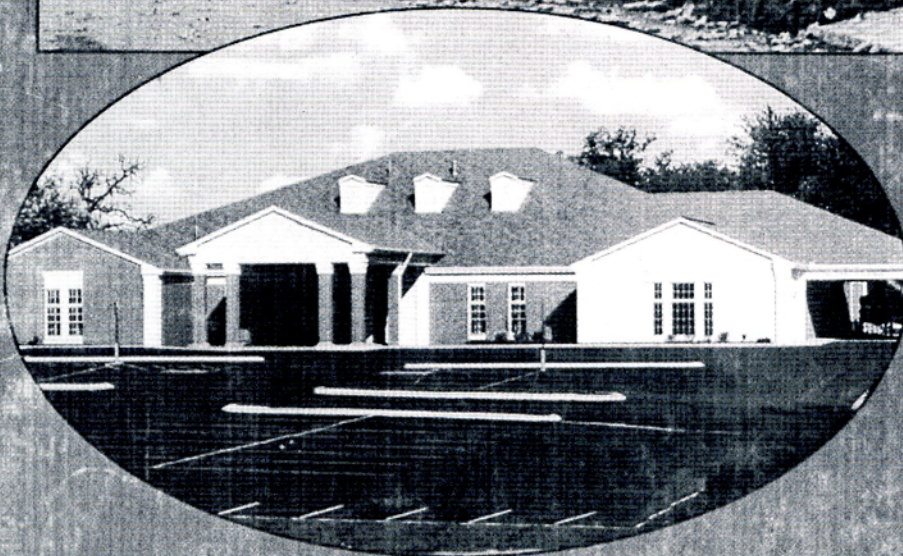
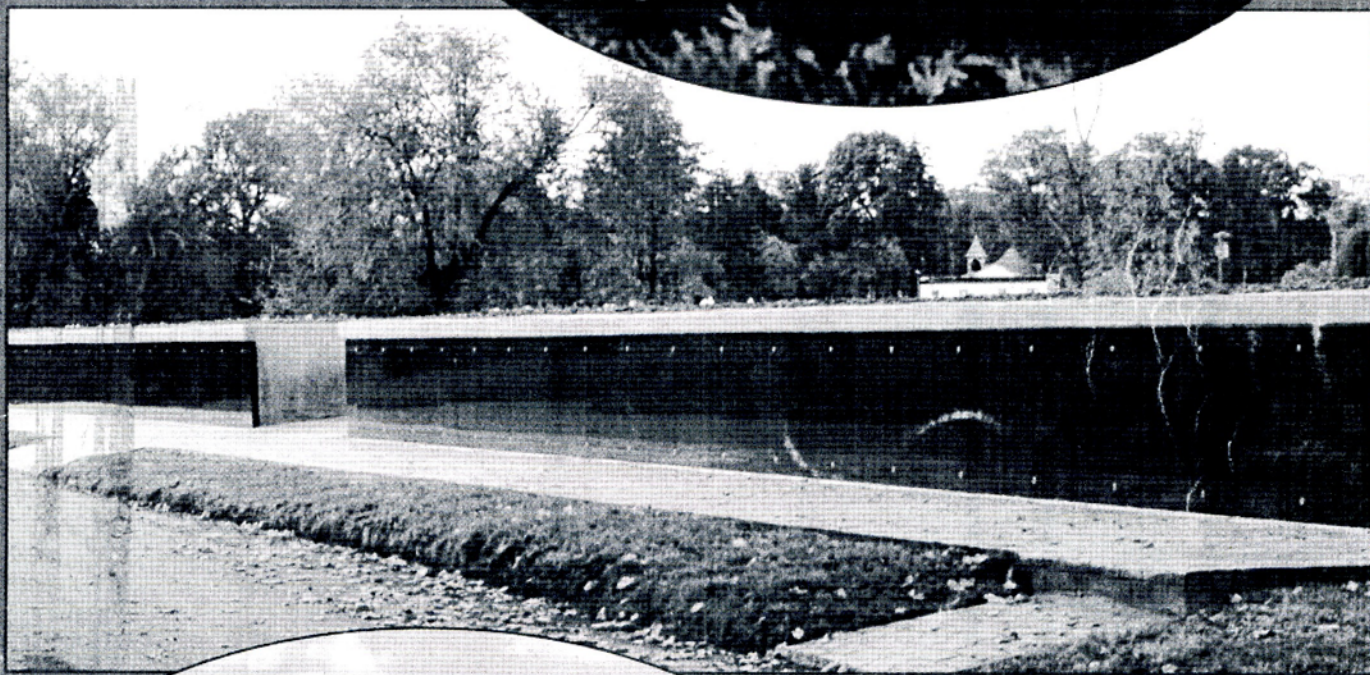
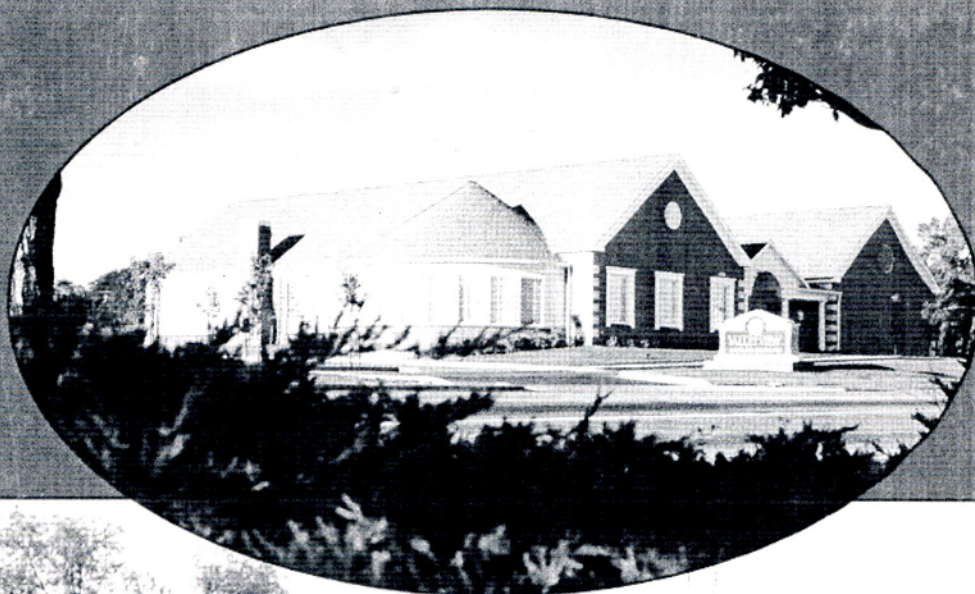


