

# **Bradford Motel LLC New (25) unit Redevelopment Business Plan 2022**

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379 Lower Plain  
Bradford, VT 05055

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## **Executive Summary**

The Bradford Motel located in Bradford, Vermont has been in operation since 2001. It has functioned as a motel for the past 21 years and has seen a steady increase in extended stay and daily rentals. During the pandemic, the motel has been very busy with construction workers, individuals looking to purchase homes in the area, tourists from Canada and other New England states during the summer and fall months. The pandemic brought more tourists to the state as compared to regular business with lots of out of staters looking to move from the cities to Vermont. The Bradford Motel also has had requests from the State of VT to house lower income individuals. After a proper screening process, the Bradford Motel housed these individuals on a daily rental basis for a few months during the pandemic. All of these various income sources allowed the Bradford Motel LLC to maintain a 100% occupancy rate for the last (3) years during the pandemic.

At a recent meeting by the LLC members the focus of discussion was which direction the motel should pursue to stimulate growth. The demand for actual motel rooms in the area fluctuates depending upon season and what the town has to offer in the way of entertainment. There is also a big demand for housing in the area. The biggest revenue generator for the motel at this time has become the nightly rentals.

**The existing motel rooms net income for 2021, 2020, 2019 is producing more than a million dollars in revenue.**

The decision for the future growth of the motel is to add 25 energy efficient studio apartments to the property to take advantage of a new revenue stream, rehabilitate our current motel rooms to energy efficient nightly guest rooms, and offer some of the new studios or updated nightly guest rooms as furnished Airbnb's. The market analysis will show that there is a need for more housing in the area. Some of the target audience already stay here in motel rooms and would be happy to move into an apartment. They are older individuals who have a steady income and are capable of paying the rent. There is very little competition due to no available vacancies in Bradford or the surrounding area..

For the new 25 unit project, the sales forecast indicates that based upon the first 6 month period beginning in July, The Bradford Motel could generate a profit of over \$19,000 a month while functioning at 45.8% occupancy. It is realistic to anticipate an occupancy rate of 77% by the end of the 6 months, thus generating a total profit of over \$100,000 from the studio apartments. The Bradford Motel LLC guest rooms have operated at 100% capacity for the last 5 years. The sales forecast for the guest rooms show that if that capacity is maintained The Bradford Motel LLC could generate a profit of over \$300,000 in that 6 month period. A sales forecast for renting the empty studio apartments as Airbnb's show that a profit of over \$80,000 could be achieved in the same 6 month period. The addition of the (25) studio apartments and along with existing airbnb guest rooms could make the Bradford Motel a very profitable business venture.

## Company Description

The Bradford Motel's mission is to provide safe energy efficient units for individuals looking for a home and or a safe overnight stay. There are 25 rooms currently available for rent that vary in design and from two double bed guest rooms to rooms with full kitchens. The Bradford Motel LLC short-term goals are to get the funding and permits in place to start building the new 25 units. Once the new units are complete and a proper tenant screening is done we will transition our current guests into the new apartments.

**The State of Vermont is willing to pay existing motel owners to current guest rooms into studio apartments. The state is promising a remodeling cost of \$40,000 per unit plus guaranteed rent for 18 months.**

The Bradford Motel LLC has maintained a 100% occupancy for the last (7) years. We've had to turn away guests during this time period due to the lack of rooms. The Bradford Motel LLC is planning to build (25) or more new apartments plus keep the existing motel business. The Bradford Motel will also be using Airbnb services as well. This diverse plan will result in (3) different income generators with the studios and guest room options providing nightly, weekly, and monthly income, and Airbnb would be providing income based on date of booking and duration of stay.

The Bradford Motel LLC would target some of their current customer base and transition those individuals who have proven they have enough income and respect the rules of the establishment from motel rooms to the studios. This would

occur only after a thorough screening of the individuals. Other target customers would be younger, gainfully employed individuals and traveling staffing agencies.

## Industry Overview

The Bradford Motel LLC is a part of the hospitality industry providing daily and short-term accommodations. In 2019, Covid 19 hit the United States and in 2020 people were required to go into lockdown. The Governor of the State of Vermont declared a State of Emergency on March 13, 2020 and required all motels to close for normal business. The only guests allowed to be accommodated at that time “were essential people” and the homeless who were referred by the department of Economic Services for the State. All Covid 19 restrictions were removed by the Governor on June 14, 2021 and the State of Emergency expired on June 15, 2021. In May 2020, the governor signed the Be Smart, Stay Safe order (Scott, 2020) allowing motels to reopen on May 22, 2020 to Vermonters and individuals who met the 14 day quarantine requirement. As restrictions continued to loosen, motels were allowed to provide accommodations to both instate and out of state guests.

