



STATE OF CONNECTICUT  
DEPARTMENT OF HOUSING



HOME INVESTMENT PARTNERSHIPS PROGRAM  
Community Housing Development Organization

**REQUEST FOR APPLICATIONS (RFA)**  
**CHDO Operating Expense Grant**

Release Date: **October 9<sup>th</sup>, 2020**

Application Deadline: **December 9<sup>th</sup>, 2020**

The State of Connecticut's Department of Housing (DOH) recognizes that Community Housing Development Organizations ("CHDO" or "CHDOs") are an essential part of its effort to provide affordable housing opportunities for low- to moderate-income families throughout the State.

DOH has created a two (2) part CHDO Operating Expense Grant Funding Round (hereinafter referred to as the "Fund") for SFY 2020-2021 and are now accepting applications. The Fund is looking to provide limited financial support to CHDOs involved with the development of affordable housing projects and prepared to make operating support grants of up to \$80,000, for up to twelve (12) eligible CHDOs. Thus promoting the capacity of CHDOs to sponsor, own, and develop affordable housing projects and programs that are consistent with the goals and objectives of the current State Consolidated Plan. CHDOs may receive increased operating assistance under these suspensions and waivers through June 30, 2021. DOH reserves the right to increase or decrease the total amount of requested funds within the approved Program guidelines.

Applications will be awarded on an as-needed basis taking into consideration the following six (6) criteria:

1. Need for Operating Expense Grant Funding;
2. Feasibility of the proposed HOME-assisted CHDO eligible project;
3. Capacity to complete HOME CHDO project(s) in a timely manner;
4. Experience and qualifications of paid employees;
5. Timeliness and accuracy of past draw submissions; and
6. Utilization rate of previous operating expense awards.

Applicants must submit the following:

- Cover Page
- [1-year Project Operating Budget Worksheet](#)
- [CHDO Certification Application](#)

The Fund will accept CHDO Operating Expense Grant Applications on a rolling basis until **Wednesday, December 9<sup>th</sup>, 2020.**

## **CHDO CERTIFICATION AND REQUIREMENTS**

To be recognized as a CHDO, an organization must meet the requirements pertaining to their legal status, organizational structure, capacity, and experience as set forth in 24. C.F.R. 92.2 and be certified by DOH as a CHDO.

In 2013, HUD published the New HOME Final Rule that made significant changes to the CHDO Certification and set aside reservation requirements. To qualify as a CHDO, a nonprofit must have paid staff whose experience qualifies them to undertake CHDO set-aside activities. Capacity cannot be demonstrated by use of a consultant, except in the first year that a CHDO is operational. In addition, each time DOH commits CHDO set aside funds, it must certify a nonprofit's qualifications to be a CHDO and its capacity to own, sponsor, or develop housing. DOH may no longer make CHDO reservations to organizations; reservations must be made to specific CHDO eligible projects.

### **A. Eligible Applicants:**

Private nonprofit, community-based service organizations that meet the CHDO eligibility criteria outlined in, Section I of the 'CHDO Certification Application Materials' are eligible to apply. CHDOs must be organized under State and local law, meet the board composition requirements, have a history of serving a specified geographic area (not the whole State), and meet the capacity and experience requirements. If an organization becomes a certified CHDO it is eligible to take advantage of the HOME funds set-aside exclusively with CHDO projects.

### **B. CHDO Eligible Projects:**

A CHDO Certification application must identify the CHDO eligible project for which the applicant is requesting set aside funds. CHDO eligible projects must meet the HOME CHDO set aside requirements under 24 C.F.R. Part 92.

### **C. CHDO Set Aside Funding Amount:**

The amount of funding of CHDO set aside funds available in SFY2020 is approximately \$944,732. It is expected that applicants will propose projects that leverage DOH's financial assistance with substantial financial and/or in-kind resources from other sources, particularly private sources of debt and equity, but also financial and other commitments from local organizations, businesses, and associations and the local municipality to support the proposed project.

