

23315 Beroun Crossing Road Hinckley, MN

05/15/2022



Background

There are concerns about the sustainability of operating our program plan at status quo.

We still face:

- ongoing decline in membership revenue,
- a hefty annual lease fee for our biggest event,
- declining event attendance, and
- insufficient volunteers.

This is a known issue that has been explored by the organization's board for years, and key questions have been identified, including:

- What revenue opportunities exist to offset the ongoing loss in membership?
- Are there non-event related revenue streams that can be generated to support the organization's programming?
- Can we decrease the need for volunteers and cost of our current lease arrangement with ERM?
- What are the barriers to attending the August festival?
- Is there a market for the type of event we currently offer?

In answer to these questions, the idea of owning our own festival space has been explored as both a way to decrease event costs and increase organizational revenue. A capital and land sub-committee was formed to explore the viability of this option.



Background-continued

Committee Objectives

- **Identify risks and opportunities associated with owning festival grounds and event space.**

Key consideration: Any land purchase must present opportunity for revenue growth and long-term sustainability

- **Determine factors in identifying viable site locations.**

Key consideration: Potential sites must be located closer to significant population centers and be located in a community that represents increased opportunity for local engagement and sponsorship of events.

- **Build an understanding of the real estate market for such a venture and build scalable cost models to support a land search.**

Key consideration: There is a limit on what the organization can afford which constrains the geographic location of potential sites (this limit hovers around the 1-hour-drive mark from the Twin Cities and first-ring suburbs).

- **Locate viable sites and begin conversation and information gathering about potential purchase**

Key consideration: This task is not as easy as calling someone up and purchasing land. There will always be a process of engaging with a seller, learning more about the property, and exploring the community. This may require moving forward a few steps in the purchase process before the clearest picture of risk and reward can be seen.





Cross Lake Rd

T-67

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T-67





Buildings Included

159 acres, high, dry, level

Wooded areas

1,200sf 3bed, 2ba home, renovated

Newer pole building, approx. 30x40

2 car garage, renovated

Dairy barn

Loafing shed

3 silos, 2 round Butler corn cribs

Rustic chicken coop, small shed, larger shed-need work



Property Amenities

An hour from St. Paul, 1 hour 15 minutes from both St. Cloud and Duluth.

Two miles off I35. Eight miles from Hinckley and six miles from Pine City. Both towns have shopping and hotels.

Has water (well) and electric already on it.

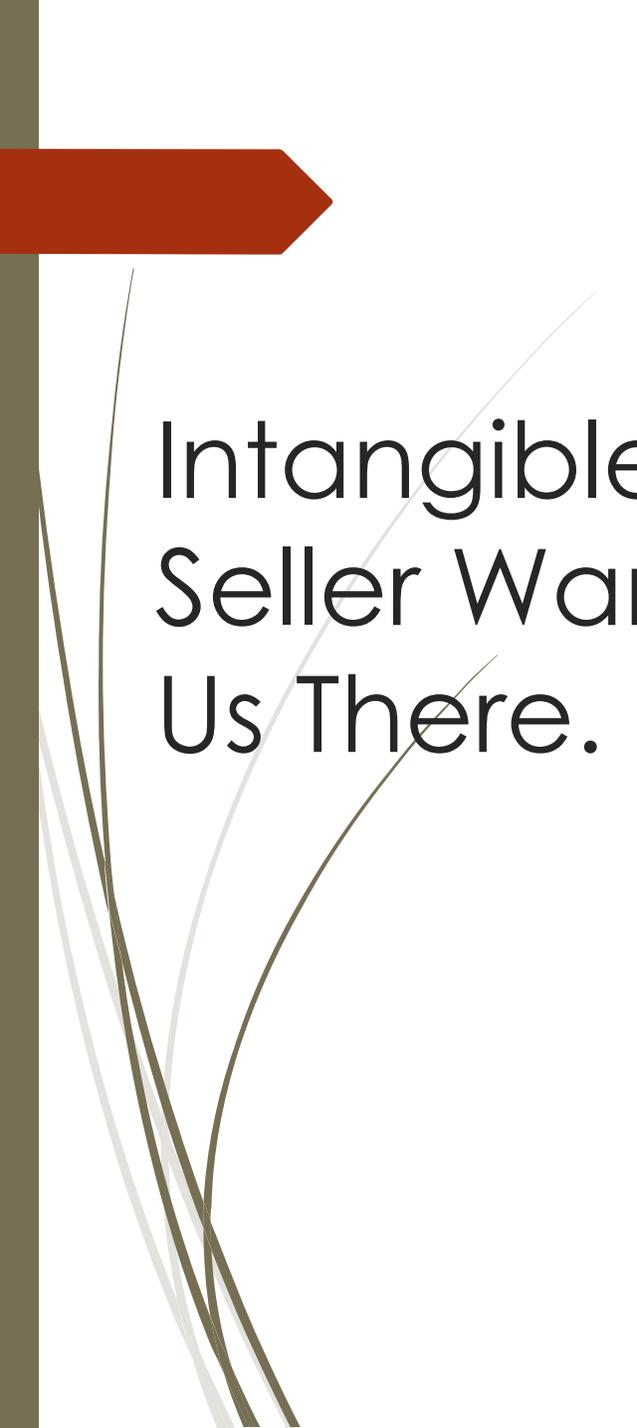
Is flat and dry, with some wooded areas.

