

The
milwaukee

INVESTS

Model for Inclusive Development

*Innovations in Commercial Real Estate
Development for Community Wealth Building*

Why Milwaukee INVESTS?

The name “Milwaukee INVESTS” highlights what is possible when we intentionally invest our collective time, talent and resources in all of our neighborhoods. The action of “investing” is the key driver of this model – investing in each other through *co-mentorship*, investing in local entrepreneurs through *tenant cultivation*, and investing capital through *community investors*. It also makes for a good acronym – Investing in Neighborhood Vibrancy, Entrepreneurship and Sustainable Transformation on mainStreets (INVESTS). It is at once a call to action (let’s invest, Milwaukee!) and a nod to all those who have taken the opportunity to invest in a more equitable and vibrant city.

Acknowledgements

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Case study supported by a grant from the
Wisconsin Economic Development Corporation

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The project team would like to acknowledge and thank all partners who generously contributed their time, talents, and insights to the case study, including: Celia Benton, Rusty Borkin, Dan Casanova, Jen Casey, Caitlin Cullen, Jeremy Davis, Tony Gibson, Melissa Goins, Sarah Greenberg, Angela Mallett, Trueman McGee, Monica Oliver, Robin Reese, JoAnne Sabir, Brenda Skelton, Adija Greer Smith, Gina Stilp, Ursula Twombly, Adam Xander and the many people who contributed through investment, partnership and passion.

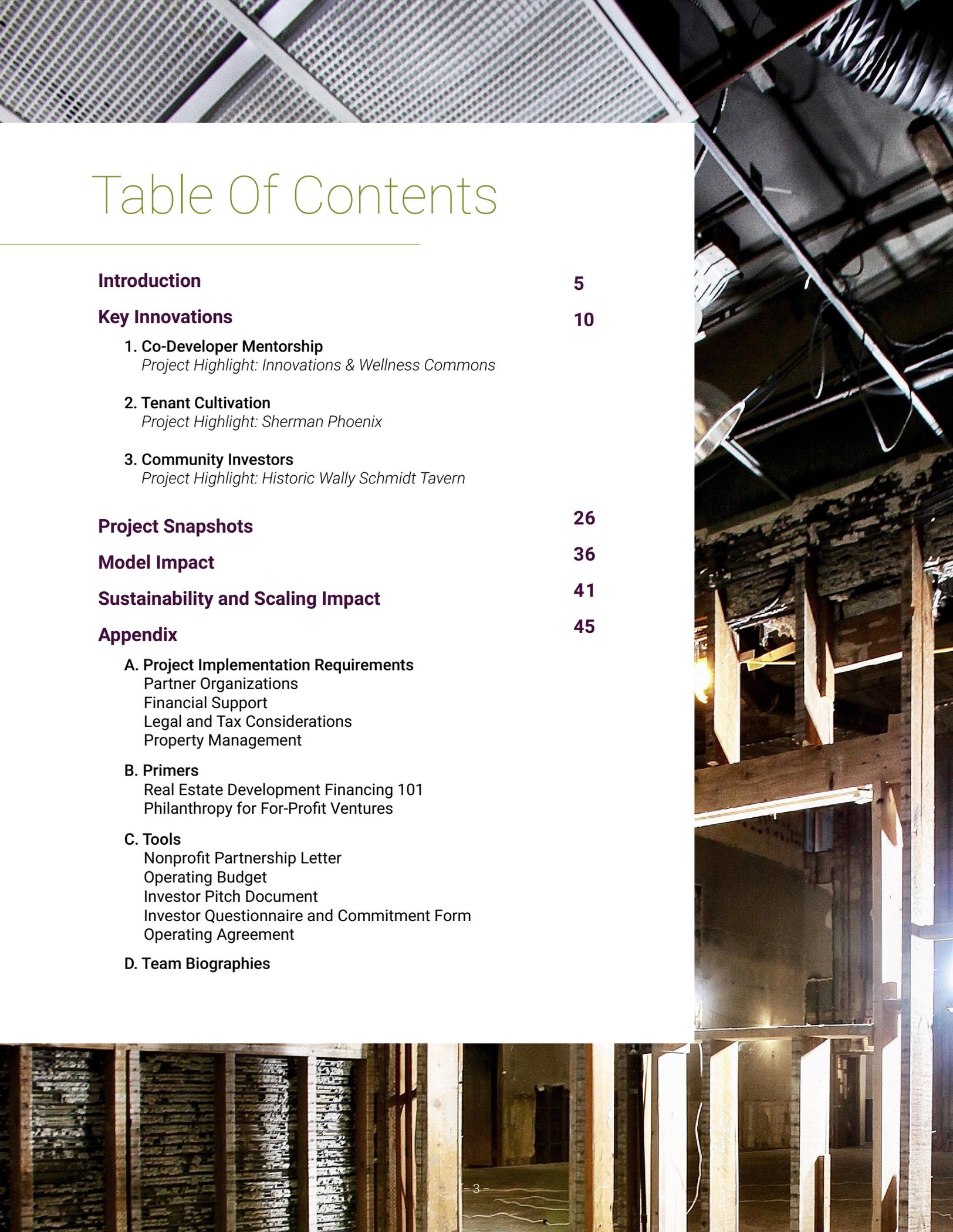
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milwaukee **INVESTS**

On a Saturday in Milwaukee's Central City, customers at the Black-owned Shindig juice bar knock back ginger juice shots as they enjoy the morning. Around the corner, diners enjoy brunch at the neighborhood's first sit-down restaurant. Two miles west, women stretch together at one of the city's only yoga studios led by women of color, while shoppers pick out teas and oils at an adjacent Black-owned apothecary.

These are among the over 60 businesses opened in community-led commercial redevelopments helping to rebirth Milwaukee's main streets and open more inclusive pathways to wellness and prosperity.



TOGETHER WE RISE

Introduction

Commercial corridors give life to community well-being. In thriving neighborhoods, these corridors provide places to eat, shop, and gather. They offer access to essential services, such as health care and banking, and create accessible job opportunities. In contrast, the commercial corridors in disinvested neighborhoods are typically marked by boarded up properties, foreclosures, and absentee ownership. Residents are forced to leave their community to shop for basic goods and services, taking their buying power outside of the neighborhood and compounding the negative impacts of disinvestment.

Such disinvestment is often the result of decades of policies, actions, beliefs and choices – by individuals, organizations, businesses and government – that collectively lead to the systematic outflow of capital and resources from specific communities. Choices are made both intentionally and by unintended consequence, but the outcome is the same – economic stagnation and inequities that leave communities caught in a seemingly intractable spiral of disinvestment.

New strategies are critically needed to reactivate commercial development in disinvested neighborhoods. Innovations are needed to maneuver outside of entrenched real estate and financial systems that reinforce barriers to economic change. And most importantly, new approaches are needed to regenerate opportunities for investment and growth that are inclusive of current residents.

Milwaukee INVESTS is an economic development model that uses commercial real estate development as a vehicle for transformation. The approach leverages local talent, and it pools community assets to transform vacant commercial properties into thriving spaces for commerce and community building. In so doing, this for-profit, community-driven model helps to revitalize neighborhood Main Streets and open more inclusive pathways to community wealth building in disinvested communities.

The Democracy Collaborative, coined the term “*community wealth building*” to describe economic development approaches that create prosperity for many, not simply for a few. In contrast to traditional economic development, a community wealth building approach emphasizes inclusion, creating broad-based ownership and leveraging local assets. This approach creates systems of support for local enterprises owned by women and entrepreneurs of color and produces a multiplier effect by re-circulating wealth within the local community (see Table 1). ***A community wealth-building approach is fundamentally about reclaiming the local economy and rebuilding communities where all residents can prosper and thrive.***¹



“Economic development operates on an implicit assumption that everyone benefits from a city’s prosperity and economic growth. But that’s a sad fallacy.

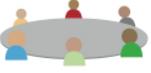
There are other fallacies in the traditional approaches of economic development. Like the emphasis on strong downtown development and vibrant commercial districts.

Or the belief that big business drives employment and economic growth. These are the very approaches that are failing to reach many of the communities most in need of economic opportunity.”

*– Shawn Escoffery, Surdna Foundation
“Cities Building Community Wealth,”
Democracy Collaborative
November 2015*



Table 1: Community Wealth Building vs. Traditional Economic Development

	Community Economic Development/ Community Wealth Building	Traditional Economic Development
 Place	Develops under-utilized local assets of many kinds, for the benefit of local residents.	Aims to attract firms using incentives, which increases the tax burden on local residents.
 Ownership	Promotes local, broad-based ownership as the foundation of a thriving local economy.	Supports absentee and elite ownership, often harming locally owned family firms.
 Multipliers	Encourages institutional buy-local strategies to keep money circulating locally.	Pays less attention to whether money is leaking out of the community.
 Collaboration	Brings many players to the table: nonprofits, philanthropy, anchors, and cities.	Decision-making led primarily by government and the private sector, excluding local residents.
 Inclusion	Aims to create inclusive, living wage jobs that help all families enjoy economic security.	Key metric is the number of jobs created, with little regard for wages or who is hired.
 Workforce	Links training to employment and focuses on jobs for those with barriers to employment.	Relies on generalized training programs without focus on linkages to actual jobs.
 System	Develops institutions and supportive ecosystems to create a new normal of economic activity.	Accepts the status quo of wealth inequality, hoping benefits will trickle down.

Reprinted from Democracy Collaborative, "Cities Building Community Wealth," November 2015²



"When people feel included, it changes the dynamic of a community. When you let them know what's happening and they have given dollars for ownership, they're going to take care of it and promote it. It builds pride in the neighborhood."

— Robin Reese,
Manager, Marketplace Business Improvement District 32

Milwaukee INVESTS Overview

Pioneered by Fix Development in 2012, the Milwaukee INVESTS model has expanded and evolved through the efforts of many community partners. As highlighted throughout this case study, major commercial development projects are now complete in five Milwaukee neighborhoods with a combined value of more than \$17 million. Together, these innovative projects are home to over 65 entrepreneurial businesses and organizations, have created and sustained over 270 jobs, and engaged 200 community owners.

Each redevelopment catalyzes significant economic impact by transforming vacant property into high-quality, tax-paying developments that exert positive pressure along Main Streets. The developments provide tenant spaces that house entrepreneurs, organizations, and small businesses primarily run by women and people of color. The model supports these tenants through creative financing, build-out assistance, mentorship, and a built-in community committed to their success. In turn, these small businesses employ local residents, circulate wealth, pay taxes, and provide valuable goods and services in their neighborhoods.

Importantly, each project invites community ownership through a neighborhood crowd-funding model, ensuring that wealth is built within and re-circulated throughout the neighborhood. The projects are designed to be financially self-sufficient once in full operation without ongoing subsidy, enabling market conditions to begin to take root in places traditionally abandoned by mainstream economic development practices.

*As the Milwaukee
INVESTS redevelopment
model has evolved,
several guiding principles
have emerged:*

- ▶ **Inclusion:** In every aspect of the work – from contractors to tenants to owners – Milwaukee INVESTS seeks to increase inclusive pathways into the local economy.
- ▶ **Disruption:** The model disrupts social and economic barriers that systemically hinder commercial development and community wealth building in disinvested neighborhoods.
- ▶ **Risk-Taking:** This work embraces strategic and creative risk-taking as necessary to creating new pathways toward greater economic equity.
- ▶ **Leveraging Talent:** This model engages local talent and leverages neighborhood assets to build new spaces, pool financial resources, open businesses, and employ residents.
- ▶ **Self-Determination:** This approach enables community members to build wealth by owning an asset, power by driving an inclusive process, and self-determination by influencing the types of commercial activity within their own community.

Milwaukee INVESTS By The Numbers

5
Milwaukee
neighborhoods



value
of more
than \$17
million
– combined value –



65
entrepreneurial
businesses and
organizations



created and sustained over
270 jobs



200
community
OWNERS



Significance and Need

Milwaukee is a traditional Rust Belt city, so named due to the catastrophic disappearance of a once vibrant industrial manufacturing base. Entire neighborhoods struggle in the wake of chronic disinvestment, leaving residents with few employment prospects and pockmarking Main Streets with foreclosures and boarded-up storefronts. This disinvestment is compounded by institutional racism, which has systematically limited financial access and property ownership in communities of color. The decline has been hastened by decades of entrenched segregation that continues to leave communities of color isolated from pathways to prosperity.

Real estate development and entrepreneurship are two important vehicles for building prosperity. However, powerful market forces exert control over property development and maintain the status quo of disinvestment. Commercial real estate transactions are typically dependent on access to traditional funding sources, which poses a significant barrier in disinvested neighborhoods. For example, conventional lenders provide credit to low-risk borrowers, which often means properties must be located in neighborhoods with strong market values and advanced by developers that have strong net worth.

As traditional financial systems constrict deal flow, other real estate systems reinforce barriers to change. Neglected real estate languishes and deteriorates, creating a powerful downward spiral by devaluing surrounding properties. As deterioration occurs, the costs to restore these properties continually rise. These buildings become Main Street albatrosses, often deteriorating to a point where fixing them becomes overwhelming. At the same time, the valuations, used by the traditional financial system to determine credit worthiness, continually decline. In disinvested neighborhoods, these valuations become chronically too low to support financing that can spark new investment.

Disrupting the Status Quo

In communities where these established systems are “broken,” traditional development will not work. Milwaukee INVESTS disrupts this status quo with a cooperative financing and ownership model centered on social and economic impact. It innovates by working outside of the traditional systems, giving control to neighbors using a “Do-It-Ourselves” approach. These projects are financially supported by, owned by, developed by, and filled with businesses run by community members who employ local residents and support community wellbeing.



“The money doesn’t flow into my community. Real estate finance is based on property values. We couldn’t believe how depressed the values are in our community. I own a beautiful house, but I can’t go to the bank and say that I want to redevelop the property next door. If my house stood two miles east, it would be valued at over \$200,000 more. The financial model doesn’t allow for lending in my community at the level that real estate requires.”

– Sharon Adams, Co-Founder,
Walnut Way Conservation Corp.



Milwaukee INVESTS relies on three critical social disruptions:

1

Change the
Financial
Playing Field

The model changes the game by working outside of the traditional system. By self-funding the portion of projects that would typically be financed by banks, neighbors can assert control over their economic wellbeing and form a circle of financial support for each other. In Milwaukee INVESTS projects, these circles are often made up predominantly of women and people of color.

2

Control the
Real Estate

Collective property ownership helps communities take back control. Owners determine how properties are maintained, which tenants fill the building, and at what level rents should be set. Each of these decisions has a tangible impact on quality of life for the entire neighborhood. Additionally, any return on investment gained from a viably managed building comes back into the hands of the neighborhood ownership group. Having control of the complete life cycle of the building provides for empowering self-reliance.

3

Reverse the
Cycle of
Disinvestment

There are many well-established strategies aimed at improving economic equity in urban communities. Often in our most disinvested communities, the public and nonprofit sectors shoulder much of this effort. While there is value in these efforts, the overriding approach is for “others” to “help” those suffering the symptoms of unjust conditions. Milwaukee INVESTS is focused on leveraging the assets in disinvested markets by and for the advantage of current neighbors. By improving building stock, providing spaces for local businesses, and returning paychecks and rent checks back into the neighborhood, a cycle of employment, income and wealth is catalyzed.

Milwaukee INVESTS innovates in the space between where traditional market practices fail and where limited public subsidy and traditional philanthropy prove insufficient to disrupt perpetual disinvestment. It couples a market-driven approach with collective community impact. Because the property is owned and operated by community members, there is reinforcing economic impact through revitalized Main Streets, local entrepreneurship, and job creation. In urban communities facing decades of disinvestment, these new economic pathways are critical to rebuilding community wellbeing.



“I think it’s uncommon to see redevelopment at the small scale. There is something about Main Streets that matter. Mainstream development favors large-scale manifestation because that’s where the economic incentives are, but partnering at this scale works so well because it’s about scrappy grassroots impact that magnifies.”

– Juli Kaufmann, President,
Fix Development





key innovations

Milwaukee INVESTS employs three key innovations to advance neighborhood economic development in disinvested communities. Each project varies in how it incorporates the innovations depending on the context and needs of the project.

A closer look at each innovation and how they are implemented demonstrates the model's power and impact.

key innovation

Co-Developer Mentorship

Milwaukee INVESTS uses a co-mentorship approach to bring together an experienced real estate developer and a community leader as co-developers of major commercial development projects. The mentorship is bidirectional – creating an authentic two-way sharing of skills, knowledge, and experience. In addition, it builds capacity through hands-on learning. Co-developers walk together through the entire project.

