CASTLEMAINE COMMUNITY CO-OPERATIVE EST. 2023

Castlemaine Community Investment Co-operative

Local resources owned by local community

Find the full disclosure document on our website
https://castlemaine.coop/hub-disclosure

Help us buy ‘The Hub’

WHAT IS A COMMUNITY INVESTMENT CO-OPERATIVE?

The Castlemaine Community Investment Co-operative (the Co-operative) is a not for profit, registered, co-operative whose members are working together to purchase and manage local properties, taking them out of the speculative real estate market, to make them community owned for good.

This will keep investment wealth in our town and build a vibrant, democratic, and resilient future for our community.

Our mission is to provide opportunities for local people to invest in community real estate assets to:

- tackle the economic inequality being generated by outside real estate investment and profit extraction, and
- ensure our valuable community assets continue to support things we value, for example, locally owned services and action on the climate crisis.

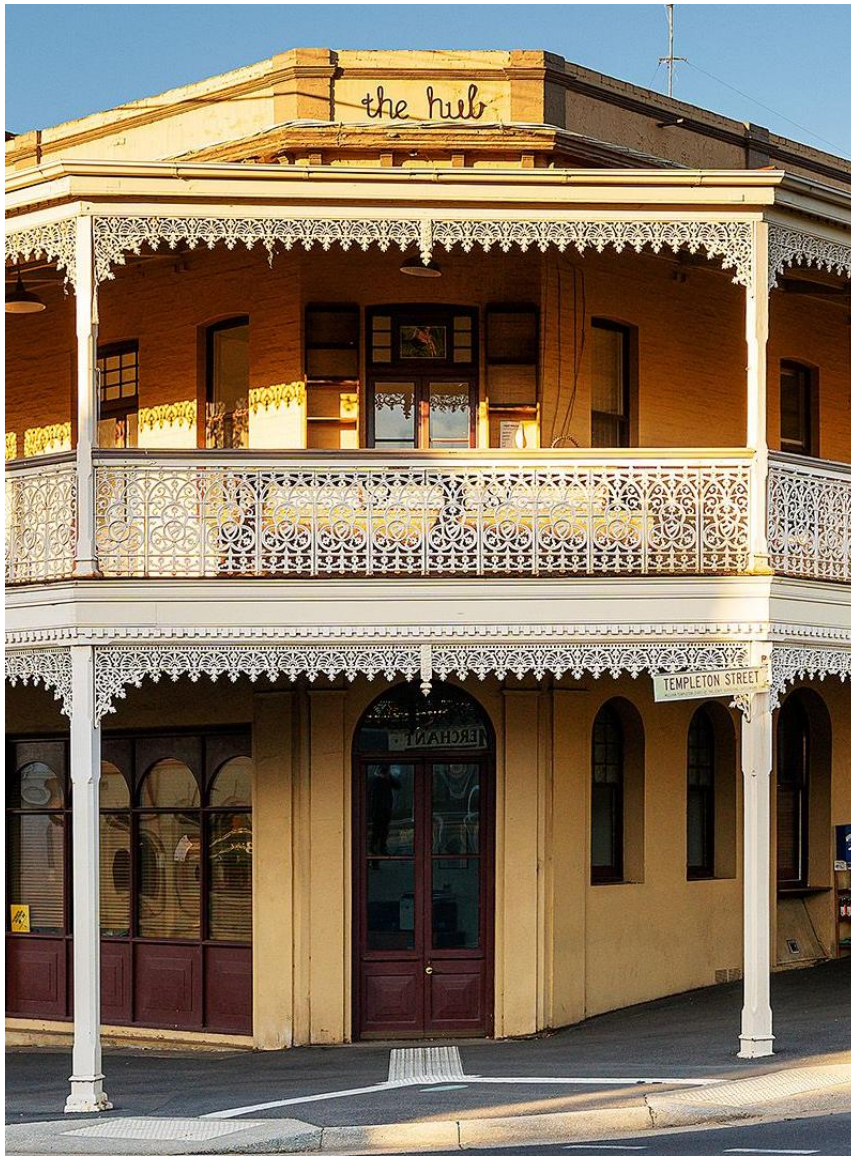
Our vision is for the community to collectively control its real estate assets.

