

Remembering the Unsinkable Jon Hempel

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When Josh Krsnak met the late Jon Hempel, he had some modest hopes of owning a duplex. Little did he know that Hempel would draw him into a real estate investment empire with \$750 million in completed transactions to its credit.

“He was never timid or fearful of anything. He’d take on the biggest challenges, the biggest deals, and say ‘I don’t know how it’s going to work out, but for some reason I think it will,’” said Krsnak, who is now CEO of the company Hempel founded, Minneapolis-based Hempel Cos. “And it did.”

Hempel died April 5 at the age of 47 after battling brain cancer for three years, according to his family. He leaves behind his wife, Heidi Harrington Hempel, two sons and a seven-month-old baby girl.

He also leaves behind a lengthy and distinguished resume. In addition to founding Hempel Cos., before he turned 44 he had four other ventures under his belt, including a construction business, a title company, a Century 21 real estate franchise and NorthStar Midstream, which specializes in the transportation of oil and natural gas.

Keith Jonathan Hempel II grew up in Elk River, a town of about 22,000 that sits on the banks of the Mississippi River about 30 miles northwest of Minneapolis. Dave Bleyhl, who taught Hempel economics and government at Elk River High, described him as a quiet but driven student.

“He was very hard-working,” Bleyhl said on Thursday.

Hempel moved to the Twin Cities in the late 1980s for college, graduating from St. Paul’s Hamline University in 1993 with a degree in economics.

He started his career at the Minneapolis architecture firm, The Cuningham Group, where he played a key role in forming Cuningham’s construction practice. From there he moved on to a project management position at the Minneapolis-based tenant representation firm Nelson Tietz & Hoyer (NTH).

In 2001, he left to start Hempel Cos. It was a big risk to take, said Tina Hoyer, president and principal at NTH.

“We really admired what he did,” Hoyer said on Wednesday. “He really persevered and I think he was creative and diligent to get through that.”

Krsnak was 22 when he met Hempel at a real estate licensing class in 2002. At the time, Hempel Cos. consisted of just Hempel himself, then just 30 years old, and a single accountant who worked four hours a month.

It was a shoestring operation, but Hempel had big plans, which he outlined over a series of breakfast meetings with Krsnak. The idea was to put investors together to buy ailing buildings, renovate them, and then resell them at a tidy profit.

“It was pretty easy to start drinking that Kool-Aid. He was a huge optimist,” Krsnak said. “No matter how bleak it seemed, for Jon the glass was never half full. It was up to the top all the time.”

Swayed by Hempel's conviction, Krsnak joined Hempel Cos. as the company's first full-time employee that July, on the promise of earning 20 percent of the company's profits rather than a set salary.

The following year was "a little rough" Krsnak said with typical Minnesotan understatement. His 20 percent cut ended up being \$8,000. To make ends meet he ended up renting out all three bedrooms of his townhome while he himself slept in a janitorial closet at a small office building the company owned in Plymouth. Nevertheless, Krsnak never lost faith, largely thanks to Hempel's unshakeable poise and confidence.

"He was very smart, very measured, very calm. You could never rattle him," Krsnak said. "I never once heard him raise his voice or get visibly angry. He always carried himself so well."

Their luck changed when they landed a deal representing a 1031 exchange buyer, which netted them just enough to put earnest money down on new projects.

By 2006, the company was on the ascent, getting notice for its ambitious building projects and high dollar deals. One of Hempel Cos.' early successes was the redevelopment of the Midland Bank Building in downtown Minneapolis, which it transformed into the 222-room Hotel Minneapolis in 2007.

The firm has also owned – and sold – an array of large properties in the Twin Cities' core business districts, including St. Paul's UBS Plaza and Minneapolis' Soo Line building, Canadian Pacific Plaza, and Rand Tower.

In 2013, Hempel embarked on a new venture – NorthStar Midstream – and turned operations of Hempel Cos. over to Krsnak, who had already begun the process of buying him out. Though it has been years since Hempel had direct control of his pseudonymous company, his bold approach is still very much a part of its investment philosophy. Most recently, the company finished a \$71 million renovation of the former Macy's department store in St. Paul, turning the aging building into an office and retail complex topped with an ice rink used by the Minnesota Wild hockey team as a practice facility.

"Jon taught me that you have to think bigger," Krsnak said. "You can't get stuck on a duplex, because one little transaction takes as much work as a big one."

A memorial service for Hempel is scheduled for 1 p.m. on Wednesday, April 18, at Mount Olivet Church in Minneapolis.