### **D. Application Submission Instructions and Requirements:**

The applicant should submit the following in response to this RFA:

*Failure to complete and provide any of the application requirements may result in the application submitted being deemed incomplete and therefore disqualified from consideration.*

1. All required attachments to this RFA as noted in the provided Submission Checklist.
2. Cover Page to include:
  - ✓ Project Name referencing which funding round, (if applicable) for which you are applying for CHDO set aside funds (e.g. CHAMP 12)
  - ✓ Developer/Borrower Name

- ✓ Primary Contact Name
- ✓ Primary Contact Email
- ✓ Primary Contact Phone
- ✓ Project Summary/Need of Funds

**Hard copies of application materials will not be accepted.** Electronic submission will only be accepted and can be submitted to [DOH.CHDO@ct.gov](mailto:DOH.CHDO@ct.gov) All application materials must be submitted as Adobe PDF format with blue ink signature. After the submission of a CHDO Certification application, an applicant may be asked to provide additional information regarding its application.

**E. Application Deadline:**

Applications must be received no later than **Wednesday, December 9<sup>th</sup> at 4:00 p.m. Eastern Standard Time.** Any application or modification received after this time shall not be considered. CHDO Certification applications will only be reviewed at the time an application for funding to DOH for a CHDO eligible project has been submitted and is under review.

**F. Reservations:**

All applications submitted in response to this application are the sole property of the State and subject to the provisions of Connecticut's Freedom of Information Act, CGS §1-200 et seq., which provides that public records and documents are subject to public access and copying unless specific exemptions to disclosure exist. If an applicant believes that portions of its application are exempt from disclosure, the applicant should mark the specific portions as confidential. Acceptance of an application by DOH which contains such reservations is not an agreement that the material is confidential or exempt from disclosure. DOH reserves the right to amend or cancel this RFA, to modify or waive any requirement, condition or other term set forth in this RFA, to request additional information at any time from one or more applicants, to select any number of applications submitted in response to this RFA, or to reject any or all such applications, in each case at DOH's sole discretion. DOH may exercise the foregoing rights at any time without notice and without liability to any applicant or any other party. Applications to this RFA shall be prepared at the sole expense of the applicant and shall not obligate DOH to procure any of the services described therein or herein from any applicant. DOH shall not be obligated to any applicant until a final written agreement has been executed by all necessary parties thereto and all applicable approvals have been obtained.

## HOW TO APPLY FOR CHDO CERTIFICATION

- Prospective CHDOs should complete all sections of the DOH's Application for CHDO Certification below and provide all required attachments noted below. *For any required attachment not being submitted, provide an explanation as to why the attachment is not applicable to your organization.*
- At the time an organization receives certification from DOH as a CHDO, it is assessed on all of the eligibility criteria for funding under the HOME regulations. While CHDO certification is a prerequisite to receiving funds designated specifically for CHDOs, becoming eligible does not guarantee funding.
- CHDO regulations require certain organizational policies or documents be approved by the CHDO's Board of Directors. For any item below that requires approval by the CHDO's Board of Directors, please submit formal documentation (e.g. a board resolution or official board meeting minutes) documenting that the item in question has been approved by the organization's Board of Directors.
- Please note that all CHDO Board Member Certification Forms must have visible notarized seals.
- The CHDO certification application is submitted in addition with Cover Page and 1-year Project Budget Worksheet.

**Please submit one (1) completed application and all required documentation in PDF formatting electronically to: [DOH.CHDO@ct.gov](mailto:DOH.CHDO@ct.gov). Any question may be directed to Lisa Poirier at [lisa.poirier@ct.gov](mailto:lisa.poirier@ct.gov).**

# **COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)**

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### **Section I. DOH CHDO Guidelines, Policies and Procedures**

#### **I. INTRODUCTION**

The Department of Housing (DOH) has implemented policies and procedures to serve as a guideline for activities associated with Community Housing Development Organizations (CHDO). For purposes of the HOME Program, DOH may be referred to as the Participating Jurisdiction (PJ) which means a jurisdiction that has been so designated by HUD to administer HOME funds in accordance with 24 CFR Part 92. The 2013 HOME Rule contains new provisions and changes that impact CHDO certification and allocation of CHDO reservation funds. CHDO set-aside funds must be committed to specific projects; DOH can no longer “reserve” CHDO funds for projects that will be identified at a later date. [*§92.2 Commitment, §92.300(a)(1)*]

In addition, the 2013 HOME Rule makes substantive changes to the CHDO qualification and capacity requirements that are intended to strengthen performance in producing and preserving affordable housing. These changes are outlined below.