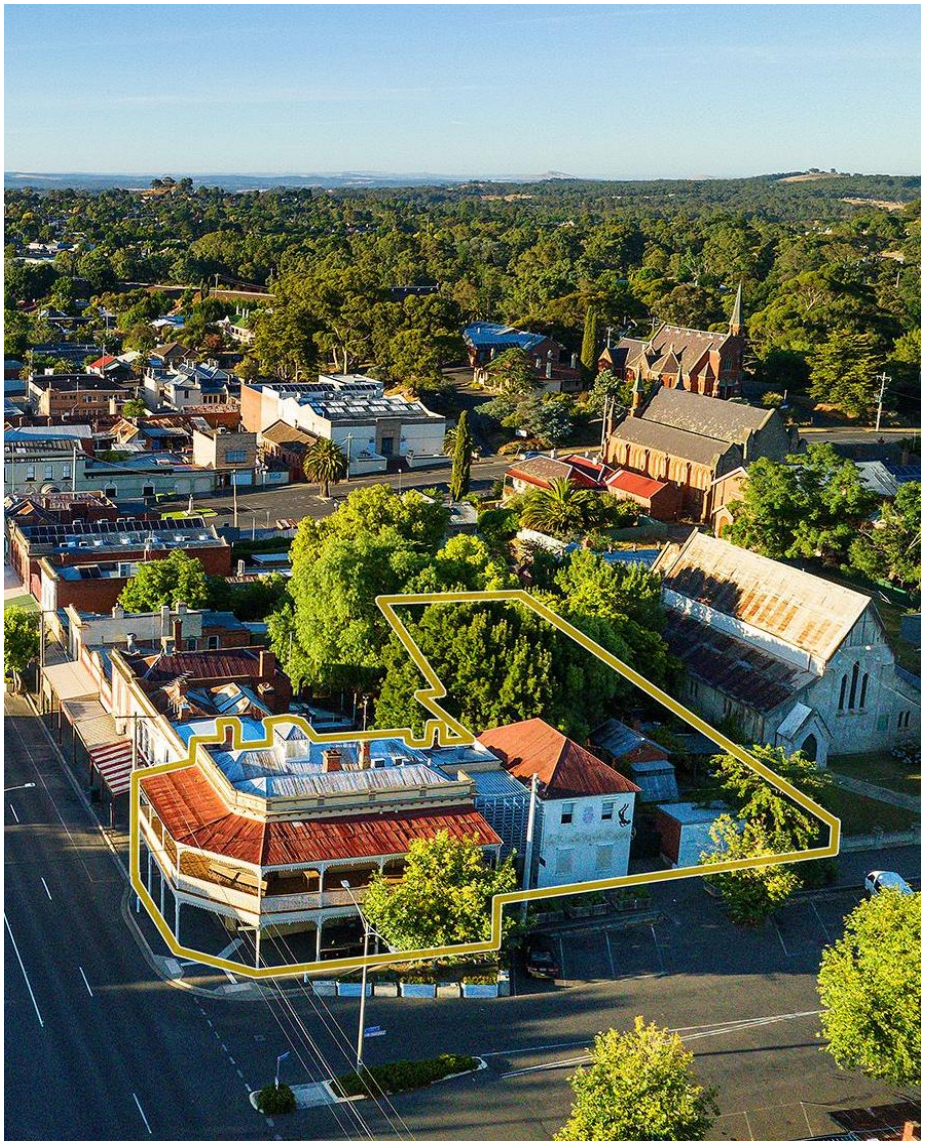
Our success will mean more money staying in the community, more support for the businesses and organisations we know and love, and greater opportunity for locals to shape our town's development and future.

