

Community Housing Development Organization (CHDO) 2

 Qualifying Criteria 2

 Legal Status..... 2

 Defined Service Area 3

 Organizational Structure 3

DEFINITIONS 3

 Low-Income Community Representative 3

 Public Sector 4

 Formal Process 4

 Sponsored CHDO 4

 CHDO Organizational Capacity and Experience 5

 CHDO Financial Standards..... 5

 CHDO Eligible Activities 6

 CHDO Ineligible Activities..... 6

 CHDO Owner and Developer- Homebuyer Properties 6

 CHDO Conflict-of-Interest Provision..... 6

Special Assistance to CHDOs 7

 Pre-Development Loan 7

 Match Requirement..... 8

CHDO Operating Assistance Grant..... 8

 Eligibility 9

 Distribution of Funds 9

 Maximum Grant Award 9

 Reimbursement of Eligible Costs..... 9

 General Conditions 9

 CHDO Operating Assistance Application..... 10

 Minimum Threshold Requirements..... 10

Community Housing Development Organization (CHDO)

A CHDO is a community-based, nonprofit housing development organization with staff capacity to develop and manage affordable housing in the community and/or region it serves.

The HOME Department is required to set-aside a minimum fifteen percent (15%) of its annual HOME allocation for affordable housing activities that are owned, developed, or sponsored by IHFA-certified CHDOs.

Type of Assistance	Amount Available
CHDO Set-Aside (CHDO Reserve funds)	Not less than 15% of annual HOME Allocation
CHDO Pre-development Loans	Up to 10% of annual CHDO Set-Aside
CHDO Operating Assistance Grants	Up to 5% of annual HOME Allocation

Qualifying Criteria

A CHDO is a nonprofit, community controlled organization that meets specific criteria regarding organizational structure, legal status, and staff capacity. The HOME Department certifies each CHDO each time CHDO Set-Aside (Reserve) funds are committed to an activity and for 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 within which housing to be assisted with HOME funds is to be located.

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 defined service area.

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****(a) 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 identify the census tract they reside in.*
- 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).

(b) 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.
- 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.

(c) 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.

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 the low-income community, annually, for input regarding the siting, development, and management of CHDO-eligible HOME projects. This cannot be accomplished with the one-third (1/3) low-income community representation on the Board of Directors. A CHDO must also adopt a process identifying how the CHDO will annually solicit input from low-income beneficiaries/community regarding the siting, development, and management of affordable housing.

Process must include:

- **Method 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 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 CHDO can choose the method(s) to inform as well as the method to receive the input.

The process is subject to approval by the HOME Department. The process is “formalized” by the CHDO’s articles of incorporation, by-laws, or board resolution.

Sponsored CHDO

A nonprofit organization sponsored by other nonprofits, charities, or religious organizations is considered a “sponsored CHDO”.

Local or state governments and/or for-profit corporations *may* sponsor a CHDO, however, additional requirements, including board member limitations, must be met.

Religious or faith-based organizations are eligible based on the same requirements as any other organization to participate. If an organization conducts religious activities they must be offered separately, and tenant participation must be voluntary (additional guidance is provided at 92.2.57 of the HOME final rule and 24 CFR 5.109).

A CHDO may not be controlled or significantly influenced by individuals or entities seeking to derive profit or gain from the organization.

A CHDO may be sponsored or organized by a for-profit if:

- The primary purpose of the for-profit sponsor is not development or management of housing, i.e. a builder, consultant, developer, or real estate management firm.
- The for-profit entity may not appoint more than one-third (1/3) of a CHDO's governing board, and board members appointed by the for-profit may not appoint the remaining two-third (2/3) board members.
- Officers and employees of the for-profit can serve as board members, but they cannot serve as officers or paid employees (staff) of the CHDO.
- The CHDO must demonstrate it is eligible to contract for goods and services from vendor(s) of its own choosing.

