

THE BECHERER RESORT

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The Becherer Resort case is a decision based case involving the succession of the operation of a resort property after 50 years from Nadine Becherer to her son Lance. Nadine had been managing the property for the last five years after the death of her husband, George, but only wanted to continue overseeing the property until its 50th anniversary. Lance, one of eight children, currently lives on the property in one of the four cabins with his wife and six children. Nadine lives in the family home also on the property.

Lance has to make a decision as to whether he wants to assume management of the property. He has had a hard time finding steady employment in the area and needs to provide for his wife and family. The general area has limited industry and employment opportunities beyond tourism and the nationwide slump in the housing market and increase in gas prices has especially impacted this somewhat remote location.

INTRODUCTION

Lance Becherer watched the sun set over Horseshoe Lake and reflected in the peaceful serenity of this beautiful Northern Wisconsin lake vista as early evidence of the fall colors were first appearing. He so appreciated his parents' foresight about 50 years ago to purchase the 40 acres of lake front property and create the Becherer Resort. But now times are changing. His dad, George, passed away five years ago, and his mom, Nadine, promised to manage the resort five more years to the 50th anniversary. This year was the 50th year. Lance knew a decision would have to be made soon on what to do with the resort in the future. He questioned if he should propose taking over the managing of Becherer Resort for the next season.

THE DEVELOPMENT OF THE BECHERER RESORT

Fifty years ago newlyweds George and Nadine Becherer saw an opportunity to purchase a prime piece of lakefront property on Horseshoe Lake in Minong, Wisconsin. As the name implied, the lake resembled a large horseshoe with the bottom of the horseshoe to the north and east and one fork going south and a second fork going west and then south. The approximately 250 acre lake was spring fed, about 25 feet deep at its deep-

est point, crystal clear and known for its good fishing including bass and great northern pike plus tasty pan fish.

The 40 acre property purchased by George and Nadine was on the east side of the south fork, approximately rectangular in size with over 1,000 feet of lakefront footage on its south and west sides. Many real estate parcels on the lake had just opened up and vacationers and investors were quickly snapping them up. The lake already had one resort on the south fork, the Olsen's place, with eight small cabins plus there was also an over 150 acre private boy's camp on the west fork.

The property had a gradual downhill slope to the lake with almost 10 acres of relatively flat ground just above lake level facing the south shore. The land was heavily wooded with some marsh and grass lands near the lake shore. The west shore was slightly steeper with almost a 270 degree panorama view of the lake.

George saw an ideal area where the main homestead could be built on the west shoreline. There was also ample area for several cabins to be built in the flat land facing the south shoreline. The lake was relatively shallow around the property which made for good swimming and wading for young children, along with a wide area of sandy beach.

Over the next 20 years four cabins were built. These cabins averaged around 600 square feet and had a kitchen, living area, bathroom and usually one bedroom. They could comfortably accommodate a family of four. Nadine even equipped many of the cabins with some of their wedding gifts including furniture, and appliances.

Each cabin had its own distinction. One was a log cabin and had more of a rustic look and decor. Another cabin had the 50s look with the linoleum floor and knotty pine walls. The cabins all took you back to simpler times and before many of the modern conveniences available today.

THE BECHERER FAMILY

George and Nadine had eight children, five boys and three girls. The children all grew up in the wide open expanses of the Northern Wisconsin countryside and appreciated the outdoor living. As children, becoming accustomed to the cold winters instilled a degree of self-reliance and learning how to make do in less than ideal conditions. In spite of their attachments to the area, many moved on to other parts of the country where job situations provided the opportunity for greater financial gain. However, a few of the siblings remained in the Minong area. Lance, the middle son, after serving for ten years in the army and a couple of tours in Iraq, moved back to the homestead and actually lived in one of the resort cabins along with his wife and six children. Lee had a home about ½ mile up the road and Loy lived on an adjacent wooded lot. Employment

opportunities were difficult for all the boys in the area and they did the best they could to make ends meet. They all helped their mom with the resort when needed.

After George died, Nadine had the resort property put in the names of all the children and herself. There were now nine owners of the property, each with an equal share. There had not been any specific succession plans other than knowing that Nadine wanted to keep the resort operational through its 50th year of existence. The children also knew that their mom loved living in the family home on the property and she was very independent and able to get herself around the resort and still had a driver's license so she could drive into town and various places.

