

HOME AND COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)

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. IHFA, as the Participating Jurisdiction (PJ) for Idaho's HOME program, is required to set-aside a minimum -15% of its annual HOME allocation for affordable housing development activities owned, developed, or sponsored by IHFA certified CHDOs.

Qualifying Criteria

A CHDO is a specific nonprofit entity certified by IHFA. CHDOs must meet certain criteria regarding their legal status, organizational structure, and staff capacity/experience. IHFA certifies CHDOs annually.

Legal Status

- Organized under Idaho State law
- Tax-exempt ruling from the IRS under Section 501(c) of the Internal Revenue Code of 1986
- No part of an organization's net earnings may benefit any members, founders, contributors, or individuals
- Provision for "safe, decent, affordable housing to low and moderate-income persons" as a purpose; evidenced in the Charter, Articles of Incorporation, By-laws, or a Board Resolution.
- Not controlled by, or under the direction of, individuals or entities seeking to derive profit or gain from the organization

Clearly Defined Service Area

- May include a neighborhood(s), city, or county
- For rural areas, may include a neighborhood(s), town, county, or multi-county area, but not the entire state

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:**

1. Minimum 1/3 of the board must be members defined as Low-Income Community (definitions provided below); and
 2. No more than 1/3 of the board can be members defined as public sector (definitions provided below; and
 3. 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 are not counted as low-income community representative.

Definitions:**Low-income Community****(a) Resident of low-income neighborhood**

- i) Defined as a neighborhood where 51 percent or more of the residents are low-income (according to HUD census tract). Residents of low-income neighborhoods do not have to be low-income themselves.
- ii) In urban areas, “community” is not necessarily limited to a single neighborhood, but may include several neighborhoods, the city, county or metropolitan area.
- iii) 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

- i) Low-income residents of the community do not need to submit proof of their income. However, low-income residents of the community must submit certify that they qualify as low-income.
- ii) Low Income community residents do not need to live in a low income neighborhood
- iii) In rural areas, community may cover a multi county area. The board does not need to include low income residents from each county.

(c) Elected representative of a low-income neighborhood organization

- i) Low-income neighborhood organization is an organization composed primarily of residents of a low-income neighborhood.
- ii) The primary purpose of the organization must be to serve the interest of the neighborhood, i.e. neighborhood church groups, Neighbor Works®
- iii) The governing body of the low-income neighborhood organization may elect the representative(s) to serve on the CHDO board.

(d) Public Sector

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

The Formal Process

A CHDO ask the low-income community for input regarding the siting, development, and management of CHDO-eligible HOME projects. This is not accomplished by the 1/3 low-income representation on the Board of Directors. A CHDO must also adopt a “Board-approved process” to receive input from low-income beneficiaries/community regarding the siting, development, and management of affordable housing.

The Board of Directors must approve a process to allow low-income community members the opportunity

to advise the CHDO on future and current CHDO-eligible HOME project.

A Formal 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 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 scheduled meetings, surveys, selection of a neighborhood advisory council. ‘
 - *Scheduling one annual meeting does not meet the Formal Process requirement; the purpose of meeting is to ask for input regarding a specific CHDO-eligible HOME project.
- The CHDO chooses their method(s) of notification as well as their format(s) to obtain the input.
- The Process is subject to approval by IHFA. The Process is “formalized” by the CHDO’s Articles of Incorporation, By-laws, or Board Resolution.

***Important!** Evidence of adherence to the Formal Process is required:

- For the annual CHDO certification; and
- Prior to disbursement of CHDO Predevelopment loan funds.

Sponsored CHDO

A nonprofit organization that is sponsored by other nonprofits, charities, religious organizations is considered a Sponsored CHDO. Local or state government or for-profit corporations may sponsor a CHDO, however, additional requirements, including board member limitations apply.

Religious or faith-based organizations are eligible on the same basis as any other organization to participate in the HOME program. However, any organization directly funded under HOME may not engage in inherently religious activities. If an organization conducts such 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).

