

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 to your distinct ministry needs.

Let's get started!

| | |
|------------|-------------------------------------|
| Section 01 | Cast the Vision |
| Section 02 | Plan and Strategize |
| Section 03 | Select Construction Delivery Method |
| Section 04 | Engage |
| Section 05 | Go All-In |
| Section 06 | Coordinate |
| Section 07 | Secure a Financing Partner |
| Section 08 | Prepare for Action |
| Section 09 | Ready. Set. Go! |
| Section 10 | Occupy |
| Section 11 | Steward and Grow |
| | Best Practices |

TABLE OF CONTENTS



01

Cast the Vision

The places and spaces where we meet matter.

Your church building can be a landmark and a light to bless your community.

1. Set yourself up to receive vision

As a senior leader, set aside time for intentional reflection and the 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.

2. Take notes

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

3. Share the dream

Engage in formal 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.

4. 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 forming 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.

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.



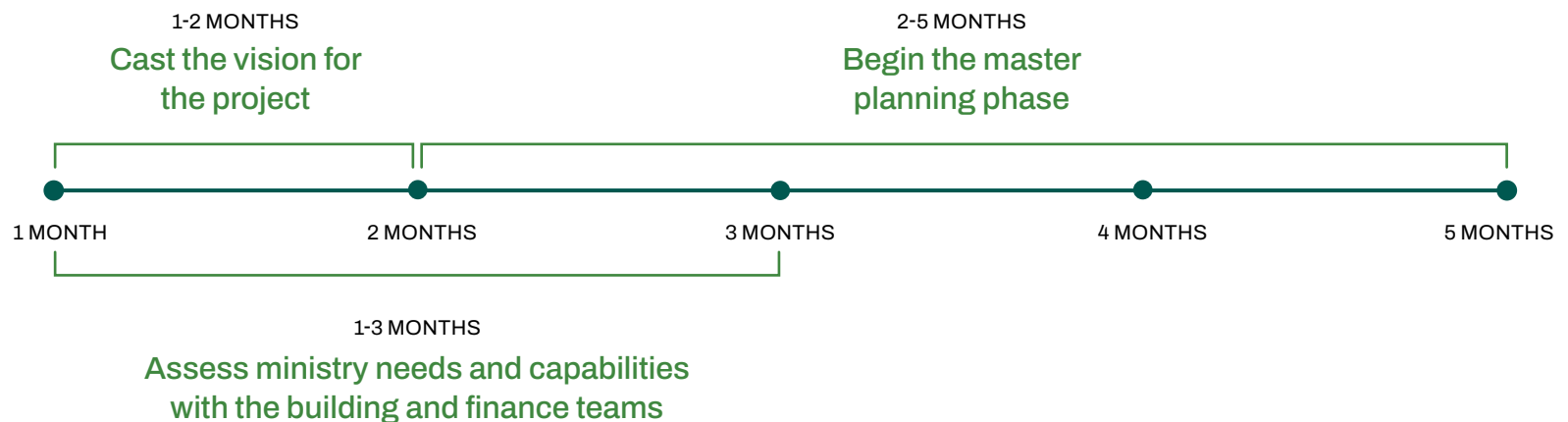
Plan & Strategize

Evaluation

- Review land survey, zoning, permitting, & use.
- Conduct site due diligence to take stock of the existing building condition.
- Consider the suitability of existing furnishings and audio-visual equipment for future ministries.
- Consider opportunities for multi-functional spaces (worship, training, conference).
- Consider seating, parking, and accessibility needs during both the start and end of the service.

Concept

- Select a qualified architect with experience in church master planning 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 the building/finance team, then refine and finalize based on their input.



Psalm 24:27

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



03

Select Construction Delivery Method

The **project delivery method** determines the approach for designing and building the needed facilities for the church.

Traditional

- Most common form of project delivery
- Design, bid, and build are completed by separate parties, with 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, prioritizes cost-effective solutions to meet budget and 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 independent project manager's expertise and management.
- Requires significant leadership involvement to integrate voices.

Proverbs 16:9

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



04

Engage

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!

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:** The 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:** The architect, with client feedback, helps develop a site plan, floor plan, and overall building elevation drawings. The plan 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:** The 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 are 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. The AIA contract for construction is negotiated and signed.

Psalm 33:11

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



05

Go All-In

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**.
- 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 funds will be received. This understanding plays a significant role in forecasting cash available for project expenses, which impacts the schedules for both design and construction.

Proverbs 3:9

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



06

Coordinate

Important Pre-Construction Topics

- 1. 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.
- 2. 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).*
- 3. 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.
- 4. 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 required in order 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. Be sure to discuss your options with an insurance advisor before purchasing.
- 5. 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.

1 Corinthians 14:40

But all things should be done decently and in order.



07

Secure a Financing Partner

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:** Ensure sufficient recurring cash flow to cover ongoing loan payments.

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 tens of thousands of dollars on architectural plans that you may not be able to utilize.

