



# Freshwater Fix

A CASE STUDY IN PLACEMAKING & COMMUNITY INVESTMENT

September 2015

# Acknowledgements

**Juli Kaufmann** | Owner | Fix Development

**Dan Casanova** | Senior Economic Development Specialist | Redevelopment Authority of the City of Milwaukee

**Brian Waterman** | Owner | Indulgence Chocolatiers

**Steve Schultz** | Owner | Purple Door Ice Cream

**Scott Buer** | Owner | Bolzano Artisan Meats

**Marcia Caton Campbell** | Executive Director | Center for Resilient Cities

**Ursula Twombly** | Principal | Continuum Architects + Planners

**Chris Socha** | Project Architect | The Kubala Washatko Architects

**Cathie Madden** | Investor | Freshwater Fix

**Derrick Johnson** | Executive Director | Dream MKE

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# Timeline

Freshwater Fix LLC was formed in 2013 for the purposes of acquiring and redeveloping the real estate located at 205 S. 2nd Street in Milwaukee, Wisconsin. The redevelopment of this building emerged from developer Juli Kaufmann's philosophy that real estate development should reach beyond financial returns to positively impact the community and the environment. Kaufmann's approach to development is based on four main tenants: economic stability, environmental stewardship, social equity, and cultural continuity. Kaufmann's development and consulting company, Fix Development, embraces transparency in an effort to share knowledge and urge other organizations to build upon the progress made with the Freshwater Fix building and other projects. This case study is designed to share the story of Freshwater Fix, highlighting placemaking and community-driven investment as primary project goals.

## 2013

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JULY	Acquisition
SEPTEMBER	Initial Investment Round Closes
OCTOBER	Construction Begins
DECEMBER	Second Investment Round Closes

## 2014

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FEBRUARY	Initial Construction Complete
FEBRUARY	Purple Door Moves In
NOVEMBER	Remaining Construction Begins

## 2015

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FEBRUARY	Center For Resilient Cities Moves In
MAY	Final Investment Round Closes
JULY	Official Grand Re-Opening Party
AUGUST	Float Milwaukee Opens





The view of the Freshwater Fix façade, from across S. 2nd Street

## Introduction

For any neighborhood, in any city in the world, the only constant is change. In the Walker's Point neighborhood of Milwaukee, community-minded developers and investors have taken action to guide that change—building a sustainable economic structure that generates social, cultural, environmental, and financial benefits for those who live and work there.

One of the projects contributing to this vision is Freshwater Fix, a renovated industrial building that provides a relatively affordable space for locally operated businesses and organizations. The project is made possible by the involvement of Fund Milwaukee, a group of people seeking to invest in businesses and ideas that have the potential to transform their community for the better. By investing where they live, members are able to harness the financial and social value produced by redevelopment in a way that supports and grows the local economy. It is a model that only works when investors have a personal connection to their investments and returns extend beyond the balance sheet.

For a neighborhood to support homegrown entrepreneurship, it also requires public spaces that encourage sidewalk activity and create a welcoming, dynamic atmosphere. Several years before Freshwater Fix began construction, residents and business owners in Walker's Point pushed public officials to alter plans for the reconstruction of South

2nd Street to include elements like crosswalks and bike lanes that have contributed to a more vibrant neighborhood and promoted retail activity.

Great neighborhoods are not created on a spreadsheet or a whiteboard. They're built brick by brick through conscious acts. Even with all the economic development tools in the world, no government can mandate that a community be home to a corporate headquarters or a fun place to enjoy an ice cream cone.

If development is driven solely by profit, then neighborhood change will reflect whatever generates the highest financial returns. But if development is instead guided by a community vision that reflects shared values, neighborhoods can change in ways that share benefits and create economic opportunity where none existed. While no single project can completely transform a neighborhood's future, Freshwater Fix demonstrates a development model that puts community first.

# Redevelopment

## SITE HISTORY—205 S. 2ND STREET

The 7,000 square-foot building at the corner of S. 2nd Street and W. Freshwater Way in Walker's Point was previously occupied by Prime Leather Finishes Co. Founded in 1931, the company produces finishes for leather used in shoes, purses, and footballs, as well as specialized paints for industrial customers.<sup>1</sup> The company used the building primarily for office and storage. Prime Leather Finishes vacated the building in July 2011, shifting production to a newer facility in Pewaukee, Wisconsin.<sup>2</sup>

The property sat vacant until Fix Development bought it in July 2013 and began redeveloping it for retail and office use.

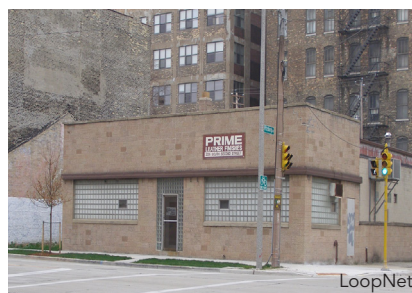
## NEIGHBORHOOD CHARACTER

Rooted in Milwaukee's deep industrial history, Walker's Point features a diverse mix of historic building stock, active commercial uses, and new residential construction.

During the first half of the 20th century, the neighborhood's proximity to downtown and regional rail lines made it a center for production, with warehouses and storefronts lining 1st and 2nd Streets. Today, the neighborhood includes pockets of single-family homes, corporate headquarters, and the region's largest technical high school.



