

commongrounds

TRAVERSE CITY REAL ESTATE COOPERATIVE



PROJECT OVERVIEW

Commongrounds is a real estate cooperative in Traverse City, Michigan. We develop real estate built for and owned by the community, to make the city we love an even better place to work, live, and play.

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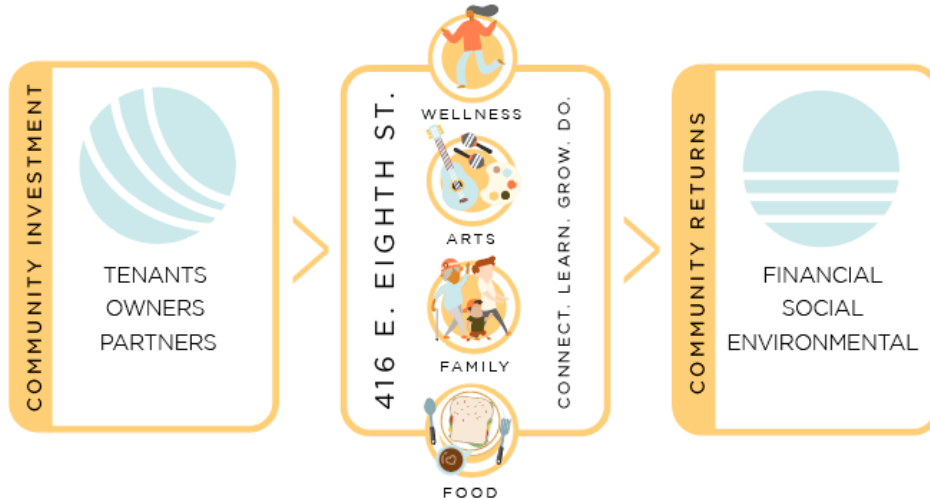
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****Project overview includes preliminary information subject to change.**

SECTION 1: ABOUT THE PROJECT

ABOUT COMMONGROUNDS

Commongrounds is a real estate cooperative in Traverse City, Michigan, with a goal to develop real estate that meets community needs and increases quality of life in the region. Our pilot project is 416 E. Eighth Street, a 4-story mixed-use building scheduled to break ground in 2020. Commongrounds is owned by the people who live and work in the building, and over 500 community owners. The building integrates food, family, arts, and wellness to generate triple bottom line returns to the community and its tenant- and community owners.



WHY COMMONGROUNDS? COMMUNITY-DRIVEN AND COMMUNITY-OWNED

As a cooperative, Commongrounds is owned by the people who live and work in the building; and by its community. Its purpose is to improve quality of life in our region. How does community- and tenant-owned cooperative real estate help achieve this?

First, it is real estate designed to be responsive to identified community needs, including:

- **Workforce housing** (2016 Networks Northwest Study, showing severe housing shortage)
- **Early childhood care** (2019 Great Start Collaborative Study: Region has 1/3 of spots needed for infant and toddler care, which is critical state of child development)
- **Support culture of health through food, wellness, multi-modal transport and social connection** (2019 Community Health Needs Assessment highlighted health needs)
- **Attract & retain families and talent for year-round economy** (2019 Traverse CONNECT Study: Region has labor shortage and loses working families due to lack of high-wage jobs)
- **Develop 8th Street corridor as compact, pedestrian-friendly “healthy living” corridor** (2017 City of TC Envision 8th Street Plan, 2019 TCCF Health & Wellness corridor study: Economic and social benefit to community for developing culture of healthy living)

Second, Commongrounds adds timely momentum to the redevelopment of Eighth Street as a vibrant “healthy living” corridor. The City of Traverse City has identified the Eighth Street Corridor for redevelopment as a compact, multi-modal, downtown “healthy living” corridor. In summer 2019, the City transformed the feel of the corridor by investing millions of dollars to

upgrade the infrastructure, redeveloping the street with neighborhood-scale lighting, landscaping, and bike and pedestrian tracks. Walkable, vibrant neighborhood corridors are necessary for community and economic development, including attracting workforce talent and improving health and well-being outcomes.

Commongrounds is designed as a compact, multi-modal friendly development that encourages a culture of health for the neighborhood and community. Our tenant-partners will provide exercise, movement, and meditation classes; access to healthy food; social connection and learning; healthy choices planning and decision making; and potentially even primary care health services.

