
Policy DP1 Deliverability and Viability Statement

TheWesley Camden

November 2016

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1. Introduction

1.1 The Camden Town Methodist Church are submitting a planning application for alterations to the Camden Town Methodist Church to facilitate its use for retained worship space alongside a new hotel on the upper floors. The introduction of a social enterprise hotel on the upper floors will cross-subsidise the essential structural works to make good the heritage asset and provide a retained, safe place of worship for the church congregation.

1.2 The Camden Town Methodist Church is in desperate need of structural repair and refurbishment. The church, and the Islington and Camden Methodist Circuit, do not have funds available to meet the costs of the necessary works. Parts of the building have become unusable as they are no longer deemed safe or fit for purpose.

1.3 Camden Town Methodist Church has entered into a development agreement with TheWesley (Methodist International Centre), a social enterprise hotel operator who is also part of the Methodist Church.

1.4 The proposals will retain an appropriate level of worship space for the church congregation alongside flexible community space on the lower ground floor, with essential structural works to make good the heritage asset cross-subsided by the introduction of a social enterprise hotel on the upper floors.

1.5 By virtue of the site's location and the proposed uplift in floor space Camden's Mixed Use Policy (Policy DP1) applies to the development proposals.

1.6 This Development Viability Report has been prepared to assess the practicality and feasibility of providing housing provision on-site, off-site or by way of a payment in lieu.

1.7 Section 2 provides details of the scheme, including the unique nature of the applicant and its relationship with the proposed hotel operator (TheWesley).

1.8 Section 3 provides an overview of the policy requirements and context which have informed this development viability assessment.

1.9 Section 4 assesses the physical deliverability of residential on the site.

1.10 Section 5 assesses the financial viability of residential on-site and of a payment in lieu given the site cannot support residential on-site.

1.11 The Report has been prepared against the following information:

- Floor areas: Manalo & White, received November 2016
- Floor plans: Manalo & White, received November 2016
- Construction costing: Cushman & Wakefield, received October 2015

2. Scheme Details

2.1 Unique Nature of Applicant

The applicant is the Camden Town Methodist Church (CTMC) CTMC is part of the Islington and Camden Mission Circuit, which comes under the oversight of the Methodist Conference.

The CTMC is not a registered charity due to its income falling below £100,000.

The Planning Statement and its appendices describe the church community and the implications of the existing building on membership.

A steel frame is currently supporting the rear wall of the church (which is structurally unsound). The rental for the steel frame and the lease payments on the ground on which it stands have been a continuing drain on the financial resources of the church with no benefit to the church, save that the church is still standing. A long term solution is needed to save the church building and its congregation.

The congregation and the Islington and Camden Mission Circuit are not in a financial situation to enable the Church to redevelop the site without substantial external funding.

In order to achieve their aims of receiving external funding, maintaining worship space and retaining ownership of the site, CTMC have partnered with the Methodist International Centre (MIC) who trade as TheWesley Hotel.

MIC is also under the auspices of the Methodist Conference, albeit with a different role, and consequently has the same Methodist ethos, goals and aspirations. This makes TheWesley an ideal partner for CTMC.

2.2 The Wesley

TheWesley was founded as a self-funding social enterprise in 1999. It operates using an ethical business model, transforming under or unused Methodist premises back into viable community assets.

TheWesley's pilot project is TheWesley in Euston. The first social enterprise hotel in the UK. It offers 100 4* rooms and conference facilities, predominantly for use by visiting academics and students.

2.3 Social

Any surplus revenue from this Hotel is used to provide bursaries and other support for educating young people in the UK. This contributes to the wider social enterprise, which has so far supported 10,000 students all over the UK. TheWesley Euston has been replicated in Rome.

Over the years since 1950, TheWesley (Methodist International Centre) has supported and housed more than 10,000 students, a minimum of eighty students per year. The Methodist International Centre has continued to be a force for good all over the world as well as here in Camden. All the resources at its disposal are used for the benefit of the community and this one is no exemption.