This approach marries two well-established centers of expertise – real estate development and community organizing. It creates opportunities for community leaders who are inexperienced in real estate development to learn the trade in a market they know best and where there is little risk of competition. In so doing, it gives experienced organizers a new tool for community transformation.

At the same time, the real estate developer gains market knowledge, new relationship networks, and credibility by learning from a community member how to best optimize the project. Leveraging this community knowledge helps to identify the best sites, find local tenants, hire local contractors, connect to new donors, recruit neighbor investors, and program the building in ways that resonate with the community.

Maximizing Skills for an Effective Exchange

To successfully lift a project, the skills and talents of the co-developers should be complementary. Community partners must bring a high level of community expertise and passion for the project. Among the critical skill sets an effective community partner can offer:

Activating relationships for project implementation

Leveraging knowledge about the property and community

Engaging prospective tenants and partners

Finding local contractors and contractors of color

The real estate partner brings a set of technical skills to the partnership. These skills include knowledge and experience in:

Real estate purchasing and contracts

Financial acumen for developing pro-formas and projections

Fundraising strategies across traditional and nontraditional sources

Assembly of trusted financial, legal and construction team members



"I think it's important that it's not charity. I came into this with a skill set, and it's important to note that. This isn't just about 'let's do good'. It's 'let's support talent.'"

Let's create a space for gifts and strengths to be activated and leveraged. We are raising the talent."

– JoAnne Sabir, Co-Developer,
Sherman Phoenix
Co-Owner, Shindig Coffee
and The Juice Kitchen



"I use the knowledge that I gained every day at work. I use more local contractors. I'm better at project management, bidding, and dealing with property management issues. It's a real skill set."

– Jeremy Davis, Co-Developer of Wally Schmidt Building

In addition, a compatible working relationship and trust are essential. As co-developers, the relationship is also a contractual one where partners legally own an asset together. Partners need to clearly delineate each partner's role and responsibilities.

Community partners should look for a real estate development partner with an openness and commitment to learning. "You're not acting on someone, you're acting with someone. The mentorship happens in two directions," says JoAnne Sabir, Co-Developer of the Sherman Phoenix.

It also requires a level of vulnerability when working in communities new to the real estate developer. "I have to have partners who allow me to make mistakes. Make it really obvious to me until I get it. It's the grace they've learned walking in their shoes," says Juli Kaufmann, President of Fix Development.

With time, roles sometime overlap. As Sabir points out, "I think a lot of times our strengths begin to overlap. I review all of the budgets. I see where there are mistakes. We're able to correct each other. People tag me as the 'community voice,' but I'm into all the details."

Benefits of Co-Developer Mentorship

Co-development is not new. Many large developers partner with smaller developers on projects when moving into a new market or wanting to gain access to specific funding sources. However, Milwaukee INVESTS raises the bar on authentic relationships. "A traditional partnership is motivated to get more points and credits," notes Kaufmann. "My motivation is to have skill transfer." Building this authentic relationship requires the ability to leverage strengths and value the relationship as a 50-50 partnership. "It can't be tokenism. You have to honor it. It's not pulling someone in to check a box. It has to be a genuine relationship," explains Kaufmann.

The co-developer partnership helps ensure that the project is sustainable and there will be strong, lasting community support when it opens. This mutual mentorship is also critical for strengthening a pipeline of emerging developers. The skills gained are also transferable. Jeremy Davis, Co-Developer of Wally Schmidt and the Manager of Blue Skies Landscaping, a community employment program, reflects, "I don't do development anywhere now, but I use the knowledge that I gained every day at work. I use more local contractors. I'm better at project management, bidding, and dealing with property management issues. It's a real skill set."



key innovation 1

project
highlight

The Innovation and Wellness Commons

Co-Mentorship Catalyzes
Development

Sharon Adams and her husband, Larry, had dedicated almost two decades of their lives to strengthening and revitalizing their neighborhood on Milwaukee's northside when they turned to commercial real estate development as a tool for community transformation. It was a natural fit. Larry was a skilled tradesman, who had trained neighbors in renovating dilapidated duplexes into beautifully restored homes. He led efforts to transform vacant city lots into productive gardens using cutting-edge green infrastructure. And he was an urban beekeeper, inspired by the hive's power to create a healthy and productive community by working together.





The Innovation and Wellness Commons

Sharon is an experienced community leader who co-founded Walnut Way Conservation Corp. with her husband, Larry. Walnut Way focuses on rebuilding prosperity in Milwaukee's Lindsay Heights neighborhood. The neighborhood was Sharon's childhood home in the 1950s, where she remembers the community filled with bustling Black-owned businesses, a library, a natatorium, and caring neighbors. When she returned to Milwaukee, after being away for almost 30 years, she was shocked to find a neighborhood deeply struggling. Hundreds of houses and businesses had been torn down to make way for a freeway that never came. Family-supporting jobs were gone, property values had plummeted, and discriminatory practices isolated the community.

In the face of this profound disinvestment, the Adams dug in. For over 15 years, they rallied neighbors, engaged civic partners, and lifted a community-wide effort to transform the systems that had failed their neighborhood. They restored homes, built a community center, and employed and trained residents to install green infrastructure citywide. Yet despite all of their efforts, the commercial corridors in their neighborhood were largely vacant. Over 50% of properties on the two major main streets were boarded up. Absentee landlords created barriers to acquiring properties, and bleak assessments left redevelopment financially infeasible. They knew commercial redevelopment could be powerful, but they also recognized its complexity. The Adams sought consultation with real estate developers across the city. When they were first

introduced to Juli Kaufmann, President of Fix Development, she had completed two major commercial developments on Milwaukee's southside, where she lived. She felt confident that her emerging model showed that it was possible to do commercial redevelopment with a quadruple bottom line – balancing social, environmental, cultural and financial return on investment. But, she was unsure whether this model could be successful in Milwaukee's most disinvested neighborhoods – where commercial redevelopment was needed most.

Building upon mutual respect, the three recognized the value in learning from one another. In 2015, Walnut Way and Fix Development became the co-developers of the Innovations and Wellness Commons (The Wellness Commons), the first commercial redevelopment effort in the Lindsay Heights Neighborhood in many years. They were joined by a local economic development corporation, Martin Luther King Economic Development Corporation, as an equity partner.

The Wellness Commons is a \$3 million community-driven commercial development that is home to businesses and organizations focused on healthy food and wellbeing. Collectively, the redevelopment created 27 jobs, as well as ongoing employment and training opportunities. A second phase will be a newly constructed building on an adjacent lot and is planned to open in 2020.

Innovations and Wellness Commons Tenants

During Phase 1, a former tavern was transformed into a community food – hub home to four tenants:

Milwaukee Center for Independence (MCFI) opened a commercial kitchen for its culinary job training program to prepare fresh, healthy meals for child care centers and schools that serve mainly low-income families. MCFI offers life-changing services for children and adults with disabilities. The new kitchen provides jobs and paid training opportunities to local residents and expands their program facilities.

Fondy Food Center, an organization that increases community access to local fresh food through farmer's markets and farmland, moved their organization's office to the 2nd floor.

Outpost Natural Foods opened a small natural foods grocery co-op store. The store was not financially successful and closed after one year. However, the space continued as a successful weekly market space for local food and craft vendors. It now is home to a locally-owned clothing design boutique, Basia Rose Designs.

The Juice Kitchen, a Black-owned juice café – now called Shindig North – opened on the ground floor. The café serves freshly-made juices and smoothies with locally-sourced produce. Its success sparked new support for entrepreneurs of color and paved the pathway for the Sherman Phoenix redevelopment project.



Most significantly, the Commons created momentum on a commercial corridor that had remained stagnant for decades. Several nearby developments have moved forward since its opening – including a mixed-income housing development built in 2018, a large hotel and conference center planned for the largest vacant building anchoring the commercial corridor.

“The development of the Wellness Commons was a game-changer,” says Adams. “The Commons was a manifestation of years of preparation. Walnut Way with residents and other nonprofits had successfully quieted boisterous activity, fast food restaurants and crime. However, the corridor remained mostly vacant. No commercial developer was willing to invest in a project. Every step was a journey into uncharted work.”

The Wellness Commons demonstrates the power of authentic co-developer mentorship. Its success can be measured both in what was built

and catalyzed. Kaufmann learned how to work with residents and partners in Lindsay Heights. She began a second commercial redevelopment project – the Historic Wally Schmidt Tavern – with a Walnut Way staff member, who is also a neighborhood resident. She also built a relationship with the owners of The Juice Kitchen, which laid the groundwork for their future co-development, The Sherman Phoenix.

The Adams, who retired from Walnut Way in 2016, began Adams Garden Park on the same block as the Wally Schmidt redevelopment. Adams Garden Park will create a community hub for environmental organizations committed to clean air, water and land. It is scheduled to open in late 2019. In effect, these relationships have created a network of partnerships and a pipeline of community projects, which serves as a counterforce to the powerful “good old boys” network that often dominates real estate and finance industries.

key innovation

Tenant Cultivation

A second innovation is the model's supportive approach of engaging small business tenants. Milwaukee INVESTS recruits and supports local businesses and organizations as tenants that are primarily run by women and entrepreneurs of color. This has resulted in the creation of more than 60 commercial spaces for small businesses and the discovery of significant pent up demand for small office and commercial space in the central city.

The tenant model is driven by the goal of harnessing commercial real estate development for community benefit. To this end, co-developers talk with neighborhood leaders and residents to identify proposed uses that are the highest priorities. The same dialogue helps generate leads on potential tenants and ideas for community gathering spaces.

This approach stands in strong contrast to many commercial development projects in disinvested neighborhoods. Traditional development often starts with a generic redevelopment idea – without a specific vision for the community or future tenants and their needs. Tenant businesses are then recruited solely for their financial capacity to ensure they have stability to carry out operations long-term. As a result, developers typically recruit established businesses, often national chains without direct ties to the local community.

In many cases, the traditional approach leads to an undesirable mix of services for the neighborhood – an overabundance of fast food restaurants, check cashing stores, and convenient stores. Even community-minded redevelopment projects can have unintended consequences. Many rely solely on non-profit organizations as tenants. While these tenants provide important services, an over-reliance on nonprofits in a neighborhood displaces needed commercial activity and detracts from the tax base.

“It's good commercial corridor management to have people have a say in what businesses are in the mix. For economic restructuring, you look at your business mix and the catchment area and look at what's missing and what's needed to bring people into the neighborhood,” says Sarah Greenberg, Regional Director for Forward Community Investments.



“The Sherman Phoenix is our true love! The support, the cross promoting, the personal experiences of all of the owners and their staff, the business coaching, social media marketing and the raw beauty of something that experienced such turmoil and anger but is now healed resurrected with pure love. It has opportunity for growth, it inspires, empowers and paves the way for so many inside and outside.”³

– Latrece Nelson, Owner,
Shampoo'ed salon

Tenant recruitment

In recruiting tenants, the traditional model looks most closely at a potential tenant's bottom line. But for Kaufmann and her co-developers, it is about capacity and tenacity – having a spirit to learn what you don't know. "There is something very trust-based that leads to tenants. We give people an opportunity to succeed, and we don't have hard-fast rules to check boxes," Kaufmann says. The co-developers don't require a business plan with financials. "Almost everyone I recruit as a tenant will not have those. But if we find a weakness, we push on it and test it."

This approach is inherently riskier than traditional development, but without risk, communities remain stagnant. "It's relational and not transactional – you'll have to understand that there will be mistakes," says Kaufmann. "We're forming a relationship with tenants and taking a risk. It's calculated – and people surprise you."

Cultivating and Supporting Tenants

The Milwaukee INVESTS model views tenants as partners and takes a hands-on role in supporting their success. This support comes in the form of fundraising, mentorship, and access to social networks and a community of customers. Most tenant businesses can't pay for tenant improvements during build out, as is expected in the mainstream market. "In most traditional developments, that's a given. In our case, the deal would be dead. It's a huge barrier to small businesses and developers who want to work in this space. You have to raise the money for tenant improvements," explains Kaufmann.

Tenant improvements on the project make up between 15-30% of the development budget depending on the building and improvements needed. In the case of the Wally Schmidt building, Kaufmann and Davis knew they wanted a sit-down restaurant and that The Tandem restaurant was a value fit. But they were confronted with the reality that the chef-owner couldn't afford the kitchen. "It was a matter of, how do we make this work? As partners, we figured it out together," Kaufmann says. Ultimately, the developers paid \$100,000 to build out the kitchen. They then reworked the original rent agreement, so the tenant could pay back the build out costs over time. While not many developers are willing to make that investment, when The Tandem opened its doors, it became the first sit-down restaurant in the community – one supported by folks from across the city.

In addition to financial support, co-developers can help connect tenants to technical expertise, mentorship and social support. One of the most valuable assets is a network of relationships that help open doors. "A lot of small businesses don't make it, not because they don't have a great product, but because there's a lot of bureaucracy to push through. Having a sounding board and support network is important. If I don't know the answer, I can go to the architect or the project manager. It's about building a team that is filled with access to knowledge and information," explains Sabir.



"People have to take a risk on these local businesses, and so few landlords are willing to take risks. There's no lack of appetite in small business start-ups. How else will folks get their opportunity?"

– Juli Kaufmann, President,
Fix Development



key innovation 2

project
highlight

Sherman Phoenix

Entrepreneurs Rising From
Start-Ups to Superpowers

The Sherman Phoenix story has become a powerful demonstration of how vacant buildings can be transformed to offer their highest point of possibility to the community. In 2018, Co-Developers JoAnne Sabir and Juli Kaufmann transformed a fire-damaged bank building in Milwaukee's Central City into a community hub of 28 primarily Black-owned small businesses offering diverse foods, wellness services, retail and cultural offerings. The space has generated pride and a sense of possibility and has become a vibrant community gathering place.





Sherman Phoenix

True to its name, the Sherman Phoenix grew out of the flames of community pain. In 2016, violent unrest broke out in the Sherman Park neighborhood after a fatal police shooting rocked the community. Several buildings along the main commercial corridor were destroyed during the unrest. In the weeks following, community conversations identified the need for safe, welcoming spaces and more inclusive pathways into the economy. Responding to this call, JoAnne Sabir and Juli Kaufmann seized the opportunity to purchase the fire-damaged bank building and began a two-year process of rebuilding.

The Co-Developers talked with residents, city leaders, and neighboring businesses. They held a community visioning session in the burned-out building to listen to community priorities and desires. As a small business owner herself, Sabir was also able to listen to other entrepreneurs of color across the city. She recognized the critical need for better access to high-quality commercial space, mentorship, and financial resources. Driven by her passion for entrepreneurship, the project grew from its initial vision of 12 businesses to securing 28 tenant businesses who opened their doors within the Sherman Phoenix in November 2018.

Sabir and Kaufmann met with over 50 potential tenants -- from established businesses to those in the earliest stage of development. They began the process of determining which were aligned with their vision, timeline, and available space. They also took risks in supporting fledgling businesses by reshaping the space and budget to meet the needs of emerging tenants.

As an example, Sabir highlights the success of Confectionately Yours, a bakery owned by Adija Greer Smith. When Sabir first met Smith, the business operated from Smith's home as a labor of love. "What I saw in her was this will -- this get up and go," Sabir shares. Giving her an opportunity to be a tenant was a gut decision for Sabir based on the knowledge, "that once you give her something, she can run with it and execute to the fullest degree. Everything I suggested, she advanced."

Since signing her letter of commitment as a tenant in the Sherman Phoenix, Greer Smith has left her full-time day job and launched her bakery business, hiring six employees. She secured corporate clients, ramped up marketing, competed on the Food Network's Cookie Contest, and earned a recurring baking spot on a local news show. In the first six months, she has met her monthly sales goals and is building her operational capacity, even as she faces the challenges of finding production staff and learning how to run a business while on the go.

Sabir and Kaufmann knew their tenants would need support and they wanted to build more than a mall that would simply house businesses. Instead, they worked to create an entrepreneurial ecosystem. Through a partnership with Wisconsin Women's Business Initiative Corporation (WWBIC), the co-developers secured over \$700,000 in federal funding for construction and ongoing small business technical assistance. These resources allow tenant businesses to access ongoing coaching, classes, technical support, and a network of resources. "We've been blessed," says Greer Smith, "WWBIC offers classes and access to resources like accountants. That's not something I'd ordinarily have the opportunity to have at my disposal."