AMERICAN CEMETERY

The Magazine of Cemetery Management

May 1997



Combination Operations

**Fighting Deed
Restriction**

**Zoning Laws Bring
Growing Pains to
Combos**

of-the-art funeral home with a comfortable "lodge-like" look for visiting friends and family.

Because of size limitations due to already allocated cemetery sections, the building was constructed on a small hillside along an existing roadway in the cemetery.

Parking was blended into the natural setting in smaller lot sections to work with the natural landscape.

Construction began in August 1995 and the funeral home was open five months later in March of 1996. The roughly 17,503-square-foot home includes 14,230 square feet of air-conditioned space and a 3,273-square-foot carport and porch area.

Design Features:

- Exterior style — Northwestern Ranch style with a casual / comfortable character.
- Exterior focal point — Distinctive native stone porte' cochere and main entry vestibule.
- 30 x 40-foot grand entrance lobby

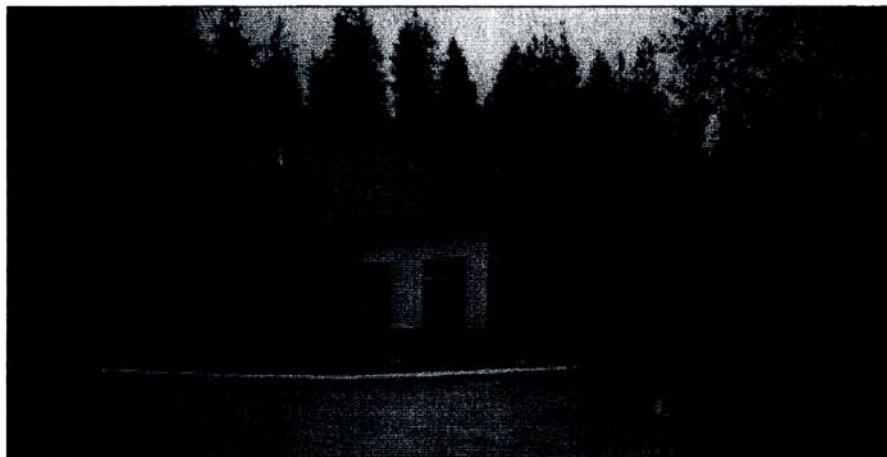
with double-sided, see-through stone fireplace.

