

# CHURCH BUILDING MANUAL



**A guide to church building ownership**  
*for Grace Communion International congregations in the United States*

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# INTRODUCTION

## Purposes of this manual

This *Church Building Manual* is published by Grace Communion International (GCI) to provide information to leaders of U.S. congregations concerning the purchase (or construction) and operation of church buildings. The manual was prepared by GCI personnel in the church administration, legal, and financial affairs and planning departments, drawing from many written resources including those referenced in the text and footnotes.

The topic of this manual is of great importance to congregations considering building ownership. Entering into building ownership can have a significant and continuing positive or negative impact on a congregation. Because of their function and the resources required to obtain and operate them, a church building impacts the health of a congregation in many direct and indirect ways.

This manual addresses church building ownership with two general purposes in mind:

1) To provide useful information concerning several topics related to church building ownership, including purchasing, constructing, operating and maintaining buildings. It should be noted that this manual provides *overview*

information only. Congregations are urged to do additional research (resources are referenced in the footnotes) and building industry experts should be consulted.

2) To highlight the policies and procedures related to building ownership found in the *Financial Management Manual* and *Church Administration Manual*. Both manuals should be studied before making decisions concerning building ownership. In addition, pastors and other leaders of congregations are urged to consult with their regional pastor.

## Manual updates

Modifications to this manual will occur as experience is gained. The latest edition of the manual is posted at <https://online.gci.org> under the 'manuals' tab. Substantial modifications to the original text are referenced in the table of revisions at the front of the manual.

## Questions

Questions concerning this manual may be directed to the following GCI-USA denominational staff:

- General questions: regional pastor
- Legal questions: legal department

# CHAPTER ONE

## CONSIDERING BUILDING OWNERSHIP

A careful biblical and historical review of the nature of the church and its mission shows that church building ownership is not essential to a local church being an authentic and productive part of the Body of Christ.<sup>1</sup> A church building can, however, assist a local church in living out its God-given identity and mission. On the other hand, it can be a hindrance. There are many factors to consider.

First, there is the church's identity. The church is a spiritual organism, not merely a physical organization. The church is formed and inhabited by the Holy Spirit to be the Body of Christ in the world. Certainly, the church is not a building (though church congregations often meet in buildings).

Second, there is the church's mission. The Spirit that forms the church also sends it into the world to help non-believers become and then mature as followers (disciples) of Jesus (Matthew 28:18-20). The mission of the church is to make disciples, not to own buildings (though church buildings can provide spaces for discipling). This discipling mission of the church has four interrelated, essential parts:

1. **Winning the lost** (introducing non-believing friends to Jesus).
2. **Building believers** (nurturing in the faith those who become believers).
3. **Equipping workers** (training willing believers to become effective co-laborers in Jesus' discipling work).
4. **Multiplying leaders, ministries and congregations** (equipping and appointing appropriately gifted workers to lead the church in living out its discipling mission).

The right building, at the right time, in the right place can be a helpful tool for the church in ad-

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<sup>1</sup> Howard A. Snyder, Radical Renewal: The Problem of Wineskins Today, (Houston, TX: Touch Publications, 1996)

vancing this four-fold mission. It can provide a consistent and adequate place from which to reach out to the unchurched, to nurture believers in their love for God and for people, and to equip willing believers to be active workers and leaders in Jesus' discipling mission on earth.

Thus at some point, many congregations will appropriately consider building ownership. That consideration will necessarily involve much prayer and abundant counsel to seek God's will and to receive an accurate understanding of the long-range implications of building ownership.

### 1.1 QUESTIONABLE REASONS FOR ENTERING INTO OWNERSHIP

There are several reasons for wanting to enter into church building ownership—some are valid reasons and some are not. Let's examine a few of the less valid ones.<sup>2</sup>

#### **"We want a church home"**

Another way of stating this is, "We cannot be a community church unless we own a building." Note, however, that some of the fastest growing churches in the U.S. have functioned well using rented buildings. Saddleback Church in Southern California is a notable example. According to its pastor, Rick Warren, they met in seventy-nine different rented facilities in their first fifteen years before building their first church building.<sup>3</sup>

#### **"Owning our own building will cause us to grow"**

Some believe that owning a building will automatically produce growth ("build it and they will come," some say). It is true that people generally prefer convenient and attractive buildings. Moreover, a new building, properly advertised, sometimes produces growth.

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<sup>2</sup> Ray Bowman and Eddy Hall, When Not to Build: An Architect's Unconventional Wisdom for the Growing Church, (Grand Rapids, MI: Baker Books, 1992).

<sup>3</sup> Rick Warren, The Purpose Driven Church, (Grand Rapids: Zondervan Publishing House, 1995), 45.

But it is also the case that this growth is often not sustained long-term. If the congregation is not active in mission it will not be relevant to the community and new people will move on.

### **“Our current building is inconvenient and inaccessible”**

Some congregations are anxious to buy or build because their current rented meeting hall is undesirable. Perhaps the building is unattractive. To make matters worse, there is the burden of hall setup - every week someone has to set up and take down chairs, a sound system and other items necessary for the church to function. These are real concerns, but building ownership brings many problems and demands of its own.

## **1.2 DISADVANTAGES OF BUILDING OWNERSHIP**

### **1.2.1 Immobility**

While church buildings provide a certain sense of stability, they can also become a witness to the immobility of the church. In addition to preventing a church from changing locations as it grows or as its ministry focus shifts, buildings may work against the concept of the church as pilgrims on a journey. The great commission says, “Go.” But church buildings may tend to encourage people to “stay” within the building’s walls.

Church buildings also tend to prevent churches from relocating in order to respond to changes in the community. Such changes include changing zoning laws and land uses (such as from residential to commercial development). In these and other circumstances, a church may need to relocate in order to remain effective in its mission.

### **1.2.2 Inflexibility**

While it is often true that a church’s ministry options are limited by not owning a building, the same may be true with building ownership. As soon as a building is purchased or built, the options for that congregation’s budgets, programs and ministries are significantly limited by the location, size, layout and costs of the building.

As one author states, “At present, city churches are slaves to their brick and mortar at a time when the church needs to be flexible, adaptable, and relevant to the very real needs, sorrows, and aspirations of a rapidly changing urban population.”<sup>4</sup> Suburban and small-town churches face similar issues.

### **1.2.3 Money drain**

Church buildings are generally expensive to own and operate. The costs of ownership (mortgage, insurance, maintenance, utilities, etc.) can siphon resources away from more essential ministries.

### **1.2.4 Manpower drain**

In addition to the financial cost of building ownership, there is the cost in human resources. Substantial amounts of volunteer labor are needed for building and grounds maintenance and operations. Even if some of this work can be hired out, significant manpower can still be diverted from essential ministries—including that of the pastor who can become more a building administrator than a discipling leader. There is also the concern about volunteer burnout.

## **1.3 ADVANTAGES OF BUILDING OWNERSHIP**

There are, however, many valid reasons for church building ownership. These are related to the legitimate advantages that building ownership affords given the right circumstances.

### **1.3.1 Stability**

Congregations that own their own buildings do not have to concern themselves with having to move worship locations when rent increases or when landlords do not want to renew contracts.

### **1.3.2 Flexibility**

Church owned buildings allow congregations to use the facilities at any time they need to. They can change the time of worship services, Bible studies, and ministry operations to meet the needs of the people they serve.

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<sup>4</sup> Lawrence Carter, *Can’t You Hear Me Calling?*, (New York: Seabury Press, 1969), 131.

### 1.3.3 Identity

A church owned building might help a congregation establish a more substantial community presence, contributing positively to the identity of the congregation within that community.

### 1.3.4 Ministry development

Building ownership leads to a wide array of ministry possibilities that can be developed by the congregation as the Spirit leads.

## 1.4 ASSESSING READINESS FOR BUILDING OWNERSHIP

It may seem that certain of these advantages and disadvantages of building ownership are contradictory. That's because circumstances vary. Each congregation is different and so each must carefully assess its own circumstances.

This assessment should evaluate the adequacy of the congregation's manpower, finances and overall spiritual health and maturity—particularly related to fruitfulness in mission. Building ownership is only appropriate when it supports the church in its discipling mission. It must never be allowed to become the main mission of the congregation.

The following diagnostic questions can help in assessing a congregation's readiness for building ownership (see also the *Church Building Acquisition Survey* in Appendix A).

