



# HOME Program Monitoring Series

Session 3: Community Housing Development Organization (CHDO)

Spring 2021



# Overview

# Presenters

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**Les Warner**



# HOME Monitoring Webinar Series Overview

	<b>Understanding Monitoring</b> April 13, 2021		
<b>General Administration</b>	<b>Program Oversight and Financial Management; Match</b> Exhibits: 7-25   7-33 April 15, 2021	<b>CHDO</b> Exhibit: 7-32 April 20, 2021	<b>Oversight of Program Partners &amp; Their Written Agreements</b> Exhibits: 7-34   7-35   7-36 April 22, 2021
<b>Homeowner</b>	<b>Homebuyer Development</b> Exhibit: 7-27 April 27, 2021	<b>Homebuyer Assistance</b> Exhibit: 7-28 May 4, 2021	<b>Homeowner Rehabilitation</b> Exhibit: 7-26 May 11, 2021
<b>Rental</b>	<b>Rental</b> Exhibit: 7-29 April 29, 2021	<b>TBRA</b> Exhibit: 7-31 May 6, 2021	<b>Long-Term Rental Compliance</b> Exhibit: 7-30 May 13, 2021



# Webinar Objectives

- Introduce the CPD Monitoring Guide Exhibit 7-32 & HUD monitoring of the PJ's use of the CHDO set-aside
- Identify the monitoring required to ensure compliance with CHDO requirements
  - CHDO eligibility, project eligibility and special assistance
- Identify considerations for enhancing strategic use of CHDO funds
- Recommend steps to prepare for HUD monitoring



# How Many Years Have You Monitored CHDO Projects?

**A.** Less than 1 year

**B.** 1-5 years

**C.** 5+ years





# Regulatory Requirements

# CHDO Requirements in the Final Rule

## CHDO Set-Aside

- 92.301(a)(1): 15% of each annual allocation
- 92.301(a)(1): set aside projects must meet definition of commitment

## CHDO Project Roles

- 92.300(a)(2) – (6): projects owned, developed or sponsored by CHDO

## CHDO Eligibility

- 92.2: Definition of “community housing development organization”

## Special Assistance to CHDOs

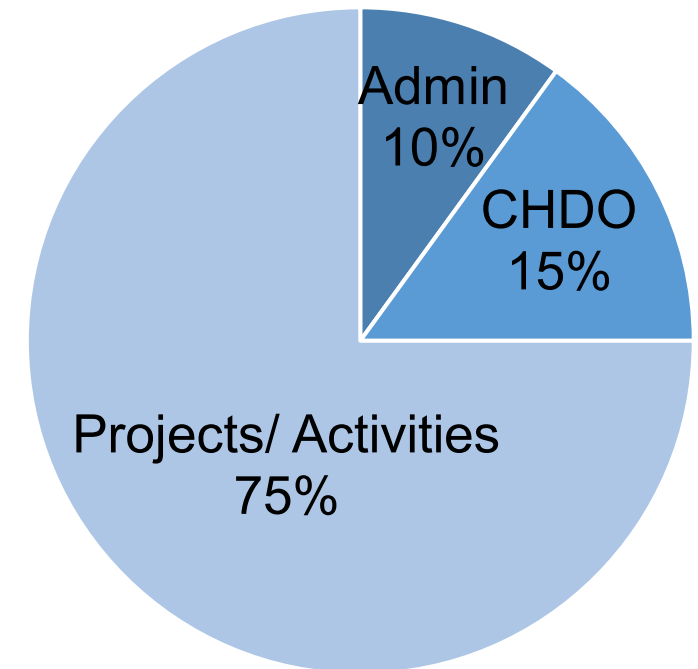
- 92.208 & 92.300(e) – (f): CHDO operating expense assistance
- 92.300(e) & .301:  $\leq 10\%$  of set-aside for pre-development loans (TA/site control loans & seed money loans)
- 92.300(a)(6)(ii) – PJ can permit CHDO to retain proceeds





