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"Soft" Costs

While it is difficult enough to identify and account for the "hard" costs of a building project... the bricks and sticks of the church; many churches fail to anticipate other less obvious expenses. "Soft" costs are all the incidental expenses that a church will spend in design, planning, financing, and gaining government approvals for their building project. They can also include the costs of making the church building functional after construction. The latter costs involve office furniture and equipment, telephone systems, classroom furnishings and supplies, interior decorating and more. This column will deal in more detail with the former category.

Many "soft" costs are related to financing the land purchase and construction. Settlement fees include title insurance and underwriting fees. The church may want to prepay the loan interest (also called "discount points"). The lender may require an appraisal and an environmental impact study. It is usually less expensive to obtain the construction financing and the permanent mortgage from the same source so that fees are not duplicated.

The church will probably hire a civil engineer to design the storm water drainage systems, utility connections, site elevations, and street entries, and prepare the paperwork for obtaining the required permits. This work may not be included with the services offered by the architect who designs the building.

It is prudent to prepare in advance for the "soft" costs of the new church project as well as to allow for a contingency fund for any unexpected additional construction expenses.

Jeff Thomas is Vice President of Omega Church Consultants, Inc., Church Designers and Builders, located in Indianapolis. You may contact him at info@omegachurchdesign.com or (317) 359-6248 or visit the Omega website at <http://www.omegachurchdesign.com>.
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