- To qualify as a CHDO, a nonprofit must have paid staff whose experience qualifies them to undertake CHDO set-aside activities. Capacity cannot be demonstrated by use of a consultant, except in the first year that a CHDO becomes certified. [*§92.2 Community housing development organization*]
- Each time DOH commits HOME funds, it must re-certify a nonprofit’s qualifications to be a CHDO and its capacity to own, sponsor, or develop housing. [*§92.300(a)*]
- The roles of owner, developer, and sponsor for CHDOs using set-aside funds are more specifically defined. Among other changes, the 2013 Rule permits a DOH to provide CHDO set-aside funds for a CHDO that owns rental housing that it does not develop. [*§92.300(a)(2) – (6)*]

References to sections of the CHDO guidelines are based on the HOME Investment Partnerships Program, Final Rule 24 CFR Part 92.

## **II. What is a CHDO?**

A Community Housing Development Organization (CHDO) is a private nonprofit, community-based service organization that has paid staff whose experience qualifies them to undertake the proposed CHDO set-aside activity. **CHDOs must meet certain requirements:**

### **A. Legal Status** – CHDOs must be organized under State and local law.

1. **Nonprofit Status:** A CHDO must have received a tax-exempt ruling from the IRS under Section 501(c) of the Internal Revenue Code of 1986 in order to be designated by the Participating Jurisdiction (PJ) as CHDO. There are many incorporation options under Section 501(c), depending on the type and purpose of the organization seeking the designation for tax-exemption.
2. The 501(c) designations permissible under HOME are:
  - a. 501(c)(3) status – A charitable, nonprofit corporation
  - b. 501(c)(4) status – A community or civic organization
  - c. Section 905 status – A subordinate organization of a 501(c) organization

### **B. Organizational Structure** – The CHDO is intended to respond to a particular community's needs. The organizational structure of the board of directors of a CHDO is the main indicator of community control over the CHDO.

The CHDO board must be composed of the following:

1. At least one-third must be representatives of the low-income community.
2. No more than one-third may be public officials or employees of the PJ or State Recipient.
3. The balance is unrestricted and may include people such as human and social service providers, lenders, individuals with access to philanthropic resources or others willing to contribute their professional expertise.

### **C. History of Serving the Community** – A CHDO must also demonstrate that it has at least one year of experience serving the community where it intends to develop the HOME-assisted housing.

1. Newly created organizations desiring to become CHDOs can meet this requirement if the parent (or sponsoring) organization is a nonprofit and has provided services to the community for at least one year.
2. The one-year of service does not have to be directly related to housing.

### **D. Capacity and Experience-** A CHDO must have paid staff whose experience qualifies them to undertake the proposed CHDO set-aside activity. For example, a CHDO undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with

HOME funds. An organization that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of §92.300(a)(2).

For its first year of funding as a CHDO, an organization may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key staff of the organization. An applicant does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated by another organization.

E. **Geographic Distribution** – All communities of the state are eligible for funding, in accordance with HOME program requirements.

- CHDOs do not need to represent a single neighborhood
- CHDOs should have a clearly defined geographic service area. CHDOs may include in their service area an entire community (that is a city, town, village, county or multi-county area), but not the whole state.
- Nonprofits serving special populations must also define the geographic boundaries of their service areas in order to qualify as CHDOs.

### III. FEDERAL REQUIREMENTS

#### A. Resources:

Federal and State resources, which will be used during the Action Plan time frame to address the needs and strategies identified in the State's most recent Action Plan, are found in the sections on specific programs.

A request for applications will be posted on the DOH Website. In accordance with HOME Program requirements PJs must set aside a minimum of 15 percent of their funds for housing owned, developed or sponsored by CHDOs.

#### B. Activities:

The State's methods of distributing funds and carrying out activities funded by HUD and other federal programs are described in its most recent Action Plan. With PJ approval, CHDOs may use HOME funds for all eligible HOME activities. However, only certain types of activities count toward the minimum 15 percent set-aside.

- Eligible set-aside activities include the following when carried out by a CHDO acting as an owner, sponsor or developer.
  - ✓ Acquisition and/or rehabilitation or 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 sponsored or developed by a CHDO with HOME funds.
- Ineligible: The following activities are ineligible set-aside activities but may be carried out by the CHDO as a subrecipient.
  - Tenant-based rental assistance (TBRA), (not available in Connecticut)

- Homeowner rehabilitation, and
- Brokering or other real estate transactions.

