

What I Should Know About Land and Buildings



I took this photo while travelling Michigan's Upper Peninsula. I love old barns. I think this one is handsome.

My first exposure to barns and horses was, as a pre-teen, trespassing at the century-old and abandoned Crapo Mansion near my subdivision. I can still smell the musty hay, see the pigeon poop in the lofts, feel the weight of sliding doors so set with age that my young body could not budge them. As an adult, if trespassing were not illegal, I would make it a hobby to rummage old barns.

Sadly, the barn at my first stable was in no better shape than this. My family was impressed that I managed to swing the mortgage; but I surely could not afford a new roof. So, I kept patching with money I did not have. Until the day I sold the place, that's all I had - an ugly patched and still leaky roof.

Musings About Land and Buildings

Control Over Your Land and Buildings

You can own your riding school business on leased property. If you think about it, *many* businesses are operated on leased property. All the stores in the malls lease their space and many professionals lease their offices. If you choose to lease land and buildings for your riding school business, the question then becomes, “How much of this leased facility must I have *under my control* in order to be able to properly run my business?” The answer is, all of it. It is a recipe for disaster if you do not have total control over the physical space where you will keep your horses and offer your lessons. You need private office, tack, and instructional space. You also need private ingress and egress. How else could you assure the drive is not rutted, the lawn is mowed, and the fences are repaired? You also need control of your space so that other people at the facility - whether they are other professionals or boarders - cannot become even peripherally involved in your customers’ activities.

With regard to all of the stable owners who are currently members of the AARS, the only truly financially and emotionally rough roads we’ve needed to trek were related to program owners who thought they had more control over their facilities than they actually had. As long as they had fewer customers and less cash flow than the women who actually owned the real estate, the relationship was smooth. But, in those cases where the AARS member’s business grew to a size where they had more physical activity than the owner, the property owner (apparently) grew jealous and took steps (actively or passively) to make life hard for the AARS member.

Even before the recent economic downturn, there were a fair number of empty horse barns abandoned in bankruptcy, divorce, whatever. Many of them would be ideal both in design and location for businesses such as ours. But, finding a property owner willing to offer a solid long-term lease is difficult. We horse people tend sometimes to be sloppy with our paperwork; even often entering into ridiculously simple verbal agree-

ments. But, profit is only possible if you're in the for long-haul. A comprehensive long-term lease conducive to your business growth is essential.

Under the password-protected *Member Resources* tab of the *ucanride* web site, is a sample lease. It could be your first draft of a lease endorsed by your own lawyer.

Location and Type of Property

There are two reasons for investing in real estate. You need property and buildings to operate your business; and investing in real estate as a long-term asset is a good financial investment. I know that as I type, the current national mortgage mess has turned some timeless rules about land appreciation on end. But, the long-term rule that real estate appreciates over time will remain because land is a finite commodity. One cannot 'make more land.'

My suggestion is that you start shopping for real estate now, even if you don't plan to purchase for a few years. Window shopping keeps the goal in front of you, and reinforces your motivation to save. And, by reviewing many parcels, you'll become more able to spot the good deal when it comes along. In the meantime, you'll get a lot of good ideas for your own stable by looking at a lot of others. You might think it an imposition on real estate agents to look at a parcel when you're not ready to buy; but that's their job. We sold a condo a few years back and the agent showed it over forty times before it sold. Her eventual commission covered her costs for all those showings.

Even though I am not in the market for real estate, I still watch the *For Sales* in my county out of personal curiosity. I sometimes see farm parcels that appear to be good deals; but they are located too far from the suburbs, in fairly rural areas of lower middle-income families. And, although it is true that us horse owners will drive many miles, even to another state, to work with our trainer-of-choice, this is not true of novices. It would take a large investment in advertising and phenomenal customer service to attract and keep customers who would have to drive many miles for every lesson.

I'll also read ads for parcels near the new hospital on the other side of the county.

That will be a phenomenal growth area; and the families that will move in near the hospital will be able to afford riding lessons. But, I wouldn't be able to afford the land.

