

Building HOME Webinar Series

Office Hours 1-25-18

Les Warner: We're going to start out today by going over the exercise three, which is looking at a sample CHDO in a community, then after that, we're going to be going through any questions that you submit today. I also have gone back through some of the questions that were asked yesterday.

So I have a list of some topics to probably revisit on that. One thing you need to know, so on the screen as you're seeing the exercise, as we move down the page, you're going to need to scroll down the page using your own controls. When I do that, I'm just scrolling down from my page, you will need to do it on your own. All right. So we're given, as part of this exercise, some information about a sample community and our first task under this exercise has been to look at the board configuration and try to make a determination on how they are as far as being in compliance.

So in this case, Westminster is our town. Neighbor to Neighbor is a community action agency, which I would guess a lot of you have community action agencies in your regions. This one's only 14 months old. It has a conditional designation for its IRS nonprofit status and they're in talking with the city about the availability of HOME funds. They don't think there's going to be an issue in getting that nonprofit status, but of course, we know that they must have that in place before we would actually be able to proceed and certify them as a CHDO. They are working in an uptown neighborhood that has been designated as their service area. We talked yesterday that a CHDO has to have a designated service area. What we know about that neighborhood is that at least 51 percent of the households in that area are at or below 80 percent.

So it sounds like a pretty good target. There are also some mix of income, some pockets of folks with higher incomes and we've got a lot of older houses that have some deferred maintenance and need rehabilitation to be done. So they've provided us with this list of board members. And so we're just going to start out by walking through these to try to figure out we know that we have a minimum of one-third of the board needs to be representing the low-income community. A maximum of one-third can be what we designate as public sector and then the other third it can essentially be anyone, it's up to you. So member number one, a priest from the local parish, very connected in the community and allowing the CHDO to use the basement free of charge, great thing to be able to work.

We have no income information about this individual. I -- we also don't exactly know where he resides. He may reside on site in the neighborhood. And so it may be based on area who sent this information and we would be able to show that he actually resides in a low-income community, but we don't have that information. So our member number one is really a question mark at the moment with the potential that we can go back and be able to get that documentation as needed. Member number two, an attorney who comes from that neighborhood whose mother currently lives there, interested in seeing reinvestment happen and improvements in that neighborhood. So from what we know somewhat from this description doesn't sound like they're in the neighborhood. We don't know whether they are going to qualify income-wise, seems unlikely.

It would appear probably unlikely that they are living in an LMI neighborhood since they're living in something called Posh Acres. So for the moment, again, we think they're in sort of the one-third that's open, but we still have yet to get our first LMI person. So member three, an artist, lives in a loft in the uptown area, which is our designated area and has an income of less than 80 percent of area median income. So we've got our first low-income neighborhood representative.

And so in that file, we would expect to see that self-declaration form where we would have a statement of income and be compared to what those income limits were and that would give us our documentation. Now, keep in mind, we would also be asking our standard questions about are you elected, appointed so that we make sure that there's not also something about member three that would put them in that public-sector category, but looks like we've got a low-income representative.

Member four, city employee. We really don't have to go any further on this. By definition, if they are city employee, they are going to be categorized as public sector even if they are low-income, even if they reside in a low-income neighborhood, we are always going to defer them to our public-sector category. Member number five, assistant to the city manager, again, automatically going to be delegated to the public-sector section of our board. Member number six, former city council member, we won't hold that against them, wants to contribute to the community and meets the criteria for low-income. So again, we're going to document that income in the file and that gives us our second low-income representative. So member number seven, on the next page, retired school teacher, does not reside in the area, lives in a new high-rise downtown.

So it's possible that the area that he resides in downtown could LMI, sounds probably less likely. We don't have information about his actual income. So does not appear that he is going to be within our low-income representation. Number eight, contractor, expert in rehabilitation. Great thing to have on the board would be an asset on that. We could look at both his residence and whether he actually resides in a low-income neighborhood or based on his income. It's possible that he also could qualify as low-income, but at this point, we don't have that information. And then member nine, again, is a housing department staff member. So they're automatically going to be placed within the designated [inaudible] the public-sector section of our board.

