

## City may rework loan for Smith Bros. building

Written by KRISTYN HALBIG ZIEHM  
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Port Washington aldermen were expected on Wednesday to consider revising the terms of a \$125,000 revolving loan it gave Lighthouse Development to improve the Smith Bros. Marketplace building almost two years ago.

The move is a concession to the fact that Lighthouse Development will have to do substantial work on the landmark downtown building before Duluth Trading Co. moves in, City Administrator Mark Grams said.

“They need money upfront,” Grams said. “They’re making a lot of improvements to the building. I don’t know how many of the improvements they realized they would have to make to secure Duluth.”

Grams said Tuesday that he would likely recommend that the loan be repaid through the proceeds of the downtown tax incremental financing district.

“At least we’ll get our money back,” he said, adding that the loan will then probably be repaid in about 10 years instead of the roughly 20 years originally envisioned.

The tax district is also an appropriate way to repay the loan because Duluth Trading Co.’s move will attract other businesses to downtown, increasing the value of the district, Grams said.

“I’m guessing a year from now you’re going to see more businesses downtown,” he said.

Already a number of other stores and businesses have contacted nearby building owners — including the owner of the former M&I Bank building just down the block from the Smith Bros. building — asking about vacant spaces, Grams said.

“I’m surprised at the number of people who have come up to me and said they’re excited about Duluth coming. I didn’t realize how big they are.”

The city initially made the revolving loan to Lighthouse so it could renovate the Smith Bros. building to accommodate Franklin Energy, which occupies the second floor of the structure.

The money was to be used to buy equipment, fixtures and furnishings and help finance capital expenses, aldermen said at the time.

Part of the goal in bringing Franklin Energy to downtown was to create additional traffic in the shopping district with the goal of attracting additional stores and offices, they noted.

Lighthouse Development has been paying back the revolving loan, Grams said, noting the payments thus far have gone to pay interest. The interest rate on the loan is 1.625%.

Aldermen gave conceptual approval to the idea of revising the loan following a closed

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session before Duluth Trading Co. announced plans to locate its second retail store in Port Washington.

Grams said the Common Council isn't necessarily setting a precedent by revising the terms of the loan or allowing TIF funds to be used to repay it, noting the fact Duluth Trading Co. will become a downtown anchor played a significant role in the council's decision.

"This is a big company coming into our town," he said. "If it was a Ma and Pa restaurant, I don't know if we would do anything."