Additionally, some of the tenants have received mentorship and personal guidance from successful business leaders. Paul Miller, Co-Founder of Colectivo Coffee, was a personal mentor to the Sabirs in the launch of Shindig Coffee. “Paul understands what it takes to open a business, and he has personally invested his time, love and talents in us,” says Sabir. Giacomo Fallucca, CEO of Palermos Pizza, was also instrumental in the development of Sauce & Spice Pizzeria. “I would never have known how to start this restaurant,” says Co-Owner Monica Oliver. “For someone to be able to open the door to entrepreneurship, it’s a blessing. He’s a very, very busy person, but he’s taken his time to teach us and run a fine-tooth comb through every single detail.”

This amounted to an additional \$500,000, bringing the total fundraising goal to \$4.5 million.

The community response to the Sherman Phoenix and its tenant businesses, like Confectionately Yours, has been tremendous. By opening within a highly-visible project, the businesses have received an uncommon level of press and ongoing media coverage. This is amplified by the support of the Sherman Phoenix’s 50 community owners, as well as the 30 entrepreneurs in the building, who have become the greatest champions for each other. “The Sherman Phoenix means opportunity,” describes Greer Smith. “It means family. It means success. It means living beyond your wildest dreams.”

The co-developers also assumed almost 100% of tenant improvements into their fundraising budget. Tenant improvements included custom build-outs, equipment and furnishings in each of the spaces.



Some of the 28 entrepreneurs who opened businesses in the Sherman Phoenix – from Lush Popcorn to Funky Fresh Spring Rolls and Embody Yoga to AMRI Counseling.

key innovation

Community Investor-Owners

The final innovation is a strategy that expands the financial mix for redevelopment projects to include community investor-owners. Co-developers invite local residents to participate as investors in each project using a crowd-funding model. This game-changing innovation helps overcome critical financing gaps. In the process, the project builds local ownership, strengthens community wealth, and creates a community of project champions. A blend of private patient capital and philanthropy then supplements the model to achieve financial viability.

To create opportunities for community investors, the development team uses the project's financial pro forma to determine how many membership shares can be offered and sets the minimum investment level. State law sets the maximum investment level for unaccredited investors. Member shares are equally divided into units of participation. Community investors sign an operating agreement, and co-developers are named as Managing Members. To date, an average annual rate of return has been 5-7%.

While the common perception is that low-income neighborhoods will not produce investors, the Milwaukee INVESTS model has found that low and moderate-income residents can generate significant resources when funds are pooled together. The model works with investments starting at \$1,000 and by using sweat equity exchanges from neighbors who can contribute labor to the project in exchange for an ownership interest. They are joined by people across the city who are looking to invest on Main Street, not Wall Street. These are unaccredited investors who may have the means to make investments in the range of \$5,000 - \$10,000, but have never had opportunities to do so.

Changing the Financial Game

Without financial capital from community investors, many real estate projects in disinvested communities won't happen. These crowd investors bring capital to the table and distribute the risk across a larger pool, lowering the risk and increasing available cash. "Capital isn't flowing here," Kaufmann explains. "Without community investors, we can bring the skills, but we still don't have the resources. Now I can pool my \$1,000 with many others and truly create a pathway to accessing capital."

Oftentimes, this community capital is used to catalyze a critical step – a down payment or earnest money; other times, it plays a significant role in the whole capital stack. "This innovation creates



"We see central city communities as so capital scarce. The real issue is disinvestment -- selecting not to live here, not to shop here, not to do business here.

Disinvestment is a choice.

The opposite of that is choosing to invest. If we make the conscious decision to invest and inject capital into these places, good things will happen."

– Jeremy Davis, Co-Developer of Wally Schmidt and Neighborhood Resident



"When you invest in your 401K, it goes off somewhere and you have no idea what it's doing. I found the idea of actually being able to look at my investment and say, 'this is how it's working' to be an incredibly exciting venture. It has been the most satisfying investment because it has given back so much more than return on the money."

*– Ursula Twombly,
Community Investor
in Freshwater Fix*

a larger universe of funding. That's the win of this. You need that capital to break out of these dynamics," says Sharon Adams, Co-Founder of Walnut Way and Co-Developer of The Innovations and Wellness Commons.

As projects advance, the community investors play a second significant role. They become fully invested in the success of the tenant businesses. The investors become customers, and then engage their networks to promote the businesses to others. "When it's your own, you want to see it win," says Sabir. For the Wally Schmidt Redevelopment, this has meant a strong base of customers for its anchor tenant, Tandem Restaurant. "It's now two years later, and almost every day, you will see an owner in the building. That's how deeply they believe in the support," says Davis.

For community owners who are also neighbors, being able to invest in your own main street becomes even more meaningful. "It's not just that you want your money – you care that the building looks good, who's in it, whether the trash is cleaned up," reports Kaufmann, who first entered into real estate development as a neighbor frustrated with the type of development occurring in her community. This level of local accountability pushes back against the detrimental impact of absentee landlords who are often present in disinvested neighborhoods.

Engaging community investors

The base of community investors in Milwaukee is growing. While the number of philanthropic donors is typically finite, the pool for community investors is significantly larger. There are currently 197 community owners across seven redevelopment projects, which have raised over \$7.3 million for these projects. Some of these investments are large – up to \$250,000 per share for accredited investors – but the large majority of community investors invest between \$1,000 and \$5,000.

When first starting, Kaufmann found that in order to abide with current laws, she needed to create a crowd-funding platform. From this, she and others formed Fund Milwaukee, an alternative social investment network. Fund Milwaukee allows unaccredited investors to invest between \$500 - \$10,000 in small businesses and real estate projects through loans or equity.

Although a platform such as Fund Milwaukee is useful, it is no longer required due to changes in crowd-funding laws. However, implementing this model requires ongoing communication with potential and active investors. Co-developers must develop initial strategies for recruiting community investors and ensuring that neighborhood residents are aware of the opportunity. Interested investors must complete legal documents and must fully understand the terms. (See example documents in Appendix C). Once on board, consistent communication is needed, and should include quarterly reports. Ultimately, these relationships have been predicated on trust, and continued relationship-building is important to growing this circle of trust.



"When a small business goes in with that type of community support, it gives them access to a large community network of people, including those who have wealth and power. Most businesses are missing this."

*– Sarah Greenberg, Regional Director,
Forward Community Investments*

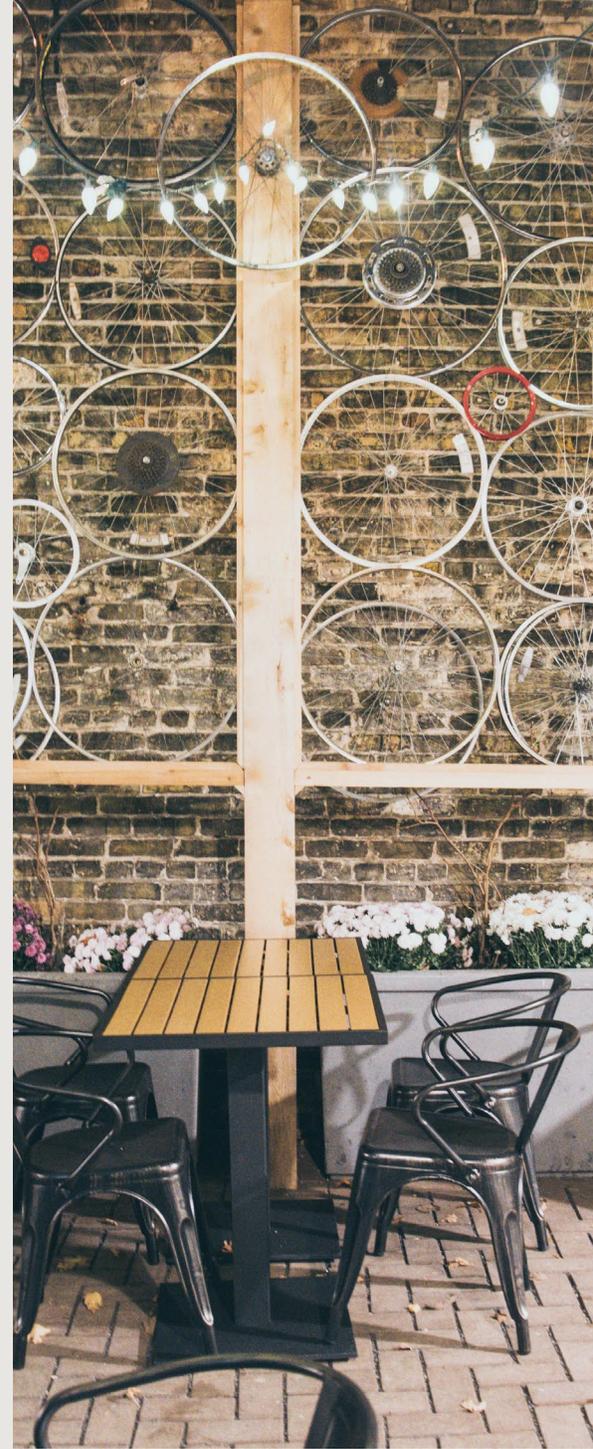


key innovation 3

project highlight

Historic Walter Schmidt Tavern Redevelopment
Community Investors Build Network For Success and Sustainability

The Historic Walter Schmidt Tavern Redevelopment (Wally Schmidt) highlights how community investors can bring dynamic support to redevelopment projects – often with unanticipated benefits. The development successfully engaged 43 community investors representing a broad swath of the city. These investors have become not only financial backers, but also tenants, customers, and champions who contribute to its sustainability and success.





Historic Walter Schmidt Tavern Redevelopment

The Historic Wally Schmidt redevelopment brought life to a long-standing vacant historic property in Milwaukee's Lindsay Heights neighborhood. Co-Developers Jeremy Davis and Juli Kaufmann renovated the building into a sit-down restaurant on the first floor with office spaces on the top two floors. The renovation preserved many of the former tavern's historic features, including its distinctive floor tiling, wood molding, wrought ironwork, and embossed glass door.

The building is located on a major commercial corridor only 1.5 miles northwest of downtown Milwaukee. While geographically close to the city's commercial center, the neighborhood's economic reality is a world apart from downtown's bustling streets. Having faced decades of disinvestment, 55% of commercial buildings on the neighborhood's main streets were vacant at the time of redevelopment. A neighborhood market study showed that nearly \$40 million annually left the neighborhood due to a lack of places to shop locally.⁴

When opened in November 2016, Wally Schmidt brought significant economic activity to the neighborhood and represented nearly \$1 million in direct investment value. The construction phase provided local employment opportunities. The general contractor was a neighborhood resident, and in turn, he hired subcontractors that were nearly 100% people of color. The anchor tenant, The Tandem restaurant, draws a diverse crowd from the neighborhood and throughout the

city. It has become a popular gathering spot for neighbors, the downtown lunch crowd, and out of town visitors. The restaurant employs and trains a staff of 15-20 young people, who primarily come from the immediate community. Now open for two years, over 60 young people have worked at the restaurant, often as their first job. In addition, the upstairs offices are primarily leased by organizations and businesses run by women and people of color.

Wally Schmidt's success was predicated on the engagement of community investors. With an eye toward sustained community ownership, the Co-Developers promoted equity investment opportunities to local residents, as well as community members throughout greater Milwaukee. To encourage local ownership, the developers set entry ownership at \$1,000. Investors had the option of investing with cash or sweat equity. In return, the co-developers projected a 6% average annual cash return over ten years.

The development team attracted 43 community investors. Thirty percent of these investors are direct neighbors of the Lindsay Heights neighborhood with one joining through sweat equity. Many were new to investing and attracted to the \$1,000 entry level and the opportunity to see real change. The initial goal was to raise \$300,000 in equity and another \$200,000 from philanthropy. As the project progressed, the fundraising goal was increased to \$750,000.

“What Wally did is create that opportunity to have an investment in something that is tangible and understandable. You can see the businesses. All of us, as a collective, own wealth. If you bring that back home and inject that into the economy, it creates all of these scales of opportunity,” describes Co-Developer Jeremy Davis.

The community investors have provided an ongoing level of engagement and support of the building and its tenants. Two of the office spaces are rented by community investors. When an office space has turned over, the investors become a valuable network for finding new tenants. Most importantly, the investors are a strong customer base for The Tandem restaurant. They bring friends, support word-of-mouth marketing, hold meetings in the space, and invite the restaurant to cater events. This level of support became even clearer when a group of community investors rallied to help The Tandem become more financially stable. After its first year in operation, The Tandem’s owner discovered she didn’t have the right financial and legal team in place, resulting in a costly learning curve. To put her back in a position of financial

strength, a small team of community investors – who believed in her business model and its value to the community– rallied to help her raise funds, access a line of credit, and identify more diverse income streams. The show of support demonstrated the power of community when members feel connected to and invested in their local assets.

What’s more, the diverse mix of community investors in Wally Schmidt has created a more inclusive social network among investors. In Milwaukee, a city that is commonly cited as the most segregated urban area in the nation, this is a rare feat. The Co-Developers were reminded of this when a young investor, who lives in the neighborhood, reached out to another investor, who is a prominent corporate leader, for advice on his job search. The connection of these two individuals, representing very different Milwaukee realities, is a small but important step toward creating a social fabric that can offer opportunities to all.



Some of the 45 community investors who helped to collectively raise \$480,000 to redevelop the Historic Wally Schmidt Tavern.

A photograph of a bicycle hanging on a wall above a bar counter. The bicycle is silver and has a black seat. The bar counter is dark wood and has various bottles and glasses on it. Two yellow chairs are visible in the foreground, facing the bar. The background is a light-colored wall with dark wood trim.

project snapshots

A closer look at the completed and pipeline projects that embrace the Milwaukee INVESTS model helps to demonstrate what is possible. These projects range in scale and complexity and each embodies the model's innovations differently. Yet, all share transformative results – new spaces bringing life to community Main Streets and opening pathways to economic opportunity and neighborhood prosperity.

project
snapshot

Clock Shadow Building

Tenants:

**Clock Shadow Creamery,
Core El Centro, Healing Center,
Walker's Point Clinic**

Investor-Owners: 15

Project Description:

Developed by Fix Development, the Clock Shadow Building is a four-story commercial building of approximately 30,000 square feet in Milwaukee's historic Walker's Point neighborhood. The building site is a former brownfield located one mile south of the city's central business district. The property was transformed into a bustling commercial building that incorporates cutting-edge sustainable design features, including geothermal wells, grey water reuse toilets, and a rooftop garden. Tenants include Clock Shadow Creamery, Wisconsin's first urban creamery, and The Healing Collective – a consortium of health care, wellness, and counseling organizations. The building's accessible roof includes a shared garden. The development sparked economic activity and generated momentum for future developments on the commercial corridor.

Total
Project Cost:
\$7.2 Million

Raised by
community owners:
\$5 Million

Co-Developers:
Fix Development, Core El Centro



Nonprofit Partner: MLK Economic Development Corporation

Site Assemblage: The site was a tax-delinquent, vacant brownfield lot acquired through a unique WI Statute 75.106 transaction which allows property to be adjudicated directly to a private buyer through a public taking without putting the municipality into the chain of ownership to avoid liability.

Year Completed: 2012

project
snapshot

Freshwater Fix

Tenants:
 Float Milwaukee, Bowls,
 Purple Door Ice Cream

Investor-Owners: 25

Project Description:

The Freshwater Fix building is located at a high-traffic intersection in the Historic Walker’s Point neighborhood, just south of Milwaukee’s city center. The redevelopment transformed a blighted building into an engaging and street-friendly multi-tenant retail destination. The locally-owned tenant businesses -- Purple Door Ice Cream, Float Spa, and Bowls restaurant -- have proven to be popular and generate significant commercial activity. The 7,000 square foot former industrial tannery building required significant clean up during redevelopment. Neighbors initially identified the vacant building as a possible development opportunity and worked with Fix Development to advance the project. This was the first project that engaged a significant number of neighbor investors to generate much of the capital needed to move forward.

Total
 Project Cost:
\$1 Million

Raised by
 community owners:
\$800,000

Developer:
Fix Development



Site Assemblage: Traditional Offer to Purchase agreement with private seller of single building parcel.

Year Completed: 2015

The Innovation and Wellness Commons

Phase I

Tenants:
Fondy Food Center,
Milwaukee Center for Independence, The Juice Kitchen
(now called Shindig), Outpost Natural Foods *(original tenant),*
Basia Rose Designs *(new tenant)*

Project Description:

The Innovations and Wellness Commons is a community-driven, multi-use commercial development in Milwaukee's Lindsay Heights neighborhood. Led by Walnut Way Conservation Corp, it is the first commercial development project for the neighbor-led organization. Fix Development served as co-developer, providing guidance for project decisions. The first phase included the renovation of a historic building into a hub for healthy food and economic development. Tenants include a fresh juice café, a food service job-training program, organizational offices, and a start-up retail space. The retail space has experienced turned over, yet has remained active through a creative partnership with a business incubator program. Phase two will center on new construction of an adjacent lot for additional small businesses and community organizations.

