

Neighborhood Initiative Program
Program Notice 8



Date: November 28, 2016

To: NIP Lead Entities and Partners

From: NIP Staff

Subject: Program Notice #8: Property Disposition, Redevelopment, and Project Revenue

This notice includes important information about the disposition and redevelopment of NIP properties. Several non-profit Partners have closed on the mandatory modification and assignment documents and own properties that are in the three (3) year lien period. Now that many of you are approaching this phase of completion, we are receiving questions regarding what is required to request an early lien release or subordination to begin redevelopment. First and foremost, it is crucial to ensure that the requirements of NIP are adhered to when considering the redevelopment and/or disposition of NIP properties. As a reminder, the redevelopment or transfer of ownership before the expiration of the three (3) year lien period must be approved in writing by NIP staff prior to the commencement of these activities. Issues of non-compliance may result in sanctions including, but not limited to the repayment of NIP funds.

Early lien release requests will be considered on a case by case basis and must be formally submitted in writing to NIP staff for consideration prior to entering into any agreement to lease or transfer ownership and/or the actual transfer of ownership, or any other activities related to the transfer of site control or redevelopment of the property. Requests must be submitted in a timely manner to allow for the review of documentation and preparation of lien release or subordination documents. Depending on the circumstances, this process may take several weeks. These requests must be presented to NIP staff in the early stages of planning to prevent any delays that may cause issues with redevelopment.

The below policies pertain to redevelopment, transfer of ownership, and earning project revenue:

- The three (3) year lien period does not begin until the Modification and Assignment Agreement has been closed and recorded. Redevelopment activities cannot begin until the lien has expired, been released, or a subordination agreement is in place. Redevelopment activities cannot begin without written approval of NIP Staff.

- The act of entering into a sale or purchase agreement, lease agreement with option to purchase, or transferring ownership prior to the release of the NIP lien are prohibited and trigger full repayment of the NIP funds invested in the property.
- Ownership transfer will only be considered if the property will be redeveloped promptly after transfer and the property is being donated to the new owner. Documentation that demonstrates timely redevelopment must be presented to NIP staff. Documentation regarding the new ownership entity's experience and capacity to undertake the redevelopment of the property will also be taken into consideration to determine if transfer of the property and its end use will be approved. New ownership entities must be in good standing with SC Housing and SCHC administered programs.
- Project Revenue is defined as: gross income received by the NIP Lead Entity or Partner directly generated from the use of NIP funds. Common sources of NIP project revenue are:
 - a) Proceeds from the sale of properties acquired and/or demolished and greened with NIP funds prior to the expiration of the three (3) year lien period;
 - b) Gross income from the use or lease of NIP properties acquired and/or demolished and greened with NIP funds prior to the expiration of the three (3) year lien period.
 - c) Revenue received from any salvage, recycling, or green demolition efforts.
- Due to project revenue restrictions, until further notice properties cannot be sold during the lien period. Early lien releases will only be considered for properties that are being donated to the new owner.
- It is the responsibility of the Lead Entity/Partner to notify NIP Staff of any deconstruction, salvage, recycling activities being undertaken by the Lead Entity or Partner. The Lead Entity and Partner are prohibited from selling any building components or items on the property. All items must be donated.
- **IF** allowed at a later date, the sale of NIP properties will only be considered on a case by case basis when the non-profit Partner has expended **ALL** Hardest Hit Funds allocated to them in the NIP Written Agreement and there are no other Hardest Hit Fund dollars available to commit to NIP activities program wide. Other requirements relative to good standing and program compliance must also be met.
- **IF** at a later date, a non-profit Partner is permitted to earn project revenue, all of the project revenue earned will be restricted to the identical eligibility and program requirements as the funds allocated that generated the funds. Partners are not permitted to earn project revenue unless prior written approval has been given by NIP staff and the use of income has been approved for specific properties. Approvals to earn and expend project revenue will be addressed in an amendment to the NIP written agreement. Earning and/or expending project revenue without the written consent and approval of NIP staff is considered to be a violation of the NIP written agreement. Project revenue cannot be used to reimburse the Lead Entity or Partner for costs incurred that would increase the NIP investment to more than \$35,000 per property. The NIP investment is the total amount of NIP Hardest Hit Funds and NIP Project Revenue invested in a property.