

Feasibility Studies

Planning to extend a building or construct a new one? Is your proposal sound? This guide tells you how to carry out a feasibility study to evaluate the likely success of your project - before you commit money to it.

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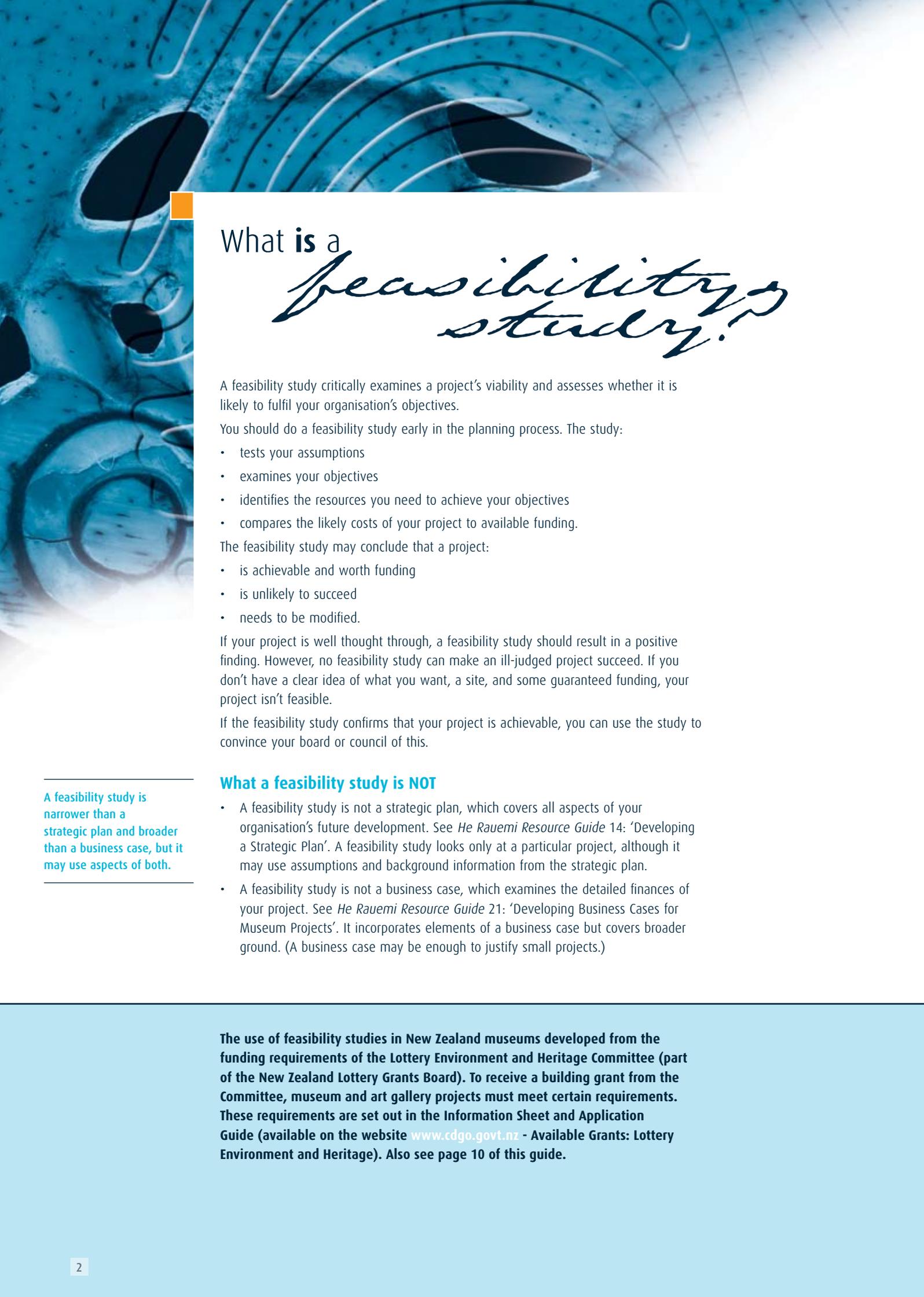
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This guide describes:

- what a feasibility study is
- why such a study is useful for museum building projects
- how you might go about doing one.

The guide is for small museums and similar groups that wish to extend an existing building or plan for a new one. Large museums undertaking major developments also use feasibility studies, but their processes may be more complex than those outlined here.

