

Articles

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CAN YOUR CHURCH BUILD DEBT-FREE?

by Ray Bowman with Eddy Hall

During thirty years as a church architect, I must have heard--and bought into--just about every reason churches give for going into debt. In fact, I became something of an expert at persuading hesitant church leaders to borrow to the max.

When a pastor would wonder if the church could afford the building of their dreams, I knew just what to say: "If we're going to do it, let's do it right. Let's design everything you need." And I'd show him how to qualify for the biggest loan possible.

If the finance chairman thought the building fund wasn't large enough, I'd say: "Well, of course, you want to raise as much as you can up front, but fund-raisers can do that. Remember, the longer you wait, the more it will cost. Besides, with inflation you'll be repaying the loan with cheaper dollars."

Then I'd add the clincher: "Of course, your new building will bring growth which will increase giving more than enough to cover the interest."

After my song and dance, the church would almost always be eager to follow my advice. It was, after all, a win-win proposition: they were getting their building; I was getting hired as the architect.

The difference a hat makes

Then I changed jobs. I became a church planning consultant helping churches coordinate planning of facilities, finances, staffing, and ministries. No longer was my focus just on building church buildings; it was on building churches. As I worked with churches on their finances, one discovery especially puzzled me. While all these churches said they wanted to reach out to their communities, even those with the strongest giving budgeted little if anything for intentional

outreach. What was wrong? I pored over their budgets, looking for ways to free up money for outreach.

Time after time, I was struck by how much these churches were spending on buildings. Could facility expense, particularly interest, be one reason these churches had so little money for ministry?

I noticed a pattern. The more debt a church had, the less financial freedom for ministry it tended to have. What would happen, I wondered, if churches kept building the same buildings but built debt-free? What if all the interest were redirected to ministry?

Next I realized that many of the churches asking me for building advice didn't need to build at all. Most had better alternatives. Some needed to remodel or add on, but many just needed to more creatively use the buildings they already had.

Case study: Fairview Village

One church that taught me a lot was Fairview Village Church in the Philadelphia area. In 1981, Fairview Village asked me to design a 1000-seat sanctuary. When I first got to the church, and entered the foyer, I had to step over school children lying on pallets. Walking down the hallway I had to thread my way through school furniture and equipment and more sleeping children.

The next Sunday morning the sanctuary was packed, even with the children meeting separately. Sunday school classes were crammed into every available space. Yes, this church had an urgent space problem.

But they also had a debt problem. They still owed on their last building and would have to borrow almost all the money for any new construction.

I had come to Fairview Village to design a sanctuary. But in analyzing their finances, I reached a surprising conclusion: rather than helping the church grow, building a sanctuary would probably kill the church's growth. They simply didn't have the funds to build without siphoning money away from ministry.

So, instead of drawing up plans for a sanctuary, I drew up a master plan for the church--consisting of a facility plan and a financial plan--outlining how the church could get out of debt and stay out of debt while still meeting the space needs of a rapidly growing congregation. While plans must be tailored to each church's specific needs, the same basic steps I presented to Fairview Village will work for most growing churches.

The facility plan

Phase 1: Fully utilize your present facility. Most churches aren't fully using the space they already have. I recommended that Fairview Village make the following changes as soon as possible:

- * Replace pews with chairs. Good church chairs are not cheap, but they cost far less than a building. By replacing their pews with chairs, Fairview Village could make their largest single space, the worship area, useful for ministry seven days a week.

- * Move classes to the right size rooms. Some classes were crowded while others had room to spare. Moving large classes to large rooms and small classes to small rooms would give larger classes room to keep growing.

- * Cap school enrollment. The church's Christian school was overrunning the building. Capping enrollment would enable the school to move back into appropriate boundaries so the church could use the building for other activities during the week. * Build a storage shed. By adding a low-cost storage shed, the church could free up three rooms, currently used for storage, for use by the Sunday school and Christian school.

Phase 2. Remodel to increase usable space. Churches can often increase usable space by taking a wall out or putting one in, or by installing a folding wall across part of a foyer or hallway. Fairview Village had on its property a historic barn with little usable space. Remodeling could transform it into a gymnasium, kitchen, and educational space at half the cost of new construction.

Phase 3. Add on to make present facilities more useful. For a growing church to get out of debt and stay out of debt, it must make multiple use of all its space including holding multiple worship services. To accommodate multiple services, a church needs a fellowship foyer big enough that those leaving one service have room to visit with those arriving for the next. So Fairview Village could go to double services, I suggested they build a new fellowship foyer, including urgently needed office space in the addition. They could also remove the wall between their old foyer and sanctuary, expanding their worship seating from 250 to 300 and giving the church room to grow to 600 with double services.

Phase 4. Build a new building. After completing these first three phases, Fairview Village would be fully utilizing its present facility, so the next step would be to build. Their next building would not, though, be the 1000-seat sanctuary they had asked me to design. Their worship space needs could be met far more

easily by adding a third service.

But by then they would need more educational space. So I recommended a two-story building with classrooms for Sunday school and the elementary school on the first level and a large multipurpose room with a movable wall system on the second floor. The financial plan

The second part of the master plan was the financial plan. By fully using their space in each phase of the facility plan, the church could spend far less than expected on facilities. That made it possible to meet facility needs without taking funds away from present or future ministries.

Step 1: Start with the least expensive changes. While parts of the facility plan would cost a lot, some changes cost little or nothing. The changes in use recommended in Phase 1 of the facility plan could all be implemented within months.

Step 2: Ask the congregation to increase giving. Why? To get the church out of debt as quickly as possible without sacrificing spending on staff and ministry.

Step 3: Once the debt is paid, set aside money monthly with the goal of paying cash for at least half of the next major building project. For Fairview Village, this would be the fellowship foyer and worship space remodeling (Phase 3 of the facility plan). Since the fellowship foyer was overdue, the church couldn't postpone building it until they could pay cash for the entire project. Seldom can a church move from a debt economy to a cash economy in a single step.

Step 4: Continue to set aside the same percentage of income for building. By setting aside a percentage of income rather than a dollar amount, the amount set aside each month would increase as the church grew and giving increased. This fund would first retire the debt from the new building, then begin accumulating toward the next building project.

Step 5: Build the next building for cash, completing the transition to a cash economy.

The church's response

That was the plan I presented. The people committed themselves to it wholeheartedly and in less than a year had paid off the mortgage. In about two years they added the fellowship foyer, paying cash for more than half of it. Attendance and giving kept increasing. Within two years after completing the addition, the church was once again debt-free.

The church grew faster than expected so the next building--the two-story educational facility--was built sooner than planned. Of the \$1.2 million construction cost, \$850,000 was on hand when construction began, and the rest was raised during construction. The church completed the building with no debt. Just eight years after the church committed to living within its income, it completed the transition from a debt economy to a cash economy.

Can it happen in your church?

There was nothing unique about Fairview Village's situation that made it particularly easy for them to build debt-free. What made the difference was the people's passion for ministry and their willingness to wholeheartedly support a strategy that would keep them focused on people rather than buildings. If the people of your church share that passion and are willing to back it up with a similar commitment, yes, it can happen in your church too.

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This article is adapted from When Not to Borrow: Unconventional Financial Wisdom to Set Your Church Free by Ray Bowman and Eddy Hall (now out of print). Bowman and Hall are senior consultants with Living Stones Associates (www.living-stones.com), a consulting team that equips churches for healthy growth through integrated planning of ministries, staffing, facilities, and finances.