

**RESOLUTION APPROVING A REQUEST FROM KQC INVESTORS, LLC
REGARDING OUTSTANDING CITY LOANS AND DEED RESTRICTIONS TO
NORTHWEST CHILD DEVELOPMENT CENTER**

WHEREAS, on August 15, 2011, City Council authorized the sale of a parcel of City-owned land to the Northwest Child Care Development Centers (NWCDC) for the construction of a new child daycare center under the provisions that allow a private sale to any non-profit entity which carries out a public purpose; and

WHEREAS, a reversionary provision exists within the Deed ensuring that the property must be maintained as a non-profit child daycare center for at least 25 years; and

WHEREAS, to further assist with the project, City Council authorized a series of loans in 2013 and 2014 totaling \$483,300 and that these loans are subordinate to a bank loan in excess of \$2.4 million with Branch Bank & Trust (BB&T) and federal tax liens of approximately \$110,000; and

WHEREAS, KQC Investors, LLC (KQC) has entered into a letter of intent with NWCDC to purchase Mudpies-East, 251 East Seventh Street, for \$1,865,000 and this property currently serves as collateral on the City's above-referenced loans; and

WHEREAS, KQC is requesting that the City agree to the following terms as part of the transaction:

- 1) KQC would assume the original \$300,000 loan (current balance of \$258,047) with the following modifications:
 - a. City would delete \$6,000 annual replacement reserve requirement; and
 - b. City would subordinate to KQC up to \$1,500,000 for purchase of facility.
- 2) KQC would assume the balance of the forgivable loan of approximately \$47,713 based upon credits earned for job creation and property taxes and a PILOT payment by NWCDC. For this loan, the following modifications are being requested:
 - a. City would allow purchase debt and subordinate up to \$1,500,000 to KQC; and
 - b. City would allow the current deferral terms to continue with KQC along with the assumption provisions.
- 3) KQC would assume the outstanding \$108,300 City loan. The loan would be an unsecured, subordinated loan forgiven at a rate of \$7,220/year over a 15 year period based upon KQC

demonstrating, on an annual basis, a good faith effort to ensure that at least 33% of the families served at the facility are low- to moderate- income (based upon families' qualification for child care subsidies, grants or programs for which qualification is income-based or based on HUD definition). This provision would apply over the term of the forgiveness period (15 years) and would be reduced annually on a pro rata basis.

- 4) The City would release the deed restrictions requiring the property to be used for a non-profit daycare center and the ownership be retained by NWCDC for a period of 25 years. In exchange, KQC would agree to operate or ensure operation of the facility as a daycare for at least 15 years pursuant to the terms of the assumed City \$108,300 loan as identified above. If they fail to do so, KQC would pay the City \$47,700 as liquidated damages. This provision would apply over the first 10 years and would be reduced annually on a pro rata basis; and

WHEREAS, for the City's consideration of these terms, the City is requesting and KQC agrees to the following terms as part of the transaction:

- 1) KQC makes a good faith effort to retain at least 50% of employees for 5 years.
- 2) KQC makes a good faith effort to ensure that at least 33% of families served, on an annual basis, are low-to-moderate income families based upon families' receiving state subsidies, grants or vouchers based on household income or based on HUD definition.

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and Council of the City of Winston-Salem, upon the recommendation of the Finance Committee, hereby approve that the terms outlined above.

BE IT FURTHER RESOLVED, that the Mayor and Council of the City of Winston-Salem authorize the City Manager to execute any necessary agreements to consummate the arrangement, with all of the parties, upon the review and approval of the City Attorney.