

Know Before You Go: Is My Church Ready for a Big Project?

February 21, 2019

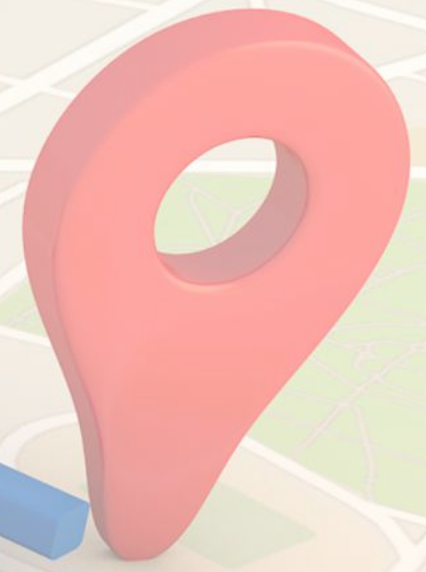
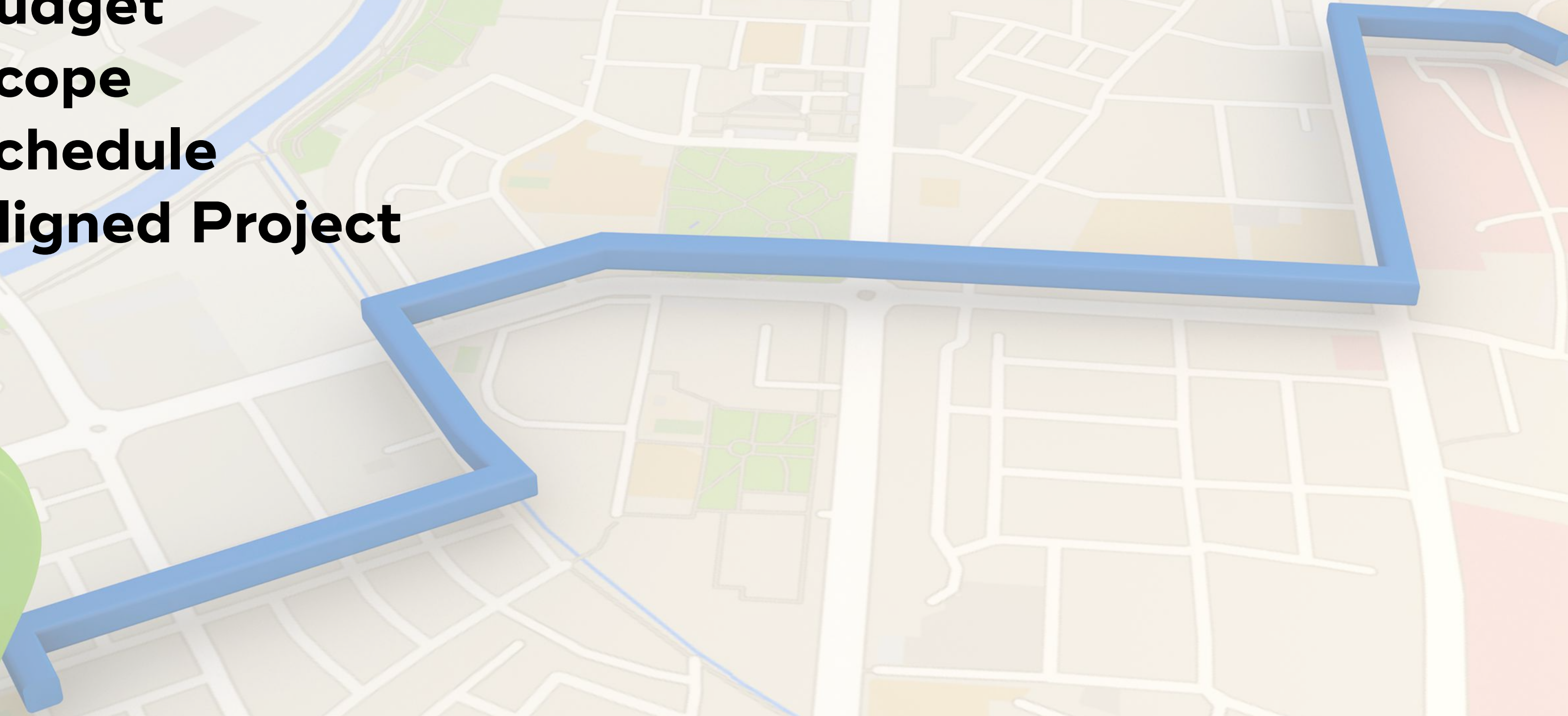
Jody Forehand, President
Visioneering Studios Real Estate
jforehand@visioneeringstudios.com
770.596.4947

www.VisioneeringStudios.com

VISIONEERING STUDIOS 
Launching inspired vision into reality.