TheWesley's commitment to ethical trading is founded on the belief that the people and planet must come before profit.

2.4 Economic

MIC trading as TheWesley is a major player and contributor to Camden's economy. We employ over eighty people in our premises. We have training programmes whereby we take on people who have no experience in the industry and train them. Our head chef started as our kitchen porter and is now training to become Food Development manager. The hotel brings thousands of visitors each year staying with us some for weeks. They eat and spend their money in Camden especially on the famous curries at Drummond Street or Camden market. Based on our ethical model, we source our products locally where we can. An example is Camden linen who supply all the beddings at an annual budget of £300,000. Furthermore, we are a registered venue for weddings by Camden so that if at any time they run out of space they can use our venue. We aim to continue this by having another venue in Camden Town.

This business will provide job opportunities, work experience, internships and career development for students, individuals and the local community. It will also increase Camden council business rate revenue.

2.5 Environmental

Attaining commitment to a clear Environmental Policy and Environmental Management System (EMS) is seen in the setting of targets for energy efficiency, sustainable procurement, waste management, recycling, and environmental education.

TheWesley is registered to the City of London Climate Pledge and the Camden Climate Change Alliance, where it is recognised as one of the 25 best performing companies in the Borough and awarded Carbon Champion of 2016. Aiming to protect and enhance the environment whilst minimising the impact of business activities. The unique brand of this hospitality offers a sustainable business and there is hope to spread the values through combined industry leadership on environmental and social responsibility.

2.6 Recognition

As a result of TheWesley's efforts in the past five years, various accolades have been awarded, including Social Enterprise Mark (since 2010), Investors in People Gold, Green Tourism Silver

Award and ISO14001, CCCA mark of achievement and Sustainable City awards from Mayor of London just to mention a few. TheWesley Camden will be based on the same values.

2.7 Summary

In summary, neither the Camden Town Methodist Church congregation nor the Islington and Camden Mission Circuit are in a financial situation to enable the Church to redevelop the site without substantial external funding.

CTMC have partnered with the Methodist International Centre (MIC) who trade as TheWesley Hotel. TheWesley was founded as a self-funding social enterprise in 1999 and opened its and the UK's first ethical hotel in Euston.

The nature of TheWesley operating as a social enterprise, significantly impacts the viability of the proposed development and thus the ability of the scheme to support residential either on-site or by way of a payment in lieu. TheWesley by itself has not accumulated funds to finance the project; hence, taking a loan which has significant financial cost and limits its ability to fund the charitable objectives of the Methodist church.

3. DP1 Policy Context

3.1 Policy DP1 Requirements

The Council requires a mix of uses in development where appropriate in all parts of the borough (Policy DP1). Within town centres, including Camden Town, where more than 200 sq m gross additional floorspace is provided, LB Camden will require up to 50% of all additional floorspace to be housing.

The Policy notes that the Council will require any secondary uses to be provided on site, particularly where 1,000sqm (gross) of additional floorspace or more is proposed. However, it also sets out that where inclusion of a secondary use is appropriate for the area and cannot practically be achieved on the site, the Council may accept a contribution to the mix of uses elsewhere in the area, or exceptionally a payment in lieu.

In considering whether a mix of uses should be sought, whether it can practically be achieved on the site, the most appropriate mix of uses, and the scale and nature of any contribution to the supply of housing and other secondary uses, Policy DP1 sets out that the Council will take into account:

- a) the character of the development, the site and the area;
- b) site size, the extent of the additional floorspace, and constraints on including a mix of uses;
- c) the need for an active street frontage and natural surveillance;
- d) the economics and financial viability of the development including any particular
- e) costs associated with it;

- f) whether the sole or primary use proposed is housing;
- g) whether secondary uses would be incompatible with the character of the primary use;
- h) whether an extension to the gross floorspace is needed for an existing user;
- i) whether the development is publicly funded;
- j) any other planning objectives considered to be a priority for the site.