The exterior of 205 S. 2nd Street when it was still home to Prime Leather Finishes



The exterior of 205 S. 2nd Street prior to construction



Freshwater Fix sits at the corner of S. 2nd Street and W. Freshwater Way in Walker's Point

1 Milwaukee Journal Sentinel, 5/28/2008, <http://www.jsonline.com/business/29558974.html>

2 Milwaukee Journal Sentinel, 1/15/2012, <http://www.jsonline.com/business/housing-moves-in-on-citys-industrial-areas-lb3p126-137366333.html>



## Transforming South Second Street

In 2007, the City of Milwaukee's Department of Public Works began planning with WisDOT to reconstruct South Second Street because it was a mitigation route for the Marquette Interchange project.

When the residents and property owners of Walker's Point heard about the plan, they recognized an opportunity to create a "complete street" that reduced driving lanes, added bike lanes, preserved parking, and promoted safer vehicle travel speeds.<sup>3</sup>

To fulfill this vision, community leaders and members of the Walker's Point Association engaged in a multi-faceted advocacy effort to convince stakeholders of the feasibility and value of transforming the street into a community asset that would promote neighborhood vibrancy and economic development. Community members engaged in direct outreach to city and state officials while also communicating through local media outlets. After hearing the arguments for a different lane configuration and supported by recently enacted complete street legislation at the state policy level, the Department of Public Works changed the plan to include one traffic lane, one bike lane and one parking lane in each direction.

Street reconstruction started in spring 2010 and was completed by fall 2010. The final product includes bike racks, new streetlights, crosswalks, bioswales, and street trees. The changes are now considered by the city as a model for similarly scaled streets when they come up for repaving and reconstruction.

Although this street transformation predated the Freshwater Fix redevelopment project, it was a foundational effort that set the course for the future of the neighborhood. Juli Kaufmann of Fix Development was a primary leader behind the effort to transform the street, helping set the stage for Freshwater Fix. The redevelopment project intentionally built upon this placemaking momentum to help South Second Street fulfill its potential as a neighborhood main street.

<sup>3</sup> South 2nd Street Case Statement, Fix Development, <http://www.fixdevelopment.com/wp-content/uploads/2012/08/SouthSecondCaseStatement-1.pdf>



South Second Street—before street redesign



South Second Street—complete streets concept design



A construction crew installs the two new west traffic lanes and curb



The entrance to the  
Radio Milwaukee  
Studio in Walker's Point

“Placemaking is critical to providing a unique experience and sense of place that people are seeking. People gravitate towards cities or neighborhoods that invest in placemaking efforts. As we’ve seen around the country with public investments in streetscaping, in public art, in rail transit, private investment then follows. That private investment is critical in generating positive economic outcomes for neighborhoods, bringing in more people, business activity and reinvestment.

—*Dan Casanova*, Senior Economic Development Specialist, Redevelopment Authority of the City of Milwaukee

## EMERGENCE AS A LOCAL FOOD-FOCUSED NEIGHBORHOOD

Over the past decade, Walker's Point has become a hub for locally produced food products, a trend that began when Milwaukee Brewing Company first leased its production facility on South Second Street in 2008.<sup>4</sup> Since then, other locally owned food companies have opened their doors in the neighborhood, including Clock Shadow Creamery, Purple Door Ice Cream, Indulgence Chocolatiers, Anodyne Coffee Roasting Co., Brenner Brewing, Great Lakes Distilling, and Central Standard Craft Distillery. The most recent addition is MobCraft Beer. The Madison-based craft brewer crowdsources recipes for new beers and plans to open a new brewery in Walker's Point by the end of 2015.<sup>5</sup>

This influx of edibles and the neighborhood's central location has spurred a wave of restaurants, including The Noble, Morel, Braise, Crazy Water, AP Bar and Kitchen,

Blue Jacket, Black Sheep, MOVIDA, Zak's Café, Engine Company No. 3, and C. 1880.

The local flavor that defines Walker's Point doesn't end with food. Other newcomers to the neighborhood include Coast in Bikes, Hometown Established, and Radio Milwaukee.

Fix Development's Juli Kaufmann pushed the local trend forward with development of the Clock Shadow Building, which opened in 2012 at the corner of S. 2nd and W. Bruce Streets. The Clock Shadow Building is a four-story commercial building that sits on what for decades had been a contaminated brownfield site. In addition to Clock Shadow Creamery, building tenants include members of The Healing Collective—a consortium of health care, wellness, and counseling organizations. The building's accessible roof includes a shared garden that produces herbs and vegetables for local consumption.

<sup>4</sup> Milwaukee Business Journal, 2/6/2015, <http://www.bizjournals.com/milwaukee/print-edition/2015/02/06/milwaukee-brewing-co-spilleth-over.html>

<sup>5</sup> Milwaukee Journal Sentinel, 4/11/2015, <http://m.jsonline.com/business/walkers-point-has-potent-mix-of-artisan-beer-spirits-and-food-b99478739z1-299449121.html>



“Today, Walker’s Point is experiencing a renaissance with no need for a re-branding. The neighborhood’s proximity to downtown and the Third Ward, the low cost of real estate, the availability of numerous old buildings and vacant sites, combined with the gritty authenticity of this old industrial Milwaukee neighborhood, has made Walker’s Point a hot spot for development and the city’s newest cool neighborhood.” —BizTimes.com, October 2013

### Indulgence Chocolatiers

Julie and Brian Waterman, owners of Indulgence Chocolatiers, moved their production kitchen to Walker’s Point from Waukesha in July 2013. As a largely wholesale business, they could choose to move anywhere, but they wanted a visible location that could also serve as a storefront. They were attracted by the neighborhood’s central location, its industrial character, and the concentration of other food-related businesses.