# CHDO Set-aside

- 15% of PJ's annual allocation set aside for:
  - Projects that are owned, developed, or sponsored by a CHDO
  - Organization meets the definition of CHDO in 92.2
- Eligible set-aside activities include:
  - Acquisition and/or rehabilitation of rental housing and homebuyer properties
  - New construction of rental housing or homebuyer properties (including direct assistance to purchasers of housing developed with HOME by the CHDO)



# CHDO Project Requirements

- CHDO project must be owned, developed, or sponsored by CHDO (defined in 92.300(a)(2)-(6))
  - Specific role requirements for rental housing and homebuyer projects
- PJ commits funds to specific CHDO project (92.2 definition of commitment)
  - 24-month commitment deadline suspended in recent years (on a year-to-year basis)
- PJ determines the form of assistance that the CHDO receives



# CHDO Eligibility

In order to qualify for designation as a CHDO, the organization must meet certain requirements (92.2 definition) pertaining to:



Legal & organizational status



Board structure & Independence



Relationship to the low-income community

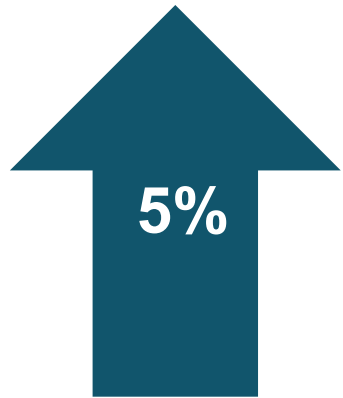


Staff experience & capacity



# Special Assistance to CHDOs

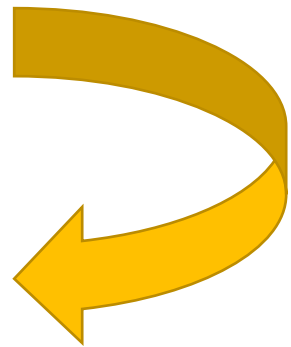
The special assistance is optional.



Up to 5% of annual HOME allocation may be used for CHDO operating expenses



Up to 10% of funds allocated to CHDO projects may be used for pre-development loans



PJ may permit CHDO to retain and reuse proceeds for HOME or other LI housing



# Introduction to CPD Monitoring Exhibit 7-32

- 33 Questions
- Program Areas Reviewed:
  - CHDO Eligibility
  - Project Eligibility
  - CHDO Set-Aside Roles/Certification;
  - Special Assistance for CHDOs

Exhibit 7-32  
HOME Program

6509.2 REV-7 CHG-1

<b>Guide for Review of Community Housing Development Organization (CHDO) Qualifications, Projects, and/or Policies &amp; Procedures</b>	
<b>Participating Jurisdiction:</b> Click or tap here to enter text.	<b>Subrecipient:</b> Click or tap here to enter text.
<b>PJ Staff Consulted:</b> Click or tap here to enter text.	
<b>Name of HUD Reviewer(s):</b> Click or tap here to enter text.	<b>Date of Review:</b> Click or tap here to enter text.
<b>Type of Monitoring Review:</b>	<input type="checkbox"/> Eligibility of Nonprofit as CHDO and CHDO Project Eligibility, and/or <input type="checkbox"/> PJ CHDO Policies and Procedures

**NOTE:** All questions contain the citation for the source of the requirement (statute, regulation, NOFA, or grant agreement). If the requirement is not met, HUD must make a finding of noncompliance.

<b>File Selection Summary (Required)</b>	
<b>Program Year(s) Reviewed:</b>	Click or tap here to enter text.
<b>Number of Files Reviewed:</b>	Click or tap here to enter text.
<b>How were files selected?</b>	<input type="checkbox"/> Random <input type="checkbox"/> Non-Random <input type="checkbox"/> Statistical <input type="checkbox"/> Combination (describe): Click or tap here to enter text.



