INTELLIGENT CHURCH REAL ESTATE

CHOOSING THE BEST REAL ESTATE MODEL FOR YOUR GROWING CHURCH.

BY: NATHAN ARTT

TABLE OF CONTENTS

INTRODUCTION TO INTELLIGENT CHURCH GROWTH

Dear Leader,

If you're like me, you're in ministry because God did something significant in your life and you have a strong desire to see as many people as possible experience the goodness and faithfulness of God, both here and now, and throughout eternity.

First, thank you for choosing ministry. Being a pastor, starting a church, raising money, caring for people, and all the other responsibilities you carry are not easy, especially responsibilities on the business side of ministry like building projects and finances. However, as you have probably realized, one of the biggest challenges that you will face is the thing that you were the least trained to take on, and something that should have the least to do with accomplishing your God inspired vision to see the Kingdom advance.

I am the beneficiary of people like yourself having the courage to accept this calling. I became a Christian in 2010 at Buckhead Church in Atlanta and fell in love with what God had done for me, which prompted me to leave my job in banking and private equity during the middle of the recession (oops!) to start serving churches. I spent the majority of my career understanding how buildings pay for themselves. That was my job.

When I left private equity to enter into the world of church finance and real estate, I was shocked to learn that churches are the only vertical of real estate where buildings are not evaluated based on how they pay for themselves.

My immediate thought was this: what if they were? What if we had buildings funding ministry instead of ministries funding buildings? What would that do to our operating budgets? How much more money could we steward through movements of radical generosity? How many more churches or campuses could we launch?

Think for a moment about the freedom you would have if your church could cut your building budget in half. What if you could create more margin to do the things you felt called to do when you decided to enter into full time ministry?

"WHAT IF WE HAD BUILDINGS FUNDING MINISTRY INSTEAD OF MINISTRIES FUNDING BUILDINGS?"

As you might have experienced, the road to becoming a pastor involves little training outside of doctrinal teaching and theology. The entire curriculum and training that exists for future pastors today is based upon training and equipping them in the work of the ministry.

However, the necessary tension to leading a growing church is that there is an incorporated 501(c)3 that takes money in and sends money out. This 501(c)3, by every definition is a business. As you already know, the church is a group of people brought together by the Cross. The Ministry is the outward expression, by the church, of that Love to the world. The 501(c)3, your local church, is a business that funds the ministry of the church.

The more we can help you steward the business side of your ministry, the more ministry opportunities you will be equipped to fund, providing more impact for the people to whom you are entrusted as a leader.

This book will delve into several important topics: finances, debt, real estate, and multisite growth. This is not an attempt to distract you from the ministry to make you a financier or a real estate developer. In fact, quite the opposite is true. One of our brand promises as a company at Ministry Solutions is to “Eliminate Guesswork.”

Internally, we interpret that to mean that “we strive to equip leaders to make great decisions at every critical moment.” Church growth through building expansions is typically foreign territory for pastors, and very few people within a church have the experience to understand this complex process. A building expansion project will be the largest capital investment you will make per capita as a leader. It’s the largest amount of money spent at one time from dollars generated through trust from your congregation. There is a lot riding on being able to execute in an area in which pastors aren’t trained in seminary or Bible college.

The purpose of this book is to help you understand how to think about creating an intelligent growth strategy that will facilitate and fund ministry for years to come. We’ll do our best to provide you with some practical tools to accomplish just that. Our hope is that by creating that strategy, you will have the opportunity to accelerate your vision and protect the purpose of your church.

SINCERELY, NATHAN ARTT

I have often been asked by pastors,

"HOW IS IT THAT YOUR COMPANY BUILDS SO MANY CHURCHES, BUT YOU'RE NOT A CONSTRUCTION GUY?"

"SO, ARE YOU A FINANCIAL COMPANY OR A PROJECT MANAGEMENT COMPANY?"

"WE HAVE A GUY WHO IS IN CONSTRUCTION/BANKING/ ARCHITECTURE, CAN'T HE DO WHAT YOU DO?"

I think these questions are valid, and we are doing our best to chart a new concept in the church world where finance, land use, property acquisition, financial analyses, pro formas, design, construction management, architect and GC selection, legal, banking, and finance are all managed and executed by a singular firm on behalf of a client. While our "concept" is new to the church world, it's been around in the real estate world for a long time. People and companies who do what we do are not singularly any of the above, but collectively serve as integrators of all of the above.

People call what we do "development."

If you have ever had a chance to get to know any developers, something odd should stand out to you: none of them are construction guys. None of them are bankers. None of them are architects. The most successful developer I know who builds millions of square feet of Class A office space in the most expensive areas of Atlanta won't (or can't) tighten a screw in his own house. So why is it that the people or companies who build the largest buildings in the world, or even the Class C retail strip centers, are all finance guys? Isn't there an interesting irony there?

