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COVER STORY

Clock Shadow and Sherman Phoenix use new approach to real estate development

MODEL OF SUCCESS

BY SEAN RYAN
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Everyone has driven past an empty building or vacant lot on the way home, and wished somebody would buy it to open a local coffee shop, bakery or other business that's missing in the neighborhood.

It feels like fantasy, something someone else should pursue that probably won't happen anyway, especially if the neighborhood is full of rundown properties neglected for years. But developers like Juli Kaufmann and others in Milwaukee are trying to spread courage, and the message that those drive-by dreamers can become real-world developers themselves.

Kaufmann first got into the real estate world as a resident of Milwaukee's Walker's Point neighborhood who wanted to improve her environment. She took on a tax-delinquent, contaminated property and built the Clock Shadow Building there. Banks wouldn't finance it, so she rallied a network of local investor-owners. That building opened in 2012 with Purple Door Ice Cream among its first tenants.

"I was just like all of you, frustrated and wanting to see something different in my neighborhood, and figured out how to, quote-unquote, become a developer," Kaufmann said. "It's just

hysterical that I'm called that now. I was really just a community activist myself. We want to de-mystify that barrier."

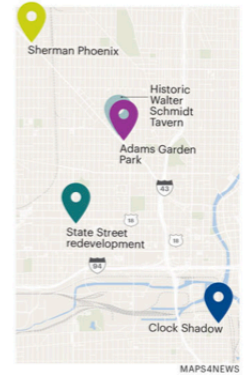
Community development projects like the Clock Shadow or Sherman Phoenix, while small in scale, are an effective way to help correct Milwaukee's economic and racial segregation. A handful of the developments get done in Milwaukee each year. Kaufmann and others want more people to try, and for the model to travel elsewhere in the state as well.

"People want things to be happening in other parts of the city, and that's just where it ends," Kaufmann said. "This is a very tangible way for it to happen, for people to see it."

The Wisconsin Economic Development Corp. last year agreed to finance a sort of how-to guide, complete with project case studies, and sample operating budgets, pitches to investors and other tools.

The report was led by Kaufmann, who does projects under the Fix Development name, consultant Jessie Tobin, Leo Ries, formerly of LISC Milwaukee and the Martin Luther King Economic Development Corp., and community activist and developer Sharon Adams.

There's shared practices among the Milwaukee projects the group studied. They generated financial returns



to investors from the neighborhood who largely had no other ways to build wealth through real estate. They made spaces for local businesses to grow and satisfy a demand in neighborhoods that need jobs and services beyond national fast food, cell phone or check-cashing chains.

Traditional bank lending plays zero or minimal roles in paying for each project. Most had an up-front benefactor that bankrolled the early project planning. For Kaufmann's Clock Shadow Building and several others, that is Milwaukee philanthropist Lynde Uihlein. Milwaukee venture capital investor John W. Miller played that role for the Walter Schmidt Tavern rehab and a second project.

From there, the developers tap into a growing list of community investors, many from the surrounding neighborhood or just people interested in the social values of the project. They collect a return on that up-front investment as buildings open and start generating rent money.

The up-front construction costs often include finishing interior spaces for future tenants who are local businesses that can't handle the capital costs themselves. Like with investors, the relationships with tenants are personal.

The approach isn't cut-throat capitalism, but it does succeed financially. None of the projects have failed. Only during one quarter, on one project, has Kaufmann not met and paid projections for the returns owed to investors. Only two tenants have failed, the extent where they had to move on.

Following are some local developments that were established through a similar model as the Clock Shadow and other projects.

THE CONTRACTOR



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\$1.2M
Project cost

5
Jobs in building

2020
Year of completion

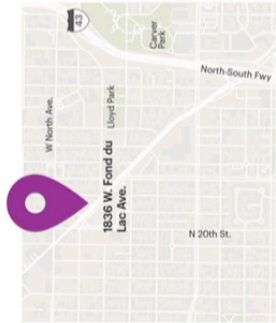
Adams Garden Park

Address: 1836 W. Fond du Lac Ave., Milwaukee

Developers: Sharon and Larry Adams Environmental Consortium, Milwaukee Water Commons, Wisconsin Conservation Voters and the Blue Skies Landscaping Program

Community investment: 2 investors

Above, Curtis Jordan



MAPS4NEWS

Instead of reopening this spring as the newly restored Adams Garden Park offices, it could've become another Milwaukee building left empty so long that it literally just fell apart.