### **C. Certification Process**

To be certified as a CHDO, an organization must meet certain legal and organizational characteristics described in the HOME regulations at 24 CFR Part 92.2 and have paid staff whose experience qualifies them to undertake the proposed CHDO set-aside activity. The CHDO certification process is as follows:

- a. HUD requires that CHDOs be certified or recertified each time the PJ commits CHDO funds to an activity. To be considered for CHDO set-aside funds, an applicant shall submit a CHDO Certification/ Recertification application in conjunction with a prior active application for DOH development funds for an eligible CHDO set-aside activity.
  
- b. DOH staff review of submission of the CHDO Application.
  - If documents are incomplete: DOH will forward a detailed letter to the nonprofit, detailing the outstanding documents necessary to obtain CHDO Certification. A deadline date will be assigned to the nonprofit. Cancellation of the CHDO Certification will occur if the nonprofit does not respond, which may affect current or future requests for federal/state funding from the Department.
  - If documents are complete: DOH will forward a letter to the nonprofit acknowledging their review that the organization has successfully met the federal requirements. DOH will maintain for public record evidence that the organization has been recognized as a CHDO.

### **Other Federal Requirements**

1. The Federal requirements set forth in 24 CFR Part 5, subpart A, are applicable to participants in the HOME program. The requirements of this subpart include: nondiscrimination and equal opportunity; disclosure requirements; debarred, suspended or ineligible contractors; and drug-free workplace.
2. The nondiscrimination requirements at section 282 are applicable.
3. Conflict of Interest Policy Requirements – When implementing their HOME program, state recipients and subrecipients must adhere to Conflict-of-Interest regulations outlined in 24 CFR 92.356(f).
4. Organization’s Procurement Standards – Each owner/developer must implement requirements 24 CFR 85.36, 2 CFR 200, and CPD 96-05.



5. Federal Debarred Contractor’s List - HOME funds may not be used to directly or indirectly employ, award contracts to, or otherwise engage the services of any contractor or subrecipient during any period of debarment, suspension, or placement of ineligibility status. Nonprofits should check all contractors, subcontractors, and subrecipients against the Federal publication that lists debarred and ineligible contractors.

A list of debarred contractors can be found on the Excluded Parties Listing System. For a better understanding of what constitutes debarment, suspension, or ineligibility status, PJs or subrecipient can look to 24 CFR Part 24.

6. Organizations must be in compliance with 24 CFR Part 58: nondiscrimination and equal access, employment and contracting, environmental requirements, lead-based paint, and relocation.

**Section II. State of Connecticut CHDO Resources for SFY2020**

The statutory provisions allowing maximum amount of operating assistance that a CHDO may receive under the 2020-2021 Grant Program of \$50,000 are suspended. Regulatory provisions have been waived to permit a PJ to provide up to 10% of its current State Consolidating Plan HOME allocations as operating assistance to CHDOs and to permit a CHDO to receive funding to fill operating budget shortfalls.

CHDO Set-Aside Resources SFY2020  
As of September 15, 2020

CHDO Operating Expense Grant	\$944,732.00
Pre-Development CHDO Loan	\$944,732.00

**Section III. CHDO Certification Qualifying Criteria**

**OVERVIEW**

A CHDO is a specific type of private nonprofit entity. CHDOs must meet certain requirements pertaining to their:

- A. Legal status
- B. Organizational structure, and
- C. Capacity and experience.

- A. **Legal Status:** CHDO’S must be organized under State and local law.

The items listed on this checklist must be evidenced in the CHDOs:

Charter, or

Articles of Incorporation, or

By-laws

Purpose of organization: Provision of decent housing that is affordable to low-and-moderate-income persons must be among the purposes of the organization.

No individual benefit: No part of the CHDO's net earnings (profits) may benefit any members, founders, contributors, or individuals.

Clearly defined service area: A CHDO should have a clearly defined geographic service area.

CHDOs do not need to represent a single neighborhood.

A CHDO may include in its service area an entire community (that is, a city, town, village, county or multi-county area), but not the whole state.

Nonprofits serving special populations must also define the geographic boundaries of their service areas in order to qualify as CHDOs.

