

Feasibility Report for



Submitted on 7 September 2018 by



The Co-operative Enterprise Council of New Brunswick

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1 Background

1.1 Context

The Doucet Hennessy House Association Inc. (the Association) is a non-profit, volunteer run charitable organization which owns the Doucet Hennessy House in Bathurst, NB. The Doucet Hennessy House has an intrinsic social, cultural and heritage value to the City of Bathurst and its citizens. This value can only be maintained through its restoration and renovation. The business development of the Doucet Hennessy House as a social enterprise will allow the Association to pay for the maintenance, restoration, and preservation that is fundamental to retaining its social, cultural, and heritage value. With this in mind, the Association issued a request for proposals to identify the potential use of space that will make it financially feasible for the Association to retain a portion of the house for its own use (example museum and Association office space) while making the rest of the space available at market rates and / or subsidized rates for community / cultural use.¹

1.2 Project Purpose

In July 2018, the Association engaged the Co-operative Enterprise Council of New Brunswick (CECNB) to determine the best use of space to make Doucet Hennessey House financially sustainable, while furthering its mission and retaining a portion of the building for the Association's use.

1.3 Methodology

This feasibility assessment included a number of different research strategies, to provide a range of perspectives:

- The consultant reviewed Heritage Standing Inc.'s Review of Engineering and Architectural Reports
- The client conducted interviews with 14 local arts and culture organisations -- potential tenants and users of the space -- using an interview guide created by the consultant
- The consultant profiled three successful heritage properties
- The consultant facilitated an ideation session on 10 August 2018 with the Doucet Hennessy House board and staff, and various community partners

¹ Source: Request for Proposals - Market Research and Feasibility Study for a Property Management Social Enterprise. Maison Doucet Hennessy House Association Inc., Bathurst, NB

1.4 The Feasibility Assessment Process

The feasibility assessment process, as conducted by CECNB, is done in three parts, outlined below:

Step 1: Define the Desired Enterprise -

This first step focuses on developing a clear but flexible understanding of the desired enterprise's business model, which is composed of nine core elements:

- Key **customer segments** the enterprise will serve;
- The **value propositions** it will offer to its customers (i.e. the bundle of products and services, and the benefits they will provide);
- **Revenue streams** - how the enterprise will get paid to provide its value proposition to its customers;
- The **relationships** it will seek to develop with its customers;
- The **channels** it will use to promote to and connect with its customers;
- The **key activities** that it must get right to be able to successfully deliver its value proposition;
- The **partners** it will engage to assist with certain key activities;
- The **resources** that will be required to make it all happen; and
- The handful of **operating costs** that will account for the bulk of the enterprise's ongoing expenses.

This business model provides a reference point for the feasibility assessment process; the answer to “what are we actually assessing?” It should be stressed that this business model will get refined and sometimes even completely redefined as we work through the remaining stages of the assessment process.

Step 2: Defining the Requirements for Success

CECNB assesses the enterprise using a four-part framework, which provides a thorough, balanced enterprise assessment. It includes the following:

- **Social impact** - What impact will the enterprise need to make in the community, such that it aligns with the organisation's mission and the larger interests of the community?
- **Operational capability** - What capabilities, resources, and leadership will be necessary to successfully launch and grow the enterprise?
- **Marketing** - What kind of value proposition will the enterprise need to offer, such that paying customers will choose it over the alternatives they perceive they have?
- **Financial** - What kind of operating revenues and expenses can the enterprise realistically expect to achieve? What kind of financing will it require to meet its capital requirements?

Step 3: Make the Feasibility Decision

Having defined the desired enterprise and what will be required to launch and grow it, the organisation's leadership will have two decisions to make:

1. How confident are they that they can meet the requirements for success? The answer to this question is rarely black and white. Rather, it's a matter of degree: *“Are we (and, sometimes, our lenders and investors) confident enough to move forward?”*

2. If they are confident, do the potential rewards warrant the effort, investment, and risk? While not common, it is possible that the leadership may say, *“Yes - we’re confident that we could pull this off, but it doesn’t seem to worth the effort.”*

With a confident “yes!” to both questions, the organisation’s leadership is in a position to answer the “bottom line” question: “Are we going to go forward?” Again, this question is rarely black and white, and can involve a range of responses, including:

- **Yes!** *“We’re going to go forward with the enterprise as presented, perhaps with a phased approach.”*
- **Not now, but...** *“It looks promising, but we need to do more research and development in the following areas.”*
- **Not now, but...** *“It looks good, but the timing just isn’t right. We’ll revisit things in # months.”*
- **Not ever** *“With what we now know, it really doesn’t seem to make sense. Let’s not invest any more time or resources on it, and move on to something else.”*

CECNB wants to stress that any of these answers, if made from an informed position, can be viewed as a positive result. Making the pre-emptive decision to shelve an unfeasible idea before the organisation has committed significant time and resources, is far superior to going forward with bad information and launching a doomed enterprise. Finally, CECNB wants to stress that its role is to help inform the organisation’s leadership to make the decision that only they can make. Only in rare cases, where the enterprise is clearly lacking, is it appropriate for the consultant to tell the entrepreneur that they can’t be successful.

2 Defining the Desired Enterprise

The consultants have been able to draw from a number of sources to synthesise a comprehensive vision for renovated House as a dynamic cultural and creative hub for Bathurst — a social enterprise that is a critical part of the city's cultural infrastructure. The following sections present the highlights drawn from these various sources, and culminate with a proposed business model for the House.

2.1 Input from the Board and Community Partners

On 10 August 2018, the consultant facilitated an ideation session with the Association's board, staff, and community partners.

The Association's Goals

The board members were able to articulate clear social and financial goals for the Association generally and the House specifically:

Mission / Social

1. Preserve the house
2. Promote the local heritage and culture of the founding Indigenous and European (Irish, Scottish, Acadian) cultures
3. Create educational opportunities

Financial (minimum requirements)

1. \$1500 per month for utilities, taxes, and maintenance = \$18,000
2. Full-time salary for one person = \$35,000
3. Overhead = \$6,000
4. Total minimum requirements = \$59,000 per year

Potential Uses, Ranked

The board, staff, and community partners all participated in generating the long list of potential uses for the House, and in voting and ranking the various uses. This produced a strong consensus for the House to become a dynamic cultural / community hub, as opposed to simply a place that offered shared office space to allied organisations.