Relationship to For-Profit Entities- CHDO may not be controlled by, or under the direction of for-profit Individuals or entities seeking to derive profit or gain from the organization. CHDO may be sponsored or organized by a for-profit if:

- 1) The primary purpose of the for-profit sponsor is not development or management of housing examples: builder, consultant, developer, or real estate management firm).
- 2) The for-profit entity may not appoint more than 1/3 of a CHDO's governing board and board, members, appointed by the for-profit may not appoint the remaining 2/3 board members.
- 3) The CHDO must demonstrate it is free to contract for goods and services

Capacity and Experience

A CHDO is required to have professionals on staff with the experience to own, develop, and manage affordable housing. The capacity requirement cannot be met by municipal, county, or state employees; or consultants (paid or volunteer) not planning to train the CHDO’s key staff.

- A CHDO must demonstrate it has at least one year of experience serving the community where it intends to develop HOME-assisted housing.
- A newly created organization who wants to become a CHDO can meet this requirement if the parent (sponsoring) organization is also a nonprofit and has provided services to the community for at least one year. A CHDO must be able to demonstrate the capacity of key staff to carry out the HOME activities.

- Experienced staff that have successfully completed similar projects as those proposed by the CHDO.
- Key staff with limited or no experience may use experienced consultants for planning and development activities, as long as there is a plan in place for the consultant to train the staff.

Financial Standards

The CHDO must have standards of financial accountability that conform to 24 CFR 84.21 "Standards for Financial Management Systems."

This information is collected from each prospective CHDO, kept on file, and updated each year that the CHDO applies for recertification.

USE OF HOME FUNDS BY IHFA CERTIFIED CHDOS

The following chart summarizes the specific types of HOME Program funding that are available only to IHFA CHDOs:

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

CHDOs can apply for and receive general HOME project funds through the normal competitive application process. No preference points are awarded during the scoring process based on CHDO certification. Awards of the 15% set aside are based on the normal competitive rating criteria.

Eligibility for CHDO Set-Aside Funds

Must be an IHFA-certified CHDO acting as owner, developer, and/or sponsor (see definition of CHDO sponsor) of a CHDO-eligible HOME activity.

CHDO-eligible HOME Activities

- Acquisition of rental housing
- Acquisition and rehabilitation of rental housing
- New construction of rental housing
- Acquisition of homebuyer properties
- Acquisition and rehabilitation of homebuyer properties
- New construction of homebuyer properties
- Direct Down payment Assistance to a homebuyer who purchased a HOME-assisted unit owned, sponsored or developed by a CHDO at the time of the purchase.

Ineligible activities

- Tenant Based rental assistance (TBRA);
- Homeowner rehabilitation;
- Broker or any other real estate transaction

Definitions of CHDO Owner, Developer, and Sponsor

CHDO AS "OWNER"

The CHDO is an "owner" when it holds valid legal title to, or has a long-term (99-year minimum) leasehold interest in, a property. The CHDO may be an owner with one or more individuals, corporations, partnerships, or other legal entities.

EXAMPLE: A CHDO owns a property and contracts with another entity (for-profit or nonprofit) to act as a developer and construct new, or rehabilitate existing rentals. After completion of the development, the CHDO will maintain ownership of the property.

While the CHDO may be the owner with another entity acting as a developer, it can also be the owner and developer of its own project.

The CHDO can maintain a minority interest in ownership of the property provided it is the managing general partner with effective control (decision-making authority) of the project.

CHDO AS "DEVELOPER"

A CHDO is a "developer" when it owns a property and develops a project, or it has a contractual obligation to a property owner to develop a project. If it owns the property, it must obtain financing and rehabilitate or construct the project. The CHDO may also maintain or manage the project.

For HOME assisted Rental housing: At project completion, the CHDO may maintain ownership and manage the project over the long-term, or it may transfer the project to another entity for long-term ownership and management.