- Are the members and leaders strongly in favor of ownership?
- Are they aware of the disadvantages as well as the advantages of ownership?
- Are they aware of and willing to shoulder the long-term responsibilities of ownership including the commitment of their personal resources (time, talent and money)?
- Is the congregation already financially stable? Are the financial resources already sufficient to support building ownership?
- Has the congregation already made the best use of its existing meeting hall? What can it do in a new building that it cannot do in the existing rented hall?
- Has the congregation done all it can to reach out to the community from the rented hall?
- Do church leaders have a clear and compelling discipling vision and strategy?
- Do most members know, support and participate directly in this strategy?
- Do the members have a passion to reach the unchurched? Are they already doing so in meaningful ways?

# CHAPTER TWO

## ENTERING INTO BUILDING OWNERSHIP

If the initial analysis indicates that church building ownership should be pursued, the next step is an intensive implementation process leading to building occupancy. The process, outlined in this chapter, involves the carefully coordinated efforts of many people. Because it is complex, lengthy and expensive, it must never be entered into lightly and must be administered with great care.

### 2.1 CONTACT YOUR RP AND THE LEGAL DEPARTMENT

The first step in the implementation process is for the senior pastor to contact the regional pastor (RP) to discuss building ownership issues including relevant denominational policies. If the congregation then decides to proceed further, the senior pastor will be referred by the RP to the denomination's legal department to discuss relevant legal matters, including the need for the congregation to incorporate and register within the state in which the property to be purchased is located.

Local incorporation and registration is necessary because it is denominational policy that when a congregation purchases real property (land or a building), the congregation making the purchase and occupying the property will hold the title. Further details concerning local incorporation are set forth in the *Financial Management Manual* and the *Church Administration Manual*.

A congregation must NOT sign any purchase agreements or other legal documents that concern the purchase of land or a building until local incorporation and registration are accomplished.

### 2.2 FORM A BUILDING COMMITTEE

Following contact with the RP and the legal department, the senior pastor should recruit and appoint a building committee to coordinate the rest of the implementation process. The committee should include several members who are spiritually mature, willing to devote a great deal of time

and effort to guiding the process, and who are committed to the congregation's disciplemaking mission. In addition, committee members should be generous donors who are willing to contribute over and above their normal donations to any building fundraisers or capital campaigns. It is also helpful if building committee members have skills related to the building industry (construction, design, finance, management and/or maintenance).

### 2.3 SURVEY AND EDUCATE

The implementation process must include an in-depth assessment of the membership related to building ownership issues and then the education of the members concerning those issues.

The membership should be surveyed concerning congregational health and support for building ownership. It is recommended that the *Church Building Acquisition Survey* be used (see Appendix A). The results of the survey should be shared with the RP who will then, at his discretion, interview the leadership team and others in the congregation.

Based on the survey results, the pastor, building committee and other leaders will then work to educate the congregation concerning the implementation process. "Town hall" meetings, newsletters and one-on-one discussions can be used to inform members concerning the issues, challenges, costs and responsibilities of building ownership. The goal in this educational process is to both inform and involve the members so that they are willing to lend their prayerful and financial support to the implementation process.

## 2.4 CHOOSE A LOCATION

The next step is to choose a building (or property on which to build a building) for purchase. The key issue here is not to find a great *building*, but to find a great *location*—to match the congregation’s mission and resources with the needs of a specific “target” area (community) within which to advance that mission.

Within the targeted area, the church building should be visible, accessible and have a pleasant appearance. Out-of-the-way locations, signs or buildings that are difficult to see, and declining communities are conditions that a congregation will usually want to avoid.

We should note here, that church growth is not the primary goal of building ownership—mission effectiveness is. A congregation devoted to the mission of making disciples who make disciples will often grow in numbers.

## 2.5 PREPARE A DEVELOPMENT PLAN

The senior pastor working together with other leaders (including the building committee) will next prepare a development plan to chart the course ahead for the congregation. The plan will incorporate and analyze the proposed building (or land) acquisition, thus providing (or failing to provide) justification for building ownership.

The development plan should include, as a minimum, the following plan elements:

### 2.5.1 Vision document

A listing and explanation of the congregation’s core values, mission, vision, strategy (key result areas), faith goals and work goals. For more information on preparing a vision document, the senior pastor should contact the regional pastor.

### 2.5.2 Financing plan

A plan for financing the acquisition, maintenance and operations of the church building. Refer to Chapter 3 for details.

### 2.5.3 Evaluation of demographics

A survey of the surrounding community including age, income, race/ethnicity, growth, religious affiliation, etc.

### 2.5.4 Evaluation of space needs

Evaluation of the congregation’s present and projected future needs for building space including the following categories:

- Worship space (sanctuary)
- Educational space (classrooms)
- Office space
- Fellowship room/kitchen
- Restrooms and other support space
- Parking

During this evaluation, each ministry leader should be surveyed concerning their particular ministry’s space needs.

### 2.5.5 Evaluation of the building and grounds

A comprehensive evaluation of the church building and its grounds (or of the land) being considered for purchase. That evaluation should include (as a minimum) the following elements:

**2.5.5.1 Building location.** Analysis of the building relative to the surrounding community. This part of the evaluation should also consider vehicular and (as appropriate) mass transit (buses, subways, etc.) and pedestrian access.

**2.5.5.2 Space allocation.** Comparison of the space needs of the congregation (see 2.5.4) with the rooms provided in the church building being considered for purchase or construction. This comparison addresses the following questions: Can our existing and projected needs be met in this building? Can existing rooms be rearranged or utilized differently? Can some rooms serve several purposes?

If the plan is for new construction, many church building architects recommend a multi-purpose structure with flexible-use space. This approach reduces both initial and remodeling costs. In a multi-purpose structure, a sanctuary can double as a fellowship hall and/or gymnasium (though some designers feel that a gymnasium and a sanctuary are not compatible uses); classrooms can be easily subdivided using movable partitions to double as counseling rooms, offices or a fellowship hall.



**2.5.5.3 Restrooms.** Are the restrooms adequate for the projected use? One of the biggest complaints members have about their church building is lack of restrooms. Normally, ladies rooms need to be larger than men's rooms.

**2.5.5.4 Parking and circulation.** Evaluation of the parking provided on the property. It is preferable that parking be distributed around the building to reduce the distance a person must walk to enter the building. Traffic flow from the street, through the parking lot and back to the street should be smooth and clearly marked.

**2.5.5.5 Landscaping and outdoor lighting.** Quantity and quality of existing plantings, walkways, and outdoor lighting. Walkways, driveways and parking lots should be lighted well so people can find their way easily. The main entrance, doors and building perimeter should be lighted to deter burglars and vandals.

**2.5.5.6 Zoning and building codes.** Underlying zoning and building codes that govern the use of the property and building. Different cities, counties, townships, etc. have varying requirements related to church buildings.

Some, for example, permit church buildings in residential zones, while others do not. Most stipulate the amount of property required for certain church building sizes and level of attendance. Building codes usually dictate amounts of parking and occupancy levels for certain sizes/types of church meeting rooms (such as sanctuaries and dining rooms).

It is essential to research these issues because the building may not be adequate for the anticipated use. Furthermore, when ownership of a building changes, the new owner may not be able to use the building in the same way as the prior owner.

**2.5.5.7 Environmental assessment.** An assessment of environmental hazards is mandated in some jurisdictions and by some lenders. In addition, it is the policy of the denomination that a *Phase One Environmental Review* be obtained from a reputable company before any real property (land or a building) is purchased. If such review shows any troublesome issues, they should be discussed with the legal department prior to

proceeding with the purchase. This policy is in place because of the liabilities which can befall a purchaser of real property that has some type of environmental hazard or contaminant present (including but not limited to asbestos used in building materials).

**2.5.5.8 Accessibility.** The property should be examined relative to conformance with local building codes related to such matters as building entrances, parking, restrooms, drinking fountains and width of hallways. Though churches are generally exempt from the Federal *Americans with Disabilities Act* (ADA) and related state regulations, the guidelines of this act are useful in evaluating building accessibility for disabled people.

Furthermore it is generally appropriate (and sometimes mandated) that new church building construction complies with these regulations). Because of these accessibility concerns, the current trend is for one-story buildings with ground level entrances. Information about Federal ADA standards can be found in, *Planning and Building Church Facilities*<sup>5</sup> and at [www.ada.gov](http://www.ada.gov).

Other accessibility issues include the visibility of the building and of parking. The building entrance needs to be clearly visible from the parking areas with signage pointing the way as needed. The vestibule should be visible from outside so people arriving can see others and tell when the church is occupied. It is recommended that the church office be located inside the front door so new people can find assistance.