# Order of Discussion of CHDO Topics

Regulatory Requirements			Program Design
<b>CHDO Eligibility</b>	<b>Project Eligibility</b>	<b>Special Assistance</b>	<b>Program Design &amp; Considerations (beyond Regulatory Requirements)</b>
Legal Status	Written Agreement	Operating expenses	Use of Set-aside
Independence	Eligible Activity	Pre-development loans	CHDO Capacity Needs
LI Accountability	Homebuyer Role	CHDO proceeds	CHDO Certification
Capacity	Rental Housing Role		Monitoring CHDOs





# Monitoring of CHDO Eligibility

# Discussion of Topic Areas

## Requirements

- Key regulatory requirements on which the Exhibit Questions are based

## Documentation

- Items that must be documented to demonstrate compliance, including both policies & procedures and file documentation

## Compliance Review

- Compliance determinations that go beyond basic file documentation (as needed)





# Legal Status

## Requirements



Organized under state/local laws



Net earnings not inuring to the benefit of any member profit



IRS exemption



Provision of affordable housing

## Documentation

- Charter/articles, by-laws, IRS 501(c) designation



# Independence: Governmental Entities

## Requirements

- Not a government entity, but if created by governmental entity
  1. Governmental entity may not appoint more than 1/3 of board
  2. Board members appointed by governmental entity may not appoint remaining
  3. No more than 1/3 public official or employee
- No officers or employees of a government entity

## Documentation

- Charter/articles, by-laws



# Independence: For-Profit Entities

## Requirements

- If CHDO is sponsored by a for-profit entity
  1. For-profit may not appoint more than 1/3 of board and board members appointed by for-profit may not appoint remaining board
  2. For-profit's purpose is not housing development or management, no CHDO officers or employees are officers or employees of for-profit entity, and CHDO is free to contract for goods and services

## Documentation

- Charter/articles, by-laws



# Accountability to the Low-Income Community

## History

### Requirement

- History of serving the community for at least 1 year, not limited to housing
- If new, parent org has the experience

### Documentation

- Statement of experience

## Board

### Requirement

- At least 1/3 of board:
  - LI community resident
  - Resident of LI neighborhood or
  - Elected representative of LI neighborhood org.

### Documentation

- Bylaws or charter/articles

## Input

### Requirement

- Formal process for LI beneficiaries to advise organization in affordable housing project decisions

### Documentation

- Bylaws or charter/articles



# Capacity

## Standards of financial accountability

### Requirements

- Financial management (2 CFR 200.302)
- Internal controls (2 CFR 200.303)

### Documentation

- Evidence by independent audit or certification from CPA

## Paid employees with experience relevant to CHDO role

### Requirements

- Directly paid staff
  - 1<sup>st</sup> year CHDO can use paid consultant
- Cannot be volunteer or donated

### Documentation

- Form W-2 (or other doc) and
- Resumes or experience statement



# CHDO Qualification Conclusion

## Compliance Review

- Based upon the responses to Questions 1 – 14 of this Exhibit, does the CHDO meet the requirements of 24 CFR 92.2?
  - If any “no” responses, CHDO does not meet the requirements
- If CHDOs do not meet the requirements or is not documented, PJ P&Ps will be reviewed



# When HUD Monitors the Eligibility of a CHDO, Which Documents Will They Review?

**A.** Charter or Articles of Incorporation that legally formed the nonprofit

**B.** Nonprofit organization's by-laws

**C.** Residency and income the members of the Board of Directors

**D.** All of the above





# Monitoring of CHDO Project Eligibility



# Written Agreement

## Requirements

PJ must execute written agreement that meets the definition of **commit to a specific local project** (92.2)

## Documentation

Executed agreement and underwriting documents that confirm

- ✓ Financing secured
- ✓ Budget and schedule approved
- ✓ Expected start within 12 months
- ✓ Underwriting completed