- | | |
|--|---|
| 1. Musical performances (9 votes) | 6. Workshop / makerspace (5) |
| 2. Studio for dance, fitness, yoga, etc. (9) | 7. Senior space (3) |
| 3. Café (8) | 8. Language / cultural training, exchanges, and meet-ups (3) |
| 4. Cultural / arts / heritage programming - "Heritage meals", talks, films, demonstrations (6) | 9. Meeting and boardroom rentals (1) |
| 5. Gallery for solo shows (5) | 10. Office rentals to complementary community organisations (1) |

2.2 Input from Community Stakeholders

In the weeks following the 10 August working session, the Association's board members interviewed 14 community stakeholders who might be potential users of the renovated House. The interviewees included representatives of local cultural organisations, as well as local artisans; certain people were able to speak on behalf of more than one organisation and/or type of use (e.g. studio versus office space). The idea was to follow up on the ideas that were generated in the working session, to clarify and confirm the interviewees' needs and their potential as future users of the space. These interviews managed to surface a total of 13 cases where the interviewees were interested in potentially using the House.

Potential Uses and Users

Three of those cases involved uses that required more space than could be accommodated at the House (two dance studios and a large bible study group), leaving the following 10 potential uses, which could be grouped into four categories:

Office Space:

1. An office space for the executive director of the *Bathurst SPCA* (<https://bathurstspca.com/>)
2. An office space for the *Sugar Hoops* dance and fitness business (<http://www.sugarhoops.com/>)
3. Office space for the *Movement Workshop School of Contemporary Art* (<http://www.movementworkshop.com/>)

Teaching / Work Space:

4. A teaching space for the *Fresh Fibers Studio* (<https://www.freshfibersstudio.com/>)
5. A meeting space for the local knitting club

Dance Studio:

6. A small dance studio for the local *Zumba* class (in 2019)
7. A small dance studio for the *Landry School of Highland Dance* (<http://bit.ly/LandryHighlandDancers>)

Event Space:

8. An art gallery to provide solo shows, which would complement the existing *Bay Breeze Art Gallery* (<http://www.baybreezeart.ca/>)
9. Event space for the *Irish Canadian Cultural Association, Bathurst Branch* (<https://bathurstirish.com/>)
10. Event space for the *NB Scottish Cultural Association, Bathurst Chapter* (<http://www.nbscots.com/>)

Comparing / Contrasting with the 10 August Ideas Session

Neither musical performances nor a café were identified as potential uses through the interviews, which is not unexpected, given that none of the interviewees had any particular connection to these uses. It is interesting that office space came up as a common potential use during the interviews, but it was the lowest-rated item on the long list of ideas generated at the 10 August ideation session. The House is large enough that providing office space (which is apparently in demand locally) would not necessarily impinge on

the other, more highly-rated uses. Otherwise, the interview results were consistent with and confirmed the ideas that came out of the ideation session.

2.3 Insights Gleaned from the HSI Report

In August 2017, the Association engaged the services of Heritage Standing Inc.² (HSI) to conduct a thorough review of engineering and architectural reports that were done earlier on behalf of the Association. In addition to making recommendations to eliminate and/or modify a number of the renovations recommended in the previous reports that would save the Association over \$500,000, HSI also shared their thoughts about potential uses for the House, drawn from their international experience with heritage properties:

“One approach to a building of this size in which there are multiple uses is to have one key tenant who provides a pivot point for other activities. **Micro-Breweries, bakeries, and cafés** can serve this purpose well in smaller historic properties. A café in the Doucet Hennessy House could be combined with exhibits on the building and community history so that boutique café and **mini-museum** can each benefit each other. Other portions of the building could then be used for the **community space and artist studios**. This approach is dependant on a well-developed plan and a partnership with a café. Due to the exhaustive needs of a restaurant it would not be recommended without a strong investor. The business plan should look at novel ways in which the space can be used to meet the various needs. The key priorities should be clearly defined by the association. The HSI interpretation of those needs is that the space should do the following:

- Include a museum aspect to highlight the Bathurst region’s local history, the Doucet Hennessy family histories and its connections to the property.
- Include **cultural space and/or studios**, similar to a centre like the Aberdeen Cultural Centre in Moncton, Charlotte St. Arts Centre in Fredericton, or Richmond 301 in Toronto.
- Include **community space** and potentially a **community garden**.
- Generate sufficient income to provide for long term sustainability.”

These recommendations are consistent with both the results of the 10 August ideation session and the local stakeholder interviews.

2.4 Insights Gleaned from Similar Heritage Properties

The Properties

As part of the project, the consultant identified and profiled three heritage properties that have successfully been developed into community, cultural, creative hubs. They were:

- Lefurgey Cultural Center in Summerside, PEI

² From www.heritagestanding.ca: “Heritage Standing Inc. is a structural engineering firm specializing in historic buildings. We strive to provide quality technical services based on international practices in the preservation, rehabilitation and restoration of historic structures. Heritage Standing Inc. is part of the Structural Conservation Collaborative, an international team of heritage experts who together optimize solutions to the unique challenges of maintaining our built heritage.”

- The Solarium in Decatur, Georgia
- McHugh House in Calgary, Alberta

Profiles for each may be found in Appendix E.

Common Best Practices

A number of common practices emerged from our analysis, which might provide some guidance and inspiration for the re-imagining of Doucet Hennessy House:

1. All three properties rent out space and **have anchor tenants** that reside in the building. (From other research, it is apparent that having anchor tenants is a critical success factor, as they provide a consistent income to cover the property's operating costs.)
2. All properties employ the **history of the building as a great marketing feature**.
3. The **main level** of the properties is the space that is **rented to the public**, with the **upper levels** being used for **office and other spaces**. The McHugh House has a shared entrance for tenants and the public.
4. All properties required **significant renovations**, ranging in age between 93-147 years.
5. Both the Lefurgey Cultural Center and McHugh House have **partnered with their local municipalities**.
6. All three properties promote themselves as a **fully-equipped meeting spaces**, with tables, chairs, audio visual, wifi, etc.
7. The Solarium and McHugh House both have a **calendar on their website** to determine availability. Not only is it convenient but it also serves to showcase the diversity of groups that use the space.
8. The Solarium and McHugh House both have very complete and informative websites and offer a **good social media presence**.

2.5 The Proposed Business Model

The Business Model Canvas

Drawing upon a variety of sources — the Association's board, staff, local stakeholders, a global expert on the restoration of heritage properties, and the example of three similar properties — the consultant is proposing the following business model for Doucet Hennessy House. We're using the Business Model Canvas³ to present the nine key elements of our proposed business model.

