

## Memorial 31 Sale of Methodist Property to other Denominations

### Basic Information

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<b>Status of Paper</b>	For decision
<b>Action Required</b>	Review of Policy and process
<b>Draft Resolution</b>	See paper
<b>Alternative Options to Consider, if Any</b>	Leases at an undervalue: sales or other disposals without a reverter clause

### Summary of Content

<b>Subject and Aims</b>	Model Trust 20 policy makes provision for the sale of Methodist property at less than best price if it is to be used for continuing Christian worship Review Policy and process in response to Memorial 31
<b>Main Points</b>	Create clearer guidance and new application form. Consider advantages/disadvantages of reverter clause. Explore option to lease at an undervalue
<b>Background Context and Relevant Documents (with function)</b>	The Methodist Council established a Connexional policy for sales at an undervalue in 2005 (Provisions in Model Trust 20) Memorial 31, to Conference 2009, requests a review of the policy New, abbreviated, guidance and application form. List of applications approved/declined
<b>Consultations</b>	Connexional officers in the Resourcing Mission Office in consultation with the Trustees for Methodist Church Purposes, Connexional Solicitors, the Legal Issues Group and Counsel.

### Summary of Impact

<b>Standing Orders</b>	None at this stage
<b>Faith and Order</b>	
<b>Financial</b>	
<b>Personnel</b>	None
<b>Legal</b>	Recommendations for consideration discussed by Legal Issues Group and options for review tested by a further Counsel's Opinion. The general intentions were reported to Law and Polity and a member of the Committee was appointed to liaise with Connexional Officers in preparing later recommendations.
<b>Wider Connexional</b>	Via a number of enquiries from local churches for sales under these provisions.
<b>External (e.g. ecumenical)</b>	
<b>Risk</b>	Minimal, as it is proposed to maintain the present policy of approving such requests only exceptionally

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### M31 Sale of Methodist Property to other Denominations

*The Grimsby and Cleethorpes (17/5) Circuit Meeting (Present: 51. Voting: unanimous) expresses its gratitude that Model Trust 20 permits the sale of Methodist property to other denominations at an undervalue, on appropriate occasions and under strict conditions.*

*The Circuit recognises that such sales should always remain exceptional.*

*However, it considers that the present criteria are in some respects too restrictive in the present mission context. Now that the Methodist Church can no longer do everything or be present everywhere, we believe that it would be appropriate to be more ecumenically generous in these matters. In particular, it would be helpful if Managing Trustees were able to consider such sales in situations where they would allow the continuance of Christian worship and witness when the Methodist Church no longer has the human resources to do this. The current expectation that the selling and buying congregations will have a prior relationship with each other is a particular hindrance in this regard. The Circuit therefore requests the Conference to direct the Methodist Council to reconsider the criteria under which a Model Trust 20 application for sale at an undervalue might be approved, in the light of the changing context of mission in Britain today.*

### **Reply**

*The Conference notes the concern of the Grimsby and Cleethorpes Circuit Meeting and acknowledges that there is an important balance to be struck between the requirement for a flexible approach to mission, and protection of Methodist Church assets held under the Model Trusts.*

*The Conference wishes to ensure that such sales remain the exception, but does not wish to discourage worthwhile applications from being submitted for consideration. Although it notes that it is not the case that the current expectation is that the selling and buying congregations will have a prior relationship, it refers the memorial to the Methodist Council in order to review the current policy and report to the Conference in 2010.*

The Resourcing Mission Office has reviewed the present Model Trust 20 policy and now reports to the Methodist Council.

In reviewing these provisions both process and policy issues have been considered.

### Review of Process

In reviewing the current process, it was evident that guidance relating to the current Connexional policy is lengthy and may deter some local churches from pursuing an application. The information has therefore, been revised accordingly, providing concise guidance and a new application form.

Enquiries are received by the Trustees for Methodist Church Purposes (TMCP) Legal officers dealing with sales or connexional team staff dealing with property matters.

It is usually quickly evident when a particular case is suited to the provisions of Model Trust 20.

It is, therefore, proposed

- (a) That the new concise guidance be made available on the Methodist website.
- (b) That this should be supported by the separate, but brief, application form which incorporates the specific questions that must be answered by the managing trustees of the local church.
- (c) That the guidance be communicated by a direct link to the IT Property Consents website, in Property Points and in other forums as opportunities arise.

The attached documents contain the new draft guidance and the new application form, for approval by the Methodist Council (see Resolution 1).

