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## When Hiring a Builder

If there is one area in the church building expansion process that must receive the utmost attention of the church leadership, it is in the selection of a construction team. The risks to the church are far too great for this matter to be handled on a ‘lowest bidder’ or ‘friend of the church’ basis. We probably all know of churches that have had nightmarish ordeals with their builder. Most of these horror stories can be traced to a builder with one or more of the following deficiencies: lack of experience, lack of integrity, lack of commitment, lack of financial strength, lack of communications skills, lack of organizational skills, or lack of qualified personnel.

The church building committee should do its homework prior to selecting the builder that they will be relying on to fulfill the expectations of their congregation, their lender, their architect and many others. A ‘due diligence’ review of prospective builders should include recommendations by previous clients, a track-record of successfully completing similar construction projects, a review of contracts and operating procedures utilized by the builder, as well as face to face meetings with key personnel.

### A Case Study

The church should not hire a builder simply based on cost. The ‘lowest bidder/general contractor’ method of selecting a builder greatly increases the odds of a disaster. The church should look to hire a Construction Management (CM) team rather

than a General Contractor (GC). The differences between the two types of contract relationships have a profound effect on reducing the risk and the potential cost of the construction project, as well as the psychology of the relationship between the church and its builder.

We once designed a church that was too distant from our home offices for us to build ourselves. We suggested the church interview local construction managers and explained the benefits to the church of CM over general contracting. We informed the pastor that there are two predominant methods of contracting with a builder for any church construction project. These two methods have the same end result: a completed church facility built in accordance with the Architectural Plans. However, the means of arriving at this end will differ greatly.

A GC will offer the church a lump sum total cost to build the church project.... subject, of course, to any changes to the design, or any surprises during construction that may result in change orders. The GC probably will not share with the church the bids he has received or how much profit he hopes to make. The GC hires subcontractors (subs) and works with suppliers he is comfortable with, and he may not be interested in managing the work of volunteer laborers. Usually, the church pays the GC each month with one check for the amount of work the GC claims has been completed that month. The GC in turn pays the subs and suppliers at his discretion. Therefore the GC increases his profit by keeping his costs as low as possible while charging the church as much as possible. The GC keeps any cost savings realized from lower sub or supplier bids that he may receive after his GC contract is signed, as well as any savings from substituting less costly materials.

In the Construction Management system that we suggest and utilize, there is absolutely no incentive for the builder to cut corners on the construction costs or quality of the project. In a CM relationship, every dollar saved is a dollar that the church did not spend for its facility. The church actually receives full value for its dollars; at the same time it is reducing its financial risk.

A Construction Manager (CM) will bid the project from the Architect's plans and offer the church an itemized construction budget, and share all of the bid information with the church. The CM will manage the project for a fixed fee and handle all paperwork, record keeping, and all communications with subs. The CM will work with subs and suppliers suggested by the church and take bids from other qualified subcontractors. With the assistance of the CM, the church contracts with these companies and pays them directly. The CM prepares all monthly billings, distributes the checks to the subs and exchanges those checks for a signed receipt and waiver of lien. The church keeps all savings from donated labor and materials, and any bids that may come in under budget. By utilizing a construction management contract, the church is always assured that all labor and materials have been paid for at the end of each month (less 10% retainage to be withheld until all work is satisfactorily completed). The CM also receives a monthly fee paid at the end of each month's services. The CM is therefore a team member with the church, rather than a potential adversary.

After explaining the Construction Management system to that Pastor, he later informed us that he had hired his good friend who had built his last church to be their General Contractor. You probably can guess the rest of the story.... about halfway into

the construction project, the pastor and his wife began to receive calls at home from irate, unpaid subcontractors and suppliers. The pastor informed each of these callers that he had paid the GC for all the work that was billed, and he was not inclined to pay twice for his church project. The GC had apparently run into some financial difficulties and had used the churches money to pay for other debts and to pay for work on other projects. The GC went out of business, and the angry subs walked off the job. It was obviously no small task to inform the congregation of what was happening and to try to create a new construction team to take over a half-finished project with unpaid bills and liens.

### The Moral of the Story

The church should look for a CM who has a fine professional reputation, and someone that you will be comfortable working with for many months to come. The CM should be able to supply daily hands-on project supervision by personnel who have ample experience with projects of the type and scope that you are building. The church should appoint one authorized representative of the church to communicate directly with the CM during the construction process. This reduces the chance of communication errors and streamlines the decision-making process. The CM should have experience with church operations as well as national vendors of church materials, equipment and supplies. Bids should be solicited from subcontractors of the CM's choosing as well as from subs and suppliers suggested by the church. The CM will analyze the proposals of the bidders and share them with the building committee or its representative. The CM offers its best advise on which contractors the church may want to select, but ultimately the church must make the decision on who is awarded the contracts. All subcontract agreements will be prepared by the CM and will be between the successful bidder and the church. This system allows the church to pay only what the labor and materials actually cost. The CM continues to take bids on the project until the work needs to be contracted. Often better bids are obtained than those originally received when the budget was established. All savings realized from lower bids accrue to the church. A fixed management fee, rather than a percentage fee, should be paid to the CM so there is no incentive for the project to cost more than it should, nor a disincentive for the project to cost less than the original budget.

Some of your goals as a church leader should be to receive value for the money sacrificially offered by your congregation, and to show good stewardship and wisdom throughout the planning, design and construction process. Surround yourself with experienced counsel and reputable professionals that you can trust... and solicit and listen to their advice. Enter into agreements that are clearly written and will protect the interests of those who have placed their trust in you.

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