

Development of Camden Town Methodist Church

Contact Name and Details	Ted Awty, Chair of the Network Committee tedawty@btinternet.com The Revd Stuart Burgess, Chair MIC Ltd. stuart@micentre.com
Status of Paper	Final
Action Required	Decision
Draft Resolution	<p>10/1. The Council receives the report.</p> <p>10/2. The Council agrees to be the managing trustee for Camden Town Methodist Church and delegates to the Chair and Secretary of the Council responsibility for agreeing the date upon which the transfer shall take place, upon the signing of a development agreement or an equivalent document.</p> <p>10/3. The Council agrees to sign a development agreement or equivalent agreement with MIC Ltd in respect of the redevelopment of Camden Town Methodist Church and declares that, on the basis the Camden Town Methodist Church Council pass a resolution to the same effect, the Camden Town Methodist Church building be used for connexional purposes from the date of the development agreement or its equivalent.</p> <p>10/4. The Council agrees to the funding principles as set out in paragraph 30 of this report.</p> <p>10/5. The Council delegates to the Strategy and Resources Committee:</p> <p>(i) responsibility for negotiating the terms of the development agreement or an equivalent document and the strategic oversight of the redevelopment as set out in this report.</p> <p>(ii) the ability to agree the terms of any loan agreements as set out in paragraph 30 of this report following advice from the Investment Committee or to identify and agree alternative funding arrangements not in excess of £6 million.</p> <p>10/6. The Council delegates responsibility for the signing of any loan agreement as set out in paragraph 30 to any two of the following: the Connexional Treasurer, the Secretary of the Conference, the Chair of the Council.</p>

Summary of Content

Subject and Aims	The redevelopment of Camden Town Methodist Church into an hotel and worship centre.
Main Points	It is proposed that managing trusteeship of Camden Town Methodist Church transfer to the Methodist Council and that the property should be redeveloped into a worship centre with hotel accommodation on the upper floors being leased at full market rent to MIC Ltd and operated by MIC Ltd as a hotel.

Background Context and Relevant Documents (with function)	The board of MIC Ltd and the Network Committee are seeking to develop the company's operation on other sites, particularly existing Methodist properties with a view to increase the profits of MIC Ltd which will in turn be passed to the Methodist Church for its general purposes. Camden represents the first proposal for such a development.
Consultations	The Network Committee, the Strategy and Resources Committee, Superintendent Minister The Revd Tim Bradshaw and Camden Town Church Council, local public consultation, Trustees for Methodist Church Purposes

Summary of Impact

Financial	A significant financial outlay should provide a stable income for the Methodist Council and an enhanced investment value.
Legal	Legal due diligence will be required.
Wider Connexional	The demonstration of an ability to rejuvenate existing premises to make a greater contribution to the mission of the Church.
Risk	In the absence of redevelopment, the existence of Camden Town Methodist Church would be jeopardised.

1. This paper outlines a proposal by the Board of Methodist International Centre Limited, supported by the Network Committee and Strategy and Resources Committee, to redevelop the existing Methodist Church in Plender Street, Camden Town into a new worship centre with an hotel above. It is proposed that the Church Council for Camden Town Methodist Church transfer managing trusteeship of their building to the Methodist Council and that the building is used for connexional purposes. The whole building, once developed, will be leased to MIC Ltd at a full market rent with the hotel being operated alongside MIC Ltd's existing business at The Wesley, Euston. The worship centre will be sub-let to Camden Town Methodist Church at nil rent.
2. Planning permission for the redevelopment is being sought.
3. It is estimated that the redevelopment of the property would cost £5 million, to be financed from connexional funds. It is projected that the hotel operation would generate an operating profit (before rent) of £652k in its first year of operation rising to £918k in the fifth year. MIC Ltd would be obliged under the terms of the lease to pay the agreed market rent and surplus profits would thereafter passed to the Methodist Council.
4. This paper summarises the proposed development. The full business case approved by the board of MIC Ltd (following external independent review) and reviewed by the Network Committee is available to Council members on request. The Strategy and Resources Committee has been kept up to date with the developments of this project and has encouraged the Network Committee in moving the proposals forward and in bringing them to the Council.

