

Becoming a CHDO: Program Requirements for Successfully Obtaining CHDO Designation



RURAL HOUSING CAPACITY BUILDING PROGRAM (RHCB)

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Housing Assistance Council

Building rural
communities since 1971

- *improves housing conditions for the rural poor, with an emphasis on the poorest of the poor in the most rural places in the United States.*
- *offers services to public, nonprofit, and private organizations throughout the rural United States.*
- *maintains a special focus on high-need groups and regions: Indian country, the Mississippi Delta, farmworkers, the Southwest border colonias, and Appalachia.*

HAC Services



- **Loans.** Since 1971, HAC has made almost \$164 million in loans to help create more than 56,867 homes, including water/sewer connections. HAC's loan funds have reach throughout rural America, with loan commitments to over 600 local organizations in more than 400 counties throughout 49 states and territories of Puerto Rico and the U.S. Virgin Islands.
- **Research and Information.** HAC publishes the biweekly newsletter HAC News and Rural Voices, a quarterly magazine; writes up to 15 research reports and technical manuals annually; and maintains a rural housing resource center for its constituents. HAC's Web site, www.ruralhome.org, is a significant source of up-to-date information on rural housing topics.

HAC Services



- **Technical Assistance.** HAC's expert staff delivers thousands of hours of technical advice each year to organizations and developers improving low-income rural housing. One element of HAC's assistance is a contract with HUD to help rural Community Housing Development Organizations (CHDOs) use HOME and other funding programs.
- **Training.** HAC sponsors intensive training workshops all over the country, emphasizing housing development, financing, construction and nonprofit management. HAC also regularly convenes the National Rural Housing Conference; more than 700 people attended the December 2008 conference in Washington, D.C.

HAC Offices



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A Note for Homeless Service Agencies



- If the development of affordable housing is a new venture for your organization you must carefully consider the risks and benefits to your organization, communities, and service population.
 - Is affordable housing part of the mission and purpose of the organization?
 - Do you have the capacity to develop housing? If not, how will you obtain it?
 - Are there organization's in your service area that you can partner with?

A Note for Homeless Service Agencies



- There are many funding sources for affordable housing development. Today we will be discussing the HOME Program and a special set-aside within the HOME Program called CHDO.
- If the board and staff of your organization decides to move forward with affordable housing development, I encourage you to explore all of your funding options. There are numerous programs which may be beneficial to your organization and program recipients.



HOME Program

The HOME Program was created by the National Affordable Housing Act of 1990 and has been amended several times by subsequent legislation.

- Objectives
 - Provide decent affordable housing to lower-income households,
 - **Expand the capacity of nonprofit housing providers,**
 - Strengthen the ability of state and local governments to provide housing, and
 - Leverage private sector participation.

Allocation of Funds



- HOME Funds are allocated annually to Participating Jurisdictions (PJs).
 - PJs are units of state and local government which administer HOME Program funds
- Funds are allocated by formula based on multiple factors including population, poverty rate, and housing conditions.
- PJs are responsible for effective use of funds and compliance with Federal regulations.
- Government, Nonprofit and Private For-Profit agencies apply to the PJ for HOME Funds to carry out eligible activities.

Eligible Uses of HOME Funds



- Homeowner Rehab
- Homebuyer
- Rental Development
- TBRA (Rental Subsidy)

- Permanent Housing



CHDOs

A Community Housing Development Organization (CHDO) is a private nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves.

- PJs designate organizations meet certain federal guidelines
- The PJ **MUST** set-aside at least 15% of their HOME allocation for CHDO eligible projects.
- CHDOs may engage in other HOME eligible activities in which they are not owners, developers, and sponsors of housing.

Eligible Uses of CHDO Set-Aside Funds



- **Owner**
 - A CHDO is considered an owner of a property when it holds valid legal title or has a long-term leasehold interest (99-year minimum). The CHDO may be an owner with one or more individuals, corporations, partnerships, or other legal entities.
- **Developer**
 - A CHDO considered a developer when it either:
 - ✦ Owns to property and develops the project
 - ✦ Has the contractual obligation to a property owner to develop a project
- **Sponsor**
 - The CHDO is considered a sponsor when it develops a project that it solely or partially owns and agrees to convey ownership to a second nonprofit organization at a predetermined time.

Eligible Uses of CHDO Set-Aside Funds



- Using the 15% set-aside, a CHDO acting as an owner, sponsor, or developer may undertake any of the following activities:
 - acquisition and/or rehabilitation of rental property;
 - new construction of rental housing;
 - acquisition and/or rehabilitation of homebuyer property;
 - new construction of homebuyer property;
 - direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds.