CHDO Organizational Capacity and Experience

Prior to receiving a commitment of CHDO set-aside (project), operating, or pre-development funds; a CHDO must demonstrate it has the 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 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.
- 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 (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.*
- "Paid staff" is defined as part-time or full-time employee or a contracted employee.
- A CHDO must provide documentation of experience serving the community where it intends to develop HOME-assisted housing, at initial certification and re-certifications. A newly created organization can meet this requirement if the parent (sponsoring) organization is also a nonprofit and has provided services to the community for at least one (1) year.

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 Eligible Activities

- Acquisition of rental housing
- Acquisition and repair of rental housing
- Acquisition and rehabilitation of rental housing
- New construction of rental housing
- Acquisition of single-family homebuyer units
- Acquisition and minor repair of single-family homebuyer units
- Acquisition and rehabilitation of single-family homebuyer unit(s)
- New construction of 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 Housing

CHDO Owner and Developer- Homebuyer Properties

For HOME-assisted homebuyer activities: The CHDO owns and develops the property then transfers 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 and the proceeds to be returned to the HOME Department.

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, Exhibit G will need to be submitted 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, or elected official or appointed official of the organization receiving federal funds:

No employee, officer, or agent may participate in the selection, procurement, or award of a contract supported by a Federal award if they have a real or apparent conflict of interest. This also applies to the responsibility and decision-making processes for administration of the contract, where real or perceived; the gain of inside information resulting in the financial interest or benefit from the federal award. Such a conflict of interest would arise when the employee, officer, or agent, any member of their family, their partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the non-Federal entity may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors or parties to subcontracts.

No recipient whether private, for-profit or nonprofit, may occupy an affordable housing unit in a project 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.

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.

Should a conflict of interest arise, it must be disclosed in writing as soon as possible. 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.

SPECIAL ASSISTANCE TO CHDOS

Pre-Development Loan

CHDOs can receive CHDO Set-aside funds as a loan for project specific predevelopment activities for homebuyer properties activities. Predevelopment loans are intended to help ensure that CHDOs have access funds available for up-front, eligible, project expenditures. Funds for these purposes are often difficult for nonprofit developers to obtain from private sources. The CHDO should request and the HOME Department should approve project predevelopment only where there is a reasonable expectation that the project will prove feasible. The HOME Department reserves the right to capture any unused portion of an existing pre-development loan after twelve (12) months.

The following conditions apply:

- Total predevelopment loans cannot exceed ten percent (10%) percent of the total amount of HOME funds reserved for all CHDOs in any given grant year
- All costs must be related to a specific project, which, if deemed feasible, would receive CHDO-eligible HOME funds
- Cannot exceed customary and reasonable project preparation costs
- Limited to \$50,000.00 per project.
- Funds are provided in the form of a loan, which must be repaid with construction loan proceeds, or incorporated into additional HOME financing.
- The CHDO must provide evidence it is adhering to its formal process to include low-income beneficiaries in the siting, development and management of affordable housing projects before predevelopment funds are disbursed.
- The HOME Department may waive repayment of the loan, in whole or in part, if there are impediments beyond reasonable control of the CHDO, or if the project is deemed to be infeasible.

Types of Pre-development loans:

- 1) Technical Assistance/Site Control Loan- To establish preliminary feasibility of a specific project. The HOME Department ***may waive*** repayment of this loan, in whole or in part, if there are impediments to the project beyond the reasonable control of the CHDO, or the project is deemed infeasible.

2) Seed Money Loan- This type of loan is intended to cover preconstruction costs for a specific project. Designed to provide site-specific preconstruction assistance *after* the project is deemed feasible and *has received environmental clearance*. **Important! Repayment of a Seed Money Loan cannot be waived.**

Match Requirement

Predevelopment loan funds trigger the HOME match requirement if the project goes forward. However, if the HOME Department waives repayment of the predevelopment loan due to a project not being feasible; there is no match liability.