## 2.6 PURCHASE THE BUILDING

If all of the elements of the development plan indicate that a purchase should proceed, the following next steps should be followed:

- Submit the development plan to the regional pastor for review and comment.

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<sup>5</sup> Gwen McCormick, *Planning and Building Church Facilities*, (Broadman and Holdman:1992).

- Contact the legal department to finalize local incorporation and registration. A congregation must NOT sign any purchase agreements or other legal documents that concern the purchase of real property until local incorporation and registration are finalized.
- An offer can be made on the building through a realtor (if necessary) or directly with the owner. Prior to signing any such documents, contact the legal department to receive their review of such documents and/or their assistance in finding other adequate legal counsel.
- Move fundraising for a down payment and other costs into “high gear.”

## 2.7 TITLE THE PROPERTY

In GCI, title to real property purchased by a congregation is held by that congregation and is titled in the congregation’s legal name. Refer to section 2.1 concerning local incorporation and registration of congregations that purchase real property. The legal department should be consulted regarding titling and related legal matters.

## 2.8 DESIGN AND CONSTRUCT THE BUILDING

If the congregation’s development plan calls for constructing a new church building, the building committee will need to attend to the following.

### 2.8.1 Select an architect or design-builder

Either an architect or a design-build contractor can design the building, prepare construction documents and secure necessary governmental approvals for construction. In evaluating these services it should be noted that various fee arrangements may be offered. Most will charge a percentage of the estimated (or sometimes actual) building cost. For example, if you estimate that you can build for \$150,000 using church labor, the architect or contractor will estimate the price at about \$300,000 to \$400,000 and charge 15 to 20% of that figure (\$45,000 to \$60,000).

As part of the design process, the design consultant will counsel the building committee in selecting an appropriate building construction option. Typical options include wood framed site-built,

pre-constructed (including mobile structures) and metal construction. Pre-constructed buildings usually take less time to build and are lower cost than traditional site-built options. Mobile structures are completed in the factory and then moved to the site. Other pre-constructed structures have components built in the factory with much assembly occurring on site.

Metal buildings usually cost less, take less time to construct and require less maintenance than traditional construction. On the downside, final cost may be greater since perimeter walls and a ceiling will usually need significant interior finish work. In addition, most metal buildings are not energy efficient.

### 2.8.2 Bid the work and select a builder

The design consultant will usually arrange to bid the proposed construction and help select a builder.

### 2.8.3 Arrange financing

Choose a program for financing the construction (such as a construction bridge loan)—refer to Chapter 3.

### 2.8.4 Arrange for and supervise construction

There are three basic approaches to church building construction. The first is to hire a general contractor to supervise and coordinate construction. The second is to hire an architect to supervise construction. The third is for qualified members of the congregation to donate their time to act as the general contractor.

The general contractor provides what is called a ‘turn-key’ service that involves reviewing construction plans (‘blueprints’); preparing cost estimates; arranging for all building permits; and hiring, scheduling and supervising all subcontractors.

With a general contractor, the building committee will have little involvement once construction begins until the general contractor ‘turns the keys’ over to the congregation. During the construction phase, an architect usually inspects the work of the general contractor and all subcontractors. Some architects offer general contracting services.

The downside for using a general contractor and/or an architect is the fees for services. General contractors charge 15 to 25%, though that fee is often 'buried' in the construction costs. Architects charge from 5% to 25% of the estimated (or actual) construction cost depending on the services provided.

### **2.8.5 Using donated materials and labor**

In order to reduce construction costs, some congregations will use donated materials and volunteer labor. Donated materials may be acknowledged by issuing to the donor a tax deductible receipt, but note that the receipt is to list only the quantity and the condition of the donated materials, NOT the monetary value (assigning monetary value to the donation is the responsibility of the donor).

Some churches do all the construction utilizing donated (volunteer) labor. Others use volunteers for certain construction tasks and hire contractors for others. Some use a volunteer to serve as the general contractor and then hire subcontractors for all other construction work.

Such donated labor is NOT tax deductible and may NOT be receipted, though it may be acknowledged with a letter of thanks. If donated labor is used, great care must be exercised. Various liability issues must be considered—be sure to check with your insurance carrier in advance.

There are also problems related to the reliability of volunteers. It is important, therefore, that volunteers be pre-screened related to their availability (in terms of their schedule, attitude and energy levels) and their skill for the work assigned.

# CHAPTER THREE

## FUNDING BUILDING OWNERSHIP

Church buildings are expensive to purchase and to operate. Having sufficient funds for both is thus a primary concern for the congregation. Various issues and strategies must be considered.

### 3.1 THE HIGH COST OF OWNERSHIP

The costs of building ownership are high for a number of reasons. First the cost of land and construction is high in many areas. Add to this the cost of financing and many congregations who own buildings may not have enough income left to maintain and operate the building, pay salaries, reimburse ministry expenses and cover other essentials.

Many churches in North America devote 50% or more of their annual income to building ownership costs including debt service, maintenance, supplies and insurance. The Christian Stewardship Association advises, however, that no more than 40% of total donation income be used for such costs.

When counting the cost of purchasing or constructing a building, keep in mind that in addition to the land and building, there are many other costs including furniture, equipment, fees (closing costs, inspectors, architects, etc.), financing, and inflation that need to be considered. It would be wise to build a buffer (say 10%) into the overall facilities budget to handle unforeseen costs.

### 3.2 TYPES OF FUNDING

There are several primary alternatives for procuring funds for the purchase or construction of a church building. In deciding among these alternatives, the building committee should seek professional advice. The pastor should also consult the regional pastor to ensure that the means of securing funding is in accord with denominational policies.

Note that the various funding alternatives mentioned here are addressed in the *Financial Management Manual* (Chapter 3 in particular) where

requirements are established for specific funding sources. These requirements include matters pertaining to designated (restricted) income, apportionments for fundraising and bequest income, avoidance of unrelated business income tax, and reporting of income and indebtedness.

#### 3.2.1 Building funds

Some or all of the cost for a church building may be raised through donations to a building fund. To avoid the problems inherent in receiving designated donations, it is strongly urged that a building fund be established as a budgeted income category within the congregation's general account rather than in a separate, designated account.

This budget category could then, for example, be labeled as the "Future Growth Fund," where monies accumulating could be used for a wide array of church growth related expenditures including buying or building a building, renovating existing property, planting a new church, etc. The purposes for the fund must be clearly explained so that donors know what the money can and can't be used for. For example, the annual financial report from the pastor might state that, "the purposes of this fund are to provide monies for building or buying new church facilities, renovation or maintenance of existing facilities, planting new congregations, or other growth purposes determined by the leadership team."

#### 3.2.2 Capital fundraising campaigns

Capital fundraising campaigns (usually referred to as 'capital campaigns') are intensive, short duration fundraisers with the express (designated) purpose of raising all or a portion of the money needed for a specific capital expenditure—in this case the purchase, construction, and/or maintenance of a church building. Refer to Appendix B for additional information.

### 3.2.3 Memorials

A memorial is a donation, monetary or otherwise, that serves to preserve remembrance or to commemorate a person or event. Family and friends may provide funds to establish memorials in honor of loved ones. Donations can be given to make memorials of special equipment, rooms, or entire buildings. Special memorial plaques can be displayed in honor of members who have made a significant contribution to the congregation.

### 3.2.4 Mortgage loans

Another method for financing building ownership is a mortgage loan that is usually secured from a lending institution (bank, savings and loan, etc.). Congregations may shop for mortgage loans. Note also that the denomination maintains relationships with lenders for this purpose—contact the denomination’s office of finance and planning for further information.

**3.2.4.1 Lenders’ approval guidelines.** Mortgage loans on church properties are often difficult to obtain because church buildings are usually designated as “single purpose buildings”—a designation that limits their re-sale value. Additionally, churches often do not have a good reputation for properly handling money and for stability of income. Churches often experience a frequent turnover in church membership and leadership. Because of these and other factors, lenders usually place high restrictions on loans to churches.

Those restrictions are expressed in the following guidelines that lenders typically apply in evaluating a loan on a church property. Note that the numbers in these guidelines are maximums—congregations are well-advised to stay well within them. Note also that guidelines vary among lending institutions.

- **Maximum capitalization:** The debt should not exceed 3.5 times the congregation’s average annual income. (For example: If the congregation has \$100,000 in annual income, the maximum loan amount can’t be more than \$350,000).
- **Debt to income:** The payments on the debt should be less than 30% of the current year’s income. (For example: If the church’s current annual income is \$100,000, the most that can

be used for debt service [loan payment] in one year is \$30,000).