# Eligible Set-Aside Activities

## Requirements

- CHDO set-aside funds may be used for acquisition and/or development of rental or homebuyer housing
- Note: programs such as TBRA, DPA only, homeowner rehab may be done with other HOME funds, but not the set-aside



# CHDO Qualification at Time of Commitment

## Requirement

PJ must determine organization meets the definition of CHDO **each time it commits set-aside funds** to a specific local CHDO set-aside project

## Documentation

CHDO checklist and backup documentation for CHDO certification or update



# Homebuyer Project Role

## Requirements

- CHDO must meet “developer” requirements
- DPA <10% of HOME funds for development

## Documentation

- Written agreement
  - Defines role
  - Limits DPA to 10% of set-aside funds used for development of housing
  - Specifies sale price or pricing method & if net proceeds return to PJ



CHDO is owner,  
developer, and seller



CHDO arranges  
financing and in sole  
charge of construction



# Rental Project Roles

## Requirements

### Owner

- Fee simple (or LT lease)
- If rehab or new, CHDO hires/oversees developer

### Developer

- Developer and owner thru POA
- Sole charge of all aspects of development process

### Sponsor (turnkey)

- CHDO develops and conveys project to nonprofit after completion

### Sponsor (affiliate)

- Owned” or “Developed” by CHDO’s wholly owned subsidiary
- LP: CHDO or subsidiary sole general partner
- LLC: CHDO or subsidiary sole managing member

## Documentation

Written agreement, evidence of ownership, other project documents



# Rental Sponsor (Affiliate) cont.

## Requirements

- If the CHDO is “sponsor” of rental housing to be owned by LP (LLP) or LLC, the CHDO must be sole general partner or sole managing member of owner entity:
  - Subject to limits on removal/replacement &
  - HOME funds provided directly to owner entity

## Documentation

- Agreement specifying that:
  - CHDO may only be removed for a cause & must be replaced with another CHDO
  - HOME funds are provided directly to the owner of the project



# True or False?

A CHDO can develop homebuyer housing without owning the property.

**A. True**

**B. False**





# Monitoring of CHDO Special Assistance



# Capacity Building & Operating Assistance

## Requirements

- At PJ's option, up to 5% of HOME allocation for CHDO operating expenses (also special capacity building option in PJ's 1<sup>st</sup> 2 years as PJ)
  - Operating costs (e.g., salaries, education, office rent/utilities, insurance, equipment)
  - Not for project-specific soft or hard costs or subrecipient/contractor activities
- May provide to CHDO with existing project or to CHDO expected to receive set-aside funds for a specific local project in next 24 months
- Limits on amount of assistance to individual CHDO (\$50,000 or 50%)
- Written agreement required



# Capacity Building & Operating Assistance (cont.)

## Documentation

- Funds were used for eligible operating costs
- Funds were within the limit to an individual CHDO: no more than the greater of 50% of CHDO operating budget or \$50,000
- Written agreement was executed (signed & dated by PJ & CHDO)
- If expected to receive set-aside funds within 24 months, written agreement specifies requirements & repayment provisions



# Pre-development Loans

## Requirements

- Funds used for specific eligible costs (TA/site control or seed money)
- Repayable (or rolled into full project commitment) unless forgiven due to project not proceeding (no fault of the CHDO)
- Written agreement required



# Pre-development Loans: TA/Site Control

## Documentation

- Eligible costs
  - Consulting, legal, engineering, and/or architectural fees
  - Preliminary financial applications
  - Initial feasibility studies
  - Engaging a development team
  - Site control and title clearance for the project(s)
  - An option to acquire property
- Written agreement must specify repayment of loan and under what circumstances PJ would forgive loan



# Pre-development Loans: Seed Money

## Documentation

- CHDO qualifies for seed money loan with:
  - Site control
  - Preliminary financial commitment, and
  - Capable development team
- Funds were used for eligible costs
  - Firm construction loan commitments
  - Architectural plans and specifications
  - Zoning approvals
  - Engineering studies and legal fees for the project(s)
- Written agreement specifies repayment or basis for waiving repayment