Total
Project Cost:
\$3 Million

Raised by
community owners:
N/A

Co-Developers:
Walnut Way Conservation Corp.
Fix Development



Investor-Owner: MLK Economic Development Corporation

Site Assemblage: Purchase agreement with private seller

Year Completed: 2015

project
snapshot

The 5Wise Workshop

Tenants:
5Wise Co-Working Space and
two Residential Apartments

Community Owners: 10

Project Description:

The 5 Wise Workshop redevelopment is a historic property located in Milwaukee's Silver City neighborhood on the near-southside. Built in 1916, the 3,200 square foot building was renovated into office space on the lower level and residential units on the second floor. 5Wise Workshop occupies the first floor as a co-working space with a goal of fostering economic opportunities and social engagements for individuals, micro-enterprises, and the community. Members of the coworking space use it for working, meeting, teaching, and learning. The space can also be rented for private events by the general public. As a smaller-scale development, the project demonstrates how the community ownership model can make development opportunities feasible by pooling resources.

Total
Project Cost:
\$250,000

Raised by
community owners:
\$75,000

Co-Developers:
Fix Development
Lush Productions



Site Assemblage: Existing privately held building

Year Completed: 2016

project snapshot

Historic Walter Schmidt Tavern Development

Tenants:

Sias and Adams Offices, Silverwater Productions,
Forward Community Investments—Milwaukee,
Wisconsin Housing Development
Partnerships—Milwaukee, Karmic Massage,
the JuJu Collection—Holistic health,
The Law Offices of Brooks, Kilander, and Wiechmann.

Investor-Owners: 45

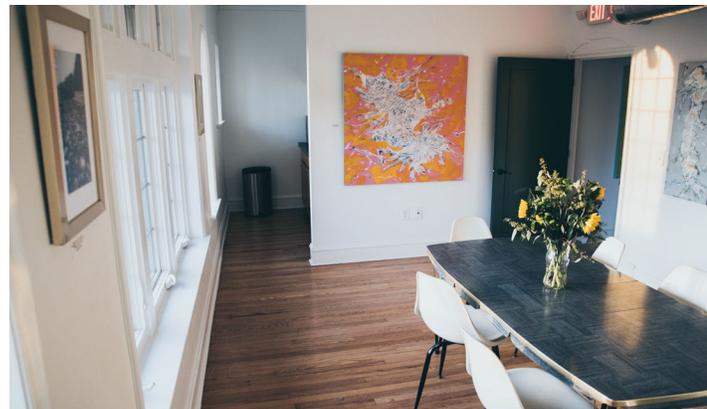
Project Description:

The Historic Walter Schmidt Tavern Redevelopment is a 3,432 sq. ft. historic building located in Milwaukee's Lindsay Heights neighborhood. It was renovated for a new sit-down restaurant and office spaces and includes an adjacent 3,600 square foot lot. The anchor tenant, the Tandem restaurant, is a woman-owned establishment that has become the neighborhood's only sit-down restaurant and focuses on employing and training young people from the community. The upper offices house 8 small businesses and organizations. The project was co-developed by Jeremy Davis, a neighborhood resident, and Fix Development, who brought complementary skills to the project. A diverse group of 45 community owners have become an important base of customers, helping champion the restaurant as a citywide destination.

Total
Project Cost:
\$780,000

Raised by
community owners:
\$480,000

Developers:
Fix Development, Jeremy Davis



Nonprofit Partner: Wisconsin Preservation Fund

Site Assemblage: Acquired a foreclosed building owned by City of Milwaukee together with a neighboring city-owned vacant lot.

Year Completed: 2016

Sherman Phoenix

Tenants:
28 Small Businesses

Investor-Owners: 50

Project Description:

The Sherman Phoenix is a powerful response to civil unrest that occurred after a fatal police shooting of an African American man in 2016. Co-developed by a local entrepreneur and Fix Development, the project transformed a severely fire-damaged bank building into an economic hub for 28 small businesses owned almost entirely by entrepreneurs of color. The businesses offer an array of prepared foods, wellness services, retail goods, and arts & cultural services. The now vibrant space holds a food hall with customer seating and gathering spaces for community events. Opened in late 2018, the Sherman Phoenix has strengthened entrepreneurship, created over 100 jobs, catalyzed neighborhood revitalization, provided needed space for community-building, and helped spark a renewed sense of pride and possibility.

Total
Project Cost:
\$4.5 Million

Raised by
community owners:
\$500,000

Co-Developers:
Fix Development, JoAnne Sabir



Nonprofit Partner: Wisconsin Preservation Fund
CUPED

Site Assemblage: Acquisition from private owner –
BMO Harris Bank

Year Completed: 2018

project
snapshot

Cream City Hostel

Tenants:
Cream City Hostel

Investor-Owners: 40

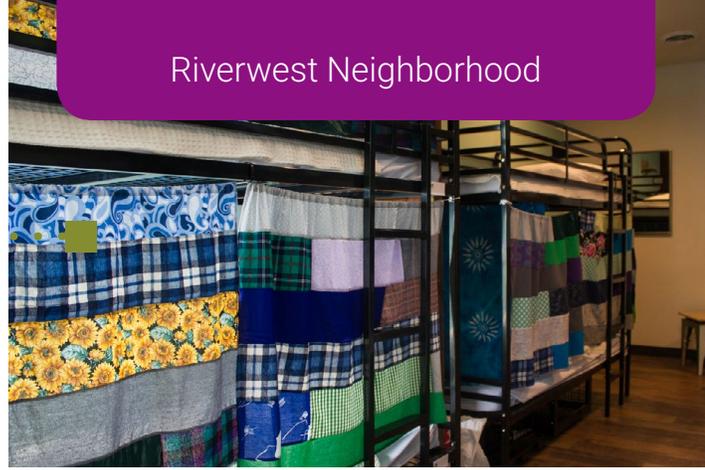
Project Description:

Cream City Hostel is a redevelopment project that aims to be a destination for world-wide, adventure-oriented and budget-oriented travelers in the Riverwest and Harambee neighborhoods of Milwaukee. Opened in mid-2019 as the first hostel in the city, Cream City Hostel provides an affordable place for travelers to stay and enjoy an authentic Milwaukee experience. It also fosters diverse social experiences among guests and the community. The project is designed, developed, owned and operated by neighborhood residents. The 1927 building first opened as a local bank and then housed youth-serving organizations, but subsequently stood vacant for over a decade. Located on a major neighborhood main street, the newly-opened hostel now serves as a positive economic driver for the neighborhood main street.

Total
Project Cost:
\$1 Million

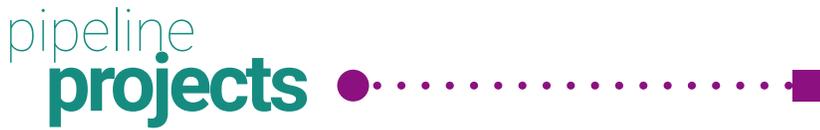
Raised by
community owners:
\$500,000

Co-Developers:
**Fix Development,
Wendy Mesich, Carolyn Weber**



Site Assemblage: Acquired as City Owned Foreclosure

Year Completed: 2019



Adams Garden Park

Tenants:
 Milwaukee Environmental Consortium, Milwaukee Water Commons, Walnut Way's Blue Skies Landscaping, Wisconsin Conservation Voters

Investor-Owners: TBD



Project Description:

Adams Garden Park is a 3,875 sq. ft. building located in Milwaukee's Lindsay Heights Neighborhood, which will be developed as an environmental hub for organizations and businesses committed to clean air, pure water, and healthy land. Surrounded by cultivated lots, it will serve as a central convening place for all those committed to stewarding the natural environment. Located on a major neighborhood mainstreet, the project will also help strengthen the neighborhood's emerging economic vibrancy. The Lindsay Heights community has been a showcase for environmental stewardship over the past 20 years and continues to scale these efforts. The project is being developed by Sharon and Larry Adams, co-Founders of Walnut Way, the developer of the Innovations and Wellness Commons.

Nonprofit partner: Wisconsin Preservation Fund
 Walnut Way Conservation Corp

Site Assemblage: Privately owned

Year Projected Completion: Winter 2019

Projected
 Total Cost:
\$1.2 Million

Developers:
 Sharon and Larry Adams

Tenants:
TBD

2626 W. State Street

Investor-Owners: 6+



Project Description:

A group of neighbors is joining together to enable a direct economic investment project with the redevelopment of 2626 W. State Street. The building is located along a major thoroughfare connecting downtown Milwaukee through many western Milwaukee neighborhoods, including communities with diverse immigrant populations. The redevelopment project proposes to renovate the entire structure, saving the critical historic features while replacing mechanical systems and repairing significant damage throughout. Once restored, the tenant plan includes recruiting up to three local offices and/or retail uses that provide quality goods and services while activating the street level presence of the building.

Community Partner: Quorum Architects

Site Assemblage: City Foreclosure

Year Projected Completion: 2020

Projected
Total Cost:
\$1 Million



model impact

The Milwaukee INVESTS model has demonstrated impact in multiple Milwaukee neighborhoods where successful redevelopment efforts are bringing life to Main Streets, lifting up small businesses, providing employment for residents, and offering vibrant spaces for communities to shop, work, eat, and gather. These buildings spark additional economic development and are building momentum in communities that have faced years of economic downturn.



Nationally, commercial redevelopment is recognized as a key strategy for more equitable neighborhood revitalization. Evaluating the direct impact of commercial corridor revitalization efforts, however, is challenging. To measure impact, evaluation efforts generally need to focus on intermediate indicators, including job creation, tax revenue, new investment, property values, additional services for residents, access to healthy foods and other essential goods, reduced crime, improved perception of the neighborhood and increased neighborhood pride.⁵

By these measures, the Milwaukee INVESTS projects highlighted here have a combined value of more than \$17.7 million of direct investment spread across five neighborhoods. The projects themselves will support more than 60 new or early-stage, entrepreneurial businesses and organizations (Table 2). This, in turn, creates benefits across many of the following indicators.

Job Creation

The tenant businesses across the Milwaukee INVESTS projects have created over 270 jobs. “It’s been a game changer particularly for young adults in the community,” explains Davis of the Wally Schmidt Redevelopment. “In a neighborhood with very high unemployment levels, Wally brings jobs right to the neighborhood for young people.”

In addition, these projects support more than 200 indirect jobs through the construction process and business support services, such as bookkeepers and small suppliers. In particular, projects like Adams Garden Park and Wally Schmidt have a very intentional focus on hiring general contractors and trades people from the community. Neighborhood employment then has a multiplier impact. “You can see the local economics working – we created the building, Tandem created the restaurant, employees are earning their wages, they bring it down the block to the corner store. It’s very visible,” says Davis.

New Investment

The redevelopments are projected to catalyze more than \$75 million in additional investments in adjacent real estate and economic stimulation, resulting in a projected impact of \$100 million in ten years. In the Walker’s Point neighborhood, the Clock Shadow Building and Freshwater Fix have helped spark both multi-million dollar projects and smaller-scale ones. In the Lindsay Heights neighborhood, the Innovations and Wellness Commons and Historic Wally Schmidt Redevelopment helped to jump-start a 64-unit mixed-income housing redevelopment that opened in 2018, a planned hotel and conference center, and several large-scale green space improvements.



“We must ask, ‘what is needed to challenge the conditions that give root to poverty.’ We want to create wealth. If you keep supporting poverty programs that don’t give people a pathway into the economy, then you’re going to maintain poverty. This model provides access to income for tenants, community investors, entrepreneurs, developers and employees.”

– JoAnne Sabir, Co-Developer,
Sherman Phoenix
Co-Owner, Shindig Coffee
and The Juice Kitchen



Table 2: Milwaukee INVESTS Project Impact Measures

Project Name	No. of Community Investors	No. of Direct Jobs	No. of Indirect Jobs	No. of Businesses/Organizations	Project Cost
Completed Projects					
Clock Shadow Building Small businesses and wellness organizations in Walker's Point Neighborhood (2012)	15	50	10	5	\$7,200,000
Freshwater Fix Small businesses in Walker's Point Neighborhood (2014)	25	25	10	3	\$1,000,000
Innovations & Wellness Commons Small businesses and local food systems organizations in Lindsay Heights Neighborhood (2015)	2	27	10	4	\$3,000,000
Historic Wally Schmidt Tavern Small offices and anchor restaurant in the Lindsay Heights Neighborhood (2016)	45	25	45	10	\$780,000
5Wise Small business co-working space with two residential rental units in the Silver City Neighborhood (2017)	10	25	10	15	\$250,000
Sherman Phoenix Entrepreneurial hub with prepared foods, wellness and beauty services, and retail in Sherman Park Neighborhood (2018)	50	100	120	28	\$4,500,000
Cream City Hostel First hostel in Milwaukee in Riverwest Neighborhood (2019)	50	20	5	2	\$1,000,000
Total	197	272	210	67	\$17,730,000
Pipeline Projects					
Adams Garden Park Hub for environmental organizations in Lindsay Heights Neighborhood (2019)	2	5	5	4	\$1,200,000
2626 State Street Multi-tenant storefront rental in Avenues West Neighborhood (2019)	20	8	8	3	\$500,000
Pipeline Total	22	13	13	7	\$1,700,000



“Commercial corridors...act as zippers connecting different cultures in safe, welcoming places that invite residents to gather and visitors to explore. When a commercial corridor thrives, it creates opportunities to find a job or start a business. Small businesses incubate, innovate and often grow.”⁶

— Robin Kohles, Community Design Collaborative, “Small Business, Big Impact”

The Riverwest and Silver City neighborhoods are seeing additional community-led economic development activity. In Riverwest, the influx of travelers to the Cream City Hostel is bringing new customers to existing neighborhood businesses and creating new markets for opportunity. In Silver City, access to the 5Wise entrepreneurial co-working space is sparking new entrepreneurship and opportunities for growth. “The activation of neighbors is high,” says Celia Benton, Economic Development Director for Layton Boulevard West Neighbors. “We’re hearing more and more from interested neighbors about what people want to see next.”

Increased Access

The Milwaukee INVESTS redevelopments have increased access to fresh foods, wellness services, health care, and retail through culturally relevant offerings. In the heavily Latino Walker’s Point neighborhood, the Clock Shadow Building created a new home for Core El Centro, a non-profit organization offering affordable natural healing and wellness services in Spanish and English. In the predominately African-American neighborhoods of Lindsay Heights and Sherman Park, the Wellness Commons became home to the city’s first Black-owned juice bar, and the Sherman Phoenix to 28 Black-owned businesses including a yoga studio, martial arts studio, a mental health therapist, wellness apothecary, home health services, several restaurants and more.

Improved Neighborhood Perception

Located along major thoroughfares, the highly-visible renovated buildings help shift perceptions of the neighborhood. “Businesses, like The Tandem, help bring a different mindset to neighborhoods. It gives other entrepreneurs the idea that ‘hey, maybe I can buy the building down the street and be successful,’” says Tony Gibson, President of the Johnsons Park Neighborhood Association. “The people who frequent The Tandem restaurant now know about the neighborhood. Whereas ten years ago, it was hard to get people to think about Johnsons Park, now it’s a destination.” For Sherman Park neighbor, Khalid Walid, the Sherman Phoenix has the potential to attract folks who have moved out of the neighborhood. “For some of the people who grew up in the neighborhood and moved out of the neighborhood, this is a reason for them to come back and feel good about it,” says Walid. “They may have come back every now and again for support, but now if it’s something they like, they’ll come back on a regular basis. It’ll become part of their routine.”⁷

Increased Neighborhood Pride and Hope

While challenging to quantify, there is a palpable feeling of hope, excitement, and possibility surrounding each redevelopment. “The transformation of mindset – of seeing what’s possible – is catalytic,” explains Sabir.



“It’s important because it’s legacy building. It’s relationship building. It’s people-building. It’s rebuilding trust in the community, in city officials, in law enforcement – it’s rebuilding trust in all of the things that were compromised. It’s a rebuild.”

– Adjia Smith Greer, Owner, Confectionately Yours describing the impact of the Sherman Phoenix



“Community-led redevelopments are very visible examples that acknowledge the power neighbors have in being able to control what’s on their commercial corridor,” says Benton. “It sparks energy for doing more in the community.”