So according to my count, of the nine board members -- so we need to have one-third the LMI representatives. So we have two that we can document at this point. So we haven't met that criteria. We have three in -- according to my count, that are going to be in that public-sector category. So we're still in compliance, but if we were to find that any of the other board members, as they filled out their screening forms, said, oh, by the way, I also -- you know, I'm serving on -- you know, I'm an elected or appointed person, then that could change that and put them out of compliance. And then we've got four folks that are in sort of the other category. So our HOME [inaudible] are exercises asking us, look at the board composition, does it meet the HOME requirements.

So at the moment, no. And then what steps would we take to try to deal with this? Well, my thought would be the first thing is we're going to go back to each of those members and ask for some additional information and this is sort of the challenge on reviewing and determining whether they can be certified or not is having adequate information. So we want to know from each of those board members whether they are low-income, where they reside, because it could

be that they actually -- even though they're not low-income, it might be that they live in a low-income neighborhood and we would be able to document them in that way. Also, asking whether they are a representative of a low-income neighborhood organization and be able to get that documentation in place.

Will the board members need to change? Well, if we're able to, in going back reviewing, determine that we actually have at least one more person that meets the LMI criteria, then we would be okay. If not, that board configuration, in some way, is going to have to change. That might be that they just determine that to bring this project into eligibility, maybe they have a board member that is -- their term is about to expire and maybe they would determine that, okay, we're going to designate or replace that individual specifically with someone who is going to qualify as representing the low-income community so that we bring it into compliance. They might also say, we're going to expand the board, add a few more members so that they could bring that into compliance, but something will have to change as far as this board if we're not able to show that with the nine existing members, that we can bring it into compliance.

So question number two on this, the organization wants to access some money. What HOME funds can be made available to it besides with CHDO set-aside funds? What can the organization use the money for? Would you put any restrictions on this? Well, if we have a qualifying CHDO -- so if we were able to be able to certify that they met the organizational requirements of their legal status, of their nonprofit status and then also the board configuration, we could provide them CHDO operating funds and we might, as part of that, because we have this expectation that within 24 months, they're going to be able to come forward with a fundable project to it, we might be pretty specific on we're going to give you some operating assistance, but here's what we expect you to do with it.

They're either going to get training for existing staff or maybe they're going to use it to support adding some staff that brought the specific capacity that are going to be needed for them to be fundable. Part of that discussion might be thinking about what's that first project going to be. And so thinking about what would -- specifically I need as far as expertise, some capacity? So if I'm thinking about adding or getting additional training, what do I need to do on that? And so I would think my restrictions would be pretty specific on that. We also could, with a certified organization, be able to provide, as we talked about yesterday, a predevelopment loan.

So at the point that they were -- and I put together a potential project with the concept, we might be providing them some predevelopment loan money that would be up to 10 percent of our CHDO set-aside in -- to allow them, essentially, the financing to be able to undertake some of those initial steps, which might be commissioning a market study, might be doing some site testing, engineering, those sorts of things. But those are ways that we might be able to help support this organization and get started short of being able -- being -- providing them set-aside funds directly for a project. What direction would you give Neighbor to Neighbor should it want to pursue a homeowner rehabilitation activity under HOME?

Is the CHDO an eligible set-aside activity? So we talked yesterday, when we talked about defining what a set-aside activity was that was eligible for CHDO, that they all have an aspect of development. So we would be acquiring, rehabbing and selling or newly constructing. So we're

either going to sell or rent these units. In this case, what they're talking about is homeowner rehabilitation.

It's an eligible HOME activity, but it is not an eligible CHDO set-aside activity. So we couldn't fund them under that CHDO set-aside. We might, if they had appropriate capacity, fund them as a subrecipient to run a homeowner rehabilitation program, but it would not be part of our CHDO set-aside funding and it wouldn't help us meet that 15 percent set-aside that we're working on meeting those criteria.

