

# Preliminary Project Budget

## Construction budgets vs. project budgets

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To the Building Committee the task of building a new church building may seem overwhelming at first. There is much to do and much to plan. However, with experienced professional help, the task can be accomplished. When getting ready to build a new church building, one of the first questions you must ask is: How much is all this going to cost? How do we go about determining the overall cost? One thing that is important to remember is that the construction cost of the building itself is only part of the overall expense. Building the building is the largest single expense, but there are other costs that are essential and should not be underestimated. In this article we will briefly summarize the major items that make up a Total Project Budget. At the end of this article is a check list that you can use to help get you started on preparing such a budget.

### **LAND COST**

If you need to purchase property, this will be one of your first big expenses. The cost of purchasing land, including any expenses or financing costs, must be included in your Project Budget. Leave it out only if the land is already owned, free and clear. If you are not sure whether you need more land, ask an architect or land planner for advice. You may wish to have a site feasibility study or Master Site Plan done to determine the need for more land.

### **CONSTRUCTION (Cost of the Work)**

Depending on the size of the project, most churches are not in a position to estimate construction costs on their own. For this you should get the advice of your architect or your contractor. One of the architect's duties should be to help you make early projections of construction costs based on the size and types of building you need. This may take place long before a contractor is brought on board. At this stage the estimate is normally based on average costs per square foot of similar projects. Projects built in your area more than three years ago are not reliable indicators of cost because of inflation and changing market conditions. Projects built during a recession do not make good cost examples later on during an economic boom. Even projects built two or three years ago should have inflation factored in if they are to be relied upon as cost indicators.

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In 1999, in the southeastern USA, we recommend you allow about 5% per year for construction inflation. In general, the site construction cost should be calculated separately from the building. Every site is different. Local codes vary for such things as storm drainage, paving, curbs, and grading. The site construction cost will be the hardest item to estimate until you have completed site engineering drawings and these documents can be priced by a contractor. Even then the cost could vary with the time of year, with projects starting in late fall or early winter costing a little more due to weather conditions. Landscaping is usually considered a part of site construction cost.

Remember, construction cost is defined in the construction industry as the contract cost as paid to a contractor or contractors, for all portions of the building and site (for material, labor, overhead and profit). In some cases it may involve a single general contractor or a construction manager, and in a few cases there may be multiple contractors and suppliers. But construction cost is only part of the picture.

## **DESIGN**

Almost all church building projects of any size will require the services of experts whose experience and training qualifies them to provide professional design services. Architects and engineers are essential to the process. Trying to get along without help from these experts is probably the biggest mistake any church could make. Design Fees will depend to a great extent on the size and complexity of the project and on the firm selected. However, do not select an architect based on low fee. It is not the purpose of this article to deal with the topic of how to select your architect or what to expect design fees to cost. That will be the topic of another article. However, for preliminary project budgeting purposes it will probably be best to estimate design fees as a percentage of the construction cost. This does not necessarily mean that a percentage fee is the only way architects can establish their fee. Many architects will work for a fixed fee or for an hourly fee with a maximum. Fees for churches may be as low as 3% or 4% of construction cost for very large, multi million dollar projects to as high as 10% to 12% for smaller projects involving renovations or additions. The average fee is probably between 6% and 8% for full services, including construction phase contract administration. Services of structural, mechanical, and electrical engineers are usually included in the architect's fee. Civil engineering (design of site), grading and drainage is often treated as a separate fee, although some architects will incorporate this into their fee for basic services. Ask your architect if civil engineering is included in his fee.

In addition to professional fees, most architects and engineers also invoice for expenses. This includes everything from travel expenses, including mileage, to

printing expenses for construction documents. Sometimes renderings and models are treated as expense items. Expenses are related to project size and travel distance for the professional. It is normal for expenses to be invoiced as a separate item, different than professional fees.

## **SITE SURVEY, SUBSURFACE INVESTIGATION, ENVIRONMENTAL SURVEY**

### Survey:

These are costs that are in the same category as design expenses except they are usually separate from the design fees and are directly paid by the Owner (the church). Most projects will require the services of a professional land surveyor to do a complete site conditions survey, including boundary and topography. The cost of this survey will depend on the size of the property being surveyed, density of the vegetation, and the severity of the topography (change of elevation).

### Subsurface Investigation:

Subsurface Investigations are often recommended by the architect or structural engineer. This is usually done as soil borings to determine the structural qualities of the ground on which the building will sit. Again, this cost is dependent on many factors which are too numerous to mention here.

### Environmental Survey:

There are several types of environmental investigations. These are sometimes required by the lender or by the local government. Site environmental investigations, also called a "Phase 1 Investigation", look for hazardous materials which may be buried on your site. Existing buildings requiring renovation can contain hazardous materials such as asbestos and lead paint which require testing to verify their presence. All of these situations require specially trained environmental engineers to investigate for the presence of these hazardous substances and recommend methods of removal. If hazardous materials are found, it can turn into a major expense.

