

### HOME AND COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS

A Community Housing Development Organization (CHDO) is a community-based, nonprofit organization that has, or will have the staff capacity to develop affordable housing in the community it serves. IHFA, as the Participating Jurisdiction (PJ) is required to set aside a minimum of 15% of each HOME allocation for housing development activities carried out by its qualified CHDOs.

#### QUALIFYING CRITERIA

A CHDO is a specific private nonprofit entity. CHDOs meet certain requirements regarding their legal status, organizational structure, by-laws, capacity, and experience. To receive the CHDO designation and annual recertification, the organization must provide documentation that demonstrates the following requirements have been met:

##### 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 of "safe, decent, affordable housing to low and moderate-income persons" as a purpose of the organization, as evidenced in the charter, articles of incorporation, by-laws, or resolution by the board of directors
- Is 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

Must maintain accountability to low-income community through the structure of their governing board.

The governing board **must** be composed of:

1. At least 1/3 of the governing board must be representatives of the **low-income community**;
2. No More than one-third of the governing board may be **public sector**;
3. The **balance 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.

##### Low-Income Community

- **Residents of Low-Income Neighborhood**
  - a) 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.
  - b) In urban areas, "community" is not necessarily limited to a single neighborhood, but may include several neighborhoods, the city, county or metropolitan area.
  - c) 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).

- **Low-income Community Residents**

- a) 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.
- b) Low Income community residents do not need to live in a low income neighborhood.
- c) In rural areas, community may cover a multi county area. The board does not need to include low income residents from each county.

- **Elected representatives of low-income neighborhood organizations**

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

### **Public-Sector**

Up to one-third of a CHDO's governing board may consist of public sector representatives. This limitation ensures a separation between the PJ and the CHDO, and that is a community-based and controlled organizations.

- ✓ Members appointed by public officials cannot select other members of the board.
- ✓ Members who are public officials and/or appointed officials who are themselves a low income community resident or resident of a low income neighborhood will count toward the public sector maximum, but not count toward the minimum 1/3 low-income community representatives.

A member of the governing board is considered public sector if he/she is the following:

1. Public Employee- Employee of the *State of Idaho*
2. Elected Official: Any elected official of city, county or state government, i.e. city council, commissioner, state legislature, school board, county attorney, etc.
3. 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
4. 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**

Receiving input from the low-income community is not met solely by low-income representation on a CHDO board. The CHDO must also adhere to a formalized process to receive input from low-income beneficiaries on the siting, development and management of affordable housing. The Process establishes systems for community involvement in part of the service areas where housing will be developed and managed, but which are not represented on the board of directors. Such systems may include special committees of neighbors of a proposed development site, neighborhood advisory councils, or open town meetings.

The written formalized process includes the method of notification, i.e. advertisements, flyers in commonly used areas, newspaper, radio, etc., as well as the format used to receive input, i.e. periodic meetings, surveys, etc. The CHDO chooses both the method(s) of notification as well as the format(s) used to obtain input. The Process is subject to review and approval by IHFA. The Process is “formalized” through the

CHDO's Articles of Incorporation, By-laws, or Board Resolution.

Evidence that the Formal Process is adhered to during the development and management affordable housing is part of the annual CHDO recertification.

### **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 the 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**

The purpose of the CHDO capacity requirement is to build staff expertise to own, develop, and/or sponsor affordable housing activities. CHDOs must have their own professional staff. 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 who 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 Funds	No less than 15% of the total annual HOME Allocation to IHFA
Pre-development Loans	Up to 10% of the CHDO Set-Aside
Operating Assistance Grant	Up to 5% of the total 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 to Utilize the CHDO Set Aside Funds**

CHDO eligible set-aside activities carried out by a certified CHDO acting as owner, developer, and/or sponsor (see definition of CHDO sponsor).

**Eligible CHDO Projects/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 homebuyers who purchased HOME assisted housing that was 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\* The CHDO Sponsor must own the property prior to the development phase of the project.**

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 long-term 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 (or 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 in the project. 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 or 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. 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**

HOME funds may be used to provide special assistance to CHDOs. This includes Project Pre-development loans and operating assistance.

### **Pre-Development Loan**

CHDOs may receive loans of HOME funds for project specific pre-development activities. The loans are intended to 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:

- The total Predevelopment loans cannot exceed ten (10%) percent of the total amount of HOME funds reserved for CHDOs in any given grant year.
- All costs must be related to a specific project, which, if deemed feasible, would receive HOME funds for development.
- Project specific loans may not exceed customary and reasonable project preparation costs.
- The period of the loan is twelve (12) months.
- Limited to \$50,000.00 per project

Project pre-development assistance will be provided to CHDOs only in the form of a loan. Pre development loans must be repaid with construction loan proceeds or incorporated into additional HOME financing.

- 1) Technical Assistance/Site Control loan- 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- This phase of predevelopment loan is designed to provide site specific preconstruction assistance after the project is deemed feasible and has received environmental clearance. IHFA will not waive repayment of this loan.

### **Match requirement for Predevelopment loan**

HOME funds used for project pre-development loans, like any other use of HOME funds, triggers the match retirements. However, match liability incurred for funds expended for pre-development loans is 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

### **Types of project-specific predevelopment loans**

1. Technical Assistance and Site Control Loan
2. Seed Money Loan

**CHDO Predevelopment Loans**

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

**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

### **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 an executed Conditional Commitment of HOME funds for a CHDO eligible HOME project;
- Has a current CHDO Reservation Agreement for HOME funds within 12 months of the date of the agreement; **Or**
- Is a new CHDO (initial certification date is 1-3 years from the date of the 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, budget, or \$50,000, whichever is greater. This amount includes all 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. CHDO's 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 amount in the application.
- 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 can be 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.

#### **The application must contain the following material:**

1. A complete and legible original IHFA HOME Operating Expenses Application (see Exhibit “N”) completed in its entirety, including all application certifications.
2. A Board Resolution authorizing application for the current Operating Assistance Grant.
3. Current board member certifications.
4. A current 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 copy 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, which were submitted to Cognizant Agency

The statement must support cost charge to CHDO have not also been 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
- Community Land Trusts. This is a specific type of CHDO that is not sponsored by a for-profit organization and is established to undertake a specific activity of acquiring parcels of land to be held in perpetuity and to be utilized for the development of affordable housing
- Facilitating women in homebuilding professions

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