Near Pokegama, Cross Lake, and Snake River recreation areas as well as the St. Croix River.

Nearby casino has excellent cross-marketing and sponsorship opportunities and ample hotel rooms.

Bordered by roads on two sides for easy access options.

Seller will plant hay to help build up soil for camping/RVs.



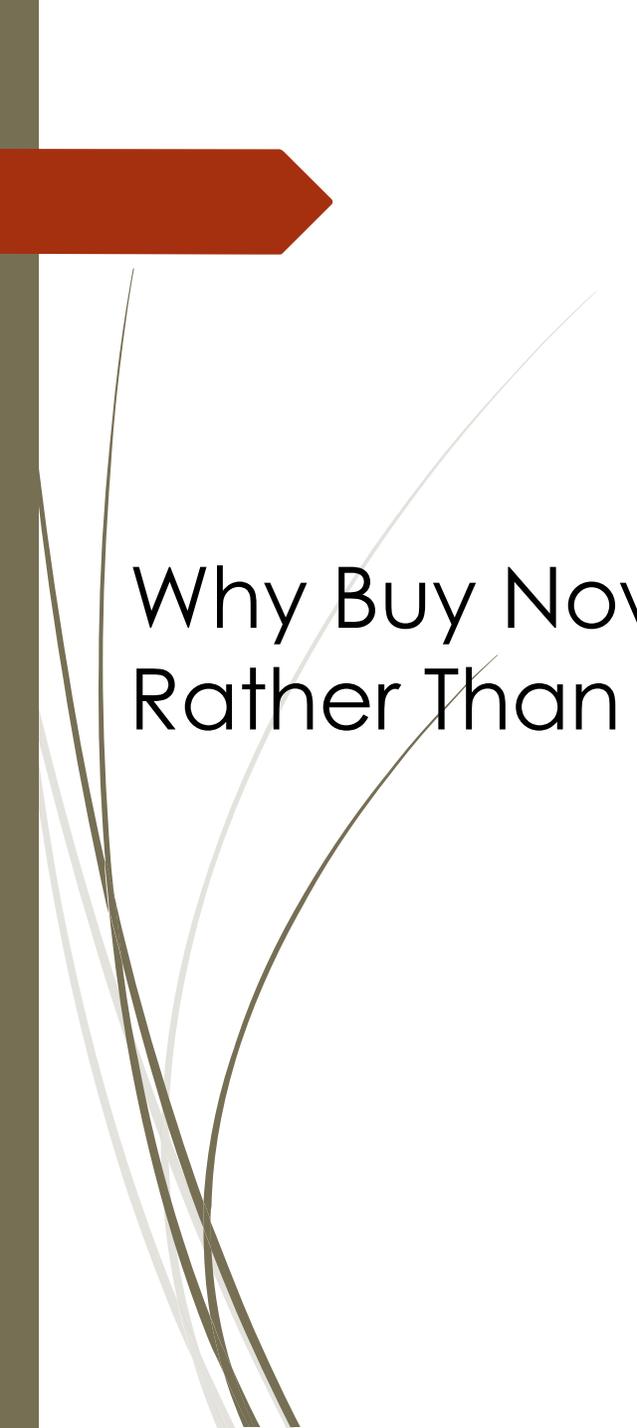
Intangibles- Seller Wants Us There.

