

## **HUD HOME Investment Partnership Program (HOME) Community Housing Development Organizations (CHDOs)**

### **Background**

#### Federal HOME Program

The National Affordable Housing Act of 1990 (the Act) created the HOME Investment Partnerships Program (HOME). The Act's objectives include promoting partnerships between states, local governments and nonprofit organizations and increasing the capacity of nonprofit organizations to develop and manage affordable housing.

#### Community Housing Development Organizations (CHDO)

A CHDO is a specific type of nonprofit organization defined in the HOME Final Rule (24 CFR Part 92) that meets the criteria set by HUD around legal status, demonstrated capacity, and organizational structure, which are detailed further below.

#### HOME Program CHDO Set Aside

To help achieve HOME affordable housing objectives, the Act requires that participating jurisdictions (PJs), set aside at least 15% of their annual HOME allocation for housing that is developed, owned, or sponsored by certified CHDOs.

#### CHDO Operating Support Grants

Oregon Housing and Community Services (OHCS) elects to use up to five percent of its annual HOME allocation to support operating expenses of certified CHDOs. The purpose of the HOME CHDO Operating Support Grant is to promote development of affordable housing by certified CHDOs using HOME funds. CHDO operating support grants can be used to pay for organizational (non-project related) costs associated with the development HOME funded housing units. Up to \$50,000 per organization may be awarded to select CHDOs who are working to develop projects that align with Oregon affordable housing priorities.

### **DEFINITION OF A CHDO**

The HOME Program definition of a CHDO is found in 24 CFR 92.2. The definition outlines the criteria that an organization must meet to qualify as a CHDO. The criteria focuses on the legal status of the organization, its capacity and experience, the organizational structure, and the relationship of the CHDO to for-profit entities. The following is a summary of some of the key criteria to qualify as a CHDO:

#### Legal Status

- 1) The CHDO must be organized under state law.
- 2) One of the purposes of the organization must be the provision of decent housing that is affordable to low-income and moderate-income persons.
- 3) The CHDO must have nonprofit status under §501(c)(3) or (4) of the Internal Revenue Code of 1986.
- 4) The organization must have a clearly defined geographic service area that is not the whole state.

### Capacity and Experience

- 1) The CHDO must have at least one year of experience serving the community.
- 2) The organization must show that its key staff members have the capacity to implement housing activities.
- 3) The CHDO must have financial management systems that meet the federal standards outlined in 24 CFR 84. The most recent version of OMB Circular A-81 (24 CFR 200) may be obtained at <http://www.whitehouse.gov/omb/circulars>.

### Organization Structure

- 1) At least one-third of the organization's board of directors must be representatives of the low-income community; no more than one-third can be representatives of the public sector.
- 2) The CHDO must also involve low-income program beneficiaries in affordable housing project design. (This is in addition to serving on the board of directors).

### Relationship to For-Profit Entities

The CHDO cannot be controlled by for-profit organizations or individuals.

### **CHDO Set-Aside**

HOME defines the role of the CHDO in accessing the 15% CDHO set-aside funds as an "owner, developer, or sponsor" of affordable housing activities as detailed below:

**Owner of rental housing:** As an owner, a CHDO is required to own (in fee simple absolute or long-term ground lease) multifamily housing that is rented to low-income families, during development and throughout the period of affordability. The CHDO is required to oversee all aspects of the development process. At a minimum, the CHDO can own the property and hire a project manager or contract with a development contractor to oversee all aspects of the development.

**Developer of rental housing:** As a developer, a CHDO is the owner (in fee simple absolute or long-term ground lease) and developer of the project and must be in sole charge of all aspects of the development process, including obtaining zoning, securing non-HOME funds, selecting contractors, overseeing the progress of work, and determining reasonableness of costs. The CHDO must own the HOME-assisted housing during the development process and throughout the period of affordability.

**Sponsor of rental housing:** As a sponsor, The CHDO (or another entity) develops a project that the CHDO solely or partially owns and agrees to convey ownership to a second nonprofit organization at a predetermined time prior to or during development or upon completion of the development of the project. The HOME funds are invested in the project owned by the CHDO. The CHDO sponsor selects the nonprofit organization that will obtain ownership of the property prior to commitment of the HOME funds. Tax credit projects typically fall into this category.