

When to build or not.

Construction projects
can make or break
your ministry.



Your ministry banking resource.™

You have a good problem—your church attendance is growing and you're busting at the seams. Having found a great location in the heart of your community, your church has purchased some nice land. Suddenly you're faced with "the building project." Once your heart stops palpitating, you wonder, where do we start? You should start by beginning with the end in mind, and by being proactive. You must start by praying - persistently and consistently.

Construction projects can literally make or break a ministry. However, if the project is undertaken with great planning and detail orientation, the result can be continued church growth. Every ministry embarking on such a project has to employ due diligence. You must learn to plan for the unexpected, and whatever you do, resist the temptation to start the project without all the funds in place. You'll want to become a master communicator and inform the congregation of the plans. Without the congregation's support—in more ways than one—your effort will be futile. And then there's the lender you choose. Which one is right for your church?

Yes, there are many variables with a church building project. But, the great news is that in most cases, if you build it they will come—but only if your project is run properly.

Your due diligence

What does "due diligence" encompass when it comes to constructing a new church facility? The first consideration should be those whom you choose to manage the project—the person you hire to be the project manager or general contractor, as well as the "ministry liaison" from within your ministry.

Hiring the right project manager or general contractor can result in a great new facility; hiring the wrong one may devastate your ministry. Take your time in selecting a company to whom you will entrust your project. Review their resumes, visit their office, and call and visit their previous clients. Look at the company's financial statements for the previous two years. If they are operating "in the black" consistently, it is a good indication they know how to bid jobs appropriately—both in project management and materials costing. Also, obtain more than one job bid from different contractors, and make sure any general contractor you choose is bondable. This means that should your contractor leave prior to finishing your project, the bonding company will step in and fulfill the obligations set forth in the original contract with the contractor. It is important to note that although the contractor usually pays for his bonds initially, ultimately he will pass the cost on to you. It does ensure, however, that your job gets done, and done in a timely manner.

Very often a church can make an excellent contractor choice, but, because they don't have someone on the ministry side that understands the scope and needs of the project, communication breakdowns occur which end up costing time, energy, and money. By selecting a knowledgeable individual, or team of individuals to work with the contractor as your ministry liaison, you help avoid communication problems and project delays. The key requirement for the ministry liaison is appropriate construction experience and the time necessary to commit to the project. This simple step will help relieve the burden on pastors, bookkeepers, and others in the ministry who may lack construction experience and have limited time to devote to the project.

Unfortunately, no matter how diligent you are in choosing your project managers, something will inevitably go wrong. You will need a budget that allows for ministry to continue during construction. Additionally, plan for the potential cost overruns. To practice good stewardship during your project, follow this simple rule of thumb: create a contingency fund in your budget of at least five to ten percent of the overall cost of construction. You should anticipate that unforeseen challenges will arise during the building process.

Have you raised all the funds?

Now, here's an important factor—you shouldn't start construction without all your funds in place. And "all your funds" means knowing where all the money for the entire project will come from.

Ideally, a church will save the entire amount of money needed for construction in order to avoid debt. However, most churches will use a combination of savings and a loan to pay for the project. Consider whether a building fund (a specific fund designated for a specific project) or a growth fund (a fund which allows the church to use it for multiple uses) is appropriate for your ministry. When it's time to begin your construction project, start by researching costs.

Your cost estimates for the project will be most accurate when the planning department has approved the plans and issued the building permit. So, be sure to sign a contract with a contractor who knows the permit process in the area that your ministry serves. Also, make sure the general contractor guarantees the project will not exceed a specified amount based on the approved plans. Usually this translates into the type of contract you sign. A "Guaranteed Maximum Price" contract is highly recommended.

Nothing would be more difficult than spearheading your church building project without the support of your congregation—financially, physically, and spiritually. This means you're going to need to inform them of the plans



early and often. However, this may result in a whole lot of “handymen” calling the church office for work. You may want to welcome help from the congregation, but you should limit their volunteer work to only the items that are not time critical and are minor in nature. If you do happen to have professional subcontractors within the congregation that want to perform the work, have them sign a formal contract with the general contractor to avoid any confusion later on. In any case, encourage those willing to give their prayerful support, time, and money.

How experienced is your lender?

And speaking of money, wouldn't it be nice if every church embarking on a building project was blessed with that multi-million dollar gift from the anonymous donor? But let's face it, this is not a likely scenario. So, choose your lender wisely. A construction project is no small task—just ask Noah. It will consume you and your ministry's resources if you allow it to. And that's just on the construction side of things. If you have a lender that doesn't employ extreme diligence in the administration of your construction loan, or at least hire a third party to do so, you'll have a whole new set of problems to deal with—unpaid invoices. So, make sure the financial institution you choose is experienced with construction loans, and is responsive to both your needs and those of the project manager, or general contractor and subcontractors. Your lender should be fully disclosing, flexible, creative, proactive, and most of all, ministry-minded. Finally, when your lender approves your construction loan (a short-term loan for the construction period), look for them to grant an approval for the permanent financing for your facility as well.

There is good news! When all goes as planned, your church will likely experience growth, which means more souls enter the Kingdom. This is most probable when you're faithful to complete your building project within your budget and on schedule. The worst case scenario is having a half-completed building and running out of money. So, enter your project with prayer and have the congregation pray continuously. And if He builds it, they will come! There is one added benefit to undertaking a building project. Solomon says in Proverbs 20:29 “...the splendor of old men is their gray head,” so at least you'll end the project looking rather splendid!