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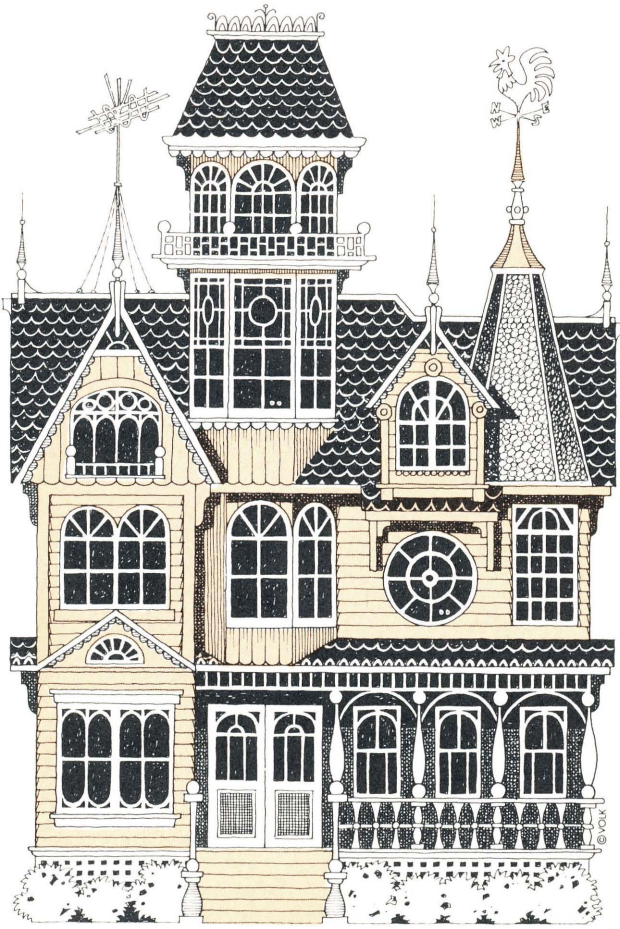
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Starting a Bed and Breakfast in Michigan
Michigan State University Extension Service
Philip Alexander, Tourism Agent; Judy Watson-Olson, Resource Development
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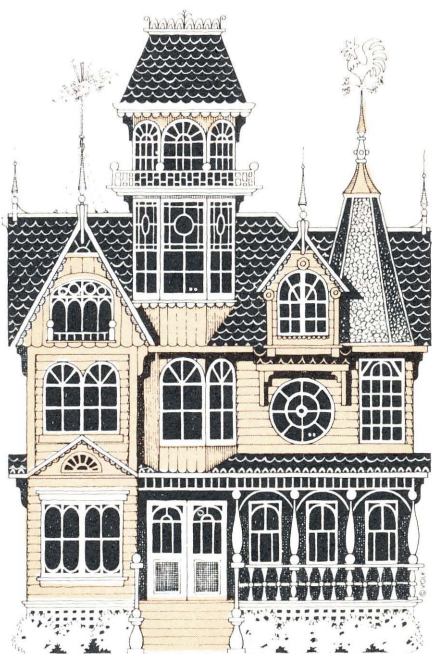
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STARTING A BED AND BREAKFAST IN MICHIGAN



**STARTING A
BED AND
BREAKFAST
IN MICHIGAN**

BY

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Bed and breakfasts are unique lodging options, often an attraction in themselves. They may be a picturesque farmhouse, an antique filled Victorian home or an ultra modern condominium. Whatever the style, each bed and breakfast has its own personality.

Michigan law defines a bed and breakfast as “a private residence that is also the innkeeper’s residence; has sleeping accommodations meant for lodgers; has up to 14 rooms; and that serves breakfast at no extra charge to the lodgers.” A lodger is defined as “a person who rents a room in a bed and breakfast for fewer than 30 consecutive days.” This publication discusses elements and options to consider before establishing your own bed and breakfast (B&B).

IS HOSTING FOR YOU?

Operating a B&B takes a special kind of person — someone who is open and friendly, enjoys meeting people and likes having guests around. When considering whether or not to open a B&B, you and your family should discuss the following:

- Do you and your family appreciate and trust others before you are well-acquainted?
- Do you communicate openly and comfortably with people from various socio-economic backgrounds?
- Would you feel comfortable with strangers in your home?
- How concerned are you about the safety and protection of your home?
- Are you afraid that family heirlooms may be broken or stolen?
- Do other people's children make you nervous?
- Are you ready to give up a large measure of privacy?
- Have you stayed at a B&B and talked with other owners?
- Why would guests pay to stay in your home?