Key Partners National Trust for Canada City of Bathurst Commercial tenants Bay Breeze Art Gallery Chaleur Community Inclusion Network Nepisiguit Centennial Museum and Cultural Centre Dale Point Nature Reserve Local financial institution	Key Activities Tenant engagement Promotion of the House and its hosted events Event management Building security, cleaning, and maintenance Archiving, preservation, and presentation Administration Key Resources The House and its collection Audio-visual equipment Furniture for rooms occupied by the Association One part-time executive director, one part-time support person, contracted janitorial and maintenance service An engaged board of directors Website and social media accounts Financing for building renovations	Value Propositions Co-locate with complementary community organisations in a well-equipped, reasonably-priced office, studio, workshop, and event space in one of the community's leading historical landmarks. Experience Bathurst's rich cultural and creative organisations, events, and foods in one of its leading historical landmarks.	Customer Relationships Co-create one of Bathurst's cultural and creative destinations. Be part of Bathurst's rich cultural and creative community Channels Personal networking Website and social media Promotion in local print media Road signage	Customers Commercial tenants: cultural, creative, community organisations, and a café business Individual community members who take part in the events, meetings, workshops, and food of the Association and its various tenants
Key Operating Costs Payroll Mortgage payment ⁴ Professional fees Utilities Insurance (commercial general liability, fire)	Operating Revenue Streams Commercial leases Hourly venue rentals Charitable donations and other fundraising revenue			

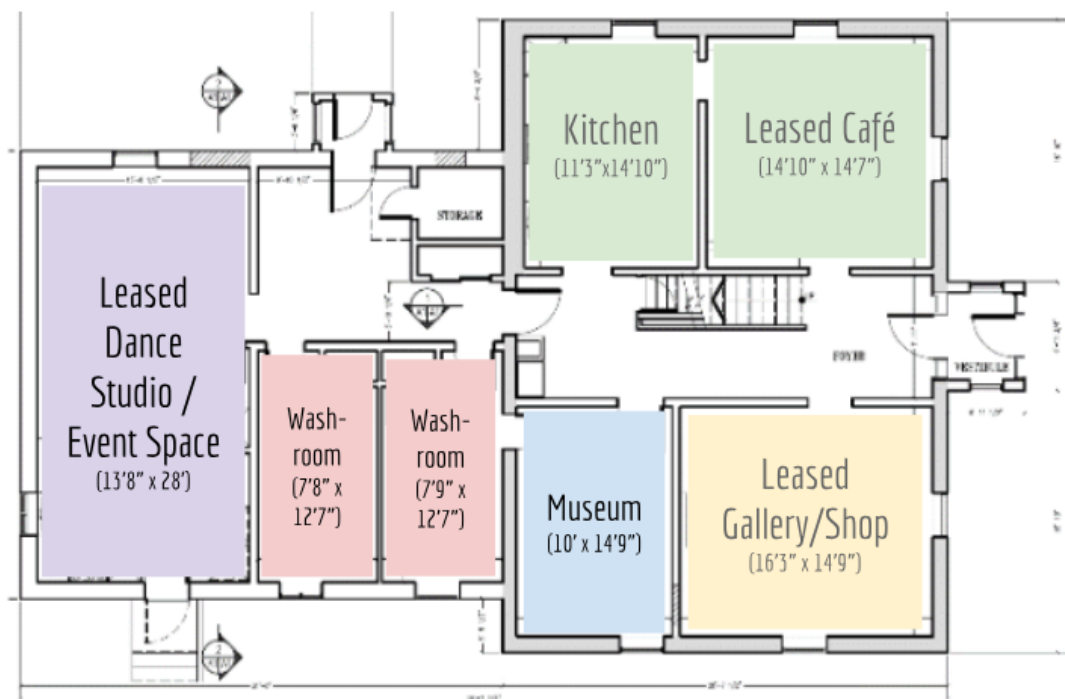
It is important to stress that, within this business model, the Association would be responsible for managing and marketing the property, engaging with tenants, and operating the museum and archives. The café, gallery and shop, workshops, dance studio, and other offices would all be maintained by the tenant organisations.

³ For more information about the Business Model Canvas, please go to: <https://strategyzer.com/canvas/business-model-canvas>

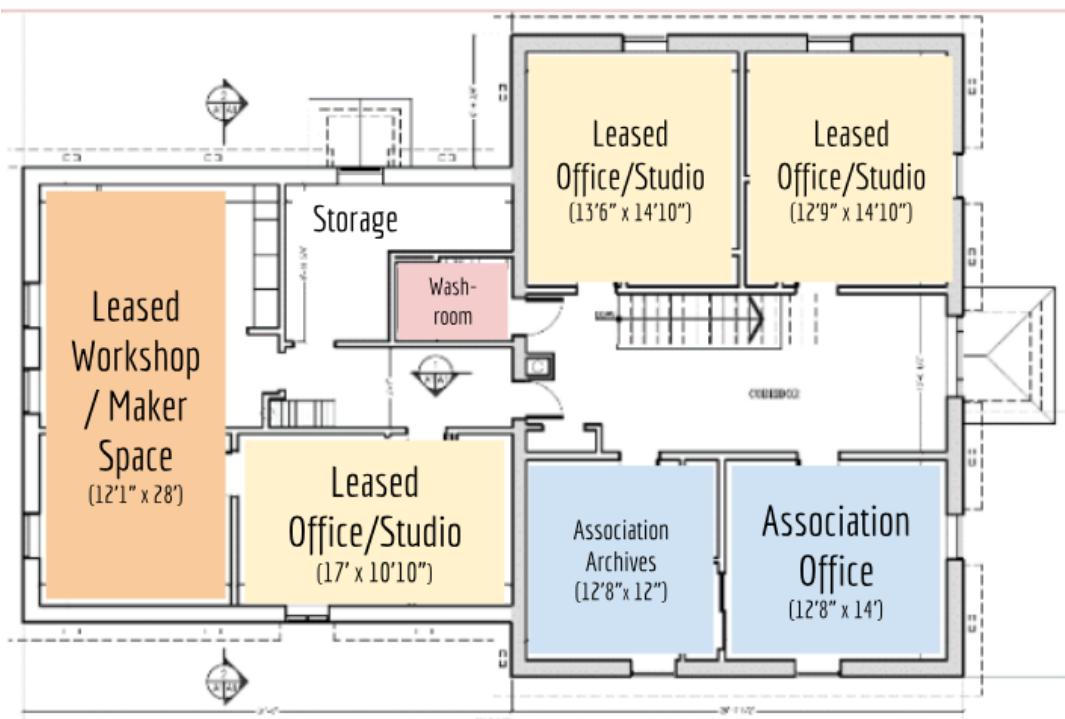
⁴ While only the interest portion of the mortgage payment is technically a tax-deductible operating expense, the full payment will be a regular disbursement that the Association will need to pay.

What Doucet Hennessy House Might Look Like - a Proposed Floor Plan

Note: Most of the retail/public space is on the main floor, with the office space on the second floor.