#### Review of Policy

In carrying out the review, we then considered the present policy and criteria, and to what extent local trustees have taken advantage of the MT20 provisions. In establishing the present policy in 2005, the Methodist Council made clear that requests for sales at less than best price should be exceptional and that, for the most part, the vast majority of sales must still comply with charity law on best price.

Prior to 2005, there were only two cases recorded of applications for sales at less than best price. One was approved, the other refused.

Since the present policy was established five applications have been considered, three being approved (though two did not proceed) and two refused. A full list of applications received is attached.

We believe that the policy has been implemented in the way the Council required with use of these provisions continuing to be exceptional.

#### Policy Matters For Review

In the light of experience of the use of MT20 since 2005 and of the 2009 changes in property legislation we think it is appropriate to ask the Council to consider four matters:-

##### **1. Recent changes in property legislation and general context for property sales**

The wider powers of managing trustees to use capital money for any Methodist purpose and the removal of the requirement to obtain separate approval for withdrawal of capital funds held by TMCP may lead to the perception that the criteria for MT20 need to demonstrate greater flexibility.

These wider processes raise a number of questions which impinge upon the MT20 provisions, although indirectly, for example:-

- (a) Methodist capital money may be used to support a property project for a C of E or URC building, and in some cases, there is no legal charge requirement to return the Methodist contribution on any future sale of the building.

These financial contributions can be very substantial, though rare.

Such cases are based upon policy decisions made over a period of years and such arrangements with ecumenical partners are reciprocal though not always identical.

(b) Methodist trustees may make grants, donations or loans of Methodist money to other denominations' projects without the requirement for any separate approval from circuit, district or connexion.

In this changing context we ask the question:

*'Does the Methodist policy on the use of the MT20 provisions require amendment in recognition of the changing context?'*

On the face of it, there appears to be some justification for revising the policy as there is no doubt that Methodist funds are increasingly likely to be expended on partner churches' projects as a consequence of these changes.

However, the MT20 policy does not lay down any criteria at all in regard to 'proportionate undervalue' sales and, in fact, it remains the case that a Methodist building may be sold for nil value, or any intermediate value, between nil and best price.

What seems to be key here is the overriding direction from Council under the present policy which states that such sales shall be exceptional.

Thus, while we do not consider any significant alteration to the general principles of policy for sales is required we would ask Council to note the context of continuing sales of church buildings.

As fairly high numbers of chapel sales continue it seems likely to be the case that the disappearance of Methodist congregations from our local communities may lead to more requests for sales under the MT20 provisions so that Christian worship via other denominational congregations may continue. That is clearly an ecumenical purpose of the Methodist Church, particularly as worship and mission often continue via a Local Ecumenical Partnership (LEP).

This seems a reasonable stance to take for local trustees and we think it should be taken into consideration.

We may also receive more requests as more local churches hear about the policy.

It would seem reasonable, therefore, to allow that more applications may be received and that may result in more sales at an undervalue being approved over time.

However, since 2003 only four such sales have been approved and proceeded under the MT20 provisions. It is our understanding that these are the only sales (at an undervalue) ever approved.

### **Policy recommendation 1**

We do not consider that any significant change in policy or criteria is required to the general policy for sales. However, we ask the Council to allow there to be a recognition that more applications may be received and while the criteria may remain unchanged the volume of MT20 sales may increase beyond the levels seen to date, thus leading to a greater number than hitherto of sales at an undervalue. The intention, however,

would still be to approve sales at an undervalue exceptionally in proportion to the total number of sales. (See Resolution 2)

## 2) Status of Purchasing Denomination

Under present arrangements the Methodist managing trustees must establish that 'sympathetic' relations are enjoyed with the intended purchasing denomination.

In the context of changing communities, with continuing chapel closures we believe that our understanding of 'sympathetic' ought to include any other worshipping community/church within the local context and that the term should not necessarily infer any existing relationship. This point is made in the reply to the Memorial.

The key principle is to encourage the continuing use of church buildings for Christian worship.

Part of the existing guidelines requires the present trustees to show that the intended purchasing denomination can demonstrate 'something really significant' which can be developed by that denomination. For example, we would be seeking to ensure any proposed sale (under MT20) would only proceed if the purchasing denomination is developing its mission and/or is a growing church, and is not a congregation in serious decline.

The mission imperatives should also be to facilitate a model of mission that the Methodist Church would endorse (existing policy).

Equally any sale (at an undervalue) for the purposes of public worship would only be agreed where the purchasing church's doctrinal statement is not contrary to Methodist purposes.