Our Co-operative will focus on investments that generate enough revenue to provide a modest return for investors, with any additional surplus used to either pay debentures off or invest in other community ventures of social value.

Other communities have successfully co-operatively purchased: hotels, shopping centres, cultural centres, housing, wind farms, hardware stores, even juice bars!

The first investment we are considering is purchase of 'The Hub'.





THE OPPORTUNITY

The first investment the Co-operative is considering is purchase of The Hub, the historical building on the corner of Barker and Templeton Streets in Castlemaine.

The Hub is an iconic building that many people use and benefit from. It has 19 office spaces, a meeting room, a kitchen, café, and a community garden. It is tenanted by environmental and sustainability organisations and small businesses often missing in rural towns

The building has been substantially renovated to include sustainability features including water efficiency, energy saving, renewable energy, and recycled features. Building and pest inspection reports have shown the building is in good condition.

We plan that eventually the Hub will be owned outright by the Co-operative, but we need members' help to get there. The Co-operative will borrow money from members for the initial purchase. Member-investors who support the purchase can choose an interest payment between 0% and 4% p.a. on funding they contribute for a 5, 10 or 15 year term. At the end of this term, their original amount will be paid back.

All members, regardless of investment will get a vote on:

- the future of the Hub, and
- investment of any additional surplus generated by the Hub.

Arrangements with existing tenants will be maintained and they will remain independent of the Co-operative.

We do not want this precious community asset to fall into the hands of a commercial or outside investor. We want it to be community owned for good.

We invite everyone in our community **to view the offer disclosure statement, seek financial advice**, and join us.

WHY INVEST IN THE HUB

We want to invest in the Hub because:

- **It is an important asset to our community that generates community benefits.** The Hub was established in 2006 by Heather and Neil Barrett to help tackle climate change locally. It contributes to the community through its' environmental and sustainability organisations, small businesses, café, and community garden.

  The Co-operative has also partnered with the Hub Foundation – a charity run out of the Hub (and member group of Friends of the Earth), that funds grassroots action and local projects to tackle climate change. Examples include the community bulk-buy of solar panels (the popular MASH solar) and the YIMBY community composting project.

- **It is a functional operating business and has been for over a decade**. This allows us to confidently design the investment. Our draft budget was prepared using existing information about occupancy rates, rents, and expenses. We are also confident we understand the contingencies we have built in for repairs, etc (see our modelling in Section 6 of the *Business case* on our website).

- **It is in an excellent location**: It is close to the centre of town, walkable to other locations and the train station.

- **There is a real risk of losing the existing community benefits of the Hub**. It is possible that a commercial developer could purchase it and remodel it for a different business purpose, or raise rents to cover commercial property management costs, and/or develop property on the community garden site.

Even small investments will help.

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WHY A CO-OPERATIVE

Co-operatives are community-centred enterprises owned, controlled and run by and for their members, to benefit members, while building a better world. They are democratic and ownership and control is shared equally amongst members.

Community Co-operatives have been formed for activities as broad as:

- **giving a community better buying power** (e.g. the Co-Power Energy Co-operative, Hepburn Energy),
- **stopping the loss of important community services** (e.g. the Royal Hotel Co-operative Sea Lake), or
- **removing real estate from the speculative market to create community assets and affordable homes** (e.g the East Bay Permanent Real Estate Co-operative (U.S.)
- **renting space to commercial tenants to generate funds for the community** (e.g. the Barossa Co-operative Australia's largest and longest standing retail co-operative. It started in 1944 and now owns an agglomeration of nine retail businesses in and around a regional shopping centre).

What all co-operatives have in common is they are a type of business driven by values, not just profit.

They allow people to take control of their community's economic future, and the economic and social benefits of their activity stay in the communities where they are established.

Depending on the type of co-operative, surpluses generated are either reinvested in the enterprise and/or returned to the members.