3.2 Site Context

Camden Methodist Church falls within the boundaries of Camden Town Centre.

An uplift of over 200 sq m is proposed and therefore Policy DP1 applies.

The table below summaries the existing floorspace, the floorspace uplift and thus the Policy DP1 requirements [figures are subject to update dependent on final area schedule].

Existing floor space:	961 sq m GEA
Proposed floor space:	1537 sq m GEA
Uplift floor space:	576 sq m GEA
Target for on-site housing:	576 X 50% = 288 sq m GEA

Policy DP1 requires the provision of 288 sq m residential floorspace.

It is not considered practical or appropriate to achieve residential floorspace on the constrained site, for the reasons outlined and illustrated in Section 4.

The applicant does not benefit from any alternative sites, in the vicinity of Camden Methodist Church, to provide off-site residential.

Where affordable housing cannot be provided on-site or off-site, Policy DP1 sets out that in exceptional circumstances a payment in lieu may be accepted. Based on Camden Supplementary Planning Guidance (CPG 8 - Planning Obligations) the following financial contribution would be sought:

Affordable housing sought:	No
Payment level:	£700 psqm
Payment in lieu of marketing housing:	288 sq m x £700 = £201,600

The financial viability of this payment in lieu is assessed in Section 5.

4. Physical Deliverability

4.1 The extent of the additional floorspace is 576 sq m, generating a potential requirement for up to 288 sq m of residential floorspace under Policy DP1.

A review has been undertaken of the appropriateness, practicality and feasibility of providing residential as part of the mixed use proposals for the building. The below assessment sets out why it is not appropriate, practical or feasible to provide residential on-site. It should be read alongside the appended sketch drawings (Appendix 1).

4.2 The introduction of residential accommodation would result in a reduction in the space available to church and hotel uses. The extent of extension, and therefore available floorspace, has reduced significantly during the pre-application process in response to comments from Camden Design and Conservation Officers (see Design and Access and Planning Statements). This has resulted in a drop in space available to both the church and hotel, although it has predominately been the hotel floorspace which has been lost during these design revisions. A further drop in hotel floorspace and therefore bedrooms is considered to make the hotel unviable (see Section 5 for details of viability).

4.3 Providing on-site residential would generate the requirement for a separate access, core and other circulation spaces. This would require significant amendments to the scheme design, in particular the lower ground floor, and is not considered practicable within the (reduced) proposed building envelope.

4.4 Providing on-site residential would also generate requirements for further 'back of house' facilities such as waste, recycling and cycling park. Again this would further bite into the lower ground floor space, and is not considerable practicable within the (reduced) proposed building envelope.

4.5 Providing on-site residential would likely generate the need for additional plant which could not be incorporated with the building envelope.

4.6 The applicant, CTMC, wish to retain ownership of the building. The Wesley will lease the building from the CTMC, taking responsibility for managing it. As described in the Planning Statement, the CTMC previously pursued a residential scheme at the site (ref: 2010/4319/P) however this was rejected by the Church due to lease and management arrangement issues. The current partnership arrangement is accepted by the Church. Introducing residential would compromise this.

4.7 In summary it is considered that it is not appropriate, practical or feasible to provide residential on-site, alongside the proposed retained worship and hotel uses. The building is recognised as a building of heritage merit to the Camden Town Conservation Area and this has resulted in a sensitive design response, which has been scaled down in height and massing during pre-application discussion. The space available for church and hotel uses is already constrained. Introducing residential would further compromise the available space and impact the viability of the hotel.

5. Financial Viability

5.1 As detailed above the applicant, CTMC, and its partner, TheWesley, are a-typical developers.

The CTMC is not a registered charity due to its income falling below £ [redacted version]. It is however 'an exempted charity under Statutory Instrument 2014 No. 242'.

