

A Reprint from *Tierra Grande*

# b & b's

## bringing home the bacon

by jennifer evans-cowley

**M**ore and more Texans are generating income by owning and operating bed and breakfasts (B&Bs), and real estate professionals are helping them find suitable properties. What factors are most critical in selecting a B&B property? An understanding of B&B basics offers answers.

A 2000 study by Lodging Resources Workshop/Lanier Publishing reports more than 15,000 B&Bs in the United States. Texas ranks sixth in the nation with 533 B&Bs. California has the most with 1,356, followed by New York with 822.

### Varieties of B&Bs

*How to Start and Run Your Own Bed and Breakfast Inn* defines several types of B&Bs. A *bed and breakfast home* is a private home in which the owner offers lodging in one or more bedrooms. Breakfast is included. A *bed and breakfast inn* typically has four to 18 rooms. A *country inn* has between five and 20 rooms and serves meals in addition to breakfast.

A new type of B&B is the *unhosted B&B*, which is a guesthouse or country cottage where guests are surrounded with solitude. An unseen host stocks the refrigerator with breakfast and snacks.

The Lodging Resources study found that one-third of B&Bs have one to four guest rooms. Another third have five to eight.

The type of B&B may determine what type of financing owners can obtain. Homes with three or four bedrooms are likely to qualify for a residential mortgage



because they could easily be converted back to a residence.

If a home is currently operating as a B&B and has five or more bedrooms, a commercial loan generally is required. Commercial loans are based on the business' ability to generate cash flow, so buyers with a business plan, feasibility study or both are more likely to be viewed favorably.

### Building and Zoning Codes

Once a potential B&B property has been identified, the buyer will need to investigate local building and zoning code requirements to ensure that operation of a B&B is allowed. Some B&Bs are located in areas not covered by a uniform building code or with no building code at all. Guest parking requirements, fire codes, health department and business licensing requirements must be determined.



**BED AND BREAKFASTS** come in all shapes and sizes and can be found in metropolitan areas and small towns alike. The number of rooms for rent usually dictates what local, state and federal rules and regulations govern the establishment. Prospective B&B owners should check building and zoning codes, including those for food services and parking, before buying a property to convert into a B&B.

Some cities consider renting a room in a residence to be a home business and require B&B owners to obtain a business license. Others regulate B&Bs separately. Still others classify B&Bs as hotels.

Fredericksburg has a significant number of B&Bs. The city defines a bed and breakfast as "tourist lodging services within rooms of the property owner's principal residence or one separate guest house . . . within a single property served by a single water and electrical meter and subject to the limitations of home occupations."

In Laredo, a B&B is "an owner-occupied, detached, single-family dwelling that provides tourist lodging services." It is managed and owned by the owner-occupant and no more than one other person other than members of the immediate family of the owner-manager can be employed on the premises. The owner-manager is required to maintain a guest register and provide proof of the collection and payment of state and local taxes.

Laredo B&Bs may have no more than six guest rooms, and guest rooms may not have cooking facilities. The exterior of the B&B must be indistinguishable from any other single-family dwelling of like design and character. Commercial displays, show windows, exterior storage areas and outside storage, with the exception of signs and outdoor advertising, may not be visible.

Lodging regulations applied to B&Bs are usually specified in terms of guests' length of stay, total number of rooms, total guest rooms and square footage. Owner occupancy is a frequent requirement. Wichita Falls limits a guest's stay to 14 consecutive days and limits a B&B to no more than ten guest rooms.

Some cities limit the number of B&Bs in a particular area. Wichita Falls limits B&Bs to one on each side of a street between two cross streets. While other cities allow B&Bs in residential areas, some require a conditional-use permit, which requires a public hearing to determine whether a B&B is appropriate on a specific site.

## Parking, Signage, Food Services

City code may require a parking space for each guest room, although allowances may be given for suitable on-street parking. Some communities require off-street parking with sight barriers such as shrubbery or fencing to hide parking areas.

