

COVINGTON COMMUNITY DEVELOPMENT INITIATIVE
SUMMER 2014 PILOT PROGRAM

Background

In line with its continuing efforts to remove blight, abate nuisances and enforce its property maintenance and nuisance code, the City of Covington (“Covington”), through its Division of Community Services and concerned citizens like you, has identified numerous privately owned properties that remain vacant, are perennial nuisances, and which attract crime and have had a significant impact on surrounding property values.

Opportunity

After careful review of the properties identified, the City has determined that some have a strong potential of being put back into productive use by community-minded developers, organizations, or residents who have the experience and capacity to rehabilitate blighted properties (what the City is referring to as “Covington Community Developers”).

Obstacles.

Some of the properties identified are vacant lots that merely require tender love and care from concerned neighbors and/or community organizations. Others contain vacant structures that are in need of considerable repair. In most cases, the properties are subject to a variety of liens the amounts of which make a potential development financially unfeasible.

Importantly, developers interested in rehabilitating such properties are usually required to wait years before the property is sold at foreclosure and have no legal means of expediting the process. Over the course of the delay, the physical condition of the property typically deteriorates past the point where rehabilitation remains an option.

Solution.

To overcome these obstacles, the City is committed to taking the legal actions (excluding paying for the costs of such actions), which are required to force a sale of the blighted properties with a view of transferring title to prequalified Covington Community Developers who are ready willing and able to put the property back into productive use. By doing so, the City seeks to decrease the time and cost of acquiring the property as well as limiting the negative impact that vacant properties have on neighboring landowners.

The Initiative in a Nutshell.

The Covington Community Developer initiative was conceived with a view of spurring economic and real property development, improving the standard of living in Covington and supporting developers who are prepared to lend their talents to making Covington a great place to live, work, play and do business.

PROSPECTUS AND APPLICATION.

The following prospectus provides information about how to apply to be a **Covington Community Developer** and what applicants can expect from the time they submit their application through to when the City estimates it will be able to transfer title of the property to them.

DISCLAIMER – Please note every property presents a different situation, especially with the foreclosure process. At this stage, **the Covington Community Developer Initiative is a pilot program.** What this means is that **you are the “guinea pigs”** for this particular experiment in community development.

THE CITY CANNOT GUARANTEE THAT IT WILL SUCCEED IN ACQUIRING ANY PROPERTY OR THAT IT WILL BE IN A POSITION OF TRANSFERRING SAID PROPERTIES TO APPLICANTS.

HOW TO APPLY – Applicants interested in participating in the Covington Community Development Initiative should:

1. **Read the Information provided.** Applicants should read the following Prospectus to familiarize themselves with the processes and procedures involved with becoming a Covington Community Developer, and
2. **Application/ Expression of Interest.** Applicants should fill out the application that is provided in this packet and send the completed information by email to jmoss@covingtonky.gov. Alternatively, applicants may deliver in an envelope clearly marked with “**COVINGTON COMMUNITY DEVELOPER,**” to:

City of Covington
c/o Jessica Moss
20 West Pike Street
Covington, KY 41011

ELIBIGLE PROPERTIES – The following are general criteria that developers can use to determine whether a property that they have identified could be eligible for the initiative:

1. **Location:** the property must be within the Covington City limits
2. **Title and Liens:** the property must be vacant, in disrepair and subject to City liens.
 - a. **Please note:** that the City can only bring a foreclosure action if it has a tax liens or has grounds to file nuisance code liens. Applicants should check the Kenton County PVA system to determine whether or not the City has liens on the property. (The absence of a city lien on the property does not automatically disqualify the property from the initiative).

CITY CONTRIBUTIONS – for those properties identified by Developers that are deemed eligible for the initiative, the City is committed to contributing all of the legal work involved in the foreclosure process.

1. **Other City incentives** – Applicants should feel free to apply for City programs listed in Appendix A.