Ground Floor



Upstairs

3 Defining the Requirements for Success

CECNB assesses the enterprise using a four-part framework, which provides a thorough, balanced enterprise assessment. It includes the following:

- **Social impact** - What impact will the enterprise need to make in the community, such that it aligns with the organisation's mission and the larger interests of the community?
- **Operational capability** - What capabilities, resources, and leadership will be necessary to successfully launch and grow the enterprise?
- **Marketing** - What kind of value proposition will the enterprise need to offer, such that paying customers will choose it over the alternatives they perceive they have?
- **Financial** - What kind of operating revenues and expenses can the enterprise realistically expect to achieve? What kind of financing will it require to meet its capital requirements?

3.1 Social Impact Requirements

The social impact requirements for a social enterprise, especially one that is owned and operated by a charity, revolve around alignment with two things:

- The charitable objectives of the organisation, and
- The expressed interests of the local community.

While it is indeed critical to operate within the bounds of the organisation's charitable objectives, to ensure the preservation of the organisation's charitable status, it is also simply just good business. It is the consultant's experience that the best, most successful social enterprises operate as "related businesses" (i.e. related to the charitable objectives). Doing so helps to ensure that the enterprise stays true to what it does well and engages with stakeholders it knows.

Going beyond this minimum requirement is the idea of advancing the expressed interests of the local community. It is possible for the organisation to operate a social enterprise that is, by the Canada Revenue Agency's definition, a related business that is not responsive to the needs and priorities of the local community. So, it is important to engage with local community stakeholders to ensure there is an alignment of interests.

We will deal with each issue in turn.

Alignment with the Association's Objectives

The constitution of the Association Maison Doucet Hennessy House Association, Inc., dated 9 June 2012, presents the Association's objectives as:

1. To maintain, restore and preserve the Doucet Hennessy House located at 375 St Peter Avenue, Bathurst, New Brunswick with a view to educate the public and commemorate this historical site.
2. To educate and inform the public of the historical Doucet Hennessy House by offering workshops, information sessions and coordinate public exhibitions in heritage, genealogy, arts and culture.

3. To buy, own, hold, lease, mortgage, sell and convey such real property and other material or services as may be necessary or desirable in order to carry out the objects of the Association.

It will be important that the Association adheres to the recommendations in the Heritage Standing Inc. report, concerning preservation of the historical elements of the House. It will also be important that the Association take every opportunity to educate and inform any visitor to the property about the historical significance of the House, through displays, tours, the museum and archives. This strategy would be consistent with that of the successful properties profiled in section 2.4 of this report, and with interests of the Association's board members as expressed at the 10 August ideation session (see section 2.1 for details).

Alignment with the Expressed Interests of the Local Community

All 14 of the community stakeholders interviewed expressed strong support for a renovated Doucet Hennessy House, which could serve as a creative and cultural hub for the city. The proprietors of the Sugar Hoops and School of Highland Dance studios both identified the need for additional studio space, and for a place where members of the cultural and creative community could co-locate and meet up. In fact 10 of the 14 interviewees expressed an interest in using the space themselves as full-time tenants or part-time renters (see section 2.2 for details).

Overall Social Impact Assessment

It would certainly seem that this enterprise, as defined in section 2.5, would align well with both the Association's objectives and the interests of the local community.

3.2 Operational Requirements

Operational requirements are concerned with the buildings and site, furniture, fixtures, equipment, systems, and human resources necessary to successfully develop, launch, and manage the enterprise.

Building and Site Requirements

The Association has engaged a number of engineering and architectural professionals, to identify the renovations required to make the House a pleasant public and work space, while preserving the building's historical heritage. In 2017, the Association engaged Heritage Standing Inc. (HSI) to conduct a thorough review of reports that had been done previously, and to make recommendations for how to proceed. The executive summary of HSI's report and their Revised Rough Order of Magnitude Costs schedule are presented in Appendix C. HSI's rough estimate of the capital cost of renovating the building and site came in at \$911,000. While this is a large sum, it represents a significant reduction (with appropriate rationale) from the previous estimate of just over \$1.4 million. Given this analysis, it is reasonable, with the potential for cost overruns, that this would be a \$1 million capital project. These renovations would be necessary to bring the building back up to a state where it could be used in the way outlined in section 2.5.

Furniture, Fixtures, and Equipment Requirements

Informed by the stakeholder interviews, profiles of similar properties, and the HSI report, it would seem reasonable that, in addition to the building and site renovations referenced above, the Association would be required to invest in the following:

- Furniture for the Association's office, museum, and archives
- Furniture (tables and chairs) and audiovisual equipment (large screen television and/or data projector and screen, microphone and amplifier) for the main floor event space
- Tables and chairs for the second floor workshop / makerspace
- Tables, chairs, and retail counter and display case for the café (although this could be made the responsibility of the lessee)
- Upgraded appliances for the kitchen
- Fixtures for the public bathrooms
- Appropriate lighting fixtures throughout the building

While outside the scope of this report, the capital cost of these items could easily amount to at least an additional \$25,000.

Systems

The following systems would need to be in place to effectively market and manage the property:

- An upgraded website, with a calendar of events and links to the Association's various social media
- Social media (Facebook, Twitter, Instagram, etc.) accounts that were managed on a daily basis
- A system to manage room and event bookings
- An accounting system for the Association's business
- Policies and procedures for the full- and part-time use of the property

It would be the responsibility of the Association to define, implement, and continuously refine these systems, policies, and procedures.

Human Resources

The following people will be required to develop, finance, launch, market, and manage the property:

- The board of directors will be responsible, as a committee of the whole, to lead a successful capital campaign;
- An ad hoc committee of board members who will be responsible for: recruiting an executive director, and working with the executive director to engage a general contractor for the building and site renovations;
- One full-time executive director, responsible for: liaising with the general contractor, and generally overseeing the renovation process; managing the building, staff, and volunteers; recruiting and

engaging with tenants and other users; scheduling; promotion and stakeholder engagement; supporting the board of directors; and curating the museum and its archives;

- One or more part-time support people, paid and/or volunteer (to assist the director during peak times and with the social media accounts);
- A contracted bookkeeping service; and
- A contracted janitorial and maintenance service.

The annual salary for executive directors in Canada ranges from \$42,000 to \$107,000 (exclusive of benefits), depending upon the organisation, location, and specific job requirements. The average annual salary is \$65,000, exclusive of benefits (<https://www.payscale.com>).

Overall Operational Assessment

With the exception of the board responsibilities, the challenge of meeting the operational requirements will be primarily a matter of securing the necessary capital financing (for the building and site renovations, furniture, fixtures, and equipment) and operating revenue (for payroll, utilities, and other operating costs). That is, there is nothing particularly exceptional about these requirements; they should all be available within the city, county, or province. However, that challenge — specifically, a \$1 million capital campaign — is a significant one, and it will fall to the Association's board of directors as a whole (not just the board chair or treasurer). Even with the support of a fund development consultant, the heavy lifting of a capital campaign generally falls to the board members. Therefore, the bottom line operational assessment comes down to the board's willingness and ability to take on this responsibility.