THE NORTH WOODS

Minong, Wisconsin, population about 300, was in the middle of the north woods of Wisconsin, about 20 miles west of Hayward, which was known as the fishing and lumber capital of Northern Wisconsin. Minong itself was virtually unchanged over the last almost 50 years. However, the one exception was the Link brothers, budding entrepreneurs who first built one of the largest boat dealerships in the Midwest. Customers came from miles away to purchase watercraft at favorable prices. Their entrepreneurial fortunes extended into automobile dealerships in Minong and neighboring towns and a link sausage plant. Other than the Link brothers, there was no real industry or much in the way of any commerce in the town. The Link brothers even owned the town's only grocery store.

The attraction of the area was the abundance of lakes and waterways along with forested rolling hills. The Minong flowage, a National Scenic Waterway, brought fresh spring water to the many lakes in the area which provided ideal conditions for an abundance of sport fish like bass, northern pike, and walleye. There was also a wide variety of wildlife including deer, moose and bear in the area plus migrating birds at the upper reaches of the Mississippi River flyway. Hunting was an especially popular fall activity along with the rich fall colors.

The tourist season could start as early as May and extended through November. There was also ice fishing in the winter, but that was primarily a local native endeavor. Most visitors came in the months of July and August when the water was warm enough for swimming. Tourist came primarily from the Chicago area, some 500 miles to the south, and from the Minneapolis/St. Paul area which was about 175 miles away. They came to the north woods for the fishing and hunting, but also as a change of pace from the more hectic city life. In the north woods, you could feel the serenity of the lakes, enjoy the beauty of the sun rise and sun set, and even comprehend the vastness of the darkness of night but see thousands of stars and even the northern lights.

To make this location a more attractive vacation opportunity, there was some evidence of development in the area in recent years which provided additional recreational outlets. An 18 hole golf course just a couple of miles away near the west shore of Horseshoe Lake had recently been completed. This was the only golf course in the area for miles. Additionally, a grass strip runway was about four miles away from Becherer Resort which could accommodate small private planes. Snowmobiling was also a very popular sport along with cross country skiing with miles of trails through the rolling hills and across frozen lakes.

Just about every available property on Horseshoe Lake was now developed with vacation homes and permanent residents. Six years ago, the property of the old boy's camp was subdivided into 31 choice lots of five acres and above and quickly sold starting at around \$100,000 per lot. Modern homes were built on these lots which were all near the newly constructed golf course. Other homes on the lake, some in excess of 50 years old, had been sold and resold or passed down through family generations. These homes brought vacationers to the lake on a regular basis along with some exposure and awareness of the Becherer's Resort. Also, the Olsen's Resort on Horseshoe Lake had long since closed down, as the Olsen's had passed away. In the settlement of the estate, the property and cabins had been subdivided and sold. In some cases the cabins remained as private residents and in other cases new homes were built to replace the cabins. Becherer's Resort had the distinction as being the single remaining resort on the lake.

FAMILY VACATIONS

Vacationers back in the 50s and 60s when the resort first opened up were looking for a different kind of experience. Families enjoyed a more simple time of staying in a small cabin, catching fish for lunch or dinner, swimming in the lake and hiking in the woods. There was no television and kids found a ball or games items like hide-n-seek to keep them entertained. Families rode around in a boat and played board games or cards in the evening for entertainment.

Today, the typical family vacation had changed. Major theme parks with thrill rides were more often the destinations of choice. Lodging facilities needed to be equipped with the latest in electronics along with high speed access to the internet. Families generally did not stay in one place for a week or more at a time and often chose rather to take long weekends for vacations since both spouses were generally working.

Lance realized that the Becherer Resort had not stayed up with the changing times. The cabins had remained unchanged, with the exception of routine maintenance, since they were first constructed up to 50 years ago. However, in a way, the rustic look was part of the appeal, giving families a different experience and a chance to relate to a more typical vacation from an era fifty years ago. Also, generally hunters and fishermen were

not looking for the more modern amenities; the opportunity to be in the ideal location to experience the thrill of their sport was a more important consideration. To some sportsmen anything more than a tent and pit toilet were enough conveniences.

