

APPENDIX Q

COMMUNITY HOUSING DEVELOPMENT ORGANIZATION EXPERIENCE

PART 1- REQUIREMENTS

SECTION 1- GENERAL INFORMATION

1.1 PURPOSE

Nonprofits must apply for and receive State HOME funds to receive CHDO certification in this Application round.

SECTION 2 – CHDO REQUIREMENTS

2.1 CHDO DEFINITION

CHDO means a private nonprofit organization that meets the definition as specified in the HOME Final Rule, [24 CFR 92.2 “Community housing development organization”](#) as follows:

- (1) Is organized under State or local laws;
- (2) Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;
- (3) Is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization. A community housing development organization may be sponsored or created by a for-profit entity, but:
 - (i) The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm.
 - (ii) The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;
 - (iii) The community housing development organization must be free to contract for goods and services from vendors of its own choosing; and
 - (iv) The officers and employees of the for-profit entity may not be officers or employees of the community housing development organization.
- (4) Has a tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986 ([26 CFR 1.501\(c\)\(3\)-1](#) or [1.501\(c\)\(4\)-1](#)), is classified as a subordinate of a central organization non-profit under section 905 of the Internal Revenue Code of 1986, or if the private nonprofit organization is an wholly owned entity that is disregarded as an entity separate from its owner for tax purposes (e.g., a single member limited liability company that

is wholly owned by an organization that qualifies as tax-exempt), the owner organization has a tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4) of the Internal Revenue Code of 1986 and meets the definition of “community housing development organization;”

(5) Is not a governmental entity (including the participating jurisdiction, other jurisdiction, Indian tribe, public housing authority, Indian housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a community housing development organization; however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of governmental entity. Board members appointed by a governmental entity may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers or employees of a community housing development organization;

(6) Has standards of financial accountability that conform to [2 CFR 200.302](#), ‘Financial Management’ and [2 CFR 200.303](#), ‘Internal Controls;’

(7) Has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws;

(8) Maintains accountability to low-income community residents by:

(i) Maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representative of low-income neighborhood organizations. For urban areas, “community” may be a neighborhood or neighborhoods, city, county, or metropolitan area; for rural areas, it may be a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire State); and

(ii) Providing a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing;

(9) Has a demonstrated capacity for carrying out housing projects assisted with HOME funds. A designated organization 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. For its first year of funding as a community housing development organization, 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 organization that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of [§ 92.300\(a\)\(2\)](#). A nonprofit organization does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated by another organization; and

(10) Has a history of serving the community within which housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community before HOME funds are reserved for the organization. However, a newly created organization formed by local churches, service organizations or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.

2.2 CHDO CERTIFICATION

The qualified CHDO must be approved by IFA for CHDO certification in conjunction with the LIHTC application submission in order for the Project to be eligible for an award of HOME funds under the HOME CHDO Set-Aside. IFA reserves the right to deny approval to any proposed CHDO that has failed to comply with program requirements in the administration of any previous project funded by IFA through any of its programs.

To be eligible for CHDO certification, the CHDO and proposed Project must meet all requirements set forth in the HOME Final Rule, including [24 CFR 92.300, Set-aside for community housing development organizations \(CHDOs\)](#).

In a typical LIHTC Project, the rental housing will be “sponsored” by the CHDO under the following requirements as specified in [24 CFR 92.300\(a\)\(4\)](#):

- (i) Rental housing is “sponsored” by the community development housing organization if it is rental housing “owned” or “developed” by a subsidiary of a community housing development organization, a limited partnership of which the community housing development organization or its subsidiary is the sole general partner, or a limited liability company of which the community housing development organization or its subsidiary is the sole managing member.
- (ii) The subsidiary of the community housing development organization may be a for-profit or nonprofit organization and must be wholly owned by the community housing development organization. If the limited partnership or limited liability company agreement permits the community housing development organization to be removed as general partner or sole managing member, the agreement must provide that the removal must be for cause and that the community housing development organization must be replaced with another community housing development organization.
- (iii) The HOME funds must be provided to the entity that owns the project.

To request CHDO certification, the CHDO must submit Exhibit H-26 and Exhibit H-27 as part of the LIHTC Application Submission. The CHDO must also certify its intent and ability to comply with 24 CFR 92.300(a)(4)(i).

Staff may request additional clarifying information to confirm the information submitted in the Exhibits. IFA reserves the right to verify information contained in the Exhibit and to discuss the Applicant's and Project qualifications. IFA also reserves the right to obtain and consider information from other sources concerning a CHDO and Project.