Nonprofit Status: A CHDO must have received a tax-exempt ruling from the IRS under Section 501(c) of the Internal Revenue Code of 1986 in order to be designated by the Participating Jurisdiction (PJ) as a CHDO. There are many incorporation options under Section 501(c), depending on the type and purpose of the organization seeking the designation for tax-exemption.

The 501(c) designations permissible under HOME are:

501(c)(3) status – A charitable, nonprofit corporation;

501(c)(4) status – A community or civic organization;

Section 905 statuses – A subordinate organization of a 501(c) organization.

## **B. Organizational Structure:**

The CHDO is intended to respond to a particular community's needs. Therefore, the structure of the board of directors of a CHDO is viewed as the main indicator of community control over the CHDO.

The CHDO board must be composed as follows:

At least one-third may be representatives of the low-income community.

No more than one-third may be representatives of the public sector (including any employees of the PJ).

The balance is unrestricted, and may include people such as human and social service providers, lenders, individuals with access to philanthropic resources, or others willing to contribute their professional expertise.

There are also maximum limits on representation and control by a for-profit entity when the CHDO is sponsored by a for-profit entity.

Low-Income Community Representation: As noted above, a minimum of one-third of the board must consist of representatives of the low-income community. There are three ways to meet this requirement:

1. Residents of Low-Income Neighborhoods In The Community:

Low-income neighborhoods are defined as neighborhoods where 51 percent or more of the residents are low-income.

Residents of low-income neighborhoods on CHDO boards do not have to be low-income themselves.

and/or

2. Low-Income Residents Of The Community:

In urban areas “community” is not necessarily limited to a single neighborhood, but includes several neighborhoods the city, county or metropolitan area.

In rural areas, “community” may also cover a multi-county area (but not the whole state). The board need not include low-income residents from each county in the multi-county area.

Low-income residents of low-income neighborhoods in the community do not need to submit proof of their income.

If low-income residents of the community who do not live in low-income neighborhood are necessary to meet this threshold, the CHDO must obtain a certification from the resident that the resident does qualify as low-income. No PJ verification of the CHDO certification of income is required.

and/or

3. Elected Representatives of Low-Income Neighborhood Organizations:

A low-income neighborhood organization is an organization composed primarily of residents of a low-income neighborhood.

The primary purpose of the organization must be to serve the interests of the neighborhood residents.

Block groups, town watch organizations, civic associations, neighborhood church groups and Neighborhood Works organizations can be examples of low-income neighborhood organizations.

The governing body of the low-income neighborhood organization may elect the representative(s) to serve on the CHDO board.

Requirement for low-income input: Input from the low-income community is not met solely by having low-income representation on the board.

The CHDO must also provide a formal process for low-income program beneficiaries to advise the CHDO on design, location of sites, development and management of affordable housing. The process must be described in writing and must be included in the organizations by-laws or a board resolution.

This requirement is especially important for CHDO's serving a large geographic area, where it may not be possible for a CHDO to have low-income board representation from every neighborhood in which the CHDO will develop, own or sponsor housing.

CHDO's should establish systems for community involvement in parts of their service areas where housing will be developed, but which are not represented on their boards. Such systems might include special committees of neighbors of a proposed development site, neighborhood advisory councils or open town meetings.

Public-sector Limits: A maximum of one-third of the governing board may consist of representatives of the public sector. This limitation is intended to ensure that separation exists between Participating Jurisdictions (PJ) and CHDO's and that the CHDO's are indeed community-based and community-controlled organizations.

A member of the governing board of a CHDO would be considered a representative of the public sector if he or she is a public official, including:

Elected Officials – Council members, aldermen, commissioners, state legislators, members of a school board etc.

Appointed Public Officials – Members of a planning or zoning commission or of any other regulatory and/or advisory boards or commissions that are appointed by a PJ official.

Public Employees – All employees of public agencies (including the schools) of departments of the PJ's government (e.g., a clerk in the water and sewer department, a public facility janitor or a secretary in the tax assessment office); or

Appointed by a Public Official – Any individual who is not necessarily a public official, but who has been appointed by a public official (as described above) to serve on the CHDO board.

Members of the board appointed by public officials cannot select other members of the board.

