

Activating Your Church Building for Greater Community Impact: Key Considerations

Has your church considered how you could use your buildings to increase your community impact during the week? With the right planning and steps, many churches have the opportunity to optimize their buildings for purposes beyond typical Sunday uses. And this can be accomplished in a financially sustainable way.

We recently sat down with Nathan Artt, Principal and Founder of Ministry Solutions, to discuss this opportunity. This article summarizes the key takeaways and considerations from the conversation between Nathan and CapinCrouse professionals Stan Reiff, Partner and Professional Practice Leader – Consulting; Ted R. Batson, Jr., Partner, Tax Counsel, and Professional Practice Leader – Tax; and Dave Gunter, Partner.

Stan Reiff: I know that many church leaders have considered how to best use their church buildings during most of the week when they are sitting unused. Nathan, what have you seen in your work with churches that have explored this idea of activating their church buildings in a financially sustainable way?

Nathan Artt: I work with a lot of church leaders who recognize that they are stewards of high-quality facilities that could be used to address unmet needs among their congregations or in their broader communities, but they are not sure how to begin determining whether this is something that would work for their church.

The idea that buildings can fund the ministry of the church instead of ministry funding the buildings is a great example of outside-the-box thinking that many churches could benefit from. This is an opportunity for churches to reach their communities in ways that are relevant *and* reverent.

One industry that I have seen drastically increase its partnership with churches is childcare. A new building that would have cost a childcare service provider \$10 million to build prior to 2020 would cost \$14.5 million now, due to the increased cost of materials and labor.

That is not feasible for many childcare service providers. But they are looking around their neighborhoods and seeing church buildings equipped with plenty of classrooms and common areas — just like they would have built themselves — that are empty during the week, and wondering if there is any potential for a partnership. Many times, we find that the childcare service provider and the church would be a great fit for each other.

Stan: Before we go much deeper, let me clarify that we are not trying to provide ways to monetize the church. Could you expand on that, Nathan?

Nathan: Correct. We certainly are not telling you that your church should start operating a day care just to fully utilize your building. But it is helpful for church leaders to think through whether their buildings, which were created for a single purpose, could potentially serve additional purposes. Ask your team and community members what the community needs and determine if your facilities may be able to fill in those gaps.

For most of human history, the church was the center of the community. The church and the courthouse were right next to the town hall in the middle of town, and the church was a meeting place for purposes far beyond worship. As our society has become more independent, churches are not as integral to the daily lives of community members as they once were. But there is no reason why they couldn't become central again.

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One of the main points we want to make in this discussion is that you can find a middle ground between mission and monetization. Leveraging your church's resources for community impact is likely already a key value for your church, so this could be an extension of what you are doing.

So, what keeps church leaders from exploring this opportunity further? One common roadblock is not knowing how to do it. Another is uncertainty about the complications that could arise and affect the church's existing strategic planning. Ted, do you want to speak to this from a tax perspective?

Ted R. Batson, Jr.: You are right, Nathan. Many churches are hesitant, and some might not even explore this opportunity, but in general, using your space for non-church purposes will not harm your tax-exempt status, especially if the partnering organization is also a 501(c)(3) organization. Unless you are engaging with the partnering organization in a way that is providing your church with unrelated business income, renting out space is not taxable. But also keep in mind that if you do have to pay taxes, that means your church is making money on the partnership. On a related note, depending on your state, this type of partnership might trigger property tax, but this can be passed on to the tenant to pay.

If members of the community are participating in an after-school activity, day care, or other non-church event housed in your church building, they are becoming comfortable with your campus and might be more likely to return for a Sunday service or other church-related event. It is helpful to think about your church buildings and land as having the capacity to be multi-purpose and help your church reach people where they are.

Stan: Very helpful insights, Ted. Are there any suggestions from a legal perspective as church leaders consider partnering with other organizations to utilize their facilities?

Ted: For specific questions and situations, church leaders should consult with an attorney in their area who is well-versed in local laws and regulations. But

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generally, it is important to make sure a link is established between the church and the partnering organization to explain that the purpose of both is to serve the community. It should also be clearly communicated that the primary use of the church buildings is still by the church itself, and the partner organization's use is secondary. If this secondary usage is something like a food pantry that will be operated or funded by the church, it might be helpful to have that ministry set up as a separate entity for liability purposes.

On the other hand, it is important to know who you are "in business with," so to speak. Be sure that you have operating agreements and policies in place to prohibit activities that you do not want to be associated with the church. Dave, I know you have experience as an executive pastor working with outside organizations in this way. What was your experience?

Dave Gunter: When I previously was an executive pastor, I had many colleagues who were hesitant to partner with external organizations because they were concerned about the condition of the facilities from week to week. But I never had any negative experiences with this. Some churches might need to add back-office or maintenance staff, but if you have a clear operating agreement, like Ted mentioned, there should be minimal issues.

I would also say that it can be helpful to have a board or committee that can help support or manage both organizations. This group can make decisions that are in the mutual best interest of both parties.

Stan: Nathan, what types of churches are best positioned for partnerships like these? For example, this might not be a practical solution for small rural churches, correct?

Nathan: That is correct. Over the years, we have realized that there is a certain church profile that these arrangements work well for. At a basic level, the church should be in an area with significant population density and have 8,000 to 25,000 square feet of space. It also should have a vision for reaching the community and a mindset or conviction related to balancing the mission and monetization. Sometimes these churches are led by next-gen pastors who are looking to chart a new course.

Buildings are the tools we use to serve the church. It is helpful to start the conversation among your church leadership at a high level and then drill down to specifics. First, determine if this process is a good fit for your church. Next, let that information inform your questions and decisions. Do not let opportunities define your strategy, and do not let your decisions be made by

the opinions of those who are voicing them. The needs of the community should be the heartbeat of this endeavor.

Dave: Well said, Nathan. I would also mention that it is helpful to observe what has and hasn't worked for other churches in a similar situation. You do not need to reinvent the wheel.

Stan: Thank you all for your insights. We hope that this information is helpful to churches considering whether activating their buildings for greater impact is worth pursuing.

You can watch the recording of the full discussion [here](#). And if you're ready to take the first step toward activating your church building in a financially sustainable way, we encourage you to [schedule a free analysis](#). CapinCrouse and Ministry Solutions are here to help you explore this unique opportunity.

About CapinCrouse

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