The reason for this is simple. Even in the real estate business, it's not about the building.

The reason finance people run the world of real estate is because they look at buildings as assets, and those assets are evaluated based on how they pay for themselves.

Developers do not look at buildings based on aesthetic appeal, constructability, etc. For a project to be successful, it means that it has to have cash flow. Developers know if a bank is going to finance a project long before plans ever get drawn up. They go into the project knowing how much money they can borrow, how much square footage is needed, how much equity is required, and what types of liabilities have to be taken on long before a banker or contractor ever sees a set of plans. In fact, they are usually the ones telling the bankers how the finances work, not the other way around.

Once that financial strategy has been established and the risk has been mitigated to its fullest extent, it is then, and only then, that a building goes to the next steps of selecting an architect, construction company, banker, etc.

Developers never hire an architect up front to answer the question "what do we build?" Never.

They know what the building needs to be, how to put the funds together, attract investors, work with bankers and attorneys, and then ultimately procure a project team that designs and constructs the asset solely based on the financial and strategic objectives of the project.

Successful developers build buildings around financial strategies, not financial strategies around buildings.

A NEW PERSPECTIVE ON CHURCH BUILDINGS

What if we looked at church buildings as assets that fund ministry? How would that change our perspective in our approach to identifying the right project, how we hire a project team, and how we make financial decisions regarding our church's largest capital investments?

Does a building in the real estate world need to look nice and have engaging architectural elements? Of course. Do you need someone who is actually going to build it? Of course. But that happens last.

Keep in mind, construction companies know how to get a building through construction, but they have little to no knowledge of how to get a project to construction where the investment capital (fundraising), bank financing, pro formas (how much, how soon), and other questions of how the church building pays for itself are answered.

Can a banker do all of that? No. Bankers know one thing: their bank, although they will often refer to their knowledge as "banking" (more on this later). A banker can work with you if you fit into their box, but they cannot help you build the box. Same goes for mortgage brokers.

A NEW PERSPECTIVE ON CHURCH BUILDINGS

The people who are best at getting the right projects to construction in the real estate world are the ones who are the best at answering the following three important questions:

How does the building pay for itself?
How quickly do we get a self-sustaining property or get our money back so we can take our profit and move on to the next project?

What do we build?
Based on our market data, who are our customers/tenants and how do we attract them?
What is the ideal location for the type of building we're constructing?
How much density (square footage) do we need in relation to cost/income/risk?

How do we mitigate risk?
How do we protect ourselves if things don't go exactly to plan, the market turns, or we get hit with unforeseen events/costs?

GETTING THE RIGHT REAL ESTATE TEAM IN PLACE

We have worked with hundreds of churches, and I have yet to meet a church who does not "have a guy" in the world of real estate, architecture, banking, and/or construction. I don't intend to minimize the importance of having people in your church who know these fields, know them well, and are adept at executing their role within the project, if they feel they best serve the church in those roles.

In fact, let me say this with full transparency and recognition: having people in your church who can fill those roles is incredibly valuable. We love working with churches who have people experienced in those areas, as they help guide decisions. However, it doesn't mean that helping you identify the right project is their best seat on the bus. While these people (and their relationships) are valuable, they rarely help you define the right project as much as they need you to define the right project for them. They don't automatically help you answer the questions posed above: How do I create the right project, at the right price, so that I can accelerate vision for years to come?

To have a successful project that sets you up for success, you must have people in the right seats on the bus.

YOU HAVE TO HAVE A CLEAR, PROACTIVE FINANCIAL STRATEGY BEFORE YOU CAN HAVE A CLEAR FACILITY STRATEGY.

All of those people mentioned here need you to define the project for them.

A banker can't finance a project if it doesn't fit his "box." An architect, in order to design to a budget, has to know what that budget is and what has to be accomplished within that budget (even then, churches rarely hit the budget they give an architect). A contractor actually can't work or get paid unless you raise the money, design in budget, and ultimately get bank funding. Someone has to bring the project to these people and be sure they stay within their goals and objectives.

This entire section boils down to one main, central point: creating successful expansion projects, whether through multisite growth, expansion, or relocation, has nothing to do with a building. It has everything to do with how you create enough ministry capacity to meet an existing, not future, demand at a price point where the capacity you are creating pays for itself.

how much am I spending in relation to what I receive in return?

CREATING MINISTRY CAPACITY

What is ministry capacity? Exactly what it sounds like: seats, children's ministry, parking, etc.

While we do not want to evaluate the people we are serving in completely quantitative terms, we have to understand that there is an income/expense evaluation being made with every growth decision: how much am I spending in relation to what I receive in return?

For instance, if I spend $5M on redoing my sanctuary without adding a single seat, where is the cost basis that creates any return on that investment? There typically isn't any.