So, how do you solve this 'affordable but too far vs. great location but not affordable' dilemma? Look for the in-between - acreage on the outskirts of town that is as close to a middle school, a McDonald's restaurant, and soccer moms as you can afford. There's a good chance that, even within a decade, zoning laws will change, you will be safely grandfathered in (meaning you get to live by the old rules), and any new competition will be forced to build farther out. Twenty or thirty years from now, if you decide to sell, your land will be attractive to developers. And if you decide to die there, it will be great inheritance income for your children.

It will be a bonus if you can purchase property that is adjacent to horse-friendly public land. In our area, novices won't drive more than twenty miles for a lesson in the summer; and in the winter we lose those farther than fifteen. When we purchased my second stable, Riverbank Farm, we actually played both options. We purchased ten acres adjacent to a 450-acre county park, within one mile of an elementary school, and six miles from the middle school. We have a McDonald's® six miles to our southeast and another one six miles to our northwest.

At the time, I wanted more land; ached for pasture and long white fences. But, in retrospect, what we have is perfect. Due to some technical difficulty in someone's messy divorce, the property had remained on the market for three years, with the price slowly decreasing as the angst in the divorce proceedings increased. My husband had been watching it sit on the market, but I wasn't interested. I had it stuck in my head that I wanted a *horse farm*. You know - the big, old gambrel roofed barns, large paddocks, and lots of fencing. But, we had already spent three years searching for something that was large enough to sate me and close in enough to attract the novice market. We weren't coming up with anything we could afford and, when the divorce was finally complete, the couple cut-and-ran. The price on the property plummeted by tens of thousands of dollars and, because we had done our homework, we were able to jump on it. Luck is "looking

long and hard so that you are ready for the deal when it comes along.”

As you enthusiastically shop for barns, don't discount the quality of the houses that come with them. I know there's an old farmers' cliché that one must lay the tile before he builds the house. But, over the years, I've seen a lot of good women living in 'worse than substandard' housing in order to afford their horses. That's a sign of poor self-worth. It's okay, maybe even wise, to buy a handyman special. But, if you purchase a home that is a handyman special in order to afford the land and barn, there needs to be a handyperson in the family; and the house needs to have been well built to begin with. A house made of oak is worth renovating; a house made of particle board is not. I'm just suggesting that you look at the whole picture and put the pieces together carefully so that you don't end up throwing good money after bad.

As you consider possible real estate purchases (and leases), ask yourself questions about each part of the parcel that will cost you money. For example, will that mammoth, romantic old wood barn cost you more to restore, repair, and maintain than it will ever be worth? Will you be paying land taxes year-after-year on acreage you are not using? When you read the document titled “*An AARS Partnership*” on the *ucanride* web site, you will find photographs of my Riverbank Farm. It's a really little place. When the time comes, it will be sold as a private residence. Nobody loves big old barns more than me. But, it doesn't make sense to invest in structures that are too big to pay for and too old to repair. Your facility plan should be like a good show ring pattern: *It's better to execute a simple plan perfectly than a complicated one imperfectly.*

The *Learning Library* (operating manual) section under the password-protected *Member Resources* button on the *ucanride* web site includes a plan for a barn conducive to the needs of horses and people who would use a novice-level riding school.

Local Laws Regarding Riding Schools

How many acres do you need to care for your horses and operate your business? Realistically, you can run a riding school on just a couple acres. But, zoning and nuisance

laws in your particular township will dictate the minimum number of acres required. This discussion is a little tricky because I don't know what *state* you live in, much less what county or township. But, I can talk about issues that have arisen in my geographic area that can be food for thought as you research yours.

Before making a commitment to lease or purchase land, make sure you will be able to legally operate your riding school at that location. It's easy to make naive assumptions. A family purchased two acres in a township near my own. Same county, different township. They built a brand new house, put up fencing and a weather shed, and purchased two horses. After all that effort, the township told them to get rid of the horses. The homeowners' argument was that there was a whole herd of horses just a half mile down the road. Well, geez-O-Pete, that family owned forty acres!