“We like the camaraderie about it being a foodie destination and all the other producers located there,” said Brian Waterman.

Relative to the 3rd Ward just to the north, rent in Walker’s Point was relatively cheap while still being part of a vibrant neighborhood. When Fix Development announced plans for converting the vacant building at S. 2nd and W. Freshwater Way into the future home of Purple Door Ice Cream, the Watermans saw the development as a positive. “After all, ice cream goes well with chocolate.”

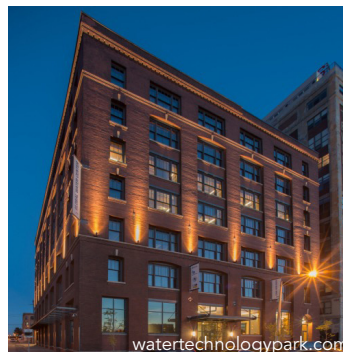
They look forward to the neighborhood’s continued evolution as a destination for local food and other new businesses. “We get a ton of business from out-of-towners. People want that food experience when they’re traveling. They want to get a real flavor for the local culture.” As new businesses and residential tenants move to the neighborhood that have the potential to be new customers.

### Reed Street Yards and the Global Water Center

At the same time that businesses focused on food and other local goods have been on the rise in Walker’s Point, construction of several buildings focused on freshwater research and technology partnerships and accompanying public infrastructure improvements have produced increased visibility for the neighborhood.

In 2013, the Water Council, a partnership of more than 150 water technology companies and the University of Wisconsin-Milwaukee’s School of Freshwater Sciences, joined with HKS Holdings LLC to create the Global Water Center, a water research & business accelerator that houses water-related research facilities, offices for water-related companies and accelerator space for new, emerging water-related companies. The collaborative facility includes a 44-seat lecture hall, exhibition space, and shared research facilities, including a high-tech water flow lab.<sup>6</sup>

<sup>6</sup> The Water Council, Global Water Center, <http://www.thewatercouncil.com/global-water-center>,



The exterior of the Global Water Center

“What is important about the work that Juli Kaufmann has done through Fix Development is that it has captured the long-time character of the neighborhood resident character. The Clock Shadow Building and Freshwater Fix—these projects are not trying to preserve the neighborhood against all change, but embrace and enhance it and strengthen the best parts of it. And that’s placemaking. Placemaking happens in places where the ground level community vision is respected and heard and expanded.”

—*Marcia Caton Campbell*, Executive Director of the Center for Resilient Cities

The Global Water Center welcomed its first tenants in 2013 and the building is now nearly fully leased. The Water Council and HKS Holdings are currently planning to develop a nearby annex facility to accommodate additional companies and organizations that are currently on a wait list.

Adjacent to the Global Water Center is Reed Street Yards, a planned mixed-use, urban office, educational research and technology zone that is intended to serve as a global showcase for water management. The “technology business park” will feature water conservation technologies such as bio-swales, rain gardens, “purple-pipe” infrastructure, and pervious pavement. The first building, Water Tech One, is currently leasing with plans to open in Summer 2016. The privately funded project is being developed by General Capital Group and is projected to include more than 1,000,000 SF of office space when complete. In October 2014, the City of Milwaukee completed infrastructure upgrades along the office park’s main corridor, Freshwater Way.<sup>7</sup>

<sup>7</sup> City of Milwaukee, Reed Street Yards, <http://city.milwaukee.gov/Projects/ReedStreetYards.html>



The future site of the Reed Street Yards Business Park



Reed Street Yards site rendering

## Current And Planned Development In Walkers Point<sup>8</sup>

Building	Address	Owner/Investor	Description	Status
Global Water Center #1	247 W. Freshwater Way	Water Council and HKS Holdings LLC	100,000 SF research offices	Completed September 2013
Global Water Center #2	326-332 W. Florida St.	Water Council and HKS Holdings LLC	45,000 SF research offices	Completion projected for Summer 2016
Reed Street Yards	3rd & Freshwater Way	General Capital Group LLP and Peter Moede	1st building will be 80,000 SF office building and 2nd building will be headquarters for Zurn Industries	Construction to begin in late 2015
Brix Apartment Lofts	408 W. Florida St.	Hovde Properties	100-unit apartment building	Completed Summer 2015
River Place Lofts	West of S. 6th St., South of the river	Peter Moede	64-unit apartment building	Completed Fall 2015
TBD	117 E. Pittsburgh Ave.	Michael Pelsley	11,400 SF two-story mixed-use building	Pre-construction
The Oregon at South Water Works	221 E. Oregon St.	Dave Winograd	77-unit apartment building	Completed Spring 2015
PPG Building Lofts	300 S. Barclay St.	Sherman Associates Inc.	64-unit apartment building	Pre-construction
Freshwater Plaza	NE Corner of 1st Street and Greenfield Avenue, Milwaukee, WI 53204	Wangard Partners	Grocery store, retail, offices, and apartments	Completion projected for Spring 2016

Walkers Point's emergence as a hotbed for locally owned production and the multimillion public and private investments in the Global Water Center and Reed Street Yards have prompted additional projects from regional and national real estate developers. This next wave of development, a mix of new apartments, offices, and retail, promises to continue the area's transformation. The majority of the remaining buildings in Walker's Point that provide straightforward redevelopment opportunities have been bought or are currently under contract.<sup>9</sup>

Freshwater Fix emerged at the nexus of these somewhat diverging trends defining the neighborhood character of Walker's Point. The project aimed to serve as a model for how to capitalize on the area's positive development momentum while maintaining a commitment to the heart and soul of an already great place.