At the time of writing, our Castlemaine Community Investment Co-operative is 175 members strong.

HOW MUCH CAN I INVEST

The Co-operative plans to raise capital by offering debentures. Debentures are a debt instrument which pay a fixed rate interest to members. This is in accordance with the Co-operative's non-profit status. In addition, members who purchase debentures to fund the Co-operative's projects have an incentive to ensure a stable and sustainable business but no incentive to further maximise profit extraction.

Only members of the Co-operative may subscribe for the debentures.

Minimum investment is $500, maximum is $500,000.

Members who purchase debentures will:

- Ensure the future sustainability and impact of the Hub in the community.
- Be paid interest on their debenture each year. Members can choose 0%, 1%, 2%, 3% or 4% per annum.
- Have their initial investment amount repaid at the end of the term. Members can choose a 5, 10, or 15 year term. There are target allocations for the shortest and longest terms, to ensure the Co-operative can meet expected repayment obligations.

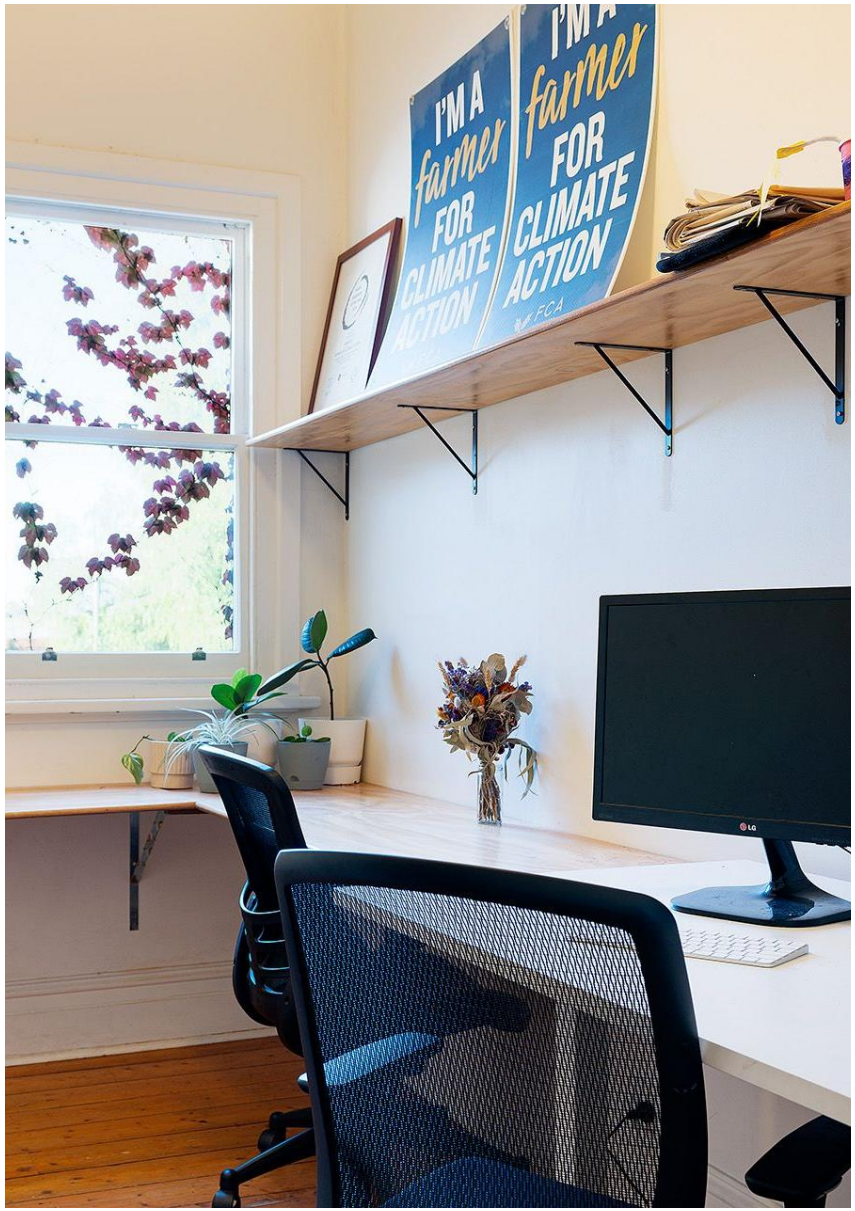
The financial modelling used to determine our debentures can be seen in section 6 of our *Business Plan* on our website.