3.3 Marketing Requirements

There are essentially two marketing requirements for any enterprise:

- A sufficient number of paying customers in the enterprise's market area; and
- A clear rationale, expressed in terms that matter to the paying customers, for why those customers will choose your enterprise instead of the alternatives that they perceive they have. Those alternatives may not look anything like your enterprise, will generally include "do-it-yourself" options, and may include doing nothing at all.

Paying Customers

Within the context of the proposed business model, the Association's revenue streams would be a combination of: annual (possibly multi-year) commercial leases; hourly/daily venue rentals; and grants, donations and fundraising. The annual lessees would be the anchor tenants, who would help ensure regular traffic to the property, and provide predictable, monthly revenue to offset the House's basic operating costs, such as utilities. The hourly/daily rentals and other revenue, while less predictable, would actually be greater than the annual leases. See section 3.4 for the projected mix of revenue.

Anchor Tenants

Through the 14 informational interviews, the Association identified the following potential anchor tenants, who expressed an interest in moving into a renovated Doucet Hennessy House on a full-time basis:

1. *Bathurst SPCA* (<https://bathurstspca.com/>) - office space for the executive director
2. *Sugar Hoops* dance and fitness business (<http://www.sugarhoops.com/>) - office space
3. *Movement Workshop School of Contemporary Art* (<http://www.movementworkshop.com/>) - office space
4. *Landry School of Highland Dance* (<http://bit.ly/LandryHighlandDancers>) - small dance studio

Hourly/Daily Venue Rentals

Through the informational interviews, the Association also identified the following potential hourly rental users:

1. *Fresh Fibers Studio* (<https://www.freshfibersstudio.com/>) - teaching space
2. Local knitting club - meeting space
3. *Zumba* instructor (in 2019) - small studio
4. *Bay Breeze Art Gallery* (<http://www.baybreezeart.ca/>) - art gallery to provide solo shows
5. *Irish Canadian Cultural Association, Bathurst Branch* (<https://bathurstirish.com/>) - event space
6. *NB Scottish Cultural Association, Bathurst Chapter* (<http://www.nbscots.com/>) - event space

These expressions of interest to doing something that will not even be possible for at least a year (i.e. after renovations are completed) are some distance from signed leases and rental agreements, but they do provide a clear signal of a market opportunity and a sound starting point for business development.

Two of the most critical anchor tenants (for the café and the gallery/retail shop) have not been identified nor contacted. The consultant strongly recommends that the Association resist the temptation to take on the operation of these spaces itself, and instead do the work to recruit two paying tenants who have experience in these kinds of businesses.

While there is not conclusive evidence of a sufficient paying customers, the Association has a good start to build on.

Clear Rationale for Why Customers Will Choose Your Enterprise

As presented in section 2.2, the 14 stakeholder interviews identified 13 cases where the current office, studio, or teaching spaces were not well-suited to the interviewees' needs, such that they expressed an interest in moving to a renovated Doucet Hennessy House. At least three interviewees expressed that there is a need for additional creative and cultural space in the city of Bathurst; quality space where complementary organisations could co-locate to create a compelling destination within the community. A renovated Doucet Hennessy House was seen as offering good potential for this kind of space.

The business model, as defined in section 2.5, would create a hub — a pleasant, historic space, filled with a range of organisations — where local people and tourists alike could experience the rich diversity of Bathurst’s culture and creativity. That is a compelling value proposition for potential tenant organisations.

Overall Marketing Assessment

Marketing is generally the hardest of the three feasibility dimensions to nail down through a feasibility assessment, as it relies on predicting the future behaviour of paying customers. It is complicated in this case, by the fact that prospective tenants will not have a concrete sense of what the Doucet Hennessy House will actually offer until extensive renovations are completed over a period of several months. Moreover, the proposed business model will be new for the city, something with which people may have little or no experience. To offset this, the Association can make efforts to convey what the House will be through artist renderings and presentations, but there is still a leap of faith required.

3.4 Financial Requirements

There are two key considerations for financial requirements: operating revenue and expenses, and capital financing uses and sources. The following two sections present the consultant's initial projections for each, which will be refined and updated in consultation with the Association's board of directors.

Operating Revenue and Expenses

The consultant's initial projections — with \$97,870 in annual revenue and \$93,330 in annual operating expenses — suggest that the Association could generate a modest surplus of \$4,540. These numbers will need to be clarified and confirmed in the coming weeks, but provide a good indication that this business model can be sustainable. Please note that key assumptions, which drive the numbers, are contained in the yellow-highlighted cells.

Projected Revenue:							
Annual leases:	Space (ft2)	Rate/ft2			Monthly Lease	Annual Lease	
Office #1	200	\$12.00			\$200	\$2,400	
Office #2	200	12.00			200	2,400	
Office #3	180	12.00			180	2,160	
Cafe / Kitchen	365	12.00			365	4,380	
Gallery/Shop	200	12.00			200	2,400	
Totals for annual leases	1145				\$1,145	\$13,740	
Hourly/daily rentals:		Hourly rental	Avg hours rented per week / 84	Avg weekly rental revenue	Average monthly revenue	Annual revenue	
Workshop/makerspace	336	\$25.00	20	\$500	\$2,167	\$26,000	
Dance studio/event space	385	\$30.00	20	600	2,600	31,200	
Totals for hourly/daily rentals					\$4,767	57,200	
Total lease and rental revenue					\$5,912	70,940	
Donations, fundraising, and grant revenue:							
Individual donation goal						\$10,000	
Fundraising event goal						10,000	
Wage subsidy grant goal (summer students)						6,930	
Total donation, fundraising, and grant revenue						\$26,930	
Total projected operating revenue							\$97,870
Projected Expenses:							
Payroll:	Annual Salary	Allocation (full-time equivalents)	Allocated Salary	Payroll taxes (10%)	Total payroll		
Executive director	\$50,000	0.6	\$30,000	\$3,000	\$33,000		
Assistant	30,000	0.4	12,000	1,200	13,200		
Summer students			6,300	630	6,930		
Total payroll						\$53,130	
Utilities:				Avg monthly cost	Annual cost		
Heat				\$300	\$3,600		

Power				200	2,400		
Telcom				100	<u>1,200</u>		
Total utilities						7,200	
Contracted services:				Avg monthly cost	Annual cost		
Bookkeeping service				\$200	\$2,400		
Janitorial (weekly) and maintenance				1,000	<u>12,000</u>		
Total contracted services						14,400	
Insurance						1,000	
Professional fees (accountant, lawyer)						2,000	
Office supplies						1,200	
Mortgage payment				\$1,200		<u>14,400</u>	
Total operating expenses							<u>93,330</u>
Projected operating surplus (deficit)							\$4,540

Capital Financing Uses and Sources

The following table represents the consultant's initial forecast of financing uses and sources. All amounts will require review and confirmation with the Association. The ability of this enterprise to move forward will rest largely on the Association's ability to secure substantial grant and philanthropic support, on the board's ability to execute a successful capital campaign. That said, it is the consultant's opinion that the Association has a compelling case for support.