For HOME-assisted homebuyer project: The CHDO transfers title of the property and the HOME obligations to an eligible homebuyer within a specified timeframe of project completion.

If the CHDO does not own the property, it must be under a contractual obligation with the owner to obtain financing and rehabilitate or construct the project. Under this scenario, the CHDO assumes all of the risks and reward associated with being the project developer. A written agreement between the CHDO and the property owner must detail the CHDO's specific obligations.

For HOME assisted rental housing: The CHDO may, at project completion, manage the project for the owner.

For homebuyer housing: The owner must transfer title of the property and the HOME obligation to eligible homebuyers within a specified timeframe of project completion.

CHDO AS "SPONSOR"

A CHDO is a "sponsor" when the CHDO develops a HOME assisted rental or homebuyer project that it solely or partially owns and agrees to convey ownership **to a second nonprofit organization** at a predetermined time. The transfer of ownership may occur prior to, during development of, or upon completion of the development of the project. The conveyance may take place prior to, during, or upon completion of the development phase. The HOME funds are invested in the project owned by the CHDO.

The CHDO sponsor must identify the nonprofit organization that will obtain ownership of the property prior to the commitment of HOME funds.

The second nonprofit will assume all HOME obligations (including repayment of loans and tenant and rent requirements) for the project from the CHDO at a specified time. If the property is not transferred to the nonprofit organization, the CHDO sponsor will remain liable for the HOME obligations.

The second nonprofit must be financially and legally separate from the CHDO sponsor. (The second nonprofit may have been created by the sponsor, but it must be a separate entity from the CHDO sponsor.)

The CHDO sponsor must provide sufficient resources to the second nonprofit to ensure the successful development and long-term operation of the project.

EXAMPLE: A CHDO enters into a legally binding agreement with Eldercare, an existing nonprofit organization experienced in providing housing services for the elderly. The CHDO agrees to purchase and rehabilitate a vacant 50-unit property and convey the property to Eldercare upon completion of the construction phase. Eldercare will assume responsibility for the long-term management of the project and for the fulfillment of all obligations and requirements associated with the use of the HOME funds.

For a HOME Assisted homebuyer program: The CHDO owns a property, then shifts responsibility for the project to another nonprofit at some specified time in the development process; the second non-profit in turn transfers title, along with the HOME loan/grant obligation and resale requirements, to a HOME-qualified homebuyer within a specified timeframe.

The HOME funds are invested in the property owned by the CHDO.

The other nonprofit being sponsored by the CHDO acquired the completed units, or brings to completion the rehabilitation or construction of the property.

At completion of the rehabilitation or construction, the sponsored nonprofit is required to sell (transfer) to a homebuyer the property, along with the HOME loan/grant obligation.

This sponsorship role could include a lease-purchase approach (for a period not to exceed three years) whereby the sponsored nonprofit would lease the property to a homebuyer for a period not to exceed two years. At the expiration of the lease, the sponsored nonprofits must sell or transfer the property, along with the HOME loan/grant obligations, to the homebuyer. If the property is not transferred, the sponsored nonprofit retains ownership, and all HOME rental requirements will apply.

Important* A CHDO Sponsor must own the property prior to the development phase

The “developer” and “sponsor” roles are similar in many ways. In both roles, the CHDO carries out the principal project development activities such as acquisition, financing, construction management, and putting together a capable development team, to bring a project from conception to completion. However, as “developer,” the CHDO need not own the property. As “sponsor”, the CHDO must own the property and shift the responsibility to another specific nonprofit entity at a specified time in the development process. Transfer could occur, for example at:

- Initiation of the construction
- Completion of the construction
- Issuance of the certificate of occupancy

The HOME affordability requirements for the project are the responsibility of the owner or subsequent owners of the property.

Conflict of Interest

No owner, developer, or sponsor of a project assisted with HOME funds (officer, employee, agent, or consultant of the owner, developer, or sponsor) whether private for-profit or non-profit (including a community housing development organization (CHDO) when acting as an owner, developer, or sponsor) may occupy a HOME-assisted affordable housing unit. This provision does not apply to an individual who receives HOME 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 of maintenance worker.