While church buildings do not have tenants or "customers" in the traditional sense they do have people who are being served, who in return give generously to the local church. We have to understand how the money we spend creates more opportunities to serve more people, who, in return fund ministry.

If you're able to do this, you will have self-sufficient campuses that pay for themselves more quickly, which allows you the flexibility to move faster towards your overall vision. The last thing you want is to have a great building, but be in 6 services and unable to expand or launch a campus to offset the growth demands because you are still paying for a project you completed years ago. Self-sufficient campuses, whether it is a single site campus or twenty campuses, means you have margin. Margin provides the means to accelerate the vision of the church by being able to take advantage of opportunities as they arise. If not, opportunities will come, and you will not have the financial means to act on them. Simple, right? So how do we evaluate that, and what does it look like?

FREE ANALYSIS

Is your church ready for growth? Looking to build? Needing assistance with a financial strategy or lender?

We believe that you should look at hiring a consultant like you would a staff person, especially when it comes to the handling of one of the largest, if not the largest, capital investment you will make into your organization. We want to help you eliminate the guesswork and have created a “date before you marry” strategy, to provide a no-cost, no-obligation, confidential analysis for your church.

You can know the outcome before you make a commitment! Our analysis will provide you with an opinion for debt capacity, an attainable project budget, timelines, milestones, and the health of your financial operations as it pertains to identifying the right project and funding it faster. What is the right project? The one that creates the ministry capacity you need and pays for itself quickly.

GET STARTED

SKIP TO NEXT PAGE

PASTOR JAMES & THE MISUNDERSTANDING OF CHURCH EXPANSION

Here's a true story from one of our clients whom we will call "Pastor James." Pastor James is the lead pastor of one of the fastest growing churches in the country. Years ago when the church really hit its stride, Pastor James and his team had locked into a permanent lease of a 30,000 square foot building, where they were able to put 700 seats. The building was a little undersized in the family ministry area, as the church was in the middle of a mid-market suburban area with a high concentration of young families. The church also has two other campuses that were launched in schools to accommodate families who were coming from those areas. Because of the accelerating growth of the church, Pastor James and his team decided that it was time to look at expansion options. After all, they just launched their third service and might soon be looking at a fourth. This new building on a new site, more than anything else, is the permanent broadcast campus that is so desperately needed. It has to be good, as every other campus will be modeled after what is done on this campus.

After spending some time looking for land, the church identified a parcel that works great for them. Then, the church team selected an architect that Pastor James had met through another pastor friend at a conference to help them understand what they needed to build. The architect and his team spent several days locked in a room together helping them "dream," asking them for a wish list of everything they could possibly want in a new building "if facilities were no longer an issue." The church walked away from that design session with some renderings of a beautiful space that checked every box plus some, and one that looked somewhat like something his favorite pastors have. Pastor James knows a contractor in his church, so he asked him to come along to help lead his church through the process of getting to construction. He also talked to a banker friend who assured him that his bank would love to work with the church. He even gave him a term sheet. Boxes checked, let's engage.

PASTOR JAMES & THE MISUNDERSTANDING OF CHURCH EXPANSION

Pastor James spent the next year, and several hundred thousand dollars on civil engineers, architects, and consultants, developing the plans that were conceptualized in that room with the architects. He also had his team work with the new fundraising consultant to put together collateral materials showing the new building to the entire congregation. Towards the end of that year, Pastor James went back to his banker friend in the church to move the financing process along. It was then that the wheels began to fall off.

A little more background information: because of the fast growth of the church, just over 50% of the congregation has been there for fewer than three years. That being said, the giving growth has not caught up in any way to the attendance growth. This campus runs close to 1,500 adults, of which 1,000 people give. The total giving from those 1,000 people (over 500 of whom are fewer than 3 years into their personal journey with the church) is right at $2,000,000.

These all sound like good problems! That is, until Pastor James found out from his contractor friend that the total costs of the acquisition and development of this building, with all soft costs, are going to fall in the $10M range. Then, to top if off, the banker who assured him that financing would not be an issue went to his credit committee, who determined that the most his church can borrow is $4M. Raising $6M before he could start construction was not exactly what Pastor James had in mind, and that offer certainly didn't look much like the term sheet his banker friend had given him the year before, despite all of the church's numbers improving since that time. If Pastor James would have known that his friend giving him the term sheet wasn't the final decision maker, he probably wouldn't have put so much stock in the term sheet.

RUNNING THE NUMBERS FOR MINISTRY CAPACITY

There are practical issues with Pastor James' plan, such as timing, debt impact, and unreasonable fundraising requirements. We'll get into that, but I want to take a minute to look at a model that may have been helpful in keeping Pastor James from being in this situation in the first place, which at first doesn't appear to have anything to do with bank financing or fundraising. We refer to this as our capacity model. Let's look at a capacity model to see how this project impacts his church.

