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Wednesday, 27 October 2010 18:28

Judge approves firm's offer to spend $1.38 million for downtown shopping complex being held in receivership

An Ozaukee County judge has approved the sale of the Grafton Village Center during a hearing on the financially troubled shopping complex.

Judge Paul Malloy ruled Monday that the center, 1206 and 1218 Washington St., can be sold to a prospective buyer.

The J Group LLC, a firm headed by Jeff Prochnow, has made an offer to purchase four commercial units in the center, which includes a 22,000-square-foot building facing Washington Street and a 14,000-square-foot building facing 12th Avenue.

Each building has a mix of retail and office spaces, with the largest building anchored by Grafton Ski & Cyclery.

The center has been held in receivership by Community Bank & Trust of Sheboygan since early this year. According to a purchase agreement approved by Malloy, the J Group has offered to pay $1.38 million for units
currently leased to six tenants — A Nails, Badger Optical, Sweet Trio, Crawford Wine Co., Alterra Coffee and Federal Heath Sign Co.

The unit occupied by Grafton Ski & Cyclery, which is owned by Bill and Sally Pence, is not part of the purchase offer.

Malloy also approved an amended development agreement between the village's Community Development Authority and Grafton Direct LLC, owner of the center. Grafton Direct owes the village more than $500,000 on an outstanding loan, according to court documents.

Village Administrator Darrell Hofland said the new agreement gives the village a $350,000 cash payment to release all future minimum tax guarantees, as well as $57,000 for 2008 and 2009 shortfalls on tax payments and a $2,000 contribution for downtown stormwater controls.

All payments will be made when the sale is finalized, the agreement states.

The court order also gives the receiver the right to accept a higher offer from a prospective buyer other than the J Group.

According to court documents, the settlement was negotiated after the CDA objected to the receiver's motion to sell the center and terminate the amended agreement.

Hofland said the original agreement called for a minimum guaranteed value of $5.6 million for the center, but that amount has been reduced to $4.1 million. In addition, the new agreement reaffirms the village's authority to regulate the public parking lot and reserve spaces for center

tenants, he said.

Court documents state that Community Bank & Trust is owed more than $2.9 million on a mortgage it holds on the center.

Village officials have discussed other possible changes for the center, including the use of second floors in both buildings by residential or commercial tenants. In August, the Plan Commission reviewed a concept plan for the mixed use presented by the J Group.

Most of the second-floor space in each building has been vacant since the center opened in 2006.