



Church Plant Facility Guide

Launching a Church – Finding a place to meet

- **Schools, theaters, shopping centers,**

Pros: Usually highly visible, located in target communities, ample parking on Sunday mornings

Cons: Weekly set-up required, hours of use may be limited

- **Offices buildings, light industrial warehouse**

Pros: More affordable rent; greater flexibility of space and hours, especially if space is vacant

Cons: Possible parking, zoning issues; visibility and location may be less desirable

- **Other Churches**

Pros: Typically more affordable (sometimes free or nominal fee for utility cost), less set-up

Cons: Have to schedule around existing congregation's needs, may be issue with creating your own identity in the community

How long before we can purchase our own property?

Time - Assuming you need to finance your purchase, most banks will want to see a track record and will probably want a minimum of three to five years of your income and expenses and other statistical information on your membership. Denominational and other specialty lenders may be more flexible, but you also want to have at least a year's history in order to get an idea of your growth (future size) and what specific building needs will fit your congregation.

**Important note – Strive from the beginning to develop a good record keeping system of tracking your income and expenses. It's not only important for the integrity of your ministry but when you apply for a loan, it gives the lender confidence in your financial statements.*

Typical Documents requested by a lender:

- Income statement (showing detailed sources of income and expenses)

- Balance Sheet (listing of assets and liabilities)
- Current year Budget
- Pastor Resume
- Bank Statements
- Attendance/Membership Statistics
- List of top givers

Cash - Lenders are usually going to require 15-25% equity for any type of project. So, if you see a \$1.0M building for sale, a bank may lend you \$750,000 and the church will have to provide the remaining \$250,000 at closing.

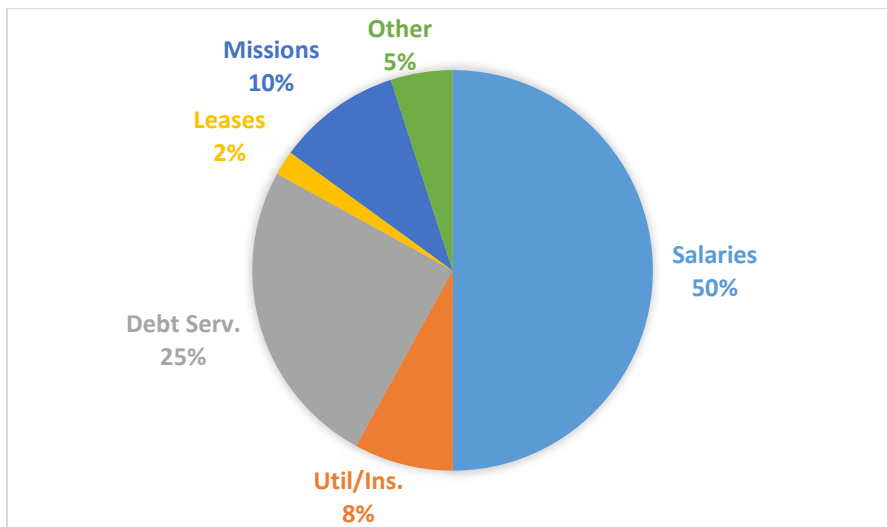
**Whether it's through a building fund, outside gifts, or transferring funds out of the budget, try to incorporate a systematic approach to saving money for your future home. Too often new churches find a new building, sign a contract, and then must make sudden appeals to their congregation or other supporters for a down payment. Sometimes this works, but often they come up short of the needed funds.*

How much can I borrow, or should I borrow?

Each lender has their own underwriting methods, but a good rule of thumb is that your borrowing capacity is usually three to four times your annual general income. So, if you had \$250,000 of income, you could borrow up to \$750,000-\$1,000,000.

A healthy church usually has less than 25% of its general income go towards debt service. In addition, a typical church has about 50% of its budget going towards salaries and benefits, so when utilities, insurance, and equipment leases are included, 85% of your budget is going towards just keeping the building open and staffed. That just leaves fifteen cents on the dollar for ministries, missions, supplies, etc.

How a Typical Church Dollar is Spent...



What causes financial hardships at new churches?

- Taking on too much debt
- Adding staff prematurely
- Dependence on a few key givers or outside supporters (i.e. member leaves/support ends)
- Economic changes (recessions, major local employer closes)

Our church does not qualify for a loan yet...are there other options?