Camden Town Methodist Church

5. At a meeting on 23 August 2015 the Camden Town Methodist Church Council voted unanimously in favour of the proposed redevelopment of the building to include hotel accommodation and a worship centre.

6. Both the Islington and Camden Mission Circuit, and Camden Town Methodist Church (“CTMC”) fully support the plans. The Camden Town Methodist Church building is currently unstable and in a very poor condition with the rear wall currently shored up by a steel frame. The Church was constructed in 1889/1890. It falls within the Camden Town Conservation Area and is recognised as a local building of heritage merit. Various engineers have concluded that the Camden Town Methodist Church structure is currently ‘at risk’ and has been for over 20 years. The estimated costs for the redevelopment have taken into account the condition of the building and the redevelopment will put the building back to a stable condition.
7. The financial and administrative burden of maintaining and repairing the building is limiting the local church’s ability to grow and making lay leadership roles more difficult to fulfil. The construction of the hotel using an internal framework will stabilise the structure and leasing the building from the Methodist Council to MIC Ltd will shift the burden of maintaining the building away from the Church Council who can concentrate on ‘being a church’. The proposed scheme will provide the congregation with a bright and modern worship space, which will have wheelchair access.
8. The worship centre will be in the part of a building that is in use 24/7 and will be easy to heat (and keep cool in summer). The redeveloped property with the presence of the hotel, will make CTMC an ideal venue for marriages and other activities. The hope is that, as a result of this redevelopment, the Local Church will be a more welcoming space with an area for community use. Most importantly, it will mean that CTMC becomes a vibrant centre for Christian worship within Camden, rather than a gradually decaying building with an uncertain future.
9. Images of the existing building are shown in the appendix together with a map showing the location of the church.

The proposed hotel

10. *The Wesley Camden Town* will extend *The Wesley* brand and ethical hospitality concept further within London NW1 in London’s most visited borough as well as maintaining its place in the community for worship and wider outreach. It will provide boutique bedrooms that compare well with competitors in the area. Images of the redeveloped building and floor plans are shown in the appendix.
11. The worship space will be located on the ground floor, being of suitable size to accommodate the existing congregation with allowance for growth and increased capacity for larger events including weddings and funerals. The entrance and more informal spaces will be shared between the church and the hotel, providing an area for informal ministry and community meetings that will also serve as the breakfast area for the hotel.
12. The new structure will include four floors above the worship space for the hotel. This will comprise 42 double rooms at four star standard. The guest rooms are set back from the existing internal line of the church walls to retain the character of the building. Each room will have large scale glazing providing natural daylight and views out and providing a robust thermal and acoustic enclosure. An office will also be provided for the minister of the church.

Hotel operations

13. The operation at Camden will be closely linked to *The Wesley Euston*, which is less than one mile away, and be underpinned by the methodologies at Euston that provide guests with exceptional bedrooms and outstanding service and value for money while generating good operating margins for the hotel. In essence, the creation of additional rooms at Camden is more of the same, not a completely new business.
14. The operation of the hotel will be overseen by the existing executive directors, who have a wealth of expertise in property, finance and hotel management, together with a general manager on site at Camden. The executive directors and managers at *The Wesley Euston* have a proven track record of operating an hotel successfully. Most of the managers have been with MIC since the inception of *The Wesley* brand and are well trained and ready to take on more.
15. Staff are likely to work on a rota between Euston and Camden. New staff will be trained and developed through *The Wesley Euston*. With the new hotel focussing on rooms and not offering extensive food and beverage facilities the staff costs per room will be less than at Euston although it will offer new employment opportunities.
16. Marketing, provision of services and purchasing together with operational systems will continue to be run from Euston.