The project that was defined was for a 40,000 SF building that would initially accommodate 1,000 seats. Basically, this new venue would add a total of 300 seats compared to the 700 seat venue that they have now.

Again, here are the basic statistics for the campus that is being replaced with this new relocation:

Current Seating	700
Current Attendance	1,500
Current Giving Units	1,000
Annual Contributions	$2,000,000
Giving Per Unit	$2,000
Giving Unit/Attendance Ratio	67%
Number of services	3

In order to create a capacity model, one of the first questions that has to be answered is, "what is the maximum number of services we host within our model?"

This is the first multisite standardization question, and the most important one from a finance perspective.

For us, we like to look at a capacity analysis within the terms of a 4-service model. For some of you that may be extreme. For others, you long for the days of only being in four services. To us, this is a simple stewardship issue.

THE EASIEST AND MOST COST EFFECTIVE WAY TO GET MORE SEATS IS TO USE THE SAME SEATS MORE.

RUNNING THE NUMBERS FOR MINISTRY CAPACITY

Unless you are in a temporary environment (i.e. school or movie theatre) where you have to be out by a certain time, it is not wise stewardship to spend money on a relocation or expansion if you are only in two services (additions of multisite venues in set up tear down environments can be an exception where driving distance, facilities, or family ministry areas are deterrents to growth).

Using a four service model, we also have to come to a reasonable expectation of how many people you can get into each service. For every church this is different, based on the demographics of the community they serve, but let's use a "standard" example where you are full at 85% in your primary service (i.e. 11:00am), 70% in your secondary service (i.e. 9:00am), and 50% full in two off-time services (i.e. Sunday 1:00pm, Sunday 6:00pm, Saturday night, etc.). Based on these numbers, let's see how this church is faring with a 700 seat venue within our capacity model:

Primary Service	85%	595
Secondary Service	70%	490
Off Time	50%	350
Off Time	50%	350
Total Capacity		1,785
Current Attendance		1,500
% of Capacity		84%

Considering the growth rate of the church, how long it takes a building project to come together (sometimes up to 2-3 years), and the fact that they're already full in three services, we can say with complete fairness that unless some capacity barriers are taken down, this church is going to experience a stall in momentum. When seats get filled up, so do parking spaces and kids' areas. Who does that affect the most?

RUNNING THE NUMBERS FOR MINISTRY CAPACITY

First time guests, especially families. They don't know they have to be to service 15 minutes early just to get a parking spot and their child checked in. They circle the parking lot, try to check the child in, but ultimately end up not coming back. That being said, it's not whether or not the church needs to take on a building project, they do. Very simply, with the current project that is being proposed, they are not getting enough capacity for the dollars they are spending. How do we evaluate that?

To answer this question using the same model, let's evaluate the current costs against the revenue:

Total Project Costs	$10,000,000
Existing Giving Units	1,000
Cost per Giving Unit	$10,000
Income per Giving Unit	$2,000
Ratio expense to giving	5

The issue is the cost of capacity against the revenue generated by the capacity it's creating. Just using basic math, the average seat currently represents $2,850 of revenue per seat ($2M in revenue divided by 700 seats). The average person who gives to the church gives at a rate of $2,000 per family. For a project of $10M, it would take 5,000 families giving at that rate to fully fund the project, or 1,000 families full giving for 5 years . If the bank is only willing to fund a $4M loan, it would take 3,000 families giving $2,000, or 600 families giving in full for 5 years, just to get the debt down to $4M. So, the next question should be, how many more families can we get into this building when it's at capacity, and can it pay for itself?:

		Existing	New
Seats	85%	700	1,000
Primary Service	70%	595	850
Secondary Service	50%	490	700
Off Time	50%	350	500
Off Time		350	500
Total Capacity		1,785	2,550

RUNNING THE NUMBERS FOR MINISTRY CAPACITY

At full capacity (emphasizing full capacity) the most this church can grow in its new facility is by 765 people. That puts a burden of almost $15,000 of cost per every new family. We also know that only 67% of the church gives, and they give at a rate of $2,000 per family. Using those numbers, this is the most the church can grow from an attendance and giving standpoint in this new building:

Difference in Capacity (at full capacity)	765
Percentage of Giving Units	67%
Total New Giving Units at Capacity	536
Giving Per Unit	$2,000
Additional Revenue, At Capacity	$1,071,000
Cost per New Giving Unit at Capacity	$18,700

Assuming the building gets to the point that you cannot add another service (full capacity), the new building will only generate an additional $1M per year against a cost of $10M. You don't have to be a finance major to run those numbers. They don't work. We're nowhere close to the healthy ratio we're looking for, and in this scenario, the church has to look at one of two options: either reducing cost or increasing seats (capacity). As with the rest of life's either/or decisions, the answer typically falls somewhere in between.