Lease/Purchase – Some building owners are willing to offer churches a lease/purchase option. This agreement allows the church to rent the facility for a period of time (1-3 years) with an option to buy the property at a set price during the lease. This gives the church time to grow, raise cash, and then qualify for future financing.

Owner Financing – Like the lease/purchase option, an owner may be willing to finance the church's purchase for a set period of time. In these cases, the owner might provide more lenient payment terms in order to facilitate the sale of their property.

What size building do I need?

As a new church, you want to balance what you can afford with a realistic plan of your growth. Keep in mind the opportunity to use 2-3 services to accommodate growth. Some rules of thumb from Lifeway Architecture...

Land size - One acre per 100 to 125 individuals in attendance. Consider additional space for sports fields, playgrounds, etc.

Worship center

- Up to 300 capacity: 15–17 sq. ft per person
- Above 300 capacity: 12–24 sq. ft per person

Note: Rectangular buildings with straight row seating require less space per person than buildings with radial seating. In some instances, ten square feet per person is adequate in straight-row seating for buildings with capacity over 500.

Parking: One space for every 2.5 seats; 110 to 120 spaces per acre

To build or not to build?

Buying land and building your own church facility allows you to customize the building to fit your congregation's needs and growth but comes at a greater cost and length of time. In most markets, you are probably looking at a 40-60% greater cost per sf than buying an existing facility. Site work for a new church alone could cost between 20 percent to 25 percent of the overall construction budget.

Also, it normally takes 3-7 years to go from purchasing land to holding your first service in a new building. There is also the added amount of stress on the church leadership as it deals with the construction process, which can range from 12 to 18 months.

Buying a property, what to look for?

- **Visibility** – Is the church in a high traffic area that can be easily seen
- **Accessibility** – Is the property located on a major street with easy entry and exit

- **Acceptability** – Can the property be zoned for church use, is there adequate parking area, flooding issues, utility easements, will it accommodate future growth?
- **Feasibility** – Is the site level or will there be significant grading before building. Does it have good drainage? Are there nearby utility connections?

Buying a building, what to look for?

- **Building Layout** – Does the current setup allow meet our congregation's needs or can it be easily retrofitted. Are we a young family church with greater priority on nursery and children's space or are we a downtown church with more singles, etc.
- **Deferred Maintenance** – How much will it cost to repair or renovate; note the age and condition of the roof and HVAC systems...will they need replacement soon?
- **Environmental issues** – Asbestos, underground storage tanks, hazardous materials
- **Utility inefficiencies** – Older systems

Existing buildings which can be converted to church use

In addition to church buildings that are for sale, NAMB has worked with churches that have utilized former business properties such as:

- Strip shopping centers (i.e. former Walmart/Target stores)
- Office condo parks
- Warehouse Facilities
- Theaters
- Restaurants/clubs

*always make sure these potential locations can be permitted for church use and meet other municipal codes like parking.

How about owning a building with other tenants?

When looking for properties, many churches are coming across the opportunity to buy multi-use facilities with existing tenants. The obvious plus is that there is an outside source of income that can help with the church's debt payments.

On the flip side, the church as the owner is now the landlord and thus responsible for all the repairs and upkeep of the property. Questions to ask are 1) What's the track record of the tenants (turnover, vacancy rates, lease terms), 2) are there common area assessments that have to be paid, 3) what are the property taxes and annual maintenance costs? 4) Do I need to pay an outside property manager or can I have someone on staff with the expertise to manage these issues? 5) Will the church be subject to unrelated business income tax (UBIT)?

What Else Should We Know?

If you identify a property you like, do some research before making an offer. Properties, especially church-specific facilities have a wide range of values so don't immediately offer the full listing price. Check tax assessments and sales history (county assessor website) and if you know a realtor, ask if they can provide some sales comparisons to establish a price per SF.

When submitting an offer, make sure the contract includes contingencies such as financing, inspections, and appraisals. This way the church can get back its escrow deposit should financing be unavailable or the property doesn't appraise.

Count the Costs – Buying a building with debt is not just exchanging rent for a mortgage payment. The church now must budget for higher utilities and insurance, possible municipal assessments, cleaning/landscaping, as well as repairs and maintenance.

Pledge Programs – Capital campaigns are a way to raise a large amount of cash over a short period of time (1-3 years). These campaigns range from in-house programs to professional consultants.