

# How To Survive a Church Capital Project!



Investment &  
Loan  
Program Inc.

Important Considerations  
when reviewing a project plan.

## Leadership is solid

- The pastor has been in place long enough to know the congregation
- Session and staff work as a team

## Congregational demographics are strong

- No significant decline in membership
- No significant decline in attendance or church engagement
- Church membership rolls are accurate



# Discernment

- The Next Faithful Step
- Do not to confuse building a church with building a church building
- Build with the current members in mind



# Creating Ownership

- Session is transparent with congregation
- Buy-in from congregation for project is high
- Enthusiasm for project is not localized to a few members



# Who is on the team(s)?

Church Project Team  
Outside Contractors  
Financial Partners



# Establishing a Timeline

- Visioning
- Discerning
- Communicating
- Partnering
- Building
- Celebrating

“So teach us to count our days  
that we may gain a wise heart.”  
Psalm 90:12

“The human mind plans the way,  
but the LORD directs the steps.”  
Proverbs 16:9

# Delivery Method

Type of contractual arrangement that defines the role of the various building team members:

- DBB – Design-Bid-Build
- DB – Design-Build
- IPD – Integrated Partner Delivery
- CM – Construction Management
- DM – DEVELOPER MODEL



# Architect

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Required by law in every state for design of church buildings

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Choose an architect that understands their vision and mission

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Successful church building architects understand church stewardship







# Contractor

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Look for experience in church construction

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First-time church contractor may be surprised by the amount of eyes watching over, and the lengthy decision-making process



# Developer

## Types of Agreements:

- Leaseback
- Equity Partnership
- Ground Lease
- Revenue Sharing
- Development Agreement
- Tax Credit Financing

# Financial Partner

- Internal lender (from within the congregation)
- Local bank or lending institution
- Online bank
- Denominational lenders (Presbyterian Investment and Loan Program, Presbyteries and Synods)



# The longest relationship the church will have will be with your financial partner

- Consider all costs associated with borrowing not just the interest rate – origination fees, points, prepayment penalties, appraisals.
- Choose a lender who understands the uniqueness of church financials and budgeting; and the relationship between church and presbytery.
- Consider how the relationship will be a good fit for the life of the loan – not just the first 2-5 years.



# How much can the church afford?

## Financial Considerations:

- Unrestricted Reserves
- Operating Budget
- Capital Campaign



It's a good time to consider the project if...

- **...Financials are in good shape.**
  - No significant deficits to operating budget in the last three years
  - Reserves are in place
  - Giving per giving unit is strong



# Capital Campaigns

- Internal campaign raises on average 1-1 ½ of church's pledge budget
- Professional campaign raises on average 2-2 ½ times pledge budget
- Professionals know how to help you make the ask
- Pay the fee upfront or...pay interest for 20 years!





## Key ratios to consider:

- Debt per giving unit is less than \$10,000
- Cash flow coverage is more than 1.25 times
- Debt is less than 25% of total budget with capital campaign or less than 10-12% of total budget without capital campaign



## Consider pay back period of the loan

- How long will it take the church to pay off the loan?
- To how many capital campaigns will the congregation have to commit?
- Focus for the congregation should be on managing principal reduction not managing monthly payments.

## What if we borrowed too much!

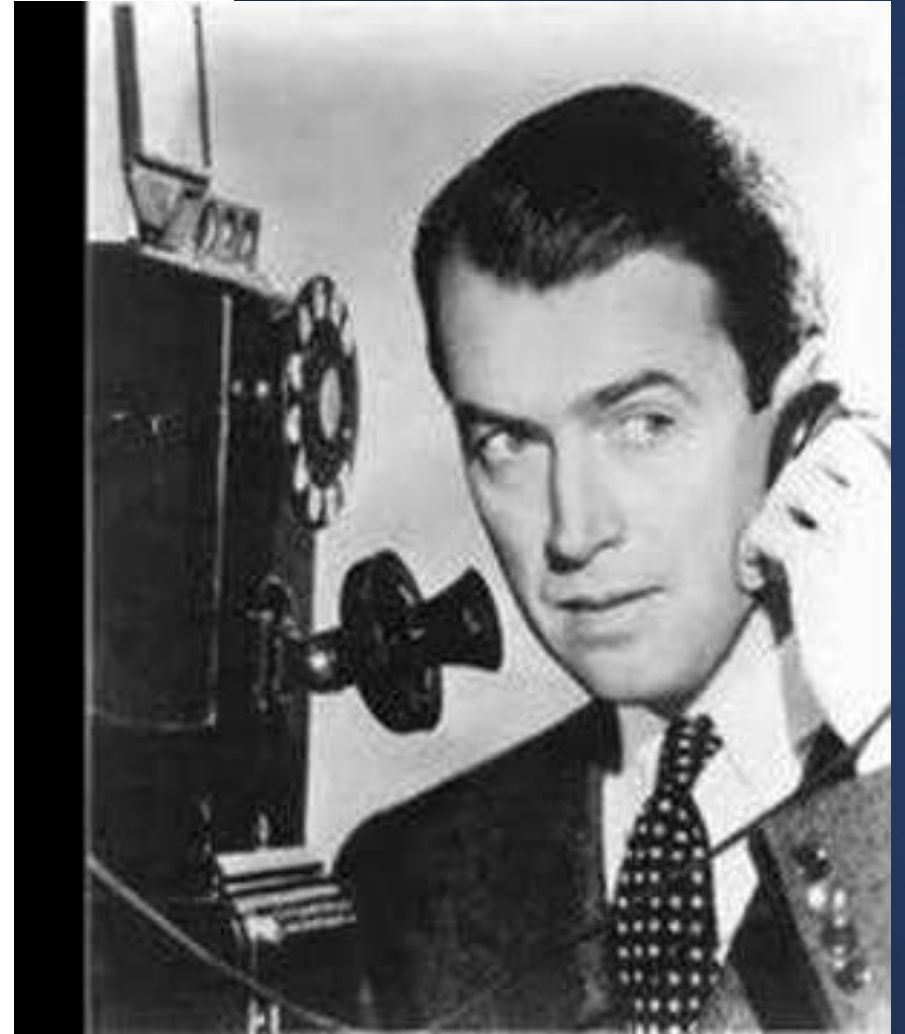
Determine what has changed in the financial life of the church since the debt originated.

- Has the church increased the operating budget too much?
- Did the church do the second capital campaign that they said they would do?



## What if we borrowed too much!

- Encourage the congregational leadership to contact Presbytery early so that you as mid-council leaders can be part of the resolution discussion (key reason for guaranty)
- Keep making payments, even if they are only paying interest
- Don't wait to contact the lender if they are having trouble making the payments
- Communicate with the congregation early and often



# Questions and Contact information



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