

The Future of Methodist Church House

Contact Name and Details	Professor Peter D Howdle, Chair of the Strategy and Resources Committee (SRC) P.D.Howdle@leeds.ac.uk
Action Required	Decision
Resolutions	<p>35/1. The Council agrees to Option 2 as set out in paragraph 4.1 of the report.</p> <p>Or</p> <p>35/2. The Council agrees to Option 1 as set out in paragraph 4.2 of the report.</p> <p>35/3. The Council instructs the Strategy and Resources Committee, in conjunction with the Methodist Church House Management Committee, and with advice from the connexional treasurers, to take the necessary steps to proceed with the preferred option.</p>

Summary of Content

Main Points	<p>The history and maintenance of Methodist Church House (MCH). Necessary repairs, maintenance and replacements are needed at MCH. A programme of refurbishment is possible at a cost of £7.515M although this leaves a usable but ageing building (Option 1). A plan to demolish and rebuild on the site at a cost of £29.25M is proposed but which will be financially advantageous for the work of the Church (Option 2). Option 2 is recommended by the SRC to the Council.</p>
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1. Historical Background: how we came to Marylebone Road

- 1.1 The Centenary Fund of 1839 celebrated 100 years since the foundation of the first Methodist societies in 1739. The major allocations from the fund in 1840 were for foreign missions and for the purchase a new home for the missionary society, a mission house, called Centenary Hall. This was in Bishopsgate and was rebuilt in 1902-03. Work on a new mission house in Marylebone Road was started in 1939 and the Methodist Missionary Society moved in in 1946.
- 1.2 During the late 1980s and early 1990s several reports on connexional buildings were received by the Conference and the decision to retain offices in London was consistently agreed. Subsequently the Divisions were restructured into one Connexional Team and from 1996 the offices (other than those related to property) were centralised at Marylebone Road. Since 1996 therefore the mission house has been known as Methodist Church House (MCH) and in 1998 the decision to remain in London was again agreed.
- 1.3 It is perhaps noteworthy that there have been two rebuilds of the mission house, the first at Bishopsgate and then a new build at Marylebone Road. It should also be noted that part of the cost of the upkeep at both sites has always come from lettings.
- 1.4 MCH is held on The Centenary Hall Trust, of which the Methodist Council are trustees, the main purpose of the Trust being to provide a home for overseas missionary work, as was originally the case in 1839. Clearly that is still part of the work of the Connexional Team.

2. Recent history of the fabric and maintenance of the building

- 2.1 Completed in the 1940s, the existing building was designed to be an innovative building and constructed to the latest standards of the time comprising a steel framed building enclosed in concrete. The entrance at the junction of Nottingham Place gave access to a reception area with steps up to a ground floor above street level. All floors had small segregated offices and narrow corridors served by a grand curving main staircase and two lifts. In the 1990s, a significant development took place, updating the building to open plan with modern air handling and conditioning units. Technological developments such as computing have resulted in still more adjustments to allow these new technologies to be incorporated.
- 2.2 The responsibility for the maintenance of the building has been with the Methodist Church House Management Committee (MCHMC). In recent years professional surveys have always stated that the building has been maintained in good general condition thanks to those who have served on the MCHMC over the years. However in 2012 the then MCHMC was becoming concerned about the long term maintenance in terms of the renewal of various essential systems. The conclusions of a number of professional surveys in 2013-14 were that necessary work was needed to comply with fire regulations and to the drainage system. The SRC agreed that the MCHMC should arrange for this necessary work to be undertaken at an estimated cost of £2.0M + VAT.
- 2.3 In 2013 it was also noted that there were likely to be long term problems with the heating and ventilation systems, with fulfilling energy requirements and with the electrical systems. It was estimated that the cost of these renewals would be likely to be £5.0M +VAT which would allow a 15-20 year occupancy.
- 2.4 The last significant work therefore was carried out during 2015/2016. This involved achieving compliance with new fire regulations by removing asbestos throughout the building and improving fire compartmentalisation. It also involved the renewal of virtually all of the internal vertical water and drainage pipes, alongside which the opportunity was taken to renew all toilet facilities. Some cosmetic changes were made to the reception area, and a new staff room was created on the seventh floor, providing increased meeting room capacity on the lower ground floor. In some places, enhanced and more energy efficient lighting was provided. The total cost was £2.5m, in line with the 2013-14 estimate.

