



Appaloosa Horse Club Est 1938

The International Breed Registry of Appaloosa Horses

Why is the ApHC Board of Directors recommending (considering) selling the club's property located at 2720 West Pullman Road in Moscow, Idaho: 1) The building is 50-years-old and in need of extensive and costly repairs, as well as significant upgrades; 2) the building is approximately 6 times larger than our current needs; 3) the club's financial picture is on a downward trajectory, impacted by a decline in membership, registrations and a dramatic increase in costs, spurred – in large part -- by persistent inflation ranging from 3.4 percent (2023), 6 percent (2022) and 7 percent (2021).

The ApHC was founded in 1938 and moved to Moscow in 1947. The club moved to its present location in 1974. The principal building, constructed of concrete blocks and a metal roof, is approximately 23,000 square feet, including 2,000 square feet occupied by the Appaloosa Museum and another 2,000 square feet of shared space with the Museum. Some people have asked: what happens to the Museum if the building is sold? It's important to point out that we have no say in the matter. The Museum has its own Board of Directors and is operated independently. But we have been informed that the Museum is currently developing contingency plans in the event of a sale. The property also includes a 20x40 pole building (800 square feet) used for storage. The land area owned by the club is 3.96 acres (172,498 square feet in total). Today, the property is considered prime real estate and valuable for redevelopment because of its location on the Idaho-Washington border and a daily traffic count of approximately 15,000 cars. It has an appraised value of \$3.5 million.

Most significantly – from a financial perspective – our aging, antiquated building is in need of a new roof (which is leaking in a growing number of spots) and estimated to cost \$350,000. Additionally, renovation expenses to bring the building up to code, such as a sprinkler system and other needed improvements, range from \$150,00-\$200,000. If these improvements are made, could the ApHC rent out part of the building to produce income? Absolutely. But it would require us to drain our financial reserve or take out a business loan.

For instance, if the club was to borrow \$500,000 for 10 years at 6 percent interest (the going rates for these types of conventional business loans currently range from 6 to 10 percent, depending on collateral and credit history), we would need to generate \$5,500 a month or \$66,000 a year in rent. And yet, an independent analysis by a respected real estate broker shows a minus 5 percent on return of investment if a substantial part of the building is improved for rental purposes. Think about it: an ROI of a negative 5 percent. This would be extremely risky, putting us in the landlord business, as well as the horse business. And don't forget, any significant upgrades are also likely to drive up property taxes and insurance costs. On the other hand, we should expect to pay less with a smaller facility. Plus, utilities should go down, too.

Another big consideration is staff needs. In today's world, how can we justify a building this

big? In its hay day, (1980's-1990's), the ApHC typically employed 50-to-55 employees. Today, we are down to 14 full-time and part-time employees, plus 3 contract employees who work off site. It's estimated that our current office needs are approximately 3,500 square feet compared to the 23,000 square feet now under a leaky roof.

Finally, the long-term financial health of the the ApHC must be considered. Several revenue streams have been steadily declining, forcing the Board of Directors to make many difficult decisions – especially in the wake of persistent inflation, which has dramatically increased expenses. For instance, publishing and paper costs for the Appaloosa Journal have skyrocketed since 2021. Insurance costs have also soared, as well as many routine day-to-day expenses. But most troubling, for the fiscal year ending in March, 2024, the club lost \$50,000, despite deep cuts in many operational costs. After much discussion and careful analysis, it's believed that selling the building, downsizing to a smaller location and wisely investing the proceeds of the sale will ensure the financial stability of the ApHC for decades to come. (That is our recommendation.)

Appaloosa Horse Club

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