	Technical Assistance and Site Control Loan	Seed Money Loan
Purpose	To establish preliminary feasibility of a specific project	To cover pre-construction, site specific fees and permits costs for a specific project
Timing	Used prior to gaining site control	Must have site control, preliminary financing commitment, and capable development team
Uses	Limited to: <ul style="list-style-type: none"> • Initial feasibility study • Cost of preliminary financial application • Fees: architects, legal, engineers, development team • Site control expenses • Title clearance costs 	Limited to: Pre-construction, site specific, permits and fees
Loan Terms	Specified by the HOME Department	Specified by the HOME Department
Repayment	Repaid from construction loan or project income May be waived if there are impediments to project development, or if deemed infeasible	Repaid from construction loan or other project income Repayment obligation not waived
Environmental Clearance	Does <u>not</u> require environmental clearance prior to expenditure of funds	Requires environmental clearance <u>prior</u> to commitment of funds

Predevelopment Loan Application- See Exhibit I of the Administrative Plan.

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 are strongly encouraged to use Operating Assistance Grants to support the creation or enhancement of its organizational, professional, and development capacity

Uses:

- Salaries, wages, benefits and other employee compensation
- Employee education, training, and travel
- Rent and utilities
- Communication costs
- Taxes and insurance

Eligibility

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

- Has a CHDO-eligible project underway;
- Has had at least one project in which CHDO Set-aside funds were expended within the previous 24 months;
- Has executed a Conditional Commitment of HOME funds for a CHDO-eligible HOME project; or is a new CHDO (received initial certification one to three (1-3) 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 while receiving, or are under written agreement to receive, set-aside funds. The intent of the grant is to help with operating costs as the CHDO gains capacity to own, develop, and/or sponsor safe, decent, affordable housing. The annual allocation may not be awarded in any year; The HOME Department reserves the right to capture any unexpended grant funds to reallocate or award to CHDO-eligible projects.

Maximum Grant Award

Each annual award may not exceed 50 percent (50%) of the CHDO's total annual operating expenses for that year, or \$50,000, **whichever is greater**. This amount includes funds awarded to the CHDO by the HOME Department for operating expenses, as well as other funds provided by HUD through intermediaries for organizational support and housing education. 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. 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.

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 within writing thirty (30) days of the expiration of the contract. Approval is at the discretion of the HOME Department. CHDOs must submit final draw request within thirty (30) days following the expiration date of the grant agreement.

General Conditions

- Only IHFA Certified CHDOs are eligible to apply for the Operating Assistance Grant. IHFA CHDOs 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 submit an application or enter into a CHDO agreement to receive HOME funds within 12 months for a CHDO-eligible activity;
- A CHDO must demonstrate valid attempts to continue providing Single Family (SF) housing. Providing documentation of actions taken during the Operating Assistance Grant for entirety of project;
- A CHDO will have a plan in place indicating the intention of applying for the next funding round;
- A CHDO may receive an Operating Assistance Grant for any program year in an amount up to, but not to exceed fifty percent (50%) of the CHDO's total operating expenses or \$50,000, whichever is greater. This amount includes all funds provided by HUD through intermediaries for organizational support and housing education.
- 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.
- 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 from any organization also receiving CHDO operating funds from the HOME department.
- 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

- Training Certification of Completion/Attendance for development/organization staff for the previous 12 months;
- Resume(s)/Statement of Experience for all key development staff that will be involved with CHDO activities;
- Board resolution authorizing application for this CHDO Operating Assistance Grant;
- Organizational Plan that outlines goals and objectives relative to the development of CHDO-eligible housing;
- Documentation of experience serving the community where it intends to develop HOME-assisted housing;
- Notarized statement from the Certified Public Accountant indicating the organization's financial management systems conform to CFR 200 Standards for Financial Management Systems;
- CPA-Reviewed Financial Statements submitted with CHDO Certification. The HOME department will review and asses if the developer has adequate financial management systems and practices in place. Financial capacity of the organization is also reviewed;
- Proposed operating budget for the year in which the funding is requested. The budget must include anticipated sources of revenue, including funds provided by other intermediaries for organizational support and/or housing education.