

**HOME PROGRAM  
GUIDELINES  
COMMUNITY HOUSING DEVELOPMENT ORGANIZATION  
(CHDO)**



**MOBILE COUNTY, ALABAMA**

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## 1. Background & Introduction

The Mobile County Consortium as a participating jurisdiction (PJ) is a recipient of HOME Investment Partnership Program (HOME) funds from the U.S. Department of Housing and Urban Development (HUD).

HOME is a federally funded program specifically designed to provide decent, safe, sanitary housing to low income individuals and families. HOME requires that a PJ set-aside at least 15% of its annual HOME allocation for community housing development organizations (CHDO) acting as the owner, developer, or sponsor of affordable housing. Certification of an organization as a CHDO takes place in the context of a specific project to be funded from the CHDO set aside. PJs are required to certify that an organization meets the HOME program's CHDO requirements each time the organization fund as a CHDO. Once funded, CHDOs are required to maintain their status as a CHDO throughout the development of the project and, in the case of rental housing, the affordability period.

The HOME Program also allows PJs to provide certain optional benefits to CHDOs. These include the ability to i) allow CHDOs to retain and reuse sales proceeds from homebuyer projects developed by the CHDO and ii) award operating assistance to CHDOs.

This policy is intended to outline key elements of, documentation requirements for, and factors influencing how the County will determine that an organization qualifies as a CHDO prior to committing funds.

The policy is organized in several parts including:

- **CHDO Threshold Requirements** related to regulatory requirements about an organization's legal status, independence, board composition, and service area;
- **CHDO Staff Capacity Requirements** related the regulatory requirement that an organization "{have} paid employees with housing development experience."
- **CHDO Roles** outlining regulatory criteria for a project to be classified as "owned, developed, or sponsored" by a CHDO
- **Additional Underwriting Considerations** related to a CHDO's broader organizational capacity, including financial capacity.
- **Optional CHDO Benefits** addressing the County's approach to the award of CHDO Operating funds or permission to retain and reuse CHDO Proceeds.

## 2. CHDO Threshold Requirements

The HOME regulation, in §92.2, defines a CHDO as an independent nonprofit organization whose purpose includes providing affordable housing in a specified area or region. The definition includes a range of specific criteria an organization must meet to be designated as a CHDO (24 CFR §92.2).

At a high level, the criteria for CHDO designation can be grouped into four key elements. To be recognized as a CHDO, an organization must be:

- **A legally incorporated tax-exempt nonprofit organization, including that:**
  - Organized under State/Local Law: The nonprofit organization must show their articles of incorporation as evidence of being organized under State of Alabama law.
  - Purpose of Affordable Housing: Providing decent and affordable housing must be among the organization's purposes.
  - No Individual Benefit: No part of the CHDO's earnings or profits may benefit any members, founders, contributors, or individuals.
  - Control: The organization cannot be under the control of individuals or entities seeking to derive profit from the organization.
  - IRS Nonprofit Status: Organizations must have a 501(c)(3) or 501(c)(4) nonprofit status of exemption letter of certification from the Internal Revenue Service (IRS).
  - Private Entity: The organization cannot be a governmental entity.
- **An independent organization free of undue control by for-profit or governmental entities, including that:**
  - Governmental Control: No more than 1/3 of the board may be officers or employees of governmental entities.
  - Control by a For Profit Entity: If the organization was created by a for profit entity, no more than 1/3 of the board may be officers or employees of or appointed by the for profit entity.
  - Control by a For Profit Entity: If the organization was created by a for profit entity, that for profit's purpose cannot include the development or management housing, and the nonprofit must be free to contract with any vendor of its choosing.
  - Employees: The organization's employees cannot also be employees of any governmental entity or, if applicable, of the for-profit entity that created the potential CHDO.
- **Accountable to the low income community it serves, including**
  - Service Area: The organization must have a clearly defined geographic service area that includes some or all of the Mobile County Consortium. The Consortium area consists of City of Bayou La Batre, City of Chickasaw, City of Citronelle, City of Creola, Town of Mount Vernon, City of Prichard, City of Saraland, City of Satsuma, City of Semmes and the unincorporated areas of Mobile County.
  - Low Income Board Representation: At least 1/3 of the board must be qualified representatives of the low income community (i.e. service area) served by the CHDO. To qualify as a low income representative, a board member must:
    - Be a low income individual (defined as being a member of a household with an income at or below 80% of the area median income, adjusted for household size);
    - Live in a low-income neighborhood (a neighborhood where 51% of the residents have incomes at or below 80% of the area median income); or