The path of least resistance is obviously bringing down the project cost, but we also have to look at whether the 1,000 seat number works at all. This may not be you, or something you would ever consider, but we have run into many pastors who are willing to cut seats, parking, and/or family ministry space in order to bring the project budget down with the idea of "adding it later." Let me say clearly: this is a bad idea.

You are solving the wrong problem. Cutting the very things that produce revenue in order to fund a project is completely counterproductive. The issue in this story is the cost per seat, not the number of seats. Successful building projects require balance. You have to grow buildings proportionate to the ministries they are serving. If you add seats without adding family ministry space or parking, you will see a spike in attendance followed by a drop off due to the mothers and fathers you are serving not having a place to park or a place to put little Timmy or Sally during church. Short story: you don't cut revenue production to save money. If you find yourself in that situation, it's time to take a step back and re-evaluate your project.

RUNNING THE NUMBERS FOR MINISTRY CAPACITY

For Pastor James, a successful project may be something closer to finding a way to construct a 1,200 seat venue for $8M. In this case, without showing more charts and graphs, he is able to get almost 1,300 adults over 4 services, which adds almost $1.8M in revenue. In this case, the church is looking at being in a situation where they owe $5M (assuming they raise $3M over 2 years) against a revenue that has now increased from $2M to nearly $4M. If Pastor James had to do it over again, I'm sure he would have started with a total seat count and supporting ministry space (programming) along with a full budget of $8M he gave to his project team. Inevitably, he will likely spend the next year and another couple hundred thousand dollars redesigning the building, all while trying his best to salvage the relational equity with his key stakeholders and congregation he has expended losing a year of time.

Seats	85%	700	1,200
Primary Service	70%	595	1,020
Secondary Service	50%	490	840
Off Time	50%	350	600
Off Time		350	600
Total Capacity		1,785	3,060

Difference in Capacity (at full capacity)	1,275
Percentage of Giving Units	67%
Total New Giving Units at Capacity	854
Giving Per Unit	$2,000
Additional Revenue, At Capacity	$1,708,500

A WORD TO YOUNGER CHURCHES

Every week we receive phone calls from ambitious pastors of younger churches (age of church, not congregation) who are ready to set the world on fire for the Gospel. Not to exclude our larger and more tenured clients, but this is probably our favorite group to work with. The energy and excitement are palpable. Failure, in its most purifying form, has not yet occured. In his book *Predictable Success* (a great book on business that is relevant to church leaders), Les McKeown calls this the "Fun Stage," where the organization and every system is completely geared around serving new people. It's fun! It's exciting! And more than anything, it's a culture worth protecting.

Here is the advice we give in almost every phone call with pastors of younger churches: It is highly probable that at this stage of the church's development, facilities are more likely to become short-term solutions with long-term problems. What you can afford today, by the time it is built, will no longer serve your purposes. Here are a couple of things to consider:

FLEXIBILITY

There is nothing more valuable to you as a young organization, who is still finding itself, than the ability to pivot. Flexibility is your highest valued commodity. You're still establishing who you are, where you want to be, who you are serving, and who your team around you is going to be. Too many permanent decisions have to be made in an environment where you are still learning yourself.

VOLUNTEERS

We were fortunate to work with 18 of the Fastest Growing Churches in America over the last 18-24 months. Know what ten of them had in common? They were in portable venues (schools, movie theaters, etc.) moving to permanent facilities. Know what all of those ten had in common? Abnormally high volunteer and giving participation rates (40% or more served on average every Sunday). Is there a link between church growth and volunteer participation? You better believe it. When is the time that you develop your long-term volunteer base? In a set-up and tear-down environment. Don't rush this stage of your church. There is never a time where you will have more needs, and more people feeling needed. This phase, while difficult, creates long term buy-in.

STAFFING/MODELING

This is an unpopular topic, but you've heard it before. The people you start with aren't typically the people who take you to the next phase. That being said, a church building is designed around function, and that function is often driven mostly by ministry directors. Even if your people are with you forever, you're designing a building around a need and a model that is still being developed. In the likely scenario that those people aren't there in a few years, then you've spent an exorbitant amount of money on a permanent facility that served only a temporary model or person. For some of you, you have no idea what your model is because you are meeting in a building that barely works for anything and you are just making do with what you have. The question of "what would we do if we weren't confined by our facilities?" seems so far reaching that it's not worth addressing. God bless you. In any case, the bottom line is that while you are early on in your ministry, you may not have the model nailed down yet, and if you go through with a building project for a permanent campus, you could be spending millions of dollars on things that you will later consider "learning opportunities."

THE COST/CULTURE DYNAMIC

This should really go for all churches, but it's even more important when you are establishing yourself with your community and your congregation. The last thing you need at this stage of the growth cycle, while you are still establishing trust and identity, is to have a culture shift from reaching people to paying bills! We've already established that permanent buildings, or even long-term leases, are the most expensive per capita investment you will ever make in the life of the church. That also means that you only get to go to your leaders and congregation for the first time once. You have to be ready, and you don't want new people over the next few years feeling like they are chipping in for decisions they weren't a part of.

