refinance or pay off their loan early? If so, what provisions or exclusions apply?
- **Closing Timeframe:** How long does the church have to complete its due diligence and lender to complete title work and loan documentation?
- **Construction Monitoring:** Some lenders may require ongoing construction monitoring, such as third party inspections, draw requests processed through a title company, etc.

# Prepare for Action.

## Luke 14:28

*Suppose one of you wants to build a tower. Won't you first sit down and estimate the cost to see if you have enough money to complete it?*

**Master Project Budget** - A fully thought-out Master Project Budget is one of the church's most essential project management tools.

**A Master Project Budget lists ALL costs of the project, even work not being completed by the contractor. Here are some items to make sure are included on your budget:**

- Construction costs covered by the construction contract
- Sitework – Grading, Parking, etc
- Soft costs such as architectural and design cost
- Fees for permitting, inspection, and General Conditions
- Project manager fees
- Audio-visual needs
- Necessary furniture, fixtures, equipment
- Landscaping
- Signage
- Interest carrying costs during the project
- Contingency funds of 5-10% of total project cost
- Change Orders

**After totaling up all these costs, the Master Project Budget then displays funding sources so that the church can track its progress toward completion and determine its remaining needs on the project.**

- Church's remaining building fund cash on hand
- Balance remaining to be drawn on construction line
- Any funding excess or shortfall

**Important! Update your Master Project Budget worksheet with each draw. This worksheet is part of the draw process, as you'll see on the slide to follow. It's for your benefit as much as the lender's!**

# Ready. Set. Go!

## Philippians 3:14

*I press on toward the goal to win the prize for which God has called me heavenward in Christ Jesus.*

### Draw Process

**1. Gather Draw Information and Supporting Documentation** - Depending on project delivery method, these may be gathered by your independent project manager.

You'll need the following:

- a. Updated Master Project Budget
- b. Contractor Draw Request Forms (usually AIA G702 & G703)
- c. Contractor Lien Waiver through date of last draw

**2. Submit Draw Request to Your Lender** - Include in your email the loan number, amount of the draw requested, any portion of the funding to be covered by the church, along with supporting info listed above.

**3. Additional Information** - Clarifications, project pictures or invoices, and other items may be requested by your loan officer or draw reviewer. Once all information is received, the draw will be reviewed.

**4. Approval & Disbursement** - Depending on your lending arrangement, funds may be disbursed to the church to pay the contractor, to the contractor directly, or to a third party.

**5. Interest Carrying Costs** - Your loan accrues interest during the construction period based on the amount you have drawn on the construction loan at that point. Depending on how your lending arrangement is set up, the church may be billed for interest separately during the construction period, or the interest may be funded from loan proceeds at the time of each draw. If the interest carry is being funded under the loan, **be sure to build interest carrying costs into your budget**, or you may experience a shortfall at the end of the project.

**NOTE:** It is helpful to establish a timeframe for all periodic (typically monthly) invoices and supporting backup to be submitted so that costs align with the monthly budget update, and the draw request process can be expedited.

# Occupy.

## Psalm 122:1

*I rejoiced with those who said to me, 'Let us go to the house of the Lord.'*

**Congratulations!** Your building is now complete and you are ready for an open house. Open the doors of the church, dedicate and pray over the new space, and invite the community to come in! An open house may be done as a standalone event or it may be done in conjunction with your first service in the new building.

### What does an open house do?

- **De-mystifies the building** for your congregation and for potential visitors – they'll be able to see where everything is located within the building.
- **Creates opportunities** for connection with new visitors.
- **Raises the church's visibility**/profile within the community. Promote it on social media, have plenty of volunteers there, and MAKE IT FUN! Things like bouncy houses & recreation visible from the road attract people's curiosity and attention in a way that a construction site does not.

### Before Move-In Day:

- **Create a detailed schedule** for moving of furniture, fixtures and equipment, particularly if relocating from an existing facility, and impacts to current operations.
- **Ensure team is trained** on security and access control.
- **Allow time for functional space setup**, i.e. stocking of paper goods, food items, supplies, etc.
- **Allow time for maintenance** and operations systems staff training.
- **Allow time for worship team rehearsals/practices** in the new space with the new technology, & volunteer training in the new facility.

**Important!** All required fire, building code, department of transportation, and environmental inspections should be completed, and the church should ensure it has received all necessary approvals and a certificate of occupancy, BEFORE scheduling the open house.

# Steward and Grow.

## Exodus 15:17

*You will bring them in and plant them on the mountain of your inheritance - the place, Lord, you made for your dwelling, the sanctuary, Lord, your hands established.*

**Here we grow!** Although you may be preparing for growth in your new facility, it's important to take the following steps:

- The church's senior leadership team should engage in a discussion to **reflect on the construction process** – what worked, and what can be improved upon for future projects. Retain minutes of this debrief conversation for historical reference.
- Develop a written plan and **instructions for cleaning staff**.
- Develop a written plan for **training of maintenance staff**, being careful to maintain equipment in a way that does not void the warranty on important infrastructure like HVAC. It is highly recommended that you video and catalogue all training provided by the subcontractors for future reference as maintenance staff will most likely change over time.
- **Train a volunteer team** to help with all aspects of worship and ministry.

**Important! Keep records of every transaction in the construction process.** This can help you as you maintain your new facility, as well as ensure you have all the information you need in the event of a dispute with the municipality, contractor, subcontractor, neighbor, or other party.

### Retain full records of all pre-construction diligence:

ALTA survey  
Approved site plans, permits, zoning documentation  
Detailed Plans, Blueprints, and Architectural Renderings  
Other diligence such as environmental, engineering, and traffic studies

### Retain full records of all draw activity:

Draw Email Correspondence  
Contractor lien waivers  
Master Project Budget submitted with each draw  
Supporting documentation such as progress pictures and invoices.

### Retain full records of all post-construction diligence:

Inspections  
Any required municipal or environmental approvals  
Certificate of Occupancy

**Schedule a walkthrough with the project team, PRIOR to the expiration of the general warranty period (typically 1 year)** This walkthrough is to identify any warranty items that need to be addressed. If a list is generated, get the contractor's plan to address.

# Best Practices.

**This section contains practical guidance to help you avoid common pitfalls:**

- Talk with your lender early in your planning process to see what's feasible and especially before spending money on your project. Failing to do so may increase costs and cause delays or misunderstandings with your leadership team, project team, contractors, and congregation.
- If you are buying land, ensure that zoning and use information is reviewed to your satisfaction prior to signing a purchase agreement or extending earnest money. If this isn't yet available, include a contingency in your offer for receipt and satisfactory review of zoning and use information. If it turns out a church can't be built there, you need an out from the purchase. Establish a RISK FREE due diligence period in the purchase agreement, sufficient to allow the property to be fully evaluated for suitability.
- It is very typical for projects to experience cost overruns. In fact, a project that comes in at or below its original budget is an exception to the rule. Build contingency money into your budget of 5-10% or more for cost overruns and change orders.
- DO NOT begin any site work or start accumulating supplies before your financing is secured and lender advises that it is time to move forward. Starting before the lender has all the proper paperwork in order could cause costly project delays.
- It's great to use church members for their counsel and expertise but be wary of potentially awkward or difficult scenarios of relying on those members for their services (Lenders, Banks, Accountants, Attorneys, etc.) if something doesn't go as planned.
- Plan regular meetings with your project teams such as church building/finance team, architect, general contractor, lender, accountant, etc. to ensure you're all on the same page from start to finish.

## **STAY OUT OF FINANCIAL BONDAGE**

**Save as much money as you can**

**Raise as much money as you can**

**Borrow the least amount you need**