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Community Housing Development Organization (CHDO)

A CHDO is a community-based, nonprofit housing development organization which develops and manages affordable housing in the community and/or region it serves.

Qualifying Criteria

A CHDO is a nonprofit who must meet specific criteria, as required by HUD regulations. The HOME department certifies each CHDO every time CHDO Set-Aside (Reserve) funds are committed to a new project or activity, and upon application for CHDO Operating Assistance grants.

Legal Status

- Organized entity under Idaho State and local laws;
- Has no part of its net earnings inuring the benefit any members, founders, contributor, or individual;
- Is neither controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the organization;
- Tax exemption rules from the IRS under section 501(c)(3) or (4) or the Internal Revenue Code of 1986; or is a subordinate of a central organization under IRC 905; or is a wholly-owned entity that is regarded as an entity separate from its owner for tax purposes(e.g. a single member limited liability company that is wholly-owned by an organization that qualifies as tax-exempt), when the owner organization has a tax exemption ruling from the IRS under section 501(c)(3) or (4) of the IRC.
- Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity;
- Has standards of financial accountability that conform to [2 CFR §200.302](#) and [2 CFR §200.303](#). Standards for Financial Management Systems and internal controls.
- Has, among its purposes, the provision of decent housing that is affordable to low and moderate-income individuals and/or families, as evidenced by its charter, articles of incorporation, resolution, or by-laws;
- Maintains accountability to low-income community residents;
- Has demonstrated capacity for carrying out activities assisted with HOME funds;
- Has a history of serving the community where housing to be assisted with HOME funds is to be located.
- CHDO has a demonstrated need for operating grant assistance.

Defined Service Area

The “community” in which the CHDO produces housing. Urban areas can include a neighborhood(s), city, county, or metropolitan area.

- For rural areas, may include a neighborhood(s), town, village, county(s), or multi-county area, but not the entire state.
- Minimum representation required on governing board for each county in the CHDO’s defined service area and are prohibited from acting as a statewide CHDO.
- Defined service area must be the primary geographic location where the CHDO is based, and may include some surrounding cities, counties, or neighborhoods. CHDO’s may not claim extensive service areas (i.e. large portions of the state or all of the state), and may not add geographic locations more than 150 miles from their primary service area, unless prior approval has been received from IHFA.

- Service areas must be clearly defined by City, County, Neighborhood, Census Tract(s) or other specific identifying criteria. They cannot be umbrella statements like “Southern Idaho.”

Organizational Structure

CHDO maintains accountability to the low-income community in part through its governing board’s structure.

The governing board must be composed of:

- Minimum one-third (1/3) must be members defined as a Low-Income Community Representative (definitions provided below);
- No more than one-third (1/3) can be members defined as Public Sector (definition provided below);
- The Balance of the board is unrestricted and may include persons such as human and social service providers, lenders, individuals with access to philanthropic resources, or others willing to contribute their expertise, etc.
- Board members appointed by public officials cannot select other members of the board.
- A board member who is defined as public sector and low-income community will be counted as Public Sector maximum, but not counted as Low-Income Community Representative.
- No board member can simultaneously be the Executive Director or hold any other paid position within the CHDO it represents.

DEFINITIONS

Low-Income Community Representative

1) Resident of a Low-Income Neighborhood

- Defined as a neighborhood where 51 percent (51%) or more of the residents are low-income (according to current census tract data). Residents of low-income neighborhoods do not have to be low-income themselves. *At certification, the board member will need to provide the address and identify the census tract in which their primary residence is located.*
- In urban areas, “community” is not necessarily limited to a single neighborhood, but may include several neighborhoods, the city, county or metropolitan area.
- In rural areas, “community” may cover a multi-county area. The board need not include low-income residents from each county in the multi-county area. For rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire state).
- Eligible Low Income Neighborhoods are defined as current HUD Qualified Census Tracts (“QCT”), and can be verified on the HUD User site by choosing the year which is effective at the time of the CHDO’s application: [HUD User - Qualified Census Tracts](#)

2) Low-Income Community Resident

- A Low-income resident* of the community does not need to submit proof of income. However, low-income residents of the community must certify they qualify as a low-income resident of their community, and provide the income limit in effect and household size which applies to their household on the Board Member Certification Form.
- Low-income community resident does not need to live in a low-income neighborhood.
- In rural areas, "community" may cover a multi-county area. A CHDO board does not need to include low-income residents from each county.