The Vermont Department of Taxes tracks accommodations by tax revenue. In the fiscal year 7/1/2019 to 6/30/2020 accommodations accounted for revenue of \$3,788,129 in Orange County. In fiscal year 7/1/2020 to 6/30/2021 the revenue for accommodations fell to \$2,261,122 which equates to a -40.3% in Orange County (State of Vermont, 2022). According to Statista during the year of 2019 motels reported an occupancy rate of 70.8%. During the height of the pandemic, motel occupancy rates dropped in the 2nd quarter of 2020 to 33.6%. As of the 4th quarter of 2021 the occupancy rate had increased to 54.8% ( Statista, 2022). These

statistics indicate the potential for growth in the hospitality industry as more customers choose domestic travel and/ or life experiences.

The Bradford Motel LLC could also be classified as housing due to the option of long-term rentals. According to HousingData.org the State of Vermont in 2019 had a total of 80,235 rental properties. In the Town of Bradford for that same period there were 390 rental units. During the year 2019 Vermont had a rental vacancy rate of 3.4%, while Orange County had a rental vacancy rate of 4.3 % (Housing Data, 2019). A 4%-6% vacancy rate is considered to be a healthy rental market, which means the Vermont rental rate is not considered a healthy rental market. During the year 2019 the median gross cost for rent in the Town of Bradford was \$958, this cost includes rent, and the average cost of utilities (Housing Data, 2019). In order to maintain stable housing, a common rule of thumb is you should spend no more than 30% of your gross monthly income.

Prior to 2010, the number of homes in Vermont increased at an average annual pace of 1%. By 2025, that pace is expected to slow to less than 0.2%--a virtual stagnation in the number of year-round Vermont homes. Although less severe in the northwest part of the state, this slowdown is occurring in every Vermont county (VHFA, 2020) According to the US Census Bureau, Orange County for the period of 2010 to 2019 increased a little more than the state average with a rate of .47% increase in the estimated rate of change in occupied housing supply (Housing Data, 2019). This includes homes for sale and rental properties. The expansion of the housing stock occurs through new home construction. New homes are rarely affordable. New homes are rarely affordable for lower income

residents with the exception of publicly subsidized housing. However when a housing market provides new home options for middle and upper income buyers and renters, their existing homes become available for other home seekers. In this way, declines in home building ultimately reduce the availability of any type of housing for Vermonters. The state of Vermont will need to increase its total stock of rental housing by 2,629 units before 2025 to meet expected demand among new households (VHFA, 2022).

In 2007, Airbedandbreakfast was established on the living room floor of roommates Brian Chensky and Joe Gebbia. Nathan Blecharczyk joined them in 2008 and Airbedandbreakfast.com was launched. Shortly after it became Airbnb.com. Airbnb operates an online marketplace for lodging which allows hosts to rent out their properties or rooms to guests for vacations or tourism activities. Airbnb generates revenue from commissions and/or service fees charged to hosts and guests. In 2011, Airbnb took their business international by opening an office in Germany. They now operate worldwide. In 2020, Airbnb became a publicly owned company.

During the year 2020, Airbnb did lose revenue due to the pandemic and people being required to stay in place, but statistics show that the gross nights booked in December 2021 grew more than 40% from 2020. Airbnb also sees evidence of a strong pent-up demand for travel because at the end of January 2022, they had over 25% more nights booked for the summer travel season than at that time in 2019 (Airbnb Company, 2022).

## **Market Strategy**

The first step in The Bradford Motel LLC's marketing strategy will be to update the current motel website for nightly rentals reflecting upon the updated rooms and services that are offered. The Bradford Motel LLC will make sure their website is easily searchable on the internet. They will develop a presence on social platforms like facebook and instagram. The Bradford Motel LLC will invest in an updated computer system that will allow online reservations and take advantage of websites like Kayak or Tripadvisor. The Bradford Motel LLC will contact local businesses and partner with them to offer special incentives such as combining a meal at a local restaurant with a discounted night's stay. The Bradford Motel LLC will market the attractions and events of the Town such as special room prices on Bear Ridge race weekends or discounted stays during the Bradford Town Fair. The Bradford Motel will support an atmosphere of superior customer service with all staff trained to meet customer needs. Referrals will be encouraged. Reviews will be read and acted upon if feasible.