Third, it creates opportunity for people to invest in and own community-driven real estate, earning triple bottom line returns for cooperative owners and the community. Community members and local nonprofits/business drive the direction of real estate development by investing financial, intellectual, and social capital to earn triple bottom line returns that align financial returns with social and built/natural environmental impact. So far, Commongrounds has over 500 community owners and five core tenant-owners who are established business and nonprofit organizations working in or with the food, family, arts, and wellness sectors in our region.

As a result, 416 E. Eighth Street is more than a building project: it will help serve as a backbone for people and organizations to be healthy, connected, creative, and inclusive; increase their adjacent possible and achieve collective impact on the nine dimensions of individual and community well-being.¹ Together, we will provide shared value and triple bottom line returns on investment by tenants, partner organizations, and people working, living, learning, and playing in the region.

TRIPLE BOTTOM LINE IMPACTS		
ECONOMIC	SOCIAL	ENVIRONMENT (Built + Natural)
<ul style="list-style-type: none"> \$14m invested in 8th Street 20 new jobs and 140+ daily trips to corridor \$250k for 8th St reconstruction Financial returns to community owners, generating wealth accessible to all Amenities to attract workplace talent and creative sector to community 	<ul style="list-style-type: none"> Child care and family support Accessible housing units Wellness activities for residents, employees, and community Music, performing arts, and other creative events and classes Family-focused events and activities Nonprofit hub for learning and integration 	<ul style="list-style-type: none"> Natural environment: Eco-friendly green development on Boardman River Multi-modal transportation amenities Built environment: WELL certification to create building attuned to air, noise, light, comfort, food, plants

¹ The **adjacent possible** are the ideas and practices at the edge of our current capabilities, where growth and innovation are most achievable. Our rate of innovation increases as we increase our adjacent possible by increasing the diversity and rate of serendipitous and unexpected collisions of people and ideas. **Collective impact** is working together with a shared backbone holding us accountable to shared vision and metrics, reinforcing activities, and communication. **Nine dimensions of well-being**: social, emotional, spiritual, financial, creative, environmental, occupational, intellectual and physical wellness.

BUILDING DETAILS

	OWNER-LEASED SF	TOTAL SF
Underground Parking	0	9,818
Residential (Interior)	11,951	15,766
Commercial (Leasable Interior)	Total: 17,126	21,883
Higher Grounds Coffee + Iron Fish Distillery	2,502	
Early Childhood Center	2,097	
Crosshatch Community Arts + Event Center	2,851	
Commonplace Coworking + Office Space	4,997	
Commongrounds + Tenant Community Space	2090	
First Floor Retail Space	508	
Commercial (Leasable Exterior)		
Commercial Tenants	1,001	
3 rd /4 th Floor Outdoor Decks	1340	
BUILDING TOTAL (INTERIOR)	27,868	47,467

