Written by Steve Ostermann
Wednesday, 27 January 2010 19:29

Village gives developer additional time to secure financing, commercial tenant

Officials are finalizing redevelopment plans for the Grafton Hotel, a much-discussed downtown revitalization project scheduled to move into the bricks-and-mortar stage this summer.

The village's Community Development Authority is expected this week to approve an amended development agreement that would give Mueller Hotel LLC additional time to restore and convert the vacant building at 1312 Wisconsin Ave. into a multiuse structure housing 18 apartments and a commercial tenant.

"There is huge potential here. It's a keystone building in Grafton's downtown redevelopment plans," said Paul Rushing, who is overseeing the project with Mueller Hotel partner Jim Reed.

"Moreover, it's a historic building with a lot of character."

The CDA owns the 10,272-square-foot building but has an accepted offer to sell it to Mueller Hotel.

Rushing and Reed have received village approval to restore the interior and exterior of the three-story building and construct a 7,100-square-foot addition to its south end. The Plan Commission has recommended rezoning the property from central business district to planned unit development to accommodate the project.

Exterior work, Rushing said, is designed to restore the original appearance of the building, which was constructed in 1892. Included will be the reconstruction of a turret over the original front entrance on the north side.

The addition would be built using renaissance stone and cream-colored brick as an extension of the original structure.

“It’s a great building that’s in great shape structurally,” Rushing said. “The biggest challenge will probably be cleaning the paint off the original brick and stone and restoring them.”

The Grafton Hotel, which was known as the Hotel Mueller in its early days, has a long history as a popular dining and lodging establishment but has been vacant for several years and continued to deteriorate. Although developer Rob Ruvin bought the building in 2006 with the intention of restoring it, he was unable to complete those plans or attract tenants.

Concerned about the building’s future, the CDA agreed last year to buy the property for $425,000 from Grafton Hotel Development, a firm headed by Ruvin. Plans now call for the CDA to resell the building to Mueller Hotel for $425,000 as part of a development agreement.

Under terms of the deal, Mueller Hotel will receive a $360,000 development incentive from the village. In return, the firm must finish renovation and expansion plans that guarantee a property value of $1.6 million by Jan. 1, 2011.

Based on village assessments, the property is currently valued at $495,435.

The amended agreement requires Mueller Hotel to substantially complete all exterior building changes by the end of 2010 and all interior modifications by June 1, 2011. The firm must secure an occupancy permit for residential and commercial tenants by June 1, 2011.

Redevelopment plans call for the building to house a commercial tenant and

seven apartments on the first floor, which has traditionally been used for a restaurant.

The second and third floors of the existing building and addition would house the rest of the apartments, most of which would be two-story units. A parking lot with 37 vehicle spaces is proposed on the south side of the addition.

The plans include the possible use of “green” elements such as geothermal heating and cooling and solar power in the building.

Rushing said his firm is continuing to work on securing financing for the project and negotiating with a commercial tenant. He said he is hopeful both deals will be finalized in the near future.

“It’s a difficult challenge, particularly in this economic climate,” Rushing said.

In addition to its historic significance, the Grafton Hotel is a major focal point in the village’s downtown redevelopment plans because it adjoins the Paramount Plaza, a centerpiece for social gathering.

“It’s a very exciting project,” Village Administrator Darrell Hofland said of the hotel plans.

“The CDA has worked hard to find a purchaser of this property that would undertake a renovation, and the developers have been sensitive to the CDA’s expressed desire to have continued commercial use on the first floor.”

Village officials have also recognized the redevelopment challenges faced by Mueller Hotel, Hofland added.

“With the downturn in the economy the last few years, it’s been especially difficult to find a firm to take on this project,” he said. “The CDA is doing everything it can to work with them to make it a reality.”

MUELLER HOTEL LLC, a development firm, has received village approval to restore and expand the vacant Grafton Hotel and is trying to finalize financing for the project. Plans call for the 19th-century building to be converted and expanded

into a multiuse structure that will house 18 apartments and a commercial tenant. Photo by Sam Arendt