TheWesley is a small social enterprise whose profits are spent by its parent charity, The Methodist church to support student's education in UK and all over the world.

The driving force behind the proposals are to ensure the current Methodist community thrives and hold the space with a good use for the next twenty years with a view that a new generation may be able to use it differently based on the needs.

The Camden Methodist Church project will save a building which is on the verge of collapse and any profit will be reinvested in charitable activities especially in areas of education and poverty alleviation. .

There are no additional funds available to invest into this scheme outside the amount within projected costs, as this would result in failure of loan repayments and sacrifice of charitable contributions.

5.2 Financial Position

The development proposals will be financed via the Wesley.

The Wesley's turnover is c£ [redacted version] a year and it is carrying a debt of c£ [redacted version] borrowed to develop the property on Euston Street.

The CTMC project is estimated to costs approximately £ [redacted version] (see below) and TheWesley will need to borrow further to fund the development

5.3 Project Costs

The property development cost has been developed by Cushman & Wakefield who estimate £ [redacted version] excluding VAT (please refer to Appendix 2).

This estimate excludes the following:

- 1) Any professional fees and survey
- 2) Other project development costs (furniture, fixtures, fittings, operational supplies and equipment etc.)
- 3) Party wall fees, right of light consultancy fee and compensations
- 4) Planning application fees
- 5) Legal and financing costs
- 6) Insurances
- 7) Incoming services upgrade
- 8) Drainage attenuation and new sewer connections

Exclusions (1) - (8) are estimated to result in approximately £ [redacted version].

£ [redacted version] of the £ [redacted version] relates to superstructure to ensure the existing façade of the building is made structurally sound and could be retained. The cost effective option would be to demolish the building and start again, however, the heritage and cultural significance of the building is recognised and CTMC and TheWesley are working with the constraints of the existing building and surrounds.

5.4 Profit and Loss, including post debt financing

The financial model (Appendix 3) is based on letting 39 four star bedrooms in two categories, namely, standard double and superior rooms.

[Redacted version] room occupancy is projected for the first year increasing to [redacted version] on the third year onwards. Average daily rate (ADR) projected at £ [redacted version] in the first year which is comparable to the existing market and expected to grow by steady [redacted version].

The direct costs, wages and overheads estimates are based on industry norms.

Considering the performance result, the project could generate an average annual Earnings before Interest and Depreciation Allowance (EBITDA) of £ [redacted version] over the initial five year. Most of this will be spent on loan repayments spread over a 45 year period and the reduction of the room numbers from 43 to 39 will reduce the cash flow significantly. This

means the church has to look for grace period for the loan payment in the first five years operations or utilise sister organisation support.

5.5 Financed/ Loan Period

With reference to the above, TheWesley will need to borrow further to fund the development. TheWesley is seeking to raise senior loan of £ [redacted version] @ [redacted version] % interest rate and utilise charitable fund of £ [redacted version].

Based on the cash flow generation of the new hotel a capital repayment of £ [redacted version] for year one and £ [redacted version] for year two, and subsequent annual repayment of £ [redacted version] has been assumed.

This loan financing is expected to cost the TheWesley an average annual interest of £ [redacted version]. Therefore, the repayment of the £[redacted version] loan will take 45 years since it will also be generating funds for its charitable purposes, rather than early retirement of the loan. However, it is also important to note the fund remaining for charitable purpose is very small (see Appendix 3).

