



# How to keep your design within budget

2 experts share their best strategies



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## What factors most commonly drive church construction projects to exceed their budget?

**Nelson:** Regardless of the project type (i.e., education, worship, administration, parking lot, etc.), we have found three primary factors for cost: *quantity, quality* and *time*.

*Quantity* refers to the scope of the project parameters as it relates to building (i.e., square footage, steel/concrete/HVAC tonnage, etc.) and site parameters (i.e., number of parking spaces, acres of development, site utilities, etc.).

*Quality* refers to the desired level/sophistication of construction systems (i.e., structure: pre-engineered metal building versus concrete tilt-up panels, HVAC: residential split systems versus central plant, interior finishes: sealed concrete vs. terrazzo floors, etc.).

*Time* refers to local market conditions (i.e., how busy are the local contractors), construction start date (i.e., projects bidding in January will often see a “first-of-the-year” cost increase versus projects bidding in November/December) and construction duration (i.e., projects can be “fast-tracked” to complete construction quicker; however, there is often a premium to be paid for this speed of delivery).

All three of these factors (*quantity, quality, time*) have an impact of the project cost; however, *quantity* is the primary driver of cost, followed by *quality*, then followed by *time*. As such, the greatest impact to your budget is setting the proper quantity (i.e., building square footage), which is why we believe the most important part of any project is setting the proper scope based on ministry need so that the most cost-effective solution is not building square footage that you do not need.

**Seitz:** Of the 30 church projects we’ve done in the past decade, those that struggled with their budgets have several commonalities.

First, *unrealistic expectations*. Too often, church leaders derive their sense of what things cost through casual conversations with persons in the church who are in construction or were recently part of a building project. The numbers cited often lack context.

For instance, the project budget is usually 20% to 30% greater than the cost of the building itself. People might share a cost for a building project they were part of, but not include the cost of site work, furnishings, fees, etc.

Moreover, there can be a big swing in cost based on the types of material and systems. One church might use wood construction and residential-grade heating and cooling; another might use commercial-grade materials and systems.

Second, they *overvalued volunteerism and discounted services*. Many churches are blessed with skilled tradespeople and generous business owners — church members are often eager to donate labor in lieu of money. This can provide savings, but the impact is typically about 5% of the project budget. Even then, these services must be managed carefully so they do not conflict with work being done by the general contractor, thereby creating additional costs.

Third, there was a *lack of strategic clarity*. Understanding how your building serves your ministry goals is critical to prioritizing needs. There is always a temptation to include something for everyone when creating a building program. Prioritizing needs around ministry goals makes it easier to decide what is and isn’t included in the project, and to stick to a budget.

Finally, they *tried to go too fast*. Once construction has started, the longer it takes to complete the work, the more it costs. But, in the planning and design stage, going too fast means you don’t have time to count the cost.

Thorough budgeting and estimating takes time. Getting two or three prices for each component of the building is the best way to know if you are getting the best price.

Working with stakeholders to make hard choices about what is and isn’t included in the project also takes time.

Rushing the design process also increases the likelihood that architects and engineers might miss a critical detail whose cost often isn’t discovered until construction is underway.

## Are any of these factors unique to church construction projects as compared to commercial construction projects? If so, please explain.

**Seitz:** All of the factors discussed above are common to mission-focused, institutional clients who only do building projects every 10 years or so. However, the belief that volunteers and in-house trades can generate significant savings is particularly unique to churches.

**Nelson:** Technology cost — primarily audio, video & lighting (AVL) systems — are often a unique factor that can consume a large portion of a church construction budget. For projects that include worship spaces, the AVL cost can often be 10% to 20%-plus of the overall construction cost.

As such, it is important for the design team to include an AVL consultant early in the design process so that proper AVL budget can be established based upon the church’s desired worship experience.

## As a church assembles its building project team, are there certain individuals — with specific types of professional expertise, perhaps — whose background can help keep the project on track and on budget? Who else would you recommend a church seek out as part of its building project team?

**Nelson:** We believe the best project teams are both small in numbers (5-7 people) and diverse in expertise (*visionary, businessman/accountant, construction expert*).

*Visionaries* help to set overall direction and stretch the team to “dream big.”

The *businessman/accountant* helps to balance the “big dreams” with a reality of “how we pay for it” such that the project can become a reality.

Lastly, the *construction expert* helps to provide practical experience and industry know-how that serves as an “interpreter” between the architect/contractor and the building team.

Successful projects are the result of strong leadership, and this leadership begins with the senior pastor (SP). As the visionary for the church, the SP helps to define the vision for the project, as well as motivates the people to support the vision. As such, the SP’s role on the team doesn’t have to be exhaustive, but it certainly must be influential to help the team set and maintain the course throughout the project.

**Seitz:** Buildings continue to become increasingly complex, and ever-increasing costs make it vital that all the necessary expertise for a successful project is at the table from the start.

We are advocates of including the builder in the design process. Contractors are best source of what things cost in a particular market.

