



Biz Beat: Hilldale is down but not out

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Patrons of the [Hilldale Shopping Center](#) can relax.

The center at Midvale and University is not in danger of being shuttered -- despite the financial problems besetting its Palatine, Ill.,-based owners, according to [Ald. Chris Schmidt](#), who represents the area, and others.

"It's not like the place is going to close down," Schmidt says of the center, which boasts popular tenants such as Macy's department store, Morgan's Shoes and Metcalfe's Market.

The mall's financial troubles are formidable, however. Two public auctions have been scheduled and then canceled as no buyers have come forward to bid on the center, according to a source close to the situation. A third auction is scheduled for Tuesday but could also be postponed.



[Joseph Freed & Associates](#), which purchased Hilldale in 2004, is facing foreclosure from lenders Bank of America and its subsidiary TriSail Funding Corp. Court documents show Freed owes \$50 million to Bank of America and \$12.6 million to TriSail.

"Freed has done a nice job over there, but in this market environment, nobody is going to get financing given the current situation," says my source, who adds that if no buyers surface, it's likely that Bank of America would take ownership of Hilldale and then hire an outside manager to run it while the bank continues to seek a buyer.

Still, the bottom line is that customers and tenants should notice little difference as the financial issues are worked out, say Schmidt and other sources. Current leases would still be in effect in the event of a sale or receivership.

Freed representatives did not respond to my requests for comment on the situation.

The foreclosure at Hilldale is mainly the result of other problems facing the company, sources told me. While its Hilldale property appears to be performing pretty well, Freed last year lost ownership of "[Block 37](#)," an upscale shopping center in the heart of Chicago's loop, over a \$128-million unpaid construction loan.

Freed is also facing foreclosure from Bank of America for its [55 percent ownership stake in the Streets of Woodfield](#), a shopping center in Schaumburg, Ill. In addition, Bank of America is taking ownership of two other Freed retail centers: West Town Center on the northwest side of Chicago and Evanston Plaza in that north side suburb.

Meanwhile, Freed is embroiled in a legal fight in Dane County Circuit Court with the UW Foundation, which developed Hilldale in 1962 and is still owed \$6.4 million from the 2004 sale to Freed. That case is separate from the Bank of America foreclosure, however, and there is no chance the UW Foundation would take back any ownership stake in Hilldale, sources say.

After Freed bought Hilldale, it launched an ambitious \$70-million effort to convert the worn mall into a "lifestyle center" featuring a faux Main Street, structured parking and a mix of residential and commercial spaces. Plans even included a hotel and high-rise office building.

Freed did bring some big-name tenants into the center, including the first [Sundance Cinemas](#), owned by actor Robert Redford, which opened in 2007. [The Great Dane Pub and Brewing Co.](#) opened a location at Hilldale later that year and it is filled to capacity on many nights.

But the housing bust put a crimp in condo sales and other projects failed to materialize as the recession deepened.

Plans for a Whole Foods Market fell through in 2008 after a space for it had already been cleared, leaving a major eyesore at the corner of University Avenue and Segoe Road. Target eventually purchased that site and opened a department store there in March.

Ald. Schmidt says the biggest concern now is what might happen with the future redevelopment plans for the balance of the site.

"At least that big hole in the ground is gone," he says.