“I see firsthand when families come in for the first time and how they react to what they see – how it brings peace to them,” says Adija Greer Smith of the Sherman Phoenix. “Whereas two years ago, all they saw was pain, tears, and destruction. Now they walk in with their families and children, and it’s beyond what they ever expected. Sometimes we feel we can never come back from what happened, but this is a testament that you can.”

When people experience vibrant spaces that authentically reflect the culture and history of the neighborhood, it changes the possibilities for what’s to come. Blogger Adam Xander describes the profound impact experienced as a customer in the Sherman Phoenix, “At Sherman Phoenix, I’m compelled to be the best that I’m capable of being, and I’m moved to continue finding ways to add value to the lives of others. There’s an unexplainable sense of encouragement that comes from feeling good energy and seeing good ideas being exchanged by the people in that building.”⁸

In Milwaukee, the impact is also the creation of very rare community spaces that reflect the rich tapestry of racial, cultural, and economic backgrounds. “This takes the conversation around segregation and moves it into action – we create spaces for all of us. It opens up community to different energies and people,” says Sabir. As Milwaukee’s Mayor Tom Barrett proclaimed at the grand opening of the Sherman Phoenix, “This is truly our Milwaukee.”

Risk of Gentrification and Displacement

With all redevelopment efforts, there is a very real risk of negatively impacting residents by spurring gentrification and displacing long-time residents. Efforts to catalyze commercial corridors must also intentionally incorporate long-term strategies for minimizing displacement, lifting up the priorities of long-term residents, and increasing pathways for economic inclusion as the community revitalizes. In the projects highlighted in this case study, community leaders engaged in the projects have simultaneously worked to support affordable and mixed-income housing strategies.

The projects located in the Lindsay Heights and Sliver City neighborhoods grew from a comprehensive, resident-led quality of life planning process that reflects the vision and priorities of neighborhood residents. The innovations of the Milwaukee INVESTS model also actively work to create more inclusive opportunities for community wealth building – as co-developers, small business tenants, and community investors – alongside the neighborhood’s growing prosperity.



“I’m a huge Hip Hop fan, and every time I’m in there, I sit as close as I can to the Wu-Tang Clan picture hanging up, because looking at it reminds me that I belong there. This is the only coffee shop I can go to, where I know I don’t need headphones, because the conversations are always ones I’m interested in, and the soundtrack is always right up my alley.”

— Adam Xander, Blogger,
“Together: Views of Sherman Phoenix”
Copywrite Magazine



Sustainability and Scaling Impact

Each key innovation of the Milwaukee INVESTS model has been tested and successfully implemented across completed projects in Milwaukee for the past seven years. These projects provide sufficient baseline to measure the efficacy and impact of the model. Continual long-term evaluation of impact will help strengthen the evidence and refine implementation.

Sustainability

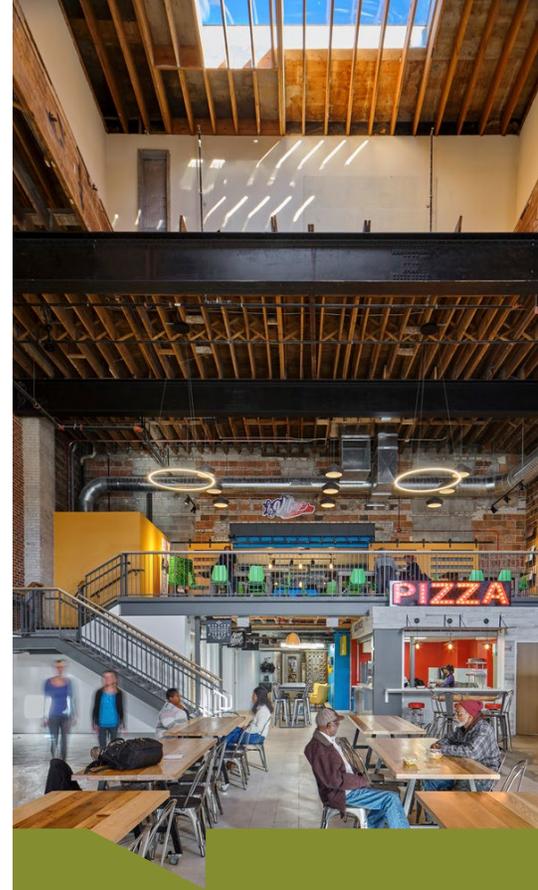
Elements of sustainability and scalability are built into the model. Through the co-mentorship innovation, the model is designed to build the skills, capacity and experience of a growing number of developers, who can continue to replicate the model within their neighborhoods. As the knowledge and experience base expands, so too does the scalability. Indeed, a major objective of this case study is to disseminate these ideas so the model can be replicated and expanded. Financially, each project stands on its own once complete, generating income and investor return by keeping the building occupied with rent-paying tenants. Because the projects are developed and owned by local residents and occupied by local businesses that employ local residents, there are reinforcing economic and loyalty loops that help strengthen the likelihood of financial success and long-term sustainability.

Project Challenges

The completed projects are not without real challenges. It is important that developers, partners and supporters recognize the intense time commitment and significant resources required to lift and operate commercial redevelopment projects. These challenges include:

Ongoing Operations

Maintaining the daily operations once developments are up and running requires significant effort. Building maintenance, rent payments, tenant communications, security issues, unexpected repairs, and property emergencies – all need to be addressed in a timely fashion. This is typical of traditional commercial development, but co-developers may not have the skill set or past experience to manage ongoing operations. If resources are available, a professional management company can bring significant capacity in establishing operational systems and addressing concerns in a timely manner. For smaller projects, however, the operating budget may not allow for the added expense. In such cases, the developers will need to be prepared to address daily operations.



“We’ve had challenges, but we’ve been able to respond as needed. Some tenants have struggled, and we’ve reduced rent. Buildings have had unanticipated expenses, and in these cases, we’ve asked investors for support. When community investors have needed their money back, we’ve figured out how to buy back shares.”

— Juli Kaufmann, President,
Fix Development

Financial Viability Of Tenants

Finding the right mix of tenants to ensure the financial viability of the overall development is challenging. Small business tenants, particularly start up businesses, are inherently risky. A failure of a tenant shouldn't undermine the success of the project as a whole. Therefore, projects should be designed to withstand and overcome tenant turnover. Developers should be prepared to offer technical assistance and marketing resources to support tenant businesses, along with patience and creativity in responding to tenant needs in a continuously changing landscape.

Developer And Tenant Relationships

The model is predicated on strong relationships between developers, tenants, community owners, and partners. These relationships require ongoing nurturing and communication. "You are married to your partner and married to your tenants," reflects Kaufmann. "It's not transactional. You care deeply, so when there are frustrations and challenges, it weighs on you."

Despite these challenges, the model and the community of support for each project have stayed strong. Kaufmann, however, is realistic about future challenges. "There is a high degree of hope and faith in these projects, and in many ways, they've become symbolic. The fact of the matter is that real estate and retail fail all the time. We don't build these models with the expectations that they will fail, but inevitably some tenants will. That doesn't mean the model is fatally flawed. It means the model is real, and it has challenges just like traditional projects do."

Model Limitations

As the model grows, attention is needed to proactively address untested aspects of the model. This includes:

- 1 Identifying a succession plan to address potential transitions in project or partner leadership.
- 2 Diversifying community investors to include greater percentages of low-income investors. A new Community Investment Trust model by MercyCorps Northwest shows promise for how to engage low-income residents investing in community real estate with financial education and risk protection.⁹
- 3 Developing an exit strategy for community investors. This may include strategies to support anchor tenants purchasing the development, ultimately freeing up equity to be reinvested into new projects.



"My only concern is that there is so much work being done to help entrepreneurs across the city get up and running. But just because we build something doesn't necessarily mean they will come.

We need folks to continue to spend money in the neighborhood and support these initiatives."

*— Jen Casey, Executive Director,
Fondy Food Center*

Pathways to Scale

With a growing number of projects completed, momentum is building to accelerate adoption and scale. Currently, projects are driven by passion and personal conviction from project leaders, but this leaves little time and resources for larger organizational capacity. The one-at-a-time project approach has a limiting effect on the scope and timeline for impact.

Raising philanthropic funds for each project is the greatest limiting factor. “The projects that require no philanthropy are only those in stronger market economy where you can get better rents. Right now, we have endless crowd funders, endless partners, endless projects and tenants. It’s the philanthropic and angel investors that are the limiting factor,” explains Kaufmann.

Creative strategies to advance large-scale implementation could include:

Creating a philanthropic fund for catalytic development. Building a fund that can support multiple simultaneous catalytic projects would “fast track” scalability and community impact.

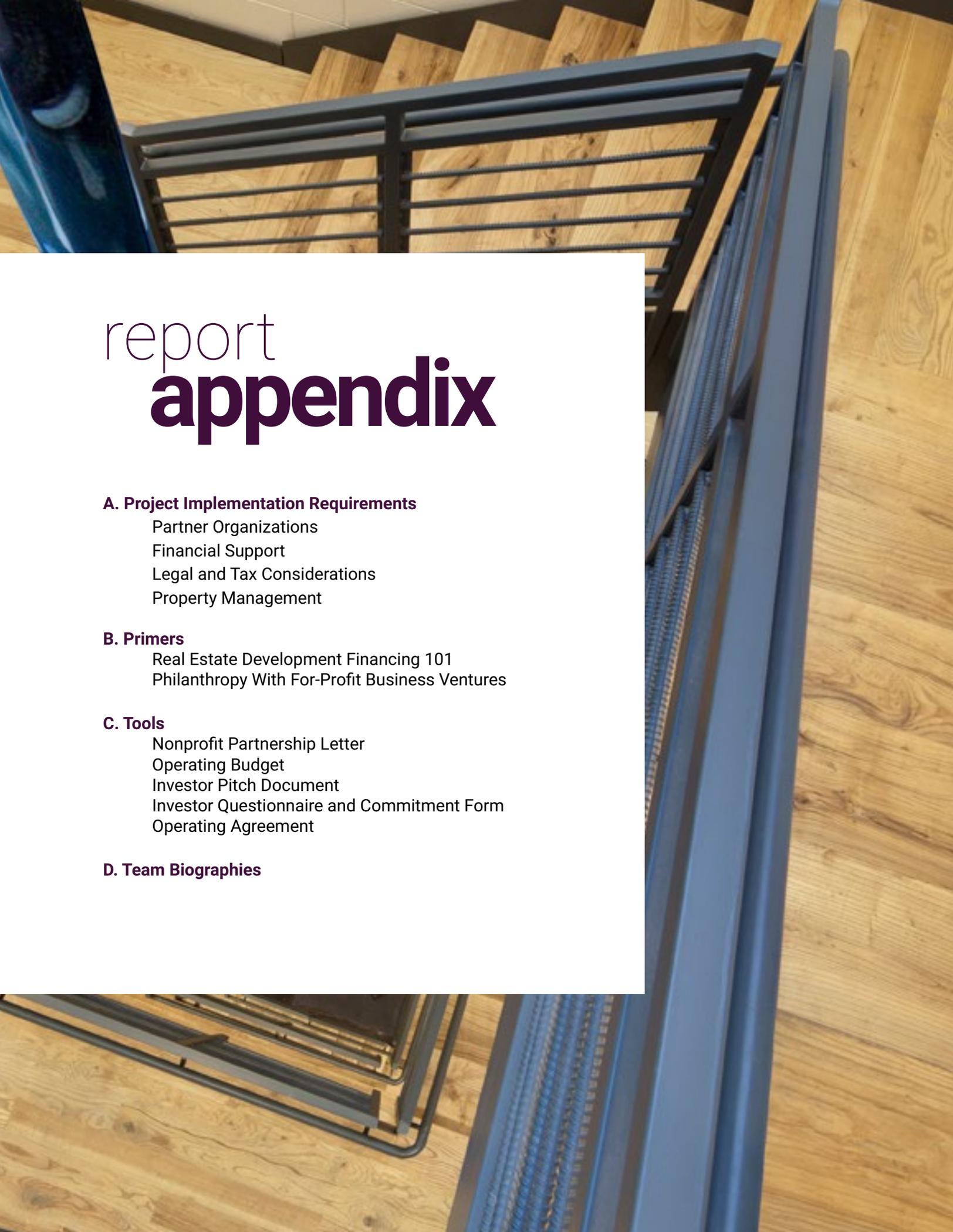
Developing a pipeline of angel investors and venture philanthropists to supplement community investors. A growing number of investors see themselves as “disrupter angels” focused on investing locally. Strategies to engage these investors will help expand the funding pool.

Scaling crowd funding. The experience in Milwaukee has demonstrated that people have an appetite for pooling smaller investments to catalyze redevelopment in their neighborhoods. Strategies that help engage and diversify community investors will continue to strengthen the funding available and sustainable success of the projects.

Preparing tenants to purchase the development. One long-term goal is for anchor tenants to purchase the property, making it an owner-occupied property. If successful, investor equity is then freed to invest in the next community redevelopment. In this way, the *flipping* strategies long used detrimentally by absentee owners are used to raise up the neighborhood.

Engaging anchor institutions. Partnerships with socially-minded, large institutions who act as anchor tenants could help secure a strong level of base rent that frees the financial pro forma to cash flow without significant philanthropy. This can help keep rents lower for small business tenants and bring in a steady flow of potential customers and supporters.

As the model grows to scale and continues to evolve, so too will the pathways toward economic inclusion and the opportunities for true community transformation.



report appendix

A. Project Implementation Requirements

- Partner Organizations
- Financial Support
- Legal and Tax Considerations
- Property Management

B. Primers

- Real Estate Development Financing 101
- Philanthropy With For-Profit Business Ventures

C. Tools

- Nonprofit Partnership Letter
- Operating Budget
- Investor Pitch Document
- Investor Questionnaire and Commitment Form
- Operating Agreement

D. Team Biographies

Appendix A

Project Implementation Requirements

What Does It Take to Implement Milwaukee INVESTS Model?

The requirements needed to successfully lift complex commercial redevelopment projects vary greatly depending on the size, renovation needs, local assets, tenant mix, and neighborhood landscape. Although this case study is not intended as a how-to guide, the following sections highlight important considerations for those interested in implementation.

1. Partner Organizations

If the project warrants philanthropic support, building a strong relationship with a nonprofit partner is an important step. Nonprofit partners serve as fiscal agents, but can also help with community engagement, donor networking, and programming in the building. The nonprofit organization is responsible for ensuring that its investment in a for-profit business venture achieves a compelling charitable purpose such as job creation or the revitalization of a low-income neighborhood. The Wisconsin Preservation Fund served as the nonprofit partner in several of the projects highlighted in this case study.

2. Financial Support

Every project is unique in assembling the capital stack required to fully finance the redevelopment. In addition to community investors, all projects have a combination of public financing, angel investors, debt financing and philanthropic donors (see “Primer: Real Estate Development Finance 101” for further explanation.) The project’s scale, budget, tenant mix, pro forma, partnerships and compelling purpose help determine what financial avenues will be most successful.

Public Financing

Government funding at all levels – city, state, and federal – has played an important role in bringing projects to fruition. The presence of government funding attracts philanthropic donors by sharing risk and conveying legitimacy. These projects require the support of government leaders who are willing to advance innovative economic development strategies and assume strategic risk when projects demonstrate promise. A compelling narrative that demonstrates the significance of the project can help generate public support for funding.

The projects highlighted in this case study have received support from city, state, and federal agencies. City support has come through Community Development Block Grant funds and Tax-Incremental Financing (TIF) dollars. TIF is an economic development tool that allows cities to capture increased tax revenue generated by economic development projects and use the tax revenue to pay back city funds injected at the front end of the development. The City has also made vacant properties available at low-cost. The State of Wisconsin has committed grants through the Wisconsin Economic Development Corporation (WEDC), a public-private agency that leads economic development efforts for the State of Wisconsin.



“The movement to address neighborhood deterioration, by empowering local communities, has been led, for the most part, by nonprofit development organizations. The Milwaukee INVESTS model provides a new avenue for nonprofits to work with individuals, entrepreneurs and for-profit entities to advance the work of neighborhood revitalization.”

– Leo Ries, Manager,
Wisconsin Preservation Fund

Federal grants were secured from the Office of Community Service on two projects and made possible through partnerships with local economic development corporations.

Angel Investors

In addition to community investors, all projects have some accredited investors who invest significant funds for patient investment. These investors are held to the same operating agreement and terms as unaccredited community investors. Many also give as philanthropic donors. Kaufmann found that networking through professional women was a critical pathway to identifying angel investors interested in commercial redevelopment with social impact.