# Program Design Considerations

# Strategic Use of the Set-aside

- How are you utilizing CHDOs?
  - Is the mix of homebuyer and rental appropriate to CHDO capacity?
  - Are CHDOs growing and doing a broader set of activities? Do they need to expand or redirect?
- Are market conditions and needs changing?
  - Should housing production change in response?
- Are CHDOs able to maintain their current projects and portfolios?
  - Are any HOME projects at risk of failure and potential repayment?



# Strategies to Identify and Address CHDO Capacity Needs



Operating assistance  
to enhance capacity



Pre-development loans to  
facilitate project planning



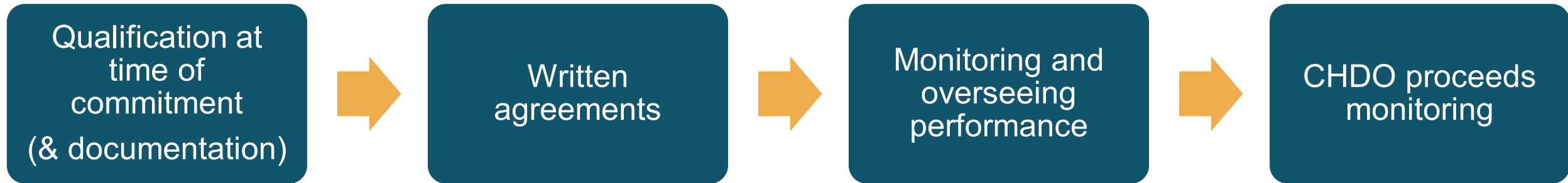
Process for selecting projects  
to meet CHDO, role, and  
commitment requirements





# CHDO Policies and Procedures

## Documentation



# Procedures for Certifying CHDOs

- ✓ Certification, application, and review process is prior to commitment of funds
- ✓ Completed documentation
  - a. Revised CHDO checklist under review and hope to make it available soon
  - b. Core organizational documents (articles of incorporation, bylaws)
  - c. Formal process for LI input
  - d. Evidence of prior history serving community
  - e. Board composition: both LI members & public officials/employees
- ✓ Staff capacity considerations
- ✓ Maintenance of CHDO status through monitoring procedures



# Effective Practices for Overseeing CHDO Performance



Risk factors for  
CHDOs



Performance standards in  
written agreements



Monitoring CHDO project  
performance & proceeds





# Preparing for HUD Monitoring

# CPD Monitoring Handbook Exhibit 7-32 - CHDO

## Guide for Review of Community Housing Development Organization (CHDO) Qualifications, Projects, and/or Policies & Procedures

Exhibit 7-32  
HOME Program

6509.2 REV-7 CHG-1

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# Preparing for HUD: Document Assembly

## Document Assembly

- IDIS reports (PR 25 +)
- Written agreement template
- Past monitoring
- Citizen inputs
- CHDO selection & certification P&Ps
- Monitoring Exhibits

**Self-  
assessment**

**HUD  
Monitoring**



# Preparing for HUD: Self-Assessment

**Document  
Assembly**

## **Self-assessment**

- P&Ps review
- Documentation review
- Monitoring questions review

**HUD  
Monitoring**



# Pre-monitoring Self-assessment

## Regulatory Compliance

- Policies and procedures
- Written agreements and docs
- Regulatory limits and requirements
- Eligibility documentation

## Program Performance

- Program status (IDIS)
- Production vs. ConPlan goals

## Monitoring & Evaluation

- PJ monitoring
- Response to prior monitoring
- Citizen comments/media
- Staff skills/training
- Changes to program

<https://files.hudexchange.info/course-content/home-monitoring-webinar-series-understanding-monitoring/HOME-Monitoring-PJ-Self-Assessment-Handout.pdf>