- **Loan to value:** The loan should not provide more than 75% of the cost of the new building. (For example: If the cost of the property is \$250,000, the loan cannot be greater than \$187,500).

**3.2.4.2 Loan costs.** Loans on church properties are expensive. For example, if a congregation purchases a small church building for \$200,000 (that amount would be very low in some areas), the usual minimum down payment would be \$40,000 (20% of purchase price—and often the required down-payment will be 25% or more) leaving a mortgage of \$160,000. Since church buildings are normally classified as commercial buildings, the interest rate is higher than for residential property loans, and loan durations are normally limited to 15 years.

At 8% interest and a 15-year loan, the monthly payments on this example loan would be about \$1,529 with the total of all payments being \$275,220. That means that including the down payment, the building would cost \$315,220. Note that these example figures do not include *closing costs, points, and loan origination fees* that could add as much as \$10,000. Maintenance reserves should also be built into the overall costs.

Church leaders must ask, “Can the church afford this cost?” If not, a larger down payment may be necessary. The additional money could be raised using a building fund or a capital campaign. If the church raised \$100,000 instead of the minimum down payment of \$40,000, the monthly payment would be reduced to about \$955.

Churches with high rental payments will find that their current rental or lease payments may be comparable to a mortgage payment. A loan may not add much to the current church budget. For example, consider the church in the above example. Assuming that a church was renting a hall for \$900 per month (\$225 per week), if the church had a down payment of \$100,000 the difference between the mortgage payment and rental payment is negligible (though don’t forget to factor in the various costs of ownership over and above the mortgage—see Section 3.3).

**3.2.4.3 Applying for a loan.** When a loan is applied for, the lender will usually require as part of the application a detailed report of the congregation's finances for the last three to five years together with a copy of the congregation's long-range development plan. The goal of the lender in requiring this information is to confirm the long-term financial stability and the future potential of a congregation before lending it money. This information should be presented to the lender in an attractive folder that includes the following:

#### **General church information**

- Brief history of the church including date of origin, denominational affiliation, member attendance figures (for the past 3-5 years)
- Resume or biography of the senior pastor and other key staff members
- Report of church growth with projections
- Long-range plan (5-10+ years)
- Copies of the budgets, financial reports, balance sheets, reviews of accounts, and year-end reports for the current year and for the past 3-5 years
- Information on capital fund raising programs
- List of guarantors

#### **Building and property information**

- Copy of title abstract or deed
- Appraisal of property
- Pictures and/or survey of property
- Master plan for property development
- Floor plans for new building construction with cost estimates

#### **Loan information**

- Itemized list of the intended use of the requested loan proceeds
- Down payment
- Second mortgage plans
- Suggested repayment plan
- Justification for why the amount to be borrowed is safe

Good financial records are thus a must for a church desiring to buy or build. The church treasurer should ensure that all pertinent information is recorded and documented with a future purchase in mind. For example, a church does not usually need to record or account for donated labor. However, when compiling a comprehensive

financial statement it is beneficial to include donated labor that offsets normal expenses. This presents a truer picture of the church's financial position.

**3.2.4.4 Bridge loans.** This is a loan (generally a second lien), placed on the customer's former property in order to provide funds to buy or construct a new facility.

**3.2.4.5 Recourse.** Church leaders should make careful note of the terms and conditions of a mortgage loan relating to default of payment. In some cases, and often if not always on second mortgages, the lender may have the right to recover money from the congregation to pay off a loan which has been foreclosed upon if the amount received from the foreclosure sale doesn't fully pay off the loan. This means that the building could be foreclosed upon and lost, and the congregation may still owe money on the loan with nothing else to sell to raise the funds. Obviously, loans which have recourse provisions allowing lenders these rights should be entered into very carefully, if at all.

### **3.2.5 Renting with option to buy**

A method that is good for "testing the waters" of building ownership is to first rent with an option to buy. With this method, some or all the rent is applied toward the purchase if and when the congregation decides to buy the building.

This approach provides two major benefits. First, the church can determine if the location is right. The church has time to determine their ability to reach out to the community before being locked into that location. Second, it allows the church more time to save for the down payment. Depending on the agreement, all or part of the rent may apply toward the down payment.

## **3.3 ALLOW FOR HIDDEN COSTS**

Hidden costs have been the "straw that broke the back" of many churches that have entered into church ownership. Having a furnace, air conditioner or roof that needs replaced can cause a budgetary crisis. Instead of letting this situation occur, such items should be included in the yearly budget planning and may need to be included in the scope of financing. Refer to Appendix A for a

list of the typical costs of church building ownership. Review the form carefully for items that might be overlooked in budgeting.

### **3.4 FUNDING MAINTENANCE**

Maintenance is a major cost in church building ownership and must be provided for in the operating budget. Maintenance costs are often higher than anticipated. One reason is because congregations rely (at least at first) on volunteer labor. They figure that members will cut the grass, trim hedges and trees, clean the building, paint and perform other general maintenance tasks. But this strategy rarely works out for long because these tasks often take more time and effort than anticipated. It's therefore better to plan from the start to hire out most of the maintenance.

In budgeting for future maintenance it's important to carefully track all current maintenance costs (both in dollars and in volunteer hours) and then use these records to project future costs and then include this in the church budget. The treasurer can help in keeping these records. Unusual (and often major) maintenance tasks are easily overlooked in the budgeting process. The church

needs to set aside funds in advance for such things as re-roofing, and furnace or air conditioner major repair or replacement. In doing so, be realistic. If the roof is expected to last 20 years, but is already eight years old, the amount set aside each year should be 1/12 the replacement cost since that is the remaining life expectancy.

Perhaps the best way to prepare for major (non-regular) maintenance costs is to raise funds for a *maintenance endowment*. An adequate endowment would equal 10 to 15% of the building's total value. The interest earned from an endowment of that amount should be enough to fund most of the non-regular maintenance tasks. Regular, preventative maintenance tasks would be paid for from the general fund.

### **3.5 RESERVE FUND**

A reserve fund is essential for all churches, but is *extremely important* for congregations with a large encumbrance such as a mortgage. Church income varies from month to month and a reserve fund helps to smooth out the peaks and valleys. For more on reserve funds see chapter 2 in the *GCI-USA Financial Management Manual*.

# CHAPTER FOUR

## OWNING A BUILDING

This chapter reviews issues pertaining to the maintenance, operations and management of church buildings.

### 4.1 MAINTENANCE

With building ownership come the responsibilities and costs for the maintenance of the building and its grounds.

#### 4.1.1 Why maintenance is important

Regular and reliable maintenance is important for the following five reasons:

##### 4.1.1.1 To protect the church's investment.

Buildings that are not cared for quickly deteriorate and may lose value.

4.1.1.2 **To minimize operating costs.** Regular maintenance minimizes the cost of repair, replacement and ongoing operations.

4.1.1.3 **To enhance appearance.** First impressions have a great impact on visitors. People prefer to attend a church that is well maintained. A poorly maintained building and grounds may give the impression that the church does not care for people nor appreciate what God has provided.

By using low maintenance materials, the costs of maintenance can be minimized while still maintaining a good appearance. Replacing lawn areas with low-maintenance ground covers can reduce mowing and watering costs. Low maintenance trees and shrubs can be planted to replace more high maintenance varieties.

4.1.1.4 **To ensure the health and safety of those who use the facilities.** Well-maintained facilities reduce the risk of accidents or health problems. Neglect and negligence can cause accidents that lead to costly litigation. In that regard, sanitation is essential, especially in restrooms and kitchens. Snow and ice removal is also essential.

4.1.1.5 **As part of good stewardship.** Good stewardship includes faithfully maintaining church-owned facilities.

#### 4.1.2 Scheduling regular maintenance

Maintenance is best provided by adhering to set schedules for routine maintenance tasks. This approach can lead to significant cost savings over time. It's particularly important in the case of the following maintenance tasks:

- Light cleaning of the building
- Carpet cleaning
- Grounds (lawns, trees, shrubs, parking lots, fencing, signage, etc.)
- Fire and security alarms
- Electrical and plumbing systems
- Roof
- Heating and air conditioning
- Seating
- Sound systems

### 4.2 OPERATIONS

In addition to property maintenance, the congregation will have to arrange for and pay for the operations of the building and grounds that will include the following:

- Utilities (water, sewer, gas, electric, trash)
- Phones and answering service
- Insurance (fire, flood, liability, etc.)
- Local use and license fees
- General supplies (bathroom, kitchen, etc.)
- Tools and equipment

### 4.3 LABOR

Following building occupancy, a designated facilities team needs to oversee and coordinate the long-term maintenance and other operations of the building and its grounds. This team may be the building committee or another group of appropriately gifted and available individuals.