To be successful in the hospitality industry, you must have a genuine interest in your customers and be committed to making their lodging experience positive and unique. Your primary job is to please your guests. Providing a clean room and a good breakfast is not enough to make your guests feel that your B&B is special.

REWARDS ARE NOT ALL FINANCIAL

Hosting has many rewards, but large financial gain is not among them. For most persons, operating a B&B provides supplemental income, which may justify continued ownership of a family home, help pay for restoration of a historic residence, or help defray high utility or maintenance costs.

Farm families may find that hosting brings in extra cash and helps preserve the traditional farm life while sharing it with others. Town and city dwellers may discover that visitors appreciate a friendly home away from home while visiting the area.

Starting a B&B may appeal to the person who wants a small home-based business, but remember that the greatest reward is not always monetary; it may be the opportunity to meet new and interesting people or to turn a stranger into a friend.

BEFORE YOU BEGIN

Starting a B&B, or any kind of business, requires research and careful planning. As a first step, read the *GUIDE TO STARTING A BUSINESS IN MICHIGAN*, available from the Michigan Department of Commerce, Office of the Business Ombudsman, P. O. Box 30107, Lansing, MI 48909, or call 1-800-232-2727.

There are many other considerations to investigate. Some of the more important ones are discussed in the following paragraphs.

Zoning and Local Regulations: Counties, townships, and cities may have zoning and planning regulations that affect or prohibit establishing a B&B. Even the smallest B&B must meet these restrictions. Because

B&B's are relatively new in Michigan, you may find that some local officials are not familiar with them and may apply the same restrictions that apply to hotels and motels. Be sure that you have the right information to help officials deal with this issue.

Sometimes zoning restrictions can be changed or waived. You may have to ask for a variance in your zoning ordinance. Before you go ahead with your project, have any changes confirmed in writing. Don't spend any money based on promises.

Check on the local public building codes, fire codes and safety regulations and be sure of the ones you must meet, such as providing fire escapes and fire doors. Also check state laws. For example, state law requires all B&B's to be equipped with smoke detectors and fire extinguishers.

Health Department Regulations: Contact your local health department about Michigan laws regulating food service and sanitation. See Appendix A.

Taxes

Property Taxes: Check to see if the change in classification from a residence to a B&B affects your assessed property value and property taxes. Contact your county assessor for more information.

Income Taxes: For some people, a B&B business may be an income tax advantage, while for others it may be a disadvantage. *Consult a qualified accountant to determine the income tax implications of your situation.* Find out what forms you will need to file; how much you can depreciate certain items in your home; what deductions you may take, such as laundry, cost of food served, repairs to furniture and fixtures, advertising, insurance, etc.; what taxes you will have to pay; and what records you need to keep. In addition, because all income derived from a B&B is considered self-employment income, you must pay Social Security taxes on it.

Also, ask your accountant for details of the tax rules related to business space in the home. These rules have been more strictly applied in recent years, and they change frequently.

Insurance: Don't assume that your homeowner's insurance policy provides the coverage you'll need to operate a B&B. Discuss your plans with your insurance agent to determine if you need more coverage for your home, family, or paying guests. Be specific about the number of guests you expect, the number of rooms you will use, and the types of activities you will offer. More liability insurance may be needed if you offer activities such as water related recreation, horseback riding, or transportation. You may also want to increase coverage on heirlooms or other personal property.

YOUR INVESTMENT

One of your greatest investments will be time — preparing your home for guests, maintaining your home and tending to your guests' needs. As you become more experienced, the time investment may diminish.

Money: Every business has start-up costs, bed and breakfasts included. Consider what your start-up costs may be and set a budget.

Home Improvements: Home improvements range from minor — replacing linens, blankets, repairing furniture, cleaning carpets — to major — remodeling and making structural changes, adding bathrooms, furniture, etc. Start by walking around your home as if you are a guest coming to stay for the first time. Are the guest areas clean, comfortable, and pleasant? Would you enjoy staying here? It probably won't be necessary to spend a lot of money if furnishings are clean and in good repair. But freshen up tired areas. Your home need not be a showplace, but it should be attractive and well maintained. If your home looks as though you love it, guests will feel more welcome and comfortable.