3. The current situation

- 3.1 On completion of the works in 2016 and in view of the outstanding long term issues identified, the SRC, at its meeting in February 2016, requested a full building condition survey and the MCHMC engaged Tuffin Ferraby and Taylor (TFT) to carry out such a survey.
- 3.2 The TFT reported to the MCHMC in September 2016 and stated that the heating, air conditioning and handling units were reaching the end of their useful life, that the electrical and IT systems were running at full capacity and that the water pressure in the area was being reduced. There was concern over some of the structure, especially around the plant room and that some health and safety systems, including the fall restraint systems and fire alarm were not functioning correctly. Although not currently unsafe, correction of these defects would be costly and required in any refurbishment. The server room was also of significant concern as the air system to this room is at risk since it is always running at 'full load' and therefore no further IT or telephone developments could be installed. Overheating here would cause the shutdown of the Connexional Team intranet, the Methodist Church website and most of the IT capacity available. Significant investment to replace these systems was urgently required. The total estimated costs for this work would be in the order of £4.0m, plus VAT. In addition, the report indicated that further continuing maintenance of the order of £650k and replacement of the windows and roof covering (£240k) over the next 10-15 years would be required.

- 3.3 What the TFT report did not address was the design of the building, and, in particular, the experience of those with reduced mobility. The reception area being lower than the ground floor has resulted in a disabled platform being placed to one side of the entrance area. In addition, the current main lifts are too small not only to accommodate comfortably a standard wheelchair with a companion but also to accommodate an electric wheelchair or mobility vehicle. The lift size, and the dark interiors, give an unacceptable experience to those who may be affected by such small spaces.
- 3.4 There is a larger 'goods lift' at the back of the building, but this does not serve all the floors, and in particular does not serve the first or second floor, preventing access to the Richmond Room or to the Conference Office. Although it serves the lower ground floor, because it stops at a higher level than the floor, access to the meeting rooms is prevented.
- 3.5 These problems with accessibility mean that the current building no longer complies with the Equality Act and, as a consequence, the MCHMC believes that it does not adequately reflect the sentiments expressed in the 'Learning and Caring' elements of *Our Calling*.
- 3.6 The TFT report did not address the problems of the basic construction with services hidden within ducts that are inaccessible without major building work. Due to the construction of the building, it is not possible to replace the lifts without substantial and expensive building alterations nor is it possible to provide a level entrance to the lifts from the ground floor. Equally, only 53% of the building is useable office space, 47% is dedicated to stairs, lifts, corridors, common passages, etc. (more modern buildings provide a considerably greater useable space, indeed, in a new building one would now expect the useable space to be virtually 75%). In addition, the floor-to-floor heights are irregular and low in many places with insufficient ceiling void space to run additional or new services.
- 3.7 The MCHMC regarded that doing nothing was not an available option. The current heating, air conditioning and handling units were installed in the 1990s with a life expectancy of 15 years. The survey estimated that there was a maximum of three years life remaining; ie to the end of 2019. It also noted the difficulty in obtaining spare parts, making even a 'make do and mend' regime until that time a risk due to a major component failure. It is now clear that some of the small power distribution systems are overloaded and not in accordance with modern standards. Equally, the fire alarm and CCTV / security systems now need to be fully replaced. Terminal failure of any of these systems would close the building.
- 3.8 The current Energy Performance Certificate indicates that the building is rated as 'G'. New legislation comes into force in April 2018 preventing a building with a rating less than 'E' being let. This may hamper the use of the building and may prevent, if legally challenged, the building being used as a base for the partner organisations, All We Can, Methodist Ministers' Housing Society and Methodist Schools who currently occupy space in it. If these organisations were forced to find alternative accommodation it could lead to an increase in costs for them and thus a reduction in funds available for their day-to-day activities and a reduction in income to the Methodist Church Fund.
- 3.9 After due consideration of all these factors the MCHMC presented the TFT report to the SRC in February 2017 and the MCHMC was asked to look at the possibility of a full redevelopment for 25 Marylebone Road and bring a report on this option after the necessary feasibility study. At its meeting on 30 November 2017 the SRC agreed that the Council as managing trustees should be provided with two options to consider. One option would be to undertake a refurbishment with all the maintenance work required, the other would be to demolish the existing building and replace it with a new purpose built property.