The actual maintenance and operations will necessitate the provision of labor in the form of janitorial, grounds maintenance, secretarial services, and the like. These services may be provided for through volunteers, contractors and employees.



### 4.3.1 Volunteers

While volunteers are the most economical form of labor, they often do not possess the skills needed and may be unreliable. For these reasons long-term volunteer labor should not be relied upon for all maintenance and operations. Of course, there are exceptions. Some congregations are blessed with dedicated, skilled and reliable volunteers. For excellent guidelines for recruiting, training and managing volunteer laborers, consult the Leadership Handbook of Management and Administration (James D. Berkley, Gen. ed.).

### 4.3.2 Independent contractors

While more costly, contracted labor is usually more reliable than volunteer labor. However, the cost of contracted labor continues to rise and contracted laborers do not always perform according to expectations. The facilities team should shop around (2 or 3 bids are preferred) and check references. Also refer to the *Financial Management Manual* for more details on hiring and paying independent contractors, including IRS reporting requirements.

### 4.3.3 Employees

This form of labor is more costly but normally more reliable. With an employee, the church has the advantage of being able to hire, train, manage and terminate at will. Hiring part-time help is usually the first and preferred option. Refer to the *Financial Management Manual* concerning hiring and paying employees. Note, that if an employee is also a church member there are additional, and challenging issues to face. It may be difficult to discipline and/or terminate a member who does not meet job expectations. Caution and clear expectations are in order.

## 4.4 MANAGEMENT

### 4.4.1 Management roles

The facilities team needs to be sure the labor force (whether volunteers, contractors and/or employees) is properly trained, equipped and mobilized. Providing job descriptions is quite helpful. Contracts for these services must be precise and carefully reviewed.

Following are brief discussions of the management issues involved with some of the key personnel in the maintenance and operations of the building and its grounds.

**4.4.1.1 Building superintendent.** Ideally, someone will serve as the building superintendent. This person would normally lead the facilities team and is the primary person responsible to the senior pastor for the maintenance and operations of the church property. This person needs to have the gifts and skills to maintain schedules, work with contractors and handle basic building and equipment repairs. If the congregation does not have someone who can fill this role, they might consider hiring someone who could then also serve as the congregation's janitor.

**4.4.1.2 Senior pastor.** It is important that the senior pastor's role in the development and management of the church property be carefully defined and communicated to others so that expectations among the concerned parties are clear. The principle elements of that role are as follow:

- **Cast vision and lead.** The most important role of a senior pastor is to continually set the vision of the church before the members and explain how the property is a servant of that vision. As part of this vision casting, the pastor will seek the spiritual and financial support of the congregation for the ongoing use, care and development of the property as a tool that serves the vision and mission.
- **Delegate responsibility but demonstrate interest.** Pastors should work closely with the building superintendent and facilities team, but not micro-manage. Pastors should generally become involved only in major decisions (what constitutes "major" should be decided in advance by the pastor and team).
- **Concentrate on pastoral duties.** Though "the stress characteristics of concrete don't affect pastoral ministry"<sup>6</sup> some aspects of church property management should directly involve the pastor. Pastors need to express

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<sup>6</sup> James D. Berkley, Gen. ed. Leadership Handbook of Management and Administration. (Grand Rapids, MI: Baker Book, 1994), 391.

their preferences and concerns in these matters but continue to focus their time and effort on their primary pastoral duties.

- **Become knowledgeable in the areas of critical concern.** It is important that the pastor become generally conversant in certain areas having to do with the building and its operations (i.e. acoustics, space requirements, etc.). It is not necessary, however, for pastors to become experts in these areas.

#### 4.4.2 Other management issues

##### 4.4.2.1 Building use policies and contracts.

Policies need to be developed regarding the use of the building and its grounds. Such policies express the church's operating philosophy and answer most of the basic questions regarding facility use. It is also important that someone be responsible for scheduling building use. Building use policies should delineate who can use the facilities and equipment (including non-church groups and individuals), for what purposes (community service, weddings, etc.), and at what cost. See Appendix A for *Building Use Policy* and *Building Use Application* forms.

A building use contract will be needed whenever the facilities are rented out. The contract should specify the areas to be used, costs, deposits, cleanup requirements, etc. A sample rental agreement is available from the legal department.

In such rentals be wary of generating unrelated business income (UBI) that is subject to taxation (refer to section 3.18 of the *GCI-USA Financial Management Manual*).

**4.4.2.2 Security.** As public buildings, church buildings are easy targets for theft or vandalism. There are a number of effective security measures that can be taken including electronic security devices and services, the use of ID badges, providing adequate lighting, having custodians work at night, and limiting the number of keys issued.

**4.4.2.3 Safety.** A safety plan should be in place. Ushers and other key personnel should be trained in emergency exit procedures. They should be familiar with all exits, fire extinguish-

ers, and emergency phone numbers. A first aid kit should be readily available. Safety inspections should be conducted regularly to ensure that the facilities meet building codes and to identify and remove hazards.

**4.4.2.4 Insurance.** It is essential that a congregation arrange for appropriate property, liability and casualty insurance coverage related to the building, its contents and its use. Some of this coverage may be provided under policies held by the denomination while other types of insurance will have to be purchased directly by the congregation.

Because coverage is subject to change, contact the Treasurer's office with questions about current insurance needs prior to completing a purchase.

**4.4.3.5 Energy savings.** In order to conserve energy it is usually best that only a very few people have authorization to adjust thermostats or maintain heating and air conditioning equipment. The use of programmable, "set-back" thermostats will help maintain the balance between adequate temperature control and utility costs.

**4.4.3.6 Kitchens.** If a church operates a kitchen it needs to do so according to the requirements of local building and health codes. In many locales the size and purpose of the kitchen determine whether it falls under commercial or residential codes. With commercial codes, expensive, specialized kitchen equipment must be purchased, maintained and periodically inspected by the health department. In any case, health inspectors may need to inspect the facilities when food will be served to the public (as in fundraisers and day care).

**4.4.3.7 Signage.** It is easy to underestimate the importance of good signage. Signs should be placed for good visibility at whatever speed passersby may be driving. Work with a sign company to obtain effective and attractive signage with appropriately sized lettering. Signs should present the hours of operation and how to contact a church official, such as the senior pastor. Signs should then be well maintained

# APPENDIX A

## CHURCH BUILDING FORMS

This appendix contains several forms to assist congregations in various tasks related to church building ownership. Each form may be modified as necessary to fit local needs.

# CHURCH BUILDING ACQUISITION SURVEY

Name and location of congregation: \_\_\_\_\_

This form is an aid in conducting interviews to determine if proceeding with building acquisition (or construction) is advisable. The interviewer (usually someone outside the congregation) uses this form as a guide in asking questions of the senior pastor, other key leaders and individual members. Interviews may occur one-on-one or in groups as appropriate

During the interview discuss each statement on the form to ascertain the person's perspectives and feelings concerning the particular issue. Check the appropriate box on the form for each statement or question. Evaluate each statement according to what, in the interviewer's best judgment, will actually happen—not what the person being interviewed hopes will happen. For example, consider the statement, "A building program will involve more members in the work of the church." Is this because the members *want* to be involved, or will the building acquisition *force* that involvement?

Following the interviews, the survey forms should be compiled to draw general conclusions regarding the advisability of proceeding with a building acquisition program.