Benches, bioswales, and bike racks line the sidewalk outside building

<sup>8</sup> Milwaukee Journal Sentinel, 3/1/2014, <http://www.jsonline.com/business/new-businesses-tap-into-global-water-center-development-in-milwaukee-b99213610z1-248034791.html>

<sup>9</sup> Interview with Ursula Twombly, 1/12/2015



## DEVELOPMENT TEAM



Juli Kaufmann founded Fix Development in 2009 with the mission of providing strategic plan-

ning, feasibility and project management support to social-ly and environmentally sustainable development projects. Fix Development has been involved with various large-scale commercial and neighborhood revitalization projects for Milwaukee-area clients. Recent projects include the Clock Shadow Building, Afterglow Farm, and Walnut Way's Innovation and Wellness Commons. Through Fix Development, Kaufmann supports the creation and execution of innovative business models with a local focus.

Continuum Architects + Planners is a small architecture firm with a commitment to improving communities through sustainable building practices. Established in 1996, Continuum provides full architectural and interior design; and brings a vision for environmental sustainability to each of their projects. The Continuum office is located in Walker's Point on S. 1st Street.



### Kelly Construction & Design, Ltd.

Kelly Construction & Design, Ltd. is a full service general contractor with 25 years of experience in commercial and residential construction. With headquarters in Chicago,

Illinois, Kelly Construction has a regional office in Milwaukee.

## DESIGN

The Freshwater Fix development team took a very intentional approach to redefining the public interface of the building to reengage within the neighborhood context. To encourage activity in the public spaces along the sidewalk, the development team designed a number of very specific placemaking elements into the project.

### Façade Improvement

A significant portion of the building renovation included upgrades to the building's façade, facing both S. 2nd Street and W. Freshwater Way (formerly W. Pittsburgh Ave.).

Exterior improvements included adding large storefront windows to allow natural lighting into the building and connect the interior and exterior seating areas. The S. 2nd Street entrance was updated to include a glass door surrounded by windows, a new awning, and an interior atrium enclosed with glass. The masonry was repaired and the surface painted deep purple. In the evening, new LED lights were designed to shine through the artistic sculptural

panels over the doorway and windows.<sup>10</sup> However, subsequent failures of this lighting design forced the owners to leave the panels unlit, an expensive lesson in using local artists – the results are not always as hoped.

The total façade improvement project cost \$95,000, including a \$50,000 façade improvement grant from the City of Milwaukee Department of City Development.

### Human Scale

Bike racks in front of the building were installed by the City of Milwaukee with infrastructure funding from Reed Street Yards Tax Incremental District. Authorized by the Milwaukee Common Council in 2011, the \$6.2 million in funding has been used to provide infrastructure for the Reed Street Yards water research and technology park, located adjacent to the Freshwater Fix building.<sup>11</sup>

A new bike-share station was installed across the street from Freshwater Fix in Fall 2015 as part of the expansion of Milwaukee's Bublr Bikes bike-share system. The project also incorporates custom, local artist design benches that mimic the facade of the building and encourage pedestrians and customers to stop and linger. Together, these bike and people-focused amenities create a more human scale and engagement with the building.

### Bioswale

The renovated building includes a bioswale roof drain that streams rainwater from the roof into a bioswale along S. 2nd Street. The mechanism diverts a portion of the rooftop rainwater away from the city's wastewater treatment system and into the bioswale, where it is absorbed by the landscaped vegetation. The City of Milwaukee installed the bioswale as part of the Freshwater Way reconstruction in 2015. Fix Development is researching the technical and financial feasibility of a green roof on the building's flat roof, with hopes to implement the upgrade in 2016.



Concept rendering of the Freshwater Fix building

<sup>10</sup> WEDC Storefront Improvements Report, [http://downtowndevelopment.com/pdf/downtown\\_storefronts.pdf](http://downtowndevelopment.com/pdf/downtown_storefronts.pdf)

<sup>11</sup> City of Milwaukee, Reed Street Yards, <http://city.milwaukee.gov/Projects/ReedStreetYards.htm>



One of the three floatation tanks at Float Milwaukee

“The project aligns with many of the city’s priorities: adaptive reuse of an existing building, development along bike and transit routes, adding to the South Second Street commercial corridor and supporting the growth of local small businesses.”

—Dan Casanova, Senior Economic Development Specialist, Redevelopment Authority of the City of Milwaukee

## Tenants

### SECURING TENANTS AND CHANGING PLANS<sup>12</sup>

When the investment group convened by Fix Development purchased 205 S. 2<sup>nd</sup> Street in July 2013, they had fully preleased the building to two tenants: Purple Door Ice Cream and Bolzano Artisan Meats. With tenant agreements in place, Fix Development was ready to move forward with construction when they were forced to change plans.

An anticipated investment and purchase agreement with the Wisconsin Farmers Union fell through in the Fall of 2013, forcing Bolzano to suddenly pull out of Freshwater Fix and leaving the development team with more than two thirds of the building vacant and unaccounted for.

The loss of a major tenant was a significant blow to the project, forcing the team to start over and imagine how to move forward with construction while accommodating unidentified users.

Kaufmann and her team considered dozens of prospective tenants. Outpost Natural Foods and a local cider producer emerged as strong candidates, but neither was the right fit for the space. Eventually, the team decided to move forward with splitting the remaining space in two—eventually leasing one space to the Center for Resilient Cities and the other to Float Milwaukee.