The SRC gave permission for the MCHMC to make a pre-planning application to the Westminster City Council in order to test the possibility of a rebuild option.

4. Two options

4.1 Option 1

4.1.1 This option is one of refurbishment of the existing building. It would mean carrying out the repairs and replacements as outlined above in paragraphs 3.1-3.9. Essentially replacing the air conditioning and heating systems, the electrical systems, dealing with the changes necessary to ensure the water supply and sustaining the ongoing maintenance programme over a 15-20 year extended life. The estimated cost of this is £4.89M +VAT.

4.1.2 After considering the extent of the disruption involved in this work the MCHMC and the SRC both recommend that the building should be vacated for the duration of the work of refurbishment which would be 15-18 months. Knight Frank Ltd. (Chartered Surveyors) estimate the cost of leasing temporary accommodation in the area of Marylebone, plus the associated moving costs both ways to be £1.75M +VAT per annum. For 18 months this would be £2.625M.

4.1.3 The total estimate for option 1 is therefore £7.515 + VAT

4.1.4 A valuation of the current building by Knight Frank gave the present building a value of around £23.75m.

4.1.5 MCHMC comments on Option 1

This option is obviously the cheaper option although still considerable. It does not address the issues associated with accessing the building nor fully overcome the difficulties with energy efficiency. The refurbishment would only raise the rating to just meet the target 'E' rating although even this cannot be guaranteed.

This option would mean that the Church could not recover any of the expenditure and that the running and maintenance costs would continue, with presumably increases for inflation. There would thus be ongoing financial support required from the Connexion and the large sum laid out for the refurbishment could not be recouped and there would be no appreciation of the building in accounting terms. The building would be nearing the end of its natural life and the poor space usage and energy inefficiency would remain, somewhat short of the Church's commitment to the environment as stated in *Hope in God's Future*.

4.2 Option 2

4.2.1 This option is one of full redevelopment which would include the demolition of the current building to ground level and a full rebuild to a new design. Much in the same way as the current building was modern for 1940s, so the new building would follow the same principles, suitable for all that takes place within and constructed of the latest materials and highest standards of design.

4.2.2 There are items of Methodist heritage in and on the current building and some of these would be saved so that they could be repositioned and featured in the new building. This includes the frieze above the front door by David Evans, the main door and its surround, the stone sculptures above the windows in the Richmond Room, various items of internal wood furnishing and the stained glass windows in the current chapel.

4.2.3 An indicative design has been developed to test the model against the policies and demands of the City of Westminster Council. Further work has been undertaken, including a design

and access statement, a statement of need, and a heritage assessment. On 9 February, an application for pre-planning advice was submitted, as authorised by the SRC in November 2017. Early discussions with officers from Westminster Council Planning Department have been positive, and, although at the time of writing no formal response has been received, it is hoped that informal guidance may be received from Westminster before the Methodist Council meeting in April. Unfortunately, given the timing of Westminster's internal meetings and Easter, it is unlikely that the official response from Westminster will be received before the Council meeting but a verbal update on any feedback received from Westminster will be made at the meeting.