A REAL ESTATE MODEL FOR ALL CHURCHES & MULTISITE LOCATIONS

We look at real estate for churches, single site or multisite, in 3 buckets:

1. Temporary facilities (school, movie theater, other churches)
2. Semi-permanent facilities (5-10 year lease of office, retail, etc.)
3. Permanent facility
   a. Land Development
   b. Adaptive Reuse

Each of these models have their different strengths and weaknesses, but graduation from one to another, and the timing of that movement, is incredibly important.

One important thing to keep in mind here: you are not in the real estate business.

Real estate serves your business model, but should not define your model. Your strategy should define your real estate opportunities, but real estate opportunities should never define your strategy. These buildings are intended to do one thing: facilitate an experience at a healthy price point. It is important to understand how and when to move from one phase to another.

We've talked about the benefits with temporary facilities when it comes to flexibility, cost, culture, and the like. One thing that I feel doesn't get considered enough as an option is this: sometimes instead of jumping from a temporary environment to a semi-permanent or permanent space, which are the most popular movements, it's a better choice to add another temporary venue.

Meaning, if we look at everything through the lens of cost against capacity, and maintaining the highest need, which is flexibility, it would often seem to make more sense for a church to have two to three temporary locations, build up the critical mass of givers, servers, and staff, before spending millions or hundreds of thousands of dollars on either a permanent or a semi permanent location.

A REAL ESTATE MODEL FOR ALL CHURCHES & MULTISITE LOCATIONS

If you are in a market that is semi to high density (lots of people or a whole lot of people) then multisite is likely in your future. It would be prudent to create a heat map of where all of your donors are coming from, see if there is a concentration of people coming from one or more other areas, and identify another temporary location in that area before taking on the burden of a building. Ask a church in that area that is only in one service if you can use or rent their facilities while you grow. We have seen churches do this, and it's mostly been successful. By the time they are ready to go into a permanent facility, they've built a much larger and much more involved congregation to shoulder the expense, allowing for faster and more efficient growth.

The keys from moving from a temporary to a semi-permanent environment are usually pretty simple if you follow the capacity model we've identified before. It's all about cost to revenue. This move is actually one that involves more qualitative factors and forecasting, as long as the finances make sense.

From a cultural and qualitative standpoint, it makes the most sense to graduate due to volunteer fatigue and the need for permanent children's space. Typically, a graduation out of temporary environment has little to do with adults in seats. We have seen a consistent trend in growth, specific to dual income households with kids, when churches who are tight on space move from having set-up, tear-down environments to a more permanent and secure location. Does this happen for every church? No. But it does for those churches with a clear demand for space and a focus on family ministry.

Whether or not you should move out of a temporary environment is a much easier decision than choosing whether you should go to a semi-permanent (lease) or permanent location. And then, if the lease option doesn't work, you have the question of whether to buy land and develop a new space, or to adapt and reuse an existing space.

A REAL ESTATE MODEL FOR ALL CHURCHES & MULTISITE LOCATIONS

The first question that must be answered in this scenario actually has very little to do with money, as much as it has to do with what's available in your market, and how you are establishing your model of church. As you grow, keep in mind that every decision you make in the short term either takes you closer to or farther away from who you are uniquely designed to be. Considering the amount of money you'll spend on real estate, the model you create has a lot to do with that end goal.

One easy question to answer before you get started down this road is whether or not you are positioned to be a multisite church. If so, then every facility is looked at within the lens of "how does this campus set us up for the growth of future campuses?" That is a different perspective in making decisions than if you were to say, "how does this campus help us get as many people on this site as possible?" There are different spacial, square footage, land, seating, parking, phasing, and other requirements for a single site church than for a church who is expanding its growth through multiple locations. For some of you, the answer is both/and.

For instance, if my goal is to be a multisite church, then I have far more options for growth than a single site church. As a single site, I now have to find enough land to build what I need both for today and for long term, especially considering there probably isn't much available in today's real estate market to facilitate 50,000SF to 75,000SF buildings with 1,000 parking spaces or more. There are churches who have models that allow them to drop 2,000-seat venues in low density populations in the southeast and midwest, but let me be clear: I know who they are and you likely don't have their bankroll. Their risk tolerance is lower and their future is not dependent upon whether or not one or two campuses fail. If there is more of a demand for larger space and larger parcels, that also means that you have fewer options to find land within the community you are there to serve, which often means you have to move away from the community you are serving to find the total acreage you will need. This is, by stark contrast, the opposite of serving your community, especially in today's world of independent suburban and city communities.