ROAD MAP

- 1. Mythbusting**
- 2. Budget**
- 3. Scope**
- 4. Schedule**
- 5. Aligned Project**



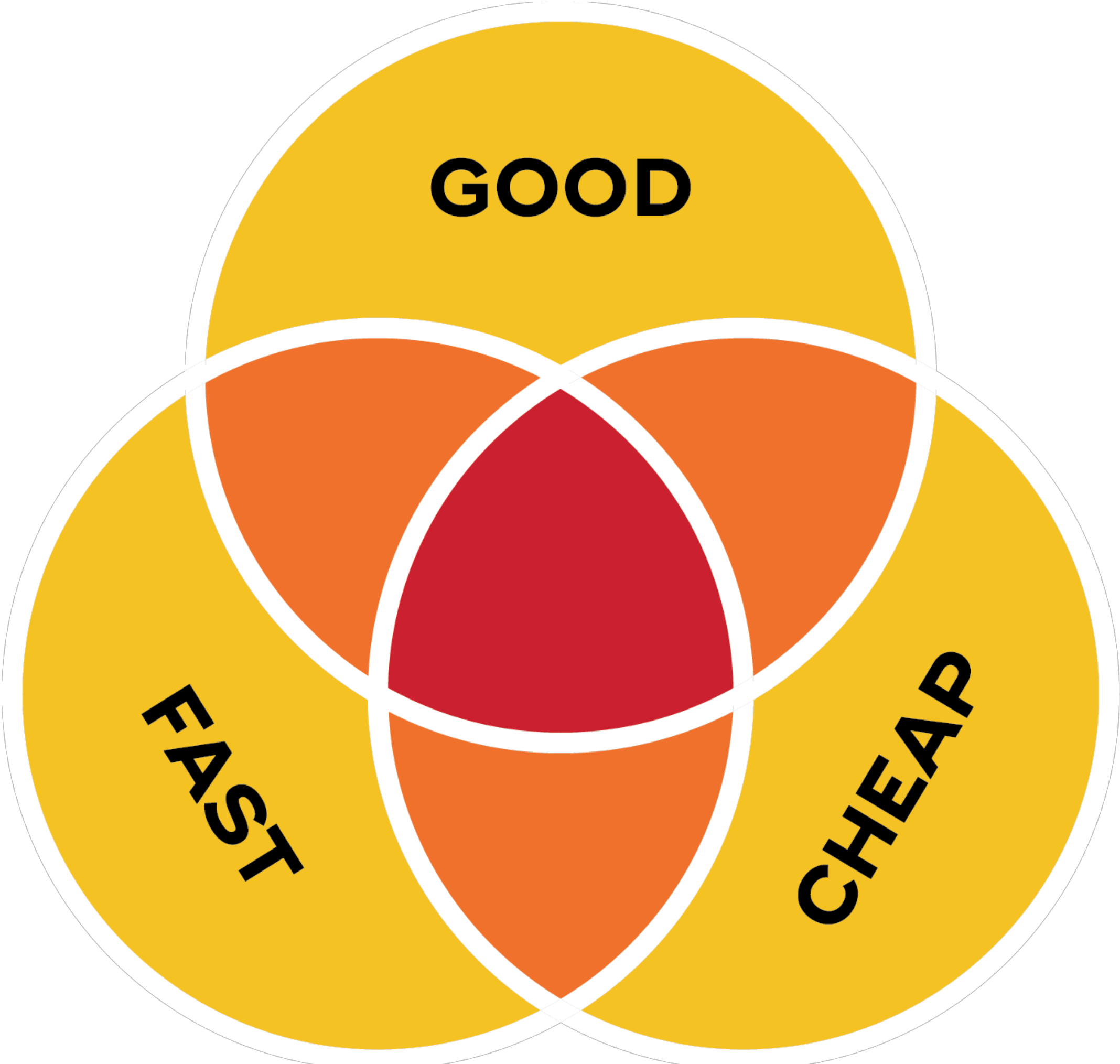
Mythbusting

- PROJECTS ARE EASY - They don't teach Real Estate Development 101 in Seminary. You can do this, but it will be challenging, so find the right partners.
- FALSE ALIGNMENT - If you believe you can get a **GOOD** quality project, that is finished **FAST**, with a **CHEAP** budget, you are setting yourself up for unmet expectations.

