



# TPC Architects, Inc.

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## TPC Architects, Inc.

### Newsletter

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#### Quote of the Month

***"But don't begin until you count the cost. For who would begin construction of a building without first getting estimates and then checking to see if he has enough money to pay the bills? Otherwise he might complete only the foundation before running out of funds. And then how everyone would laugh!"***

(Luke 14:28-29 - TLB)

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### PLANNING for the FUTURE: Step 3

We previously introduced the topic of comprehensive planning, suggesting three interwoven components of effective Master Planning:

1. MINISTRY Master Planning
2. FACILITIES Master Planning
3. FINANCIAL Master Planning

MINISTRY Master Planning defines your needs in tangible terms that can be used to design the site or building. FACILITY Master Planning addresses site planning, conceptual building design, and is interwoven with agency entitlement approvals. We're now ready for Step 3.

#### **FINANCIAL MASTER PLANNING**

Now that you've come to grips with your ministry goals and have examined the ability of your site to accommodate these goals you're ready to establish the financial feasibility of your project.

**Financial Master Planning** considers ALL elements of a project's cost, both construction and non-construction costs. The resulting "net building dollars" will then make sense, and will enable the church to avoid overspending during the final design phase of their project. A properly prepared Financial Master Plan protects the church from downstream headaches (or worse).

### A Closer look

#### What's In the Pot?

O.K., so what factors should a church consider in assembling this plan? Here are some suggestions:

#### Non-Construction Costs

1. Professional Fees
2. Financing / Fund Raising Fees
3. Agency / Development Fees
  - § Entitlement processing
  - § Impact Fees
  - § Plan Review and Building Permit Fees.
4. Special Services, Reports
  - § Site Surveys
  - § Environmental Studies

§ Geotechnical Report

5. Construction-related services

§ Special Testing

Construction Costs

1. Site Development Costs

§ Off-site improvements (street / sidewalks, utilities, traffic control, drive entrances, landscaping)

§ On-site improvements (grading, drainage, utilities, paving, curbing, lighting, trash enclosure, fencing, play yards, etc.)

2. Building Costs

§ Basic building structure with standard building systems

§ Seating and other fixed furnishings

§ Specialty lighting, such as in the worship room. Also, the exterior lighting of special building, features.

§ Theatrical or high-intensity lighting for the stage or platform area.

§ Audio reinforcement system.

§ Visual imaging system.

§ Acoustical solutions and materials.

## Advice from an Expert

Bill Pruett is the vice-president of operations for Wells Construction in Roseville, CA, and the former vice-president of Church Development Fund in California. He offers some sage advice below.

### Count the Costs

Over the years of working with churches going through building programs, I have found that many churches don't consider ALL the costs the project will generate. Typically the planning is centered on the building and neglects to consider the costs for off-site and on-site work, permits and fees, architectural and engineering costs, as well as furniture, fixtures, and equipment. As the overall planning begins, a budget should be established with at least allowances for every conceivable item.

### Good Accounting

It is very important for churches starting into a building program to have very good books. Lenders will be making their decision as to a church's credit worthiness based on their income and expenses. The church's cash flow picture is very important as the lender is doing the underwriting to determine the amount the church will qualify for borrowing. It is critical to have your "Books in Order" prior to applying for a loan.

### Lenders

There are a number of Church Extension Funds that only lend to churches. Most of these organizations work like credit unions where churches and their members invest in savings products and are paid an interest on those savings. The funds are then loaned to churches for construction and improvements. The internet search engines are a great source for information on these organizations.

There are also a number of commercial lenders that have divisions that cater to churches. Church financing is different than commercial financing in that church lenders tend to place more importance on cash flow rather than loan to value. Years ago banks did not want to loan to churches, but today many banks look at churches as good credit risks and a valued part of their portfolio.

Discussions with potential lenders should be one of the very first things a church does in preparation of beginning a building program. The lender will not give an approval for a loan, but can determine an order of magnitude the church can expect in a construction loan.

### Capital Fund Raising Program

Most churches will not qualify for a loan for the total cost of the project. A capital fund raising campaign can bridge the gap between what the church can borrow and the project cost. There are a number of companies that help churches do this and again the internet is a good resource for finding these organizations. When using a capital campaign company, a church can raise 1 - 1.5 times their annual operating budget. These campaigns usually run for three years and the church can expect to actually receive about 80% of the monies pledged. Capital campaigns really help churches in qualifying for a construction loan with any lender.

### Integrated Project Delivery