The next step of The Bradford Motel LLC's marketing strategy will be to design a website for the studio apartments. They will add property pictures to Pinterest. The Bradford Motel LLC will advertise on rental websites such as Zillow, Trulia, Craigslist, ect. The Bradford Motel LLC will advertise on Facebook MarketPlace and start a community forum on Facebook. We will contact local employers offering incentives for their employees to live in the apartments along with traveling staffing agencies to generate interest in the apartments. The Bradford Motel will develop an apartment application which will include a credit

check and rental history. We will highlight the advantages of living in the apartments such as walking distance to local shops, grocery stores and pharmacies as well as the park and ride and public transportation by bus.

The third step in the marketing strategy will be signing up on the Airbnb platform. They will then develop a website advertising the Airbnb option. They will provide pictures of the furnished apartments on the website and on the Airbnb platform. The Airbnb listing will be updated with the completion of each booking. The Bradford Motel will highlight area attractions and events on a regular basis.

## Target Market

The Bradford Motel will target individuals or couples who have a steady income. They will come from other states or other parts of Vermont. They will be people who are willing to embrace small town life while traveling to some of the bigger employers in the state. They will be willing to trade the commute time for an opportunity to be a part of the community and know their neighbors. These individuals will be willing to take advantage of the area park and ride and use the bus system to commute to work.

The Bradford Motel would also target Traveling Staffing Agencies that provide short-term employees, usually medical staff, to hospitals, nursing homes, assisted living facilities, and medical offices. These individuals range in age from early 20's to late 50's or 60's. They would be requiring housing for a minimum period of 3 months and longer depending upon the assignment. They tend to be single, professional people looking for a safe, clean place to stay. They are willing to travel a distance to work and spend their time off exploring the area where they are staying. Frequently the agency that they work for pays the rent, so price is not usually an issue. They are individuals who are well compensated because they are willing to travel for assignments, so if they have to pay their own rent it's not an issue. **A new transit union bus arrives at motel and takes customers south and north on interstate 91.**

## Competition

The town of Bradford, Vermont lies in Orange County Vt. located in the eastern portion of the state. It encompasses a total of 689 miles, making it the 7th largest county (based on geographic area) in the state around 47% of Bradford residents both live and work in the town a higher proportion than many nearby towns like Newbury, Corinth, Fairlee, and Thetford. The Bradford residents who don't work in town commute to the White River Junction-Lebanon area, which is home to several large employers, including Dartmouth Hitchcock Medical Center, Dartmouth College, Hypertherm, Veterans Hospital, and several other businesses.

In 2019, Orange County Vermont had a rental vacancy rate of 4.3% with a median gross rent around \$1200 for a studio apartment. The Bradford Motel LLC faces minimal competition for its new efficiency apartments. The town of Bradford does have two housing options in town which is Bradford Village which is subsidized and offers (2), and (3) bedroom apartments and Downstreet Properties which own multiple subsidized places in town. They are both accepting renters on a waitlist and cater to mainly low income and elderly individuals. These apartment buildings have a wait list and don't accommodate the majority of the working class individuals in the Bradford area.

The Bradford Motel LLC could see competition from the few Motels (Fairlee & Wells River) because they currently offer weekly/long-term rentals, however they don't offer kitchenettes along with not having many units for renters. This makes them a less attractive option for long-term renters. Another potential competitor could be the Margaret Pratt Community Assisted Living and

Memory Care. They offer private and shared apartments for their residents. They are a rental community and monthly prices range from \$4395 for a shared suite up to \$9,795 for a private in the memory care unit. Competition for Airbnb's would be minimal with only 1 other place in Bradford to stay. Fairlee which is 8 miles south on US Route 5 of The Bradford Motel LLC offers 6 places to stay, most being houses, while Corinth to the west along US Route 25 has 4 places to stay.