Debt-Financing

While many real estate redevelopment projects in disinvested neighborhoods are not bankable through traditional banks, low-interest loans can be available through Community Development Financial Institutions (CDFIs) or through local funders in the form of Program Related Investments (PRIs). CDFIs share a common goal of expanding economic opportunity in low-income communities by providing access to financial products and services for local residents and businesses. In the projects highlighted here, loans were made possible through Forward Community Investments, Wisconsin Preservation Fund, Bader Philanthropies PRI, Greater Milwaukee Foundation and LISC.

Philanthropic Support

Complex projects require philanthropic support to help level the economic playing field in neighborhoods facing depressed market conditions. This support makes possible projects facing significant renovation costs due to deterioration, damage or neglect. Every project, however, is designed to be financially self-sufficient when fully operational without ongoing subsidy.

Foundations have shown varying responses to the Milwaukee INVESTS Model. Projects have resonated with foundations on both ends of the political spectrum. This bipartisanship was demonstrated most notably when in a Letter to the Editor in the Milwaukee Business Journal, in March 2018, Lynde Uihlein, President of the Brico Fund and Richard Graber, President and CEO of the Lynde and Harry Bradley Foundation, jointly declared that, "The efforts being undertaken by the residents of Sherman Park to rebuild their own neighborhood must be met with the commitment of all of us who care about our community. We also recognize that if we do nothing, or if we do the same things we always do, there will be no change."¹⁰

While many funders have fully embraced the model, some foundations have expressed concerns about funding projects that include the private sector. By operating outside of a traditional charity framework, the Milwaukee INVESTS model challenges these foundations to consider new strategies for increasing economic equity and community wealth-building. In the face of rapidly growing economic inequities that are driving seemingly-intractable community problems, philanthropic donors have the power to leverage their resources to advance innovations in commercial redevelopment and neighborhood wellbeing (See more on the role of philanthropy in Appendix B).



"The Zilber Family Foundation recognizes that in neighborhoods overcoming decades of disinvestment, philanthropy needs to tailor our investments to the conditions of a particular place and to the aspirations of the people living and working there. As a foundation, we take time to carefully assess each commercial redevelopment project, and when we see that a project advances neighborhood priorities and is financially viable, we invest in its success."

— Gina Stilp,
Zilber Family Foundation

3. Legal and Tax Considerations

Laws governing taxes, financing and crowd-funding platforms are different in every municipality. It is critical that co-developers are willing to learn how these systems and rules affect the project. Due to this complexity, it is critical to assemble a technical team – including a lawyer, accountant and tax expert – with a high-level of expertise and a willingness to work on projects taking a non-traditional approach. Attorneys and accountants are inherently part of the financial and legal systems that have led to chronic disinvestment in low-income neighborhoods. Therefore, this work requires experts to think in new ways about their own areas of expertise and become change agents within the systems in which they work.

The following sections highlight some of the technical areas where professional expertise is needed:

Legal Structure

The involvement of multiple owners, or partners, in development projects is typically structured as a Limited Liability Corporation (LLC), a legal structure that spells out the rights, responsibilities and ownership interest of various partners (referred to as “members”) of the LLC. Co-developer partners share the role as Managing Member of the LLC. An operating agreement should be drafted with help of legal counsel. The operating agreement gives the Managing Members significant authority and responsibilities. This includes filing taxes, submitting quarterly reports, and fiscal power to take out loans on behalf of the entity. Co-developers serving as the Managing Member should be capable of executing these legal and financial responsibilities. It is important that the partnership develops clearly defined roles to ensure implementation and protect against fraud or legal actions.

Regulations Governing Community Owners as Unaccredited Investors

Legal counsel should advise on how to structure the partnership to enable multiple owners and engage unaccredited investors. Historically, most real estate investments were limited to accredited investors; however, changes in crowdfunding laws are enabling greater participation by unaccredited investors, defined as having less than \$1 million in assets, excluding their primary residence, and an annual income below \$200,000. They make up the clear majority of potential investors.

Prior to signing, investors should understand how they enter and exit from the partnership. The Milwaukee INVESTS model doesn't guarantee an exit. The entity is structured to buy back shares. Other members have first right to buy. If no current member opts to buy, then an exiting member can offer shares to the public. If no options are successful, exiting members can not sell. To date, few members have chosen to exit and those who have exited have been able to sell. Ongoing communication with investors and education about the rules of the operating agreement is a critical role for co-developers.



“The Phoenix is so necessary and it is bigger than Sherman Park and the city of Milwaukee. It provides an example of what is possible for other cities and communities that are also experiencing socio-economic challenges across the nation.”

*– Angela Mallett, Owner,
HoneyBee Sage Wellness and
Apothecary*

Tax Implications

Grant income received by a for-profit entity is taxable. Depending on the amount of philanthropy included on a project, it can become a significant issue. This complication can be managed, in part, by investing some of the philanthropic funds in the form of a loan rather than as a grant to the project. The loan can be forgiven, if needed, by the nonprofit intermediary if justified by the future economic performance of the project. Legal counsel and accounting advisors are required.

4. Property Management

Property management can be the responsibility of the co-developers or contracted out to a professional company. This decision may depend on the scope of the project and tenant needs. These responsibilities may require a significant time commitment and budget for larger projects. Responsive property management is critical to retaining tenants and being good neighborhood stewards, and therefore to the sustainability of the project. Because tenants build strong relationships with co-developers over the course of the project, they often communicate with developers when issues arise. Developers may need to be prepared to advocate on behalf of the tenants to address issues with property management.



Responsive property management is critical to retaining tenants and being good neighborhood stewards, and therefore to the sustainability of the project.

Appendix B

Primers

Primer: Real Estate Development Finance 101

Broadly speaking, any central city development project requires three major financing components, known as the “capital stack” – debt, equity and some form of subsidy. The following primer provides some context to each of these funding sources.

Debt

Debt is borrowed money and, in a typical project, has the lowest risk profile in terms of potential loss. When providing debt capital to a project, a lender does an analysis of the project and of the borrower to ensure that funds will be repaid by one means or another. This analysis is often described as the “5 C’s of finance” – capital, collateral, conditions, credit-worthiness and cash flow.

Typically, the lender will want to see an operating pro forma (“budget”) to verify that the project is generating sufficient cash flow to cover projected loan repayments. A lender will also want to verify that there is a “second way out” – i.e. a second means of repayment – in the event that something goes wrong with the operations and the borrower is no longer able to make debt service payments. In order to cover this eventuality, the lender will examine factors like the loan-to-value (LTV) ratio. In other words, in the unfortunate event in which the lender needs to foreclose on a project, the lender wants to make sure that there is sufficient value (collateral) available to cover the outstanding debt.

In a commercial real estate deal, which is considered more high risk than the purchase of a private home, a lender might provide a loan equal to only 80% or maybe even 70% of the market value of the proposed project. In some cases, depending on the project’s risk profile, a lender might be willing to provide a loan equal to only 50% of the project’s market value. The balance of the financing has to come from the borrower in the form of equity or subsidy.

It is important to make a distinction between “value” and “development cost”. In a conventional real estate project, these two variables are usually similar. However, in central city development projects these variables often differ considerably due to depressed market conditions. It is not unusual for a central city development project to “cost” as much as four times the “value” of the property upon completion. This gap creates tremendous disincentive for rebuilding in disinvested neighborhoods and makes a strong case for the need for philanthropic support.



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Equity

Equity is the second element of the capital stack and represents a higher level of risk capital. This is also referred to as the owner's capital. In a home buying situation, this would be the down payment provided by the borrower, but it is also the percentage of the project's value that is "owned" by the borrower. In other words, as the portion of the property's value that was secured by debt is paid off, the freed-up value becomes an asset of the owner(s).

When a nonprofit organization is acting as a developer, it will typically raise its "equity" by securing grants from corporate, philanthropic or government agencies. Grants are given to the nonprofit which then uses the funds to invest in a project as equity or subordinate debt.

Subsidy

The last element of the capital stack used in central city real estate development is subsidy or "gap financing." Because central city real estate values are very depressed, numerous government programs have been devised to help overcome the "cost / value" disparity (also known as the "appraisal gap"). These subsidies come in a variety of forms, including tax incentives (e.g. Historic Tax Credits, Low Income Housing Tax Credits, New Market Tax Credits), grant programs (e.g. HOME funds, CDBG grants, EPA Brownfield grants, WEDC grants, City façade grants, etc), Tax Incremental Financing (TIF), tax-exempt bond financing and others. These subsidies go to both for-profit and nonprofit developers and are viewed as good public policy because they help advance a compelling public purpose, such as the elimination of blight, the creation of affordable housing, the creation or retention of jobs, the stimulation of development in depressed neighborhoods, etc.

Just as the public sector plays a role in promoting economic development in depressed communities, the philanthropic sector can play a similar role. Through grant-making and through Project Related Investments (PRIs), foundations and high wealth individuals can help fill the finance gap that makes redevelopment in disinvested communities infeasible. In doing so, philanthropy becomes a driver for economic development, entrepreneurship, employment, and improved neighborhood wellbeing.



Primer: Philanthropy With For-Profit Business Ventures

Just as the public sector plays a role in promoting economic development in depressed communities, the philanthropic sector can and should play a similar role. Through grant-making and Project Related Investments (PRIs), foundations and high wealth individuals routinely support nonprofit organizations that undertake affordable housing and other real estate ventures. What is unique in the Milwaukee INVESTS model, however, is that the primary driver of the effort is a for-profit entity.

Philanthropy is critically needed in many central city redevelopment projects to fill the significant financing gap caused by the high renovation costs associated with deteriorating vacant buildings and the depressed market conditions. It is not unusual for a central city development project to “cost” as much as four times the “value” of the property upon completion. This gap creates tremendous disincentive for rebuilding in disinvested neighborhoods, and communities become stuck in the cascade of deteriorating buildings and declining property values.

Making grants to for-profit entities working on community-led commercial redevelopment projects can be structured in legal and financially responsible ways. In the projects cited in this case study, a 501(c)3 nonprofit partner organization acted as an intermediary to receive tax-deductible contributions from individual, corporate and foundation donors. The nonprofit intermediary is responsible for ensuring that its investment – in a for-profit business venture – achieves a compelling charitable purpose such as job creation or the revitalization of a low-income neighborhood. The projects highlighted in this study demonstrate that a powerful case can be made for the charitable impact of commercial real estate redevelopment in low-income communities.

As part of the analysis, the nonprofit intermediary also needs to make a determination that the developer/ownership group is not being unduly enriched. In each of the highlighted projects, investors are asked to accept higher risks and/or accept a lower rate of return (5–6 %) than they could earn from other, far less risky, investment options that are available in the market (where they could earn 8–12%).

In addition to grant making, funders can also creatively leverage a foundation’s endowment to play a crucial role in expanding the pool of resources available. One example is Arctaris, an Impact Investment fund manager providing capital to businesses in underserved regions throughout the United States, with emphasis on inner cities and targeted rural communities. Arctaris has leveraged the resources of foundations through a variety of strategies to expand the pool of resources available for community development and to structure these investments in ways that maximizes community benefit.¹¹ Examples include:

- Foundations **participating in investment partnerships**, but agree to accept a lower rate of return, so that more of the return can flow to the more profit-motivated investors.
- Foundations **providing subordinate debt and loan guarantees** in order to leverage funds from more risk-adverse lenders.



The authors of the Milwaukee INVESTS model strongly urge foundations and individual philanthropists to examine game-changing strategies that disrupt the current status quo and help drive community wealth-building in neighborhoods facing drastic economic inequities.

- Foundations **participating in Limited Liability Companies in a subordinate role**, where the foundation is paid last, to ensure that returns go preferentially to the other investors.

Foundations, such as F.B. Heron Foundation, are now recognizing that “the way we deploy capital and the assumptions and approaches we use to do so can in themselves make a difference.” Fully embracing the opportunity to disrupt “business as usual” in its philanthropic giving and endowment investments, the F.B. Heron Foundation adopted an entirely new operating model based on the following principles¹²:

- **Invest through a single capital deployment department** and remove the traditional foundation’s separation of investment and grantmaking... the ‘foundation as enterprise’ will have as its sole purpose the effective deployment of philanthropic capital to achieve our mission.
- **Engage with both social and business enterprises** as a capital investor dedicated to the viability and mission productivity of organizations and their business engines, regardless of legal form of business or tax status.
- **Look outside the foundation sector and industry** for opportunities to become a joint investor, working with individuals, banks, government, foundations, and businesses.
- **Concentrate grants on providing philanthropic equity** and building this capacity within the foundation and more generally in the sector.
- **Scrupulously avoid rebuilding, undermining, or creating redundant infrastructure** where institutions such as community development financial institutions (CDFI’s) exist to retail foundation funds or partner with.



Appendix C

Tools

The following example documents are intended to serve as a guide for those interested in implementing the Milwaukee INVESTS model. All agreements should be drafted with the help of legal counsel.

Nonprofit Partnership Letter

Operating Budget

Investor Pitch Document

Investor Questionnaire and
Commitment Form

Operating Agreement

*Some document data has been
redacted for privacy purposes.*



February 2, 2017

Sherman Phoenix, LLC
C/o Juli Kaufmann & JoAnne Sabir
1850 W. Fond du Lac Avenue
Milwaukee, WI 53206

Dear Juli and JoAnne,

This letter will serve as evidence of the commitment of the Wisconsin Preservation Fund, Inc. ("WPF") to partner with Sherman Phoenix LLC in undertaking a multi-property, urban redevelopment project in the vicinity of 35th Street, Burleigh and Fond du Lac Avenues. This is a neighborhood that experienced unfortunate civil disturbances in the summer of 2016 and we're glad that you are taking the initiative to new economic vitality to this area.

It is the mission of WPF to promote neighborhood revitalization, expand the availability of affordable housing and preserve Wisconsin's architectural heritage through the preservation of historic buildings. This project aligns beautifully with our mission.

Please advise prospective donors that contributions in support of this project should be directed to "Wisconsin Preservation Fund, Inc." and should be designated as support for the "Sherman Phoenix Project". Contributions can be sent to my attention at the address listed below. You can assure donors that contributions designated for the Sherman Phoenix Project will be used only for that designated activity. A copy of WPF's tax-exempt status determination letter accompanies this letter.

Any questions about WPF's participation in this project can be directed to me at [REDACTED] or to [REDACTED] who manages the WPF Revolving Loan Fund.

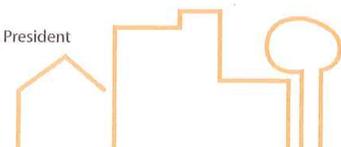
Thank you for inviting us to be part of this exciting project and best wishes as you continue to pull together the funds needed to undertake this important community revitalization effort.

Sincerely,

Bruce T. Block
President

35594960

Wisconsin Preservation Fund, Inc. / c/o Bruce T. Block, President
1000 North Water Street / Suite 2100 / P.O. Box 2965
Milwaukee, WI 53201



Sherman Phoenix LLC - Real Estate Redevelopment Investment

3536 W. Fond du Lac Avenue, Milwaukee, WI 53216

EQUITY INVESTOR DOCUMENTS

October 2018

Total Project Goal: Raise \$4.2 million of patient capital from investors and philanthropic donors. Capital stack to include \$300,000 in debt, \$500,000 in equity and \$3.4 million in philanthropy.

Raised to Date (pledged and received):

Debt:	\$ 300,000
Philanthropy:	\$3,200,000
<u>Equity Investment:</u>	<u>\$ 400,000</u>
Total Raised	\$3,900,000

Equity To Raise: \$100,000

Equity Investment: \$1,000 (min) - \$10,000 (max)*

Timeline: Construction begins June 2018; Funds required by Fall 2018; Full occupancy by Winter 2018.

Estimated return: 5% average cash return over ten years for equity investors. Will also return catalytic economic impact, job creation, successful entrepreneurs of color and demonstration of a replicable model for locally driven, private sector led community redevelopment.

Philanthropy: We welcome charitable contributions in addition to investment. This support will help strengthen the project, reduce risk, and improve investor return. Contact us if you'd like information on making a tax-deductible donation.

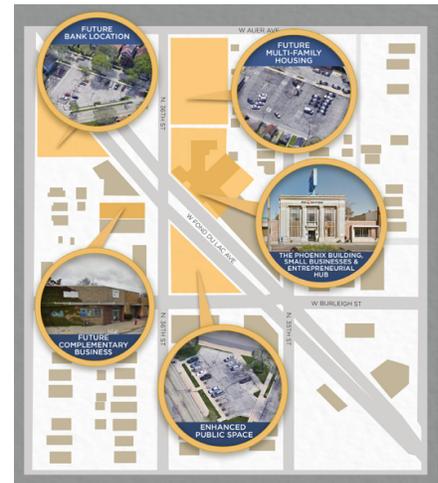
For More Information, please contact us at:

Juli Kaufmann: [REDACTED]

JoAnne Sabir: [REDACTED]



The Sherman Phoenix will transform the fire-damaged bank building into an economic hub for small businesses owned by entrepreneurs of color.



