

Neighborhood Initiative Program
Program Notice 17



Date: May 13, 2019

To: NIP Lead Entities and Partners

From: NIP Staff

Subject: Program Notice #17: Compliance with Property Maintenance Requirements

Property Maintenance Compliance

NIP property owners are reminded of the requirement to maintain NIP properties throughout the duration of the 3 year lien period in a manner that enhances the neighborhood. To be in compliance, properties must be free of nuisances at all times. This includes, but is not limited to the following:

- The property should not become overgrown, with grass no higher than 12” high at all times
- The property must be kept free of debris and trash
- Fences and retaining walls should be kept in good repair and free from overgrown vegetation
- Dead and/or dying trees must be removed

The failure to maintain properties is a serious issue of non-compliance with the NIP Program Agreement.

Effective immediately:

- **Property owners will not be permitted to retain any portion of maintenance funds for administrative expenses if property maintenance is not adequately performed (i.e. insufficient documentation of expenses, non-compliance with procurement requirements, use of unlicensed/uninsured contractors, funds spent on ineligible expenses, etc.)**
- **NIP properties that fail three maintenance inspections after the date of this notice will be required to immediately return the entire amount of Hardest Hit Funds disbursed for maintenance of the property. The partner will be responsible for all costs necessary to maintain the property for the duration of the lien period at their own expense.**

Eligible Expenses

Hardest Hit Funds disbursed for property maintenance may only be used for the eligible expenses identified in Program Notice 15 released on January 4, 2018. These eligible expenses do not include redevelopment expenses, such as lot clearing, grading, or any other expenses associated with preparing a site for construction. As soon as a permit is pulled, the property is considered to be in its redevelopment phase and any expenses incurred thereafter will not be a permitted use of maintenance funds.

Additionally, time spent compiling documentation for early lien releases or subordination requests cannot be attributed towards administrative expenses for property maintenance.

Contracts for Property Maintenance

All procurement of contracts for property maintenance was required to be submitted by April 26, 2018 for NIP staff review and approval. Maintenance expenses incurred under contracts not procured in accordance with Program Notice 9 may not be paid with NIP maintenance funds.

If maintenance work needs to be undertaken on a property that falls outside of the scope of work identified in an approved maintenance contract, a change order must be submitted for review by SCHC to determine the necessity and cost reasonableness of the additional work. If a new contractor is required to perform the additional maintenance work, the new contractor must be selected in accordance with the procurement requirements of Program Notice 9.

Administrative Expenses:

Administrative tasks completed for the oversight of property maintenance must be prorated across properties appropriately. For example, if an hour was spent preparing a bid solicitation that covered 10 properties, only 1/10 of the hour should be expensed to each of the 10 properties.

Effective as of the date of this notice, there are now two options available for the administrative expenses incurred as a result of the oversight and management of NIP properties during their lien periods.

1. Option 1: 10% of the total amount drawn for property maintenance can be used for the administrative costs incurred as a result of the oversight and management of the maintenance of the NIP property. 1/3 of that amount can be retained for each year the NIP property was maintained in compliance with program requirements. When this option is used, documentation of administrative expenses is not required since it is being provided as a fee earned for maintaining the property in accordance with program requirements. Example: If \$3,000 was disbursed for maintenance, \$100 can be retained for each year the property was maintained in accordance with program requirements.
2. Option 2: Administrative expenses exceeding 10% may continue to be requested as long as the appropriate documentation is provided. Administrative expenses are limited to reasonable and necessary salary expenses and consultant fees directly related to the oversight of the maintenance of NIP properties. Hours worked and tasks performed must be tracked on the ***NIP-16 Administrative Expense Form***.

Compliance Monitoring

In addition to on-site maintenance inspections, the SC Help Quality Control Manager will soon begin conducting financial reviews with respect to the use of NIP maintenance funds. While this review process is designed to be conducted as a desk audit, an on-site review may be scheduled if documentation is not provided within the requested timeframes.

Program Close-Out Audits will be conducted for each award agreement. During this audit, the use of maintenance funds will be audited for each property. **All unexpended maintenance funds must be remitted to SC Housing Corp.**