## **FURNITURE, FIXTURES, AND EQUIPMENT**

A new building would be unusable without furnishings. Churches need chairs, tables, pews, kitchen equipment, sound equipment and many other items in order for the facility to function properly. The sample Project Budget at the end of this article has a checklist of items that may need to be included in the project. It even includes several items you might not have considered such as new choir robes and new hymn books. Furniture, Fixtures and Equipment are not generally part of the construction cost of the building because it is not part of the work of the construction contract. A general contractor usually does not

want to be responsible for ordering pews, chancel furnishings, or expensive sound equipment. Rely on the advice of your architect and interior designer when budgeting for furniture, fixtures and equipment.

## **WORK BY OWNER OR SEPARATE CONTRACTORS**

Often churches want to do part of the work themselves. This is not always a good idea, especially if church members do not have the skills and experience. This work can be budgeted as separate line items. The check list gives a general idea of the types of things churches can handle as separate contracts and save money in so doing.

## **CONTINGENCY FUND**

Every construction project has changes. The contingency fund is there to pay for essential changes to the work. It is there to pay for things that come up that you have no choice but to do. For example, if the fire marshal visits the job and requires more exit signs (even after having approved the plans) you have no choice but to add the items he requires. If during the shop drawing review, the engineer discovers a structural member that needs to be heavier, it has to be done. If during the work, unforeseen conditions such as rock or poor soils are encountered, then the contingency fund will come in handy.

Contingency funds are not there for upgrades. If you decide you want a better grade of carpet or nicer light fixtures, the money for these should not come out of the contingency fund. The contingency fund is not there to use if the bids come in over budget. Establish the amount as a percentage of the contract cost and use it only for essential changes. The check list suggests how much your contingency fund should be for various types of projects.

## **FINANCING AND FUND RAISING**

The cost of financing your building should be calculated into the overall long term cost of the job. After all it may take 5, 10, or 15 years or more to pay off a loan, and the interest alone can exceed the principal. Today, most churches try to keep long term borrowing to a minimum, but even then there will be some expenses associated with short-term loans. Talk to several lenders for help in calculating financing and interest cost. Ask about closing costs and fees. Most churches need the expert assistance of a fundraiser. These specialists usually more than pay for their expense by significantly increasing the amount of money that members pledge to the building fund. Consult with several professional fund raisers to obtain estimates of their fees and expenses.

## CONCLUSION

The total cost of the project can be 15% to 30% more than the construction cost alone. Preparation of a total project budget is very important and will require professional assistance. The budget should be regularly updated throughout the planning and design process. Use the check list which follows to get started establishing the total project budget.

## PRELIMINARY PROJECT BUDGET SUMMARY:

1. Land Purchase
2. Site Conditions Survey - Topographic & Boundary
3. Subsurface Soil Investigations
4. Environmental & Hazardous Material Survey
5. Design/Engineering Fees and Expenses
  - a. Architects/Engineers Fees and Expenses
  - b. Civil Engineer Fee
  - c. Interior Design Fee
  - d. Renderings, Models, Computer Animations \*
  - e. Sound/Audio Acoustical Consultant \*
  - f. Special Lighting / Drama Lighting Consultant \*
6. Building Construction Cost
7. Site Construction Cost
8. Other Costs
  - a. Church sign and interior/exterior directional signage
  - b. Sewer lines, water mains and other utility lines
  - c. Development Impact Fees, Plan Review Fees, Building Inspection Fees, Development and Building Permit Fees\*\*
  - d. Rezoning Fees and Expenses
  - e. Professional fees associated with rezonings, special use permits, waivers and variances.
  - f. Bonds and Insurance\*
  - g. Builder's Risk Insurance \*\*
  - h. Liability Insurance
  - i. Legal Fees
9. Contingency Fund for essential changes during construction
  - a. 2% to 5% for new construction
  - b. 4% to 8% for additions
  - c. 5% to 15% for renovations of existing buildings
10. Furniture, Fixtures, and Equipment
  - a. Pews and Chancel Furnishings
  - b. Stained Glass Windows

- c. Sound/Audio System
  - d. Kitchen Equipment
  - e. Chairs, Tables for fellowship hall and classroom use
  - f. Library shelving and equipment
  - g. Office furniture and equipment
  - h. Recreation/activities equipment - indoor
  - i. Outside recreation equipment and playground equipment
  - j. Nursery cribs and preschool play equipment
  - k. Man lifts or portable scaffolding for access to high ceilings
  - l. Choir and Ecclesiastical Robes/Paraments
  - m. Hymn books and pew Bibles
11. Work by Owner
- a. Folding partitions and operable walls
  - b. Landscaping, irrigation system, fencing and other minor site work
  - c. Demolition - interior or exterior
  - d. Painting or other finishing work
  - e. Minor repairs and renovations to existing buildings
12. Financing Cost (Interest, Closing Costs & Fees)
- a. Construction loan
  - b. Permanent loan
13. Fund Raising Expenses
- a. Fees paid to capitol stewardship fund raiser
  - b. Expenses for publicity, brochures, banquets, etc.

\* Some architectural firms may include these items in their fees and expenses.

\*\* May be built in to contractor's construction contract cost.