



CHURCH CONSTRUCTION 101

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**Best practices designed to
guide you through a church
construction project.**

Unless the Lord builds the house, its
builders labor in vain.

Psalm 127:1



Where to Begin



Your church is distinctive. The way you minister is unique. Let the design of your facilities reflect your DNA.

God has given your church an exclusive DNA that is derived from its people, history, culture, and location, among other factors.

Gaining clarity on the identity of your church (DNA), what God has called you to (vision) and how He has called you to do it (mission) is the first step in stewarding the expansion that you're facing.

Download this DNA Discovery Assessment to help you gain clarity about your church's DNA, take hold of the vision God has called you to, and define the strategic next steps in how to fulfill it.

Counting the Cost



Stay within your financial boundaries by evaluating Source & Use

“Which of you, desiring to build a tower, does not first sit down and count the costs, whether he has enough to complete it?”
Luke 14:28

Planning a project you can’t afford is a waste of time and resources, and it’s simply bad stewardship. By balancing Source & Use, you will ensure the feasibility of the project. Great expansion plans of any scope or size don’t actually happen unless there’s a way to pay for it.

Counting the cost is as simple as measuring what a project is going to cost to complete, and comparing that to how much money you have. This is referred to as a **Source & Use calculation**.

Watch this short video clip of AG Financial Church Loan Consultant and Construction Expert, Shawn Fink, explaining how to count the cost of your upcoming project with the Source & Use calculation.

Counting the Cost

Along with the Source & Use calculation for setting accurate parameters for your expansion budget, there is another factor to consider, called the **contingency factor**.

The contingency factor is a line item in the budget that plans for unknown costs or cost overruns. Additional project expenses can come in many forms; additional costs charged by the contractor for unknown factors, changes and additions made by the church, or changes and additions required by local authorities. Cost overruns are very common in any size project; plan for it! A contingency of 15-20% of the total project cost is recommended during initial planning, but can be reduced to 10% as details become more defined.

View this sample Source & Use calculation to see how the contingency factor works in a real project budget.

Guiding Principle

We recommend communicating the rebalanced Source & Use calculations monthly with all parties involved.

Defining The Project



For sustainable growth, develop a Facilities Assessment and a Master Plan.

A Facilities Assessment and a **Master Plan** are tools that work together to identify current facility's condition, how you're using the current facility, future ministry needs, and how a church expansion project can meet those needs, long-term.

Facilities Assessment

Understanding how facilities are currently being used, identifying any under-utilized space, and analyzing immediate facilities needs and potential schedule changes to maximize use can help relieve pressure when space is tight. It will also give you the insight you need to begin creating your Master Plan. To do your own Facilities Assessment, follow these steps:

1

Inspect the Current Facilities

Check the facilities for deferred maintenance, preventative maintenance, and any needed repairs. Investigate the costs to address any concerns and prioritize that work.

2

Conduct a Facilities Use Summary

Examine room-by-room and on a day-by-day basis how your facilities are currently being used.

3

Conduct a Facilities Needs Assessment

Analyze each ministry's current environment, and determine what necessary facilities, furnishing, fixtures, and equipment you'll need to operate effectively.

4

Consider Future Church Growth Projections

Look at initial project completion and future anticipated growth, as well as a maximum growth cap, and assess the ability of the current property to accommodate that. This may also involve specific ministry vision to determine what ministries could be started, grown, or enhanced by having the right facilities.

Master Planning and Phasing

A comprehensive **Master Plan** is an invaluable tool that shows phases of facilities growth. As it can be a very detailed process, many churches enlist the help of an architect. It's important to take the time to do this right. While there are many ways to approach a Master Plan, you should first identify the unique vision your church has. How can a church expansion project align with that vision and result in a facility that helps accomplish the mission? Also, what did your Facilities Assessment tell you? Data from that assessment is important in understanding how the facilities can best meet the needs of your ministry.

Once finished, your church's Master Plan will enable you to identify priorities and attainable next steps. Another benefit is gaining the ability to identify and plan for proper phasing of your expansion project. **Phasing** allows you to compartmentalize your expansion project and tackle one phase at a time, based on priority and budget; this gets back to the Source & Use discussion. You can take on the most important parts of an expansion project and, if needed, hold off on other phases until the finances are in place.

As an example, you may have a dream of expanding and renovating the current facilities to provide a larger sanctuary, building a separate youth building, and converting a portion of the church property into a sports field. Phasing, in the context of the larger Master Plan, will help you navigate all parts of the plan in a clear, sustainable way that minimizes risk and frustration.