Market and competition

17. The management of MIC Ltd have conducted a detailed analysis of the hotel market in and around Camden. The capacity of premium hotels in North Central London has increased by 32% in the last five years while market demand has increased by 30%. Average occupancy of hotels in North Central London in 2014 was 83%, which is lower than the occupation rate for *The Wesley Euston* which stands at 97%. Average achieved room rates in North Central London are higher than Central London. There are good reasons to believe that demand in the area will continue to grow with many companies moving into the regeneration area around the Kings Cross railway lands. It is estimated that *The Wesley Camden* would have a market share of 2.67% and key to its future success is to continue to establish the brand's competitive standing in the market.
18. The competition in the four and five star market in Camden is of medium to high intensity. There are eight upscale hotels in and around Camden, most being on the outskirts of Camden, in or around Euston Road and the main line stations. The most immediate competition is from the Holiday Inn, Camden Lock and the Premier Inn on Euston Road. Management have analysed the standards of delivery of the established hotels when measured against customer expectations using common industry criteria and estimate that, on this basis, *The Wesley Camden* would rank third out of nine operators.

Financial projections

19. The planning and construction cost of the redevelopment is projected by independent quantity surveyors to amount to £4.98 million (at June 2015 prices) including a 10% contingency. This excludes some local authority charges, for example for road closures, monitoring of adjacent buildings and any independent commissioning fees. It is proposed that the redevelopment costs of funded from Methodist Church funds as opposed to a loan from a commercial bank. Further detail is provided below.

20. The table below shows MIC Ltd management's projections for the first five years of operation. The projections and all of the underlying assumptions, including the market and competitor analysis, have been independently reviewed by hotel experts from BDO Stoy Hayward.

£000's	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	1,901	2,096	2,226	2,425	2,594
Gross profit	1,252	1,380	1,488	1,620	1,734
Operating profit	652	701	760	846	918

21. The financial model is based on letting 42 four star bedrooms in two categories, namely 33 standard double and 9 superior rooms. 80% room occupancy is projected for the first year increasing steadily to 90% in year five. Average daily rate is projected at £139 in year one which is comparable with the existing market. Rates for direct costs, wages and overheads are based on industry norms which are currently used at *The Wesley Euston*. No rent or financing costs are included at this stage but it is recognised by MIC Ltd that these will have to be paid at the commercial rate. An estimated figure for the rent payment will be provided to the Council when it meets in January 2016.
22. The management have conducted a sensitivity analysis using 4 to 5% reductions in occupancy and reduced breakfast take up which reduces the operating profit to £598k in year one and £854k in year five. The breakeven point in year one requires a revenue of £1.4 million which represents a reduction of 30% from the projected level.
23. After allowing for working capital requirements and minor capital items, the cash surplus is projected to increase from £550k in year one to £800k in year five (before rent). The Council at its meeting in October 2015 approved updated Memorandum and Articles of Association for MIC Ltd to bring them in line with the Companies Act 2006. The new Memorandum also ensures that it is clear MIC Ltd is a trading subsidiary of the Methodist Council with its operating surplus being donated to the Methodist Council for the general purposes of the Methodist Church.

Planning

24. Positive responses have been received from Camden Council on the two pre-planning applications. The second one received on 24 June 2015 invited a formal application to be made. Positively, it accepts the hotel use, loss of community floor space, that DP1 (housing) should be applied flexibly, the principle of one story extension and a revised entrance. A public consultation was held on 17 November, as suggested by Camden Council, and no adverse comments were received.

The formal planning application was submitted on 14 December 2015.

25. The local church is in a conservation area and professional advice is now being sought from the Connexional Conservation Officer on the required consents.