## Mission and evangelism

Yes No

- We have small groups structured to incorporate new people
- We have active women's ministry
- We have active teen ministry
- We have active children's ministry
- We have a plan for reaching out to unchurched people in the community where the church is located
- Many members are active in relational evangelism (cultivating relationships with unchurched people)
- We have a clear and compelling mission statement
- Most members understand and support our mission

## Members

- We have a plan to communicate progress to the congregation
- We have the leadership to develop and implement an effective building acquisition plan
- Our leaders are committed financially to our building acquisition plan
- We can provide training for the various needs of a new facility
- Our members are ready to make a long-term financial commitment to acquiring the building

## Awareness of needs

Yes No

- We have contacted pastors of other churches in the community to discuss potential growth
- We understand the demographics of the community surrounding the building (including population distribution by age, race, ethnicity, education, and income)
- We know how many un-churched people live in the area
- Local church growth is not keeping pace with population growth
- We know the needs of our community
- We know which of those needs we are currently meeting
- We know which of these needs we will be able to meet better with a building
- Our worship format (including music) is culturally relevant to the community

## Why buy or build?

- A new building will attract new members to the church
- A new building will motivate members to reach out through evangelism
- A new building will inspire better worship

Yes No

- A building program will involve more members in the mission of the church
- A building program will motivate members to donate more generously to the work of the church
- A building program will unify the members by giving them a common goal
- A new building will present a better church image to the community
- A new building will provide a more effective tool to do ministry

### **Commitment level**

- The members want a new building
- The members perceive a *need* for a new building
- A new building will not cause division in the church
- The church is not expecting a new building to heal a current division
- This congregation has the spiritual and financial health to support a building program
- The pros and cons of building ownership been fully explained to the members
- We have good reasons to believe that donations will continue to remain stable or increase over the next three to five years
- Donations have been stable or increasing over the last two to three years

### **Location of the new building**

- The location of the new building is easy to find
- The new building is in a safe area
- Access to the building is through safe areas
- The location of the new building is in a potential growth area
- The new location is in a residential area
- The new location is in an area with commercial zoning

### **The new building (outside)**

Yes No

- There is space for an easy-to-see outdoor sign
- There is adequate parking
- Parking spaces are arranged around the building to minimize walking
- Walkways are paved
- Walkways drain well and don't hold standing water
- There is adequate lighting for walks and parking areas
- The main entrance is clearly designated
- The building is not hidden from view from the street
- Landscaping does not require much maintenance (including watering)

### **The new building (inside)**

- The building has adequate space for both worship and education
- The foyer is designed so people outside can see when the church is "open"
- The foyer area is bright and cheery to welcome people
- The sanctuary and church offices are easy to find
- The hallways are well lighted
- There are adequate restroom facilities
- Rooms are designed for multi-use
- There are adequate classrooms
- Furniture can be arranged as needed to maximize use of space
- Office space is adequate for computer, copier, library, etc.
- The sanctuary is well lighted

### **Maintenance and construction**

- We know the cost of contracting for general maintenance (lawn care, etc)
- The building is designed for low maintenance
- We know the costs for maintenance
- We know the costs for utilities

## General statistics

- \_\_\_\_\_ How many worship services are held each week?
- \_\_\_\_\_ Average worship service attendance
- \_\_\_\_\_ How many discipleship classes, Bible studies, etc. are held each week?
- \_\_\_\_\_ How many teen classes are held each week?
- \_\_\_\_\_ How many children's classes are held each week?
- \_\_\_\_\_ How many other meetings are held each week?
- \_\_\_\_\_ How many classrooms are needed each week?

## Finances

- \_\_\_\_\_ What is the current monthly hall rent?
- \_\_\_\_\_ How much is currently in the reserve fund?
- \_\_\_\_\_ How much of that can be used for a down payment, closing costs, etc.?
- \_\_\_\_\_ What will the mortgage payment be (principal plus interest)?
- \_\_\_\_\_ What will the cost of insurance be?
- \_\_\_\_\_ What will maintenance cost each month?
- \_\_\_\_\_ What will utilities cost each month?
- \_\_\_\_\_ What will general congregational ministries cost each month?
- \_\_\_\_\_ What will the pastor's salary, benefits and expenses cost each month?
- \_\_\_\_\_ What was the average donation level each month over the last year? Over the last two years?
- \_\_\_\_\_ After deducting all other operating costs, how much is left each month for payments on a building?

# Church Building Acquisition Checklist

## A. Building feasibility stage

1. Consult with the denomination's legal department concerning incorporating and registering locally for the purpose of holding title to the property
2. Prepare a *development plan* that includes an analysis of building needs. Discuss the plan with the regional pastor.
3. Determine the level of commitment (including financial commitment) of congregational leaders
4. Establish plan for keeping the regional pastor and members informed
5. Meet with members to discuss the development plan and the commitment of the leadership and of the membership to that. Discuss needs, goals and costs (both initial and long term).
6. Complete *Church Building Acquisition Survey*
7. Discuss survey results with DS, local leaders and members. Make a go—no go decision. If go...
8. Set tentative schedule for search and acquisition
9. Call for volunteers
  - a. Building committee
  - b. General helpers (do simple planning and research jobs)
  - c. Craftsmen, laborers
10. Initial fundraiser planning (don't go public yet)
11. Appoint fundraising coordinator

## B. Property search stage

1. Research zoning issues
  - a. Most zoning laws allow a church on property zoned "residential"
  - b. Most zoning laws require at least 2 acres for a church
2. Inspect existing structure or vacant property
  - a. Don't limit search to only those properties on the market
  - b. Consider property value issues
  - c. Consider property visibility
  - d. Consider property accessibility
    - i. Traffic
    - ii. Entryways
  - e. Consider layout of property
    - i. Total size/shape, width and depth
    - ii. Relatively level area for building and parking
    - iii. Drainage (out of flood plain)
    - iv. Utilities

## C. Construction planning stage (for congregations constructing a new building)

1. Determine whether or not to use a general contractor, architect and/or volunteer labor
2. Complete initial design work
3. Post a perspective drawing of the building and a floor plan for the congregation to view
4. Visit the building department of the city or county that has jurisdiction
  - a. Show them the initial design drawings
  - b. Discuss building requirements (permits required, setbacks, contractor/owner licensing, etc.)
  - c. Discuss zoning requirements and health department requirements
5. If the property meets building, zoning, and health requirements, proceed with purchase or option contract

#### **D. Mobilization and cost estimation stage**

1. Determine what labor members or other volunteers are willing to provide—have sign-up lists—talk to individuals in various trades
2. Determine the labor that must or should be hired out
3. Determine if any materials will be donated. Determine if any local businesses would donate materials
4. Obtain cost estimates for material and hired labor

#### **E. Financing stage**

1. Begin planning and execution of capital fund raising campaign
2. Prepare financial records - last three years financial reports
  - a. Banking summaries (quarterly and annual)
  - b. Prepare statement of financial position (net worth)
  - c. Prepare record of past HQ payments for building rental
3. If economically feasible, obtain an initial appraisal of building based on plans and property—this is not the official appraisal, it is to provide an indication of value to the bank and bank appraiser
4. Contact several banks for latest interest rates and loan policies
5. Contact the denomination regarding insurance coverage
6. Submit loan application



## Sample Projected Costs of Church Building Ownership

Purchase price	\$200,000	Interest rate	8.0%	Down payment	\$40,000
Mortgage amount	\$160,000	Monthly payment	\$1,529	Loan term	15 years

Budgeted Expenses	Monthly Amount	Yearly Amount
Mortgage payment	\$1,529.00	\$18,348.00
Taxes	\$0.00	\$0.00
Insurance	\$100.00	\$1,200.00
Total payment	<b>\$1,629.00</b>	<b>\$19,548.00</b>
Utilities		
Gas	\$75.00	\$900.00
Electric	\$90.00	\$1,080.00
Telephone	\$20.00	\$240.00
Water/Sewer	\$35.00	\$420.00
Trash	\$25.00	\$300.00
Total utilities	<b>\$245.00</b>	<b>\$2,940.00</b>
Cleaning		
Cleaning supplies	\$10.00	\$120.00
Custodial services	\$100.00	\$1,200
Total cleaning	<b>\$110.00</b>	<b>\$1,320.00</b>
Yard care		
Lawn mowing	\$50.00	\$600.00
Lawn care and supplies	\$20.83	\$250.00
Snow removal	\$50.00	\$600.00
Total yard care	<b>\$120.83</b>	<b>\$1,450.00</b>
Maintenance reserve		
Heating system <sup>1</sup>	\$33.33	\$400.00
Air conditioner <sup>2</sup>	\$41.67	\$500.00
Plumbing	\$10.42	\$125.00
Electrical and lighting	\$8.33	\$100.00
Building exterior (paint, roof) <sup>3</sup>	\$66.67	\$800.00
Total maintenance reserve <sup>4</sup>	<b>\$160.42</b>	<b>\$1,925.00</b>
<b>Total Monthly &amp; Yearly Budget</b>	<b>\$2,540.29</b>	<b>\$27,183.51</b>

1. Assumes a \$3,500 furnace that lasts 10 years and also requires \$50 each average year for basic maintenance and filters.
2. Assumes a \$4,500 air conditioner that lasts 10 years and also requires \$50 each average year for basic maintenance.
3. Assumes roof lasts for 20 years and paint for 10 years.
4. When calculating the maintenance reserve, use the remaining life expectancy, not the total expectancy. For example, if a furnace has a life expectancy of 15 years and is now seven years old, it will need replacing in about eight years, perhaps less.