Uses of Funds	Amount	Sources of Funds	Amount	%
Building and site renovation	\$1,000,000	Grants	\$500,000	46%
Furniture, fixtures, and equipment	25,000	Donations	376,250	35%
Contingency (5%)	<u>51,250</u>	Mortgage	<u>200,000</u>	<u>19%</u>
Total	\$1,076,250		\$1,076,250	100%

Overall Financial Assessment

As stated in the previous section, this initiative's successful launch will be defined by the Association's ability to execute a successful capital campaign. Its long-term sustainability will rest with the Association's reasonably achievable ability to deliver a clear, compelling value proposition to a readily-identifiable group of cultural and creative organisations.

4 Making the Feasibility Decision

Having defined the desired enterprise and what will be required to launch and grow it, the Association's leadership has a few decisions to make:

1. What changes, if any, would you like to make in the proposed business model? Any changes will impact the requirements for success (positively and negatively), but it is certainly the Association's prerogative to modify where they deem appropriate.
2. How confident are you that you can meet the requirements for success? Are you confident enough to go to the next step in the development process — likely, to approach potential funders?
3. If you are confident, do the potential rewards warrant the effort, investment, and risk?

The consultant will meet with the Association's leadership on 24 September to review this report, and work through these questions.

Should the Association arrive at a confident “yes!” to questions two and three, it will be in a position to answer the “bottom line” question: “Are we going to go forward?” Again, this question is rarely black and white, and can involve a range of responses, including:

- **Yes!** *“We’re going to go forward with the enterprise as presented, perhaps with a phased approach.”*
- **Not now, but...** *“It looks promising, but we need to do more research and development in the following areas.”*
- **Not now, but...** *“It looks good, but the timing just isn’t right. We’ll revisit things in # months.”*
- **Not ever** *“With what we now know, it really doesn’t seem to make sense. Let’s not invest any more time or resources on it, and move on to something else.”*

CECNB wants to stress that any of these answers, if made from an informed position, can be viewed as a positive result. Making the pre-emptive decision to shelve an unfeasible idea before the Association has committed significant time and resources, is far superior to going forward with bad information and launching a doomed enterprise. Finally, CECNB wants to stress that its role is to help inform the Association's leadership to make the decisions that only they can make. Only in rare cases, where the enterprise is clearly lacking, is it appropriate for the consultant to tell the entrepreneur that they can't be successful.

5 Appendices

- Appendix A: 10 August 2018 Meeting Notes
- Appendix B: Existing Floor Plan
- Appendix C: Heritage Standing Inc.'s Recommendations
- Appendix D: Profiles of Similar Heritage Properties

Appendix A: 10 August Meeting Notes

Meeting Purpose

To engage Association board members and local stakeholders in identifying high-potential uses for the house.

Meeting Agenda

1. Introductions
2. Review project goal and process
3. Framing the discussion: “SE 101” and the Association’s social and business goals
4. Identify and rate potential uses
5. Discuss next steps
6. Check out

Project Goal and Process

Project Goal

To determine the best use of space to make the Doucet Hennessy House Association financially sustainable, while furthering its mission and retaining a portion of the building for the Association’s use.

Project Process

1. Clarify the nature and scale of the enterprise
2. Validate assumptions
3. Clarify requirements - social, marketing, operational, financial
4. Make a decision about how to go forward

Social Enterprise Definitions

Government of Canada

A social enterprise seeks to achieve social, cultural, or environmental aims through the sale of goods and services. The social enterprise can be a for-profit or not-for-profit, but the majority of net profits must be directed to a social objective, with limited distribution to shareholders and owners.

Co-operative Enterprise Council of New Brunswick

Non-profits, for profits, or co-operatives that sell services in the market and invest the majority of their surpluses / profits back into social, cultural, or environmental goals.

The Association's Goals

Mission / Social

4. Preserve the house
5. Promote the local heritage and culture of the founding Indigenous and European cultures
6. Create educational opportunities

Financial / Business

Minimum requirements:

5. \$1500 per month for utilities, taxes, and maintenance = \$18,000
6. Full-time salary for one person = \$35,000
7. Overhead = \$6,000
8. Total minimum requirements = \$59,000 per year

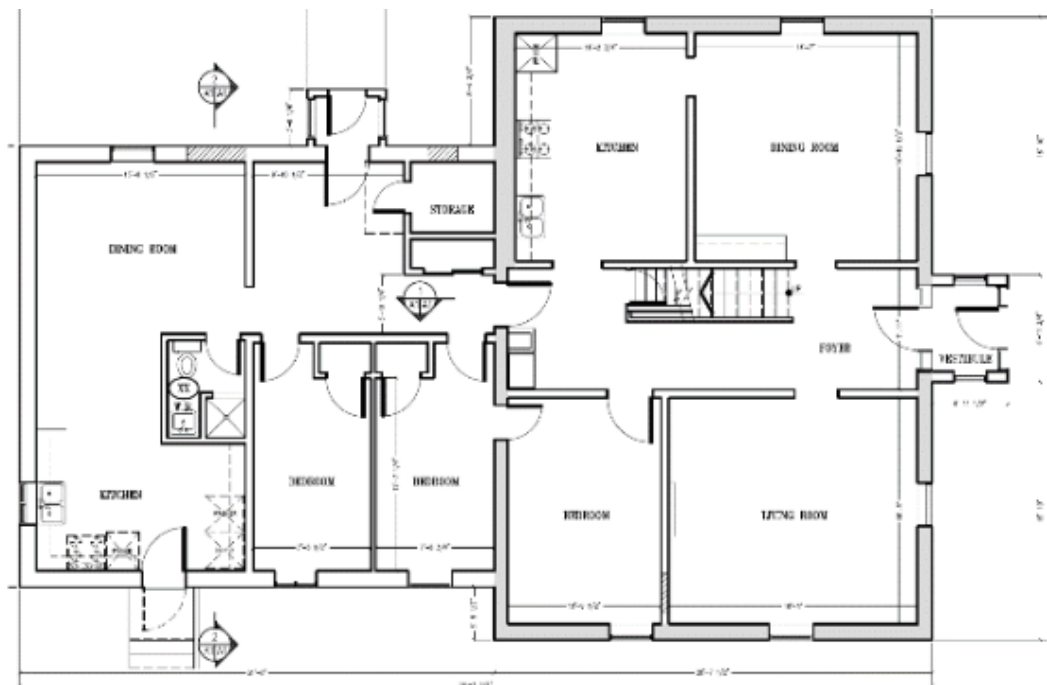
Potential Uses, Ranked

11. Musical performances (9)
12. Studio for dance, fitness, yoga, etc. (9)
13. Café (8)
14. Cultural / arts / heritage programming - "Heritage meals", talks, films, demonstrations (6)
15. Gallery for solo shows (5)
16. Workshop / makerspace (5)
17. Senior space (3)
18. Language / cultural training, exchanges, and meet-ups (3)
19. Meeting and boardroom rentals (1 vote)
20. Office rentals to complementary community organisations (1)