Also, we're asking how can the city help that organization get started? Should it establish an ongoing relationship? If so, how could the city be involved? Well, we're given some information that the CHDO itself had asked for a little bit of assistance on financial systems. We're talking -- they're having some initial discussions with the public housing authority about potential co-ventures. So certainly, the city could be in conversation with the CHDO helping them think about not only what is the -- strategically the most needed kind of project within the service area, but also thinking about what's their current capacity, what's going to be something that the city, in reviewing, would be able to say, this is fundable, because you've got adequate capacity to undertake this.

So you certainly could be at the table as far as helping them in a strategy on what that organization needs to do to grow and be ready to take on a project. Things on the financial systems, if you have the capacity, you also could certainly have your financial staff sit down, meet with the organization and talk them through about what the requirements would be, what your expectations would be for their financial systems they would have in place. Particularly, sometimes when we have start-up organizations or organizations sort of early in their history, but sometimes essentially setting up a mentoring either with city staff or with another existing organization.

So maybe there's another CHDO within your community that has a different target service area might be that a partnership could be established there where they would work side by side and that would help foster the kind of capacity for this organization to really get ready to be able to take this on. Pardon me.

So number five, what if the board wants to purchase and rehabilitate an abandoned house in the neighborhood with HOME funds? Upon completion, it's going to sell it to an income-eligible household, would this be a CHDO set-aside activity? Sure. So this is a development of a unit. We're going to take a non-standard unit, purchase it, rehab it and then sell it to an income-eligible buyer.

So we're creating a long-term affordable homeowner unit that would be an eligible project and because it's kind of small scale, it might be a good starting point for an organization on this. Number six, would this be development of homebuyer housing as defined in the home regulations? Absolutely, that would qualify. Question number seven, can it also provide down payment assistance to the homebuyer with CHDO set-aside funds? How much? So this is where we talked yesterday about we have a limitation. If we are providing funding to the CHDO to acquire and rehab that unit, if they need additional funds -- if they're requesting additional funds, you are capped at 10 percent of what you have provided to them.

So if you provided them \$100,000 for this project to purchase and rehab this house, then you are capped at an additional \$10,000 of additional money that's going to be provided as affordability assistance directly to that homebuyer. Keep in mind, as we talked about yesterday, you also have the option of simply providing some of the assistance in the form of a secondary mortgage. So the CHDO would provide a loan that might be deferred, might be forgivable for some portion of that so that what they needed to borrow at the bank would actually be lower and that will be a way to assist to make that affordable without actually adding additional funds. And so you would not incur this 10 percent cap.

So that's the homework. I'm going to open up the question and answer box and we'll kind of work on that, but I also have identified a number of other questions. One of the things I wanted to point out, and I noticed this today as I was looking through questions, you have to keep in mind we have a mix of folks on the phone. So some of you are a PJ.

And so you directly have responsibilities in implementing the HOME regulations, some of you might be a subrecipient who might be essentially in a similar role, but we also have folks participating, I believe, who are CHDOs, who are developers. So in those cases, for a PJ, we're walking you through what do you need to do to certify that organization? If you're a CHDO, this hopefully helps you understand why are they asking me these specific questions and what do I need to do as an organization to be able to qualify?

On some of these things, they were questions about what about specific examples about rate and terms, some of those things? The PJ, as it is designing its own local program, will have their own -- they have to meet all the HOME regulations, but they also can set up their program as they see that's set to run that in the local area. So a lot of that is also going to be determined by that local PJ and their program. So your first step is always to go back -- following your written agreement, go back to the funder, go back to the PJ, in some cases, maybe going back to the subrecipient and asking questions on that. They will be the folks that'll be able to answer some of these questions.

So first question we've got in the box here is, what was the common criteria that CHDO set-aside projects had?

Well, again, it's about this we are -- there's a development aspect. So we're not just loaning funds to another organization, we are not simply providing affordability subsidy to an individual, which we -- you know, if we had an existing homeowner, we were providing them rehab, we're simply bringing their unit up to standards, we're not developing another unit. If we provide tenant-based rental assistance or if we provide down payment assistance directly to an individual, we're not developing units, we're simply helping to make them affordable.