A feasibility study may also be appropriate for other major projects, such as exhibitions or the conservation of complex objects. However, a smaller scale business plan is often sufficient to examine such projects. See *He Rauemi Resource Guide 21: 'Developing Business Cases for Museum Projects'*.



What is a

feasibility study!

A feasibility study critically examines a project's viability and assesses whether it is likely to fulfil your organisation's objectives.

You should do a feasibility study early in the planning process. The study:

- tests your assumptions
- examines your objectives
- identifies the resources you need to achieve your objectives
- compares the likely costs of your project to available funding.

The feasibility study may conclude that a project:

- is achievable and worth funding
- is unlikely to succeed
- needs to be modified.

If your project is well thought through, a feasibility study should result in a positive finding. However, no feasibility study can make an ill-judged project succeed. If you don't have a clear idea of what you want, a site, and some guaranteed funding, your project isn't feasible.

If the feasibility study confirms that your project is achievable, you can use the study to convince your board or council of this.

What a feasibility study is NOT

- A feasibility study is not a strategic plan, which covers all aspects of your organisation's future development. See *He Rauemi Resource Guide 14: 'Developing a Strategic Plan'*. A feasibility study looks only at a particular project, although it may use assumptions and background information from the strategic plan.
- A feasibility study is not a business case, which examines the detailed finances of your project. See *He Rauemi Resource Guide 21: 'Developing Business Cases for Museum Projects'*. It incorporates elements of a business case but covers broader ground. (A business case may be enough to justify small projects.)

A feasibility study is narrower than a strategic plan and broader than a business case, but it may use aspects of both.

The use of feasibility studies in New Zealand museums developed from the funding requirements of the Lottery Environment and Heritage Committee (part of the New Zealand Lottery Grants Board). To receive a building grant from the Committee, museum and art gallery projects must meet certain requirements. These requirements are set out in the Information Sheet and Application Guide (available on the website www.cdgo.govt.nz - Available Grants: Lottery Environment and Heritage). Also see page 10 of this guide.

- A feasibility study is not an architect's brief, a developed design, or a building specification. These documents are expensive to produce and should be created only after funding has been raised and you are preparing to build. Your proposal (which the feasibility study examines) might include a preliminary architect's brief, a sketch plan, or some structural specifications, but these cannot be assumed to be final.
- A feasibility study is not a proposal. The proposal is what you need to begin a feasibility study.
- A feasibility study is not a justification or plea for your proposal. It examines your proposal critically and, in some instances, may not support it.

Who is the feasibility study for?

The feasibility study is for you first of all - and then for your funders, supporters, architect, and project manager.

Some funding agencies, such as the Lottery Environment and Heritage Committee, require a feasibility study. Feasibility studies that meet the Committee's guidelines (see page 10) can also be used in applications to other funding agencies, such as sponsors, regional trusts, or central government. A positive study will reassure your funders that your project is worth supporting.

It is better to spend a little money testing a proposal than to commit a large amount to a project that fails.

Why undertake a feasibility study?

Funding agencies need to know whether a project is likely to succeed - and so do you. A feasibility study helps you to assess your ideas objectively. A failed project, or one that runs out of money, is much more embarrassing than one that never starts.

As such, your feasibility study should be realistic, objective, and honest. Don't try to fool yourself or anyone else. A major building project will place strains on your other activities for some time. Ask yourself whether you can still carry out your core functions if you begin your project.

Who does the feasibility study?

You can do the feasibility study yourself, but it is time-consuming and demands a detailed knowledge of the requirements of museums and their buildings. Involving an independent consultant ensures that an unbiased, professional eye assesses your proposed project.

If you are seeking funding from the Lottery Environment and Heritage Committee, an independent consultant *must* carry out the feasibility study. A suitable person would be someone who has experience of museum building projects or project management and who has worked in museums at both governance and operational levels. Facilitation skills would also be helpful.

The museums directory published by Museums Aotearoa lists conservators and independent consultants available in New Zealand.

Paying for the feasibility study

The Lottery Environment and Heritage Committee can make grants of up to \$5000 to help you with the cost of your feasibility study. This is likely to be close to the minimum fee for employing a professional.

Your city or district council may also be prepared to contribute to the cost of the study. (The Local Government Act was recently changed to recognise the promotion of social and cultural well-being as part of the role of local government.)