As of April 2015, the Freshwater Fix building is 100 percent leased. The building ownership has hired Collier’s International as the property manager.

Freshwater Fix has a total of 7,000 square feet of retail and production space. The building’s first tenant, Purple Door Ice Cream, signed a lease in February 2014, while construction was still underway. Purple Door opened the doors of their 2,400 square feet space along S. 2nd St. in April 2014.

In February 2015, Center for Resilient Cities became the building’s second tenant, occupying 1,456 square feet of office space. The Center for Resilient Cities is a nonprofit that practices sustainable community development. The build-out costs for their space came to roughly \$60,000.

A third tenant, Float Milwaukee, signed a lease for most of the remaining 2,500 SF and opened up shop in August 2015. Float Milwaukee offers a type of relaxation therapy, allowing customers the opportunity to float on the surface in personal salt-water tanks. To accommodate the business, the building owners invested in additional build-out to create a third tenant entryway and additional internal walls. Float Milwaukee paid for all other build-out costs associated with the new space.

<sup>12</sup> Interview with Scott Buer, 1/13/15

A final 350 square feet was rented in May 2015 to Purple Door Ice Cream, allowing them to add freezer capacity for their continually growing business. This freezer space was added off the loading dock area and was funded substantially by the building owners to ensure Purple Door's continued viability.

### Bolzano Artisan Meats

Scott Buer and Christin Johnstone-Buer launched Bolzano Artisan Meats in 2009, with a vision of bringing handcrafted sausages and meat products to the Milwaukee area. When the business was ready to expand the operation, Bolzano secured loans through Fund Milwaukee, a group of community-minded individuals seeking to invest in local businesses. Scott and Christin were drawn to Fund Milwaukee because the investment model had been successful in backing other local food producers, effectively creating a network of like-minded business owners and investors.

Their original production facility was located in Milwaukee's Riverwest neighborhood, but the business was growing quickly and they soon began looking for a larger space. The duo was dedicated to locating their business in Milwaukee and wanted a space where they could locate both production facilities and a retail shop. They envisioned a place where they could establish a visible presence and become a part of the community. Scott and Christin were familiar with the Walker's Point neighborhood and Fix Development's previous project the Clock Shadow Building—when they spoke with Juli Kaufmann about locating their business in the Freshwater Fix building, it seemed to be a natural fit. But when an investment and purchase agreement with the Wisconsin Farmers Union fell through in Fall 2013, Bolzano was unable to pursue a move to the Freshwater Fix building.

Subsequently, Bolzano was forced to shutter their salami production operation when the State of Wisconsin alleged that the company altered its processing methods without state verification—these allegations are contested by Bolzano.<sup>13</sup> As a result of shutting down operations, the company defaulted on loans from Fund Milwaukee investors. While they have defaulted on their loan, investors from Fund Milwaukee have been supportive.

Since closing the original production facility, Bolzano has since changed course, starting a series of butchery and charcuterie classes for home chefs and aspiring sausage-makers in the Milwaukee area. Classes are already scheduled through summer 2015.

### PURPLE DOOR ICE CREAM<sup>14</sup>

Purple Door Ice Cream is owned and operated by two former educators, Lauren and Steve Schultz. They began their business in a small rental space in Cudahy in 2011, and quickly moved in 2012 to share production space with Clock Shadow Creamery in the Clock Shadow Building, just steps from their current home on S. 2nd St.



One of the major reasons they chose to locate in the Freshwater Fix building was their familiarity with the neighborhood and Juli Kaufmann's approach to development. Steve and Lauren have structured their business in pursuit

of a bottom line that includes social, environmental, and financial goals. Through Purple Door, the Schultzs strive to make positive contributions to the community – beyond providing delicious and novel flavors of ice cream. Purple Door sources many of the ingredients for their ice cream flavors from local producers, including Wisconsin dairy farmers, Anodyne Coffee Company, Great Lakes Distillery and Clock Shadow Creamery.<sup>15</sup>

In a style fitting for the Dairy State, Purple Door purchases milk for local homeless shelters, including the Walker's Point Youth and Family Center. As much as possible, they've tried to hire employees who live in the neighborhood.



Customers choose what flavors to sample at Purple Door Ice Cream

The move to add a retail storefront to the wholesale business has come with some hiccups. When they opened, the brand new freezers were calibrated incorrectly, prompting the ice cream to start melting. "That's just part of the whole," said Steve Schultz. "Retail is a different world—one we were prepared for and not prepared for at the same time. You can try to prevent surprises—but they are going to show up."

In April 2015, Steve and Lauren received the Emerging Small Business award from the Wisconsin office of the U.S. Small Business Administration.

9 BizTimes.com, 10/14/2013, <http://biztimes.com/article/20131014/MAGAZINE03/310109984/0/FRONTPAGE>

13 Milwaukee Journal Sentinel, 5/17/2015, <http://www.jsonline.com/business/state-suspends-license-of-bolzano-artisan-meats-b99264831z1-258327651.html>

14 Interview with Steve Schultz, 1/30/2015

15 Urban Milwaukee, 5/2/2014, <http://urbanmilwaukee.com/2014/05/02/city-business-purple-door-ice-cream/>



Tenant	Square Footage	Annual Rent / SF	Lease Term	Tenant Improvements
Purple Door Ice Cream	2,476	\$12.00	5 years	Shared investment (mostly by Tenant)
Center for Resilient Cities	1,456	\$13.00	3 years	Paid for by ownership
Float Milwaukee	2,495	\$11.00	5 years	Paid for by tenant

See the Project Financing section for more on how Purple Door Ice Cream received start-up capital from local investors through Fund Milwaukee.