* Resident whose annual income does not exceed 80 percent (80%) of the median income for the area, as determined by HUD. An individual does not qualify as low-income if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612.

3) Elected Representative of a Low-Income Neighborhood Organization

- Low-Income Neighborhood Organization is an organization composed primarily of residents of a low-income neighborhood.
- The primary purpose of the organization must be to serve the interests of the low-income neighborhood, i.e. neighborhood church groups, Neighbor Works®.
- The governing body of the low-income neighborhood organization may elect the representative(s) to serve on the CHDO board.
- A resident of a Low-Income Neighborhood is not an elected representative of the Low-Income Neighborhood *unless* an associated governing body has elected the resident using some official process or methodology. Proof of election as a Low-Income Neighborhood Representative will be required when claiming to be an elected representative. *A CHDO which has applied for operating assistance may not be the governing body to elect representatives of a Low-Income Neighborhood Organization; and, the governing body whom elects a representative must not have any conflict of interest with the CHDO, its board, or any of the CHDO's staff, as further defined on the Conflict of Interest Certification form.*

Public Sector

- Public Employee: An individual employed by the **State of Idaho** (agency or department) or local city/county.
- Elected Official: Any elected official of city, county or state government, i.e. city council, commissioner, state legislature, school board, county attorney, etc.
- Appointed Public Official: Member of a planning or zoning commission or of any other regulatory and/or advisory board or commission or a member of a regulatory and/or advisory board or commission who is appointed by an elected State Of Idaho official.
- Appointed by Public Official: Any individual who is not necessarily a public official, but has been appointed by an elected public official to serve on the CHDO board.

Formal Process

A CHDO must solicit input from the low-income community and/or low-income beneficiaries, annually, regarding the siting, development, and management of CHDO-eligible HOME projects. CHDO must prove compliance with its formal process within the fiscal CHDO year, upon application for CHDO Certification or CHDO Operating Grants. Feedback from low-income communities and beneficiaries must be solicited outside of the organization, and cannot be accomplished with feedback from the one-third (1/3) low-income community representation on the Board of Directors.

Process must include:

- **Method(s) to inform** the low-income community of the meeting, survey, etc. The method of notification could include newspaper/radio advertisements, flyers (posted in commonly used areas such as office, bus stops, community rooms, senior citizen center, laundry mat, etc.), newsletter, individual letters to tenants and case managers, etc.
- **Method(s) to receive** input from low-income community members. Examples of this could be periodic or regularly scheduled meetings, surveys, and/or selection of a neighborhood advisory council.

Scheduling one annual meeting *does not* meet the formal process requirement.

The process is “formalized” by the CHDO’s articles of incorporation, by-laws, or board resolution. The HOME department will review the process upon submission. No formal approval is required by HOME, so long as HOME does not identify deficiencies upon review of the organizations process. If HOME determines deficiencies

are present, the CHDO will be notified and required to update their formal process. The new/updated process will require approval from HOME.

CHDO Organizational Capacity and Experience

Prior to receiving a commitment of CHDO set-aside (project), or operating-funds; a CHDO must demonstrate it has the organizational, financial, and development capacity to undertake affordable housing activities, defined as having paid staff (full-time, part-time, contracted) with housing experience appropriate to the role the CHDO expects to play in projects (owner, developer sponsor of projects of the same scope, size and level of complexity as the activity(s) for which HOME funds are being committed).