# Resources & Tools

# CPD Monitoring Handbook

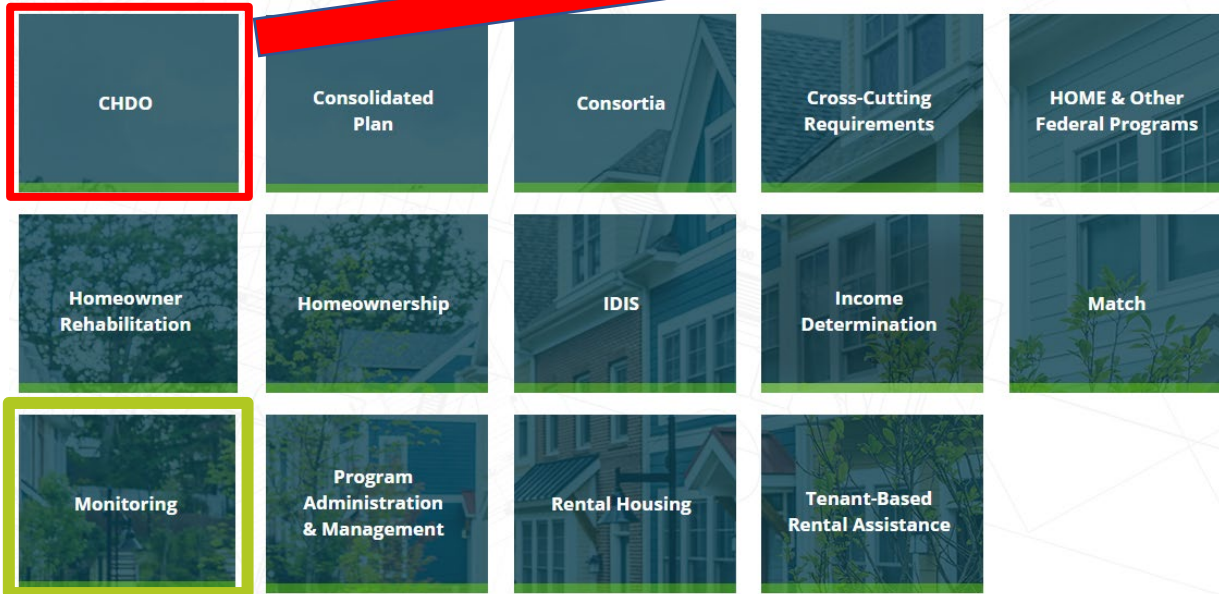
<b>CHAPTER 7: HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)</b>	<b>WORD</b>
<b>Optional Attachments 7-0 (4 files), Exhibits 7-1 through 7-23, and Attachment 7-1 – (REMOVED)</b>	
<b>Exhibit 7-24</b> - HOME Pre-Monitoring Checklist	<b>WORD</b>
<b>Exhibit 7-25</b> - Guide for Review of Program Oversight, Financial Management, and Cost Allowability	<b>WORD</b>
<b>Exhibit 7-26</b> - Guide for Review of Homeowner Rehabilitation Projects and/or Policies & Procedures	<b>WORD</b>
<b>Exhibit 7-27</b> - Guide for Review of Homebuyer Development and/or Rehabilitation Projects and/or Policies & Procedures	<b>WORD</b>
<b>Exhibit 7-28</b> - Guide for Review of Homebuyer Downpayment Assistance Projects and/or Policies & Procedures	<b>WORD</b>
<b>Exhibit 7-29</b> - Guide for Review of Rental Development or Rehabilitation Projects and/or Policies & Procedures	<b>WORD</b>
<b>Exhibit 7-30</b> - Guide for Review of Rental Project Compliance and/or Policies & Procedures	<b>WORD</b>
<b>Exhibit 7-31</b> - Guide for Review of Tenant-Based Rental Assistance (TBRA) Projects and/or Policies & Procedures	<b>WORD</b>
<b>Exhibit 7-32</b> - Guide for Review of Community Housing Development Organization (CHDO) Qualifications, Projects, and/or Policies & Procedures	<b>WORD</b>
<b>Exhibit 7-33</b> - Guide for Review of Match Requirements	<b>WORD</b>
<b>Exhibit 7-34</b> - Guide for Review of Contractor Written Agreements	<b>WORD</b>
<b>Exhibit 7-35</b> - Guide for Review of State Recipient Written Agreements and Oversight	<b>WORD</b>
<b>Exhibit 7-36</b> - Guide for Review of Subrecipient Written Agreements and Oversight	<b>WORD</b>