MYTHS



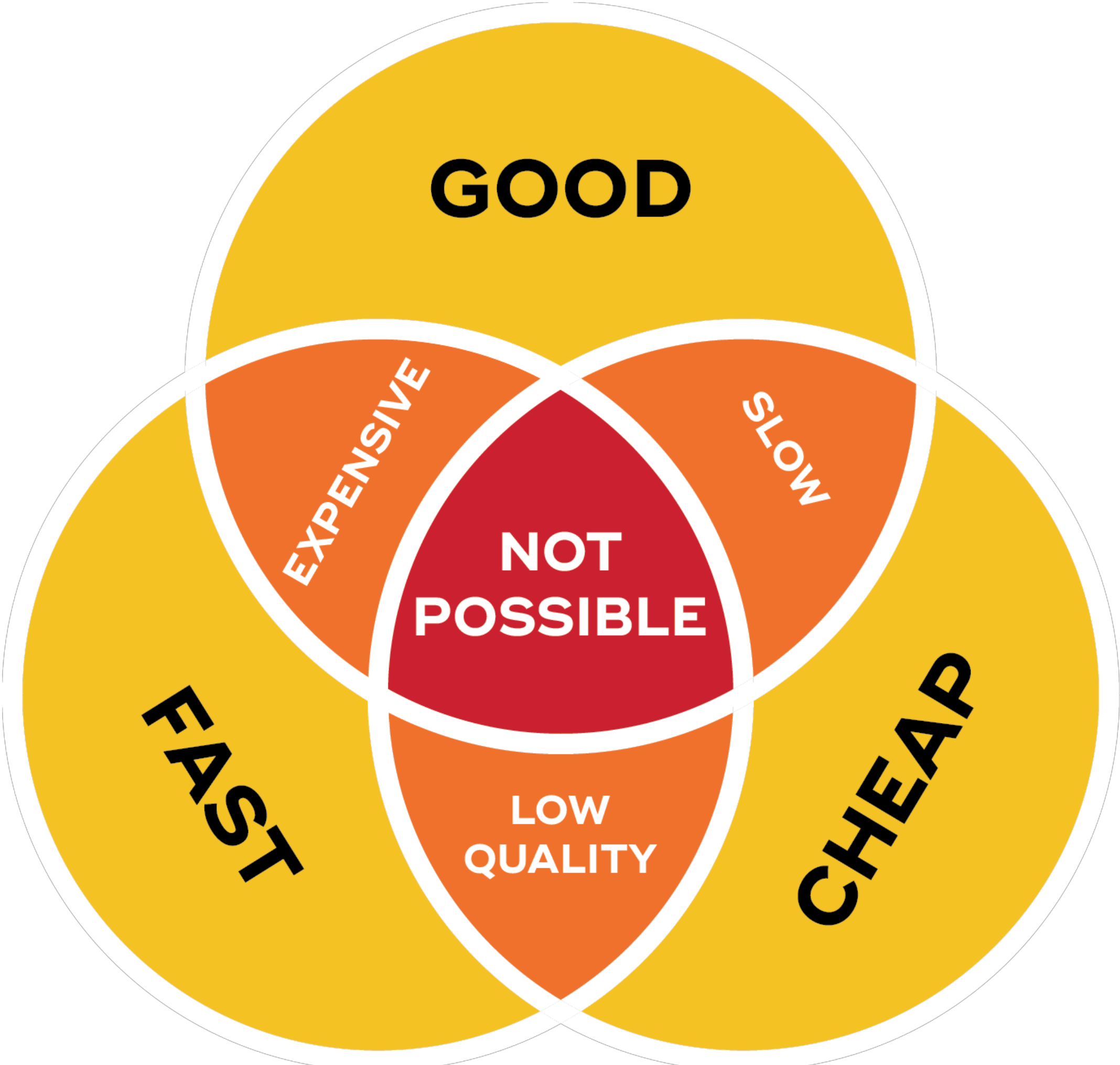
MYTHBUSTING



MYTH: YOU CAN GET ALL THREE



MYTHBUSTING



TRUTH: YOU CAN ONLY GET TWO

A Better Way

An ALIGNED PROJECT is one in which the Budget, Scope, and Schedule are in proper alignment. Realistic parameters are established to achieve the desired quality and meet expectations.

How? Let's find out...

POP QUIZ

1. If a church has \$1,000,000 in annual income how much can they borrow for their project?
 - A) \$500,000
 - B) \$1,000,000
 - C) \$2,000,000
 - D) \$3,000,000

BUDGET

POP QUIZ

1. If a church has \$1,000,000 in annual income how much can they borrow for their project?
 - A) \$500,000
 - B) \$1,000,000
 - C) \$2,000,000
 - D) \$3,000,000
 - E) It was my understanding there would be no math.

*Answers A-D are provided for the Executive Pastors.
Answer E was included for any Lead Pastors in the room.*

BUDGET



POP QUIZ

1. If a church has \$1,000,000 in annual income how much can they borrow for their project?
 - A) \$500,000
 - B) \$1,000,000
 - C) \$2,000,000
 - D) \$3,000,000
 - E) It ~~was~~ my understanding there would be no math.

*It was a trick question... it's not just about **INCOME**, it's also about **EXPENSES**. Banks want to see that you have room in your budget for your new payment.*

BUDGET

Debt Service Coverage Ratio (DSCR) = 1.25

**Banks want you to have 25% more
available in your budget than your
requested payment amount.**

BUDGET

Debt Service Coverage Ratio (DSCR) = 1.25

**For every \$1,000,000 you borrow, your payment will be about \$6,000 per month, but the bank wants to see \$7,500 available.
(\$6,000 x 1.25 = \$7,500)**

BUDGET

What about the 3x Annual Income Rule-of-Thumb?

**If you spend every dollar you bring in where
is your loan payment going to come from?**

BUDGET

But, but, but...

CHURCH: We are debt free and have been for years.

LENDER: You are spending every dollar that comes in, so how can you add in a mortgage payment? Are you going to fire some staff members or cut spending on ministries and missions?

BUDGET

But, but, but...

CHURCH: Our property value is high and we have so much equity.

LENDER: We want you to keep your loan amount at 65% or less of its appraised value, but we don't want to foreclose on a church. It's bad PR and we're still dealing with foreclosures from the 2008 crash. We're not in the real estate business, we're in the MONEY business.

BUDGET

But, but, but...

CHURCH: The payment would only be a small percentage of our current budget.

LENDER: We want you to keep your loan payment at 25% or less of your annual budget, but where are you going to find the funds if you're already spending every dollar that comes in?

BUDGET

But, but, but...

CHURCH: We're growing so fast in attendance, we'll grow into the payment.

LENDER: What if you don't? We want to see loan amounts of \$3,500 per attendee or less. "Build it and they will come" only worked for Kevin Costner, but we didn't loan him any more money either.

BUDGET

But, but, but...

CHURCH: We have FAITH that God will provide!

LENDER: What if He doesn't? We only have faith in the numbers, besides didn't Jesus say something about this in Luke 14:28-30?

BUDGET

Count The Cost

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? **29** For if you lay the foundation and are not able to finish it, everyone who sees it will ridicule you, **30** saying, ‘This person began to build and wasn’t able to finish.’”