A CHDO must demonstrate it has managed its existing commitments to all outstanding projects and programs (not limited to IHFA funded projects); has the organizational/financial ability and capacity to take on and manage new commitments as required. If HOME determines the organization does not have the necessary capacities for the type or volume of projects proposed; and/or, the continued management of existing projects (IHFA funded or non-IHFA funded), then the organization is not eligible for CHDO Certification or CHDO Operating Grants.

- A CHDO must have paid staff (employees) responsible for the day-to-day organizational duties for the project and beyond, with the authority to act on behalf of the CHDO for day-to-day decisions, and oversees the development team. CHDOs cannot use paid staff from other organizations affiliated with the CHDO to meet the capacity requirements.
- A CHDO cannot use volunteers, board members, or consultants to meet the CHDO capacity requirement. Consultants and volunteers can fill the occasional skill gaps or undertake activities that are required only on a periodic basis, and with HOME department approval (e.g., project underwriting).

An experienced development consultant can be used to meet the development capacity requirement, provided that the consultant trains the CHDO staff. The HOME Department will approve consultants prior to certification. *This is only for a first year CHDO, developing capacity.* CHDO's who have been certified for at least 12 months must be able to meet all necessary CHDO criteria based on its own organizational staff capacity, without the continued use of consultants.

- "Paid staff" is defined as part-time or full-time employee or a contracted employee. Examples of contracted employees include local professional services like bookkeeping, architectural or engineering services. It is an expectation to have paid staff to oversee and understand financial matters.
- An existing CHDO must show proof of continued service to the community in the CHDO's geographic service area within the CHDO year, which currently runs August 1 through July 31 (subject to change).
- A new CHDO must provide documentation of experience serving the community where it intends to develop HOME-assisted housing, at initial certification and re-certifications. New CHDOs are eligible to use a consultant their first year. Consultants should be reviewed with IHFA to ensure appropriate qualifications exist for compliance with HOME requirements.

Internal Controls

For non-Federal entities (including CHDOs), defined as those processes designed and implemented to provide reasonable assurance regarding the achievement of objectives in the following categories:

- i. Effectiveness and efficiency of operations;
- ii. Reliability of reporting for internal and external use; and
- iii. Compliance with applicable laws and regulations. See <https://ncdaonline.org/wp-content/uploads/2020/10/Internal-Controls-for-Subrecipient-Management-Appendix-C.pdf>

For Federal awarding agencies is defined in OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. See <https://www.gao.gov/assets/gao-14-704g.pdf>

CHDO Financial Standards

The CHDO must have standards of financial accountability that conform to [2 CFR 200 Subpart D](#). This information is collected from each prospective CHDO, kept on file, and updated each year that the CHDO applies for recertification or project.

CHDO Financial Capacity

Factors evaluated by IHFA to determine capacity include some of the following: current and past performance illustrated by the borrower's conduct and adherence to regulations, payment history and maintenance of loan collateral; review and submission of annual single audits; knowledge and experience of existing and past projects (includes SF, MF, and any knowledge of project performance outside of IHFA), and reasonableness of assumptions used in an applicant's budgets, CNA's, and proforma's.

CHDO Eligible Activities

- Acquisition of fee simple single-family homebuyer units
- Acquisition and minor repair of fee simple single-family homebuyer units
- Acquisition and rehabilitation of fee simple single-family homebuyer unit(s)
- New construction of fee simple single family homebuyer unit(s)

CHDO Ineligible Activities

- Tenant Based rental assistance (TBRA)
- Homeowner rehabilitation
- Broker or any other real estate transaction
- Subrecipient Activities
- Rental Activities
- Community Land Trust Activities
- Multi-family Activities

CHDO Owner and Developer- Homebuyer Properties

For HOME-assisted homebuyer activities: The CHDO owns and develops the property then transfers fee simple title to an eligible homebuyer, within nine months of completion.

CHDO must arrange financing of the project and be in control of the project.