Managing trusteeship

26. The Church Council is content to agree to transfer managing trusteeship to the Methodist Council and for the property to be used for connexional purposes. The Council is therefore asked to agree to take on managing trusteeship for the property at a date to be agreed by the Chair and Secretary of the Council, with a view to the managing trusteeship eventually being delegated to a more appropriate committee. It is proposed that the development of the building into a worship centre with hotel is undertaken and overseen by MIC Ltd and its experienced directors.
27. A development agreement would need to be agreed between the Methodist Council and MIC Ltd so that it is clear where responsibility for the oversight and management of the redevelopment lies. It is envisaged that this development agreement will also contain provisions for the Methodist Council's funding of the redevelopment, although the final details of the agreement and any necessary loan or funding agreements with MIC Ltd will be upon the basis of legal and surveyors' advice. It is suggested that the Council delegate responsibility for negotiating the terms of the development agreement or an equivalent document to the SRC along with the strategic oversight of the redevelopment.
28. Once the building works have been completed the whole building will be leased to MIC Ltd on a full market rent with that rent being paid to the Council as the landlord. The income would then be for the general purposes of the Methodist Church. A sub-lease of the worship centre would at the same time be granted to Camden Town Methodist Church for their use at nil rent. Provision will also be included in the sub-lease to ensure the Local Church are able to use the restaurant area as a community cafe/meeting area for their use after hotel guests have utilised it for breakfast. The sub-lease to the Local Church will be on the basis that MIC Ltd are responsible for repair and upkeep of the worship centre.
29. Camden Town Methodist Church is and will remain on the Model Trusts and subject to the requirements of standing orders. If the Conference does not amend Standing Orders in respect of allowing alcohol consumption on Model Trust premises where a long lease is granted prior to leasing the building, consideration will need to be given as to whether the property can be granted conference centre status by the Council under SO 922(3A) thereby permitting the sale and consumption of alcohol on Model Trust premises.

