

Smith Bros. building to be auctioned at sheriff's sale

Written by KRISTYN HALBIG ZIEHM
Wednesday, 10 July 2013 17:56

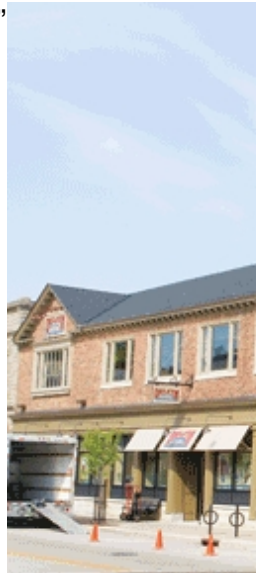
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Foreclosure puts Port landmark on the block but tenants aren't worried

The Smith Bros. Marketplace building in downtown Port Washington — home to Duluth Trading Co. and Franklin Energy — will be sold at a sheriff's sale on Aug. 12.

Representatives of both tenants said Tuesday they were unaware of the pending sale, but noted they have long-term leases in place and do not expect it to negatively affect their businesses.

Stephanie Pugliese, president of Duluth Trading Co., said, "We are in a long-term lease. We don't feel this will negatively affect our business. We look forward to continuing that lease with the new owner of the building."



Paul Schueller, CEO of Franklin Energy, said when his company negotiated its lease, it was structured so a change in ownership would have little or no effect on the business.

"We really like being downtown," he said. "We want to stay here, and we want to stay here for the long term."

The firm has about five years left on its 7-1/2-year lease, Schueller said.

City officials said they were not surprised by the sale, noting that the Smith Bros. building has been in receivership for some time.

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MIL Acquisition Venture L.P., which was described by City Planner Randy Tetzlaff as a California-based hedge fund, foreclosed on the building.

The firm had purchased the mortgage for the building from M&I Bank for "less than 50 cents on the dollar," Grams said.

Lighthouse Development Co., which bought the building in 2005, tried to renegotiate the mortgage but apparently failed, Grams said.

Several other potential buyers had also expressed interest in the building, but apparently were unable to reach an agreement with MIL Acquisition Venture, he said.

While the Smith Bros. Marketplace building is a local landmark that fronts not only Franklin Street but also the waterfront and anchors the south end of downtown, its value lies beyond the location, Grams said.

"They have two tenants in it," he said. "That's the value of it. It should bring up the value of the property."

The Smith Bros. building has been a cornerstone in downtown since 1924, when Evelyn Smith installed a fryer in a former harness shop and began making the fish sandwiches the restaurant was known for.

In November 1953, a fire destroyed the restaurant, leaving only the market and bar unscathed. The Smith family rebuilt the restaurant.

The building and business were purchased in 1988 by restaurateur Joe DeRosa and in 1997 by the William Goldammer family.

The notice for the sheriff's sale, which is in the legal notices of this week's Ozaukee Press, does not list a minimum price for the building.

Attorney Christopher Schreiber of von Briesen & Roper, S.C., who represents MIL Acquisition Venture, would not reveal whether a minimum bid has been set.

The sale will be held at 1:30 p.m. Monday, Aug. 12, at the Ozaukee County Justice Center.

Schueller said Franklin Energy will consider whether to bid on the building.

"It'll be interesting to see if we could," he said. "I think we would look at it."

Pugliese said, "We really have no plans to do so (buy the building) at the this time."

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Having one of the two tenants buy the Smith Bros. building would be the ideal situation, Tetzlaff said.

“We’d love to have one or the other buy it,” he said. “We look at it as an opportunity for Duluth or Franklin to own their own property. They like each other, and both are strong businesses.”

Grams added, “It would be nice to see local ownership. That’s something you always like to see.”

No matter who buys the building, they are likely to be a good caretaker, Tetzlaff said, especially since they have two strong, quality tenants.

With the foreclosure, the city did lose the remainder of a \$125,000 revolving loan it made to Lighthouse Development two years ago.

The loan was made so the firm could make improvements to accommodate Duluth and Franklin Energy.

“You don’t want to lose any of your loans, but there is something at the end of the rainbow,” Tetzlaff said. “If we hadn’t approved the loan, we wouldn’t have these two strong businesses downtown.”

Grams concurred, saying, “We’ve got two tenants in there, and that’s what we were looking for. Eventually we’ll get our money back through the improvements to the building and increased taxes on it, so in the end we got what we wanted.”

Image Information: THE SMITH BROS. MARKETPLACE building in downtown Port Washington will be sold at a sheriff's auction next month, but officials said its two tenants, Duluth Trading Co. and Franklin Energy, have long-term leases and should not be impacted by the sale.
Press file photo