Carrying out your

feasibility study

Below is a suggested process for your feasibility study - from working out what you want through to finalising the feasibility report.

DISCUSS NEEDS AND IDEAS

Discuss your needs and ideas with your board or committee. Keep things general. Don't try to design the detail of your building. Don't employ an architect. Your project will almost certainly change before your building is constructed. At this stage, it is better not to have too many preconceptions.

Beware of hidden agendas. One committee member might be interested in exhibitions and may not see the need for collection storage. Another may just want a space where they can pursue their own research interests.

You may not get everything you want so be realistic. The Lottery Environment and Heritage Committee and some other funders give preference to projects that protect collections, make them more accessible to the public, and enhance learning through them.

DRAFT A PROPOSAL

When you have agreed in broad terms about what you want, draft a proposal. (If the commissioning body - whether an incorporated society, trust, or local authority - cannot agree about what it wants, the project is unlikely to proceed smoothly.)

Your proposal should be a short clear statement, something like:

'The society proposes to build a museum to house and display its vintage washing machine collection. The museum will be built to modern museum standards, with controlled light levels, passive climate control, and minimum air-conditioning or forced ventilation.

We expect that around \$3 million will be available to fund the building, sourced equally from the Robinson bequest, local fund-raising, and grants. The District Council will meet the facility's operational costs up to \$150,000 annually (2006 equivalent), provided visitor numbers to the town increase by at least 2,000 a year.'

Your proposal may not have been defined in detail at the time you commission your feasibility study. The study will test your proposal to see if it is realistic, and this process may result in changes to the original concept.

PREPARE A BRIEF FOR THE FEASIBILITY STUDY

The brief contains your instructions to the person who will prepare your feasibility study. It is an important document and should be as precise as possible. It should demonstrate that you know what you want and have thought through the implications of your project. If your brief is unclear, you are unlikely to get what you want.

The brief should clearly set out:

- what you want to do
 - what resources you will have to help
 - what you want to see in the feasibility study
 - the requirements of the funding agencies.
- Your consultant, if you employ one, can then give you an estimate of costs for carrying out the feasibility study.

GATHER INFORMATION FOR THE FEASIBILITY STUDY

The process up until the time you receive the results of your grant application(s) will take about six months. During this period, gather information in preparation for the feasibility study - much as you would for a strategic plan or business case.

As well as describing your proposed project to funders, you need to explain what your organisation is and does.

- Make sure you have copies of your trust deed or constitution and your policies and plans.
- Collect information on the background of your museum.
- Check your charitable status with Inland Revenue and the Charities Commission.
- Do you pay GST?
- Gather together copies of your annual accounts and annual reports for the past five years.

You need to have a clear idea of your existing resources and list them.

- Who are your staff, volunteers, board members, and other stakeholders?
- Who else can you expect support from?
- Do you have an inventory of your collections? (If not, compile one. It doesn't have to be exact.)
- Do you store collections off-site?
- How much space will you need for storage and display?
- Do you have a plan or inventory of your existing facilities?



APPLY FOR FUNDING FOR THE FEASIBILITY STUDY

To cover the costs of the feasibility study, you can submit an application to the Lottery Environment and Heritage Committee (www.cdgo.govt.nz - Available Grants: Lottery Environment and Heritage) and other potential funders.

Remember that, at this stage, you are applying for a grant for the feasibility study only. You won't need to supply as much information as you will when applying for funding for the building itself.

KEEP IN CLOSE CONTACT WITH YOUR CONSULTANT

Once a grant for your feasibility study has been approved, ensure that your consultant has all the information they need (see the orange box below). It can be useful to hold an informal workshop with them, using a whiteboard and flip charts to record ideas.

A day spent examining the issues is not too long. Involve all members of your board or committee and any staff you employ.

Check your proposal. Is this what you really want? (Remember that, if those involved cannot agree about what they want, you cannot arrive at a satisfactory result.)

Keep in touch with your consultant, but don't badger them. Agree on regular intervals, say fortnightly or monthly, for them to report on progress.

FINALISE THE FEASIBILITY REPORT

Make sure that you have a draft of the feasibility study at least a month before the final copy is due. Finishing a report is time consuming and you may need to clarify issues or supply extra information. Remember that you cannot collect your grant for the feasibility study until it has been satisfactorily completed.

What next?