Many building projects include some amount of borrowed money. How much a church can borrow is a function of its financial history and what the building appraises for at the end of the design process. A financial planning consultant can help the church present its financial position in a way that makes the church’s project appealing to a lender. The financial planner can provide the design team with critical information that helps the design appraise for the needed value.

Often items (furniture, theatrical lighting, video and sound, etc.) are provided by the church outside of the construction contract. Making timely decisions about what elements need to be included — and getting accurate costs — is critical to building a complete project budget. Staff and church members involved with and responsible for these items should be included in design meetings. ➤



## How do you and your team help church clients avoid cost overruns before the project begins, at the beginning of the project, and during the project?

**Seitz:** The single biggest ingredient for staying on budget is to establish the right budget at the start. It's a balance of financial capacity and need. Balancing needs and resources — along with counting all project costs — will set the foundation for a successful project.

Second, design is an iterative process where the design team puts forward ideas, the client and other team members critique the ideas, and revisions are made. With each revision, more details are added and budgets and estimates must be updated.

Early in the process, estimates of project cost must include appropriate contingencies. As the design process unfolds and more decisions are made, estimates must be updated and contingencies adjusted. This enables accurate budgeting throughout the design phase.

Finally, we help churches avoid scope creep. There is always a temptation to add just one more room, or just 5 more feet, or just a little nicer lighting. It doesn't end in design; it continues into construction.

The best check against this is updating budgets. Quickly seeing the cost impact of a design change can keep a project team focused on priorities.

**Nelson:** *Before the project begins:* Often, churches believe the most important question for any building project is, "What are we going to build?" We believe the most important question is, "Why are we building?"

We believe churches exist to glorify God and serve people, such that it is important to understand why now, in the life of the church, we are seeking to divert monies from ministry/programming and invest in capital projects. New space won't create or sustain growth apart from a strategic understanding of how these new facilities will impact the church's mission.

Because of our team's unique approach to projects, our process starts not with, "What will it look like?" Rather, we start with "Why?" Starting with the 'why' questions, we help leadership teams develop options for growth that provide for both [ministry] balance and [financial] balance. This approach identifies worship, education and parking capacities to ensure that a church is developing the appropriate amount of space to meet their ministry goals while in the confines of a budget that provides positive cash flow to the church's bottom line.

*At the beginning of the project:* Once a proper scope has been developed, it's important to allocate a contingency both for design and construction, given the project phase. The design contingency helps to cover the lapses and gaps in the project scope during the early conceptual stages, while the construction contingency helps to cover the lapses and gaps in construction, given the nature a building project. The earlier in the project timeline, the greater the contingencies, given the greater unknowns. As a project moves from concept design, to construction documents, to actual construction, these contingencies can be reduced accordingly. We typically recommend design contingencies start at 15% to 20%, which can then be reduced to 5% by the completion of construction documents. As for construction contingencies, with new construction, we would recommend 3% to 5% and 5% to 10% for renovation projects.

*During the project:* Unless you are building a "prototype facility" that has been designed and constructed on multiple occasions such that all the lapses and gaps have been previously resolved, then you should expect to discover "surprises" during construction. Building projects are best described as a "collision of arts & sciences" such that a construction contingency is set aside to address this collision. This contingency allows the church to avoid "cost overruns" and often can allow the church to receive a "credit" of any unused contingency funds that can be returned to the church towards the end of construction to help pay down the project cost or invest in upgrading finishes, furniture or AVL equipment.

## What are some real-life examples of church construction projects that came in at or below budget, and how did they do it?

**Nelson:** With our unique approach of starting projects with "why" rather than "what" questions, we have often helped churches save millions of dollars by not overbuilding. The most efficient cost savings are not found in building square footage that is not needed to support your ministry goals.

Recently, this process has saved a church more than \$5 million as it had defined the "what" as a new nursery, elementary and student building. However, upon helping the church answer the "why" questions, they were able to see their true need was merely elementary. This allowed us to reduce the building scope from 70,000 square feet to only 20,000 square feet of new space, while still maintaining the church's ministry objectives.

**Seitz:** A church in Harrisonburg, Va., hired us to do a master plan. They hadn't done significant renovations or additions for 25 years, and there was a good deal of pent-up demand for improved and expanded fellowship, education, worship and administrative space. We developed the master plan with suggestions for how pieces might be phased and what the cost of each phase might be in current dollars.

As we pivoted to identifying the first phase and setting the project budget, we helped the church assess its financial capacity. It would spend only what could be raised in a capital campaign. A great deal of energy went into establishing realistic budgets for each potential phase of the project, partly by including key members with construction experience on the project team.

There were also differing ideas as to what should be the first priority. We worked with church leadership to articulate the church's calling and vision and then proposed a first phase that would address the top two or three priorities.

When fundraising efforts fell short, our project team went to work to find a smaller version of the project that could be built for the amount raised. After further processing of priorities, adjustment to estimates, and design changes, we proposed a project that met two of the top three priorities fully, with a reduced nod to the third priority.

The project finished within budget. **CE**

— Reporting by RaeAnn Slaybaugh