REAL ESTATE AND ROOM SIZE

There has been so much clamor in the church world about the direction and the future of room sizes. Are we going to a microsite model? Are we going to home church? Is the right venue size 500? Is it 1,000? Not to minimize people's passionate opinions on the subject, but thankfully, I don't feel that this is as much a subjective conversation as it is an objective one. If you want to know the direction of church real estate, look at what is already going on in the real estate community around it. We're usually about 10-15 years behind. Due to technology, we've seen an overall "back to the future" direction where we've gone away from suburban communities being commuter towns for big cities, and more towards every suburban community building itself around the live, work, play environment, where each town has its own housing, retail, restaurants, and now even offices. People work more virtually. What people don't do as much anymore: drive 30 minutes. For anything.

What effect does that have on room size? Simple:
Your people may drive outside their community to go to church. Their friends and coworkers they are trying to invite will probably not.
If you grow, you will serve more smaller communities than one larger community.
People want to go to church where they live.
People want to serve where they live (they care about the community).

BOTTOM LINE: YOU NEED MORE VENUES WITH SMALLER ROOMS, AND THEREFORE SMALLER BUILDINGS WITH FEWER PARKING REQUIREMENTS.

So how does this concept affect the way you expand through Intelligent Real Estate? First, you don't have to move outside of your community to serve your community. Secondly, it means you have more real estate options, as more buildings and building types are available to fit those needs. And what happens when you have more options in the real estate market? Supply versus demand: you pay less and have more control (flexibility). Pay less and have more control? That sounds a lot like the main objectives we're trying to accomplish here with this concept of Intelligent Real Estate.

TWO MAIN FACTORS OF ROOM SIZE

There are two main factors that drive the determination of room size:

Population Density (how many people live/attend/give within a defined area)
Group dynamics (how humans interact in differently sized environments)

We have been tracking these statistics for a long time due to the popularity of the conversation about room size in church world. Bottom line, there are two things we see with churches in multiple, smaller venues than in churches with larger venues:

Significantly higher giving unit to attendance ratios (more people give as a percentage of overall attendance). Much, much higher volunteer participation rates.

We've learned something basic in this situation: there is a direct correlation between the level of significance people feel in a church to the level of their serving & giving. If you are a student of people, you probably already know or would guess that people feel more engaged and prioritized in smaller environments. Put yourself in someone else's shoes: would it feel different for you to be on a small, scrappy team trying to accomplish a big goal, or walking into a beautiful 3,000 seat venue with thousands of other people where the goal feels like it has already been accomplished? Which environment would be easier to cast vision and need in? We believe this is one of the biggest advantages of small, flexible buildings. However, what is a small room? Should we look at 500, 700, 1,000? That is typically driven by the next factor.

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Population density is one of the biggest drivers in real estate. How many people live/work/play within a community drives much of how communities decide what to build, and how much of each use (multifamily, retail, office, parks, etc.) to build. Similar considerations should be taken into place when determining room and facility size. The easiest way to figure this out is to take your existing donor or attendance reports, sort them by address, and create a heat map of where those people come from.

If you agree to the four service model, and you have 150 people within a community, it probably doesn't make a lot of sense to be looking for venues where you can create a 1,000 seat environment to accommodate 2,000+ adults. It may not make any sense to do anything. However, if you have 400 families within that community, and you notice that you have also lost quite a few families from that area over the past few years, then it may make sense to start looking for a flexible venue around 400-500 seats, where you would be able to get up to 1,000 to 1,200 adults in worship.

The questions we would recommend asking in this situation are:

Is there data to support that we could be at capacity, or close to it, in two services when we launch (85% and 70%)?
Is there a pressure valve of attendance somewhere else where this campus would create relief?

Essentially, every campus should move through a transition of being a supported campus to a supporting campus, unless specifically planned otherwise (i.e. dream center location). We're looking to offload capacity constraints through other facilities, but the underlying need in that situation is a campus who has hit some capacity issues related to space. Otherwise, we're spending money just to create more empty seats, which is never good.

Similar considerations should be taken into place when determining room and facility size.

SHOULD A CHURCH BUY OR LEASE?

This question will most likely be answered by assessing the available options on the market for leases versus purchases of single tenant retail buildings (furniture stores, Sears, K-Mart's, etc.), offices, and other religious facilities versus buying raw land. In other words, this is situational (you're welcome). In some markets buying is out of the question because of cost. In other markets, there is some level of inventory for existing churches, small-box retail, and other options. In short, what's available in your market and how much those options cost will affect your cost to capacity model more than anything. However, we'd recommend you going into that decision with this important understanding: land development should always be your very last option.

I know that inventory is scarce. I know that the old big box stores that were available 5 years ago are hard to find today, at least at reasonable price points. However, it should only be after you have completely scoured the market for lease opportunities and existing buildings that you look at building land. Land development costs the most, takes the longest, and has the highest risk of unforeseen occurrences and costs. Meaning, they take a lot longer to pay for themselves than other options, which ultimately slows growth and decreases flexibility.