Carefully consider any major changes. These are expensive, so check your budget. Ask yourself if the change is necessary to the success of the B&B. Consider what kind of return on your investment you will make from major changes — in profits and when you sell your home.

Guests mean increased hot water use for showers, laundry, dishwashing, etc. Will the capacity of your water heater provide adequate supplies for the number of guests you intend to serve? If not, it will have to be upgraded.

Cost of Doing Business

Utilities: Overnight guests mean your utility costs — electricity, water, gas — will increase. How much they increase depends on how many guests you accommodate. Consider these costs per person as you set room rates.

Postage and Telephone: Correspond with guests by mail rather than telephone whenever possible. Telephone expenses can add up quickly.

Promotion: You will need to inform people about your establishment and persuade them to use it. This is promotion. Promotional methods include brochures, business cards, signs, advertising, and bed and breakfast associations that provide advertising and promotion as part of their services. Promotional expenses can include professional design fees, printing, ad fees (newspaper, magazine, radio, etc.) and association dues and fees.

YOUR PRODUCT: BED, BATH & BREAKFAST

Guest Rooms: Spending a night in your own guest room is an easy way to uncover problem areas. Check furniture closely — it should be unmarred and in good repair. One important point cannot be overstressed: *Regardless of the type — antique or new — the bed must have a top-quality mattress*, one that is comfortable but firm. The bed also needs a mattress pad, fresh sheets, clean blankets and bedspread. Provide extra blankets and pillows of various firmness. Guests who stay more than one night often make their own bed, but if not, you should oblige. For extended guest stays, change bed linens at least every third day.

Don't skimp on bedside lighting. Provide lamps that are easy to switch on/off, with high wattage bulbs for reading in bed. The room should also have a comfortable chair and perhaps a desk, with a suitable floor or table lamp.

Provide a dozen sturdy — not wire — clothes hangers and two or three skirt hangers. A full length mirror, or a well-lit wall mirror is desirable. If several guests share the same bathroom, provide individual towel rods in each guest bedroom. Make sure electrical outlets are available in the bathroom or bedroom for such things as electric razors, hair dryers and curling irons, and convenient to a table, mirror, and proper lighting.

Include special touches such as a variety of books and current magazines of general interest, local sight-seeing guides, a well tended plant and/or a bouquet of fresh flowers. Also offer an alarm clock or wake up service.

Bathroom: The bathroom is the true test of a successful B&B. Paying guests should never have to tolerate a dirty or cluttered bathroom. If guests will share a family bathroom, maintaining it will be more difficult, but even more important.

Be sure to have enough hot water, especially during peak use time. Schedule laundry and dishwashing so that it does not compete with guests' need for hot water.

Check your guest bathroom and provide fresh towels every day. Also, if you answer "yes" to any of the following questions, take immediate action.

- Are towels dingy or frayed?
- Is tile grout discolored or mildewed?
- Is the shower/tub spotty or mildewed?
- Is wallpaper pulling away at corners or edges?
- Are there spots on the mirror?
- Are there water spots or grime in the sink, tub or toilet bowl?
- Are countertops cluttered?
- Are extra soaps, bathroom tissue, paper cups, etc., hidden where guests will have trouble finding them?
- Will wet towels be crowded on racks?
- Is there inadequate ventilation?

Breakfast: As of July 10, 1987, B&B's in Michigan with eight or less rooms for rent are exempt from the food service establishment regulation of the public health code. B&B's with nine to 14 rooms for rent are exempt if they serve only a continental breakfast. Continental breakfast is limited to coffee, juice, and commercially prepared sweet rolls.

One of the delights of staying at a B&B is eating a delicious home cooked breakfast prepared and served by the host. A menu is not necessary, but make sure you have plenty of food for seconds, and serve hot food hot and cold food cold. Contact your local Extension Home Economist for more information about meal planning and food safety.

Whether breakfast is served in a dining room or an attractive corner of the kitchen, serve guests graciously and let them savor breakfast at their leisure. If possible, be available to visit with guests when serving breakfast, and be able to provide information on area interests, such as shopping or tourist attractions. But also be ready to allow your guests privacy if they ask for it.

