

Is There Such a Thing as Excess Land?

by Daniel M. Isard, MSFS

Dan, I own a 45-acre cemetery that has about 10 acres sold. We sell about 100 graves a year. We are interring about 10 urns a year. We have no above-ground crypts or niches as that takes a substantial investment. At this rate, it could take 350 years to use up all this land. Can I take some of it out of the cemetery trust and sell it off?

Tom in Small Town, Minnesota

Dear Small Town Tom,

First, your math is wrong. You have much more than 350 years of inventory! I am assuming you are multiplying the 35 acres of undeveloped land by 1,000 graves an acre (35,000 potential graves) and then dividing that by a consumption of 100 graves a year. The mathematical result is about 350 years. This is a case of the math being right but the logic being wrong.

Cemeteries are quiet and low on traffic most of the time. They make no noise at night. Even if the cemetery has a crematory, there is no odor. This is unlike your housing neighbors who seem to barbeque the worst smelling parts of a cow.

Tom, we are seeing the percentage of people choosing cremation increasing throughout the United States. Minnesota is no exception to this consumer trend. Logic tells me, with a static population, within 25 years, your 100 interments will probably drop to 50. Therefore, you might have as many as 700 years of inventory. If your population is increasing, it is probably increasing in younger ages, so the annual quantity of deaths within your service area might not change for a while but when it does, cremation might account for 75 percent of

dispositions. Again, this tells me you probably have between 350 and 700 years.

There was a time in most city/county regulations that to create a cemetery you needed X acres. Many state laws require 40 acres. Those laws were enacted to guarantee a 100-year inventory. This theory of cemetery planning hailed from the 19th century.

We used to assume 1,000 graves in an acre. This assumption is general, as good planning of roads and lack of natural impediments could result in up to 1,300 graves per acre. Of course, this is just graves. We didn't have commercial cremations in this country until the late 1870s.

Tom, rather than thinking about how to take land out of a cemetery, look at redrafting your master plan. I have written in this column frequently about redrafting your master plan to incorporate a plan to market to cremation families. There are many fam-

ilies who are looking for options for their loved one's urns. The cremation consumers are calculated into three markets (1) At need; (2) Pre-need; and most importantly (3) Post-need. This last group is the largest. The Post-need group is people who are in possession of a loved one's cremated remains but have not decided what to do with them. By my estimation, in any market at any time, the Post-need market is 300 percent greater than the At-need market.

Tom, whether you have 350 years or more is immaterial. What you have is a

non-productive asset. When one-seventh of this undeveloped area is all that is needed over the next 50 years, what can you do to better use the land and bring in more income? In my opinion, you have three options:

- **Option 1.** Use the land in an undeveloped use.
- **Option 2.** Use the land in a developed use.
- **Option 3.** Sell the land.

Option 1

Use the land in an undeveloped use. An undeveloped use would be a way you can temporarily use the land without a major investment in an infrastructure. Often, the land was raw land before the cemetery was constructed. Use the land for farming, agriculture, ranching, or some other method. The investment you need to make for an undeveloped use is nominal. In fact, you might not even need to make the investment. In a ranching or agricultural use, you might lease the ground to a farmer/rancher and that person would make the investment for you.

Option 2

Use the land in a developed use. A developed use would have you make more of an investment, but as I computed above, this investment would support the enhanced use for at least 50 years (or more). Just as there are degrees to land development, approach your thoughts the same way.

A Level 1 Development could be bringing in a road and utilities. A Level 2 Development could be roads, utilities, and a structure. Level 3 Development could do all the above and build a business as well.

What kind of structures or businesses could you put on this land? I have seen people build golf driving ranges, self-storage warehouses, auto sales lots, or even commercial and industrial sites. Back in the

day of drive-in movie theatres, that was a possible use of the land. The most remarkable site I have seen was in Scottsdale, AZ, where the cemetery owners brought in roads and utilities and used it for a mobile home park. Manufactured housing where the consumer owns the living quarters but not the land might be a perfect option. Remember, this is a site development plan for 50 years or more. The only limit could be anything that might contaminate the ground with an environmental impact.

If a cemetery sells for a multiple of its EBITDA, so does real estate. Except that a cemetery might be valued (in an average case) at four to six times EBITDA, an income producing building with a good-credit tenant would sell for 12 to 15 times net income.

When deciding which of the above two uses (developed versus undeveloped), decide where on the property site you want to use. You can even use developed on one part of the remaining land and undeveloped on the other. Obviously, if you expand your cemetery in five-acre blocks, you have some areas that might not be used for 100 years or more! Most of what you see around you, including buildings, roads, and utility lines won't exist for that long. If a baseball stadium has a 25- to 30-year life expectancy (forgive me, The Gods of Fenway), then your developed idea probably won't last for 100 years.

Other ideas to develop the land are adding a funeral home, reception center, flower shop, or monument dealer to the site. These symbiotic businesses can promote more interments and more income per interment. You have created a campus. Of course, this is a major business investment, but it is one that should be considered either outright or via a funeral home tenant.

Option 3

Sell the land. This is an article by itself, but it should be written by two lawyers. I say "two lawyers" as there is going to be one for the cemetery and one for the community that surrounds the cemetery site. If the NIMBY (an acronym for "not in my back

yard") mindset pervades a community before you try and build a funeral home or cemetery, you have no idea how NIMBY-ish it is when you try and take land out of the cemetery to sell off for some other development!

My experience is, it is tough to take land out of a cemetery for alternate use because people like having a cemetery as a neighbor. Cemeteries are quiet and low on traffic most of the time. They make no noise at night. Even if the cemetery has a crematory, there is no odor. This is unlike your housing neighbors who seem to barbeque the worst smelling parts of a cow.

Of course, your neighbors also realize with older cemeteries, their quarter-acre home is worth a modest amount; but computing the value that the land has for the cemetery makes their property have a higher alternative use. In a well-managed cemetery, that quarter-acre of land has a future value of \$5 million or more so you are fostering a superior economic alternative value for that modest homesite.

Taking the land out of the consecrated cemetery may involve a court fight. That means there is going to be some expense

on both sides. The decommissioning of the cemetery is also going to take time. A trial could take a year to a year and a half. The side that loses may have one more shots on appeal. Add another year and a half.

Certainly, the best-use argument for the future of cemeteries is not going away. Just as we see thousand-year-old cemeteries in our travels, your cemetery will live on until there is a condemnation of sorts reclaiming the land for alternative use. Use the property wisely. Be a good steward of the site. Hopefully, you intend to be interred there, so the decision you are making affects your family's heritage. ■



Dan Isard, MSFS, is president of The Foresight Companies LLC, a Phoenix-based business and management consulting firm specializing in mergers and acquisitions, valuations, accounting, financing HR services

and family surveys. He is the author of several books and hundreds of published articles in industry magazines, including "The Director's Finance 101" column. He can be reached at 800.426.0165 or danisard@theforesightcompanies.com.

GREVER & WARD
CEMETERY PLANNING

- CEMETERY MASTER PLANS
- CONSTRUCTION PLANNING
- SECTION LAYOUT PLANS
- CREMATION GARDEN PLANS
- PLANTING PLANS & SPECS
- LOT LAYOUT & SALES MAPS
- SPACE RECOVERY
- SITE EVALUATIONS

WWW.GREVERANDWARD.COM

GW GREVER & WARD INC.
CEMETERY PLANNERS

800-952-0078 • 716-662-7700
INFO@GREVERANDWARD.COM