LOCATION, ENVIRONMENTAL IMPACT, AND MULTI-MODAL TRANSPORTION

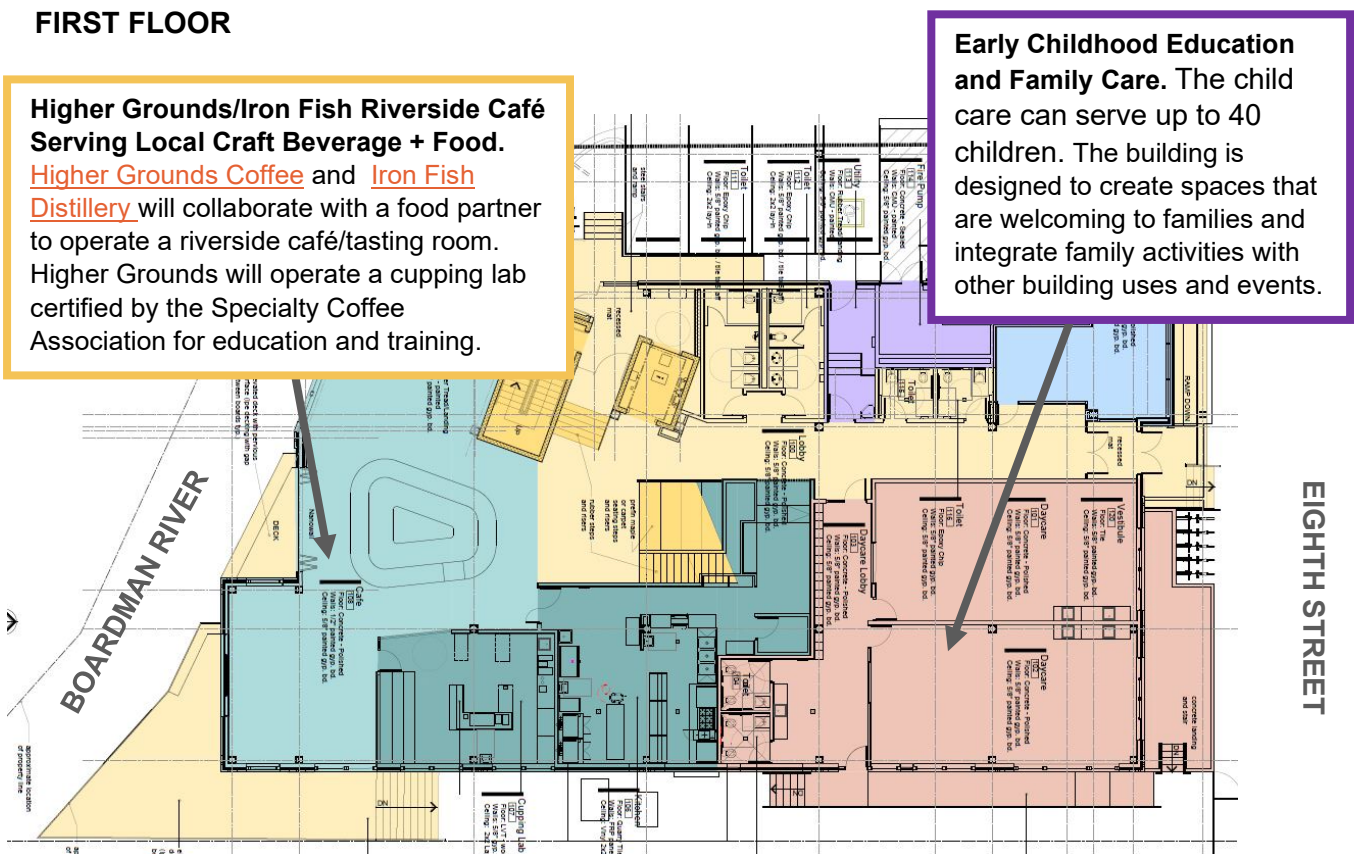
The building is located on Eighth Street and the Boardman River, leveraging millions of dollars invested by the City of Traverse City to redevelop the street as a compact, downtown corridor. The site is located on a bus stop, and Commongrounds offers amenities like indoor bike racks, showers, storage, and exercise areas to support multi-modal transport and a culture of health for people who live, work, play, and learn in the building. The building is seeking PACE financing to support its investment in a green, energy efficient building using green building best practices for stormwater management, green roofs, and other energy systems to mitigate environmental impact.

FIRST FLOOR

Higher Grounds/Iron Fish Riverside Café
Serving Local Craft Beverage + Food.

Higher Grounds Coffee and Iron Fish Distillery will collaborate with a food partner to operate a riverside café/tasting room. Higher Grounds will operate a cupping lab certified by the Specialty Coffee Association for education and training.

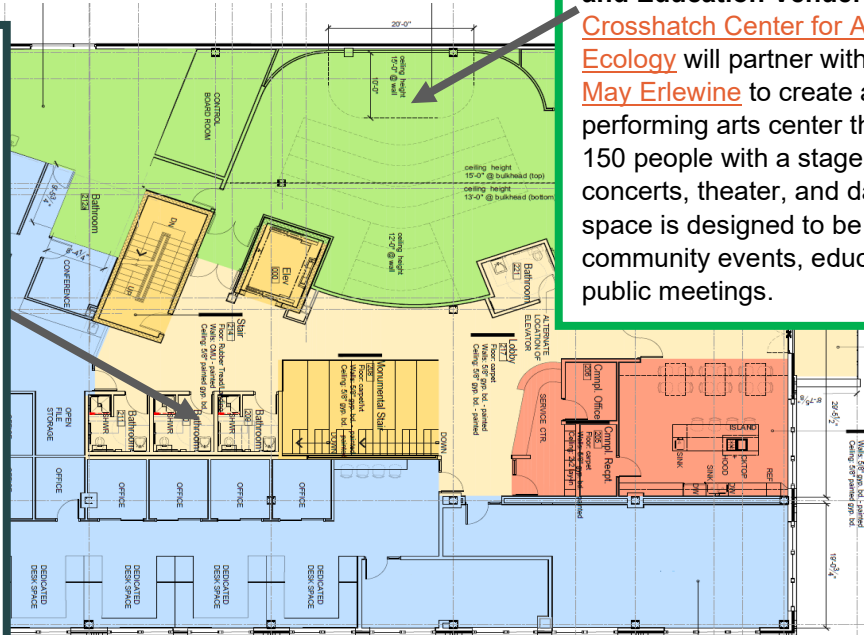
Early Childhood Education and Family Care. The child care can serve up to 40 children. The building is designed to create spaces that are welcoming to families and integrate family activities with other building uses and events.