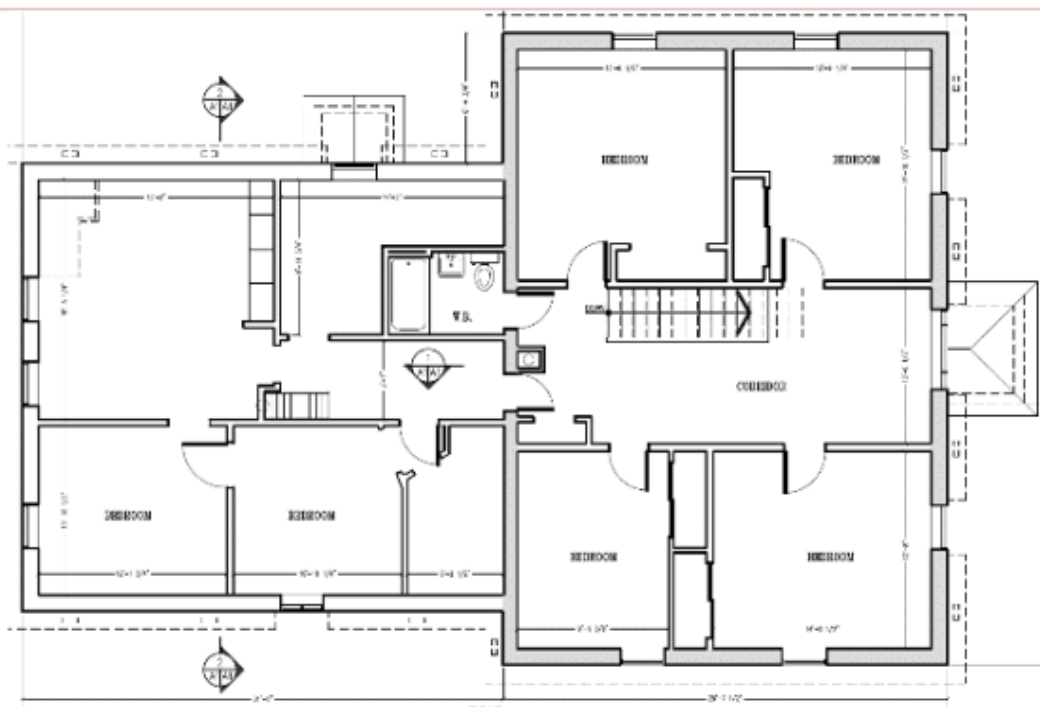
Next Steps

1. By 24 August: Validate assumptions, clarify and refine the concept
2. By 31 August: Clarify requirements for the enterprise - social, marketing, operational, financial
3. At September board meeting: Make a decision about how to proceed

Appendix B: Existing Floor Plan



Ground Floor



Upstairs

Appendix C: HSI's Recommendations

C.1 Executive Summary of Heritage Standing Inc.'s Review of Engineering and Architectural Reports

Doucet Hennessy House: Review of Prior Reports
Executive Summary



Executive Summary

Heritage Standing Inc. (HSI) was retained by the Association Maison Doucet Hennessy House Association Inc. (AMDHHA) to provide a second opinion on the 2012 Architectural Report by Jacques Boucher Architecte Ltée and 2015 Engineering report by Roy Consultants Engineering Services on the Doucet Hennessy House in Bathurst. HSI engaged Architectural Conservation Services to support the investigation.

Global Review found that both reports lacked consideration for both a clear future use and business plan from the owner, as well as recognition of established conservation standards. Further planning on the future use will make an impact on what construction work would be required as well as what could be avoided, and is best done with consideration for the existing building. As a future use becomes clear the question of how the use can be made to fit the building as opposed to how the building can be made to fit the use is important. This process would be aided by a clear Statement of Significance and Character Defining Elements for the building.

Overall changes to the building can be reduced by using the existing aspect of the resource, working with what exists in the building, and following Conservation Practices based on minimal intervention. Work will be required to meet future needs, however, when an existing element can be maintained and improved more easily this should be the goal. Scope of work can be reduced significantly.

Engineering work required for a new future use of the building could be reduced through additional evaluation and design. There are urgent foundation repairs required, however localized repair of the worse areas and addressing other foundation problems in place will reduce construction costs. Local repairs are required in multiple areas, however structural interventions into large scale sections of the building frame could be reduced through additional evaluation and design.

The costs for the conservation of the building proposed in the Architectural and Engineering reports were reviewed. These numbers were then used as a reference for where alternative conservation solutions are possible, with Rough Order of Magnitude costs provided based upon the HSI assessment. Through following the Standards and Guidelines and Conservation based design approaches a \$505,000.00 saving in construction costs for the building is projected.

To enable continued good management of the building creation of a maintenance plan for the Doucet Hennessy House is recommended as part of future tasks.

C.2 Revised Rough Order of Magnitude Costs

Table 3: JBA & RCE Cost vs HSI ROM Cost

Item	JBA & Roy Costs (thousands of dollars)	HSI: ROM Cost estimate (thousands of dollars)	Short Comment
Site work surrounding building	91	91	Would provide significant benefit to aesthetic and needed for greater use and water control
Exterior walls	66	40	Focus only on damage, replacing only singles that need to be replaced.
Windows	45	10	Assumes many windows retained in place and focus on required repairs
Exterior doors	6	5	Assumes 3 of the 6 doors could be retained, while additional allowances for secondary issues
Front vestibule & steps	16	8	Assumes repairs in place.
Roofing	51	15	Some repairs to roofing required, significant service life remains
Dormers, Eaves & Trim	21	13	Repair in place using conservation products
New faux chimneys	11	0	Not justified for conservation
New fire escape	13	13	Will depend on future use and study
Interior work on building envelope	187	80	Greater extent than required. Repair and work with existing. Potential for significant repairs
Main floor ceiling	16	12	Repair instead of replacing
Main interior stair	32	10	Repair advised, no conservation-based justification for replacement.
Interior partitions	52	25	Repair existing
Floors	69	40	Repair existing. Less if no refinishing is done.
Fireplaces	17	4	Repair existing instead of new
Architectural features	43	20	Focus on using actual features of this building. Potential repair of those features
Foundation repair (structural)	88	60	Local repair and rebuilding instead of larger intervention.
Attic and roof structure repairs (structural)	12	10	Use greater design and evaluation to reduce construction costs
Floor structures (structural)	62	40	Roy costs seen as lower than their scope would result. HSI cost based upon greater evaluation approach
Window and door lintels (structural)	10	6	Greater evaluation to reduce intervention
Plumbing	36	25	
Ventilation and Heating	62	40	Performance designed
Electrical	83	83	Dependant on future use
Sub-Total Construction	1,089	650	
Professional Service (Evaluation, Assessment & Design)	163 (15%)	163 (25%)	Same fee but construction costs are substantially less.
Contingencies (15%)	163	98	
Total before tax	1,416	911	