The advantages of renting from The Bradford Motel LLC will be that the apartments would be energy efficient and new. The guest rooms would be updated, peaceful, and clean and the Airbnb's would come fully furnished to meet the guests needs. All options would be provided with 24 hour management and maintenance service, There are coin-operated laundry facilities on site. They are located along US Route 5 on Lower Plain, which is within walking distance to downtown Bradford which contains a variety of shops, restaurants, a golf course and parks. There is a grocery store and pharmacy that are less than a half mile down US Route 5 south, and public transportation will pick up and drop off in the driveway. There is also public transportation that carries people from the park and ride to the larger employers down the I 91 corridor to the heart of the Upper Valley. A final advantage to staying at The Bradford Motel LLC is that there will be flexibility with renting. If a person wishes to rent a studio but needs to collect their paycheck at the end of the week to do so, they will be given an opportunity to stay in a nightly room until they can afford the studio.

## Pricing & Sales Forecast

The Bradford Motel will base apartment, guest rooms and Airbnb's prices upon a variety of factors. An interview will be done with a customer to determine the number of individuals in the household and their financial situation for the studio as well as a thorough screening.. Guest room prices will be based upon size and type of room, how many guests, how long of a stay, and time of year. Airbnb prices will be based upon the number of guests and duration of stay.

- Basic room with 1 bed, 1 guest \$89 a night plus tax
- Basic room with 2 queen size beds and 2 guests \$99 a night plus tax
- Deluxe room with 1 guest \$110 a night plus tax
- Deluxe room with 2 guests \$120 a night plus tax
- Efficiency room 1 guest \$99 a night plus tax
- 2 room Efficiency \$120 a night plus tax
- Studio apartment \$1,500 a month and up
- Airbnb price will start at \$100 plus a night
- Additional fees added for additional guests
- Individual circumstance will be taken into consideration

for long-term customers

The Bradford Motel believes that between transitioning some of the current clients and advertising that they should be able to fill about 16 of the new apartments the first month. As the marketing strategies are put into place, occupancy will grow at a low to moderate rate with the Bradford Motel achieving an occupancy rate of 73.6% by the beginning of December. These apartments will

have been made energy efficient, so costs will be low.

The generated revenue for the first 6 months of opening the apartments will equate to \$160,500. The expense for the first 6 months has been estimated to be a low \$30,932, due to the energy efficiency. This will generate a total profit of \$129,568 for the first 6 months of operation. with out operating at full capacity.

Sales forecasts for the guest rooms at The Bradford Motel LLC show that if 100% capacity is maintained the profit margin in the business will increase by \$300,000 for the 6 month period. As the guest rooms are made more energy efficient, the monthly expense of the rooms will decrease allowing for more revenue. Based upon past history, The Bradford Motel LLC should be able to maintain the 100% capacity rate.

A sales forecast has been completed for expanding into offering Airbnb stays. This would be accomplished by using unoccupied studio apartments which would be furnished to suit the customer need/ based upon using an average of 5 to 6 studios as Airbnb, a profit of \$80,000 could be generated in the 6 month forecast.

## **Service & Management Organization**

The Bradford Motel LLC will provide safe energy efficient studio apartments to our clients. These units will be inspected on a monthly basis to ensure fire and safety rules are in compliance. There will be a maintenance team on site 24/7 to handle any tenant issues. The maintenance team is responsible for fixing issues in each unit as they arise, maintaining the walkways and driveway in the winter, mowing the lawn in the summer, general carpentry, laundry, and assisting in trash removal. In addition, our team contracts with a sanitization team that assists our maintenance team with our monthly cleaning.

There will also be a property manager on site 24/7. They are responsible for day-to-day oversight of the clients, monthly inspections, accounting, and maintenance requests. The property manager is also responsible for running our marketing side which utilizes social media and our personal website. Our team has a particular strategy where we utilize sources such as:

- Advertise on local rental websites ( Zillow, Trulia, Craigslist, ect)
- Seek referrals from housing counselors
- Network with social service agencies ( HUD, State of Vt., Haven)
- Contact and partner with local businesses
- Advertise in local newspapers

The Bradford Motel LLC uses a team approach when decisions are made in regards to long-term rental candidates. This team consists of the owners, the manager, and occasionally the maintenance team depending upon the topic of discussion. Policies and procedures are written and enforced by the management team, as well as potential evictions, staffing issues, and any other matters of importance. Unruly guests are dealt with by either a member of the management team or occasionally by all members of the team. The management team as a whole is responsible for the business' forward momentum and future success.