Once the feasibility study is completed and supports your proposal, you can use it to back up your case for fundraising, resource consent, operational requirements, and other aspects of your project. You are ready to get going. Good luck!

You need to know where your new facilities will go.

- Will you need land for your project?
- How will you get it?
- Will it be freehold or leasehold?
- If you have a site, get a copy of the Land Information Memorandum (LIM) from your local council.

Think about the running costs of your new building.

- How many extra volunteers or staff will you need to run it?
- Will there be additional staff costs?
- What equipment and fittings will you need? What about display cases and exhibition furniture?
- What will the costs of maintenance, depreciation, and loan repayments be?

Is there anything else? The more detailed and accurate your information is, the less time your consultant will spend on finding or preparing it.

Case studies

Aratoi Wairarapa Museum of Art and History, Masterton

Proposals to replace Masterton's thirty-year-old Arts Centre went through a meticulous five-year planning process, which included a feasibility study. The study incorporated an agreement between two local trusts and the district council to respectively provide capital and operational funding for the new building. The feasibility study also included an architect's brief. The award-winning building is now a major architectural feature of Masterton.



Courtesy of Aratoi Wairarapa Museum of Art and History

Waipu Museum

Waipu Museum undertook a feasibility study on proposed additions to its 1953 House of Memories. The study modified the preliminary plans, suggesting improvements to the proposed building in keeping with museum standards. It identified that the proposed budget would meet only two-thirds of the project's likely cost. Its recommendations resulted in additional money being raised. The building opened in 2003 - the 150th anniversary of the arrival of Waipu's Scottish settlers.



Courtesy of Waipu Museum

Feasibility study *template*

This template shows how you might structure the report of your feasibility study and what it needs to cover. You can adapt the structure to suit your particular situation.

1.0 CONTENTS

List sections, figures, tables, and appendices so that readers can easily find the information they want.

2.0 SUMMARY

Include a one-page summary of the feasibility study for busy executives. Outline its background, the proposal, funding requirements, and conclusions.

3.0 OBJECTIVES OF THE FEASIBILITY STUDY

Say what the feasibility study will do.

4.0 MUSEUM BACKGROUND

4.1 Existing facilities

Describe your existing facilities (if any), including floor area, construction method, and deficiencies.

4.2 Land

Describe the land available for the new building, stating who owns it and any restrictions on it - for example, restrictions related to zoning, the Land Information Memorandum (LIM), and leases. Is the land really suitable?

4.3 Governance

Outline your legal structure. Who is responsible for the museum, and how does it work?

4.4 Operations

- Describe what the existing museum (if any) does, when it is open, and how it is staffed.
- Explain what its strengths are and how it serves its community.
- Describe its context, including the number of museums in your district or region.

4.5 Objectives

State the museum's aims and objectives as set out in its trust deed, constitution, or statement of purpose.

4.6 Policies

Summarise the museum's policies, in particular those relating to the acquisition or care of its collection.

4.7 Collection

- Give a brief description of the museum's collection, including the number of objects, collection categories, and the collection's significance - locally, regionally, and nationally.
- List predominant materials and their associated needs (for example, climate-controlled storage for metal objects and photographs).
- Include any special objects you hold.
- Use tables and appendices as necessary.

4.8 Visitors

State annual visitor numbers - for locals and non-locals. How might numbers be increased by your proposed project? Show that you have done your research to support this.

4.9 Finances

Review the museum's finances over the past five years or so. Distinguish between capital projects and operating expenditure. Give previous and expected sources of income.

5.0 ISSUES AND NEEDS

5.1 Governance, policies, and procedures

Outline issues with current policies and procedures where changes may be required. For example, do you need to develop a 'de-accessioning policy' so that you can dispose of material that is no longer relevant? (For a checklist of issues you might consider, refer to the *New Zealand Museums Standards Scheme Ngā Kaupapa Whaimana a Ngā Whare Taonga o Aotearoa*.)

5.2 Existing facilities

Are your existing facilities inadequate? What do you need to better care for, and provide access to, your collections?

5.3 Climate

Provide measurements of temperature and humidity in critical areas of your existing building (if any). Are conditions appropriate? How could they be improved?

5.4 Collection management

What are your acquisition and registration procedures? Are your storage and display conditions adequate? (Refer to the *New Zealand Museums Standards Scheme Ngā Kaupapa Whaimana a Ngā Whare Taonga o Aotearoa* and to *He Rauemi Resource Guide 5: 'Preventive Conservation'*.)