The HOME Department will determine and set forth in the written agreement the actual sales price of the housing or the method by which the sales price for the housing will be established. CHDO must follow the method in the applicable SF Chapter (2-B, 2-C, or 2-D) to establish the sales price.

CHDO Conflict-of-Interest Provision

Governing regulations for Conflict of Interest are found at [2 CFR §200.318](#), 92.356(f), and 93.353; where the more restrictive will apply. As is pertains to the administration of federal funds by the HOME Department, the following is used. Recipients of awards from the HOME department, need to develop a policy/procedure related to conflicts of interest and disclosure. At the time of application, Conflict of Interest Certifications (Exhibit G) will need to be submitted by each board member, all members of the organizations development staff who will be associated with the project, and all approved consultants, disclosing any real or perceived conflicts of interest.

A Conflict of Interest applies to any person who is an employee, family, agent, consultant, officer, board member, committee member, or elected official or appointed official of the organization receiving federal funds:

No employee, officer, board member, committee member, consultant, or agent may participate in the selection, procurement, or award of a contract, loan, or agreement supported by a federal award if they have a real or perceived conflict of interest. This responsibility also applies to the administration of awards, including decision-making processes for project implementation, or financial lending, where conflicts are real or perceived; and/or where the gain of inside information could be used to influence any decision for another party, organization, or institution, resulting in the financial interest or benefit from the federal award by a recipient or a third party. Such a conflict of interest would arise when a person is an employee, officer, committee member, or agent, any member of their family, or partner of any person named in this section, their partner, board member, or an organization which employs or is about to employ any party indicated herein, has a financial or other interest in or a tangible personal benefit from a firm, institution, or organization considered for a contract, loan, or agreement completed in partnership with the federal funds recipient. The officers, employees, and agents of the non-Federal entity or partner of the federal funds recipient may neither solicit nor accept gratuities, favors, payment, or anything of monetary value from contractors, or parties to subcontracts, organizations, institutions or federal funds recipients. Further, non-Federal entities and partners may not compensate or provide any kind of payment or favors in exchange for referrals or recommendations.

No employee, officer, board member, committee member, consultant, or agent of the recipient, whether private, for-profit or nonprofit, may occupy a federally assisted unit developed, managed, owned, or sold by the recipient during the required period of affordability. This provision does not apply to an individual who receives funds to acquire or rehabilitate his or her principal residence or to an employee or agent of the owner or developer of a rental housing project who occupies a housing unit as the project manager or maintenance worker.

Conflicts remain for one-year post employment, board or committee service, or purchase of a federally assisted unit sold by the non-profit.

Upon written request by a recipient, the HOME department may grant an exception to the conflict-of-interest provision on a case-by-case basis when it determines that the exception will serve to further the purposes of the federal program and the effective and efficient administration of the recipients HOME-assisted project. Any determination will consider the following factors:

Whether the person(s) receiving benefits is a member of a group or class of low-income persons intended to be beneficiaries of the assisted housing.

Whether the person has withdrawn from the functions or responsibilities, or the decision-making process, with respect to the specific assisted housing in question.

Whether an exception permits one or more individuals to influence, participate in, or directly make decisions for more than one organization or beneficiary.

Should a conflict of interest arise, it must be disclosed in writing as soon as it is identified by the recipient or partner organization, and at any time a new application is submitted for federal awards. The HOME department will evaluate the need to request an exception from HUD.

Anti-Lobbying Act. Agree to comply with disclosure requirements of [24 CFR §5.105\(b\)](#) and prohibitions of 31 U.S.C. § 1352 and implementing regulations at [24 CFR Part 87](#) and [2 CFR §200.450](#); and the requirements for funding competitions established by the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3531 et seq.). See Chapter 6 for additional information.