6. Conclusion

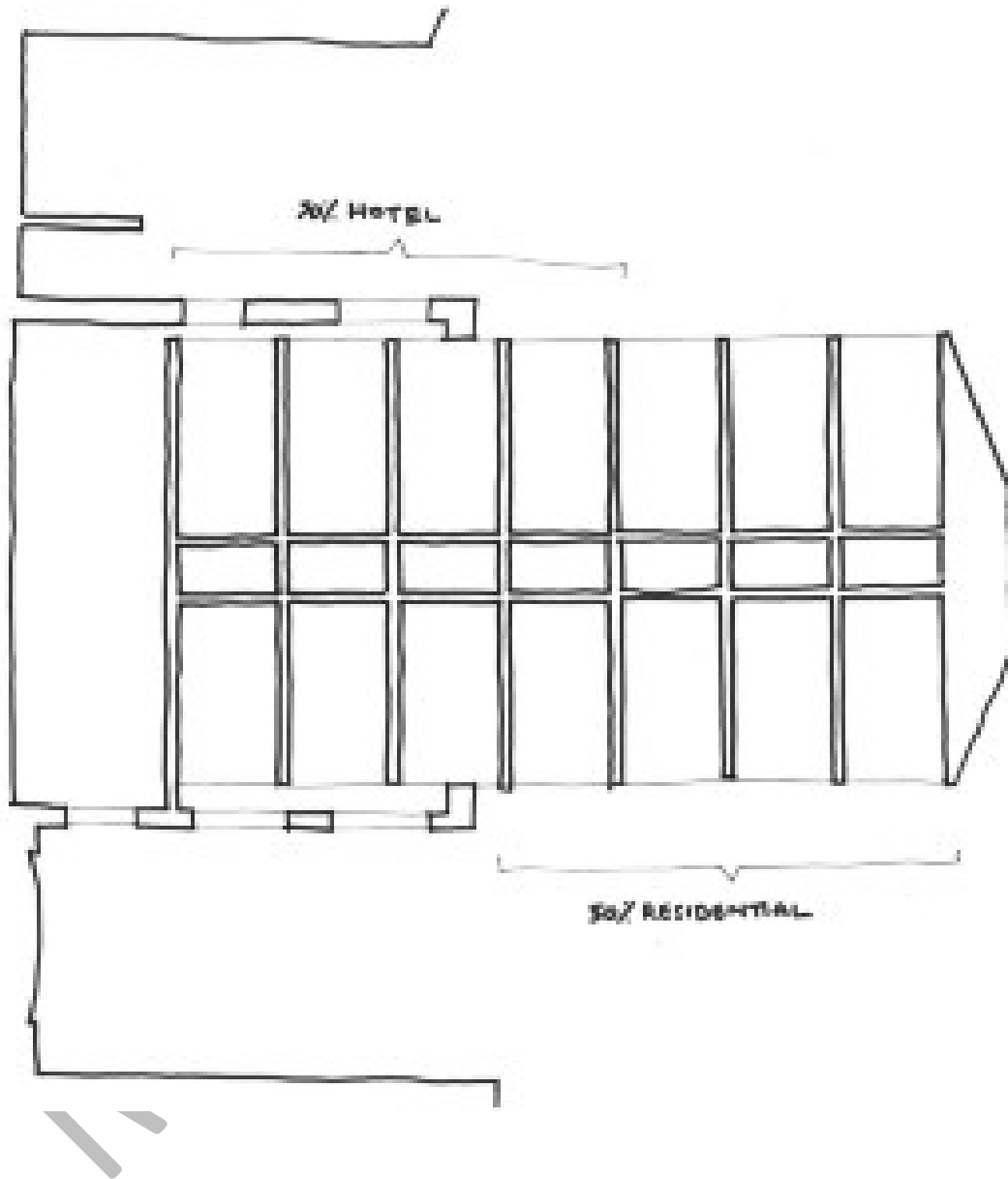
Our plea to the council is that to develop this building within the current envelope will demand a huge investment from us. We are a small social enterprise whose profits are spent on educational charities. We are having to borrow in order to rescue a building for a sister organisation and save it for generations to come. In essence we are doing a heritage work at no benefit to us other than the community at large. We therefore appeal that we are relieved of the DP1 levy for the very fact that we are working on a cause that will not only rescue an important landmark in Camden. We have also promised to reuse most of the materials inside such as wood from the pews within the furniture and fittings within the hotel. This is in line with our operations as an ethical company.