5.5 Available land

Is the available land appropriate? Is it adequate for expansion or a new building? If not, how will you get more land?

6.0 NEEDS ANALYSIS

- Summarise the issues you have identified.
- State your objectives (what you need to do to improve the situation).
- List (preferably in order of priority) the specific things you need - for example, two hectares of land, 850 square metres of floor space, insulated storage, more visitors.

Your objectives should fall somewhere between your existing situation and a fantasy wish-list.

7.0 PROPOSAL

- Present your proposal (based on your needs analysis) as clearly as you can, indicating how it will improve your situation.
- Include a breakdown of areas of your proposed building assigned for different purposes (for example, exhibitions, storage, staff workspaces, public facilities).
- Describe how the building will be designed to suit its purpose.
- If appropriate, provide alternative options.
- Indicate what staff you will need to manage the new facilities and whether they will be volunteers or paid.
- Use graphs and diagrams to clarify your proposal.
- Include a preliminary building brief and sketch plans if you have them, remembering that your proposal will change according to the level of funding you receive.

8.0 FUNDING

8.1 Capital funding

- Estimate the cost of your new building. In some cases, you will need to calculate this on an average cost-per-square-metre basis. Where planning is more advanced, it may be appropriate to include a quantity surveyor's estimate. (Remember that building costs are rising rapidly from year to year. Last year's figures won't be valid next year.)
- Distinguish between the cost of the building itself and the cost of fitting it out and opening exhibitions.
- List the sources from which you hope to raise the money, indicating how realistic they are. Include loans and donations of labour or materials.

8.2 Operational funding

- Estimate the cost of keeping your building open once it is built.
- Include the costs of maintenance, depreciation, rates, power, phone, administration, and wages or salaries.
- Will you have loans to repay?
- Demonstrate how you will raise the necessary income.

For guidance, refer to *He Rauemi Resource Guide 21: 'Developing Business Cases for Museum Projects'*.

9.0 CONCLUSION

9.1 Feasibility

Summarise the case for your building project and demonstrate whether or not it is feasible. If it is not feasible, suggest modifications that might make it so.

9.2 Recommendations

List the steps you will take to move the project forward or, if your project is not feasible, to make it so. Providing an action plan demonstrates that you have thought the project through. A Gantt chart (timeline) will help to clarify your plans.

10.0 REFERENCES

List the sources of information you have used to justify your conclusions.

11.0 APPENDICES

Include copies of your constitution or trust deed, policies, letters of support, records of consultation, detailed calculations, inventories, and other relevant data.

Criteria for

feasibility studies

Lottery Environment and Heritage Committee

The Lottery Environment and Heritage Committee has the following requirements for feasibility studies. These criteria may be useful even if you are applying for funding from other sources. In the text, 'client' refers to you, the funding applicant.

Definition

A feasibility study reviews objectively whether a proposal is likely to fulfil an organisation's objectives.

Brief

- It is the client's responsibility to draft an appropriate brief for the feasibility study and to ensure a high-quality piece of work.
- Key stakeholders need to be consulted with.
- The feasibility study needs to be carried out by an independent consultant.
- The whole process needs to happen before the appointment of an architect or design team.

Requirements

The feasibility study is required to outline:

- present and future cultural requirements
- existing cultural facilities
- projections of costs (both capital and ongoing) for the project
- details of users (individuals and organisations)
- income-generating facilities (for example, a café)
- financial contingency provisions.

The feasibility study should include:

- an analysis of alternative options, including 'to do nothing'
- a preferred option.

The feasibility study should be carried out:

- within a defined timeframe
- with appropriate review points.

Essential questions to ask in a feasibility study

- What are the organisation's objectives?
- What is the evidence of need?
- Is a capital project the best way to meet these needs and objectives?

- Is the project affordable (in capital and revenue terms)?
- Is there satisfactory management and funding to operate the new facility?
- Is the organisation capable of managing the project?
- Are there key skills gaps on the board?
- Is the proposed site suitable for the business case?
- Is resource consent likely to be granted?
- Is the client's financial status robust?
- Is there a comparison with the benefits of using funds in a different way?
- Is the proposal viable in the prevailing economic climate?
- Is the fund-raising target achievable?
- How will long-term maintenance of the new facility be funded?
- How will long-term cultural outcomes be measured and evaluated?