Every township has its own land use regulations, so don't make the assumption that what worked on one side of your county will work on the other. Check with the township office *first* and get the information in writing. Some typical land uses include zoning for agriculture, one-family residences, multi-family residences, commercial retail stores, and manufacturing/industrial facilities. You may be surprised to find a conflict wherein your township requires agricultural zoning for horse housing but commercial zoning for a riding school. Well, that's a pickle. Our Riverbank Farm is located on ten acres that is zoned rural-residential-agriculture. We weren't sure whether that would be good-to-go; or whether we might need a commercial zoning variance or a special use permit. In our township, a *zoning variance* can pass from one owner to another, such as in the case where I might want to sell my real estate to someone who wanted to continue operating my business. A *special use permit*, on the other hand, is granted only to the person applying for it so, in the case of a land sale, the new owner would have to re-apply for their own permit. Before finalizing our purchase, we submitted a query to the township and attended the meeting when it went before the board. I keep a copy of the meeting minutes on file because, as you know, politicians go in and out of office and who knows when I might need to prove that I secured the approval. It's interesting to note that, here in Rich-

field Township, ten acres was good-to-go; yet on my forty acres in Owosso, I needed a special use permit because they considered riding lessons a commercial activity. It just goes to show you really need to check it out.

I described the new home owners in the neighboring township with their horses on two acres versus their neighbor's on forty. But, you can't just look at what's going on around you and make assumptions, even when situations appear similar. Years ago, one of my former employees, a riding instructor I care for, partnered with one of my customers to build a riding facility of their own just five miles from me – same township. (If she was considering building a competing stable within five miles of me, the fact that I mentored her from the ground up must not have held much water with her. But, I still care for her.) The former customer and her husband purchased twenty-five acres - two and a half times as much land as I own - and built a house for themselves. The plan was that the riding instructor would rent a pseudo-apartment in their walk-out basement - a zoning snafu in-and-of itself. At any rate, when they applied for the building permit for their barn and arena, it was denied by the township board. The zoning laws had changed since I had opened my facility; and my former employee and customer had made assumptions that were now false. By then, the zoning for my property was protected by a *grandfather clause* - an old law. Needless to say, it was one of those situations that put tremendous strain on the relationship between the parties – a friendship that was contrived for the business deal to begin with. Everything simply fell apart.

My last example is a new forty-acre facility that has just been built on Richfield Road, two miles south my property. Richfield Road is the dividing line between my Richfield Township and Davison Township. This facility is on the south side of the road - thus, Davison Township. Seems the fellow planned to breed, train, board, and offer instruction. Again, close enough to offer me stiff competition. So sorry. Davison Township ruled that his agriculturally-zoned land would not allow for the commercial activity of riding instruction. I've heard someone say he can board, but not train. What a mess. He's got forty brand new box stalls and the only thing he can do is shovel sh-manure.

Geez-O-Pete again! I'll never finish this story! My husband just came home from his racquet ball league and said the guy he was playing tonight has a non-commercial horse-related zoning problem. Seems he has enough land, with a house he built two years ago and two barns he built last year. He's ready to build his third and last outbuilding and was just told by his township zoning administrator that there is a limit to how many outbuildings are allowed on properties in his township. You know, it's really hard to check on things that you wouldn't even think existed. That's why you need to do the *business thing*....

Make an appointment to talk to the zoning administrator for your township. Tell her exactly what you plan to do with your property. Exactly. Invite her to visit the property and walk the land together. You want her to be your *community colleague*.

Finally, your state government may require a license to operate a riding school. Learn more by logging on to [www.\(yourstate\).gov](http://www.(yourstate).gov) and searching the site for topics related to business start-up.

We are putting this article in the open information part of the *ucanride* web site because it is in *our* best interest that you have these issues cared for before you apply for AARS membership. Separate from that, I hope this article has provided good food for thought as you pull together your plans for a business of your own.

Sincerely,

Colleen Pace, AARS