Parts of the building at 1836 W. Fond du Lac Ave. weren't built right, and that neglect threatened to take down one of its walls if Sharon and Larry Adams hadn't come along to restore the building. Their lead contractor Curtis Jordan uncovered the issue after starting the rehab work.

A collapsed wall and eventually, a vacant lot, would've fit the perception of a low-income, neglected neighborhood. But that's not the community envisioned by Adams and Jordan, of Jordan Construction Services LLC. They tore out spongy floors and built new ones.

They built new footings to prop up and hold a structural beam and stabilize the wall. Instead of dead space, it became a lofty commons area and kitchen for an office of environmental organizations and entrepreneurs.

"People are appreciative of their neighborhood being sustained," Jordan said. "They are appreciative of quality renovations since they have something they can look at and say, 'This is something that makes me feel good about being here.' This is mostly 52006, so everyone wants to say this is such a poverty- and criminally-driven area."

Sharon Adams called it "restoration with integrity." She and husband Larry Adams, a contractor who has known Jordan for 30 years, led the \$1.2 million building restoration. Once complete, it will house the Milwaukee Environmental Consortium, which will sublet desks to local entrepreneurs, Milwaukee Water Commons, Wisconsin Conservation Voters and the Blue Skies Landscaping Program.

Jordan has already received calls from people who saw his sign in front of the project and wanted his input on rehabbing other buildings in the area. A new investor is even looking at the next property to the south, Adams said.

Jordan said African-American companies and workers performed 90% of the work on Adams Garden Park. It is among the larger projects his company has led, and could open opportunities for growth.

Jordan said he is trying to recruit up to take on more work in the future. "It gives other people a vision of the things we can do, and hopefully that will in turn lead other people to solicit us," Jordan said.

THE INVESTOR



KENNY YOO / MBI

\$4.5M
Project cost

100
Jobs in building

2018
Year of completion

Above, Nadiyah Johnson

Nadiyah Johnson's \$5,000 investment into the Sherman Phoenix project became a real-world introduction to real estate development, and she's taking knowledge from that experience to lead her own project not far away.

Johnson's mother brought the Sherman Phoenix investment opportunity to her attention, so she called co-developer Juli Kaufmann in 2018 to see if she could participate. They worked out an agreement within two days. As an investor, Johnson receives quarterly reports on Sherman Phoenix's rent collections, expenses and long-term budgeting for building upgrades such as signage.

"Becoming a community investor gave me the get-up-and-go to start my own project," Johnson said. "I was able to wrap my head around what it would take for a smaller operation to be successful."

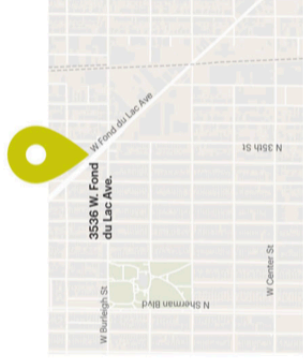
That insight, more so than the financial return generated on her \$5,000 investment, is the wealth Johnson has gained from the experience.

Johnson is applying knowledge

and relationships generated through the Sherman Phoenix project to a development she is leading at 3803 W. Fond du Lac Ave. It is connected to the building Johnson's mother owns for her Allstate Insurance Co. agency. Johnson wants to convert it into the Milky Way Tech Hub where people in the surrounding community can access computers and other hardware. It would be the center of Johnson's mission to make Milwaukee a tech center where women and people of color can thrive. The building also would house Johnson's Constellations software company.

"Understanding what it takes in order for a place like this (Sherman Phoenix) - a retail hub - to thrive, I've been able to apply a lot of those skills," Johnson said. "If I had not invested in the Sherman Phoenix, I wouldn't have made those connections. I wouldn't have insight on how to start my first pro forma."

The building needs an approximate \$300,000 rehab. Johnson will soon approach the city of Milwaukee's Common Council to seek a grant for some of the rehab work.



MAPS4NEWS

Sherman Phoenix

Address: 3536 W. Fond du Lac Ave., Milwaukee

Developers: Fir Development and JoAnne Sabir wellness stores and arts

Community investment: included 50 investors





Tanner Kilander

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From her office above the Tandem restaurant, attorney Tanner Kilander has found new companions who help her keep more families together.