So our CHDO set-aside activities are always going to have some aspect to development, whether we're building a new unit, either a homebuyer or a rental unit, or we're creating an affordable, decent unit by taking something existing, rehabbing if it needs to be brought up to our standards and then selling it or renting it to an income-eligible person and we're going to apply that long-term affordability requirement. So we're going to essentially add this to our local supply of affordable housing.

Got another question here. They're questioning us, the government, on the exercise about question for number three and number five, what are the distinguishing factors that allows number three to be an ineligible CHDO activity?

So let's see. Number three, which we'll just scan back up here -- it's not scanning as quickly as I would like it to, though. Oh, it's on a prior page.

So number three was a question about if they wanted to pursue homeowner rehab. So homeowner rehab, again, we're not developing a unit. So it's, by definition, under the HOME regulations, not going to be eligible as a CHDO set-aside activity. And the difference between that and number five, which is when they're purchasing and rehabbing an abandoned house, in number three, we have a low-income household, under homeowner rehab, we have an existing income-qualifying household in a unit and it simply needs to be brought up to standards, but it is part of our affordable housing supply.

In number five, we're taking a house, rehabbing it, so bringing it to standards, but we're also going to sell it to a low-income household and put income restrictions on it. So we are adding it to our supply of affordable housing. So just know that things you can't do, out of our four HOME eligible activities, you can't do homeowner rehab, you can't do tenant-based rental assistance and you can't provide direct assistance for homebuyers where all you're doing is just down payment and closing costs where you're not actually doing something with the unit itself to create a decent, affordable unit.

We also had a question about item number seven. Is the amount of assistance tied to the homebuyer's income?

So in question number seven, we talked about providing down payment assistance. Yes, absolutely. So next week we're going to be covering homebuyer and we'll go into much more detail, but yes, we're always going to be underwriting that level of assistance based on our -- the PJ's adopted affordability standards on your policies, procedures for underwriting. So we're trying to determine how much does that household need in assistance to make this affordable for them and we want to insure that long-term we believe that's going to be sustainable for them. So the expectation would be that every household will have a slightly different level of assistance based on income, based on our underwriting criteria that we have adopted at the local level.

So for the moment, that gets us through questions that are in, have been submitted. I'm going to flip over to my list of some of the questions that came in yesterday that I thought might be helpful to revisit.

So there was a question about if a rental project refinances their loans and they repay that HOME money back to the PJ during the affordability period; is that money that's come back to the PJ, is that considered program income, and can the PJ take 10 percent of that to be used for admin?

So as we talked about, the definition of program income, essentially, any money other than recapture that is coming back to the PJ or a subrecipient. So this money's come -- been paid back, doesn't matter whether it's still during the affordability period, that is going to be considered program income.

So you're going to be receiving it into IDIS and that does allow you to take that 10 percent set-aside to use for admin. Now, keep in mind, since this project is still during its affordability period, if something happened to that project that it didn't complete with affordability period, the PJ has the risk that they may have to payback funds and in that case, because you've received some or maybe all of your funds back and received it as program income, so it's going towards affordable housing, you would be able to already document that of the -- let's say you assisted them with \$600,000. If \$600,000 has been paid back and received it as program income, you will be able to show that essentially that money has been returned back to the HOME program to use for other funds.

We had a question saying PJs used to recert by us annually for our CHDOs and they understood the concept that now recertification is going to be on a project by project basis, but they're wondering if the recertification in terms of board composition may no longer be done annually.

Overall, all of the certification would normally be done on a project by project basis. So they would not only look at capacity, but at the same time, they would also look at board composition and that does, obviously, change over time. It's less of a moving target sometimes than capacity, but yes, that would be done on a project by project basis. Now, keep in mind that we talked about the fact that CHDOs are required -- for a CHDO set-aside project, we're required to have a certified CHDOs through the affordability period.

So we are going to be upfront, at the point we commit money, doing a certification of the CHDO, but since the PJ is going to have to have some system of being able to demonstrate that they have compliance ongoing, that they have a CHDO in place, I would believe that most PJs are also -- for those existing, funded CHDO projects, have some kind of a recertification that will be done annually during that affordability period.