SECOND FLOOR

Coworking + Community Innovation/Education Hub.

Commonplace will manage office and coworking space as a community innovation hub. Spaces for work, meeting and education combine with offices for nonprofits and community-oriented business - a place to work, learn, connect, and improve well-being.

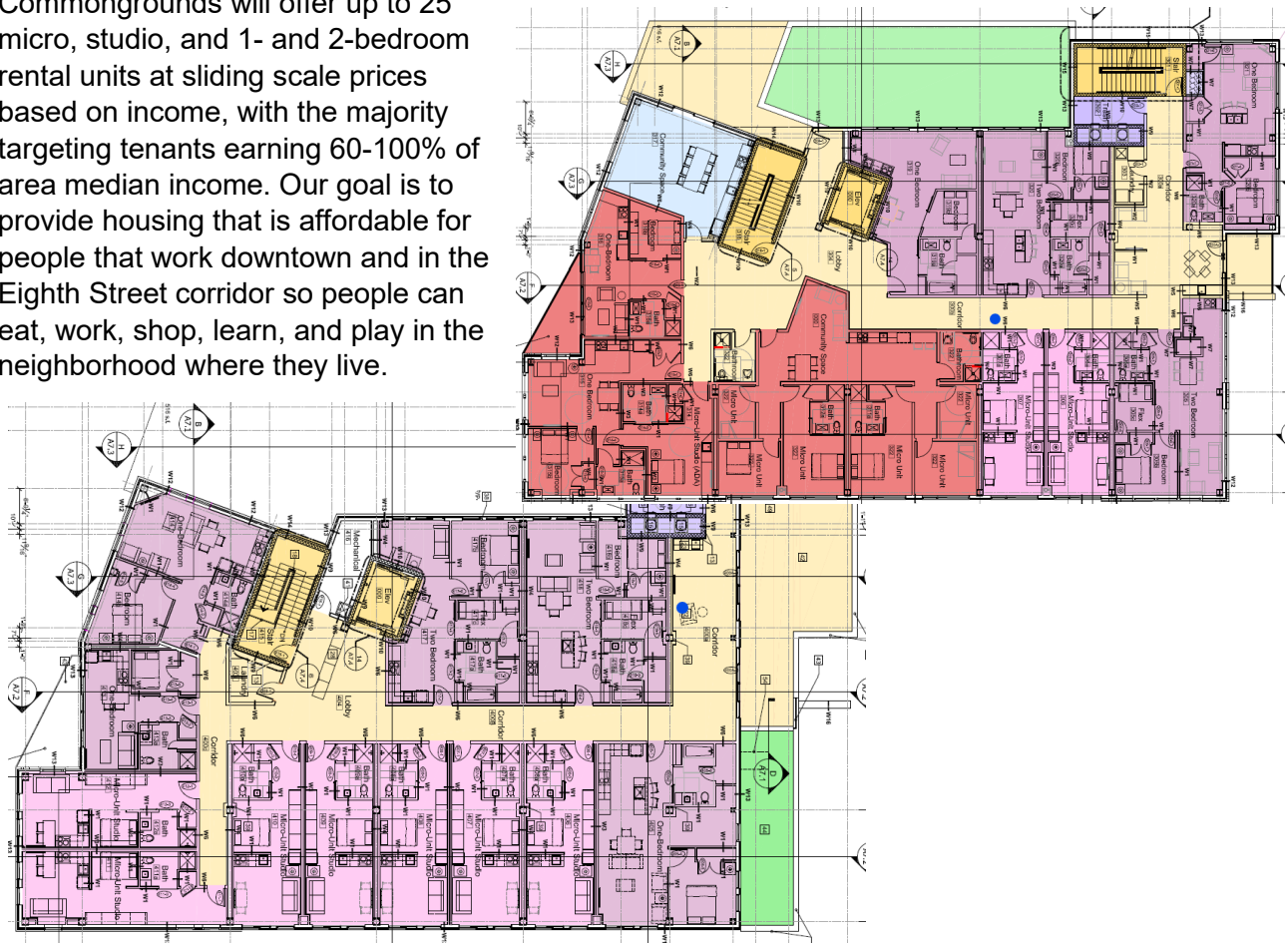


Community Performing Arts and Education Venue.