Upon written request by a housing owner or developer, IHFA may grant an exception to the provision when it determines that the exception will serve to further the purposes of the HOME program and the effective and efficient administration of the owner's or developer's project. Any determination will consider the following factors:

- Whether the person receiving benefit 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.

SPECIAL ASSISTANCE TO CHDOS

Pre-Development Loan

CHDOs may receive a loan for project specific **pre**-development activities. Pre-development loans are intended to help ensure that CHDOs have access to funds available for up-front, eligible, project expenditures. Funds for these purposes are often difficult for nonprofit developers to obtain from private sources. The following conditions apply:

- Total Predevelopment loans cannot exceed ten (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.
- Loan period is twelve (12) months.
- Limited to \$50,000.00 per project
- Provided in the form of a loan which must be repaid with construction loan proceeds or incorporated into additional HOME financing.
- **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.**

A) Types of Pre-development loans:

1) Technical Assistance/Site Control Loan- To establish preliminary feasibility of a specific project.

IHFA may waive repayment of the loan, in whole or in part, if there are impediments to the project that IHFA believes are reasonably beyond the control of the CHDO, or the project is deemed infeasible.

2) Seed Money Loan- Cover PRE-construction costs for a specific project.

Designed to provide site-specific PRE-construction assistance after the project is deemed feasible and has received environmental clearance.

Important! IHFA will not waive repayment of a Seed Money Loan

B) Match Requirement

HOME funds used for pre-development loans, triggers the Match requirement. However, match liability incurred for funds expended for pre-development loans funds are forgiven if the project does not proceed. The CHDO should request pre-development assistance **only** when there is a reasonable expectation that the project will prove feasible. IHFA reserves the right to unfund any unused portion of an existing pre-development loan after twelve (12) months.

Predevelopment Loan Application- See Exhibit I

C) Eligible Costs

	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: <ul style="list-style-type: none"> ▪ Pre-construction, site specific, permits and fees
Loan Terms	Specified by IHFA	Specified by IHFA
Repayment	Repaid from construction loan or other project income May be waived if there are impediments to project development, or if deemed infeasible	Repaid from construction loan or other project income Will not be 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

CHDO Operating Assistance Grant

Up to 5% of an IHFA's annual HOME allocation may be used 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 operating costs as a CHDO becomes increasingly able to earn developer's fees, increase net income from affordable housing owned and/or developed by the CHDO.

A) Eligible uses:

- 1) Salaries, wages, benefits and other employee compensation;
- 2) Employee education, training and travel;
- 3) Rent and utilities;
- 4) Communication costs;
- 5) Taxes and insurance; and
- 6) Office equipment, materials and supplies

B) Eligible Recipient

To be eligible to apply for the Operating Assistance Grant, a CHDO must meet at least one of the following criteria:

- Has a CHDO-eligible HOME project underway;
- Has had at least one project in which CHDO-eligible HOME 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 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. **Operating assistance should NOT be considered a long-range funding source.** 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 total allocation for Operating Assistance Grant funds in any program year may not be completely distributed. IHFA reserves the right to return any remaining balance of funding available for actual project expenses.

Maximum Grant Award

In each fiscal year the award may not exceed 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 PJ for operating expenses, as well as other funds provided by HUD through intermediaries for organizational support and housing education.

All Operating Assistance funds are awarded as a grant.

Reimbursement of Eligible Costs

Operating Assistance Grant funds will reimburse the CHDO for eligible, reasonable operating costs, according to the approved budget as substantiated by appropriate documentation. Funds awarded to CHDOs must be drawn within the 12-month contract period.

CHDO may request one extension in writing thirty (30) days prior to the expiration of the contract. Approval is at the discretion of IHFA. CHDOs must submit their final draw request within 30 days of the expiration date of the contract.