CHDO Operating Assistance Grant

At its discretion, the HOME Department may use up to five percent (5%) of its annual HOME allocation to provide CHDOs with funds for operating expenses. CHDO operating funds cannot be used for project specific construction costs. The purpose of the Operating Assistance Grant is to help with general operating costs CHDOs may use Operating Assistance Grants to support the organizations general operating costs as defined below. New CHDO's may use Operational Grants to help build development capacity for the first year only.

Uses:

- Salaries, wages, benefits and other employee compensation (benefits and other compensation must be clearly documented, and requires approval from the HOME department).
- Employee education, training, and travel
- Rent and utilities
- Communication costs
- Taxes and insurance
- Audits and general legal fees, as approved by the HOME department (cannot be project specific)
- Professional Services (cannot be project specific)

Eligibility

A CHDO must meet at least one of the following criteria:

- Has a CHDO-eligible project currently underway;
- Has had at least one project funded by the HOME department for a CHDO eligible activity, which was eligible for the use of CHDO Set-aside funds (HOME may opt to use other funding sources in lieu of CHDO Set-aside) within the previous 24 months;
- Has executed a Conditional Commitment of HOME funds for a CHDO-eligible HOME project; or, is a new CHDO, which received its first initial certification one (1) to three (3) years from the date of the Grant application deadline.

Distribution of Funds

The Operating Assistance Grant is intended to help CHDOs with eligible, reasonable operating costs (as determined by the HOME department) while the CHDO gains financial capacity to own and develop safe, decent, affordable housing. The annual allocation may not be awarded every year. The HOME department reserves the right to recapture any unexpended grant funds to reallocate or award to CHDO-eligible projects or grants, or to deny applications at its discretion.

Maximum Grant Award

Each annual award may not exceed fifty percent (50%) of the CHDO's total estimated operating expenses for the year, or a maximum of \$50,000. If fifty percent of the CHDO's expenses exceed \$50,000, the CHDO may be eligible for the maximum \$50,000, if funding is available to support the maximum award. If fifty percent of the CHDO's expenses is less than \$50,000, the award is adjusted to fifty percent of the estimated expenses, as available from CHDO Operating funding. CHDO operating assistance is awarded as a grant based on application scoring & NOFA process. The timing of each year's NOFA is dependent on when the annual allocation is received.

The HOME Department is not obligated to award the amount requested, or the maximum permitted by CHDO regulations. Individual grant amounts are determined by:

- 1) The total amount of grant funds available divided by total of all points scored by all CHDO's (monetary point value); and
- 2) Individual CHDO score is multiplied by the monetary point value.
- 3) If funding is available to provide the amount requested by each CHDO; or, the maximum funding of fifty percent (50%) of the organizations operating costs, or \$50,000, to each CHDO which applied and qualified for a CHDO Operating Grant, the HOME department may opt to forego the scoring system in favor of providing the maximum award requested or allowed by the regulations, or as determined reasonable by the HOME department.

Reimbursement of Eligible Costs

Operating Assistance Grant funds can be used for eligible, reasonable day-to-day operating costs of the organization, according to an approved budget. Funds awarded to CHDOs must be drawn within the 12-month contract period.

CHDO may request one extension in writing prior to the expiration date of the CHDO Operating Grant Agreement. Approval is at the discretion of the HOME department. CHDO's must submit final reimbursement requests within thirty (30) days following the expiration date of the grant agreement, unless prior authorization has been provided in writing by the HOME department.

