

OVERVIEW: Impact Real Estate Projects

Kachuwa Impact Fund is an investment cooperative based in Colorado. For more background, please see our website at www.kachuwaimpactfund.com.

For impact real estate projects, we first check for alignment with one or more of Kachuwa's impact themes, which are shown below. We prioritize investment opportunities that align with 2-3+ of our impact themes.

- 1) Environmental conservation and stewardship
- 2) Renewable energy and energy efficiency
- 3) B-Corp, LEED, organic, and/or fair trade certification
- 4) Majority ownership and/or leadership by women or BIPOC
- 5) Employee ownership
- 6) Cooperatives
- 7) Democratic workplaces
- 8) Sustainable agriculture, forestry, and land use
- 9) Social justice
- 10) Community wealth building

Next, assuming that there's good impact theme alignment, here's an overview of how our impact real estate projects typically work:

- 1) An impact venture identifies a property that they'd like to purchase and occupy.
- 2) Kachuwa and the impact venture co-create an LLC that would purchase, own, and manage the property.
- 3) The impact venture becomes the primary tenant of the property and signs a long-term, "[triple net](#)" lease with the new LLC. The lease provides flexibility for the impact venture to sub-lease a portion of the property to sub-tenants if/as it sees fit.
- 4) Kachuwa becomes the majority owner of the LLC and invests up to 100% of the required equity for the property purchase, renovations to meet the impact venture's needs, green improvements, etc. with the debt portion of the financing ideally coming from a mission-aligned mortgage lender.
- 5) The impact venture earns a minority equity stake in the LLC over time by earning "sweat equity" via co-managing the property, co-managing the LLC, doing bookkeeping for the LLC, handling the LLC's bills and bank account, being the first line of defense for maintenance issues, etc. If it chooses, the impact venture (and/or its stakeholders) can invest upfront capital alongside Kachuwa if it wants to share ownership at the project's onset or to increase its minority ownership stake above and beyond what it otherwise would be via "sweat equity" alone, but this is completely optional. Kachuwa is happy to – and typically does – invest 100% of the required capital for a project.
- 6) Kachuwa is a "buy-and-hold" investment cooperative, so the LLC can own the property for as long as the impact venture wants to occupy it (i.e. Kachuwa has no expectation, timeline, or need for selling it).
- 7) Kachuwa would need to be the LLC's majority owner until the property is sold to an unrelated third-party.
- 8) Kachuwa's goal is to support the impact venture's long-term ability to pursue its mission, and our cooperative has flexibility for how to structure the project to meet the impact venture's needs. For example, some of our impact tenants prioritize keeping their rent as low as possible, while others prioritize long-term ownership of the building. We can tweak the project's variables to accommodate whatever is most important to the impact venture. The one common theme is that each of our impact tenants wants to "gain more control of their real estate destiny," so to speak, and to mitigate the risk of continuously rising market lease rates and the overall future uncertainty that often go along with renting space from a conventional landlord.

Ultimately, we consider our Kachuwa's shared ownership real estate model to be a good "Plan B" for impact ventures, and we always recommend that they first pursue a "Plan A" whereby the impact venture aims to raise the required capital from its stakeholders, supporters, investors, and/or lenders in order to purchase the real estate on its own. Unfortunately, Kachuwa is unable to provide loans or minority equity investments for real estate projects, and we understand that our shared ownership real estate model may not be a good fit for many impact ventures.