## CENTER FOR RESILIENT CITIES



While the original plan for the Freshwater Fix was to have all of the tenants in the building be locally-owned businesses with retail storefronts, the development team was forced to pursue other tenants once Bolzano Artisan Meats dropped from the project soon after the building was purchased.

At the same time, the Center for Resilient Cities was looking for a new home. The nonprofit organization is devoted to sustainable community development and had been leasing office space in the Pabst Brewery redevelopment since 2009. As the local economy improved and the Pabst neighborhood added new buildings and new tenants, the cost of office space increased and the Center found itself priced out. In addition to more affordable space, the Center was seeking a location where they could showcase their commitment to community partnerships.

When she and her team toured Freshwater Fix, Executive Director Marcia Caton Campbell immediately saw an alignment with the project's mission to promote local economic opportunity and strengthen community ties. While the Center isn't a local retailer, their staff adds to the customer base for the neighborhood. The one hurdle was the cost associated with building out the new space to suit their office's needs, but Freshwater Fix's investors agreed to fund the construction costs.

"The decision to invest in our build-out costs was a deciding factor," said Caton Campbell. "Being at street level, with the opportunity to support the Walkers Point community, really speaks to our identity as an organization. And proximity to ice cream doesn't hurt."

The Center's work in Milwaukee has focused on restorative environmental design through green infrastructure projects that combine education, urban agriculture, and local food systems. They partner with urban neighborhoods that have suffered environmental, economic, and social stress to improve those neighborhoods and residents accomplish goals that they envision for themselves. Once they move into the building, the Center will maintain the bioswales



The new home of the Center for Resilient Cities features plenty of light

outside Freshwater Fix and will explore other ways to collaborate with the project team and other tenants.

## FLOAT MILWAUKEE



The story of Float Milwaukee is a testament to the community-minded model for the project. The founding entrepreneur

behind Float Milwaukee is Andy Larson, an original investor in the Freshwater Fix building. Larson learned about the project through Fund Milwaukee and believed in the group's community investment model and commitment to a triple bottom-line. Larson also took a keen interest in the space vacancy created out of the void from the absence of Bolzano Artisan Meats. Larson, an accountant at a large corporation, had been fostering an entrepreneurial dream of his own for some time, and decided that the Freshwater Fix building aligned perfectly with his evolving business ideas. He took the leap to launch his own business and Float Milwaukee was born. As a result of technical limitations required by Larson's subsequent SBA business loan, he was forced to sell his ownership stake in the building, but the ownership group accommodated a transfer to his father, to keep the building "in the family". So now, the Larson family is both part-owner and tenant of the building. Like yoga studios and spas, float centers promote wellness and mindfulness. At Float Milwaukee, customers float in a tank of salt water that's heated to body temperature, a sensory-deprivation experience that encourages relaxation and mindfulness. Float Milwaukee business opened in the summer of 2015 to rave reviews.

# Project Financing

## A DEPARTURE FROM THE TRADITIONAL INVESTMENT MODEL

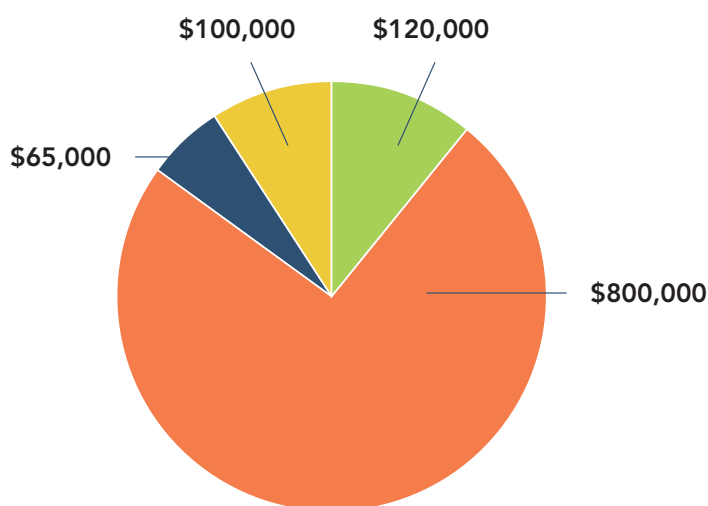
Traditionally, real estate development and other investment opportunities are based on a centralized investment model that is focused solely on financial return without much regard for community impact. Often, investors do not live in the community where they invest and have no vested interest in the impact of their investment on the surrounding neighborhood or local quality of life. In short, they treat communities as commodities. At the same time, local residents with a real connection to their communities lack the financial resources and connections to participate in development. As a result, the vast majority of real estate investments across America are limited to a very small, select group of institutional investors and high net-worth individuals. For individuals of modest income, the reality is that it's easier to invest in a publicly traded company located halfway around the globe than it is to invest in a property next door or a small business down the street.

As a result, this system of real estate financing disincentives private sector investment in the very neighborhoods where it is needed most because the risks and potential return do not attract traditional capital markets. In neighborhoods that do meet traditional investment criteria, locally based start-up entrepreneurs can quickly be priced out by national chains and other, more "credit-worthy" tenants.

