

City loan to help renovate Smith Bros. building

Written by KRISTYN HALBIG ZIEHM
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Port council agrees to provide firm with \$125,000 to prepare for Franklin Energy

The City of Port Washington will loan Lighthouse Development \$125,000 to renovate the Smith Bros. Marketplace building to accommodate Franklin Energy, which is moving its headquarters from the former St. John's Church to downtown.

Aldermen last week unanimously approved the revolving fund loan to LDC-728, an offshoot of Lighthouse Development that will use the money to buy equipment, fixtures and furnishings and help finance capital expenses.

Although it's good to see the firm preparing the second floor of the building for a tenant, Ald. Tom Hudson expressed frustration at the length of time that the building, which most people consider a gateway to downtown, has been largely vacant.

"This is all well and good, but I've been an alderman for almost 10 years and this thing's been vacant almost the whole time I've been alderman," Hudson said.

"Is this something they're actively going to work on or is it just going to sit empty?"

Tom DeMuth, a partner in Lighthouse Development, replied, "I can assure you we've been looking for a tenant quite aggressively."

The company has had as many as 30 restaurants looking at the first floor of the building, he said, but hasn't found a tenant yet.

"You don't think you might be priced too high?" Hudson asked.

Lighthouse has offered potential tenants "significant incentives" to lease the space, but none has taken the firm up on its offer, DeMuth said.

Tuesday's loan agreement is the second time the Common Council has taken action in recent months to ensure Franklin Energy moves its operations downtown.

Last month, the city agreed to lease the firm's current building on Foster Street and relocate the senior center there. The city will have the option to buy the former church after three years.

Franklin Energy's move to the top floor of Smith Bros. Marketplace at the corner of Franklin Street and Grand Avenue is seen by many officials as a way to spur development in the downtown district by bringing more people to the area.

A report on the revolving loan prepared by the Southeastern Wisconsin Regional Planning Commission stated that the Smith Bros. Marketplace building has not operated at a profit for the past three years. The structure has been vacant except for a coffeehouse on a corner of the first

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floor.

With the lease to Franklin Energy, the building should make a profit next year, the report states.

Lighthouse's loan from the city would be matched by at least \$200,000 in bank financing, the report states, adding that the firm is also considering applying for a \$50,000 revolving loan from Ozaukee County.

The city's loan would be secured with a third mortgage on the building if a pending appraisal is for at least \$2.45 million, City Administrator Mark Grams said. If the appraisal isn't that high, Lighthouse will put up another of its developments that has at least \$150,000 in equity.

"There is a long list of properties they can offer up," Mayor Scott Huebner said.

In return, Franklin Energy guarantees that at least seven new full-time jobs will be added, and most of these jobs will be recruited through the Workforce Development Center, the report states.

Kathleen Cady Schilling, executive director of the county's economic development corporation, told the council that the firm will be moving 32 jobs to the building, 18 of them new positions.

If Franklin Energy does not meet its obligation to provide these new jobs, Lighthouse will pay a penalty, Huebner said.

The loan will be at 1.625% interest. The term of the loan will match the bank financing Lighthouse is seeking, officials said.

Ald. Burt Babcock questioned why Lighthouse is seeking the loan.

"At one time, I thought that Franklin Energy was going to do the work and use local contractors," he said.

DeMuth said the building lease calls for Lighthouse to do the work using local firms.