Crosshatch Center for Art and Ecology will partner with musician **May Erlewine** to create a performing arts center that seats 150 people with a stage for concerts, theater, and dance. The space is designed to be used for community events, education and public meetings.

THIRD AND FOURTH FLOOR: WORKFORCE HOUSING

Commongrounds will offer up to 25 micro, studio, and 1- and 2-bedroom rental units at sliding scale prices based on income, with the majority targeting tenants earning 60-100% of area median income. Our goal is to provide housing that is affordable for people that work downtown and in the Eighth Street corridor so people can eat, work, shop, learn, and play in the neighborhood where they live.



ABOUT OUR OWNERS

COMMUNITY OWNERS

Commongrounds completed its initial “early bird” ownership drive on December 1, 2019, and exceeded its member goal of 250 with 366 owners. We also conducted an investment crowdfunding campaign to offer community members the opportunity to invest in their community and earn not only a financial return of 7% per year, but also a social and quality of life return. Currently, there are over 500 community owners, with 130 community members investing nearly \$1.4 million total.

TENANT-OWNERS (SIGNED LETTERS OF INTENT IN NOVEMBER 2018)

HIGHER GROUNDS (CAFÉ/TASTING ROOM) WWW.HIGHERGROUNDSTRADINGCO.COM

Owned/Operated by: Chris and Shauna Treter

Established in 2001, Higher Grounds is a 100% fair-trade coffee roastery which wholesales its beans throughout the Midwest and operates a coffee shop locally in Grand Traverse Commons. Higher Grounds will expand its operations to an additional café at Commongrounds in an exciting collaboration with Iron Fish Distillery to fuse coffee and alcohol.

IRON FISH DISTILLERY (CAFÉ/TASTING ROOM) WWW.IRONFISHDISTILLERY.COM

Owned/Operated by: Sarah/Richard Anderson, Heidi Bolger, David Wallace

Iron Fish Distillery is Michigan’s first working farm dedicated to the practice of distilling small-batch craft spirits. Iron Fish is operated by Sarah and Richard Anderson, and Heidi Bolger and David Wallace, sibling couples with deep experience in financing, accounting, business operations, and community development. Iron Fish Distillery opened in September of 2016, recognized by Michigan Celebrates Small Business as one of the Fifty Companies to Watch in 2018. Iron Fish Distillery will have a licensed tasting room in partnership with the restaurant/café.

COMMONPLACE (COWORKING AND OFFICE SPACE) WWW.COMMONPLACEWORK.ORG

501(c)(3) Nonprofit Founded/Operated by: Kate Redman

Commonplace is a coworking office space serving nonprofits and small business in Traverse City. Established in 2016, Commonplace currently provides work space for nearly 30 organizations and 60 people and, through its partner Commonplace Law, has provided legal services to 200+ local organizations. Commonplace will expand to operate out of the second floor of the building and support connection and capacity building for organizations focused on arts, family, wellness, and food.