Appendix E: Profiles of Similar Heritage Properties

Lefurgey Cultural Center: A Community and Cultural Hub



- Location: Summerside, PEI
- Age: 147 years old (1871)
- Website: https://summerside.ca/residents/arts_heritage__culture/culture/lefurgey_cultural_centre/
- Social Media: N/A

History

John E. Lefurgey was a leading Summerside shipbuilder, produce dealer, and politician who bought the large residence at the corner of Granville and Prince Streets in 1871. He was a Conservative Member of the Legislature who helped steer Prince Edward Island towards the construction of a railway and, in 1873, to join Confederation.

Customer Segments

- Teachers
- Kitchen educators
- Non-profits
- Heritage groups
- Musicians

Value Proposition

Space for art and other educational programs provided by educators. The kitchen provides space for culinary events put on by cooking educators. Space for fundraisers for nonprofits and charity groups. Meeting space for community members.

Channels

- Website
- Referrals from the municipality
- Word of mouth

Relationships

As a center dedicated to arts education and training and to cultural learning, they strive for a relationship that promotes awareness and education of history.

Revenue Streams

Revenue is obtained by renting the space for various activities (weddings, corporate meetings, receptions), as well as donations.

Key Activities

- Art programs
- Education Programs
- Culinary Events
- Meeting Space

Partners

- City of Summerside (Municipality)
- The Wyatt Foundation
- Atlantic Canada Opportunities Agency (ACOA)
- Human Resources Development Canada

Key Resources

The Lefurgey Cultural Centre is wonderfully restored with over 6,000 sq/ft of space. On the ground floor the front parlor serves as a reception area and gift shop, the large drawing room is a multi-purpose and versatile space, and the dining room has retained its original use with the flexibility for other purposes. The kitchen appliances, counters and cupboards have been modernized and the space above this area is an art studio with windows on three sides providing plenty of natural light. The four bedrooms in the main section of the second floor have found new service as offices and an additional office exists on the third floor. Also located on that upper level are a large storage area for artifacts from the Wyatt House and a costume room for the summer staff. The full basement with its high ceiling provides space for a pottery studio and extra storage.

Cost Drivers

The main costs are staffing, utilities, catering costs, and general maintenance of the building.



The Solarium: Community Hub

- Location: Decatur, Georgia
- Age: 93 Years Old (1915)
- Website: <https://www.thesolarium.com/>
- Social Media:
<https://www.facebook.com/thesolarium/>

THE SOLARIUM
at Historic Scottish Rite
THE COMMUNITY CENTER OF SOUTH DECATUR

History

Founded in 1915, The Scottish Rite Convalescent Hospital for Crippled Children. Serviced families who could not afford care. The hospital merged with another in 1976. The Community Center of South Decatur worked for many years on the redevelopment of the space which is now complete with several anchor organizations

Customer Segment

- Musicians
- Youth educators
- Members of the public (wide demographic)
- Non profits

Value Proposition

Music venue for local musicians. Classroom space for local educators (children, workshops, seniors, yoga). Venue for special events for the general public (weddings, and other gatherings). Meeting space for nonprofits and community members.

Channels

- Online (website and social media)
- Word of mouth referrals through organizations that use the space
- Traditional medias (posters)

Relationships

Building relationships by serving the community and providing outreach. The mission is to preserve and maintain The Solarium at Historic Scottish Rite as a sustainable community resource to be used for the assistance, education and enjoyment of the Decatur community.

Revenue Streams

Revenue is obtained by renting the space for various activities (weddings, music venues), as well as donations

Key Activities

- Weddings
- Music venue
- Community meeting space
- Workshop space

Partners

The Community Center of South Decatur

Key Resources

Accommodates up to 200 people (indoor and outdoor) kitchen facilities, parking, some decorations.

Cost Drivers

The main costs are staffing, utilities, and general maintenance of the building.

McHugh House: Community and Art Hub



- Location: Calgary, Alberta
- Age: 122 Years Old (1896)
- Website: <https://www.beltlineyyc.ca/mchugh>
- Social Media:
<https://www.facebook.com/yycbeltline/>



History

The 6th oldest house in Calgary, was owned by the Roman Catholic Diocese of Calgary prior to Beltline. The McHugh House was built in 1896 in Rouleauville, the original French-speaking settler village presently known as Mission. It was the home of prominent frontier rancher J.J. McHugh and his family. The house is a three-storey brick and sandstone Queen Anne Revival-style building.

Customer Segment

- Community, social, and arts organizations
- Non-profits
- Community partners
- Members of the general community

Value Proposition

Serves as a meeting venue for community, social, and arts organizations as well as a gathering place for social and community activities. The building also acts as an education venue for workshops. McHugh House is a hub for idea generation and creative collaboration for community partners.

Channels

- Online (website and social media)
- Word of mouth referrals through organizations that use the space
- Traditional medias (posters)

Relationships

To inspire the customer segment by connecting them to the people and groups that help create vibrant and rich communities through their non-profit work. Encourage networking and collaboration among groups with shared and vested interest in the community.

Revenue Streams

Revenue is obtained by renting the space for various activities, as well as through grants, donations, and fundraising.

Key Activities

- Office and working space for community, social, and arts groups.
- Workshop space rental (yoga, children's classes)
- Private functions
- Community events

Partners

- Municipality (Local councillor pushed the project, were responsible for the physical relocation of the building)
- Calgary Party 50 (event service). End of the Rainbow Foundation (local LGBTQ+ group)
- CJSW 90.9 FM (local radio station). Cowtown Opera (Theatre arts group)
- Skipping Stone Foundation (Trans youth organization)
- Studio M* (Arts group)

Key Resources

The main level of the house is for public rentals including a space large enough for 50 people, a full kitchen, and a bathroom. Second and third floor rental is reserved for partners. There is also an outside space and veranda.

Cost Drivers

The main costs are staffing, utilities, and general maintenance of the building.