Laredo requires one parking space for each guest room plus one parking space for the owner and one space for each employee. The ordinance prohibits the use of the front yard for parking in the residential office district, but allows



**UNHOSTED B&Bs** let world-weary visitors get away from it all. At these cottages or cabins in the country, kitchens are stocked with breakfast fixings before guests arrive. If the bill is paid in advance, proprietors may hide the key in a prearranged spot, eliminating the need for check in and check out.

front yard parking in other zoning districts. Wichita Falls requires two parking spaces plus one space per guest room.

Communities may regulate size, location and illumination of signs. Fredericksburg does not allow signs advertising the B&B. Wichita Falls limits signs to two square feet and allows owners to have an attached wall sign or a ground sign no taller than three feet.

Some cities govern B&B food preparation and service in their health codes. Regulations are based on the definition of a meal, the time of day food is served and type of packaging, if individually wrapped, commercially prepared foods are served. In some communities, B&Bs may serve food only to overnight guests. Other regulations allow only breakfast to be served or limit the types of foods served.

## Exemptions, Fire Safety

Larger B&B inns may be treated as commercial in nature with exemptions from certain requirements such as type of food preparation area, number of exits, bath facilities and hot water requirements.

B&Bs located in urban areas may be exempted from building codes if they were constructed before a specified date. The city may require such exempted structures to meet current building codes when the owner applies for a permit to remodel or reconstruct any part of the previously exempt structure.

Fire safety regulations may require the B&B to meet fire codes for residential housing, multifamily dwellings, rooming houses or hotels. B&Bs may be required to have a smoke alarm in each guest room and a fire extinguisher visible and accessible to guests. In some cases, a second exit or fire escape is required.

Because B&Bs often are in older, multistory homes, meeting fire safety standards can be costly. Many historic buildings that could make appealing B&Bs are passed over because of these cost considerations.

## Picking a Winner

When it comes to picking a property that could be converted into a success-

ful B&B, the basic real estate principle applies — location is key. The property should be near places that draw visitors for business or recreation, such as downtown, an arts district or parks.

Buyers should never underestimate the importance of bathrooms. Guests may enjoy a quaint and cozy house that reminds them of grandma's, but they also want a private bath.

Does the house have a separate bedroom and bathroom for the owner? Does it have a large dining area that will accommodate all guests?

The grounds of the property should be attractively landscaped. Sufficient parking is a must, so properties with areas that can be converted to parking are preferred.

Although finding an appropriate property for a B&B can be a challenge, with careful screening, real estate licensees can help potential buyers make their B&B dreams come true. ♣

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# a tale of three BED AND BREAKFASTS



## The Woodrow House

David and Dawn Fleming dreamed of owning and operating a B&B in Lubbock. Their search for an ideal property yielded homes too small, in the wrong location or too expensive to renovate. So they decided to build.

They found an empty lot in a perfect location across from Texas Tech University; however, the price was too high.

David, a real estate agent, decided to wait for the price to drop. Two years later the Flemings purchased the property for \$75,000 and began construction of Woodrow House. The total cost of the B&B and land was \$350,000. The B&B has been in operation for seven years and averages \$108,000 in gross revenue per year.

## The Texas White House

The Texas White House B&B is located near the medical district in Fort Worth. Grover McMains purchased the residence nine years ago for \$130,000. He spent \$20,000 on renovations to the main house and another \$80,000 adding private living quarters. He chose the property because of its location, unaltered condition and interior layout.

Like many urban B&Bs, the Texas White House hosts numerous business clients seeking a refreshing change from the typical hotel environment. The B&B nets about \$50,000 per year.

## Auntie's House

Auntie's House is in a historic district near downtown Amarillo. The home was built in 1912 and is listed on the National Register of Historic Places. Corliss and Skip Burroughs purchased the three-bedroom residence because they wanted an older home they could fix up. They are financing the remodeling with room rental income.

The couple also built a separate 800-square-foot building known as the "Enchanted Cottage" in the rear yard. The cottage cost as much to build as the Burroughses paid for the original house, and the investment has paid off. The B&B is popular among couples looking for a special occasion getaway.



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