[https://www.hud.gov/program\\_offices/administration/hudclips/handbooks/cpd/6509.2](https://www.hud.gov/program_offices/administration/hudclips/handbooks/cpd/6509.2)



# HUD Exchange HOME Page – CHDO Topic

## HOME Topics



## HOME CHDO

At least 15 percent of HOME Investment Partnerships Program (HOME) funds must be set aside for specific activities to be undertaken by a special type of nonprofit called a Community Housing Development Organization (CHDO). A CHDO is a private nonprofit, community-based organization that has staff with the capacity to develop affordable housing for the community it serves. In order to qualify for designation as a CHDO, the organization must meet certain requirements pertaining to their legal status, organizational structure, and capacity and experience.

With Participating Jurisdiction (PJ) approval, CHDOs may use HOME funds for all eligible HOME activities. However, in order to count towards the 15 percent set-aside, a CHDO must act as the owner, developer, or sponsor of a project that is an eligible set-aside activity. These eligible set-aside activities include: the acquisition and/or rehabilitation of rental housing; new construction of rental housing; acquisition and/or rehabilitation of homebuyer properties; new construction of homebuyer properties; and direct financial assistance to purchasers of HOME-assisted housing that has been developed with HOME funds by the CHDO.

For more information on Community Housing Development Organizations, see [24 CFR 92 Subpart G](#):

- [24 CFR 92.208](#) - Eligible CHDO operating expenses and capacity building costs
- [24 CFR 92.300](#) - Set-aside for community housing development organizations
- [24 CFR 92.301](#) - Project-specific assistance to community housing development organizations

### Find by Resource Type

- [Policy Guidance and FAQs](#)
- [Guidebooks and Tools](#)
- [Videos and Training Material](#)

### Policy Guidance and FAQs

#### FAQs

##### [HOME CHDO FAQs](#)

[View HOME CHDO FAQs.](#)

#### HOMEfire



# Building HOME Online Training

## Building HOME Online Training

New to the HOME Investment Partnerships (HOME) Program? Experienced and want to deepen your knowledge of HOME requirements? This is the right training for you. Let's get started!

TRAINING DETAILS & INSTRUCTIONS

QUICK VIDEO TOUR



Engaging, self-paced training when you need it



Foundational training for government, nonprofit, for profit, and property management staff



Guidance including notices, HOMEfires, and guides



Challenge questions and exams to test your understanding of the requirements

## Module 8



CHDOs

<https://www.hudexchange.info/trainings/building-home/>



# Other Tools Available

- CHDO Opportunities in HOME training: <https://www.hudexchange.info/trainings/courses/chdo-opportunities-in-home-introduction/>
- Self-Assessment Tool: <https://files.hudexchange.info/course-content/home-monitoring-webinar-series-understanding-monitoring/HOME-Monitoring-PJ-Self-Assessment-Handout.pdf>
- Property Standards Tool: <https://files.hudexchange.info/course-content/home-monitoring-webinar-series-chdos/HOME-Monitoring-Property-Standards-Handout.pdf>
- Need technical assistance to prepare for HUD monitoring? [Request TA on the HUD Exchange](#).





# Wrap Up

# Questions?



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