Seller lives in the area, and wants to give back to the community, and support the arts

He is in the construction business, can build for us or point us in the right direction to get what we need

Seller is well-connected to the community, and has offered help to obtain permits or zoning we need

Seller's relationships with community businesses and banks can be used to our advantage

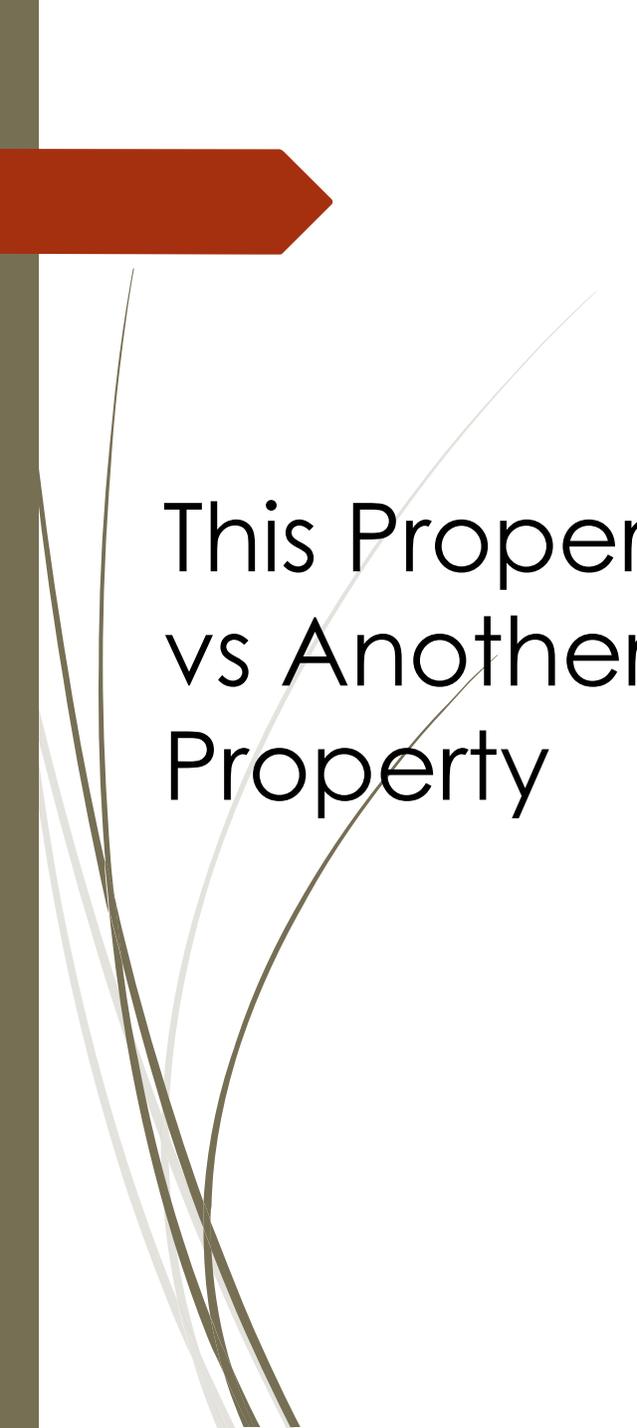


Why Buy Now Rather Than Wait

Interest rates are set to rise quite a bit this year. Fed is signaling .5% in June and July.

Land never gets cheaper, unless owner is distressed. Infrastructure will probably be distressed as well.

This seller is offering a tremendous amount of support we will not find elsewhere.



This Property vs Another Property

- Raw land would require water, electric, possible tree clearing. This takes time as well as money.
- Cheaper land is generally farther away from the Cities.
- There are useful buildings on this parcel.
- The seller is offering significant help we will not get from another seller.
- Recreating the infrastructure we are receiving here would cost as much as we are paying and take longer to develop.