General Conditions

Any private, non-profit, community based organization that intends to develop safe, decent affordable housing in a community it serves may apply seek CHDO certification. Only eligible certified CHDOs are eligible to apply for Operating Assistance Grant. CHDO's are certified on an annual basis.

- 1) CHDO will submit an Operating Assistance Application in compliance with published application deadlines and all other requirements.
- 2) CHDO will provide evidence of non-profit tax-exempt status and their good standing within the State of Idaho, a current audited financial statement, as well as all other CHDO requirements.
- 3) As a condition of accepting the a CHDO Operating Assistance Grant, the CHDO will is required to enter into a written agreement with IHFA, stating it will to submit an application for a reservation to receive HOME funds within 12 months for an CHDO eligible HOME activity.
- 4) A CHDO may receive an operating assistance grant for any program year in an amount up to, but not

exceeding 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.

- 5) The proposed uses of funds must be reasonable and necessary. Such costs can include salaries, wages, other employee compensation and benefits, employee education, training and travel, rent, utilities, communication costs, taxes, insurance, office equipment, materials and supplies.
- 6) A CHDO that receives two consecutive grant allocations for operating assistance without a reservation of HOME funds for an approved CHDO eligible HOME project is ineligible for funding the next program year. Any further operating assistance will be awarded only after the CHDO has met production requirements.
- 7) IHFA reserves the right to reduce the amount requested.
- 8) IHFA will provide written notice to all award recipients within sixty (60) calendar days of the published due date for application submission.

CHDO Application Material

Application is found at Exhibit N.

Application material should be placed in a tab top folder in the order identified in the following section.

Tabbed page dividers must be placed between each required application exhibit item. A table of contents must be included at the beginning of the application package, identifying the contents of each tab.

Additional application material submitted by the applicant should be placed within tabbed sections following the required submission data.

Application must contain the following material:

1. Complete and legible original IHFA HOME Operating Expenses Application (see Exhibit "N") completed in its entirety, including all application certifications.
2. Board Resolution authorizing the application for the current Operating Assistance Grant.
3. Current individual board member certifications.
4. ~~A~~eCurrent Development Plan which identifies the CHDO's organizational goals and objectives related to "developing," "sponsoring," or "owning" decent, safe, affordable housing, as defined under 24 CFR part 92 (link).
5. Applicant will identify how they intend to minimize or eliminate the need for the CHDO Operating Assistance Grant.
6. ~~A~~CHDO Board resolution, which attests to the adoption of the Development Plan required in (4) above.
7. Certify there are no outstanding HOME Compliance findings.
8. For prior recipients of CHDO funds, documentation that anticipated production levels were met as set forth in the contract for those funds.
9. ~~A~~eCopy of the CHDO's most recently completed audited financial statement.
10. The CHDO agency total operating budget for the program year for which funding is being requested: The operating budget must identify all anticipated sources of revenue, including funds provided by HUD through intermediaries for organization support and housing education.
11. Technical Assistance Participation and Priorities: Include a brief narrative or listing of technical assistance activities the CHDO has participated in over the past year, and briefly comment on the outcomes/usefulness of each.

Indirect Costs

Indirect costs are an eligible operating expense when the following criteria are met:

- Current notification from the Cognizant Agency stating the approved indirect cost rate and the allocation method used
- Current Statement of Total Costs submitted to Cognizant Agency. Statement must support cost charge to CHDO that was not included in the indirect cost.

OTHER CHDO BENEFITS

Depending on the availability of funding, technical, and organizational support in conjunction with HOME, activities may be provided to CHDOs through IHFA and HUD. Some examples:

- Organizational support for activities such as training, technical, legal, assistance to the board of directors, staff, and members of the CHDO
- Housing education
- Program-wide support for nonprofit development and management, including technical assistance, training and continuing support for managing and conserving properties to be developed with HOME funds
- Facilitating women in homebuilding professions

Requests should be made in writing to IHFA and include the need and the type of assistance.