Consider How You Will Do Business — Policies

To avoid misunderstandings, prepare policies in writing and mail them to guests in advance. Also post policies in all guest rooms. Policies might include:

- Reservations and deposits
- Arrival and departure times
- Use of credit cards and checks
- How and when the bill will be paid
- Use of television, radio, and telephone
- Smoking restrictions
- Use of alcoholic beverages and drugs
- Use of laundry facilities
- Pets allowed or prohibited
- Kitchen privileges
- Breakfast hours
- Age restrictions
- Guest areas vs. family space

Reservations: Many guests make advance arrangements, either by telephone or in writing. This is an opportunity to learn something about them ahead of time, to determine any special needs, and to be certain

you can accommodate them comfortably. You do not have to take any guest who arrives without advance notice.

It is up to you to determine policies for reservations, deposits, cancellations and refunds. Include this information with the reservation form in your brochure. Typically, if a reservation is cancelled within a specified time before arrival, the deposit is refunded minus a small service charge.

Always confirm reservations in writing. Enclose clear directions for finding your home — perhaps include a map — and a copy of your house rules. Agree upon an arrival time with the understanding that guests will telephone by that hour if they will be delayed

If you work through an agency, that organization will handle most of these details. They will also contact you when a guest wishes to stay with you. If you can't have guests on the date specified, you may refuse. However, you should be available most of the time.

Services: Experienced B&B guests know that your home is not a hotel. However, B&B's are a new concept to many people, so you will need to explain the difference to them to prevent any misunderstandings.

It is up to you to determine the services you will provide. Some B&B hosts, while making their guests comfortable, do not provide hotel-type services. Others offer extra services, which may increase guest satisfaction. These may include airport pick-up, making advanced dining and recreation reservations, or providing laundry service. You may wish to charge for some of these services.

Some successful hosts also offer small amenities, such as shoeshine kits, individual shampoos and soaps, and bowls of fresh fruit or flowers. Although guests may appreciate the "extras", don't feel obligated to provide them.

Setting Rates: B&B rates should reflect the value of the product and service offered. Rates depend on four

main factors: location, type of bath — private or shared — type of breakfast, and special amenities. Most important is that your guests feel they are getting a good value for their money and that you earn what you hope to from your B&B business.

Then, before you set rates, survey local lodging establishments to see what they charge. Compare this with rates of B&B's similar to yours.

Presenting the Bill: Many B&B hosts have guests settle the bill when they arrive. This avoids two problems — procrastination and the temptation to let a new “friend” stay for free or at a reduced rate. Specify your payment policy when guests make reservations. Include what type of payment you accept — cash, personal check or credit card.

Consider Your Guests

Guests with Special Needs: How accessible is your home to people with physical handicaps? Consider your parking area, walkways, entrances, and bathrooms.

Is your home all on one floor? Do you have ramps or no stairs? Do you provide grab bars in the bathroom and shower? If you do, identify these features in your promotional material.

Just as important as structural features is your attitude in dealing with handicapped guests. Ask guest's what you can do to make their stay more comfortable. For more information, see “Tips on Serving Patrons with Special Needs, available for 50 cents from the New York Sea Grant Extension Program, 12 Fernow Hall, Cornell University, Ithaca, NY 14853.

When guests arrive: First impressions are lasting impressions, so greet your guests with a smile and a friendly welcome. Invite guests to sign a register or guest book so you'll have their address for future correspondence and a mailing list. Give a brief tour of the house and grounds. Be sure to point out guest areas.

Show guests their room. Indicate which closets and drawers are available and where bathroom supplies are stored. Show them how to operate shower faucets and heating or cooling appliances located in the guest room. Don't overwhelm your guests with too much information, but provide as needed.

Introductions: Introduce guests to family members and other guests. Invite them to chat or watch television with the family and/or other guests in the evening. If the host family has children, they should be well mannered and considerate. Keep overly enthusiastic or bad mannered pets from guest areas. Don't expect guests to be tolerant of your pet's unique habits.

Follow Up: It is important to know if you have met your guest's expectations. For instance, ask them to complete a comment form and identify areas where you may need improvement. Also ask for suggestions and comments. Record these comments in a notebook for later use.

