

City Council – Action Request Form

Date: October 4, 2021

To: Mayor, Mayor Pro Tempore, and Members of the City Council

From: Angela Carmon, City Attorney
John Lawson, Assistant City Attorney

Council Action Requested:

Resolution Ratifying the City’s Vote in Favor of Northwest Child Development Center’s Chapter 11 Bankruptcy Reorganization Plan

Strategic Focus Area: Service Excellence
Strategic Objective: No
Strategic Plan Action Item: No
Key Work Item: No



Summary of Information:

In 1997, the City and Forsyth County deeded their 50% interests in property located at 2530 Pittsburg Ave. to Northwest Child Development Centers (“NWCDC”) as a nonprofit carrying out a public purpose. The public purpose was running a daycare/childcare center at the property. NWCDC ceased operating the daycare in 2014. In August 2020, NWCDC filed for Chapter 11 bankruptcy protection. In that bankruptcy, the City and County sued NWCDC to get the bankruptcy judge to rule on whether their failure to use the property as a daycare triggered the reverter clause in the deed. The judge ruled in the City and County’s favor and entered a Declaratory Judgment terminating NWCDC’s interest in the property, which means that the City and County now own the property.

Additionally, in 2008, NWCDC borrowed \$17,000 from the City to do repairs at the property. That loan was secured by a deferred loan agreement and is still owed to the City. However, that loan is now unsecured because the bankruptcy court awarded the City and County title to the property. NWCDC has proposed a plan to repay that loan in its bankruptcy. They estimate paying an 11% dividend to unsecured creditors, such as the City, over the course of the next three years. This would amount to approximately \$1,870 paid on the loan, with any remaining balance being wiped out.

Committee Action:

Committee _____	Action _____
For _____	Against _____
Remarks: _____	

City staff recommended, with the concurrence of the City Attorney's Office, that the City vote in favor of NWCDC's plan. Based upon the foregoing, a favorable vote for said plan was cast by the City. The attached resolution, recommended for your approval, ratifies the vote cast in favor of said plan.