## Policy Recommendation 2

The Council approves the definition of the term 'sympathetic' outlined above (see Resolution 3).

## 3) Leases

Model Trust                      20 *Special powers on disposal of property.*

*(1) If the board of the Property Division shall consider that any purpose of the Church would thereby be advanced, it shall be lawful for such board to authorise the trustees of any model trust property, by a written authority under the hand of its General Secretary or of any other person authorised by such board in that behalf to **dispose** of such property or any part thereof, in any manner whatsoever to any person upon trust for such purpose of the Church without the payment or provision of any consideration or for the payment or provision of less consideration than might otherwise be reasonably obtainable in respect of such property or such part thereof, and it shall be lawful for such trustees to enter into any transaction pursuant to such authority.*

*The functions of the 'board of the Property Division' (which no longer exists) are now exercisable by the Methodist Council by virtue of the definition of the latter in para. 1 above, but the name remains in this paragraph, which is unamendable (see para. 27). For similar reasons the functions of the 'General Secretary' of the board are now exercisable by the Property Secretary.*

*For the conditions upon which model trust property can be disposed of to a Housing Association under this paragraph see S. O. 935.*

*(2) Where any model trust property or any part thereof comprises or includes a place of worship or a former place of worship, then, if the board of the Property Division shall consider*

*that any purpose of the Church would thereby be advanced or tend to be advanced, such board may, by a written authority given under the hand of its General Secretary, or of any other person authorised by such board in that behalf, authorise the trustees of such model trust property or such part thereof to **dispose** of such property or such part thereof subject to any restriction (to be specified in such written authority) of the use of any land and any building or part of any building comprising such place of worship or former place of worship; and any transaction entered into by the trustees of such model trust property or such part thereof pursuant to any such authority shall not be capable of being impugned by reason of any such restriction.*

*As to the 'board of the Property Division' and its 'General Secretary' see the first note to sub-para. (1) above.  
See S.O. 943(4).*

*(3) In the foregoing sub-paragraph 'former place of worship' means any property which was formerly a place or part of a place of worship but which, in the opinion of the board of the Property Division, ceased to be such a place or part of such a place not more than twenty years before the date of any written authority affecting the said property given by the said board pursuant to the powers contained in the foregoing sub-paragraph.*

*As to the 'board of the Property Division' see the first note to sub-para. (1) above.*

The phrase 'to dispose of such property' includes leases as well as sales.

In the present economic context where the property market is slow and sale prices lower, managing trustees may prefer to consider letting their building instead.

This may provide a solution for a period of years and suit the circumstances of both lessor and lessee. Furthermore, the general law allows a charity to sell or lease their property for other charitable purposes at less than best price.

However, the Model Trusts do not currently provide for a lease of property to another denomination for the purposes of worship. The only means of using the building is via Model Trust 14a under a licence arrangement for a twelve month period.

### **Policy Recommendation 3**

We therefore propose that Conference authorises a further exploration of this matter to determine whether any amendment be made to the present policy to allow leases of Methodist property at an undervalue for the purposes of worship and perhaps other charitable mission purposes e.g. for a letting to a charitable organisation within the community to provide a community resource which is consistent with the mission aims of the local church. Counsel's Opinion is being sought (see Resolution 4).

#### **4) Reverter Clause**

The Counsel's Opinion for MT20 sales requires a reverter clause in the sale contract which provides that the property reverts to the ownership of the Methodist trustees if the purchasing congregation ceases to meet.

This is clearly a fundamental element of any sale under MT20, and we continue to support that principle.

However, on occasion, a sale may be obstructed by the requirement to include a reverter clause and such an agreement may inhibit the mission plans of the purchasing congregation e.g. they may be reluctant to inject large amounts of capital for repair and maintenance of the building if there is no likelihood of commensurate reimbursement if it ceases to meet. Such a trust may also prohibit the purchaser's church from mortgaging the property or obtaining a grant or other loan secured on it.

Counsel's Opinion is being sought.

#### **Policy recommendation 4**

That the Council recommend to the Conference that Counsel's Opinion be studied to ascertain whether any flexibility might be permitted in the wording of the trust (or reverter clause).

#### **Resolutions for Methodist Council**

##### **Process**

1. Clearer guidance and new application form

The Council approves the new guidance and application form and recommends their adoption by the Conference.

