



2013 HOME PROGRAM FINAL RULE

CHDO REQUIREMENTS

CHDO Changes

CHDO Definition

§92.2

Staff Capacity

CHDO/Parent
Relationship

CHDO Set-aside

§92.300

CHDO
Reservations

Certification

Own, Develop,
Sponsor

Program Administration

§92.500

Expenditure
Deadline

CHDO Staff Capacity

CHDOs must have paid staff with demonstrated capacity appropriate to CHDO's role:

- Can be full-time or part-time
- Cannot meet capacity requirement based on use of volunteers, donated staff, shared staff or board members
- Use of consultants to demonstrate capacity **ONLY** during the 1st year of operation as a CHDO

CHDO Staff Capacity (cont)

Staff must have experience/capacity relevant to project and role as owner, developer, or sponsor

- CHDO as Owner: Staff must have capacity to act as owner. Can hire contractor to assist in oversight of development process
- CHDO as Developer or Sponsor: Staff must have development experience on projects of similar scope or complexity

CHDO/Parent Relationship

For-profit and governmental entities as parent organizations:

- Pre-2013 rule states that the parent cannot appoint more than 1/3 of board members; Parent-appointed board members may not appoint other 2/3 of board
- New rule adds prohibition against officers or employees of parent organization serving as officers or employees of the CHDO (except for the permitted 1/3 of CHDO board members)

CHDO/Parent Relationship (cont)

For Governmental or Public Parent Organizations:

- Includes PJs, public housing agencies, HFAs, redevelopment authorities, Indian Tribes
- Officers or employees of the governmental entity may not serve as officers or employees of a CHDO (except for the permitted 1/3 of CHDO board members)

CHDO Reservations

- PJs must commit funds to a CHDO for a specific project within 24 months
 - After October 22, 2013 - Non-project-specific reservations no longer counted toward commitment or CHDO reservation requirements
 - PJ/CHDO must execute legally binding written agreement that meets commitment definition
- HUD will implement for CHDO deadlines on or after January 1, 2015

CHDO Certification

Each time it commits funds to a specific CHDO project, PJ must certify that the nonprofit:

- Meets CHDO definition (including the staff capacity requirement)
- Has capacity to fulfill specific role (owner or developer/sponsor) it will assume for the project

Own, Develop or Sponsor

- Own, Develop, Sponsor roles codified in rule for first time at §92.300(a)(2) - (6)
- Roles have been clarified and/or redefined; changes will increase number of organizations that can access CHDO set-aside funds
- A CHDO must demonstrate capacity in relation to its “role”

CHDO as Owner

- CHDO acts as owner of rental housing that it does not develop
- CHDO is owner in fee simple or has long-term ground lease during development and affordability period
- CHDO acquires standard housing, or hires project manager or contracts with developer to perform rehab or construction

CHDO as Developer

- CHDO owns (in fee simple absolute or holds long-term ground lease) and develops housing
- CHDO arranges financing and is in sole charge of construction or rehab
- For Rental projects: CHDO owns during development and throughout period of affordability, and performs all development activities

CHDO as Developer

(cont)

- For Homebuyer projects: CHDO owns, rehabs or constructs, then sells property
- Written agreement with CHDO must include:
 - Actual sales price or method for determining it
 - Disposition of proceeds of sale (return to PJ or permit CHDO to retain), and use of proceeds if CHDO will retain

CHDO as Sponsor

CHDOs can sponsor rental housing in 2 ways:

- 1) CHDO develops rental housing on behalf of another non-profit or CHDO and transfers title after completion
 - Conveyed at pre-determined time to pre-identified nonprofit/CHDO

CHDO as Sponsor

(cont)

- 2) Rental housing is “sponsored” by a CHDO if owned or developed by a:
- For-profit or nonprofit that is wholly-owned subsidiary of the CHDO;
 - Limited partnership (LP) of which the CHDO or its subsidiary is the sole general partner; or
 - Limited liability company (LLC) of which the CHDO or its subsidiary is the sole managing member.
- Written agreement must be signed by PJ and entity that will own the project

CHDO as Sponsor

(cont)

- If partnership agreement permits removal of CHDO as sole managing member or partner, removal must only be permitted for cause
- Partnership agreement must specify that CHDO must be replaced with another CHDO

CHDO Expenditure Deadline

- CHDO set-aside funds must be expended within 5 years of the HOME grant being obligated
- HUD will examine CHDO expenditures separately from non-CHDO HOME funds
- HUD will implement this requirement for expenditure deadlines on or after January 1, 2015

Tracking the Commitment/Expenditure Deadlines

Requirement	HUD Report
CHDO Commitment/Expenditure Deadlines	Deadline Compliance Status Reports

<https://www.onecpd.info/home/>

Next Steps

- Educate and inform CHDOs & potential CHDOs
- Evaluate CHDOs to identify which organizations meet new requirements
- Revise CHDO qualification standards and processes to ensure:
 - Organization meets definition of CHDO, including staff capacity
 - CHDO has capacity to fulfill its specific role as owner, develop, or sponsor of the housing

Wrap Up

Questions? Discussion?

Implementation Plans, Assignments, Schedules

1. _____ ?
2. _____ ?
3. _____ ?
4. _____ ?
5. _____ ?
6. _____ ?