The Sherman Phoenix is located at 3536 W. Fond du Lac Avenue in Milwaukee.

*Limits apply to unaccredited investors only. Accredited and certified investors may invest up to a max. of \$100,000.

Sherman Phoenix Redevelopment

Project Overview

The Sherman Phoenix is a model for healing our city by generating positive economic and social returns in communities of color. The civil unrest in Sherman Park last year shed light on long-standing injustices and inequities, and the critical need for inclusive pathways to economic opportunities for all Milwaukeeans to thrive. This project uses an innovative approach to leverage community assets and create a more inclusive economy. By embracing a new approach to commercial real estate development, it strengthens entrepreneurs of color, creates jobs, revitalizes main streets, catalyzes community wealth, and creates much-needed space for community building and unity.



Project Goals

Rising from the recent ashes, the Sherman Phoenix project will create a catalytic development at the eastern entrance to the Sherman Park neighborhood that will:



- 1. Redevelop vacant and damaged property into high-quality commercial space.** The project will redevelop the fire-damaged BMO Harris Bank building located near the intersection of Fond du Lac Avenue and 35th Street into an economic hub for 29 small businesses owned by entrepreneurs of color, who offer prepared foods, wellness services, and arts & cultural activities. It will also hold a food hall with customer seating, an outdoor patio, and gathering spaces to foster community building.
- 2. Strengthen entrepreneurs of color to help them grow their businesses, generate jobs and support the local economy.** The Phoenix will offer business support through mentorship, business coaching, and networking. This support will strengthen the tenant businesses and improve sustainable growth. In turn, these businesses will create 100+ jobs, including entry and mid-level positions that provide training opportunities.
- 3. Build community wealth and ownership through direct neighbor investment and an innovative co-developer model.** In addition to traditional financing, the project will attract neighborhood investors as a means of strengthening community ownership, wealth and support for tenant businesses. Additionally, the project uses a co-developer model that blends the strengths of a real estate developer with that of a community developer to build a model for community empowerment and transformation.

Building Tenants

The Sherman Phoenix will provide space for 29 small businesses and organizations providing wellness services, healthier food options, and arts and cultural offerings. These entrepreneurs share a common vision for hiring locally and providing job-training opportunities.



Sherman Phoenix Business Owners: Joanna Brooks (Embody Yoga), Maanaan Sabir (The Juice Kitchen), Trueman McGee (Funky Fresh Spring Rolls), Monica Cooksey (Hello Beautiful).

A sample of confirmed tenants include:

- **Hello Beautiful (Monica Cooksey):** Hello Beautiful inspires women through the artistry of makeup to embrace all aspects of what makes them beautiful. Services include pop-up beauty bars, complete makeovers and educational programs.
- **Buffalo Boss (Taj Pearsall):** Buffalo Boss began as a Brooklyn based, black-owned quick-service restaurant serving fresh, hormone-free buffalo wings and a variety of other delicious dishes. A Milwaukee-based black operator will open the first Buffalo Boss here.
- **Funky Fresh Spring Rolls (Trueman McGee):** Funky Fresh Spring Rolls is a black-owned local business serving uniquely flavored spring rolls with fresh and local ingredients. With sales quickly expanding, Funky Fresh will move into kitchen space to keep pace with growth.
- **Sabir's Karate and Fitness (Maanaan Sabir):** For over 50 years, The Sabir's Center has had a positive impact on young people, instilling traits that can be carried into their schools, homes, and future careers. Long-time Sherman Park residents, the Sabirs will open a community dojo offering youth and adult classes with a focus on nurturing relationships with the community.
- **Embody Yoga (Joanna Brooks):** Embody YOGA offers group yoga classes, private sessions, corporate yoga, and yoga for anger management. As an African American yogi, Joanna's goal is to increase the number of people of color who practice yoga by offering services that are accessible, affordable, and welcoming to all.
- **The Juice Kitchen (JoAnne and Maanaan Sabir):** The Juice Kitchen is a beloved black-owned juice company that will open a second location with a focus on training new workers and operators. With its well-recognized, uplifting brand, the Juice Kitchen will be an anchor in the new development, providing the neighborhood with a much-needed healthy eatery.
- **Confectionately Yours (Dominique Ford):** Owner and Cake Artist, Dominique Ford, will expand her bakery business specializing in cakes for special events.
- **Studio 1969 (Fredrick Coleman):** Studio 69 will offer a fresh healthy food menu and martial arts studio.

- **Naakiya Rock and Locks (Naakiya Williams):** Naakiya Williams is a trained sister loc professional and caters to the natural hair care needs of women and men of color.
- **Queens Closet (Chandra Cooper):** Grateful Girls will advance a consignment shop and provide skills for young women who have been rescued from human trafficking.
- **Amri Counseling (Dr. Lekia Spell):** Amir Counseling offers in-home and in-office counseling by licensed clinicians who offer a compassionate connection and positive strategies for change.
- **Next Level Vegan (Anah Lesure):** Chef Anah Lesure produces exclusively vegan dishes – both raw and cooked -- that provide a rich and flavorful experience.
- **Also: Purple Door Ice Cream; Paint and Sip Lounge; Lush Popcorn; Jewelry Artist; Nail Salon; Dr. Shoe Artist; Sage Wellness Apothecary; and more.**

Innovative Approach

This project innovates by creating a community development model that integrates multiple strategies to create a more inclusive economy. The Sherman Phoenix disrupts the traditional status quo in real estate development with a cooperative financing and ownership approach centered on social and economic impact. Key aspects of our model include:

- **Community-Identified Needs:** The Sherman Phoenix is responsive to the needs and desires of residents and was sparked by an initial call to action by Alderman Rainey. The project team has met individually with neighborhood leaders, city officials and community partners and held a well-attended community event, in which residents shared their aspirations and priorities for needed goods and services.
- **Mentorship:** The Sherman Phoenix project embodies a creative co-mentorship model in which an experienced real estate developer partners with a local community leader for an exchange of expertise and knowledge. This exchange helps the community build technical skills in real estate development, and the project team find stronger tenants, hire local contractors, and recruit neighbor owner-investors.
- **Community Ownership:** Through a crowd funding ownership model, residents can participate as direct investors. A blend of private patient capital and philanthropy supplements the model to achieve financial viability. While there is a perception that low-income neighborhoods will not produce investors, the development team has found low-income residents can generate significant resources when funds are pooled together.

Economic and Social Impact

The Sherman Phoenix project will demonstrate that socially just, environmentally sustainable, and culturally preserving commercial real estate projects can be a force for positive economic transformation, even in our most challenged urban neighborhoods. The project will result in:

- **29 highly-visible business owners of color** who strengthen their businesses and become entrepreneurial leaders in the city;
- **100+ jobs and additional training** opportunities created by business tenants;
- **A revitalized commercial corridor** on the eastern gateway to the Sherman Park neighborhood on Milwaukee's northside;

- **A restored historic building** that once represented community pain is transformed into a vibrant neighborhood hub;
- **Opportunity for new workforce development** pathways as we connect small business tenants and their employees to industry leaders;
- **Thousands of Milwaukee residents having increased access** to healthier food options, wellness services and other amenities provided by local businesses.
- **Increased community wealth** as neighborhood residents have the opportunity to become investor owners in the project.

Most importantly, because the real estate is owned by neighbors and filled with businesses that hire locally, the Sherman Phoenix creates and recirculates wealth within communities. In urban areas facing decades of disinvestment, these new economic pathways are critical to rebuilding community well-being.

Project Team

The Sherman Phoenix project is led by Juli Kaufmann and JoAnne Sabir, who have proven track records in real estate development, community development, and entrepreneurship. Their combined skills and experience create a powerful platform for community change.



Juli Kaufmann is President of Fix Development, an award-winning commercial real estate company that has developed \$25 million in Wisconsin projects. Projects include The Clock Shadow Building and The Wellness Commons and the Wally Schmidt Building – home of The Tandem Restaurant – located in Lindsay Heights. Juli leads the real estate development process, including raising capital and guiding the construction and redevelopment. Juli is also co-founder of Fund Milwaukee, an investment group that seeks to match unaccredited local investors with opportunities to support local entrepreneurs. The effort has raised over \$2 million in capital for real estate and small businesses.



JoAnne Sabir is a successful entrepreneur and Co-Owner of the Juice Kitchen with her husband, Maanaan Sabir. The successful Black-owned business located in the Lindsay Heights neighborhood has sparked pride and possibility, transformed a vacant corridor, and become a remarkable gathering space. As the owners proclaim, “We are strategically placed on 17th Street and strategically available to love and nurture.” JoAnne previously served as Associate Director of Walnut Way Conservation Corp. JoAnne advances community capital fundraising and leads tenant recruitment, entrepreneurial support, and community collaborations.

Financial Information

Lead investors and donors have been secured and we are now opening the project to community donors and investors through crowd funding. The model will demonstrate whether we can enable

residents of all income levels an opportunity to build: wealth by owning an asset; power and control by informing an inclusive redevelopment process that prioritizes local jobs and businesses owned by local people; and self-determination for the types of commercial activity desirable within our own community.

The Project Team has developed a sustainable project financial model that accurately reflects the likely Uses of Funds, Sources of Funds and the Operating Budget. This information establishes the baseline for negotiating sustainable leases and for developing an appropriate fund development and financing plan. The project financials are continually updated in real time. **This contains the most current up-to-date projections and actual funding as of October 2018.**

Uses of Funds

Project architectural designs are in schematic development. Most budget lines are based on actual bid costs, but most are still based on informed projections at this stage in development:

Redevelopment Budget	
Acquisition	\$105,000
Architectural and Engineering Fees	\$85,000
Construction – Core and Shell	\$2,700,000
Construction – Tenant Improvements	\$1,000,000
Marketing and Art	\$40,000
Financial Fees	\$18,000
Legal, Accounting and Program Fees	\$120,000
Contingency and Development Fees	\$132,000
Total Project Costs	\$4,200,000

Financial Justification

The burned bank building presents significant financial obstacles. While the building footprint is more than 25,000 square feet, the actual rentable space is closer to 15,000 square feet due to significantly inefficient historic design constraints. Additionally, the damage caused to the building will require extraordinary reinvestment to repair to high quality conditions. Finally, although we are well on our way to securing 100% occupancy of available spaces, the market rent –combined with limited financial capacity of our intentionally selected entrepreneurs of color – limits the revenue-generating potential of the completed project.

We are working hard to overcome these economic realities. While we have preserved room for some traditional equity in the project, the limited net income will constrain the level of sustainable investment, even assuming a modest return. The confluence of these challenges creates our project “gap” and necessitates our corresponding philanthropic effort.

Sources of Fund

The two key sources of funding are philanthropy and equity. The majority of funding will need to come from philanthropy to address the project gap. Sherman Phoenix has partnered with the

Wisconsin Preservation Fund (WPF) in order to enable charitable contributions that help level the economic playing field for a project that would otherwise be economically infeasible. The project also seeks to minimize debt in order to lower the rent costs, making it more possible to secure and support viable small businesses.

The following table summarizes sources of funding to date:

Source	Pledged/ Received	Pending	Need To Raise	TOTAL
Debt				
GMF Impact Fund	\$300,000			\$300,000
Total Debt	\$300,000			\$300,000
Equity				
Angel Investors	\$150,000			\$150,000
Crowd Investors – Community Members	\$250,000		\$100,000	\$350,000
Total Equity	\$400,000		\$100,000	\$500,000
Philanthropy				
Public Participation	475,000			\$475,000
Foundation(s) and Individuals	\$2,725,000		\$200,000	\$2,925,000
Total Philanthropy	\$3,200,000		\$200,000	\$3,400,000
TOTAL PROJECT	\$3,900,000		\$300,000	\$4,200,000

Operating Budget and Investor Return

An Operating Budget for the project has been developed and is available on request. Although the project team seeks to minimize debt, the budget has been “stress-tested” to carry a maximum level of debt if needed while securing other forms of funding. The budget also assumes relatively low market rent levels with some vacancy factored. This example is shown on the next page.

Investor annual cash return is projected based on this non-optimal/ not best case modeling at approximately 4–6%. The most optimistic projections, demonstrate an average return around 7%. It is our realistic projection that investor return over ten years will likely average at approximately 5-6%, but note that this is an at-risk investment, with no assurance of return. Additionally, all investments are illiquid. This means there is no planned exit for any capital invested. Investors may offer their interests to sale back to the company, to other investors or to the public according to a set of rules outlined in the Operating Agreement*. These sales are not assured.

Pro Forma					
	Year 1	Year 2	Year 3	Year 4	Year 5
	2019	2020	2021	2022	2023
Income	236,309	243,116	250,337	257,775	265,437
Expense	164,804	169,204	173,957	179,031	184,258
Net Income(Loss)	71,504	73,911	76,381	78,744	81,179
Income After Debt	55,754	58,161	60,630	62,994	65,428
Return on Equity	7.77%	8.03%	8.30%	8.56%	8.82%
Return on Equity After Debt	6.06%	6.32%	6.59%	6.85%	7.11%
Cash Return After Debt & Reserve	5.45%	5.69%	5.93%	6.16%	6.40%
	Five Year Average				5.93%

For More Information:

Juli Kaufmann: [REDACTED]

JoAnne Sabir: [REDACTED]



Imagining the Phoenix that can rise from these ashes!

**Copies of legal documents including the Sherman Phoenix LLC Operating Agreement and Investor Questionnaire are available to interested investors upon request.*

Milwaukee INVESTS Operating Budget Example

Milwaukee FIX LLC - Operating Budget

Rents - Year One						
Tenant	Usable SF	Rate	Base Rent	Vacancy	Net Base	Rate Type
1st Floor - Tenant 1	4,189	\$ 11.50	\$ 48,174	0.00%	\$ 48,174	NNN
2nd Floor - Tenant 2	6,626	\$ 11.50	\$ 76,199	0.00%	\$ 76,199	NNN
3rd Floor - Tenant 3	6,626	\$ 5.75	\$ 38,100	0.00%	\$ 38,100	NNN
4th Floor - Tenant 4	4,970	\$ 5.75	\$ 28,578	0.00%	\$ 28,578	NNN
4th Floor - Tenant 5	1,657	\$ 13.80	\$ 22,867	0.00%	\$ 22,867	NNN
	24,068		\$ 213,916		\$ 213,916	

Income & Expense Projections - 10 Years

	Year 1 (Note 1) 2012	Year 2 2013	Year 3 2014	Year 4 2015	Year 5 2016	Year 6 2017
INCOME						
Rents						
1st Floor - Tenant 1	36,130	50,100	52,104	54,189	56,356	58,610
2nd Floor - Tenant 2	63,499	78,485	80,840	83,265	85,763	88,336
3rd Floor - Tenant 3	31,750	40,004	42,005	44,105	46,310	48,626
4th Floor - Tenant 4	23,815	30,006	31,507	33,082	34,736	36,473
4th Floor - Tenant 5	11,433	23,553	24,259	24,744	25,239	25,744
Interest Income	0	0	0	0	0	0
NNN additional rents	144,054	149,816	155,808	162,041	168,522	175,263
Total Income	310,680	371,964	386,523	401,425	416,927	433,052

OPERATING EXPENSES

Total Building Expenses (Note 3)

Real Estate Tax	75,000	78,000	81,120	84,365	87,739	91,249
Management Fee (Bldg Mgr, Accting, Etc)	30,000	31,200	32,448	33,746	35,096	36,500
Insurance	10,000	10,400	10,816	11,249	11,699	12,167
Lobby Utilities @ 2.10/SF	2,522	2,623	2,728	2,837	2,951	3,069
Water/Sewer @ .15 per sf	3,790	3,942	4,099	4,263	4,434	4,611
Repairs, Grounds, Maintenance @ .75 per s.f.	18,951	19,709	20,497	21,317	22,170	23,057
Life Safety @ .15 per s.f.	3,790	3,942	4,099	4,263	4,434	4,611
TOTAL EXPENSES BEFORE INTEREST	144,054	149,816	155,808	162,041	168,522	175,263

Interest - City of Milwaukee Loan

12,852 14,404 7,904

TOTAL EXPENSES AFTER INTEREST 144,054 162,668 170,212 169,944 168,522 175,263

Building Expenses/SF \$ 5.99 \$ 6.22 \$ 6.47 \$ 6.73 \$ 7.00 \$ 7.28

NNN Lease Expenses 144,054 149,816 155,808 162,041 168,522 175,263

Net Operating Income (NOI) **166,627** **209,296** **216,311** **231,481** **248,404** **257,789**

1. Year 1 rental income is prorated based on actual occupancy projections of March, April or June, depending on tenant.
2. Income figures based on actual signed leases with 100% occupancy.
3. Building expense figures assume 4% increases each year.