## USES OF FUNDS

Cost Category	Amount
Purchase Price	\$280,000
Tenant Improvement	\$85,000
Construction	\$650,000
Fees and Other Expenses	\$70,000
TOTAL	\$1,085,000

## SOURCES OF FUNDS



Source	No. of Investors
Fund Milwaukee	17
Private Investment	3
Loan	1
City of Milwaukee Facade Improvement and Environmental Grants	N/A

Funding Round	Number of Investors	Amount Raised
First Round	2	\$550,000
Second Round	11	\$290,000
Third Round	7	\$80,000



Investors and tenants gather outside Freshwater Fix

“ We chose to invest in Freshwater Fix in part because the building was small enough to reduce my financial risk and was located at a great intersection for future real estate value—but my main focus was to redevelop more of these underused buildings and restoring them as an important asset for the community.”

—Ursula Twombly, Principal, Continuum Architects + Planners

In either case, residents are the ones who lose, since locally-owned businesses have a much larger financial impact in local communities than national tenants because the wages and profits they generate recirculate in the local economy.

## FUND MILWAUKEE

Freshwater Fix is a community-oriented development project in many ways—its construction re-purposes an old building, its tenants are locally operated businesses and organizations, and its design fosters pedestrian activity.



Although the project produces positive financial returns, it is also designed generate positive environmental, social, and cultural returns. Unfortunately, traditional investment models ignore the value of these additional returns and often see them as increased risks.

To generate the capital needed to move forward with the project, Juli Kaufmann bypassed traditional capital sources and solicited investment directly from those who recognize the full value of the project—people who live and work in the surrounding community. In addition to several private local investors, dozens of people have invested in the building (and some of its tenants) through Fund Milwaukee,

an alternative investment network that connects local businesses in need of capital with small, typically non-accredited investors who live in the same community.

The Fund Milwaukee investment model gathers members of the communities who have established relationships around a common goal of identifying and investing in community-oriented market opportunities. Each month, Fund Milwaukee members gather to hear pitches from social entrepreneurs seeking capital to kick-start their business ideas. Before they can pitch to the group, entrepreneurs must join Fund Milwaukee, submit their business plan and a Fund Milwaukee member must express interest in hearing their presentation.

Because Fund Milwaukee members are putting their own money into their communities, they have an incentive to support their investments. They may tell their friends about the business they are supporting, stop in to check in on their investment, and purchase some of the product (especially if it's ice cream). This community-based investment model creates a genuine relationship between businesses and investors.

Since 2012, Fund Milwaukee has grown from 33 to more than 150 members. Seventeen businesses have been funded, representing more than \$1 million in direct investments ranging from \$500 to \$100,000 each. The deals include 69



“To have access to some types of investments in the United States, you need to be an accredited investor, meaning that you have a net worth of at least a million dollars or an annual income of at least \$200,000. Obviously this doesn't describe most people. The only real difference between accredited investors and the members of Fund Milwaukee is access to investment opportunities. At Fund Milwaukee, we have a broader audience of unaccredited investors—people who are looking to invest two thousand, or five thousand, or ten thousand dollars in a business that is connected to their community and shares a mission they believe in. There is a myth out there that crowdfunding attracts less informed investors—people who might have more questions or need more handholding—but that is not actually the case. Those investing through Fund Milwaukee are just as sophisticated and educated about the process as other investors I have worked with.”

—Juli Kaufmann, Owner of Fix Development

member loans and 8 equity investments. Businesses funded include two real estate projects, a bike shop, an ice cream shop, a local artisan meat producer, an aquaponics farm, a craft beer bar, and others.

With a goal of minimizing debt and making investment opportunities available at a variety of levels, Freshwater Fix LLC initially offered 17 limited liability company membership interests at a price \$50,000 per membership interest. As the project evolved, some additional membership interests were offered. The minimum investment in the project was 1/10 of a membership interest (\$5,000). Some investors came to the project independently, and other learned about it through Fund Milwaukee, a group of local, largely unaccredited investors seeking community-driven investment opportunities. A total of 20 local investors now comprise the final ownership group reflecting income, age, race, gender, and professional diversity that is representative of greater Milwaukee.

The project received funding in several rounds, allowing construction to proceed while additional capital was raised. To allow the project to move forward, the group utilized \$170,000 from a line of credit provided by one of the investors. Upon conclusion of construction in 2015, \$70,000 of that debt has been paid back and the remaining \$100,000 was converted into long-term debt to be carried by the project and paid off within 10 years.

### Investing Through Fund Milwaukee

“I found out about Freshwater Fix directly through Fund Milwaukee. It was probably my second meeting—I was introduced to the organization and the opportunity. Once I saw the deal, it was a no-brainer. Not just because of the location with the Global Water Center around the corner, but because it represents the democratization of real estate finance. Usually, real estate deals depend on big investors and big banks. Most are just investors—they aren't looking out for the triple bottom line.

In my lifetime, and my family's, we have never seen opportunities like this. This is transformative because these are high value investments. Coming in as a novice to the real estate industry, I can learn how to do real estate investing and I can put an adequate amount of capital behind someone who is forward thinking and has a vision for how to transform communities. Myself and other Fund Milwaukee investors were willing to take on this kind of risk because there is secondary value that adds to the monetary value. When I go to Purple Door and get ice cream it makes me feel warm inside more than any other type of investment.

When I chose to invest, I had confidence that forward thinking companies would be willing to locate to this type of property. Freshwater Fix had the great location and a great initial tenant. Purple Door has proven themselves as a legitimate company. As a result, the risk profile was dramatically reduced.”