- Elected representatives of a low-income neighborhood organization (a neighborhood based organization serving a low income neighborhood within the CHDO's service area).
- Community Engagement: A formal process that is described in the By-laws or Resolutions has been established and implemented for low-income program beneficiaries from the organization's service area to advise the organization in all of its decisions regarding design, location, development and management of affordable housing.
- Serving the Community: A minimum of one year of relative experience serving within Mobile County must be demonstrated. The experience may be demonstrated through letters of community support, written statement of organization's community activities, or similar documents
- **Capable of undertaking the development of affordable housing, including**
  - Demonstrated Capacity: A CHDO must have a demonstrated capacity which must be satisfied by having paid employees with housing development experience. To meet the definitional requirement for capacity, an organization's employees must have experience/capacity relevant to the specific project proposal and the role the CHDO will play of owner, developer, or sponsor. For example, conceptually two identical nonprofit organizations could seek CHDO certification. One proposes a project that is highly similar to other projects the organization has successfully completed using its current employees. The other organization proposes a project that is substantially more complex than anything in it or its employees' past experience—in short the project is well beyond the capacity of the organization. Even though both groups otherwise meet all of the other definitional criteria, based on the capacity requirement the first group can be certified as a CHDO while the second is not a CHDO.
  - Financial Standards: CHDOs must have financial accountability standards that conform to the requirements detailed in 24 CFR 82.21, "Standards for Financial Management Systems".

The attached **CHDO Threshold Requirement Checklist** will be used by the County to document its review of an organization's application for CHDO certification.

### 3. CHDO Staff Capacity Requirement

Since HUD limits the capacity determination under §92.2 to an organization's paid employees, the County first needs to identify who the organization's employees are and how those specific individuals' experience relates to the project being proposed, including whether it is CHDO owned, developed, or sponsored.

#### 3.1 Who counts as paid employees and who does not?

To be counted as paid employees, individuals must:

- Be directly paid by and directly accountable to the CHDO. A CHDO may not rely on staff who are actually employed by another entity and cost-allocated, contracted, or donated to the CHDO.

- In the case of a CHDO that is a subsidiary of a larger nonprofit parent organization, an individual could be employed on a part-time basis by the parent and a part-time basis by the CHDO. The key is that the person has a direct employment relationship with the CHDO. In such cases, the person would receive two paychecks from different employers.
- Documentation that an individual is a “paid employee” will include an IRS form W-2 or W-4 establishing an employee/employer relationship. In some cases, an individual may not receive a W-2 from the CHDO, and the County will require submission of a contract establishing a paid relationship between the CHDO and the individual.
- Cannot be employed, even on a part-time basis, by the for-profit parent entity of a potential CHDO (as applicable). If a nonprofit organization that is sponsored by a for-profit has any employees who are also employees of the for-profit parent, the nonprofit cannot receive CHDO designation. [Note that additional limitations related to the board membership are also addressed in §92.2, CHDO Definition, paragraph (3).]
- Cannot be elected/appointed officials of employed by a governmental entity even on a part time basis. If a nonprofit organization employs individuals who are also employees of a governmental entity, the nonprofit cannot be designated as a CHDO.
- Cannot be board members or volunteers of the organization. Only paid employees may be considered as part of the capacity criteria of the CHDO definition. As noted later, Mobile County will consider “supplemental” capacity represented by a CHDO’s board and volunteers as part of its more comprehensive underwriting of specific projects.
- Cannot be a consultant, except during the first year of an organization’s first year receiving funds from the CHDO set-aside (of any PJ).