- 4.2.4 The proposed new build of approx. 6,027m² would yield a building that would accommodate the current occupants of MCH plus offering significant lettable space, with the useable space ratio rising to nearly 75%. This flexible accommodation could be partially let commercially to pay for the whole project and then produce a surplus to be used for Church purposes.
- 4.2.5 The initial cost of the reconstruction is approx. £19.0m, although some items such as VAT (which would partially be at 0% and partially at 20% and anticipated to be approx. £1.75m), design fees, local authority fees and section 106 Town and Country Planning Act 1990 and section 278 Highways Act 1980 legal agreements are currently excluded. It is anticipated that the final build cost will be in the region of £24m.
- 4.2.6 These figures are based on the current sketch design by Cullinan's (architects) so should be regarded as indicative. If the Methodist Council decides to initiate this redevelopment then full detailed plans will be produced, informed by the pre-application advice from Westminster, resulting in a more accurate budget. The costs of producing such plans make them uneconomic prior to any decision by the Council.
- 4.2.7 During this work, the occupants of MCH would need to be relocated for up to 36 months, returning eventually to the brand new building. Based on the figure provided earlier by Knight Frank Ltd, this would add up to £5.25m +VAT to the total project cost.
- 4.2.8 A redevelopment of the type envisaged would also increase the value of MCH due to it being a modern building of high quality with eminently lettable space and in a desirable location. The new building would measure about 6,027 m² (64,874 ft²). Of this almost 75% (4496 m² or 48,395 ft²) would be usable space. If the Connexional Team and partner organisations used 25% of this usable space (1,124 m² or 12,100 ft²) this would leave 3,372 m² (36,296 ft²) available for rental. We would elect to charge VAT on rentals so that the VAT spend on the build could be reclaimed. Knight Frank report that the Marylebone average rental is around £70 per ft² giving, for this available space, an annual rental of approx. £2.5m + VAT. This gives a basic payback period of about 12 years, although this may rise depending on the finance option adopted. Based on a rental yield of 7%, this would give a value of the new MCH of about £37m.
- 4.2.9 With a net income gained from renting five floors, including the service charge, the final redevelopment cost of MCH to the Church would in effect be zero, once the rebuilding costs had been paid off. With the ongoing income stream from lettings and the reduced costs of ongoing maintenance there would be no expected financial support from the wider connexion, and indeed the income would be to the Methodist Church Fund, potentially reducing the district assessment.
- 4.2.10 Although initially there would be a carbon cost due to demolition and construction, long term there would be a significant reduction in carbon emissions through provision of a much more efficient building. It could feature an intentionally environmental design and

sustainability strategy including renewable energy usage, rainwater harvesting, a high performance building envelope and better daylight penetration.

- 4.2.11 There are further benefits, although less quantifiable, resulting from open balcony spaces, a roof terrace, café, heritage exhibition and meeting spaces, a better presence on Marylebone Road, the use of green living materials, views from the top floor meeting room and chapel over Regent's Park and increased building security. Such features are noted by the Royal Institute of Chartered Surveyors as being crucial for staff well-being and in staff retention. A new building of the type envisaged would also give a greater flexibility with regard to the floor spaces, thus an increase, or decrease in the number of people within the Connexional Team would not be critical to the rental potential of the building.
- 4.2.12 In December 2017 Sadiq Khan, Mayor of London, published his London Local Plan. It specifically noted that there was a lack of office space in Marylebone and in the Marylebone Road Central Development Zone.
- 4.2.13 The total estimated cost for Option 2 is £29.25M.
- 4.2.14 **MCHMC comments on Option 2**

The MCHMC is strongly in favour of this option. At a purely financial level it believes that this is the best option which will provide a new and sustainable building, ultimately producing an income for the work of the Church, rather than an asset that will be an increasing financial liability.