You know, some of those organizations may be coming back in on a regular basis being recertified as they are receiving new money, but in the absence of that, the PJ is going to be going back to those existing projects and requesting the same kind of information to make sure that they still qualify.

We have a question here, which kind of brings up a different topic, which I think is useful to talk about. They ask, if the period of affordability commenced in 1997, do we still release now or do we still keep on 25 years of monitoring or do we release after 20 years and still monitor for 5 more years?

So the HOME requirement is going to be -- you know, we have minimum affordability standards. So the longest that we have, under the HOME program, is 20 years. So if we had a project that was funded in 1997, you would've met -- if you had designed that minimum standard, you would've met that requirement and be done not only with monitoring, but you'd be releasing any lien or deed restriction that you had on that property. It would be essentially out of your HOME portfolio and you'd be done with that, but in many cases, PJs have chosen to adopt longer affordability periods. So particularly, if I'm in a high-cost market and I'm really trying to build up that [inaudible] affordable housing, PJ might've said, instead of adopting a 20-year affordability period, I'm going to adopt a 30-year affordability period.

That's fine, but the recommendation is that you designate, in your written agreement, my HOME affordability period is whatever that minimum standard is and you then designate a local extended affordability period, meaning that if I break that out and say, okay, my HOME affordability is 20 years, at the end of 20 years, it is no longer in HOME compliance. You no longer have an issue of will it complete its affordability period and make my investment eligible. For that extended use, that additional 10 years of affordability, it's no longer a HOME program. So the PJ can follow its own requirements. So you would -- during that extended period, since it's no longer a HOME program, if you needed to reinvest money into that project, you'd have the flexibility to do that.

If something happened with that project during that extended period where they no longer function as affordable housing, you would not be in a repayment position with HUD, because you would've completed your affordability period. So I think the best practice is set your affordability period of whatever those minimum standards are and then if you want to adopt an extended period, designate that as this additional local designation, which then you have flexibility on the enforcement on that.

We had a couple of questions that came in yesterday about -- we had talked about operating assistance for CHDOs and we mentioned that it was -- the provision about operating assistance is tied with this expectation that for our investment of operating assistance, you're going to bring us more fundable projects.

So a number of people said, wait a minute, if I have a CHDO that's already received funding and they [inaudible] project, can we provide them CHDO operating assistance to help support that organization? The answer is no, unless there is the expectation that they're going to be coming back in for new funding to develop future projects. The operating assistance is tied specifically to the ongoing production of new CHDO set-aside housing. So kind of would have to have that conversation.

That's one of the things that you would want to clarify within your funding agreement that here's what we expect you to use the operating funds for and also, that we have an expectation if you're accepting this money, that you're working towards developing new projects that you would be requesting set-aside funding on. There was a question asking why is it that if I've got a low-income person on my CHDO board, why are we -- and they happen to also fit this criteria on public entity and let's say they're an employee and I --

There was also a question here about what if the person works for the local school? You know, maybe they work in the lunchroom, they're low-income, but the regulations here say if they meet any of that criteria to be a public entity individual, we're automatically always going to cap them towards the public sector category and the reason for that is this cap on no more than one-third being in public sector, if they want that CHDO to have autonomy to be able to make their own decisions based on input from the low-income community about what's needed and where -- you know, what projects should look like where they should be.

And so the regulations were created to try to make sure that the low-income representation actually was answering and leading on behalf of the low-income community and not really directed by the local public entity on that.

There was also a question yesterday I thought made sense to mention asking, can we use some kind of a tenant survey for input to CHDO?

We talked yesterday that not only do we have to have one-third of our board representing the low-income community, but also that there was a standard methodology that we were going to seek input from the local community. And as part of that, we talked about that may be in your designated plan that you would say every time we're proposing a new project, we're going to survey, we're going to have public meetings toward new development, but we also listed about one of the things we're seeking input in is ongoing management of existing affordable projects that have been funded.

So in those cases, and usually we're seeing some kind of a neighborhood council, but I think they could certainly use some kind of survey methodology to try to get some input from the existing tenants about how that property is being managed, about property conditions, those sorts of things.