Further reading

Archives New Zealand - Tāhuhu te Hanga me te Tiaki. (2000). *S-2 Standard for the Storage of Public Records and Archives*.

www.archives.govt.nz/continuum/dls/pdfs/s2-storage-standard.pdf

Coster, John. (2003). 'Small museum buildings: the role of the museum advocate.' *te ara Journal of Museums Aotearoa* 28(1), 21-23.

Harrison, Raymond O. (1977). *The Technical Requirements of Small Museums* (Technical Paper No. 1). Ottawa, Ontario, Canada: Canadian Museums Association. (This paper is dated but still useful.)

Lord, Gail D, and Lord, Barry, eds. (2000). *The Manual of Museum Planning*. Second edition. Lanham, United States, and London: Altamira Press. (This is the definitive text for anyone planning a museum.)

Museum of New Zealand Te Papa Tongarewa. *New Zealand Museums Standards Scheme Ngā Kaupapa Whaimana a Ngā Whare Taonga o Aotearoa*. (Self-review handbook)

www.tepapa.govt.nz/TePapa/English/NationalServices/Resources/StandardsScheme

Museum of New Zealand Te Papa Tongarewa. *Te Papa National Services He Rauemi Resource Guides*:

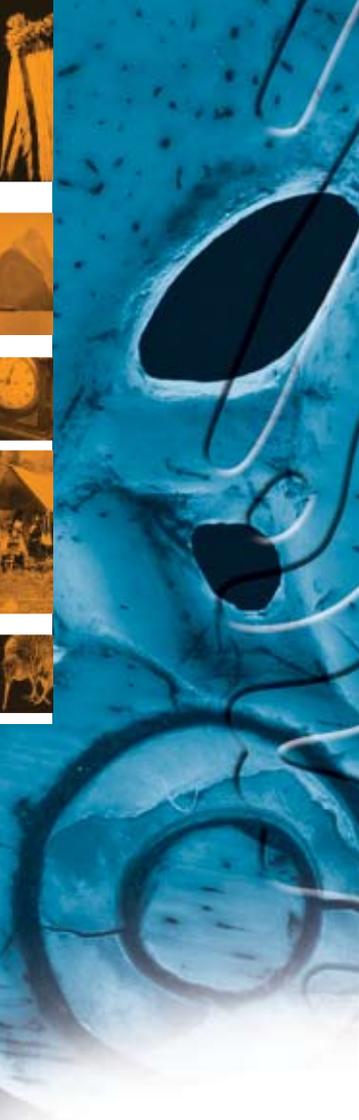
(2001) No. 2 'Tapping into Funding Sources'

(2001) No. 5 'Preventive Conservation'

(2001) No.14 'Developing a Strategic Plan'

(2004) No. 21 'Developing Business Cases for Museum Projects'.

www.tepapa.govt.nz/TePapa/English/NationalServices/Resources/ResourceGuides



Continued...further reading

Museums Aotearoa. (2005). *Directory 2005*. Wellington: Museums Aotearoa. (This directory of New Zealand museums is updated and reissued annually.)

New Zealand Lottery Grants Board - Te Puna Tahua. (2002). *Information Sheet Lottery Environment and Heritage*.

www.cdgo.govt.nz - Available Grants: Lottery Environment and Heritage

New Zealand Lottery Grants Board - Te Puna Tahua. (2002). *Application Guide Lottery Environment and Heritage*.

www.cdgo.govt.nz - Available Grants: Lottery Environment and Heritage

Silberberg, Ted, and Brown, Kathleen. (2003). *Feasibility Analysis for Museums*. Ontario: Lord Cultural Resources. Available on request from info@lord.ca

This guide on feasibility studies is tailored to the New Zealand situation. A web search on 'feasibility study' and 'museum' will return more general information about museum feasibility studies from overseas sources.

Acknowledgements

This guide was written by John Coster. National Services Te Paerangi gratefully acknowledges the assistance received from Simon Richell and Emily Kratz, Local Government and Community Branch, Department of Internal Affairs. Photographs by John Coster.

Te Papa National Services Te Paerangi *He Rauemi Resource Guides* are published by National Services Te Paerangi in support of its work with museums, galleries, iwi, and related organisations throughout New Zealand to enhance the museum services offered within communities. Unless otherwise stated, all images are owned by Museum of New Zealand Te Papa Tongarewa.

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