Luke 14:28-30 (NIV)

BUDGET

Pay Yourself a Mortgage

- CAPITAL RESERVES - Stuff breaks, and it's not a surprise. Deferred maintenance sends a bad message to visitors.
- DEBT RESERVES - Eventually you will need to buy land or build a building...again.

BUDGET

But We're a Non-Profit

- PERCEPTION: People in our congregation will question why we have so much cash that is not being spent on ministry and missions.
- NON-PROFIT: Non-Profit is a tax status, not a financial model. Break-even budgets leave no cushion for a rainy day, and without any margin you won't qualify for a loan when you need it.

BUDGET

Help the Bank Say “YES!”

- FINANCIAL STATEMENTS: Use GAAP (Generally Accepted Accounting Principles) in all of your financial statements for consistency.
- PROFESSIONALS: If you don't use a CPA for your monthly bookkeeping, then at least use one to set up your GAAP standards and to provide an annual compilation or review of your financial statements.

BUDGET



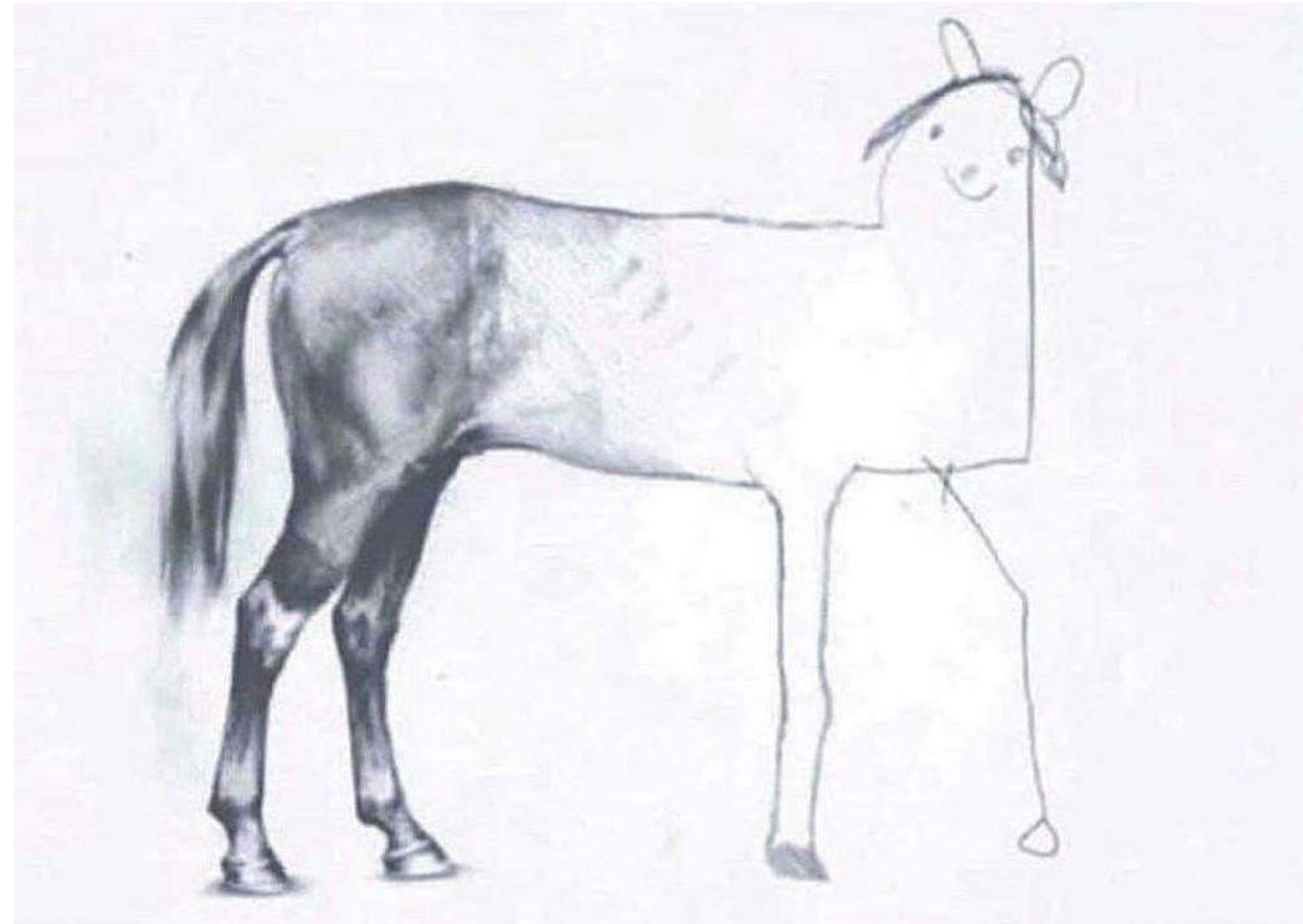
Sources & Uses of Funds

- SOURCES: Cash on hand (debt reserves) + Capital Campaign (portion available for project use) + Loan Amount - Existing Debt = Total Project Budget.
- USES: Construction Costs (building & site work) + Design Fees + Owner Soft Costs (FF&E, AVL, entitlements, insurance, owner consultants, testing services, contingency, etc.) = Total Project Budget.

BUDGET

Can I Get It Cheaper?

Yes, but cheaper rarely gets you what you want, and what message does it send to the community you are trying to reach?