Other Questions to Ask About Loan Structure:

- **Loan term:** How long is the loan term? Is it shorter than the amortization period?
- **Construction draw period:** How much time is available to make construction draws? Will the loan be interest-only during this period?
- **Amortization:** Over what period will loan payments be spread? Is a 20-year amortization standard, or does the lender offer longer terms?
- **Interest rate:** What interest rate will the lender charge for borrowing funds?
- **Fixed or variable:** Will the loan have a fixed or variable rate? If fixed, for how long? If variable, when and how will the rate adjust?
- **Closing costs:** What are the expected costs and fees for loan documentation and closing? Will an attorney prepare the documents, or will the lender handle them internally?
- **Rate lock:** Is the interest rate locked in, or can it change between approval and closing?
- **Prepayment penalty:** Will the church be charged a fee for refinancing or paying off the loan early? If so, what are the specific terms or exclusions?
- **Closing timeframe:** How long does the church have to complete due diligence? How long will the lender take to finalize title work and loan documentation?
- **Construction monitoring:** What construction monitoring requirements does the lender have? Will there be third-party inspections or draw requests processed through a title company?

Additionally, you do not have to contract 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 for refining and finalizing the project budget.

Psalm 25:9

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



08

Prepare for Action

A fully thought-out Master Project Budget is one of the church's most essential project management tools. Here are some items to make sure are included on your budget:

- Construction costs covered by the construction contract
- Sitework – grading, parking, and stormwater management
- 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 and outdoor lighting
- Interest carrying costs during the project
- Contingency funds of 5-10% of total project cost
- Information about any change orders, once the project begins

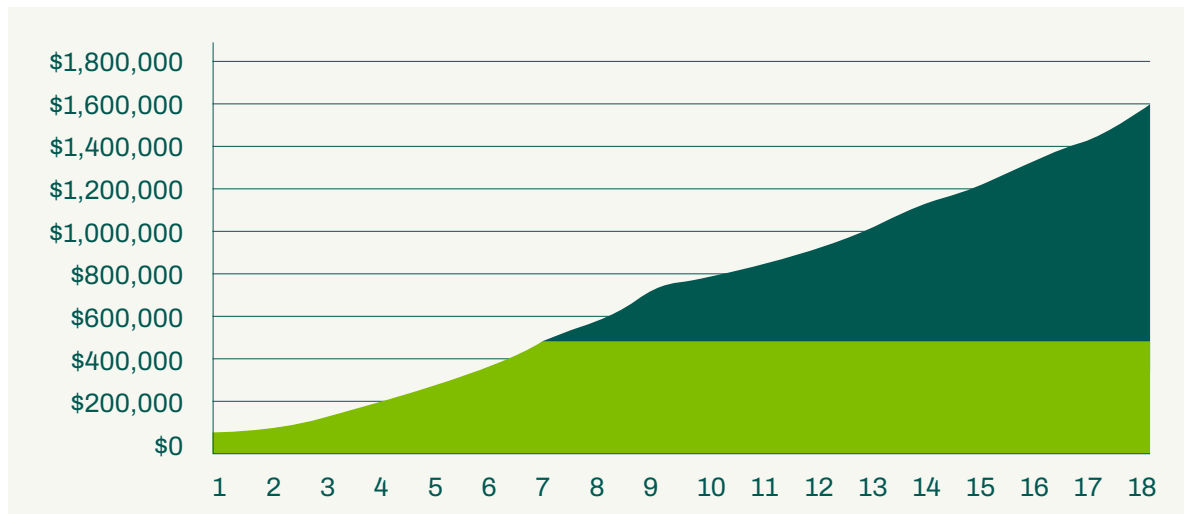
Once all costs are totaled, the Master Project Budget outlines funding sources, allowing the church to track progress and identify any remaining financial needs.

Key funding considerations include:

- Church's remaining building fund cash on hand
- Balance remaining on the construction line of credit
- Any funding excess or shortfall

\$1.6M Construction Project over 18 months

■ Funded by Church ■ Funded by Lender



Important!

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

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?



09

Ready. Set. Go!

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:

- Updated Master Project Budget
- Contractor Draw Request Forms
(usually AIA G702 & G703)
- 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 submitting all periodic—typically monthly—invoices and supporting documentation to ensure costs align with the monthly budget update and to expedite the draw request process.

Philippians 3:14

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



10

Occupy

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 and recreation visible from the road attract people's curiosity and attention in a way that a construction site does not. Also, consider inviting local officials who have supported the project (*city council, fire chief, etc.*).

Before Move-In Day

- Create a detailed schedule for moving furniture, fixtures, and equipment—especially if you're relocating from an existing facility to minimize impact to current operations.
- Ensure there is a team trained on security and access control.
- Allow time for functional space setup, food items, supplies, etc.
- Allow time for maintenance and operations systems staff training.
- Allow time for worship team rehearsals and volunteer training to familiarize everyone with the new space and technology.

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.

Psalm 122:1

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



11

Steward and Grow

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 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:

- American Land Title Association (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 it.

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.

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, 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 a satisfactory review of zoning and use information. If 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 common 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.
- **Don't start any site work or accumulate supplies before your financing is secured** and the lender advises that it is time to move forward. Starting the project 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** (*building/finance team, architect, general contractor, lender, accountant, etc.*) to ensure you're all on the same page from start to finish.



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