As regards the social housing, we are already implanting a new formula whereby the church and a community space will co-exist with a hotel. Whilst this is not ideal, we can live with it as it is the only fusion that would achieve the goals of the sister organisations. It achieves a major goal for Camden by ensuring that a church community that has worshipped here for decades will continue to do so within a reconfigured building that retains its current envelope. For TheWesley to comfortably service the loan borrowed and have enough resources to support its ethical and charitable courses, the 39 bedrooms to bedrooms we are asking for are an irreducible minimum.

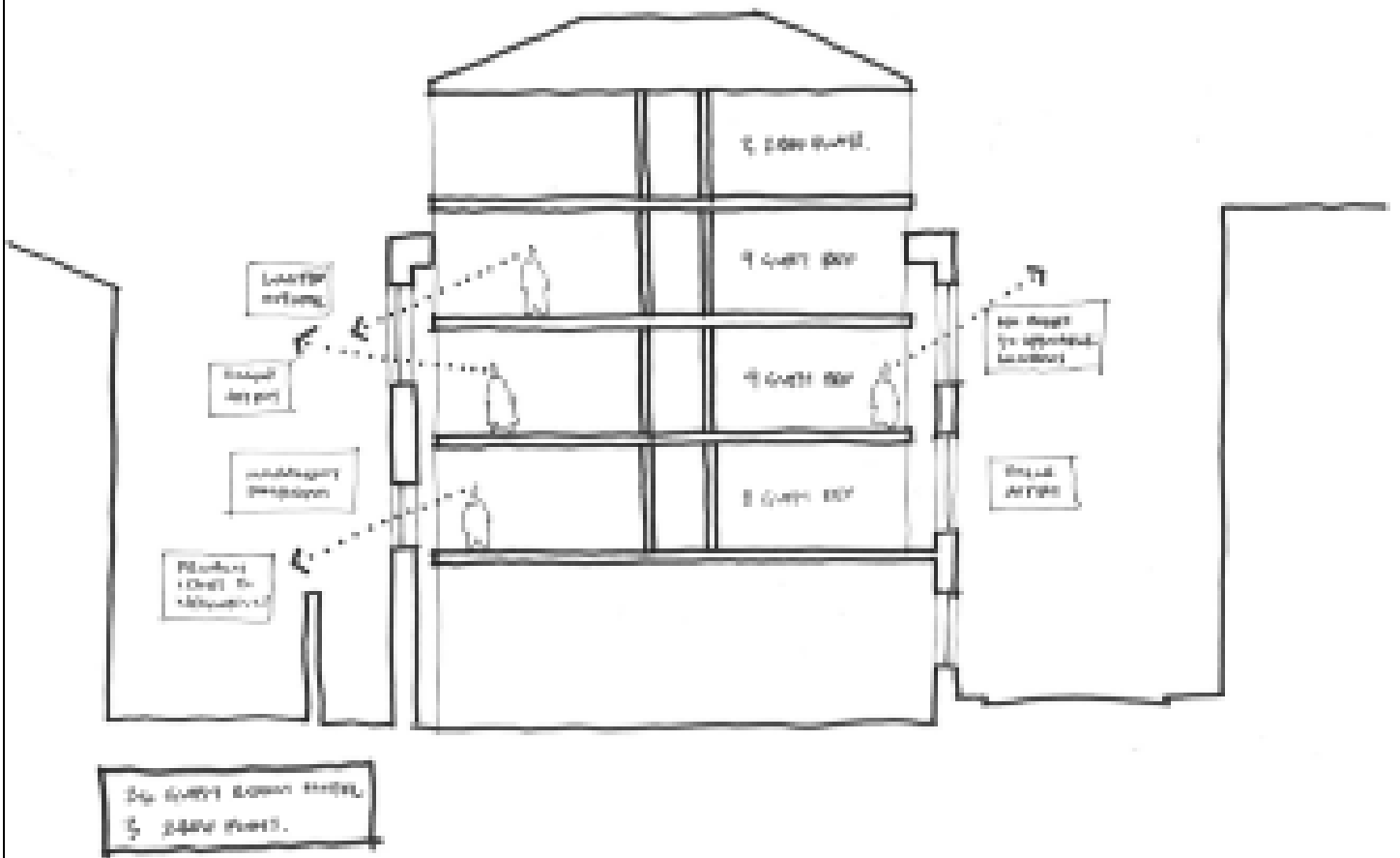
And as we have done at Euston this project will create employment in Camden and all our profits are spent on charitable courses.