Consider Promotion

Promotion is the communication part of marketing and is essential to a successful business. People cannot visit you if they do not have adequate information. The basics of promoting a tourism business are covered in other Extension bulletins listed at the end of this publication.

Several ways to promote your B&B follow. Some promotional techniques are inexpensive but time consuming. Others are efficient but may be too costly for your situation. Carefully evaluate your alternatives. Eventually, your best promotion is recommendations by satisfied customers.

Your Marketing Position: A key feature of marketing is to find a "position", something unique or special to offer your customers, on which to base promotional efforts.

For example, a farm B&B might include such things as picturesque buildings or attractive rural location, horseback riding, helping with chores such as milking (yes, some people think that's fun), closeness to animals, walks down a country lane, peace and quiet, or a fishing pond.

For a home in town, features might include architectural uniqueness, antiques, or closeness to a tourist attraction.

Once you have identified your marketing position, develop a simple plan based on the fact that experienced B&B hosts report that many guests come by referrals from within the local community. Word of mouth advertising is extremely important.

For more assistance on marketing, see Extension bulletins E-1959 and E-1939.

Local Public Relations: An excellent way to promote your business is to develop good public relations with key individuals, organizations and media in your area. For example:

- Invite the travel editor or feature writer from your local newspaper to your B&B. Be sure to provide information and facts about the B&B concept or some other newsworthy information such as "Family able to keep centennial farm," "Grand old house saved from demolition," or "An inexpensive way to travel off the beaten path."
- If your business is unique to the area, contact the local T.V. news and tell them about the new type of service you provide. Often the amount of work you have put into the place is a good story and provides good visuals for local news.
- Inform your local chamber of commerce or tourist association that you are accepting B&B guests. These agencies frequently receive inquiries and need to know where to direct prospective guests.
- Donate a free night at your B&B as a prize to a fund raising event.

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- Contact local real estate agencies. Families that are relocating may appreciate staying in a home environment while house hunting. Sometimes all a potential home buyer needs before signing a sales contract is a better feel for the community in which they're relocating.
 - Invite civic organizations to hold a meeting at your home. Make sure you have plenty of hot coffee and enough chairs for everyone.
 - Volunteer to give a short, free presentation about your B&B business at a local club or community gathering.

Reservation Service Organizations: One important decision is whether or not to become affiliated with a B&B reservation service organization. There are advantages and disadvantages to both. Before you join one, make sure services offered are adequate for Midwestern locations.

A reservation agency can provide privacy that many hosts prefer. It maintains and publishes listings of B&B homes in various locations to help customers decide where to stay. The agency may also advertise to attract guests. In most cases, the agency handles all direct contact with guests — advance information, reservations, deposits, screening, — up to the time the guests arrive at the host's home.

In return for these services, you pay an annual fee and a commission to the agency based on the total guest bill, usually between 20 and 35 percent.

Compare services and fees. Ask advice from other B&B operators. A list of reservation service organizations appears on page 17.

Paid Promotion: Advertising is any type of paid promotion and includes brochures as well as ads in newspapers, telephone books, radio and television. Advertisements for B&B's are often found in newspaper travel supplements, regional magazines, B&B guidebooks, and other media catering to the traveling public.

Because it costs money to advertise, choose your advertising methods carefully. Consider what customers you are trying to attract, their interests and needs, and what advertising medium will reach them most effectively. Don't fall into the trap of advertising just to be doing something. Advertising is effective only if it reaches your intended audience.

Your ads and brochures are often the first impression people receive of your B&B. Make sure all of your paid promotion pieces are clearly written and attractive in appearance.

Evaluating Promotion: You need to know if your advertising is effective. One way to find out is to ask your guests how they learned about your B&B. Include this question in your follow-up comment form. Record responses to evaluate your present promotion plan and to plan future promotional efforts.

FOR MORE INFORMATION

Michigan State University Cooperative Extension Service

Contact your county Cooperative Extension Service office for additional tourism information and educational material, including "A Study of Michigan's Bed and Breakfast" and "Travel and Tourism in Michigan: A Statistical Profile". Your local Extension office also has access to the Michigan Travel, Tourism and Recreation Resource Center at Michigan State University.