# SAMPLE BUILDING USE POLICY

( \_\_\_\_\_  
Name of Church  
\_\_\_\_\_  
Address of Church  
\_\_\_\_\_ )

The \_\_\_\_\_ building may be rented, in part or in whole, according to the following guidelines:

1. The facilities may be rented for legal activities by organizations or individuals.
2. The intended use must not lead to unrelated business income (UBI) for the church as defined by IRS guidelines.
3. Christian organizations will have priority for rent privileges.
4. The facilities must be left in the same condition after an activity as before.
5. Alcoholic beverages are prohibited anywhere on the property.
6. Food and beverages are not permitted in the sanctuary.
7. Smoking is prohibited inside the building.
8. Furniture and equipment are not to be moved without prior knowledge and consent of the representatives of the Renter.
9. Rent shall be paid in advance of any activity.
10. Members of the \_\_\_\_\_ may use the facilities rent-free (donations will be accepted.)
11. Thermostats are to be controlled only by representatives of the \_\_\_\_\_
12. Rentee (other than members) must provide a certificate of insurance showing proof of liability insurance in the amount of one million dollars (\$1,000,000) listing the renter as "additionally insured" prior to any activity.
13. Rental rates are as follows:

Sanctuary	\$100.00 per hour \$ 350.00 half day (4 hours) \$ 600.00 whole day (8 hours) \$ 300.00 half day (weekly for six months minimum)
Classrooms	\$20.00 per hour/per classroom
Gym	\$25.00 per hour \$100.00 half day (4 hours) \$175.00 whole day (8 hours)
Parking Lot (included in room rent)	\$20.00 per hour 75.00 half day (4 hours) 125.00 full day (8 hours)
Sports field	\$20.00 per hour 75.00 half day (4 hours) 125.00 whole day (8 hours)
14. A \$100.00 deposit is required at the time of application. The deposit is non-refundable and will be applied to the overall rent if the building is clean and undamaged after the event and the check for the final payment clears.
15. A \$25.00 surcharge will be applied to the overall rent for checks returned for insufficient funds.

**Sample**  
**Building Use Application**

( \_\_\_\_\_ Name of Church \_\_\_\_\_ )  
( \_\_\_\_\_ Address of Church \_\_\_\_\_ )  
(Phone number)

Applicant name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

Contact person \_\_\_\_\_

Contact person phone \_\_\_\_\_

Date(s) requested \_\_\_\_\_

Time(s) requested \_\_\_\_\_

Purpose of use \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Rooms requested \_\_\_\_\_

Rental rate \_\_\_\_\_

Total rent due \_\_\_\_\_

Approved by \_\_\_\_\_ Date \_\_\_\_\_

# APPENDIX B

## CAPITAL FUNDRAISING CAMPAIGNS

(for financing building ownership)

This appendix provides an overview of capital fundraising campaigns (usually referred to as ‘capital campaigns’), which are fundraisers for major capital expenses. This appendix addresses capital campaigns for the purpose of raising monies to finance the purchase (or construction) and operation of a church building. Only basic guidelines are provided. Books and consultants on the topic should be consulted for additional details. Note that the *Financial Management Manual* addresses capital campaigns and addresses circumstances in which such fundraisers are and are not exempt from apportionment.

### B.1 LEADERSHIP AND VISION

Capital campaigns are not unlike King David’s work to fund construction and outfitting of the Temple in Jerusalem (see 1 Chronicles 29:1-9). David was the first donor, then other leaders followed suit. When the people saw what had been done, they contributed their own generous donations.

We learn from David’s example that people are generous in giving to a compelling and worthy cause. For this reason, a capital campaign must rest on the firm foundation of a clear and compelling vision for advancing the mission of the congregation. With this clarity of purpose, donors are more willing to support the campaign through generous giving.

In emulating King David’s example, leaders of a congregation must set the pace as initial and generous donors to the capital campaign. Members want to know if their leaders are committed to the vision and the campaign. They will ask, “Why should we give if our leaders don’t?”

### B.2 BEFORE GOING PUBLIC

Before soliciting funds from the whole congregation and beyond, it is advisable to have significant amounts already pledged and/or collected from leaders and other key donors. Refer to the *Financial Management Manual* for additional guidelines related to pledges.

Most fundraisers recommend that 50% of the targeted total be pledged or collected prior to a general launch. This approach is important for two reasons. First people want to know that their leaders believe enough in the project to commit their own money. The generosity of the leaders sends the message that the project is truly important. Second, people want to see the ‘bandwagon’ moving before they jump on. They don’t want to commit to what might fail. Significant pre-launch donations help alleviate this concern.

### B.3 BUDGETING THE CAMPAIGN

When establishing the fundraising goal the campaign team must be confident that they can raise the targeted amount. If the target is not achieved, they must revise downward—a step that some will equate with failure.

When establishing the goal, carefully consider what will be done with the money raised. Have several items to raise funds for. For example, when building a church building, designate fundraising targets for purchasing the property, building the basic building, equipping classrooms, establishing an endowment for maintenance, etc. In this way, if only enough funds are collected to purchase the property and build the basic building you have met specific fundraising targets and the campaign is a success. If additional funds are collected, then additional targets can be met. When planning and publicizing the campaign, it’s helpful to solicit and allow for “gifts in kind.” These are donations in the form of gifts

of materials and labor. Perhaps a concrete company will donate a certain amount of concrete, or a paint company will donate some paint. Some members or friends may supply labor or materials. Such donations should be included in the capital budget.

An endowment fund for maintenance is an often-overlooked part of the budget. Too often churches build a facility and it runs down due to inadequate funding of maintenance. An endowment can provide a significant part of the funding for minor maintenance such as lawn mowing, snow removal, general cleaning, painting, etc. It is recommended that such endowments be equal to 15% of the building's total cost.

## **B.4 GENERAL COMMENTS ON DONATIONS**

- The average Christian donor in the U.S. now gives about 2.4% of income to the church. This has slipped from 3.1% 20 years ago. Churches are finding it increasingly more difficult to raise funds.
- Most donors give only to what they consider “worthy causes.” This means the church must have a clear vision and mission that will motivate the donor to give.
- Most donors want to “see” results before they jump on the bandwagon. They want to know that the church is accomplishing something and can (will) reach the goal.

## **B.5 GENERAL COMMENTS ON CAPITAL CAMPAIGNS**

In addition to what has been noted already concerning capital campaigns, the following general comments should be considered:

- If a congregation wants to build, expand, remodel or retire debt, a capital campaign is one of the most effective ways to accomplish the goal.
- A successful capital campaign usually requires the services of a professional consultant. Their fee depends on the amount

of funds a congregation wants to raise. Smaller campaigns may be organized and accomplished locally. If a consultant is used, be sure to pick the consultant with great care, checking multiple references including several former clients.

- According to major church fund-raising consultants, most churches are able to raise 1.5 to 3 times the previous year's income during a three-year campaign.
- Related items must not detract from the campaign. For example, if a church wants to build a new building, the old one must be in fairly good shape. Otherwise people may say, “why build another building if we can't take care of the one we have?”
- Campaign planning is of utmost importance. This includes casting a vision, developing a theme and publicity items such as brochures, and putting the right people into the right jobs.
- According to Sanford Coon (in the article *Celebrate Stewardship*) “An effective capital stewardship campaign must be scripturally based and theologically grounded. The campaign is a spiritual journey, guided by the pastor and the professional consultant, in which faith is deepened and family commitments are strengthened. Such an adventure brings individuals, families, and congregations into new experiences of prayer. Together they seek divine guidance about what God would have them do with the resources that have been provided.”

## **B.6 STEPS FOR AN EFFECTIVE CAPITAL CAMPAIGN**

### **B.6.1 Phase 1 – Lay the groundwork**

- Analyze the leadership base. Leaders must share the vision and be supportive donors.
- Check your members' sense of mission and vision. Estimate the support you can expect from the congregation.

- The congregation must be healthy enough to conduct a campaign.
- Clarify and re-communicate the vision.
- Bring the regional pastor into the initial campaign planning process. Keep him informed as to its progress.

Note that donations given to a short-term capital fundraising campaign may, under certain circumstances, be exempted from apportionment if the campaign meets certain requirements. For additional information refer to the *Financial Management Manual*, sections 3.1.1.4, 5.7.2 and 9.2 and consult your regional pastor or the church administration and development (CAD) office.