CROSSHATCH (PERFORMING ARTS AND EDUCATION SPACE) WWW.CROSSHATCH.ORG

501(c)(3) Nonprofit Founded/Operated by: Brad and Amanda Kik, May Erlewine

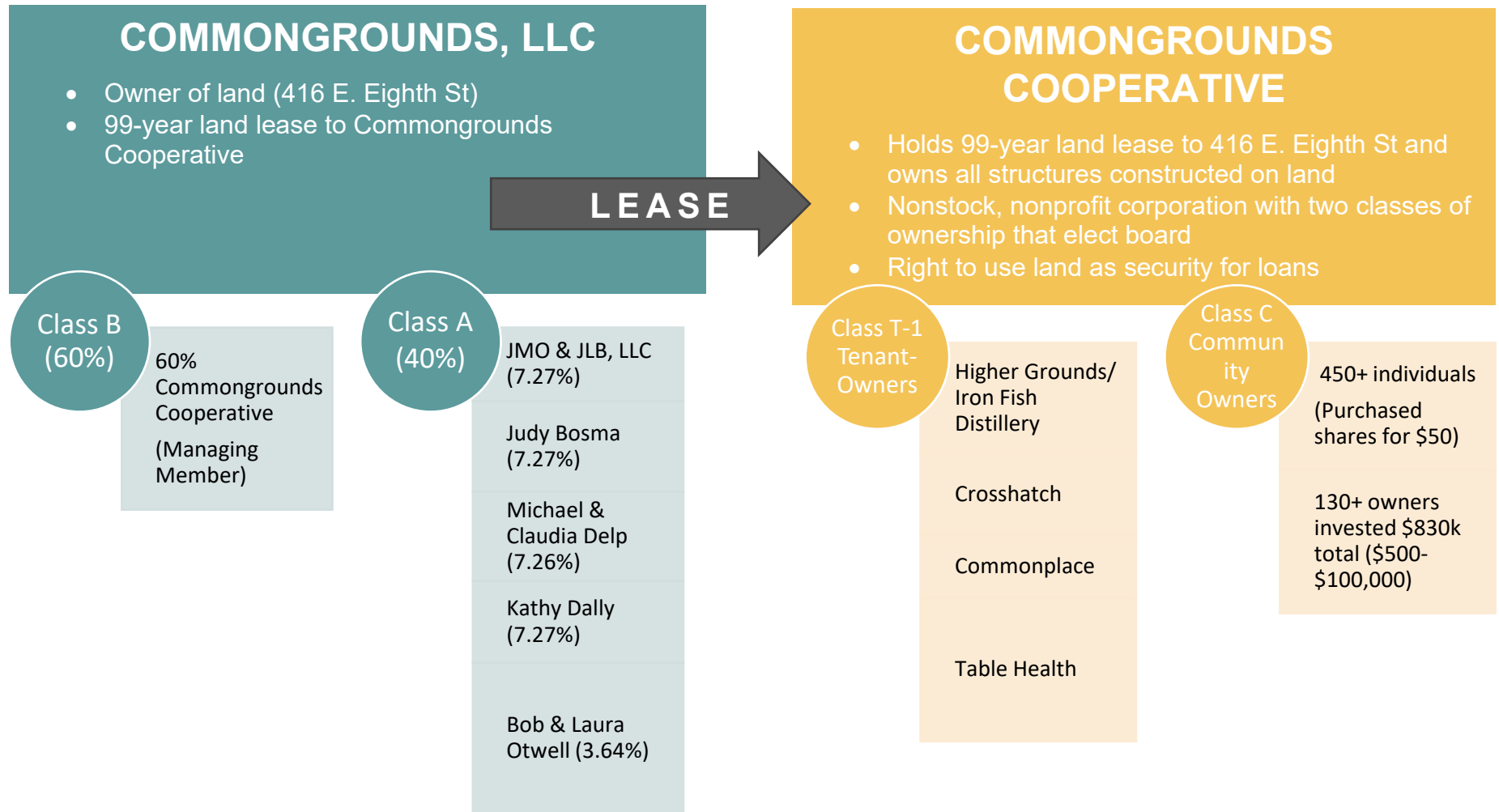
Founded in 2005, Crosshatch Center for Art & Ecology explores the intersections of farming, art, economy and ecology. Crosshatch began because co-founders Brad and Amanda Kik believe that the arts and ecology are intertwined and essential to enriching community. Crosshatch will partner with May Erlewine to operate an intimate 150-person performing arts space in the building, which will also be used for community events and education.

TABLE HEALTH (HEALTH AND WELLNESS) WWW.TABLEHEALTHTC.COM

Owned/Operated by: Christa Kiessel, Jill Butryn

Table Health provides health care delivery based on community connection, personal responsibility for health, a welcoming environment, an affordable & transparent direct pay system, and a spirit of trust and collaboration. Its team includes a chef, local farmers & businesses, movement & meditation specialists who partner with our physicians, behavioral health specialists, clinical pharmacist, nutrition experts, body work therapists, occupational therapists and health coaches. At Commongrounds, Table Health will provide onsite wellness, lifestyle and health services.