The following are Extension publications available through your county Cooperative Extension Service office:

- E-1381 Tourism: Greeting the Guest
- E-1605 Creating a Travel Brochure that Sells
- E-1931 Marketing . . . Developing Brochures
- E-1939 Developing a Promotional Strategy
- E-1940 Information and Traveller Decision Making

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- E-1957 Creating a Promotional Theme
 - E-1959 Tourism Marketing
 - E-1999 Pricing Tourism Products and Services
 - E-2005 Selecting Promotional Media
 - E-2064 Courtesy is Contagious

Michigan Department of Commerce

Office of the Business Ombudsman
P. O. Box 30107
Lansing, MI 48909
1-800-232-2727

“Michigan’s Bed and Breakfast and Historic Inns”

Published by: Michigan Travel Bureau
P. O. Box 30226
Lansing, MI 48909
1-800-5432-YES

Associations

American Bed and Breakfast
P. O. Box 23294
Washington, D.C. 20026
Publishes: Hostkit

Lake to Lake B&B Association
405 Stewart Avenue
Kalamazoo, MI 49007
(616) 342-0230

National B&B Association
148 East Rocks Road
P. O. Box 332
Norwalk, CT 06852

B&B’s In Michigan
P. O. Box 1731
Dearborn, MI 48121
(313) 561-6041

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Lacy, Barbara G. *Bed and Breakfast: Getting Started #1*. Bulletin L-380, Cooperative Extension Service, University of Massachusetts, 1985.

Mulcahy, John. *Considerations in Starting a Bed and Breakfast Business*. New York Sea Grant Extension, Cornell University, Ithaca, N.Y., 1984.

Olson, Wanda, et. al. *Starting a Bed and Breakfast or Farm Vacation Business*. Bulletin CD-FO 3225, Cooperative Extension Service, University of Minnesota, 1987.

APPENDIX A

Bed and Breakfast Legislation

General Background: On July 10, 1987, Governor Blanchard signed into law five bills designed to promote the Michigan bed and breakfast industry. The measures define bed and breakfasts and differentiate between these establishments and hotels and motels in terms of certain state regulations. The new laws are in effect.

SUMMARIES OF THE NEW LAWS

P.A. 111 (HB 4662-Rep. Gagliardi) — This act amends the public health code by exempting bed and breakfasts from the legal provisions for food service establishments. The bill defines a bed and breakfast as: a private residence that is also the innkeeper's residence; has sleeping accommodations meant for lodgers; has up to 14 rooms; and that serves breakfast at no extra charge to the lodgers. There is also a requirement that there be a smoke detector in every sleeping room and a fire extinguisher on every floor. A lodger is defined as a person who rents a room in a bed and breakfast for fewer than 30 consecutive days.

The bed and breakfast is exempt from regulation under the public health code as a food service establishment if it has eight or fewer rooms for rent or if it had at least nine, but fewer than 15, and only served continental breakfast. There is also a specific definition of what constitutes a continental breakfast.

P.A. 112 (HB 4665-Rep. Bartnick) — This act specifies that a bed and breakfast should be treated as a residential building rather than as a commercial building under the state's construction code. Thus it would be treated as a permanent residence and not as a hotel or other facility serving tenants. This would be in effect throughout the state without local modification, notwithstanding the exemptions provided in the construction code that allow local governments to exempt themselves from parts of the code.

P.A. 113 (SB 146-Sen. Fredricks) — This new law exempts a bed and breakfast establishment from being regarded as a hotel, as defined in the public health code.

P.A. 114 (SB 147-Sen. Sederburg) — This act would add owners of bed and breakfast establishments to those innkeepers who can detain goods and baggage as a lien to secure payment of unpaid lodging.

P.A. 115 (SB 148-Sen. Sederburg) — Would add bed and breakfasts to the list of those establishments who are limited to \$250.00 in their liability, as is the case with hotels and inns.

POLICY ISSUES

The intent of these new laws is to provide some legal protection for bed and breakfast establishments and, at the same time to differentiate them from commercial hotel and motel establishments. There was concern expressed in committee testimony by public health officials that these bills would not adequately protect the traveling public. The supporters of the measures (Dept. of Commerce and tourism supporters as well as bed and breakfast owners) stressed the different nature of bed and breakfast establishments, emphasizing the ownership, the different atmosphere than a hotel, etc.

Prepared by Beth Moore, MSU-CES (background information from the Senate Fiscal Agency and Legislative Service Bureau)



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