General Conditions

- Only IHFA HOME department Certified CHDO's are eligible to apply for the Operating Assistance Grant. IHFA CHDO's are certified on an annual basis.
- First time applicants must include new/potential detailed project plan with initial application submission and indicate whether or not they have started an Environmental Review (ER) of the project;
- A CHDO is required to submit an Operating Assistance Grant application annually, in compliance with published application deadlines and other requirements;
- A CHDO must provide documentation of actions taken during the prior 12 months and all planned efforts to provide future CHDO-eligible Single Family (SF) housing;
- As a condition of accepting the a CHDO Operating Assistance Grant, the CHDO is required to apply for and receive an award for an IHFA CHDO-eligible activity; or enter into a loan agreement to expend HOME funds within 12 months of acceptance;
- A CHDO must demonstrate compelling efforts the organization continues to provide Single Family (SF) housing, as well as move forward with IHFA HOME approved CHDO eligible projects. CHDO's may be required to provide documentation of actions taken during the Operating Assistance Grant to show efforts made;
- A CHDO will have a plan in place to identify a new CHDO eligible project, including a timeline for completion of existing projects, and when the organization estimates it will be prepared to apply for more development funding in a future funding round;
- A CHDO may be eligible to receive an Operating Assistance Grant in an amount up to, but not to exceed fifty percent (50%) of the CHDO's total operating expenses or \$50,000.

- The proposed uses of the grant funds must be reasonable and necessary for the day-to-day operations of the CHDO, i.e. employee salaries, compensation and benefits; board/employee education, training and travel; rent, utilities, communication costs; taxes and insurance, legal and audit services, and professional services.
- A CHDO that receives two consecutive grant allocations for operating assistance without an agreement to receive CHDO Set-Aside or HOME funds for an approved CHDO-eligible HOME project is ineligible for grant funding the next program year. Any further operating assistance will be awarded only after the CHDO has met production requirements.
- CHDO operating funds cannot be used to pay consulting fees to any organization also receiving CHDO operating funds from the HOME department. Consulting fees are subject to HOME department review and approval.
- The HOME Department is not obligated to award the amount requested and reserves the right to reduce any amount requested.
- The HOME Department will provide written notice to all award recipients within sixty (60) calendar days, no later than 90 days, of the published due date for application submission.

CHDO Operating Assistance Application

Grant Application, Minimum Threshold requirements, Grant Scoring Criteria, Full Certification checklist, Individual Board Member Certification, Conflict of Interest Certification- See Exhibit N of this administrative plan.

Minimum Threshold Requirements

- Full CHDO Certification Checklist (Verify locations of all requirements are specified as instructed)
- Articles of Incorporation
- By-Laws
- IRS Certificate and Current IRS Standing
- Proof of conformance with 2 CFR 200 Part D, per one of the following:
 - Notarized statement from board president or CFO
 - Certification from third party Certified Public Accountant
 - HUD approved audit summary
- Organizations financial policies and procedures
- Most recent financial and/or single audit - Must be within 12 months. IHFA may request interim financials at their sole discretion. HOME will ensure the organization has adequate financial management systems and sufficient financial resources to carry out a proposed project(s) to completion.
- Organizations policies and procedures for internal controls
- Proposed operating budget for the year in which funding is requested
- Resumes for ALL staff who bring development experience to the organization
- Resumes and agreements for consultants hired by a first year CHDO to build capacity (applicable only to new CHDO's – Consultants must be approved by IHFA)
- Statement which documents at least one year serving the community in CHDO's geographic service area (new CHDO's only)
- Proof of continued to service to the community in CHDO's geographic service area within the last 12 months (recertifying CHDO's)
- Conflict of Interest statements from all board members, **and all organizational staff who will be associated with the project (i.e. Executive Directors and other operational staff who help manage and run the development of federally assisted housing)**

- Written and approved Formal process adopted by the organization, which outlines how low income beneficiaries can advise the organization regarding design, siting, development, and management of HOME assisted housing activities, evidenced by one of the following:
 - By-Laws
 - Board Resolution
- Proof of adherence to formal process allowing low-income beneficiaries to advise the organization.
- Training Certificates/Attendance for development/organizational staff for the previous 12 months
- Board Resolution or statement authorizing application for CHDO Operating Assistance Grant
- CHDO Grant Application
- UEI #
- Statement or Organizational Plan outlining the CHDO's organizational and development related goals for the next 12-24 months – for development, provide any supporting information available in regards to siting, proposed plans, funding, etc.