BUDGET



POP QUIZ

1. If a church buys a 15-acre parcel of land for \$750,000 did they get a good deal?
 - A) Yes, any property for \$50,000 or less per acre is a steal.
 - B) No, my cousin Vinny has a “great” property he is willing to “donate” to the church for only \$250,000.
 - C) That would be taking advantage of the seller, so the church should offer them at least \$1,000,000.
 - D) It was my understanding there would be no math.

SCOPE

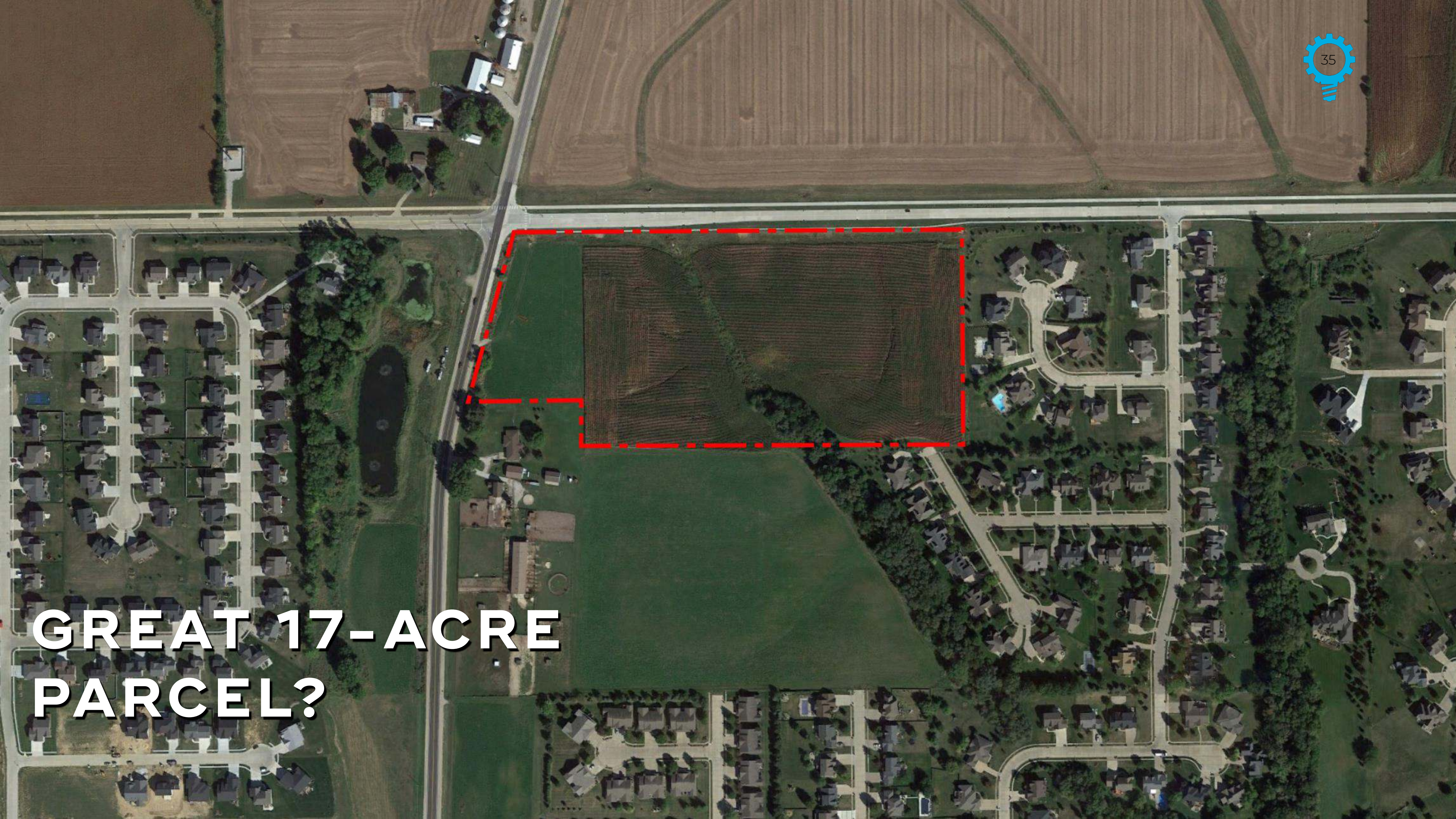


POP QUIZ

1. If a church buys a 15-acre parcel of land for \$750,000 did they get a good deal?
 - A) Yes, any property for \$50,000 or less per acre is a steal.
 - B) No, my cousin Vinny has a “great” property he is willing to “donate” to the church for only \$250,000.
 - C) That would be taking advantage of the seller, so the church should offer them at least \$1,000,000.
 - D) It was my understanding there would be no math.

*Without proper **DUE DILIGENCE** you don't know yet.*

SCOPE



**GREAT 17-ACRE
PARCEL?**

Entire parcel currently zoned "Agricultural / Urban Reserve District." No church allowed without rezoning to "Commercial."