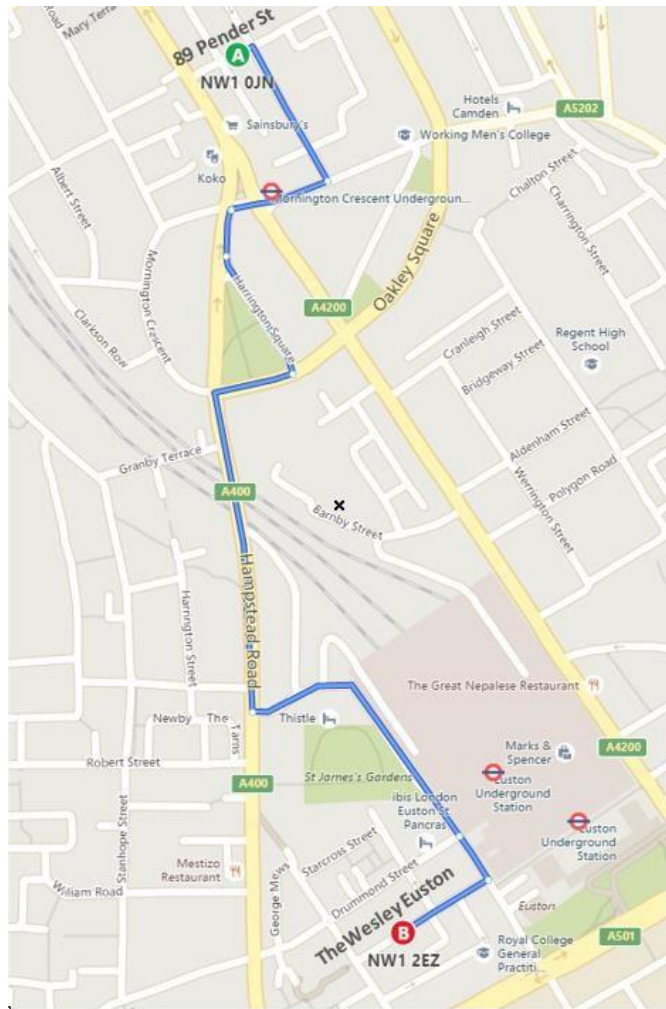
Financing

30. The redevelopment is estimated to cost £5 million. In the first instance it was proposed that the Methodist Council would enter into a loan agreement with HSBC for the redevelopment. However, consideration has been given by the Connexional Treasurers to other options for financing the project with a view to using funds held within the Church rather than external sources. It is now proposed that the redevelopment should be financed from the Methodist Church Fund to MIC Ltd. If the unrestricted capital in the MCF is insufficient to cover the cost of the redevelopment, other Connexional funds will be utilised where possible. Any loan from the MCF or other connexional funds would be on the basis that they would bear interest at 2.5% above LIBOR. The rent received from MIC Ltd under the terms of the lease for the building will be utilised to repay the funds at £300,000 per annum for the first three years and an increasing sum thereafter. The terms of the loan would be agreed upon the advice of the Investment Committee by the SRC and would be equivalent to those indicated to the Methodist Church by HSBC if it were to provide the loan facility for this development.

*****RESOLUTIONS**

- 10/1. The Council receives the report.**
- 10/2. The Council agrees to be the managing trustee for Camden Town Methodist Church and delegates to the Chair and Secretary of the Council responsibility for agreeing the date upon which the transfer shall take place, upon the signing of a development agreement or an equivalent document.**
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Appendix 1: Camden Town Methodist Church and its proximity to The Wesley Euston



Distance between The Wesley Euston and 89 Pender St is approximately 15 minutes walk.



Aerial View of Camden Methodist Church

Appendix 2 The Existing Property inside, rear and front

Exterior: Front of the building



Interior: Unsafe Student Accommodation abandoned since 2008



Appendix 2 continued: The Existing Property inside, rear and front.

Exterior: Supportive metal framework to prevent bulging back wall from collapsing.



Appendix 3 Redeveloped Property

Front Exterior

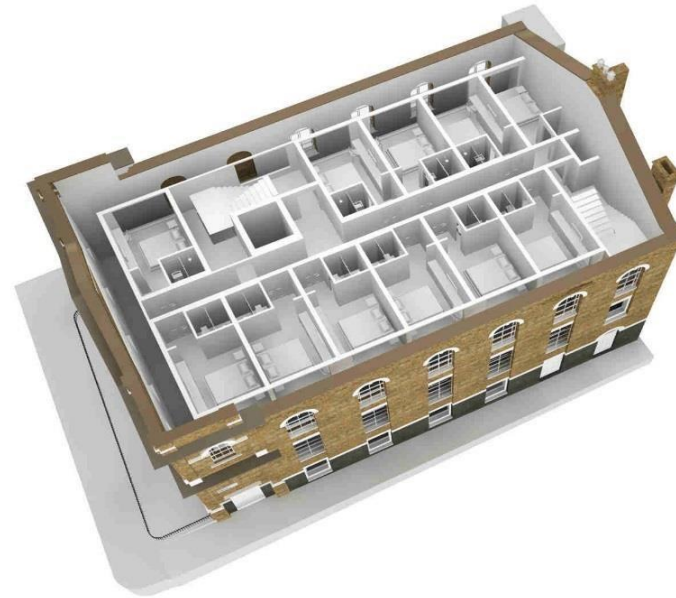


Cross Section of the five floors with the space for the congregation at the bottom



The proposals provide the congregation with a new worship space at lower ground level which will provide for the existing and any future growth in members. They also remove the burden of maintaining the church in its current state. The space will be available throughout the week for other community uses.

Appendix 3 Redeveloped Property - Hotel Floor Plan & Rendered Image



To maintain the existing attractive frontage of the building and retain its heritage, a reinforced concrete frame will be inserted into the building.

On the upper floors a 4 floor, 42 bedroom hotel is proposed. This requires a low one-storey extension to the roof of the existing Church building. The hotel will provide a long-term income stream to fund the restoration works and ensure a future for the Church community at the site.

Appendix 3: Redeveloped Property - Worship Space - Contains a separate entrance from the hotel - Floor Plan & Rendered Image