7. Appendix 1

7.1 Manalo & White drawings (feasibility for residential test)



7.2 Manalo & White drawings (feasibility for residential test)

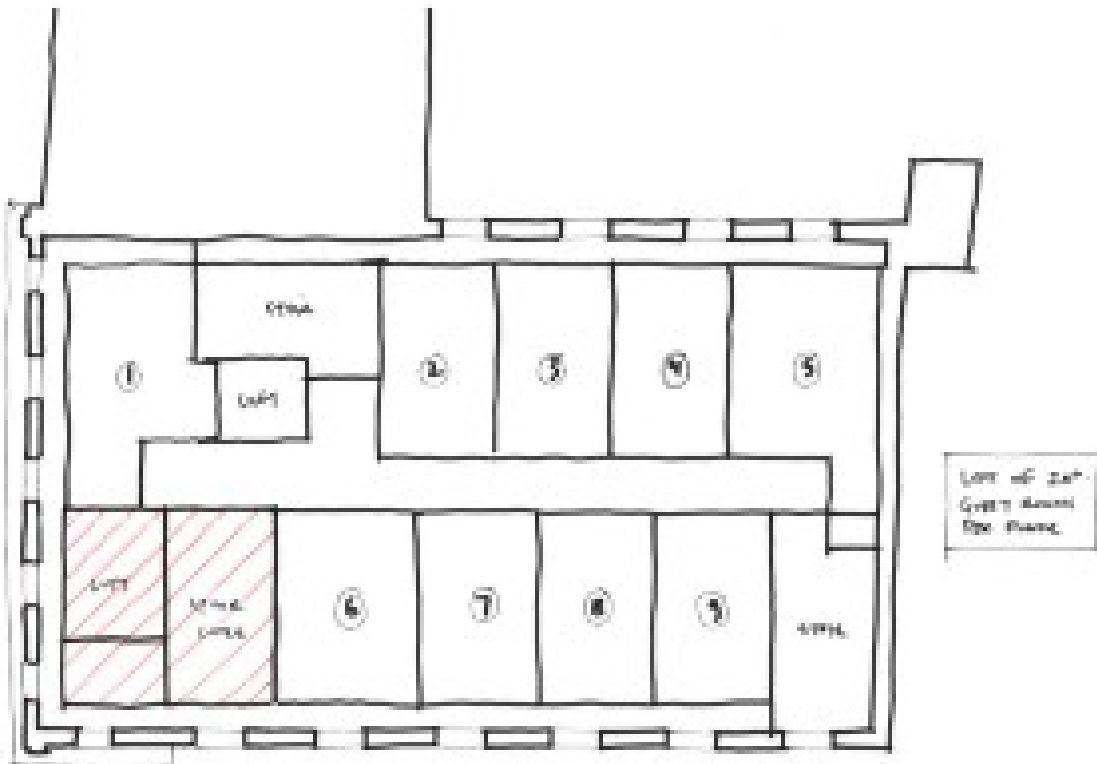


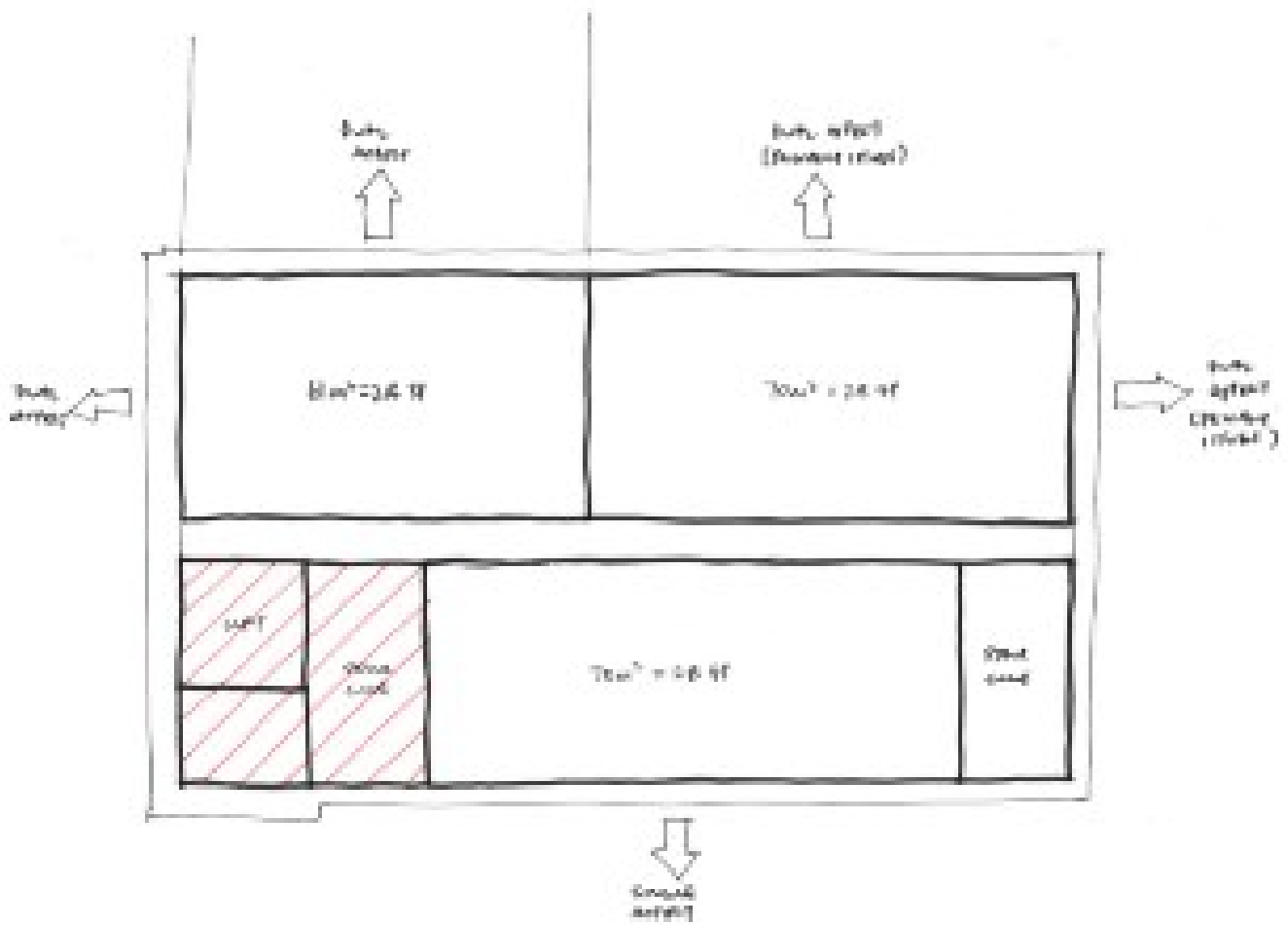
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7.2 Manalo & White drawings (feasibility for residential test)



7.3 Manalo & White drawings (feasibility for residential test)





Redacted

8. Appendix 2

8.1 Project Cost

[Redacted version]

Redacted Version

9. Appendix 3

9.1 Hotel Projections

[Redacted version]

Redacted Version