CURRENT OPERATIONS AT THE BECHERER RESORT

This summer season saw the resort generate only \$3,000 of revenue. The lodging rate was \$100 per night and if you stayed for a week the rate was \$600 (one night free). The total earnings were not nearly enough to pay for even the property taxes let alone the general operation and maintenance of the property. Nadine knew the lodging rates were certainly compatible and probably lower than any of the other resorts in the area but just was not sure why they did not have more customers. She always treated her guests like family and went out of her way to make them feel at home and enjoy their stay. Guests also had a boat and canoe at their disposal during their stay.

Advertising had been done through the local and county Chamber of Commerce and tourism association and the placement of ads in some of the local magazines and tourist brochures. They had also relied on word of mouth from previous customers and a general knowledge around the lake community of the availability of cabins for rent. A potential source for rentals was from property owners who had family and friends visit but needed extra accommodations.

Nadine realized it was harder to keep up with the daily operations of the resort. Even when no one was staying in the cottages, there was still general maintenance and repairs. Her boys in the area continued to help when and where they could. The main homestead was also in need of upgrading. Years of an active family, harsh weather conditions and not having George around for the last five years all played a role in the current condition of the home and resort.

LANCE'S DILEMMA

Lance needed a place to live, given his lack of steady employment, and he also wanted to help his mom with the resort when and where possible. It was important to have a man located on the property. With his wife and six kids his needs were great. Lance knew how much his mom enjoyed the resort and how much it meant to her over these many years since she and his dad had built the property from scratch. He also knew that a major investment of both capital and time was probably needed to upgrade some of the facilities and something had to be done to attract more customers.

Of course there was always the option of selling the property. Just five years ago, a well maintained three bedroom one bath log style home on 80 acres on the north and east end of the lake that was over 50 years old sold for \$1.2 million. A frame style 60 year old three bedroom one bath home on ten acres sold for almost \$400,000.

Unfortunately, the market was not as conducive to sales today as there were many properties for sale in the area. The overall downturn in the housing market across the United States had certainly impacted Northern Wisconsin. Between the lack of employment opportunities, the concern by investors on buying a vacation home, and the remote location given the cost of gas, home sales had come to a sudden halt. As an example a three year old 1,300 square foot two bedroom two bath ranch style home on 17 acres with 750 feet of water frontage at the nearby 450 acre Lake Pokegama was listed at \$280,000 and that house had not sparked much interest.

Also, with the spike in new home construction a few years ago, many home buyers were much more interested in purchasing a newly constructed virtually maintenance free home that included many modern conveniences even at much higher prices as opposed to properties with 50 year old homes. The older homes generally had refurbishing and repair issues that most investors did not want to consider. The idea of a “fixer-up” vacation home was not overly appealing.

Weather and environmental conditions had also played a role in the overall economic condition of the region. The area experienced one of its worst droughts and winter snow falls had not been at normal rates. Lake levels were at historic lows and the woodlands were extremely dry which made them a potential fire hazard. Horseshoe Lake was at least six feet below its normal level which created wider beaches, but unfortunately also resulted in poorer fishing. In fact, a newly exposed sand bar had completely cut off the western portion of the lake where all the newer and more expensive homes were located. The increase in human population and some over hunting had driven away the more exotic game like bear and moose, but deer were still in abundance. Also, over fishing and environmental conditions had reduced the population of the larger sport fish like the walleyes, northern pike, and bass.

Even if the Becherer Resort property was sold, the ownership was now divided nine ways between Nadine and the eight children. Was it possible to get agreement with all of the siblings on what should be done? Were all of Lance’s brothers and sisters willing to let him take over the management of the property? If the property were sold, where would he and his family live? Where would his mother live? Even if they got \$1,000,000 for the property, which seems like a lot of money, once that was divided nine ways Lance would only receive about \$100,000 as his final share. Plus, after 50 years of ownership, substantial equity had built up in the property and probably all of the proceeds would be taxed as capital gains. What would be left after the real estate people and the government took their share?

There appeared to be no easy alternatives for Lance, but something was going to have to be done soon. The status quo had been in place for the last few years but this option could probably not continue indefinitely.