##### **Policy**

2. Continuing exceptional use of MT20 provisions

The Council recommends to Conference that sales at an undervalue remain exceptional but recognises that in a context of greater numbers of sales, generally, more undervalue sales, may, of necessity, need to be considered.

3. Sympathetic Relations

The Council endorses the general view that the term 'sympathetic relations' should include any other Christian Church within the local community whose beliefs do not offend the doctrinal standards of the Methodist Church.

4. Leases

The Council proposes to Conference that further work be carried out to explore the possibility of granting leases of Methodist property at an undervalue under these provisions.

5. Reverter Clause

The Council recommends to the Conference that Counsel's Opinion be studied further to ascertain whether trust wording (reverter clause) may be varied in any way.

## Model Trust 20 Sales

- 1. EYEMOUTH** - Application to sell chapel to Trinity Congregational Church, Eyemouth -Approved by Connexional Property Committee - Oct 2003
  - Managing trustees - Berwick-on-Tweed Circuit Meeting
  - Property Value - £70,000
  - Sold for £41,000, subject to reverter clause

- 2. CHILTERN STREET (HEOL CHILTERN)** - Application to sell redundant chapel to the Welsh Baptists - Jun 2005
  - Managing trustees - Welsh Methodist Church with declining membership
  - Property Value - £3,550,000
  - Declined, following policy discussion between Connexional Property Secretary and Secretary of the Conference
  - Chapel sold for commercial use for full value
  - Funds placed in Cymru District Advance Fund (Chiltern Street had been a single church circuit)

(The Chiltern Street case prompted connexional team officers to prepare a policy document for the Methodist Council - in April 2005 - at which the present policy for sales at an undervalue was created)

- 3. HANOVER, SHEFFIELD** - Application to sell former chapel to another charity (UTU - an ecumenical body, not a church)
  - Managing trustees - Sheffield ( Eccleshall ) Circuit Meeting
  - Property Value - £200,000
  - Declined by Connexional Property Committee on grounds that Connexional policy not being met i.e. it would not have been used for public worship by another church
- 4. BOURNE END** - Application from High Wycombe Circuit Meeting to sell the former Bourne End Methodist chapel to the Anglicans - 2005
  - Managing trustees – High Wycombe Circuit Meeting
  - Property Value - £275,000
  - Declined, as the building was not to be used for public worship – the principle requirement of the MT20 provisions

Property sold in 2006 for £275,000 to a private buyer

- 5. CHELL HEATH** – Application made retrospectively in 2008-09 by Chester & Stoke District to convey the Methodist building to the Anglicans for nil value. Enquiries had been made by the District in 2001, prior to the current connexional policy being in place.
  - The chapel had hitherto been used by the Chell Heath LEP, an Anglican – Methodist ecumenical partnership but eventually the Methodist membership disappeared and only Anglicans remained. The District was informed that a proposal to sell to the Anglicans was within the provisions of MT20 provided the sale was subject to a reverter clause. The District and the Anglican Diocese then proceeded to make arrangements on the ground including a formal service of transfer but for some reason the legal arrangements were not put in place and the Connexion was not notified.

- In 2008-09 it was realised that the sale needed to be completed in order to formalise what had already happened at local level. The agreed terms of the sale were at nil value and subject to the reverter clause.

## **6. HEADINGTON QUARRY**

- Application received from Oxford Circuit for the sale of a former chapel to the Wood Farm Community Church at less than full value.
- Managing trustees – Oxford Circuit Meeting
- Property Value - £316,500

Application approved under MT20 provisions at an undervalue - £255,000 even though a higher offer of £316,500 had been received from a developer. The trustees wished to see that the building had continuing use for Christian worship subject to the usual reverter clause.

A problem then arose when the purchasing church miscalculated its finances and concluded they then needed to seek a mortgage arrangement with the trustees. This was agreed in principle but it was then learned that the revised arrangement would have to go through at best price under charity law. The Wood Farm Church went ahead therefore with the revised arrangement but not under the MT20 provisions.'

## **7. GOLDTHORPE, BARNSELY**

A former Methodist Chapel was to be sold by the Barnsley Circuit to the Pentecostal Church at £167,250 ( Approx 95% of the market valuation )

This was seen to be an ideal case for approval under MT20, and the sale at an undervalue was approved subject to the reverter clause.

However, the purchasing church obtained a grant from the Coalfields Regeneration Trust for the full amount and the grant funder sought a restriction in their grant terms for the grant to be repaid upon any sale of the building. This restriction together with the reverter clause provision was seen as an obstacle to the Pentecostal Church who therefore withdrew from that arrangement.