As a court-appointed lawyer, Kilander's clients are often parents who risk losing their children due to allegations of abuse or neglect. She combats the strong forces, economic and social, that can separate families in areas of poverty. Kilander knows who to call nearby if clients need help feeding or clothing their children.

She has also referred clients downstairs to approach Caitlin Cullen, owner of the Tandem restaurant, for a job. That's partially because Cullen understands if the parents have a scheduling conflict for obligations related to getting their kids back. Not all employers are that flexible.

"This is a building full of people who care," Kilander said. "If I were to rent space in some office in Brookfield, I'm not going to have that community. I will have less to offer my clients. If we had a community full of places like this, we would have the ability to support people through tough times, who would then turn around and support others."

Kilander in May 2018 moved into the third floor of the restored Walter Schmidt Tavern building on West Fond du Lac Avenue with two other attorneys who also focus on child court law: Tawny Brooks and Steven Wiechmann. She's worked in Milwaukee's north side since her first social service job at age 20, and currently lives nearby.

Kilander's interactions with Cullen on the first floor are a small example of the unplanned relationships that seem to spontaneously combust within community projects. Kilander, for example, also interacts with people in the Sherman Phoenix building, another project by Walter Schmidt co-developer Juli Kaufmann.

Those connections are a sometimes powerful economic tool that goes beyond creating jobs or keeping money circulating within the neighborhood. As Kilander put it, it's the difference between renting space in a community, and becoming part of it.

"I've gotten calls from other people in our little ecosystem who have a legal question," Kilander said. "We are definitely able to help each other out, and I think there is some sort of solidarity between the folks here, the Sherman Phoenix, other places. We all share a really cool opportunity to be a part of these kinds of developments."

Historic Walter Schmidt Tavern

Address: 1848 W. Fond du Lac Ave., Milwaukee
Developers: Jeremy Davis and Fix Development
Uses: Tandem restaurant on first floor; offices, including three law firms, on upper floors
Community investment: \$480,000 from 45 investors

\$780,000 | **25** | **2016**
 Project cost | Jobs in building | Year of completion



KENNY YOO / MBJ

\$1M
 Project cost
2020
 Year of construction start (anticipated)

Above, Patrick Kennelly and Allyson Nemeč

Allyson Nemeč and Patrick Kennelly thought they had a tenant to make their first redevelopment possible, and called a meeting of neighbors they hoped would invest in the project.

A local food truck owner was interested in opening his Triciclo Peru restaurant at the 2626 W. State St. building that Nemeč and Kennelly hope to buy from the city and rehab.

The two developers-to-be called a meeting about a year ago to unveil the plan to prospective investors chosen among their neighbors and contacts. But about a week before the meeting, Triciclo Peru opted instead to move to West Vliet Street. The investors, when told, wanted to have the meeting anyway, Nemeč said.

"Despite losing the tenant, there was still so much optimism in the site and the opportunity to pick what your local business entities are, that the neighbors were still enthusiastic," Nemeč said.

The response is characteristic of community development work, particularly in its patience. Interested more in transforming an empty building into a gathering place, the investors didn't dissipate because a tenant - the main way the project would generate money - disappeared.

Nemeč and Kennelly aren't developers. Nemeč is in the real estate world as principal with Quorum Architects Inc., and Kennelly is director of Marquette University's Center for Peacemaking. The two are neighbors, and both are involved in the Near West Side Partners effort to improve that area.

"There's this vision we have, we're trying to create the Near West Side as a healthy community," Kennelly said. "That's why we didn't start out going to people outside of the community saying, 'Would you like to get behind a project and invest?'"

The neighborhood financiers, rather than pushing a certain return or less risk on their up-front investment, want at least one tenant with local roots who could make the vacant building a gathering place. Working with a traditional bank, it is harder to finance construction with local, often unproven tenants. It would cost about \$750,000 to rehab the State Street building for a restaurant.

Nemeč and Kennelly have received help along the way. Quorum Architects did design work pro bono. Selzer-Ornst Construction Co. helped estimate rehab costs, and law firm Husch Blackwell LLP donated services. Developer Juli Kaufmann offered advice, guidance and encouragement.



MAPS4NEWS

State Street redevelopment

Address: 2626 W. State St., Milwaukee
Developers: Allyson Nemeč and Patrick Kennelly
Uses: Local restaurant, retail or office; tenants to be determined
Jobs in building: To be determined
Community investment: To be determined
Completion: Anticipated construction start in 2020