"Medium Intensity" Land Use Overlay District

"Low Intensity" Land Use Overlay District

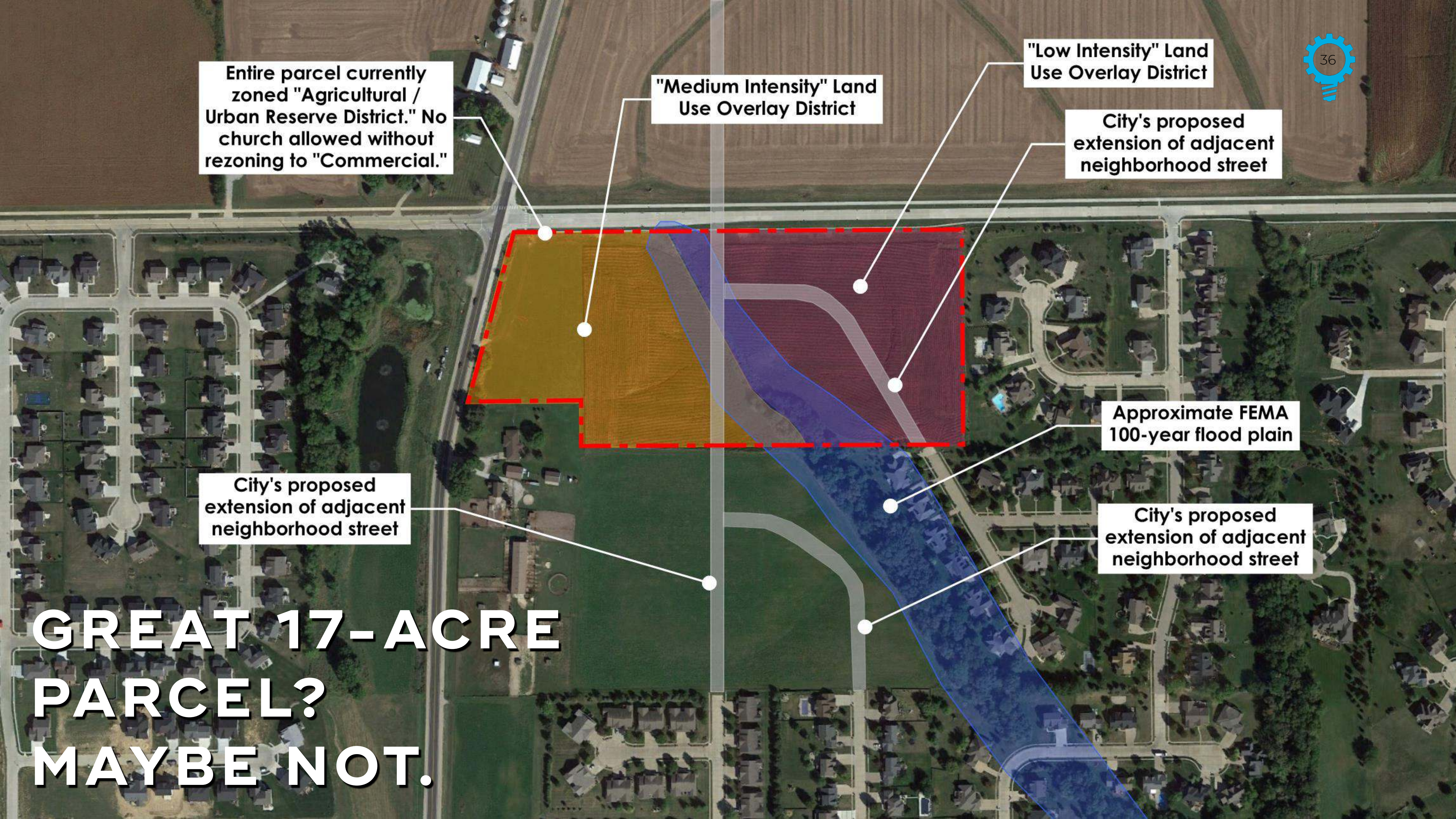
City's proposed extension of adjacent neighborhood street

Approximate FEMA 100-year flood plain

City's proposed extension of adjacent neighborhood street

City's proposed extension of adjacent neighborhood street

GREAT 17-ACRE PARCEL? MAYBE NOT.



How Much Land Do I Need?

Typically about 1 usable acre per 100 people in attendance at any given service.

Churches smaller than 500 need a minimum of 3-5 acres. Churches over 1,500 are driven by programming & parking. Add acreage if you want other site amenities like ball fields.

SCOPE

How Much Parking Do I Need?

**Typically about 1 parking space for every
2 seats in the worship center.**

The shorter your time between services the more you may need. The actual need is often double what the jurisdiction requires. You need about 1 acre per 100 parking spaces.

SCOPE

What About Entitlements?

**Planning & Zoning regulations will govern,
& often churches require special approvals.**

Conditional (or Special) Use Permits are often required. Approvals can be difficult and time-consuming in some jurisdictions. Authorities may restrict what you can do on your site, and how much of the site you can develop.

SCOPE

How Big Should My Building Be?

Typically 30-50 SF per person in attendance at a single service depending on concurrent programming.

If youth & adult programming are off-site, or other nights of the week, your needs will be on the smaller end of this range.

SCOPE

We only want (or can only afford) a bigger auditorium, not more kids' space?

Ignore any of the 3 primary church growth "Pinch Points" at your peril.

SCOPE

Keep the Pinch Points in Balance

- WORSHIP SEATING - Added seating capacity without adequate parking and kids' spaces will never be filled.
- CHILDREN'S MINISTRY - Track your adults-to-kids attendance ratio to determine your space needs.
- PARKING - If you don't have room for adequate parking don't overbuild your facility.