The funds invested will cover purchase costs and the costs of management of the Hub (including insurance, maintenance, etc).

Over time, surpluses additional to interest will be used to:

- Maintain a reserve for future maintenance
- Build a reserve for paying out members post expiry of debenture
- Build funds for future community investments of social value.

The details of the investment are provided in our disclosure statement on our website. Please read it, seek financial advice, and join us.



FAQs AND RISKS

Q: Do I have to live in Castlemaine to invest? No

Q: Can institutions invest? Yes

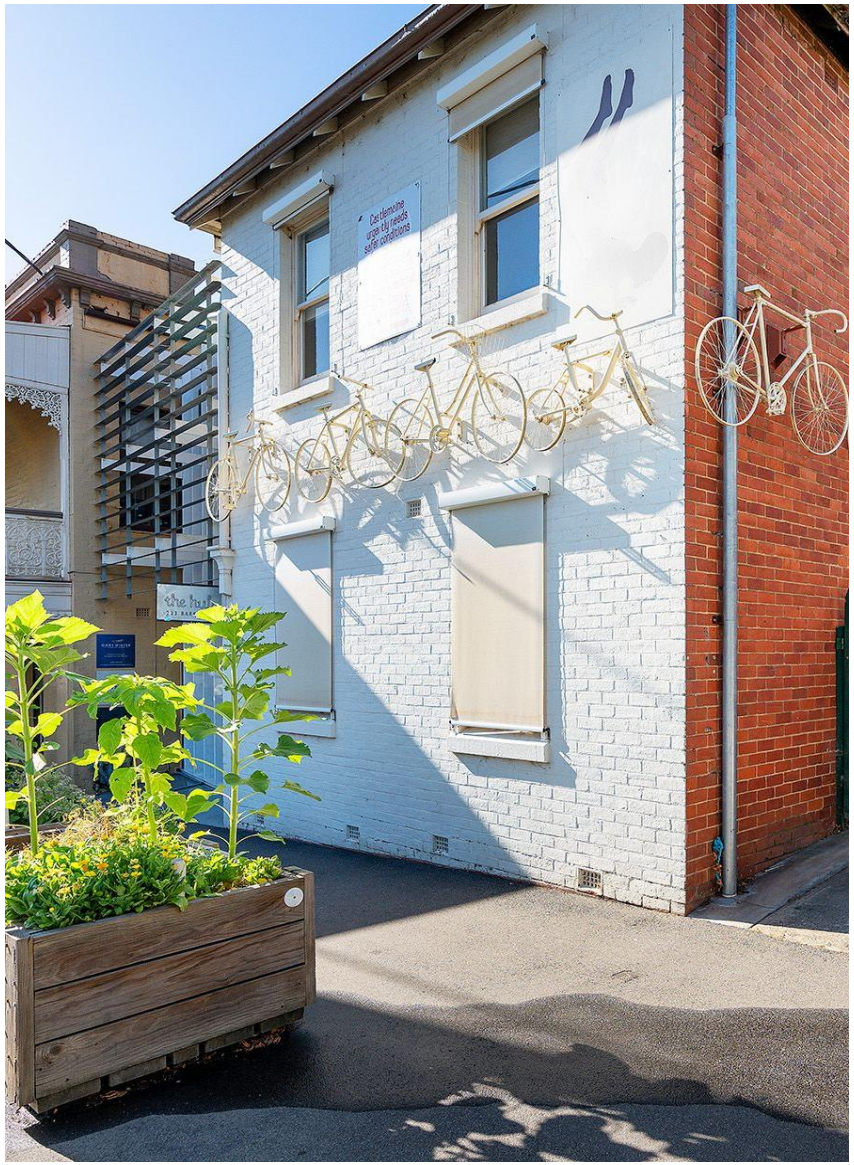
Q: What if I want to cash my debenture early? Investments will be paid out when the debenture expires (as chosen by each investor). This is a risk that should be considered when seeking financial advice.