- Large cemetery and administrative area with a separate side entrance.
- Spacious visitation wing with three large staterooms, two of which have movable wall systems to create five staterooms when necessary.
- Formal chapel seating 136 in pews

with large vestibule accommodating 60 more overflow seats when needed.

- Large public reception lounge can be set up as an additional stateroom or for chapel overflow.
- Rear of building contains receiving garage for two vehicles, preparation

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Fairmount Heritage Funeral Home, Spokane, Wash.

Fighting Deed Restrictions... Never Say Never

BY LAWRENCE ANSPACH

Have you ever noticed how many cemeteries have a beautiful choice piece of undeveloped land either by the entrance gate or in some other location in their cemetery? This is because the founders had the foresight to prepare for the possibility of building a funeral home some day in the future.

I travel all over the world in my business and see countless cemeteries and funeral homes. They all seem to have the perfect piece of land to build a funeral home. Unfortunately, I also see where some deed restrictions have been placed on this choice piece of land. One owner liked the landscaping and placed a deed restriction that the land could never be used for a funeral home or interment purposes. Sometimes these deed restrictions can be changed through the court system. This can be very expensive and the outcome is not always favorable. Therefore, never put a deed restriction on your land. As in James Bond, "Never Say Never."

I see cemeteries today entering the funeral business to retain its present market share and increase it during the ensuing years. As the acquisition companies like SCI, Loewen, Stewart, etc. enter your marketplace (and if they have not yet they will) the way of doing business will change. Acquisition companies cluster their location whereby their funeral homes "feed" one of their cemeteries. In addition, they sell preneed

cemetery and preneed funeral sales, which enables them to provide the consumer 100% of all of their funeral needs. How many of your sales people come back from a presentation and say the family wanted to make funeral/cemetery arrangements but you offer only one service?

As you can see, by having a combination operation, it is also easier to hire and retain good sales people. Sales people have the opportunity to earn more money by being able to sell all products and services.

If a cemetery does not enter the funeral home business, could it continue at the same pace? I say no, because in my travels I see declining business at cemeteries where acquisition companies have moved into the marketplace. I talked to a friend recently who had just built a funeral home at his cemetery in Chicago. He told me that a family who lost a loved one came to the funeral home to look for caskets. It was the family's intention to look at caskets at their funeral home and then use the funeral home in their neighborhood and purchase lots at the cemetery. Thus, the original funeral home and original cemetery each lost business. Interestingly, the family was going to use a Catholic cemetery and instead used a non-sectarian cemetery.

Many cemetery owners fear is that they will lose existing "at

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Deed Restrictions

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need" business from area funeral directors. This fear is unfounded. In actuality, the cemetery increases at need business as in the example above.

How many annual interments should the cemetery perform in order to consider building a funeral home in the cemetery? The funeral home should service at least 400 interments a year. In the first years of operating a combination, it is normal to service about 20% of the cemetery's interments.

The funeral home business can be an attractive financial investment. Some of the acquisition companies are obtaining 40 percent margins. It is very difficult for an independent cemetery to obtain 40% margins.

Also, my company shows that when a funeral home is owned and operated by a cemetery, the cemetery's annual sales volume will be as much as 20% higher each year.

According to the Chicago Corporation, there are favorable "death care industry" trends that you cannot find in any other business. There are high barriers to entry. It is unlikely that a new cemetery will be built across the street, let alone in your marketplace. Demographic trends indicate a slow but steady increase in the total number of annual

deaths. The first wave of the 75 million baby boomers reached 50 in 1996. According to the American Association of Retired Persons, by the year 2029, one in five people will be 65 or older.