So I think that would be fine as long as it is part of what you have described in your plan on how you're going to solicit that specific information. Let's see what else is here. So I thought this is kind of an important concept to revisit.

There was a question asked yesterday about are CHDOs held to the same procurement requirements as a non-CHDO subrecipient?

Very important question. So I mentioned yesterday that CHDOs do not fall under the same 2 CFR Part 200 requirements in that in our slides, we noted that there are only 2 specific sections with regulations that apply to CHDOs, which really are kind of laying out you have to have some basic financial systems to be able to track money coming in and out those sorts of things. So one of the things that does not apply to the CHDO is you are not -- a CHDO is not held to the federal procurement requirements. So the CHDO does not have to go through a procurement process and bid out their project. Now, the CHDO might choose to do that, but they are not held to that. What we sometimes see happen, really inadvertently, is that --

And Kris talked yesterday about the importance of having written agreements and having the correct written agreements. Sometimes PJs have used the existing written agreement that they've used for subrecipients. So they've borrowed from that and inadvertently held the CHDO to parts of or all of 2 CFR Part 200, and so triggered procurement in it. So not required for the CHDO.

Now, I will [inaudible] here that in the absence of procurement, the PJ is always required to make sure that the funds they're providing are cost reasonable and usually we use procurement looking at the bids that came in on the evaluation of that to determine what's the reasonable amount to pay for this specific scope of work.

So in the absence of that, the PJ will have to have some evaluation process to look at what the CHDO is proposing and determine is that an appropriate amount, is that a reasonable level of funding for this? And that kind of answers -- we, yesterday, also had a question about you've said something about CHDOs having a lower requirement for financial systems and it's specifically that our subrecipients are held to 2 CFR Part 200, which includes audit requirements, financial

systems or standards for that, things like program income and CHDOs are simply held to two specific sectors of that. I'm going to flip back to our question and answer and see -- so a couple of questions that have come in, scan back to it and make sure we've not missed anybody.

So we had a question kind of revisiting yesterday. We talked a bit about defining what an admin cost is versus a project cost and we stated that project costs are included in that calculation of what match is required. So when we look at match, it's a 25 percent match for home dollars expended, except for some exclusions, but all of our project costs are going to be included in that.

So if I have a project cost that -- let's say I'm running a homeowner rehab program and I have an inspector that's going to go out, inspect each of those units to come up with a scope of work of what would be required to bring that unit up to standards, they're going to then spend some time back in the office putting together that scope of work, doing an internal estimate on that to determine whether this house is doable given the program limits that are in place.

So all of that time, if that staff person is tracking it, could be charged off to that specific address. And so let's say that's, I don't know, 20 hours of time, instead of coming out of your admin budget, it would actually be billed to that project, but the implication on that is first of all, you need to have an adequate system to be able to document on how that person spent the time and that these hours need to be billed for a specific address, these other hours get billed to a list of other properties.

So take some additional tracking and recording of how did I spend my day, what was I working on. But in addition to that, when you think about -- so if I'm going to charge off 20 hours for this person's time, that's going to add to what my total cost is for that unit and with the implication of I've got a 25 percent match, it's going to increase my match requirements.

So this could be a situation where you are having difficulty on meeting your match, but you are easily living within your admin budget. I suppose you could determine that you were going to choose to charge some things off as admin versus the project costs.

So let's look at our next thing. This person is asking to clarify, do the members have to live in the targeted area. They've got organizations from the west side of the state that want to work as CHDOs in our jurisdiction. Do the LMI representatives have to live in the PJ's LMI neighborhood?

So when we look at the qualifications for meeting that LMI regulation, we know that it can either be income, it could be based on where they live or whether they represent an organization. So you are not required if we're showing that that person -- A, if they're low-income, we don't have to live in that neighborhood if we are making that designation by their residence. It's based on LMI data through the census. It's not specific to the service area for that CHDO. And in this case, I'm going to assume that that CHDO service area is -- well, I suppose that they could live in the community, but not live in a specific neighborhood.