The sale has now proceeded at full value to the Pentecostal Church.

## **8. Harpurhey – Manchester Circuit**

A former Methodist/Anglican/Baptist LEP had come to an end and is now an independent Baptist Church.

Possible use of MT20 was considered for a sale at undervalue.

Property value: £240,000

Matters were allowed to drift while the new Community Church was raising funds.

The value of the building has since fallen to around £160,000 and the Methodist trustees have received an offer from the Community Church for £180,000.

Thus, this sale will now proceed without recourse to MT20.

**Sales approved**

Eyemouth (Berwick-on-Tweed)  
Chell Heath (Stoke on Trent (Tunstall))  
Headington Quarry (Oxford) (Sale did not proceed)  
Goldthorpe (Barnsley) (Sold at best price)

**Sales declined**

Chiltern Street (Hoel Chiltern)  
Hanover (Sheffield (Eccleshall))  
Bourne End (High Wycombe)

Note: Harpurhey – Manchester Circuit – no formal application received - proceeded without recourse to MT20)

**DRAFT****APPLICATION FOR A SALE OF METHODIST PROPERTY UNDER MODEL TRUST 20 AT LESS THAN BEST PRICE**

<b>1</b>	Property to be sold: Name: Circuit:
<b>2</b>	Managing trustees:
<b>3(a)</b>	Details of the proposed sale: Include <ul style="list-style-type: none"> <li>- Valuation of property in Surveyor's Report</li> <li>- Offers received, amounts, by whom</li> <li>- Any other relevant factors e.g. funding available for purchase etc.</li> </ul>
<b>3(b)</b>	Details of any other offers received including amount, by whom etc.
<b>4</b>	The proposal: Details of the managing trustees' preferred option e.g. to sell to X, at less than best price. Proposed purchaser: Purchase price offered: [Model Trust 20 provides that .....
<b>5</b>	Provide general reasons for the proposal (i.e. A Reasoned Statement).
<b>6</b>	Provide the following relevant information – either in the space provided or in a separate document incorporating issues under 5 and 6:-

	<p>(a) Are there 'sympathetic' relations with the proposed purchaser (including any local ecumenical working with the other denomination)?</p> <p>(b) How will the proposed sale benefit the mission aims of the Church and provide an opportunity to use the property as a resource for mission?</p> <p><i>(Final wording still to be clarified)</i></p>
<b>7</b>	The Circuit's Reasoned Statement supporting the application should follow here making reference to Circuit Mission Policy.
<b>8</b>	The District's Reasoned Statement supporting the application should follow here making reference to District Mission Policy.
	What other options have been considered?
	<p>Please comment on all relevant issues including:-</p> <ul style="list-style-type: none"> <li>▪ The margin between best price and proposed sale price</li> <li>▪ Related issues affecting the sale including implications for the local community of any alternative use e.g. development (positive or negative)</li> <li>▪ Financial circumstances of the local Church/Circuit</li> <li>▪ Is the proposed purchasing denomination a member of CTE <u>Cytûn</u>, CTBI? If not, provide Statement of Doctrine.</li> </ul>
<b>9</b>	Any approval for the sale will almost certainly require a reverter clause inserting in the Conveyance.

## To be revised

### The Methodist Council – Model Trust 20 A Connexional Policy

#### The initial process

- 1 The managing trustees proposing a sale of property at an undervalue:-
  - a Ascertain full details of the requirements of Charity Law on “best price”, the Model Trust 20 provisions, of Counsel’s Opinion in relation to those provisions and of Connexional policy covering such sales, from the Connexional Office.
  - b Establish clearly that “sympathetic” relations are enjoyed with the intended purchasing denomination and that they wish to seek approval for sale of their property under the provisions of Model Trust 20 “as an exception” to the usual “best price” restrictions.  
(Wording to be reviewed)
  
- 2 When applying for a sale of Methodist property at “less than full value” under the provisions of Model Trust 20, the Methodist Managing Trustees must:-
  - i) Prepare a reasoned statement supported by Circuit and District which justifies exceptional treatment, as opposed to best price “provisions/restrictions, for continuing Christian worship through an ecumenical partner.”
  - ii) Demonstrate “something really significant” which could be developed by a sister organisation which will present:-

An opportunity to use our property as a resource for mission which would facilitate a model of mission that we, the Methodist Church, would endorse”.
  
- 3 Connexional Property Officer will make an appropriate recommendation to the General Secretary.