A new building will be better working environment for the staff and for the continued use by many in the wider connexion. It will be an example of how the Council is embracing the new Connexional property strategy. It will be a bold testimony by the Methodist Church of its faith in the future.

5. Concerns and comments from the SRC

- 5.1 The SRC recognises that this is an extremely important issue for the Council and for the wider church. It has considered many of the concerns it perceives will be in the minds of members of the Council.
- 5.2 First it raised the question of selling the site with its current building. The current valuation is £23.75M. The advice received is that to move within London to a cheaper area or building would still consume most of the capital released and we would be at a less advantageous site. It is highly likely that travelling to a different area would be more difficult for staff and those attending meetings. In 2017 there were more than 1000 meetings held at MCH that involved non-connexional team members travelling to the building. Marylebone Road has excellent travel links and is in walking distance of many main line stations.
- 5.3 Next, there is the question of a location outside London. Inevitably this would mean another major centre, although travel from all areas of the UK to places other than London is more difficult and usually more expensive. A building in another city/town would be cheaper but the amount of capital released combined with the costs incurred in moving staff and the potential rental income do not make this as attractive an option as one might think at first.
- 5.4 Further, moving out of London would inevitably result in the loss of staff with their expertise and knowledge. Relocation costs and redundancy payments would be considerable, an estimate of unrecoverable costs is £1-1.5m excluding the capital cost of the sale and purchase of any connexional manses which may be necessary. Staff costs outside London may be less but not significant enough to favour a relocation.

- 5.5 Moreover, links with other partners and organisations would be more difficult since most are based in London. The senior leadership of the Church and Team would need a London base to deal with strategic contacts. Manse provision for ministers in the Connexional team would probably need to be changed.
- 5.6 It is worth noting that these questions have been raised on several occasions and always the decision has been to stay in London. This was the case in the late 1980s and early 1990s as well as in 1996. In 2012 and 2016 the SRC reconsidered the question and determined that our site in Marylebone Road was still the best place for MCH. This was reported to the Council on both occasions with no requests to re-open the question.
- 5.7 The SRC, and the MCHMC, are fully aware that either of these options is enormously expensive compared to local church and circuit building schemes. It should be remembered that members of these committees are all members of a local Methodist Church and are aware of the financial pressures on many congregations as they struggle with the costs of maintenance, repairs and replacements. So these discussions have not taken place in isolation.
- 5.8 The SRC would suggest that Option 1 is funded by use of reserves and income within the Connexion. It would favour a bank loan for Option 2, to be paid back over a 12-15 year period from income generated by a new building.

6. Conclusions

- Repairs, replacements and maintenance are necessary for MCH. Some action has to be taken.
- The present site in Marylebone Road is the best location at present and in the future.
- The present building could be refurbished satisfactorily for £ 7.515M (Option 1) including 10-15 year maintenance costs.
- In Option 1 the church is left with an ageing building which has remaining problems but is usable for its present purposes.
- The present building could be replaced with a new building which would be fit for purpose, easier to maintain and generate an income which would benefit the work of the church (Option 2).
- Option 2 would cost £29.25M.
- This new building would be a mark of the confidence of the Methodist Church in Britain.

7. Recommendation

The SRC, after careful consideration of all the factors, recommends Option 2, a rebuild on the present site. In arriving at this recommendation the SRC wanted to signify its hope and faith in the future of God's kingdom and that the Methodist Church has a part to play in the life of world as it lives out *Our Calling*. The SRC also recognises that as trustees of the Church's resources, the Council will want to act responsibly and considers that option 2 is the more financially viable option.

*****RESOLUTIONS**

35/1. The Council agrees to Option 2 as set out in paragraph 4.1 of the report.

Or

35/2. The Council agrees to Option 1 as set out in paragraph 4.2 of the report.

35/3. The Council instructs the Strategy and Resources Committee, in conjunction with the Methodist Church House Management Committee, and with advice from the connexional treasurers, to take the necessary steps to proceed with the preferred option.