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## Contingencies

As a follow-up to last month's article on the protections available to churches during the building process we should address contingency allowances. This normally means adding a dollar amount to the project budget to cover any unexpected costs that may occur during construction. Many lenders will want to see a contingency allowance as a line item in the construction budget to provide a cushion for any possible cost overruns. The greater the uncertainty of the budget one has, the greater the need for a contingency fund. Uncertainty, (also known as risk), is increased by hidden conditions. Hidden conditions are more likely on remodeling projects and wherever underground work will occur. For example, the excavator on your new church addition project may discover the old underground sewer line does not run where expected and it will need to be relocated. When unknown factors exist, the contingency allowance should be increased accordingly. Since the risk will vary depending on the unique factors on each project, there is no set amount for a contingency fee.

Also, non-monetary contingencies should be considered and put into place prior to construction. For instance, let's say that the sewer relocation delays the project by one month. What problems would a schedule delay present to the church? The church, along with its architect and builder, should try to manage the risk on the project by anticipating problems, "expecting the unexpected", and setting up contingency plans to deal with potential setbacks.

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