## **B.6.2 Phase 2 – Campaign Planning**

### **B.6.2.1 Determine the goal**

- Plan what the campaign will accomplish within a set time frame.
- Can this goal be reached with the resources available in the time allotted?

### **B.6.2.2 Get leaders on board**

- Recruit leaders to support the campaign and announce when they do.

### **B.6.2.3 Form a Steering Committee**

- Select people who can motivate and lead
- Do not choose people who might hinder the campaign by offending others or not performing their duties
- Don't talk someone into being a leader in the capital campaign (capital campaign leadership requires dedication).

### **B.6.2.4 Develop a campaign theme**

- Plan the brochures, flyers, letters and videos (if used)
- Analyze how to tap into the donor base
- Determine who in the congregation can give large donations
- Determine who outside the congregation might give large donations
- Determine which companies might donate supplies or money
- Determine if any organizations will help
- Develop a pledge system

## **B.6.3 Phase 3 – Pre-launch fundraising**

- Collect donations and/or pledges from leadership team
- Contact major donors, bring them on board and collect pledges and donations
- Attempt to collect donations and pledges totaling 50% of the goal before launch

## **B.6.4 Phase 4 – Campaign launch**

- Publicly announce the campaign—let all members know the campaign is under way
- Ask members to spread the word
- Send out flyers, announcements, videos
- Start a prayer initiative using all members and small groups
- Contact potential donors. A permit may be required by law to solicit “door to door.” Although sometimes churches are exempt from permit requirements, be sure to check before proceeding, and then comply with all legal requirements.
- Ask for money and/or pledges and other forms of support
- Follow up with thank-you letters or cards
- Ask members for names of other potential donors

## **B.6.5 Phase 5 – Celebrate success**

- Hold a special event to celebrate the successful conclusion of the campaign. A gala dinner is suggested
- Announce status of campaign (how much already collected and pledged)
- Make appeal for additional donations
- Show appreciation
- Recognize campaign workers

## **B.6.6 Phase 6 – Follow up**

- Continue to thank all donors (both large and small) with telephone calls, letters or cards
- Let donors know they made a difference and point them to the church's progress
- Maintain contact with non-member donors—build a relationship with them and seek to draw them to the church

## APPENDIX C

# CHURCH BUILDING DEDICATION SERVICE

When a congregation moves into a new church building it is fitting to dedicate the facility to God through a special worship service. This service provides members and guests with an opportunity to rejoice together in God's provision of this important new tool for advancing the Lord Jesus' great commandment-great commission work.

It is important to include in the service as many members as possible. This will help the whole congregation understand the vital role of every member in the ministry of the church that will be conducted in and through the new building.

An idea for including all members and guests in the service involves gathering the whole congregation in the vestibule with the sanctuary doors closed. At the appointed time, the doors are opened and the pastor or worship leader invites the congregation forward. Accompanied by music, the congregation then moves in procession into the sanctuary.

The service should actively involve all the participants, including children and teens. It is important that the youth understand that

they have an important place in the congregation. To emphasize this, children and teens could be used to lead the processional, carry a cross to the stage, perform a skit, provide scripture readings, offer a prayer, etc.

On the next page is a sample order of service for this dedication service. It may be used as is, or modified in accordance with local needs and preferences. Hymns and choruses for the service should be selected to emphasize and celebrate the goodness of God and his abundant provision for his people. The sample order of service suggests music of this sort.

A representative of the denomination (for example, the regional pastor) could be invited to offer the introduction and first prayer in the service, and perhaps to give the sermon. Should such a representative not be available, the senior pastor would normally perform these functions.

All the elements of this important service should be carefully rehearsed so that everything flows smoothly and distractions are minimized.

## Sample order of service

# Church Building Dedication Service

### **Processional**

**Congregational singing** (worship team)  
(three or four hymns/choruses)

### **Introduction** (denominational representative)

Through the ages, Almighty God has moved his people to build houses of prayer and praise, and to set apart places for the ministry of his Holy Word, for the administration of the church's ceremonies and for prayer. Sometimes those houses of prayer have been in members' homes. Sometimes they have been in halls shared with others, like the \_\_\_\_\_ that we previously used.

Now this congregation has its own building for full-time use as a house of prayer and praise. With gratitude for this building, we gather to dedicate and consecrate it in God's name to His glory.

It is, therefore, with great joy that we proclaim this the new home of the \_\_\_\_\_. Through this dedication, this building becomes the House of God for his praise and worship. Glory to God in the Highest, and on earth, peace—good will toward all people.

### **Prayer** (denominational representative)

Almighty God we thank you for making us in your image, to share in the ordering of your world. Receive the work of our hands in this place, now to be set apart for your worship, the building up of the living, and the remembrance of the dead, to the praise and glory of your name; through Jesus Christ our Lord.

We give you thanks, O God, for the gifts of your people, and for the work of many hands, which have beautified this place and furnished it for the celebration of your holy worship.

Accept and bless all that we have done, and grant that in these earthly things we may behold the order and beauty of things heavenly; through Jesus Christ our Lord. Amen

### **Group recitation** (pastor leads members)

[Use the GCI short statement of beliefs or another creed such as the Apostle's Creed.]

### **Prayer** (pastor)

Lord, you are the creator and builder of the church. As we begin to use this building as a house for your worship, help us remember this building is only a tool—it is we, your people, who together are the church you choose to build.

May our (pews/seats) become worn in worship. May our carpets show the stains of educating our children in the faith and of our fellowship together. May our windows be smudged from many tiny hands. May our parking lot collect gravel from many car tires. May our doors be worn and our utility bills rise because this building is seldom unused. And when it is time to refurbish, may we be cheerful and generous in doing so, remembering that we, your people, are the church, and that this building is only a tool to be used. May we worship you and not it. Amen.

### **Scripture readings** (one reader/passage)

I Peter 2:4-10

I Corinthians 3:5-13

### **Declaration** (last scripture reader)

Peace be unto this house, and to all who enter here. In the name of the Father, and of the Son, and of the Holy Spirit. Amen.

### **Congregational singing** (worship team)

- 1) Holy Ground (America's Top 25 Praise & Worship Choruses-Vol. 1, track 18)
- 2) Surely the Presence of the Lord (America's Top 25 P&W Choruses-Vol. 2, track 23)
- 3) Additional hymns/choruses of unity praise, hope and vision.

### **Skit of other special presentation**

### **Sermon**

(pastor or denominational representative)  
Focus on an aspect of God's loving and abundant provision.

### **Sending Forth Hymns** (worship team) (two hymns)

**Benediction** (worship leader)  
Hebrews 13:20-21



## APPENDIX D DISCLAIMER

Grace Communion International is a hierarchically governed organization, which means, among other things, that certain functions and operations of the church as a denomination are delegated by the board or church executives to its local congregations and ministers or other officials. The denomination has prepared policies and procedures to direct the local congregations in fulfilling these decentralized or delegated functions and operations, including, without limitation, those found in this manual.

It is the intent of Grace Communion International that the policies and procedures set forth in this manual are consistent with the denomination's underlying governing and related policy and procedural documents. However the denomination reserves to itself the sole right to correct, interpret and/or decide the meaning or effect of any statement contained herein

Various decisions or determinations discussed in this manual and elsewhere are ecclesiastical determinations/decisions. An ecclesiastical decision/determination is one that has spiritual elements or includes spiritual considerations or requires spiritual discernment or judgment. The denominational governance has final authority to determine which decisions or determinations are ecclesiastical decisions/determinations, whether or not they are expressly labeled such in this or any other church statement, but they include, without limitation: the decision to charter a congregation, to remove a congregation's charter, to split or combine congregations, to ordain and/or license elders, to change or remove eldership or elder's credentials, and to determine the church membership status of any person. The denominational governance has final authority, in its sole and absolute discretion, to adjudicate any ecclesiastical decision/determination, notwithstanding the fact that some such decisions are provisionally delegated, in this manual or otherwise, to the denomination's elders, congregations, or members in the various roles they do or may possess.

In addition, notwithstanding anything to the contrary, in this document or elsewhere, all employees of Grace Communion International, and associated entities, whether they be lay employees or minister employees, are "at will" and may be terminated with or without cause or notice. Procedures set forth in this manual regarding grievance, discipline, and appeal processes for members, affiliates and elders pertain to, and only to, an employee's member or ministerial status, and such procedures are not required for any employment action, including, but not limited to, promotion, demotion, transfer, or termination of employment. Any exceptions to this "at will" status must be made in writing by the board of the entity for which such employee works, specifically naming the employee to be affected, and signed both by a party specifically authorized by that board and by the employee.