416 E. EIGHTH ST. OWNERSHIP CHART



COMMONGROUNDS LEADERSHIP AND STAFF

NAME	ROLE	WEBSITE/CONTACT
FUTURE COMMONGROUNDS BOARD (Anticipated Beginning January 2020)		
Bob Otwell	Rachel Johnson	Sarah Lucas
Nick Viox	Attia Quareshi	
COMMONGROUNDS TENANT ADVISORY BOARD (Serving as Interim Board until October)		
Chris Treter	<i>Director, Higher Grounds Trading Company</i>	www.highergroundstrading.com
Kate Redman	<i>Director, Commonplace</i>	www.commonplacework.org
Richard Anderson	<i>Director, Iron Fish Distillery</i>	https://www.linkedin.com/in/richard-anderson-57b4705/
PROJECT MANAGEMENT		
Kate Redman	<i>Project Director</i>	www.commongrounds.coop
Megan Olds	<i>Operations Advisor</i>	www.parallelmi.com
BUILDING DESIGN + CONSTRUCTION		
Ray Kendra	<i>Architect (Environment Architects)</i>	www.env-arch.com
Hallmark	<i>Construction Management</i>	www.hallmarktc.com
Ed Bailey	<i>Construction Management Advisor</i>	www.linkedin.com/in/windridgeconsulting/
Nan Perez	<i>Construction Owner Representative + Real Estate Agent</i>	www.linkedin.com/in/nan-perez-pe-leed-ap-02288011
Ed Bailey	<i>Construction Management Advisor</i>	www.linkedin.com/in/windridgeconsulting/
Elise Crafts	<i>Zoning + Communications</i>	www.statecraftmi.com
COMMUNICATIONS + ENGAGEMENT		
Timber Digital	<i>Communications and Engagement</i>	www.linkedin.com/in/joey-difranco-04987614/
FINANCING + INVESTMENT		
Sakura Takano	<i>Financing Lead</i>	https://www.linkedin.com/in/sakura-takano-3b005326
LEGAL + ACCOUNTING		
Jason Wiener, p.c.	<i>Cooperative and Securities Law</i>	http://jrwiener.com/
Sondee, Racine & Doren	<i>Real Estate and Construction Law</i>	www.sondeeracine.com
Rehmann, Wegner Group	<i>Accounting</i>	www.wegnercpas.com
Shannon Sidey	<i>Bookkeeping/Logistics</i>	www.currentconsultingtc.com
COMMONGROUNDS LLC CO-OWNERS (LAND INVESTORS + ADVISORS)		
Jim Olson	Judy Bosma	Claudia & Mike Delp
Kathy Dally	David Koss	Bob & Laura Otwell

BUILDING TIMELINE HIGHLIGHTS

2017

- Chris Treter (Higher Grounds) + Joe Sarafa developed “Phase I” and “Phase II” plan
- Phase 1 + Phase II approved for brownfield funding by county and city
- Hired Ray Kendra as architect

2018

- Commongrounds Cooperative forms to purchase and develop Phase I
- Cooperative raises \$550k and purchases property in August 2018
- Tenant-partners commit
- Community “early bird” ownership drive gaining 450+ community owners
- Hallmark Construction hired as Construction Manager

2019 To-Date

- Investment crowdfunding drive to raise equity from community (\$850k from 130+ people)
- Zoning and site plan approval
- 90% Building design and engineering complete
- Preliminary bids based on 50% and 90% completed plans
- Developing financing sources, including: bank financing, grants, PACE assessments

Fall/Winter 2019-Spring 2020 Priorities

- Obtain remaining equity through sale of residential and office units
- Complete financing approval process, including bank and MEDC approval
- Hire CEO and establish broader board to build strong foundation for long-term financial and governance stability of organization
- Develop additional community partnerships for activities in the building
- Engage community, owners, and investors in building progress and planning

SECTION 2: ABOUT THE COOPERATIVE

WHAT IS A REAL ESTATE COOPERATIVE?

Cooperatives are a unique form of legal and tax structure that are owned by the people who use them, and operate at cost. That means cooperative “profit” is either reinvested in the property or returned to the community and tenant owners. Examples of similar models are in [Detroit](#), [New York](#), [California](#), [Colorado](#), and [Minnesota](#). Over half of housing in New York City is provided through cooperative ownership.

Real estate cooperatives can have different structures, but Commongrounds will have at least two classes of ownership (community owners and tenant owners) who will elect our board:



WHO MAKES DECISIONS?

