

COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS

CHDOs are Special Nonprofits.

A Community Housing Development Organization (CHDO) is a private nonprofit, community-based, service organization that has, or intends to obtain, staff with the capacity to develop affordable housing for the community it serves.

There are Many Benefits of Working with CHDOs.

The HOME Program guarantees CHDOs funds. At least 15 percent of a HOME participating jurisdiction's (PJ's) annual allocation must be set aside for affordable housing activities to be undertaken by CHDOs. These *set-aside funds* must be invested in *eligible housing*.

When a PJ works with CHDOs it increases the availability of affordable housing in the jurisdiction. In addition, it:

- Builds partnerships with organizations that have demonstrated long-term commitment to public service.
- Improves its overall capacity to develop affordable housing by strengthening partners' capacity.
- Can develop the capacity of new partners in order to increase the pool of providers.
- Creates a systematic process for involving community members in making decisions about affordable housing investments.

HOME Requirements Facilitate CHDO Partnerships.

In addition to the CHDO set-aside, other HOME requirements are designed to facilitate the development of working relationships between PJs and CHDOs:

- PJs have up to 24 months to identify and designate the CHDOs they plan to work with, and to reserve funds for the CHDOs' use.
- PJs may use HOME funds to provide special assistance to support and build the capacity of CHDOs, including CHDO operating assistance, forgivable pre-development loans, and technical assistance.
- PJs are able to invest more than the 15 percent set-aside in CHDOs, and may also use other HOME funds to use CHDOs to administer other HOME program activities.

Successful CHDO Partnerships Get Started Right.

There are many ways to form successful partnerships with CHDOs:

- Smart PJs select the right organizations to become CHDOs.** Existing local nonprofit organizations are an ideal source of potential CHDOs. PJs can recruit groups to participate by advertising the benefits of being a CHDO, meeting with local groups and leaders, assessing their strengths and weaknesses, and identifying with the organizations that show the most potential.
- Smart PJs build the capacity of existing organizations to become CHDOs.** Some promising organizations may need help to meet the CHDO *qualifying requirements*.
- Smart PJs get extra help when needed.** HUD provides technical assistance and training through consultants and national intermediaries. PJs can request assistance for CHDO capacity building from the local field office.
- Smart PJs look to the future.** The HOME CHDO set-aside is an annual requirement, so forward-thinking PJs will build a pool of qualified CHDOs with whom to work now and in the future.

Building a successful long-term partnership between PJs and CHDOs requires planning for future-year set-aside allocations, creating a pool of qualified CHDOs to ensure capacity to carry out the level of HOME activity that will be generated, and establishing a shared vision.

Learn More About the HOME Program.

To obtain more information on the HOME Program, visit the HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home>, or contact the Community Planning and Development (CPD) Office of U.S. Department of Housing and Urban Development. To locate the field office nearest you, go to <http://www.hud.gov/directory/ascdir3.cfm>.

UNDERSTANDING CHDOS Terms and Requirements

Set-Aside Funds

Under HOME Program rules, at least 15 percent of a PJ's annual HOME allocation must be set aside for CHDO activities in eligible housing. These funds are called set-aside funds.

Eligible Housing

Set-aside funds must be invested in housing that is owned, sponsored, or developed by the CHDO. This means the CHDO serves in at least one of the following roles:

- Owner.** The CHDO holds valid legal title to or has a long-term leasehold interest in the rental property. The CHDO may be an owner with more than one individual, corporations, partnerships, or other legal entities.
- Sponsor.** The CHDO develops or owns a property and agrees to convey ownership to another nonprofit organization.
- Developer.** The CHDO either owns a property and develops a project, or has a contractual obligation to a property owner to develop a project.

Eligible Set-Aside Activities

When using set-aside funds in eligible housing, the CHDO may perform one of the following activities:

- Acquisition, rehabilitation or new construction of rental housing,
- Acquisition, rehabilitation or new construction of homebuyer properties, and
- Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds.

Ineligible Set-Aside Activities

Set aside funds may not be used for tenant-based rental assistance, existing homeowner rehabilitation, or direct homebuyer assistance. PJs may, however, provide non-set-aside funds to CHDOs to carry out these activities.

Key CHDO Qualifying Requirements

To qualify as a CHDO, a nonprofit must demonstrate that meets certain requirements regarding its:

- Legal and tax-exempt status,
- Financial management capacity and accountability,
- Staff capacity to carry out HOME-funded activities,
- Experience serving the community,
- Board representation by community members, with at least one-third of its members low-income, and
- Lack of for-profit or public control.

Eligible CHDO Capacity-Building Activities

In addition to its 15 percent set-aside, PJs may use HOME funds to provide special assistance to support and build the capacity of CHDOs. This assistance includes:

- ❑ **Project pre-development loans.** A PJ may loan CHDOs up to 10 percent of its annual allocation for up-front eligible project expenditures, seed money, or site control. Pre-development loans count toward the CHDO set-aside if the project moves forward; they are forgivable if the project does not move forward.
- ❑ **Operating assistance.** PJs may provide up to 5 percent of its annual HOME allocation for salaries, wages, employee education and training, rent and utilities, taxes and insurance, and materials. Assistance may not exceed the greater of \$50,000 or 50 percent of the CHDO's total annual operating expenses for that year.
- ❑ **Use of HOME project proceeds.** At the discretion of the PJ, a CHDO may be authorized to retain some or all of the proceeds generated from development activity to support additional HOME-eligible activities or other low-income housing activities. A PJ must stipulate in its written agreement with the CHDO whether the CHDO may retain project proceeds.
- ❑ **Capacity-building assistance.** Within the first two years of becoming a PJ, PJs that cannot identify a sufficient number of capable CHDOs may commit a limited amount of HOME funds for capacity-building assistance.