In addition, the consumer rarely compares prices when in the market to purchase cemetery/funeral arrangements. Although the rate of cremation has increased, there is little risk of significant change in technology.

When my family built a funeral home at our cemetery in 1982, I recall the local funeral director said we would have an unfair advantage because of all of our lot owners (30,000). However, I told him that all of our lot owners first went to his funeral home, so the funeral home had the same names that we did.

There are alternatives to building a funeral home at a cemetery. Many cemeteries have beautiful chapels that can be converted to be used as funeral homes. This should result in substantial cost savings. In addition, it might make sense to form a joint venture with a local funeral home. In this way, the cemetery and funeral home will each benefit.

They industry trend toward combination operations is evident as even municipal, religious, and not-for-profit cemeteries begin building funeral homes. The Catholic Archdiocese of Denver is one of the most publicized examples.

Although some states have laws that

outlaw combination operations, there are movements to overturn those anti-competitive statutes. Also, it appears that some cemetery owners are finding ways to get around state laws. One owner I know had the funeral director change his name to match that of the cemetery. Another owner bought an existing corporation that predated the change in statute. Thus they were grandfathered under the new statute.

Here are a few keys to a successful combination operation:

- Hire a funeral director who is a team player and believes in preneed selling. The funeral director must understand the philosophy of a combination operation.

- In addition, if the cemetery is a union cemetery, inquire to see if the funeral home can operate as a non-union shop. Also, a funeral director may be in the union and the cemetery may be non-union.

- It is more cost effective to advertise. You are reaching a larger market which should save you advertising dollars.

- In your advertising, use the "one-stop shopping" theme.

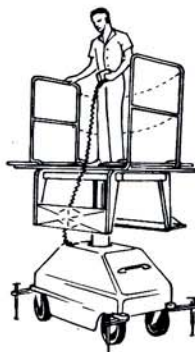
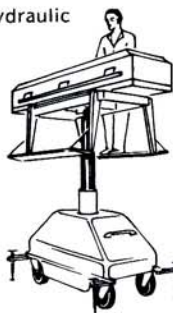
- Utilize the cemetery's owner list to help preneed sales.

- It is important to be in compliance with local zoning and environmental laws. Many cemeteries are zoned as residential and would need a zoning variance to construct a funeral home on cemetery property. Since zoning hearings can be political, this should be one of the first steps in planning a combination operation. The corporate structure must be decided. In cases of not-for-profit cemeteries, it must be decided who will be the owner of the funeral home: the endowment care trust fund, the board of directors, the cemetery, etc.

It is important to note that by becoming a combination operator, you

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will increase the value of your property. the market valuations of the publicly traded companies are extremely high. If you contemplate divesting your business in the future, the acquisition companies will usually pay a higher price for a combination operation. All of the acquisition companies are constructing funeral homes at a rapid pace on their existing cemeteries.

In our opinion, a cemetery performing at least 400 interments per year should be considering building a funeral

home or planning a joint venture with a funeral home.

It will ultimately increase the value of your property and the image you present in the community. You will better be able to retain — and most likely increase — market share. Your cemetery will continue to be competitive in the marketplace. It will be easier to hire sales people, not to mention, increase sales.

You will better serve your customers by offering them the complete range of products and services in the death care industry. In all probability, an in-

vestment in a funeral home in conjunction with a cemetery should provide additional funds that can be used to improve to the overall operation of the cemetery. AC

Lawrence C. Anspach, president of American Cemetery/Mortuary Consultants Inc., is a Certified Cemetery Executive, who has served traditional, religious, municipal, memorial park, garden and fraternal cemeteries, providing appraisals for purposes of land condemnation, evaluations, tax appraisals etc.

Case Histories from J. Stuart Todd

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room, dressing area, staff lounge, flower receiving, storage areas and retort with family viewing room.

