Hamline Midway Coalition

Learning Session - Real Estate Investment Cooperatives

Learn how neighbors can pool their money to make transformative real estate investments that benefit member-owners and the community.
Welcome

Kate Mudge joined Hamline Midway Coalition as Executive Director in 2018. As a resident of Hamline Midway, Kate has been active in the neighborhood since she purchased a house in 2007.

Kate is a member of the Tatum Park Community Garden, an active volunteer with local animal welfare groups, and has worked in the nonprofit sectors for more than 17 years, including hunger relief, recycling, animal welfare, and community building. She lives with her wife on Tatum Street in Midway and can often be found walking through Hamline Midway with her 3 rescue dogs.
What is a Real Estate Investment Cooperative?

A Real Estate Investment Cooperative - REIC allows residents to invest financially to collectively buy, rehab, and manage commercial and residential properties.

Hamline Midway Coalition is excited about the opportunity to bring neighbors together to pool their dollars for the betterment of the community.
Moderator - Marcq Sung

Marcq is the Director of Program Strategy and Development at CRF. His background includes strategic planning, quantitative and qualitative analysis of environmental and economic impacts, systemic thinking, multi-stakeholder engagement, behavior change, and community engagement. Previously Marcq was the Director of Business Development for the City of Saint Paul.
Agenda

Program (30 minutes)

Panelists:

- D’angelos Svenkeson, NEOO Partners - Community Ownership & Real Estate
- Leslie Watson, Columinate - NorthEast Investment Cooperative
- Renee Spillum, Seward Redesign, Creative Enterprise Zone, Hamline Midway Coalition - Call to Action

Question and Answer (30 minutes)

Follow ups should be sent to Kate Mudge or REIC@hamlinemidway.org
As the Founder and CEO of NEOO Partners, D'Angelos has a radical belief that the real estate industry should serve the small business community with the same ferocity it serves the corporate community. He has been able to work on over $250M worth of real estate and urban planning projects in the last 10 years with 400,000 SF of space in the last 2 years.

D'Angelos leads project partners through all aspects of the Real Estate Process including: site selection, acquisition and leasing, due diligence and feasibility analysis, financing and tax credits, municipal approvals and design, construction management, and third-party contracting management.
Leslie Watson

- Founding organizer of the Northeast Investment Cooperative, formed to make cooperative investment in distressed commercial property in Northeast Minneapolis, [www.neic.coop](http://www.neic.coop)
- Worked with 20+ boards of directors during times of general manager transition
- Supported Eastside Food Co-op in a successful $1M capital campaign, as part of a $6.5M expansion
- Served 10+ years on the Eastside Food Co-op board through a period that included startup, financial distress, recapitalization, and eventual stability and growth
- Recipient of a 2013 Howard Bowers Award for Cooperative Board Leadership
WHO WE ARE

Northeast Minneapolis

- Traditionally working & middle class
- Growing diversity
- Large but declining industrial base
- A thriving arts district
- Strong community identity and cohesion
- A beloved food co-op
WHO WE ARE

HIGHLAND MARKET & HALAAL MEAT

WORLD FURNITURE

NorthEast Investment Cooperative
WHO WE ARE
Our Question in 2011:

Could a small band of community members

- forge a **shared vision**,  
- form a **workable structure**, and  
- pool enough **money**

to address deterioration along our commercial corridor?
Our Shared Vision:

“To make long-term, stabilizing, and transformative investments for the mutual benefit of our member-owners and our community.”
WHO WE ARE

NEIC in a nutshell:

• Community-led real estate development within a traditional co-op structure (MN Ch. 308A)
• Led by a volunteer, owner-elected board
• $1000 per voting share
• Emphasis on patient capital
• Ideal tenants would be locally owned, community-minded businesses
**Anticipated Benefits:**

- A more vibrant business district
- Tenants attracted by the promise of supportive landlord
- Modest dividends - *potentially*
- Asset appreciation over time - *potentially*
• Purchase agreement signed - Dec. 2012
• Purchase finalized - May 2013
HOW WE DID IT
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NEIC by the Numbers:

Owners (end of project #1): 203
Owner Capital: $279,500
Total Project Cost: $450,000
Volunteer Hours: Thousands
Total Investment (both bldgs.): $1.5M+
New Jobs on the Avenue: 25
Achieving Viability:

2015 Net Income (pre-tax): $22,625

1st Returns Paid:

- Dividends on preferred stock (2-4%)
- Capital credit (4.1%) on owner shares
Success Factors:

• Organizers familiar with co-ops, business, building trades
• Founding group was trusted, credible & responsible
• Alignment around shared vision
• Friendly state law
• Luck & timing
Lessons Learned:

• The desirability of early development dollars
• The importance of community and business support
• The necessity – and risk -- of risk tolerance
• The certainty of cost overruns
• The need to mitigate impact of having volunteers as landlords
NEIC today:

Owners – December 2019:
278
2019 Net Income:  -$ 2,256
2018 Net Income:  $ 3,110
2017 Net Income:  $ 13,048
2016 Net Income:  $ 18,565
NorthEast Investment Cooperative (NEIC)

Published by Colleen O'Connor Toberman | August 22

We're seeking a great community-oriented small business to lease 2100 sq. ft. at our new property at 1601 37th Ave NE. Uses include retail, studio, office, restaurant, and more. Come be part of our success story with our 240+ members invested in your prosperity!

http://www.neic.coop/leasing
NEIC today:

12/31/19 Balance Sheet:

- **Assets:** $760,053
- **Liabilities:** $228,473
- **Equity:** $531,580
Potential uses for a community investment co-op:

- Residential housing (Riverwest - Milwaukee)
- Sustain or attract needed businesses to a small town (Sangudo, Alberta, Canada)
- Acquire property for affordable creative workspace on high-rent areas (NYREIC)
- Support redevelopment of a historic school in a small town (Musselshell Rural Investment Co-op)
Resources:

For co-op development support in the Upper Midwest:
  Cooperative Development Services
  145 University Ave., Suite 450
  St. Paul, MN 55103
  www.cdsus.coop

For the Canadian experience:
  Unleashing Local Capital
  Alberta Community & Co-operative Association
  www.acca.coop/unleashing/about-the-project/

Visit NEIC online at: www.neic.coop
Renee Spillum

Renee is a commercial real estate broker and developer at Seward Redesign. She focuses on renovations of industrial and commercial buildings to create permanent supportive space for essential neighborhood businesses, as well as multi phase housing developments that maintain neighborhood scale and a stable mix of incomes. She represents local businesses tenants and supports them through financing and city approvals in their build out process. She has coordinated solar projects and is currently working on a rooftop urban farm fueled by waste heat from a glass blowing studio. Her passion is supporting sustainable human interdependence in urban neighborhoods. She has a Master of Public Policy from the Humphrey Institute and has been a resident of the Hamline Midway neighborhood since 2005.
Five Square: A Case Study

Community Oriented Priorities

1. Preventing Displacement
2. Pedestrian Realm
3. Supporting Growth of Existing Community Businesses & Organizations

Physical Manifestations of Priorities

1. Prioritize building systems, energy efficiency and accessibility over “flash”
2. Windows!
3. Marketing for stability vs. rent growth
North Snelling: Problematic changes happening every year

2015: Asian Buffet: $575,000
2016: Snelling Beige Vinyl Offices: $632,000
2017: Vig Guitars/Fluid Ink: $1,425,000
2018: Valvoline: $325,000
2019: Five Star Auto: $305,000
2020: Star Foods: $650,000
2021: Great Fans to Midway REIC?
Alternative between Investments in 401k and Donations

Stock Market is completely disconnected from community

Real Estate investments require technical expertise, credentials and high amount of cash

Donations are limited for most people because the money is gone forever
It is time to take action

Within Midway there is already the wealth and the technical expertise and the community wisdom to complete generative investments that align with a social mission AND produce a financial return. The people with those resource can accomplish so much if we decide to

We just have to decide we want to do this together, and accept that it will require ongoing learning, and won’t be perfect
Please place your questions in the chat.
Thank you! Next Steps

We will post a video of this learning session and a Q/A document to the Hamline Midway Coalition website: https://www.hamlinemidway.org/investment-coop

Send questions to: REIC@Hamlinemidway.org

Please take our survey!
https://docs.google.com/forms/d/e/1FAIpQLSdY2FtaZoLu-5N38a66NcPCwZ5KFcQ3PaW1q-z598G9Rnwt4A/viewform