INVESTOR QUESTIONNAIRE AND COMMITMENT FORM

Sherman Phoenix LLC, a Wisconsin limited liability company (the “**Company**”), intends to offer to sell Membership Interests (the “**Membership Interests**”) in the Company in return for the investment of money. The Company anticipates offering the Membership Interests only to those persons who qualify as **accredited investors, certified investors** or **non-accredited investors** (defined below) and has reason to believe that you qualify as such. However, the Company would like confirmation of such fact at this time.

All information provided will be kept confidential.

I. Are you an accredited investor?

I certify to the Company that the undersigned is (*please check all that apply*) which qualifies the undersigned as an “accredited investor”:

A natural person whose individual net worth, or joint net worth with that person’s spouse, at the time of his or her purchase exceeds \$1,000,000, excluding the value of the primary residence of such natural person, calculated by subtracting from the estimated fair market value of the property the amount of debt secured by the property, up to its fair market value. Any indebtedness secured by the residence in excess of the home’s value should be considered a liability and deducted from the investor’s net worth;

A natural person who had individual income in excess of \$200,000 in each of the two most recent years or whose joint income with that person’s spouse in excess of \$300,000 in each of the two most recent years, and who reasonably expects to reach the same income level in the current year;

A trust with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Regulation D;

A director, executive officer, or general partner of the Company;

An entity, all of the owners of which are accredited investors; or

one of the following: (a) A bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity, (b) any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, (c) an insurance company as defined in Section 2(13) of the Securities Act, (d) an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of such act, (e) a small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, (e) a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the

Milwaukee INVESTS Investor Questionnaire and Commitment Form (for WI residents) Example

benefit of its employees, if such plan has total assets in excess of \$5,000,000, (f) an employee benefit plan within the meaning of the Employee Retirement Income Securities Act of 1974 if the investment decision is made by a plan fiduciary, _____ is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors, (h) a private business development company as defined in Section 30(a)(2) of the Investment Advisers Act of 1940, or (i) an organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

The Operating Agreement is a lengthy legal document that outlines terms among community investors ("Members") and should be drafted with professional legal help. Examples of what it includes are legal guidance on:

II. Are you a certified investor?

I certify to the Company that the undersigned is (please check all that apply) which qualifies the undersigned as a "certified investor":

- A Wisconsin resident whose individual net worth, or joint net worth with that person's spouse, at the time of his or her purchase exceeds \$150,000. For purposes of calculating net worth under this paragraph, the individual's primary residence shall be included as an asset and indebtedness secured by the residence shall be included as a liability.
- A Wisconsin resident who had individual income in excess of \$100,000 in each of the two most recent years, or whose joint income with that person's spouse in excess of \$150,000 in each of the two most recent years, and who reasonably expects to reach the same income level in the current year; or

An officer, director, partner or trustee of the Company, or individual occupying similar status or performing similar functions.

III. Are you a non-accredited, non-certified investor?

I certify to the Company that:

I do not satisfy the above requirements to be considered an "accredited investor" or a "certified investor", but I have, either alone or with my purchaser representative, such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of an investment in the Membership Interests. My purchaser representative is (if none, please state "NONE"): _____

INVESTMENT COMMITMENT AMOUNT: \$ _____

**Minimum investment commitment amount of \$1,000 required. If you do not qualify as an accredited investor or certified investor, your investment commitment amount may not exceed \$10,000 pursuant to Wisconsin Statute Section 551.202(27)(d).*

Milwaukee INVESTS Investor Questionnaire and Commitment Form (for WI residents) Example

Disclosure: These securities have not been registered under Chapter 551 of the Wisconsin Statutes or the Securities Act of 1933(17 CFR 230.147 (f)). Any and all resales during the period in which the Membership Interests are being offered and sold by the issuer, and for a period of nine months from the date of the last sale by the issuer of such Membership Interests, all resales, by any person, shall be made only to persons resident within the State of Wisconsin.

How would you like to receive communications from us?

E-mail

E-mail address

US Mail

Telephone Fax

Telephone and/or Fax number

The undersigned certifies that the information provided above is true and correct.

Print Name:

Date:

Address:

*Must be a Wisconsin Resident to qualify.

Please return this questionnaire via e-mail to the following address:



OPERATING AGREEMENT OF SHERMAN PHOENIX I LLC

THIS OPERATING AGREEMENT (this “Agreement”) is entered into effective as of November ____, 2018 (the “Effective Date”) by and among the members identified on Schedule I (individually a “Member” and collectively the “Members”).

ARTICLE I NAME, PURPOSE AND TERM

1.1 Formation. The Members have formed a limited liability company (the “Company”) under Chapter 183 of the Wisconsin Statutes (the “Act”).

1.2 Name and Office. The name of the Company is “Sherman Phoenix I LLC”. The principal office and place of business of the Company shall be at 1850 West Fond du Lac Avenue, Milwaukee, Wisconsin 53205, or at such other place as the Manager, as described in Article IV, may determine from time to time.

1.3 Business. The sole purpose and business of the Company shall be to acquire and renovate the real properties located at 3536 West Fond du Lac Avenue, Milwaukee, Wisconsin (the “Project”), and to engage in any other lawful business activity in connection with the Project or necessary to protect or enhance the assets of the Company (collectively, the “Business”).

1.4 Term. The term of the Company shall continue until dissolved and liquidated in accordance with the provisions of this Agreement.

1.5 Definitions. In addition to the terms defined elsewhere in this Agreement, the following definitions shall apply:

(a) “Affiliate” means, as to any person or entity, any other person or entity that, directly or indirectly, is in control of, is controlled by or is under common control with such person or entity.

(b) “Capital Account” means the capital account maintained and adjusted for each Member pursuant to Section 2.3.

(c) “Capital Contribution” means the cash equity investment in the Company, and the agreed value of property contributed to the Company (net of liabilities to which such property is subject), made by a Member or all of the Members, as the case may be.

(d) “Cash Flow” means the difference between the cash receipts of the Company during any year (other than Capital Contributions of the Members, Net Cash Proceeds or proceeds from any loans made to the Company which are not used to pay the following items) less, to the extent paid with such cash receipts, payments on indebtedness of the Company, all

Appendix D

Team Biographies

Sharon and Larry Adams

In 2000, Larry and Sharon Adams founded Walnut Way Conservation Corporation, with their neighbors, to create and sustain an economically diverse and abundant neighborhood. Under their leadership, Walnut Way grew into a campus where neighbors, organizations and entrepreneurs come to learn and engage. They led Walnut Way's efforts to develop the Innovations and Wellness Commons. In 2015, Sharon and Larry retired from Walnut Way and formed HN Development, LLC to inspire possibilities for the common good. They are currently developing the Adams Garden Project to create a hub for environmental education, advocacy and employment pathways. Larry and Sharon are board members of Walnut Way and the Marketplace Business Improvement District. They live in the Lindsay Heights neighborhood.



Jeremy Davis

Jeremy Davis is a Lindsay Heights resident and the Environmental Specialist for Walnut Way Conservation Corp. He also serves on the Lindsay Heights Commercial Corridors Committee. Jeremy has been on-site manager for two four-unit buildings for Walnut Way Conservation Corp. since 2010. He also oversees stewardship of more than 15 urban agricultural gardens owned by Walnut Way and neighborhood partners, including serving as crew leader for the Blue Skies Landscape Division. He is the Co-Developer for the Wally Schmidt Redevelopment.



Juli Kaufmann

Juli Kaufmann is Founder and President of Fix Development, an award-winning commercial real estate company that has developed more than \$25 million in Milwaukee-area projects. Fix's portfolio includes the Clock Shadow Building and Freshwater Fix located in Walker's Point, the Innovations & Wellness Commons and the Historic Wally Schmidt Tavern in Lindsay Heights, the Sherman Phoenix in the Sherman Park neighborhood, and the Cream City Hostel in Riverwest. Juli is also co-founder of Fund Milwaukee, a local investment group that seeks to match unaccredited local investors with opportunities to support local entrepreneurs. The effort has raised over \$1 million in local capital for real estate and small businesses.



Leo Ries

For 15 years, Leo Ries was the Executive Director of the Milwaukee office of Local Initiatives Support Corporation (LISC), a national nonprofit whose mission is to transform distressed urban neighborhoods into healthy communities. Prior to his tenure at LISC, he was Director of the Housing and Neighborhood Development and Director of the Community Block Grant Administration for the City of Milwaukee. Leo currently serves as Interim Executive Director for the Martin Luther King Economic Development Corporation ("MLKEDC") and as the Project Manager for the Wisconsin Preservation Fund ("WPF"), which served as the nonprofit partner for several Milwaukee INVESTS projects.



JoAnne Sabir

JoAnne and her husband, Maanaan Sabir, own and operate Shindig Coffee and The Juice Kitchen. The successful Black-owned businesses have sparked pride and possibility for neighbors, transformed a vacant commercial corridor, and become remarkable gathering spaces on Milwaukee's northside. JoAnne previously served as Associate Director of Walnut Way Conservation Corp., helping to lead the design of The Innovations & Wellness Commons. She is the Co-Developer for the Sherman Phoenix Redevelopment and currently serves as its Director.



Appendix D

Organizational Biographies

Fix Development

Fix Development is an award-winning commercial real estate company that has developed more than \$25 million in Milwaukee-area projects. Fix Development operates as a *for-benefit organization* – an emerging term being used to describe businesses that generate earned income but give top priority to an explicit social mission. The driving force behind that business model is its dedication to a quadruple bottom line – meaning each project’s ROI is balanced from social, environmental, and cultural perspectives – as well as financially.

Fix Development initiated the Milwaukee INVESTS model through its co-developer role in the Clock Shadow Building, Freshwater Fix, the Innovations and Wellness Commons, the Historic Wally Schmidt Tavern, the Sherman Phoenix and Cream City Hostel.



Fund Milwaukee

Fund Milwaukee serves as an alternative social investment network that connects small-scale investors with social entrepreneurs. Since 2012, Fund Milwaukee has grown to nearly 300 members. To date, more than 25 businesses have been funded with both equity and loans as small as \$1,000 that together represents nearly \$2 million in direct investments in small businesses. Sixteen of the funded businesses reported employing 276 individuals in 2017 and planning to add 187 employees to their roster in 2018.

Fund Milwaukee is run by a small group of volunteers who are not investment professionals. Group members organize meetings and other educational resources about local investing. They do not offer any legal, financial or investment advice. Each month, Fund Milwaukee members hear pitches from social entrepreneurs seeking capital. Two types of deals are typically offered: loans and equity. The average amount raised for capital is \$15,750, and the average amount raised for equity is \$150,000. For more information, visit: www.fundmilwaukee.com.



Wisconsin Preservation Fund

Wisconsin Preservation Fund, Inc. (WPF) is a Wisconsin based, nonprofit corporation, founded in 1989 for the purpose of promoting neighborhood revitalization, expanding the availability of affordable housing and preserving Wisconsin’s architectural heritage through the preservation of historic buildings. WPF acts primarily in the area of real estate development and finance and is designed to be flexible and nimble, so that it can move quickly to fill whatever role may be needed to make a project work. In its various activities to date, WPF has acted as a lender, a developer, an equity investor and a property manager. It is the nonprofit partner for the Historic Wally Schmidt Tavern, Sherman Phoenix, and Adams Garden Park.



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- ⁹Community Investment Trust is a first-of-its-kind financial inclusion tool created to empower residents and strengthen communities. The CIT is designed to remove barriers to financial inclusion and provide a low-dollar investment opportunity in a commercial property to local residents. Available at: <https://www.mercycorpsnw.org/community/investment-trust/>
- ¹⁰Rick Graber and Lynde Uihlein. "Letter to the Editor: Sherman Phoenix Could Change Lives" Milwaukee Business Journal, March 16, 2018
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Photo Credits

Introduction/Overview

Page 2:
Clock Shadow Building.
Tricia Shay Photography

Page 3:
Sherman Phoenix during construction.
Karl Herschede

Page 4:
Sherman Phoenix grand opening event.
STEVE WHITE FILMS

Page 5:
Freshwater Fix.
Tricia Shay Photography

Page 6:
Robin Reese, Marketplace BID Manager.
Marketplace Business Improvement District 32

Page 8:
Top: Sharon Adams, Walnut Way Conservation Corp.
Ashley Lee
Bottom: Walnut Way Center.
Walnut Way Conservation Corp.

Page 9:
Top: Juli Kaufmann, Fix Development.
Fix Development
Bottom: Sherman Phoenix.
Jessie Tobin

Key Innovations

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Shindig Coffee.
John Magnoski Photography

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JoAnne Sabir, Sherman Phoenix.
STEVE WHITE FILMS

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Jeremy Davis, Wally Schmidt.
Walnut Way Conservation Corp.

Project Highlights

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Maanaan Sabir of The Juice Kitchen with community youth. The Juice Kitchen Innovations & Wellness Commons.
Walnut Way Conservation Corp.
Larry and Sharon Adams with Craftsman Restoration Guild.
Walnut Way Conservation Corp.
Innovations & Wellness Commons grand opening celebration.
Walnut Way Conservation Corp.

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Top: *Milwaukee Center For Independence Center: The Juice Kitchen*
Bottom: *Outpost Natural Foods*

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Latrece Nelson, Owner of Shampoo'ed. *Nicole Beilke, 88.9 RadioMilwaukee*

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Juli Kaufmann, Fix Development.
Ashley Lee

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Sherman Phoenix Exterior image.
Jessie Tobin
Shindig Coffee.
STEVE WHITE FILMS
Confectionately Yours Bakery.
STEVE WHITE FILMS
None Above customized shoes.
STEVE WHITE FILMS

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Sherman Phoenix entrepreneurs.
Bre'Ann White

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Jeremy Davis, Wally Schmidt.
Walnut Way Conservation Corp.

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Ursula Twombly, Community Investor.
Ursula Twombly
Sarah Greenberg, Forward Community Investments.
Forward Community Investments

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Wally Schmidt Redevelopment Tandem Restaurant staff.
Lori Fredrich, OnMilwaukee
Tandem patio.
Ashley Lee
Jeff Henderson, Community Investor for Wally Schmidt.
Ashley Lee
Community Investors Thelma Sias and Steve Adams dine with family at The Tandem.
Ashley Lee

Project Snapshots

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The Tandem restaurant in Wally Schmidt Redevelopment.
Ashley Lee

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Tricia Shay Photography
Exterior view.
Tricia Shay Photography
Healing Collective Entrance.
Tricia Shay Photography

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Freshwater Fix
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Exterior view.
Tricia Shay Photography
Purple Door Ice Cream.
Tricia Shay Photography
Float Milwaukee lobby.
Tricia Shay Photography

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The Innovations and Wellness Commons Fresh juices from The Juice Kitchen.
The Juice Kitchen
Maanaan Sabir, Co-Owner of The Juice Kitchen, greets customers.
The Juice Kitchen
Milwaukee Center for Independence commercial kitchen.
Walnut Way Conservation Corp.

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Front entrance. *5Wise Workshop*
Exterior view. *5Wise Workshop*

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Ashley Lee
Exterior view of The Tandem.
Ashley Lee
Upstairs conference room.
Ashley Lee

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Sherman Phoenix Co-Developers JoAnne Sabir and Juli Kaufmann.
Laura Kezman
Interior view of the Great Hall.
John Magnoski Photography
Staff of Spice and Sauce Pizza.
STEVE WHITE FILMS

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Top: Beds at Cream City Hostel.
Middle: Exterior view of Cream City Hostel.
Bottom: Cream City Hotel.
Cream City Hostel

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Mayer Helminiak Architects

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2626 W. State Street Project rendering.
Quorum Architects.

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Top: Honeybee Sage Apothecary & Wellness in the Sherman Phoenix.
John Magnoski Photography
Sidebar: JoAnne Sabir.
Scott Paulus

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STEVE WHITE FILMS

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CopyWrite Magazine.
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Jessie Tobin

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Sherman Phoenix Grand Hall.
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Maanaan Sabir, Co-Owner of The Juice Kitchen. *The Juice Kitchen*



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Model for Inclusive Development

*Innovations in Commercial Real Estate
Development for Community Wealth Building*