Hansen Mortuary and Memorial Gardens

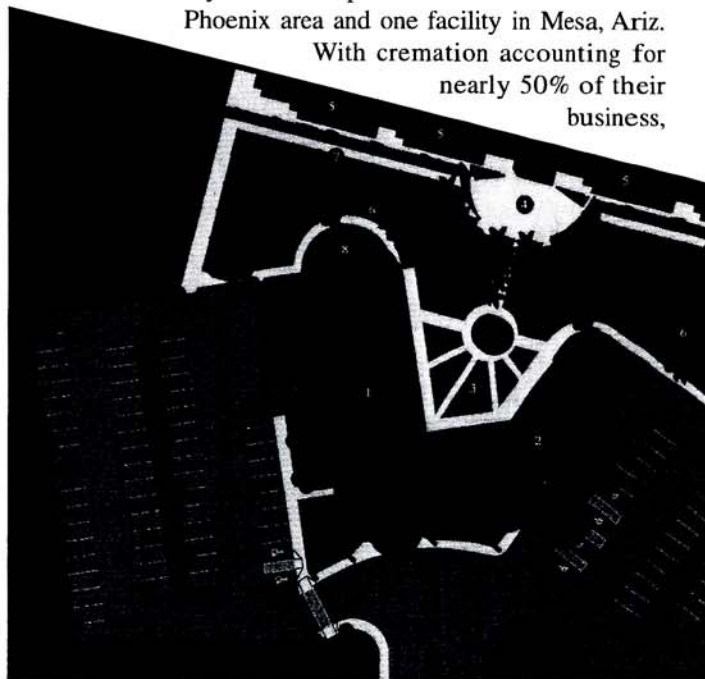
Designing the Hansen Mortuary and Memorial Gardens in Phoenix, Ariz. allowed the architects at Dallas-based J. Stuart Todd, Inc. to face the challenges of designing a combination funeral home and cemetery from scratch. The project allowed designers to develop a unique relationship between the funeral home and cemetery.

Located in an area of high growth in the northeast Phoenix area, the operation is setting up among a population that is highly mobile and transient with very few traditions to uphold.

The funeral home and cemetery will actually flow into one another, allowing families and friends a special experience. Flexibility allows appropriate settings for visitations, receptions, memorialization, formal services, interment, cremation,

or whatever meets the needs and imagination of the family. The Hansen family own and operate two mortuaries in the Phoenix area and one facility in Mesa, Ariz.

With cremation accounting for nearly 50% of their business,



Aerial view of Hansen Mortuary and Memorial Gardens. Phoenix, Ariz.: 1) Funeral Home; 2) Formal Chapel; 3) Courtyard; 4) Outdoor Service Area; 5) Mausoleum Buildings; 6) Semi-private Estates; 7) Family Estates; 8) Niche Atrium.

the Hansens saw a definite need to meet the needs of families who prefer cremation. The combination allows this flexibility, with the cemetery providing a second opportunity for various memorialization services.

The 13,288-square-foot funeral home features 10,616 square feet of air conditioned space, and a 2,672-square-foot garage, carport, and porch area.

The cemetery's focal point originates at the mortuary courtyard and fountain. A central axis runs from the fountain and pool area through an "avenue of the palms." AC

Stewart Enterprises

Continued from page 21

Home, immediate improvements to the cemetery included development of a lawn crypt garden and a terrace mausoleum and the refurbishing of an existing mausoleum on the grounds. Besides these building improvements, cemetery equipment was upgraded and the most up-to-date machinery available was purchased to ensure the proper maintenance of the cemetery grounds.

Today Mount Olivet continues to enjoy the goodwill generated by this program and the continued commitment of Stewart Enterprises to Nashville.

As a community service, a free audio-cassette cemetery tour program, created

in conjunction with the grand opening celebration at the funeral home, is available to the public. Guests are invited to borrow a tour cassette and tape player from Mount Olivet Funeral Home and stroll at a leisurely pace through Mount Olivet's rich history. The tour is well marked and a free tour map serves as a keepsake of the tour. This tour provides an opportunity for visitors of the cemetery to make their way into the funeral home and vice-versa.

Narrating the tour is W. Ridley Wills, II, a noted historian and adjunct instructor of Nashville history at Belmont University. He is the author of not only the tour commentary, but also of a book titled "A Walking Tour of Mt. Olivet Cemetery."

AC