Ineligible Uses of CHDO Set-Aside Funds



- CHDOs may engage in other HOME eligible activities in which they are not owners, developers, and sponsors of housing.
- Using the 15% set-aside, a CHDO acting as an owner, sponsor, or developer **may not** undertake any of the following activities:
 - rehabilitation of existing homeowners' properties and
 - tenant-based rental assistance

Special Assistance to CHDOs



- **PJs may provide special forms of assistance to CHDOs**
 - Project Pre-Development Loans
 - Operating Assistance
 - Project Proceeds
 - Capacity Building Assistance

Pre-Development Funds



- A portion of CHDO set-aside funds may be provided to CHDOs for project-specific pre-development assistance.
 - The project specific pre-development assistance is intended to assure that CHDOs have access to funds for up-front, eligible project expenditures.
 - All costs must necessary and reasonable and be related to a specific project which, if deemed feasible, would receive HOME funds for development.
 - ✦ Technical Assistance and Site Control Loans
 - ✦ Seed Money Loan

Operating Expenses



- Up to 5% of a PJ's HOME allocation each year may be used to provide general operating assistance to CHDOs that are receiving set-aside funds for an activity.
 - Assistance may not exceed \$50,000 or 50% of the CHDO's total annual operating expenses for that year, whichever is greater.
 - Eligible uses must be necessary and reasonable costs for the operation of a CHDO including:
 - ✦ Salaries, wages, benefits and employee compensation;
 - ✦ Employee education, training and travel;
 - ✦ Rent and Utilities;
 - ✦ Communication Costs;
 - ✦ Taxes and Insurance; and
 - ✦ Equipment, materials and supplies.

Project Proceeds



- PJs may allow CHDO to retain some or all proceeds from a HOME project. Possible sources of proceeds include:
 - Proceeds from permanent financing
 - Interest on HOME loans
- Proceeds must be used for:
 - HOME-eligible activities OR
 - Other low-income housing activities
- The CHDO and PJ must have a written agreement which includes:
 - Whether CHDO will retain any proceeds and
 - The specific use of proceeds.

Capacity Building Assistance



- Only applies to PJs in first 2 years of participation in the HOME Program
- HOME funds can be used for CHDO capacity building
 - Up to 20% of CHDO set-aside
 - Total cannot exceed \$150,000
 - Use for intermediary organizations, training and TA or operating expenses



Applying For CHDO Status

Most PJs will have an application form when applying for CHDO status. Many PJs have based their applications off of the CHDO Checklist.

CHDO CHECKLIST

The information contained in this checklist refers to the definition of Community Housing Development Organization (CHDO) in Subpart A, Section 92.2 of the HOME Final Rule. This checklist should be used as a tool to educate participating jurisdictions about the documents they must receive from a nonprofit before it may be certified as a CHDO.

I. LEGAL STATUS

A. The nonprofit organization is organized under State or local laws, as evidenced by:

A Charter, OR
 Articles of Incorporation.

B. No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

A Charter, OR
 Articles of Incorporation.

C. Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986, as evidenced by:

A 501(c) Certificate from the IRS.

D. Has among its purposes the provision of decent housing that is affordable to low and moderate-income people, as evidenced by a statement in the organization's:

Charter,
 Articles of Incorporation,
 By-laws, OR
 Resolutions.
 A HUD approved audit summary

CHDO Requirements



- Nonprofits must meet the CHDO requirements in order to receive HOME funds through the CHDO Set-Aside Program
 - Legal Status
 - Organizational Structure
 - Capacity and Experience
- Applications are reviewed and approved by the PJ

CHDO Requirements



- **Legal Status**
 - Organized under state and local law
 - Purpose of the organization must include, provide decent housing that is affordable to low and moderate income persons.
 - No individual benefit.
 - Clearly defined service area.
 - Nonprofit status

CHDO Requirements



- **Organizational Structure**

- **Board Composition**

- ✦ At Least 1/3 must represent the low-income community
 - Residents of low-income neighborhoods,
 - Low-income residents of the community, or
 - Elected representatives of low-income neighborhood organizations
- ✦ No more than 1/3 may be public officials or employees of the PJ
- ✦ Balance is unrestricted

- **Low Income Input**

- Formal process for low-income beneficiaries and potential beneficiaries to advise the CHDO on design, location of sites, development and management of affordable housing.

CHDO Requirements



- **Capacity and Experience**

- A CHDO must have at least one year of experience serving the community where it intends to develop HOME-assisted housing.
- CHDOs must demonstrate the capacity of their key staff to carry out HOME assisted activities they are planning.
 - ✦ Experienced key staff who have successfully completed projects similar to those proposed by the CHDO or
 - ✦ Key staff with limited or no experience, and who will use experienced consultants for the planning and development activities, as long as there is a plan in place for the consultant to train key staff

CHDO Requirements



- Capacity and Experience

- Financial Standards

- ✦ CHDO must have financial accountability standards that conform to 24 CFR 84.21, “Standards for Financial Management Systems”

Application



- Where to apply for CHDO Status and CHDO Set-Aside Funds
 - State PJ
 - Local and Consortia PJ
 - <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/contacts>

Conclusion



- What is HOME?
- What are HOME's eligible activities?
- What is a CHDO?
- What are CHDO eligible activities?
- What special assistance is available to CHDOs?
- What are the requirements to be a CHDO?
- Where do you apply for CHDO status and CHDO set-aside funds?



Questions