—Derrick Johnson, Executive Director of Dream MKE

“ I was interested in this project because of Juli’s positive reputation for creating developments that are sustainable, eco—friendly, filled with innovative and entrepreneurial tenants, its location in Walkers Point, and the early confirmation of Purple Door Ice Cream as a tenant.

The fact that the building was not fully leased when it opened was somewhat of a concern. Given that the project is in an up—and-coming area, we didn’t know what the demand would be nearly as well as we would have for a more established area.

I have a vested interest in the success of the project. I live around the corner from the building and feel that it’s my responsibility to support areas where I live. I also LOVE ice cream and take my friends to Purple Door as often as possible—even in the winter!”

—Cathie Madden, Freshwater Fix Investor

### Purple Door—Fund Milwaukee

“ When my wife Lauren and I launched Purple Door Ice Cream in 2011, it was a very difficult time for any business large or small, to get a loan. We didn’t have the kind of capital that traditional banks would consider sufficient for a loan, so we turned to other, more local forms of financing. Lauren took a “Smart Start” class through the Wisconsin Women’s Business Initiative Corporation to develop a business plan and the organization gave us a small start-up loan to get the business up and running.

When Juli Kaufmann approached us to set up shop in the Clock Shadow Creamery space, we thought she was a crazy person. At that point, we had just begun to think about how we could get funding. It was right about then when Fund Milwaukee was getting started—they were a group of citizens in the community who wanted to invest in that community. We really want to be part of that movement. It was really inspiring to see these people investing in their community to make it better. Fund Milwaukee fit with who we are.

We happened to be the first client of Fund Milwaukee—the loan process was very seamless and simple. When we made the decision to expand and move into our own space, it was a no-brainer to go back to Fund Milwaukee. The amount we needed in our second round was a lot more than the original loan. To receive the remainder of the capital we needed to purchase equipment and outfit our production and retail space, we applied for and received a low-interest loan from the Wisconsin Department of Agriculture and a loan from the

Milwaukee Economic Development Corporation funded by the Small Business Administration.

When you work with Fund Milwaukee, you are building a fan base of people who want you to succeed. You’re able to cultivate relationships in the community. People are rooting for you. Not always because they want to get paid, but because they want to see the neighborhood improve. It’s not something you can quantify or measure, but it’s something you can feel.

One of the challenges that comes with seeking capital through Fund Milwaukee is that when you receive a larger amount of money, you have several investors. When you are paying back 10 or 15 investors, keeping track of the logistics can be overwhelming. We have a system for tracking payments, but it is more cumbersome than it was with just five or six investors.

The one thing we might have done differently is seek out a larger loan than we did. We have been pretty conservative in projecting our growth and we’ve always outdone our projections. We’ve been able to make things work with the sums we received through financial discipline, but if we had asked for more up front, we may not be quite as stressed.

For us, jumping into business ownership without a traditional business background has been risky, but also liberating. Working with Fund Milwaukee has allowed us to do things our way.”

—Steve Schultz, Owner of Purple Door Ice Cream



Exterior of Freshwater Way from the corner of S. 2nd Street and Freshwater Way

“My vision for Walker’s Point is a community that maintains its diversity, its authenticity, and most importantly, its affordability. I am afraid that the recent investments by traditional profit-driven developers are already changing the area to become unaffordable to artists and small businesses like mine. The community-built assets that make Walker’s Point such a great place have attracted developers with traditional mindsets, who do not understand the delicate balance of market-rate and affordable renovations and who may not be interested in preserving what is special about our neighborhood. Honestly, it may not be possible to maintain affordability as an area like ours redevelops.”

—Ursula Twombly, Principal, Continuum Architects + Planners

## The Future of Walker’s Point

To some extent, Walker’s Point is now confronting development challenges brought on by its own success. Neighborhood residents and businesses pushed for infrastructure upgrades that would encourage pedestrian activity—convincing the city to redevelop Second Street as a complete street with bike lanes and bioswales. Community-oriented developers and organizations have built upon that success with projects like the Clock Shadow Building, the 88nine Radio Milwaukee studio, and now, Freshwater Fix. Recognizing the value created by these projects, traditional developers have descended upon the neighborhood and it has become difficult to acquire new property. Multi-layered projects like Freshwater Fix are what makes the neighborhood attractive and interesting to begin with. But as outside investors move in with a traditional mode, the community is left waiting to find out whether they will bring in suboptimal development that pencils, but isn’t ideal, or whether they are going to alter their model to fit the neighborhood.

It seems inevitable that at least some developers will come into the neighborhood with the same types of buildings they build everywhere else—leading with parking and looking to attract “national credit tenants”.

For projects like the Clock Shadow Building and Freshwater Fix, the development teams and investors have taken specific steps taken to lock in long-term leases for tenants with aligned values at rates that are affordable to them. Even if traditional developers improve their design and materials, even if they pursue local tenants to meet market demand, the methods they use to finance their projects are unlikely to follow principles that put community first.

To be successful, the community development work being done in Walker’s Point and other neighborhoods like it cannot stop at placemaking. Colorful storefronts, bioswales, and bike racks are not the defining characteristics of a truly sustainable community. For communities to see real transformation and generate financial, environmental, social, and cultural returns, they require an economic model that doesn’t outsource financial returns to national lenders or absentee investors, but instead engages the community and reinvests returns locally to ensure that the next entrepreneurial idea has the financial support to succeed. The community owners of Freshwater Fix LLC hope this project and this case study can guide others seeking to develop similar projects that put placemaking and community commitment first.