Now, I think most CHDOs will try, as much as possible, to have that representation be within their service area, because they're trying to seek input directly from people who are living in and

impacted by that neighborhood, but it's not specific that they have to live in that particular target area. And we do have some CHDOs that are multi-county. And so you might have quite a range of where those folks are actually from. Now, one thing I don't know that we mentioned yesterday -- one of the things when you are evaluating to see if this qualifies as a CHDO set-aside activity, we said that CHDOs have to have a designated service area, if they're apply for a CHDO set-aside project, the project has to be happening within that service area.

And so we do have some times where we might have someone applying and saying, hey, I want to do this development and it's outside of the CHDO service area, that would not qualify as a set-aside activity. It could be funded as a developer, perhaps, but not qualifying as a set-aside if it's not in their service area. Let's see, their PJ is planning to recertify board composition annually.

I think that was just a response to -- so here we have a question. I thought funds recaptured during the period of affordability are classified as HP and are not eligible for using 10 percent of admin.

So here's where we have to be kind of careful about terminology. When we talk about recaptured funds, we are generally talking about funds that have been repaid because a project has not met its affordability period and usually we're talking about a homebuyer activity that your recapture provision has been triggered. And we'll go into much more depth on this next Wednesday when we go through our homebuyer section.

So those funds are specifically not eligible to take in a set-aside 10 percent for admin, because essentially, we have an activity that has not met the requirement of eligibility, because they have not met their affordability period and those funds are being taken back and going back into essentially your line item to be able to be spent on another eligible project. So it's a fine definition, but it's an important one. Let's see what else we have.

During the affordability period, an organization is required to maintain CHDO status. Can you provide regulatory reference section?

I'll have to -- I don't have Chris with me today. So I'll have to pull that up and send that to you. One of the things that I think we clarified yesterday, but I want to reiterate this, the rules are very clear that you must maintain CHDO status during that affordability period. What is not clear, at this point, is what would the corrective action be? Does that mean that you'd have to repay funds? How HUD will enforce that and what the corrective action will be we don't yet know. And so I think over time, we're going to probably see how that plays out.

We have a question about how does the PJ determine the number of units subject to high and low HOME rent? So we're going to be covering that during our rental section. That is our fourth session and we'll go into that in a great deal of depth.

Here's a question. If you put a homeowner into a hotel while you're rehabbing their house, is that a soft or a project cost?

So first off, in this scenario, we have what I believe to be a homeowner rehabilitation project where we temporarily need to provide some optional relocation, we need them out of the house.

Maybe we're doing lead work, maybe we are replacing something [inaudible] or something and they need to be elsewhere. So that is an eligible cost and that would be -- generally would be a -- eligible as a project cost. You could choose to take that out of admin, but that certainly would be eligible as a project cost. And the differentiation between soft and project cost is really somewhat of a term that they -- both soft costs and what we might call hard costs, which are usually construction, those are all eligible project costs.

We are getting close to the end of our time here. I'm just going to flip back to my other list and see if there are other things that we should revisit before we wrap this up. I think we handled that.

There was a question yesterday, a person said, how do I identify my local HUD representative to answer further questions?

So I'm going to take from this question that this person is not the PJ themselves, but is receiving money either as a CHDO or as a developer. So you're receiving your money from the PJ, which is setting what the rules and regulations are going to be and how they're going to enforce or how their program design is. They have to meet all the HOME regulations on the other federal, but they also could have some local program design. So I first would recommend always talking with your -- the PJ that's providing you the funding, because HUD can only answer what the HOME regulation requirements would be and they may not be aware of what your written agreement, what the local program requirements are.

So I would always suggest first working through the PJ that -- from whom you receive funding. And then if you look on the HUD Exchange, it will show -- or also on HUD.gov, you would be able to see each of the HUD offices and designates by area. They would tell you what office would be your go-to, but first step, talk to the PJ. A couple questions came in yesterday about is there a standard guide form that we can use in trying to evaluate CHDOs and whether they're certifiable and on capacity. We will be sending you, at the end of this, sort of all of the resources that we have talked about.

