



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: September 14, 2004

To: Council Member Lisa Goodman, Community Development Cmte
Council Member Barbara Johnson, Ways and Means/Budget Cmte

Prepared by: Judy Cedar, 612-673-5025
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**Presenter in
Committee:** Judy Cedar, Senior Project Coordinator
Andrea Hinrichs, Intern

Approved by: Chuck Lutz, Deputy CPED Director _____

Subject: Satisfaction of Midwest Mountaineering's Forgivable Mortgage

RECOMMENDATION: Approve Midwest Mountaineering's \$23,280.38 offer as payment in full for its mortgage on the property located at 309 Cedar Avenue South.

Previous Directives: On October 8, 1984 the MCDA signed a redevelopment contract with Rod Johnson, president of Midwest Mountaineering, for the building located at 309 Cedar Avenue South. On June 25, 1987 the MCDA provided Midwest Mountaineering with a land write-down of \$90,850, which was structured as a deferred forgivable loan after 40 years. MCDA subsequently approved the following 2% Revolving Loans to Midwest Mountaineering and/or Rod Johnson: \$14,375 in 1991, \$15,000 in 1994, \$8,000 in 1998, and \$8,000 in 1998. In 2002, the MCDA signed a subordination agreement for \$722,500 with Rod Johnson making the MCDA mortgage subordinate to the Associated Bank first mortgage loan.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): Action provides revenue for a forgivable mortgage.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 2

Neighborhood Notification: Not applicable

City Goals: #4 – Create an environment that maximizes economic development opportunities within Minneapolis by focusing on the City’s physical and human assets.

Comprehensive Plan: Not applicable

Zoning Code: Not applicable

Living Wage/Job Linkage: Not applicable

Background/Supporting Information

On October 8, 1984 the MCDA signed a redevelopment contract with Rod Johnson, president of Midwest Mountaineering, for the building located at 309 Cedar Avenue South for the purchase price of \$101,750. To further facilitate redevelopment, the MCDA provided Midwest Mountaineering with a land write-down of \$90,850 on June 25, 1987 structured as a deferred forgivable mortgage. If Midwest Mountaineering does not default for a period of 40 years (ending June 25, 2027), the note is forgiven. The present value (PV) of the \$90,850.00 amount, in year 2027, at 6% interest is \$23,280.38. The two events of default are 1) sale or lease of the building for any use other than retail sporting goods or 2) terminations of use and occupancy for a period of twelve (12) consecutive months or more.

Midwest Mountaineering provides gear and clothing for backpacking, hiking, climbing, travel, paddling, and skiing. They offer several clinics and programs along with two Outdoor Adventure Expos a year.

Rod Johnson has one primary reason to offer \$23,280.38 to fully payoff the loan. Midwest Mountaineering is in the process of refinancing for a \$61,000 renovation to the building including relocation of the bathroom making better use of sales space, installation of new computer system, and installation of a new plank floor. Private banks view the MCDA’s mortgage as a liability; this hinders Midwest Mountaineering’s ability to refinance; therefore Midwest Mountaineering is prepared to purchase their forgivable loan for \$23,280.38.

Since 1999, Midwest Mountaineering has returned a profit and they predict that trend will continue; however, Midwest Mountaineering must work hard to compete with other national chain stores. Rod Johnson feels the customers dictate, to some extent, their staying/leaving power. Currently he has no plans of leaving and loves the Cedar-Riverside location. Midwest Mountaineering has proven its commitment to the Cedar-Riverside neighborhood and its viability as a business since 1976. The loan and mortgage expires on June 25th, 2027. At that time, the mortgage amount of \$90,850 will be forgiven.