Like other corporations, the Board retains most of the power to run the organization and make decisions, subject to authority it delegates to staff with oversight.

DECISIONS APPROVED BY:	Co-op Board	Tenant Owners	Community Owners	Community Owner - Investors
Adopt and amend articles of incorporation and bylaws	Yes	Only changes affecting tenant owners	Adopt bylaws & changes affecting class	No
Adopt mission/vision/values	Yes	Yes	Input only	No
Vote to elect Board of Directors	N/A	One director from each (hold majority)	Elect 2 directors	N/A
Annual budget and workplan; including patronage returns	Yes	Input only	Input only	No
Day-to-day cooperative management	Yes	Input only	Input only	N/A
Approve new tenants and transfer of tenant owner shares and lease to new tenant	Yes	Yes	Input only	No
Approve debt or refinance; pursue remedies against tenant-owner	Yes	No	No	No
Transfer of tenant owner share and proprietary lease	Yes	Yes	No	N/A
Determine use of common areas, property maintenance, and conflict resolution	Yes	Input only	No	No
Approve changes to building	Yes	Yes	Input only	No
Changes in community owner investment terms	Yes	No	No	Yes
Sale of building, dissolution, additional capital call from tenant owners; changes to leases	Yes	Yes	No	No

SECTION 3: BY THE NUMBERS (ESTIMATES, MAY CHANGE)**

SUMMARY PRO FORMA

CATEGORY	TOTAL
PROJECT COSTS	
Land Acquisition	\$1,000,000
<i>Includes: land acquisition.</i>	
Direct Hard Costs	\$11,620,597
<i>Based on 90% completed drawings and preliminary bids. Includes 6.5% contingency, construction management, full residential build out, underground parking, white box office and commercial space with some tenant improvements included.</i>	
Soft Costs	\$1,993,385
<i>Includes: Construction loan interest and fees, permits, architectural, engineering, environmental, project management and development, communications, legal/accounting, reserve, insurance.</i>	
Total Project Costs	\$14,613,982
SOURCES OF FUNDS	
Equity	
Community Investment Equity	\$1,380,000
Tenant-Owner Equity	\$1,366,590
Equity Subtotal	\$2,746,590
Loans	
Primary Loan (6.5%, 30-year term) + Secondary Mezzanine Loan (7%)	\$7,887,392
Other Sources (Grant, Special Assessment)	
Pace Assessment Financing (5.9%, 25-year term)	\$1,500,000
MEDC Grant Money (tentative) + Brownfield Direct Payment	\$2,480,000
Loans/Other Sources Subtotal	\$11,867,392
Total Sources of Funds	\$14,613,982
REVENUE AND EXPENSES	
Revenue	
Total Commercial Rental/Mortgage Income	\$368,605
<i>~\$18.50/sf mortgage for white box space; \$4.50/sf projected CAM</i>	
Other Commercial Income	\$330,660
<i>Community owner membership fees, events, parking and storage rental, sponsorships</i>	
Total Residential Income	\$488,388
<i>Rental of 7 market rate units, 16 below-market units, 4 guest and retreat space units</i>	
Brownfield TIF Reimbursement	\$100,000
<i>Estimated, will be based on actual taxes</i>	
Total Revenue	\$1,287,653

Expenses

*Assumes Net Commercial Owner-Leases. Leaseholders pay property taxes, insurance, utilities.

Total Management Staff Compensation + Fringes	\$200,000
Maintenance & Repairs	\$40,000
Marketing	\$12,500
Utilities	\$12,620
Property Taxes (PACE Separate Item Below)	\$70,988
Insurance	\$6,606
Legal and Accounting	\$13,500
General and Administrative Costs	\$22,500
Security Expenses	\$6,000
Landscaping/Snow Removal Expenses	\$7,500
Elevator Maintenance	\$7,000
Commongrounds Mortgage and CAM	\$33,156
Operations Reserve (6.5%)	\$28,104
Community Benefit (2%)	\$16,427
PACE Special Assessment	\$76,355
Total Expenses	\$553,256

Returns

Private Equity Preferred Return	\$12,188
Community Owner Return	\$58,100
Replacement Reserve	\$25,000
Equity Buyout Return Reserve	\$50,000
Reserves/Returns Total	\$145,288

SUMMARY

Projected Net Operating Income	\$734,397
Projected Annual Debt Service	\$604,407
DSCR	1.22