Q: What about capital gain? The capital gain on the building belongs to the Co-operative to be reinvested in the community.

Q: What are the risks? The three biggest identified risks are:

- **Unexpected building repairs**. To mitigate this we have undertaken an independent building report and our budget includes contingency for maintenance exceeding the historical average maintenance costs provided by the current owners.
- **Sustained vacancies**. The current owners have provided historical information about occupancy rates of the offices, which have been high. Our conservative cashflow and repayment projection is based on a sustained lower occupancy rate than the historical average. The Co-operative will set aside funds to cover temporary periods with higher vacancies.
- **An inability to raise new investments when debentures expire**. Our first debentures will come to term in 5 years at which time we will run a new capital raise. We have structured the debentures so they will not all expire at the same time.

Q: What would happen to the building if the Co-operative had to sell or folded? We could sell the building in order to pay back debenture holders. In the worst-case scenario, the sale might not cover all of the money due and the Co-operative would be forced to wind up as insolvent.



What happens if the Co-operative cannot raise the initial investments to buy the building? All deposits paid by members who applied for debentures will be refunded and the fundraising will be cancelled. After this the Co-operative will seek another investment.

Q How will the Co-operative ensure it has funds to pay back debenture holders when their term expires? We anticipate that each time a debenture is paid back the Co-operative will increase its ownership of the Hub, until it owns it outright. As each Debenture term comes due, the Co-operative will pay back Debenture holders in retained cash where possible and make new Debenture offers to members in order to cover the remainder.

Q What stops the Co-operative from making bad business decisions about the Hub? The *Disclosure Statement* on our website sets out the limitations of what the capital raised for the Hub can be used for. As a democratic organisation, members vote and make decisions about the future of the Co-operative. Any substantial change to the proposed Business Plan and management of the Hub would need to be approved at a meeting by a majority vote of both the Co-operative members and the Debenture holder members, independently.

Q Is a volunteer community organisation capable of running something like the Hub, and meeting tenants' needs? Yes. We will keep the day-to-day management contracted to a professional property manager as is the current arrangement.

The details of the investment are provided in our disclosure statement on our website. Please read it, seek financial advice, and join us.

HOW DO I INVEST?

1. Become a member at https://castlemaine.coop/join

2. Read the disclosure statement and seek financial advice regarding your situation. https://castlemaine.coop/hub-disclosure

3. Apply for debentures by returning the form attached to the Disclosure Statement, or online https://castlemaine.coop/hub-apply.

4. If your application is accepted, you'll be asked to pay a 10% deposit.

5. If the fundraising is successful, you'll be asked to pay the remaining 90% within 60 days. If it is not successful, all 10% deposits will be returned.

See the disclosure statement for full details. If the fundraising is not successful then all debenture payments will be returned in full.

TIMELINE

Our capital raise for the debentures will begin on June 2nd.

It will close on June 29th 2025, unless the target is met earlier.

JOIN US!!

Would you like to stay in touch and receive updates? Join at https://castlemaine.coop/join to receive email updates.

The photos in this document are from the 2023 Cantwell Property listing for the Hub.

This is a summary document only. The details of the investment are provided in our disclosure statement on our website. Please read it, seek financial advice, and join us. https://castlemaine.coop/hub-disclosure

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