What if the public official is low-income? Public officials and/or appointees who themselves are either low-income community residents or residents of a low-income neighborhood count against the one-third maximum limit of *public sector* representatives. However, they do not count toward the one-third minimum requirement of community representatives.

PJs, public bodies or instrumentalities of public bodies cannot be considered CHDOs. Examples of instrumentalities of public bodies include public housing authorities (PHAs), urban renewal agencies, redevelopment authorities and downtown development authorities.

These limits on public-sector representation on CHDO boards only serve to define CHDOs. There are other (not specific to HOME) restrictions on the participation of public officials on the boards of non-profit organizations seeking public funds. PJs should observe their conflict-of-interest guidelines in this regard as well.

Nonprofits that have been sponsored by other nonprofits, charities, religious organizations, local or state government, public agencies or for-profit corporations may qualify as CHDOs, but certain additional requirements and board limitations can apply.

#### Nonprofit and Charity Sponsors:

There are no limits on the proportion of the board that may be appointed by nonprofit or charity sponsors, as long as the minimum one-third community representation is met and the maximum one-third public representation is not exceeded.

A one-year minimum history of service to the community by *the sponsoring nonprofit or charity* may help a new nonprofit to qualify as a CHDO.

#### Religious Organization Sponsors:

Organizations that are religious or faith-based are eligible, on the same basis as any other organization, to participate in the HOME Program. Government entities are not to discriminate against an organization on the basis of the organization's religious character or affiliation.

However, organizations directly funded under HOME may not engage in inherently religious activities. If the organization conducts such activities, they must be offered separately, and participation must be voluntary for the beneficiaries of the assistance provided. However, the religious organization may not control the nonprofit.

The developed housing must be used exclusively for secular purposes. It must also be ensured that housing owned, developed or sponsored by the organization will be made available to all persons, regardless of religious affiliation or belief.

Local/State Government and Public Agency Sponsors:

A local or state government and/or a public agency cannot qualify as a CHDO but may sponsor the creation of CHDOs.

Government officials and appointees of the government cannot exceed one-third of the members of the board.

While officers and employees of the governmental entity can serve as Board members to the CHDO (subject to the one-third appointment limitation), they cannot serve as officers or employees of the CHDO.

All other CHDO rules and requirements also apply.

For-Profit Corporate Sponsors:

A CHDO cannot be controlled by, nor be under the direction of, for-profit entities or individuals seeking profit from the organization.

CHDOs may be sponsored or organized by a for-profit if:

The primary purpose of the for-profit sponsor is not the development or management of housing (that is, a builder, developer or real estate management firm may not spin off a CHDO);

The for-profit appoints no more than one-third of the CHDO's governing board and the board members appointed by the for-profit do not appoint the remaining members of the board;

While the officers and employees of the for-profit entity can serve as Board members of a CHDO (subject to the one-third appointment limitation), they cannot serve as officers or employees of the CHDO; and

The CHDO is free to contract for goods and services from any vendors it selects.

**C. Capacity and Experience:**

CHDO Experience: A CHDO must also demonstrate that it has at least one year of experience serving the community where it intends to develop the HOME-assisted housing.

Newly created organizations wishing to become CHDOs can meet this requirement if the parent (or sponsoring) organization is a nonprofit and has provided services to the community for at least one year.

The year of service does *not* have to be directly related to housing.

Prior service to the community cannot consist of a for-profit organization's work in that community.

CHDO Capacity: The CHDO has paid staff whose experience qualifies them to undertake CHDO set-aside activities. Capacity cannot be demonstrated by use of a consultant.

During the first year of operation as a CHDO, the CHDO capacity requirement may be met through the use of consultants, provided that the consultant trains the CHDO staff.

Differences in required experience and capacity: There are significant differences in the type of experience and capacity that is required to own, develop and/or sponsor the variety of housing development activities eligible under the HOME program. Therefore, "experience in having completed similar projects" is different for development/management of rental housing and development/sale of housing for homebuyers.

Because the purpose of the CHDO capacity is to ensure that paid staff possess the necessary expertise, CHDOs must have their own professional staffs. This means that the key staff required to demonstrate CHDO capacity cannot be:

Municipal, county or state employees; or Consultants (paid or volunteer).

Consultants (paid or volunteer).

Financial standards: CHDO's must have financial accountability standards that conform to 24 CFR 84.21, "Standards for Financial Management Systems."