Guiding Principle

Make sure your final bids clearly define all work, costs, and time frames. Don't start a project on assumed cost factors.

The Value of Good Partners



Building the right team for your needs.

Similar to the importance of a solid church staff or church board composition, it is imperative you develop the right team of partners dedicated to a successful project. Ensure that the team you assemble to help bring the vision to life is on the same page with your church's unique purpose and DNA.

A project team will often include the following:

A pastor or staff member; an internal member of the staff can have tremendous insight when planning a project, and is often in a good position to be able to communicate between internal and external teams. This can be critical during construction of projects that are on an existing, operating church campus when logistics of running a project while operating a church might need hourly management.

Building Committee; use caution when involving a large number of voices in the process; however, certain volunteers and those with specific skills who are part of the church body can be a tremendous help.

Owner's Representative; an Owner's Representative, possessing strong management and communications skills, is a liaison between the owner (the church) and the rest of the team. Some churches choose to hire a paid professional, and others may have a volunteer or staff member that possesses the necessary skills to fill this critical role. It's important the builder and other consultants have a single point of contact through the process.

Architect; the architect, or architectural firm, is a critical part of the project team, as they help bring the vision to life through drawings, renderings, and the printed plans that the builders will follow.

Builder; finding the right builder execute the plan is important. There are many factors beyond just price to consider when selecting a builder.

Specialty Consultants; with larger, more complex projects, there will often be specialty consultants for parts of the project like audio, video, lighting, etc.

Architects and Design Consultants

When considering an architect, take things one step at a time to ensure alignment of design and your Vision, Mission, and Budget (Source & Use); designers need those parameters. Architects typically structure their contracts in four phases: feasibility, schematics, design development, and construction documents. Consider starting with one phase at a time in order to confirm alignment as mentioned above. The feasibility stage is often one in which the designer can help develop the master plan and shape a facility that accomplishes your mission. This is critical, but so is making sure that design is affordable - otherwise, you can't achieve it.

Design-Build Firm

The design-build contractor means that the designer and contractor are a single entity. This method allows the desires of the owner to be communicated directly to the builder/designer, and allows both vision and budget for the project to take lead, but can limit competitive bids.

Guiding Principle

The architect you choose should be one who has the ability to listen and design with your needs in mind while staying on budget.

General Contractor

A General Contractor (GC) is the most common arrangement. One of the biggest advantages to using a GC is that their contract will typically be a fixed-price agreement, but limited by language contained within the agreement. Limitations will likely include additional requirements mandated by the city/county during the course of the project and/or change orders that result from unforeseen items.

Limited-Scope General Contractor

A limited-scope GC is a general contractor whose contract is limited to a certain level of completion or portion of the building rather than the entire project. With this approach, the church is liable for any work completed outside of the GC's contract including, but not limited to, scheduling, oversight, cost control, warranty, etc.

Construction Manager

A construction manager (CM) is a builder who simply organizes the project and oversees the subcontractors and the work. The subcontractors are hired by the owner but managed by the CM. Typically, a CM provides no warranty as to the price or time frame on a project. The church carries all risk and liability.

Self-Contracting

Some churches choose to act as their own contractor. Through this method the church, rather than a GC or CM, hires all subcontractors directly and oversees the workers and the work. Because of the risk involved, your lending institution may not allow self-contracting.

Process & Phase Overview



If you've never been part of a construction project, it is helpful to know the various phases of the process. Each phase plays an important role in a successful project.

Pre-Construction Planning

Your DNA, Vision, Mission, and development of a Master Plan.

Design

Defining the expansion with an Architect or Design Consultant.

Final Pricing and Contract

Once design is approved, establish the scope of work, timeline, and firm bids.

Secure Financing

More than 2,000 churches and other ministries have used AG Financial to finance over \$1.6 billion in church loans.

Construction

Building permits, builders risk policy, and on-site management should be in place prior to commencement of building. A balanced Source & Use should be reflected prior to project commencement.

Project Close Out, Warranty, and Facilities Management

A Certificate of Occupancy is issued and a Notice of Completion is filed along with final pictures of the completed project.

Closing Thoughts

As you begin the exciting process of expanding your church, take heart in knowing that proper planning and prayer is the key to success and can help you grow your ministry without compromising the stability of your organization.

AG Financial is here to help you do that.

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