

Highland Ridge commercial land to be sold

Written by Steve Ostermann
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Village OKs changes in development agreement to allow owner to sell complex anchored by Pick 'n Save grocery

An amended agreement approved Monday by the Grafton Village Board is expected to pave the way for the owner of the Highland Ridge project to sell commercial property at the south-side redevelopment site.

Village Administrator Darrell Hofland said the board approved a change in a development agreement with E.J. Plesko & Associates, the Madison company overseeing the Highland Ridge project at the former site of the Manchester Mall shopping center.

E.J. Plesko requested the amendment to accommodate the sale of a 61,000-square-foot commercial complex anchored by a Pick 'n Save grocery, Hofland said. The complex, which also has a PostNet store and vacant space for other tenants, was completed in 2009 as the first of two redevelopment phases.

Work has yet to begin on the second phase, which calls for construction of 136 owner-occupied condominiums in a 17-building complex.

In 2008, the village approved E.J. Plesko's plans to develop the \$38 million Highland Ridge project with Residential Homes of America. Under a tax-incremental district agreement signed with the village, the developer is still required to meet deadlines for residential construction that will increase the property value or pay the village for any tax shortfalls.

"The developer told the village that he has a buyer for the commercial property and plans to close in February, but the new owner does not want to be responsible for requirements of the original agreement," Hofland said.

E.J. Plesko representatives told the village they expect to close a deal in February to sell the commercial complex to the Cloverleaf Group Inc. of Northbrook, Ill., for \$10.6 million, Hofland said.

Hofland said E.J. Plesko retains ownership of the Highland Ridge residential property and is responsible for covering tax shortfalls in lieu of meeting construction deadlines. The developer has made each required annual payment, including \$76,656 in 2010 to cover a 2009 shortfall, Hofland said.

The amended agreement calls for the developer to complete the residential phase of the project by Jan. 1, 2016. The developer must provide a \$2.5 million letter of credit annually as a guarantee to cover default and pay the village an additional \$1 million if the credit is insufficient.

The new agreement also requires the approval of the village's Community Development Authority.

Hofland said the revised agreement is similar to one signed by owners of the Grafton Village

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Center, a downtown shopping center that went into receivership and was sold in a court-approved transaction last fall. Under the revised agreement, the center's owner was required to pay the village \$350,000 to release minimum tax guarantees in a development agreement as well as \$57,000 to cover tax shortfalls.

Work on the residential phase of the Highland Ridge project reportedly stalled due to the sluggish housing market. However, Hofland said village officials are hoping the project will still be completed.