ELIGIBLE USES OF HOME FUNDS BY CHDOs: With PJ approval, CHDOs may use HOME funds for all eligible HOME activities. However, only certain types of activities count toward the minimum 15 percent set-aside.

Eligible set-aside activities include the following when carried out by a CHDO acting as an owner, sponsor or developer:

- 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 purchases of HOME-assisted housing sponsored or developed by a CHDO with HOME funds.

Ineligible: The following activities are ineligible set-aside activities, but may be carried out by the CHDO as a sub recipient:

- Tenant-based rental assistance (TBRA),
- Homeowner rehabilitation, and
- Brokering or other real estate transaction.

## CHDO Set-Aside Roles: Owners, Developers and Sponsors

CHDO set-aside funds may be used by CHDO's for those HOME activities where the CHDO acts as the developer, sponsor and/or owner of the housing.

Owner: A CHDO that is an "owner" of rental housing is defined at §92.300(a)(2). The CHDO is an "owner" when it holds valid legal title to or has a long-term (99-year minimum) leasehold interest in a rental property.

The CHDO must own the HOME project during development and throughout the period of affordability and 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.

The New HOME Rule considers a CHDO an "owner" when it acquires housing that is in standard condition (and meets the property standards at §92.251) provided it owns the housing throughout the affordability period.

Developer—Rental Housing: A CHDO that is a "developer" of rental housing is defined at §92.300(a)(3).

The 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. This is a change from the pre-2013 Rule in that the CHDO must own the property; it no longer has the option to be under contract with an owner to develop the property.

Developer— Homeownership Housing: The homeownership housing is "developed" by the CHDO if it is the owner (in fee simple absolute) and developer of new housing that will be constructed or existing substandard housing that is owned or will be acquired by the CHDO and rehabilitated for sale to low-income families, in accordance with §92.254.

To be the "developer," the CHDO must arrange financing for the project and be in sole charge of construction.

As part of its set-aside funds, the CHDO can provide direct down payment assistance to a buyer of the housing it has developed with HOME funds in an amount not to exceed 10 percent of the amount of HOME development funds. In this role, the CHDO is not a subrecipient. This definition is very similar to the pre-2013 definition.



Sponsor--- Rental Housing: The New HOME Rule provides two definitions of a “sponsor” of HOME assisted rental housing:

1. A CHDO “sponsors” rental housing when the property is “owned” or “developed” by:
  - a. A subsidiary of the CHDO (in which case the subsidiary, which may be a for-profit or nonprofit organization, must be wholly owned by the CHDO);
  - b. A limited partnership (in which the CHDO or its wholly owned subsidiary must be the sole general partner); or
  - c. A limited liability company (in which the CHDO or its wholly owned subsidiary must be the sole managing member).

If the limited partnership or limited liability company agreement permits the CHDO to be removed as sole general partner or sole managing member, respectively, the agreement must require that the removal be “for cause” and that the CHDO must be replaced by another CHDO. In addition, HOME funds must be provided to the entity that owns the project.

*[\$92.300(a)(4)]*

2. A CHDO “sponsors” HOME-assisted rental housing in situations in which the CHDO owns and develops the housing and agrees to convey the housing to a private nonprofit organization (that does not need to be a CHDO but cannot be created by a governmental entity) at a predetermined time after completion of the project development. Such arrangements typically occur when a CHDO has development expertise and the nonprofit organization has the capacity to own and operate the housing. The CHDO is required to own the property before the development phase of the project and is required to select the nonprofit organization before entering into an agreement with the PJ that commits HOME funds to the project. The nonprofit organization assumes the CHDO’s HOME obligation (including any repayment of loans) for the project. If the property is not transferred to the nonprofit organization, the CHDO sponsor remains liable for the HOME assistance and the HOME project. *[\$92.300(a)(5)]*

Sponsor--- Homeownership Housing: Under the pre-2013 HOME Rule a CHDO was able to serve as a “sponsor” of homebuyer housing. There is no equivalent “sponsor” role for homebuyer housing in the 2013 New HOME Rule.

#### **Section IV. CHDO Reference Page**

1. [HUD Exchange](#)
2. [Electronic Code of Federal Regulations](#)
3. [System For Award Management](#)
4. [CT Department of Housing](#)