SCOPE

Don't Oversize the Auditorium

- SHOOT FOR DOUBLE - Going more than double loses intimacy and feels empty unless you drop services, but only do that strategically.
- DESIGN FOR EXPANSION - Don't build yourself into a fixed box. Hire architects who know how to design a space that is more easily expandable.

SCOPE

Kids' Programming Impacts Space Needs

- GROUP OR BREAKOUT? – Large group programming spaces require 15-20 SF per child. Breakout space or small group classrooms require 25-35 SF per child.
- CONCURRENT USES – Share group and breakout spaces to do both without breaking your budget.

SCOPE



Build More Space or Renovate?

- EFFICIENCY – Old facilities that have had new wings added over time can become a jumble of styles and inefficient rat’s mazes that don’t appeal to visitors.
- OUT OF SPACE? – Not necessarily. A good architect can save you millions by NOT designing a large new addition and instead “unscrambling the egg” with strategic renovation and new connecting spaces.

SCOPE



POP QUIZ

1. When should my church build?
 - A) Yesterday. We're out of space & it's impacting growth.
 - B) Not until we pay off our last project.
 - C) Not until we raise all the funds in cash.
 - D) Never. We like setting-up and tearing-down in a school every Sunday.
 - E) It was my understanding the Building Committee would know.

SCHEDULE



POP QUIZ

1. When should my church build?
 - A) Yesterday. We're out of space & it's impacting growth.
 - B) Not until we pay off our last project.
 - C) Not until we raise all the funds in cash.
 - D) Never. We like setting-up and tearing-down in a school every Sunday.
 - E) It was my understanding the Building Committee would know.

*That is the **WRONG QUESTION** to start with.*

SCHEDULE

What Is the Right Question?

“What should I be evaluating, tracking, and projecting into the future now, so that I am ready to start the development process in time for the building to be completed by the date the church needs it in operation?”

SCHEDULE

Be Proactive, Not Reactive

- PLAN NOW – If you wait until you’re out of space you will cap your growth for at least the 2-3 years needed to complete the project.
- GET HELP NOW – If you “don’t know what you don’t know” bring in help. Churches often lack the resources or expertise to put together the Road Map for not only the next phase, but future phases as well.

SCHEDULE

I'm Out of Seats

- ADD SERVICES FIRST - Be a good steward of your facilities by growing to 3 or 4 services before building a larger room.
- CAPACITY GOALS - Optimal service times are typically between 9:30 and 11:30 AM on Sunday. Capacity goals are 80% for the preferred time slot, 70% for the secondary slot, and 50% for other time slots.

SCHEDULE

I'm Out of Seats

- BUILD LARGER SECOND - Once your growth projections show you will be hitting target capacities in 3 or 4 services soon, it's time to build a larger room, add a 2nd venue on campus, or consider a multisite location.

SCHEDULE

Visitors Can Be Shallow

- ENVIRONMENT - If the building looks dated, the bathrooms are dirty, or the kids area doesn't look safe and inviting they will find a church that cares about first impressions.
- WORSHIP SEATING - If you're consistently over 80% full and people have trouble finding seats they won't come back more than a few times.

SCHEDULE

Visitors Can Be Shallow

- CHILDREN'S MINISTRY CAPACITY – If you turn away kids due to being at capacity they will look for a church who has room for them.
- PARKING – If visitors have to make laps around the parking lot searching for a spot they will drive to the church down the street.

SCHEDULE



Typical Project Schedule

- FEASIBILITY & PLANNING (2-3 months) – Do your homework (budget, scope, schedule, aligned vision, strategic analysis, financing feasibility, demographics, due diligence, master planning, etc.)
- DESIGN & ENTITLEMENTS (6-12 months) – Hire your team (architect or design-builder) and move forward with your aligned project.

SCHEDULE



Typical Project Schedule

- CONSTRUCTION (9-15 months) – Bring on a contractor during the initial design phase for preconstruction services to make sure your budget and schedule stay in alignment with your scope. Get a Guaranteed Maximum Price, pull permits, and start turning dirt.
- OCCUPANCY (Ongoing) – You spent millions on your new building, so steward it well...and prepare for phase 2.

SCHEDULE

Aligned Projects Are Successful

Every project should start with a statement clearly outlining the alignment goals for the budget, scope, and schedule...