DEVELOPER CONTRIBUTIONS – Developer to contribute:

1. **Obligation to Develop.** The time, energy and financial resources that are required to complete the development of the property as determined by a development analysis which shall be developed in conjunction with the City.

2. **Escrow Funds.** Developer shall deposit funds in escrow in an amount sufficient to defray: (a) the court costs related a foreclosure action; (b) payment of any county liens to which the property is subject (“Escrow Funds”).
 - a. The amount of funds to be deposited in escrow will be included in the Developer Prospectus, which will be made available to the Developer in accordance with the timelines set forth below.
 - b. Escrow Funds will be deposited pursuant to an Escrow Agreement between Developer and City.
 - c. Escrow Funds will be reimbursed to Developer minus the sum of: (i) related court costs,(ii) purchase price at foreclosure; and (iii) master commissioner fees.

ESTIMATED TIMELINES AND SCHEDULES – The following is a summary of the estimated timeline for the transfer of property to Covington Community Developers whose application are accepted and with whom the City can come to contractual terms.

DAY 1 - <u>Statement of Interest</u>	Statement of Interest - submitted
DAY 20 - <u>Eligibility Determination</u>	City to alert Developer as to whether or not they and/or the property is eligible for the program.
DAY 21- <u>Development Prospectus</u>	Developer picks up Development Prospectus from City Hall which shall include the terms and conditions of: (1) an Exclusive Negotiating Agreement; (2) a Development Agreement; (3) An Escrow Agreement; and any other legal documents that will be required for the transfer of the property.
DAY 21- 40 - Negotiations	City and Developer negotiated the terms of all transactions related to transfer of the property.
Est. DAY 40 - Finalized Contracts	Parties execute all contracts.
Est. DAY 60	City initiates foreclosure proceedings
Est. DAY 130 -180	City acquires property at foreclosure
1 st Business day after City’s acquisition of the Property	City transfers title to Developer and Parties finalize all transactions.

Feel free to contact me via email if you have any questions about this Prospectus:
I look forward to receiving your completed statement of Interest.

Sincerely,

J. Christian Dennery
Assistant City Solicitor
20 West Pike Street, Covington, Kentucky
Cdenney@covingtonky.gov

City of Covington Development Programs/Incentives

Find below a partial list of City incentives for which Developers may want to apply in conjunction with this pilot program.

PLEASE NOTE THAT DEVELOPERS WILL HAVE TO SUBMIT SEPARATE APPLICATIONS FOR THESE PROGRAMS AND A DETERMINATION THAT DEVELOPER IS ELIGIBLE TO PARTICIPATE IN THIS PILOT PROGRAM IN NO WAY ENSURES THAT DEVELOPER WILL BE ELIGIBLE FOR ANY AWARDS UNDER OTHER CITY PROGRAMS.

- A. VACANT PROPERTY PAYROLL TAX REIMBURSEMENT** – Vacant Property Occupational License Fee Reimbursement Program provides property owners who rehabilitate substantially vacant commercial property, older than 50 years, a reimbursement of a portion of the City’s occupational license fee for filling a vacant space with a business.
- B. TAX ASSESSMENTS MORATORIUM** – The City of Covington will freeze city property taxes at the pre-rehab level for a period of five years, on properties that will be undergoing rehabilitation. The purpose of this program is to encourage the repair, rehabilitation, and restoration of buildings 25 years old or older. This property tax freeze is achieved through a moratorium on property valuation assessments.
- C. COVINGTON ECONOMIC DEVELOPMENT PROGRAM** – Covington Economic Development Program provides flexible financing for economic development projects that align with the City’s goals. Types of projects include upper floor residential rehab; gap financing; technical assistance; façade improvements.
- D. JOBS DEVELOPMENT INCENTIVE** – Covington Jobs Development Incentive provides eligible existing and new businesses up to a 1.25% reimbursement of the City’s occupational license fee for creating and retaining jobs.