Notes-Cash Flow Analysis

- Cash flow for improvements are based on Google searches and national average costs. These are estimates, to be refined over time as additional information is gathered.
- We have provided financial information to two bankers. Now that the purchase agreement is signed, we can begin discussions about available interest rates and terms. Running various scenarios, financing between \$800,000-\$875,000, at 4.5%-5%, over 30 years, the annual mortgage payments would be in the neighborhood of \$49,000-\$56,500 per year. I have used \$60,000 in the cash flow analysis to be conservative.
- There are many ways to structure a mortgage to influence cash flow. We will know more about other options when we have those discussions with the banker.
- The bank will conduct their own appraisal of the property to determine fair market value, and will require 20% down payment. At a purchase price of \$1,000,000, the down payment is \$200,000, which we have in the bank, thanks to the efforts of our Executive Director and Events Manager in securing the Shuttered Venue Grant.
- The Shuttered Venue Grant offsets operational costs, which we have already incurred and paid, so the cash is freed for use for capital purposes.
- There are many opportunities to generate revenue with this property. Cash from third-party events have not been estimated here, to be conservative.
- There are a couple different exit strategies if the endeavor proves to be too much for the organization for any reason. Selling off part, or all of the land is an option. Given its proximity to the Cities, the highway, and nearby towns, it is a desirable location.

Projected Cash Flows

Projected Cash Flow	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue Sources					
Leased Farmland	16,000	16,000	12,000	8,000	8,000
House Lease	18,000	18,000	-		
Sale of 3.35 Acres back to seller	35,000				
ERM Rent Savings			25,000	25,000	25,000
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Cash Flow Before New Sources	69,000	34,000	37,000	33,000	33,000
September Fundraiser (?) - net of expenses	10,000	12,000	15,000	20,000	20,000
June Picking Party					
Camping-2 nights@\$50 per * 200 people		20,000	25,000	25,000	25,000
June Party exp, permit, port a potty, mowing, bug spray		(4,000)	(5,000)	(5,000)	(5,000)
Fundraising-members \$100 * 750 members	40,000	35,000	25,000	25,000	25,000
Sponsorships-businesses	5,000	10,000	10,000	10,000	10,000
Capital Grants (hire grantwriter)	10,000	25,000	25,000	25,000	25,000
Fundraising-nonmembers	5,000	10,000	10,000	10,000	10,000
Rent space for community events			??		
Rent space for storage	?	??	??		
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Cash Flow Before Mortgage and Improvements	<u>139,000</u>	<u>142,000</u>	<u>142,000</u>	<u>143,000</u>	<u>143,000</u>
Mortgage Payments will be \$50-\$65k depending on financing terms	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)

Projected Cash Flows-continued

Improvements Needed	Year 1	Year 2	Year 3	Year 4	Year 5
Dump Station	10,000	(10,000)			
Clean up/ land prep	10,000	(10,000)			
Bathrooms / showers	20,000	(10,000)	(10,000)		
Septic / pump out system	20,000	(20,000)			
Gravel-roads, pads	36,000	(29,000)	(7,000)		
120 elec hook ups	60,000		(30,000)	(30,000)	
Stage-rent or build ?					
Convert dairy barn to Ranch House	40,000			(37,000)	(3,000)
Convert loafing shed to dance pavilion	20,000		(15,000)	(5,000)	(3,000)
Shore up or tear down sheds	30,000		(20,000)	(10,000)	
Misc (Ice freezers, clean buildings)	5,000				
Estimated improvements	<u>251,000</u>	<u>(79,000)</u>	<u>(82,000)</u>	<u>(82,000)</u>	<u>(6,000)</u>
Net Cash Flow from Land Use		<u>-</u>	<u>-</u>	<u>-</u>	<u>77,000</u>
					<u>83,000</u>

Partial offset by not having to rent as many Port o potties



Other Income Options

- Rent land for fall hunting
- Rent space as an event venue for family reunions, weddings, small festivals
- Rent to beekeepers
- Rent as Airbnb









