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Chesler's fund combines lending with developer's love of history

By Stan Bullard



Photo by CONTRIBUTED PHOTO The United Food Hub in Maine is funded by Michael Chesler's MainStreet America fund. Michael Chesler, the real estate developer and investor whose devotion to old buildings has led to historic restoration projects from old mansions on Prospect Avenue to the geodesic dome at the ASM International headquarters in Russell, has found an unexpected way to go national.

Operating the MainStreet America fund, launched in late 2014, puts Chesler in the role of lender and means he's looking at real estate developments that take him from the country's coasts to Springfield, Mo., and New Orleans.

The fund is designed to provide funding for adaptive historic restoration projects for properties over 50 years of age that are eligible for federal historic tax credits. Chesler is looking at projects that may cost as much as \$15 million to develop in terms of historic project costs.

While an eligible project may produce a tax credit of as much as \$1.5 million — too small for many banks to consider — Chesler said he goes well below that for something that stirs his property passion.

That explains how MainStreet America got involved in the first project it has funded and seen concluded: a two-room school house dating from 1898 — at 69 School St., no less — in rural Unity, Maine. The developer is the Mainland Farm Trust, which is devoted to supporting farmers and advancing farming as it preserves farmland.

In a \$1.2 million project, the school house was repurposed to serve as the Unity Food Hub, which allows farmers from the surrounding area to bring their wares to a central location for resale to restaurants. It also makes possible other food purchases up and down the eastern seaboard.

“When I heard about what they were going to do, I had to see it,” Chesler said. “I’m all about the buildings and less about the program.” Few lenders would travel to the site to size up such a small deal. Chesler hired a private plane to get to Unity in a timely fashion.

The fund also has closed a \$3 million investment into The Hive, a 30-suite apartment building with retail on the first floor in a resurgent neighborhood of Rochester, N.Y. The developer for that \$10 million renovation project is Rochester-based Dan Morgenstern. Chesler's fund also is looking at two hotel deals — one in Durham, N.C., the other in Syracuse, N.Y.

Chesler and Daniel Budish, a vice president of Chesler Group who formerly worked for the city of Cleveland's economic development department, launched the fund as a joint venture with a Cleveland-based, publicly traded company he refuses to identify.



Photo by CONTRIBUTED PHOTO Michael Chesler, a Northeast Ohio real estate developer, is finding out what life is like on the funder's side of the table.

Unlike typical investment fund operators, Chesler swears he will not seek other investors. “It’s an honor for us to work with this powerful, well-to-do organization,” he said of his equity partner. The public company puts up the money, Chesler finds the deals, and he and Budish underwrite them. Limiting his role to prospective banker has challenges for Chesler, who, like most developers, has strong opinions about how things should be done. “I’ve almost bit my tongue in half multiple times,” Chesler said, because his sense of the right thing to do design-wise or planning-wise in a project was not in the applicant's plan. He also has been surprised by developers who don't want to follow the fund's rules, such as providing evaluations of environmental concerns. Chesler said the flying is not a problem, but the experience has shown him how many valuable potential historic projects are out there seeking funding. It also hasn't kept Chesler Group from

pursuing its own deals.

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