The synopsis here is simple: not only do smaller, flexible venues cost less, but they inspire higher levels of giving, serving, inviting, and overall engagement, which means they also pay for themselves more quickly, allowing you to use those successes to build upon to create more future venues.

FREE ANALYSIS

Is your church ready for growth? Looking to build? Needing assistance with a financial strategy or lender?

We believe that you should look at hiring a consultant like you would a staff person, especially when it comes to the handling of one of the largest, if not the largest, capital investment you will make into your organization. We want to help you eliminate the guesswork and have created a “date before you marry” strategy, to provide a no-cost, no-obligation, confidential analysis for your church.

You can know the outcome before you make a commitment! Our analysis will provide you with an opinion for debt capacity, an attainable project budget, timelines, milestones, and the health of your financial operations as it pertains to identifying the right project and funding it faster. What is the right project? The one that creates the ministry capacity you need and pays for itself quickly.

GET STARTED

SKIP TO NEXT PAGE

WHEN TO GO PERMANENT, EVEN WHEN IT'S COSTLY

When a church has established itself in a community, and the model has become defined, and there is an obvious need for roots specifically in the volunteer and children's ministry areas, there becomes a higher level of importance on establishing a broadcast campus. We often refer to this as an equipping campus, as the goal of this campus is to standardize the experience across all campuses and to develop and train its next campus staff and leaders. When done well, these permanent locations take away the glass ceiling that pastors have felt in temporary or semi-permanent venues. Again, and I cannot emphasize this enough, there has to be a capacity to cost model that supports this move.

Another major factor here is the capacity formula. It only makes sense to spend millions of dollars developing a permanent building when there is a clear demand to support the costs. Typically, this campus intentionally cannibalizes ('steals' its own people to make room) one or more other larger campuses where there is already a high number of giving units and people attending/serving/inviting. For instance, if you start with the idea of having two temporary or semi permanent locations that are filling up, placing your permanent location directly in between the two not only gives you support of the new campus launch, but it also frees up seats and creates capacity at those two locations, providing more seats and more momentum.

The largest broadcast environment we have been a part of within the last few years was 1,400 seats. For all of our other clients, we've been anywhere from 1,000 to 1,200 on average. We've had the conversation many times with pastors who say, "but doesn't that mean we'll be almost full in two services by the time we move in?" Yes, and I struggle to see the downside of that. This is true especially if you are viewing this campus as a broadcast, or equipping, campus and not as the end-all campus. For you to move into a campus where there is a vibrancy (going back to group dynamics), you have created the most important thing you will carry with you throughout the life of your relationship with your congregation: trust. We said we were going to do something, we did it, and it worked. So now, in the next year or two when I go to a core group of families to talk to them about launching a set-up and tear-down campus in their community because of how well this last launch went, and that you need their help, there is automatic buy-in and people want to be a part of the next success of their local church.

SUMMARY

In summary, stay flexible. Make your real estate work for you, not you for it. Not every decision you make will be a black and white decision, and it's not our intent to suggest so. However, we highly encourage you to go into every major decision with as much information as you can, so that you know how each opportunity affects your long term ability to do ministry. Let your strategies define your opportunities, and don't rely on opportunities to define your strategy!

The illustrations and concepts here, while somewhat complicated, are simple. In order to have a successful project that is fundable and to design and construct a building that pays for itself quickly, you have to start by answering the question "based on our unique data, how much capacity do we need to add and at what cost in order to have a building that pays for itself?" Keep in mind, however, that unless we focus on having intelligent real estate that pays for itself quickly, whether or not we can get a bank to fund it, is only symptomatic of a larger issue. Our goal isn't just to help you get a project funded, or to fit a project into a bank's box. Our goal here is to first help you understand how to build your own box! When you can create efficient ministry space that pays for itself, you have taken your first step in putting together a strategy that will fund ministry capacity for years to come!

ABOUT THE AUTHOR

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Nathan is the principal and founder of Ministry Solutions. In his role at Ministry Solutions, he has the responsibility of creating financial strategies for our clients so that they have more money to do ministry. He also provides high level oversight of each project.

Nathan Artt started Ministry Solutions in late 2012 after becoming a Christian at Buckhead Church in 2010. Following a successful career in banking and private equity, Nathan left his position as the SVP of Corporate Development at one of the largest financial firms in the country to follow a passion to see the local church succeed in using finances and facilities to expand ministry impact. His leadership has helped grow a small, one-man shop serving a few churches per year to a boutique, mid-size consulting firm with over $600,000,000 in successfully funded and managed church projects.

Nathan is married to Jessica, and they have two wonderful children; Canaan and Evie. In his spare time, he loves anything that involves his kids' desire for adventures, exploring Atlanta, writing, and catching a show with his wife. He and his wife are now members of Renovation Church in Atlanta, GA, and enjoy volunteering in various ministries there.

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