We'll be sending you out not only a survey, but also links to a number of existing resources. And so we will be sending you -- as Chris mentioned yesterday, there's a draft version of a guide form on this. I will ask, but we'll send that out this next week to you, but it also will be on this list with all the linkages to try to be helpful at the end as we kind of wrap up this series. Let's see, is there anything else here?

So we had a question yesterday. So when they're closing on a CHDO development -- and they're talking about closing proceeds. So I'm assuming at the point they've sold one of their homebuyer units that they've developed. You know, the buyer has gotten a private mortgage and some or all of the CHDO investment is going to be paid back to that CHDO after closing. The question is, how do I determine how much of that goes back to the PJ and how much of that actually gets to stay with the CHDO?

So in your written agreement with the PJ, they would've been laying out the terms of that. So in some cases, it might be a grant and those would be -- also, all the funding would be coming back to the CHDO and be CHDO proceeds and maybe they have some restrictions about how CHDO

proceeds are going to be utilized. In other cases, the PJ is going to provide those funds to the CHDO in the form of a loan and maybe they will have, under those loan terms, all or some portion of the funds that are being received back at the closing that those have to go back to the PJ. So you really need to follow your written agreement and make sure how that was set up for your specific project.

And then the last question from yesterday that came in that I thought would make sense for us to revisit a little bit. This person asked about, can we clarify about CHDOs and tax credit properties? Can a CHDO create an LLC, but owns the tax credit property, that'd be the developer of the HOME project?

So for those of you that may or may not be familiar with low-income housing tax credit, what we're essentially doing is receiving investments from equity investors who are going to receive, for their investment, a tax credit, which they will use to offset their tax liability, which is one of the reasons there's some questions about how is that market going to be impacted under our new tax regulations.

And so some of those investors that previously were seeking ways to offset their tax liability, they may be less motivated at this point. So a little unknown on that. So in the ownership structure, what is happening is that you have an LLC that's created to own the property and partial ownership in this is that we have these equity investors.

So normally for a tax credit project, we're going to have an entity that's created for each project and our regulations are that essentially, the CHDO has to be the sole owner or be managing or controlling partner on this so that we're making sure that the CHDO remains in the driver's seat on that. So it certainly is [inaudible] and that is the general structure on how that will be completed. Usually, you're going to be working with legal counsel who will specifically help in the creation of those agreements.

Let's see. So we also had our last question that came in here. How much ongoing HOME funds are going to be available to a CHDO for maintaining its mission on developing affordable housing? A CHDO would need some minimum amount of funds.

Well, we talked about that CHDO operating can be provided to a CHDO as long as they continue to develop. So it's provided to support production. For ongoing expenses not related for a CHDO that's not actively developing, that support needs to come from essentially their pipeline of projects. And so when a CHDO is undertaking a development project, let's say we're doing a rental development, there would be a developer fee, and part of that will offset, will bring some revenue into the organization, which will help maintain the organization, but generally, it's that pipeline of new developments and additional developer fees that are coming in. In some cases, the CHDO might also be managing their own properties.

And so they're being reimbursed for that function. And so that may bring in some additional revenue. But really, all of the HOME funding that's available for sort of ongoing support are all related to development, because our HOME funds are really a housing production program.

Here's one more. After rehabbing a homeowner's house, and this is concerning match, and infrastructure repairs are taking place across town, can the infrastructure work be counted as matched?

So we don't, in this training, go into much detail about match, but included in the chapters that were sent is a chapter that goes into more detail about match and there's also a match notice, which is -- has been around for a while, I think will be updated in the next few years, but takes you category by category of type of match and designates what's eligible. So generally, infrastructure that is tied to affordable housing if it was paid for with non-federal money is an eligible source of match, but I would refer you back to the match notice and looking -- because the criteria is different for each type of match and there's pretty good language in there that talks about how to tie it back to the project and make sure that it's going to be eligible.

So we've come to the end of our time today. I'm thanking everybody for your participation. And again, we'll be -- next Wednesday we're going to be looking at homeowner rehabilitation and our homebuyer program. Thanks, everybody.

(END)