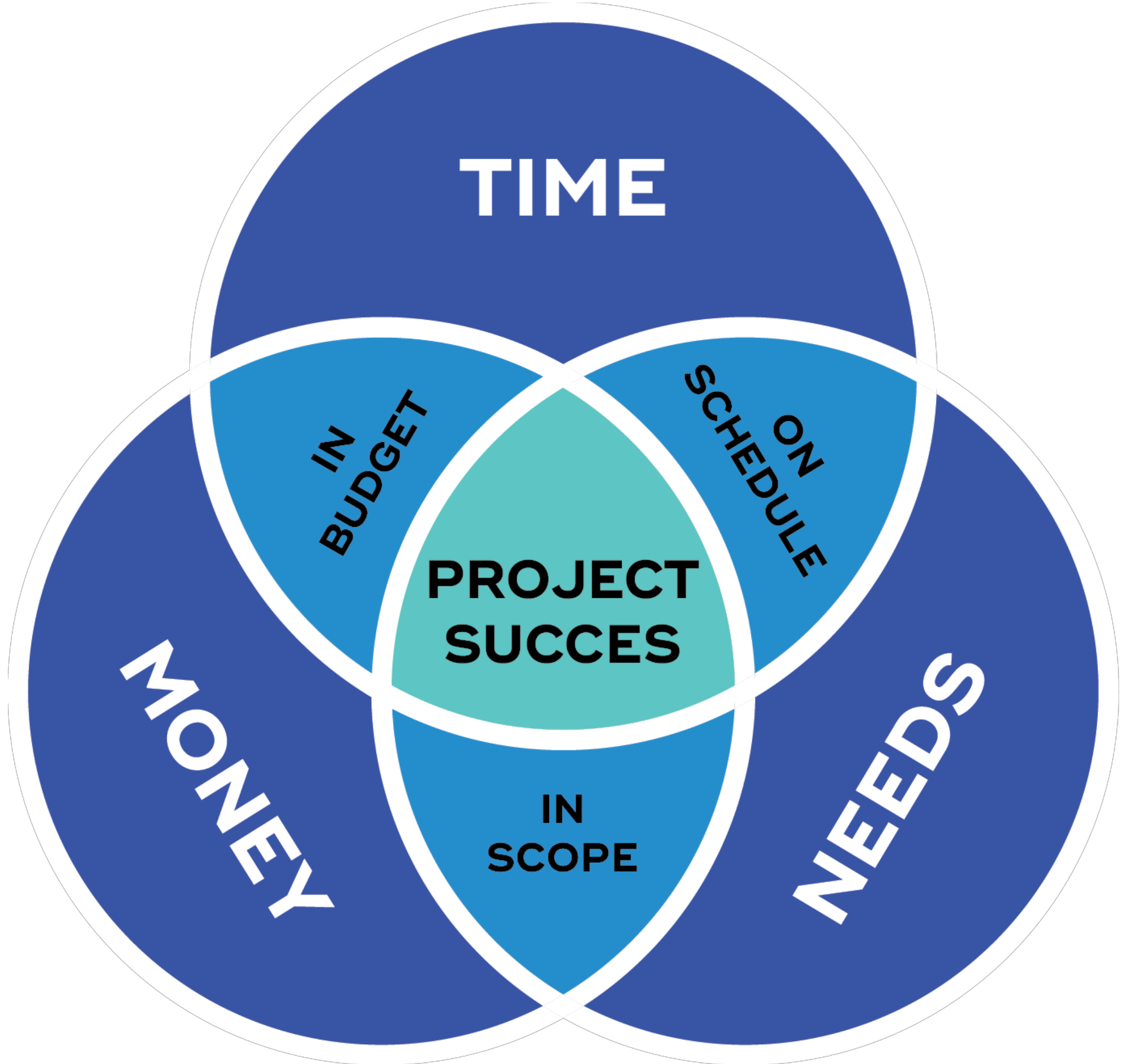
ALIGNED

Aligned Projects Are Successful

**“I have a budget of \$ _____ , and I
am going to build a _____
building of _____ SF, and I need
it to be finished by _____ .”**

ALIGNED

ALIGNED PROJECT



RESULT: DESIRED QUALITY & EXPECTATIONS MET

ALIGNED PROJECT

Real World Success Is...

...a new 40,000 SF, 1,500-seat worship center and lobby, plus 30,000 SF of renovated space, all completed on time and \$700,000 under budget.



Severns Valley Baptist Church – Elizabethtown, KY

ENVISION

- REAL ESTATE CONSULTING
- MULTISITE CONSULTING
- DEMOGRAPHIC STUDIES
- STRATEGIC FEASIBILITY
- ONSITE RECON PROGRAMMING SESSION
- PRELIMINARY SCHEDULE & BUDGET

DESIGN

- NATIONALLY LICENSED ARCHITECTS
- SPATIAL STORYTELLING
- MASTER PLANNING
- INTERIOR DESIGN
- FURNITURE, FIXTURE & EQUIPMENT PROCUREMENT
- PROJECT MANAGEMENT & COORDINATION

BUILD

- NATIONALLY LICENSED GENERAL CONTRACTOR
- CONSTRUCTION MANAGEMENT
- SCHEDULING & BUDGETING
- ONSITE SUPERVISION
- SUB-CONTRACTOR MANAGEMENT
- NATIONAL DESIGN-BUILD CAPABILITIES

TRUSTED STEWARDS OF YOUR STORY AND SPACE. • VISIONEERINGSTUDIOS.COM

Visioneering Studios offers a suite of “look to launch” services, specializing in nonprofit, worship and commercial environments. From real estate to designing to building, our integrated divisions, national licensure, and collective expertise provide a seamless customer journey to cutting-edge environments.

Our multi-disciplinary experts are not just developers, designers, architects, and builders – we are storytellers. We believe that every organization has a unique story crafted by a unique passion, and we want your environment to reflect that.

Whether you are looking to **ENVISION**, **DESIGN**, or **BUILD** your space, we’d love to partner with you.

#WEAREVISIONEERING



NATIONALLY LICENSED MULTIDISCIPLINARY STUDIOS:
IRVINE, DENVER, DALLAS, NASHVILLE & CHARLOTTE

VISIONEERING STUDIOS 
 Real Estate

VISIONEERING STUDIOS 
 Architecture

VISIONEERING STUDIOS 
 Construction

CONNECT WITH US TODAY: INFO@VISIONEERINGSTUDIOS.COM • 888.539.1957 • VISIONEERINGSTUDIOS.COM
PREFERRED PROVIDER FOR: LIFEWAY RESOURCES • SOUTHERN BAPTIST CONVENTION • ASSEMBLIES OF GOD