### 3.2 How will the County Assess Employee Experience?

In assessing whether an organization’s paid employees have adequate experience, Mobile County will take into account factors including but not limited to:

- The specific role an individual will play relative to the proposed project. For example if a CHDO employee will be responsible for negotiating project financing, the County will look primarily at that individual’s experience playing a similar role in past projects.
- Whether an individual is a full-time or part time employee. Part-time employees are entirely acceptable the provided level of effort available from an individual is appropriate to the scale of the project. For example, a part time construction manger may be acceptable for a small CHDO building two single family homes but entirely inadequate for a CHDO with three different multifamily construction projects underway.
- The individual’s other responsibilities within the organization, including those related to other housing projects in the CHDO’s existing portfolio or planned pipeline.

On balance, to certify that a nonprofit has sufficient capacity to qualify as a CHDO, the County must reach a conclusion that an organization’s employees collectively have sufficient experience and capacity to

effectively manage the proposed project. While the most projects will involve various third-party professionals such as architects, attorneys, etc. (i.e. the development team), the CHDO's employees must themselves have core competencies that allow them to exercise control over the project and the development team. Consequently, the County has identified the following core roles and skills that should be present among an organization's employees. The lists vary based on the type of project (homebuyer or rental) and the CHDO or its affiliate's role (owner or developer).

### **3.2.1 Key CHDO Roles/Skills—Homebuyer Development**

- Overall project coordination including project selection, planning, and development team management
- HOME and federal requirement compliance oversight
- Design, land use/zoning, and other local government approvals
- Legal and financial aspects of housing development including negotiating written agreement/contracts
- Underwriting and project financing
- Contractor/builder procurement and ongoing oversight
- Marketing and sales
- Homebuyer relations including counseling, income verification, and lender coordination

### **3.2.2 Key CHDO Roles—Projects involving Rental Development**

- Overall project coordination including project selection, planning, and development team management
- HOME and federal requirement compliance oversight
- Design, land use/zoning, and other local government approvals
- Legal and financial aspects of housing development including negotiating written agreement/contracts
- Underwriting and project financing
- Contractor/builder procurement and ongoing oversight
- Property management, including marketing, tenant relations, and community relations
- Service coordination and delivery (if applicable)
- Asset management including ongoing financial oversight and long term capital planning

### 3.3.3 Key CHDO Roles— Projects involving only Rental Ownership

- Overall project coordination including project selection and procurement/oversight of contracted project manager (if applicable)
- HOME and federal requirement compliance oversight
- Legal and financial aspects of housing development including understanding and/or negotiating written agreement/contracts
- Property management, including marketing, tenant relations, and community relations
- Service coordination and delivery (if applicable)
- Asset management including ongoing financial oversight and long term capital planning

## 4. Classifying the CHDO's Role

To be funded from the CHDO set-aside, a project must be “owned,” developed,” or “sponsored” by a CHDO that has been certified by the PJ. These terms are specifically defined in the HOME rule at §92.300(a) and require that the CHDO have sole and exclusive control over the project. As noted earlier, the determination of whether or not an organization’s staff has capacity is made in the context of the role the CHDO will play as the different roles require different levels of involvement in the project. In particular, CHDOs that will develop housing must have a wider array of staff capacity than CHDOs that will simply be the owner of rental housing.

In the case of homebuyer projects, to be set-aside eligible the CHDO must act as developer. See the **Homebuyer—CHDO Developed** checklist to determine if the project qualifies as a CHDO project.

In the case of rental projects, there are three possible roles that of a CHDO owner, developer, or sponsor. How the project is classified depends in part on whether the CHDO will “only” own a project without actually undertaking development activity and whether the CHDO itself will own the property or if title will be held by another entity controlled by the CHDO.

If the CHDO itself will own the project throughout the affordability period, two roles are possible. The CHDO may be the owner or the developer. See the **Rental-CHDO Owned** and **Rental-CHDO-Developed** checklists.

If the CHDO itself will not own the property, the potential role is that of a CHDO sponsor. There are two ways a project can be CHDO sponsored. First, if the project will be carried out by an affiliate of the CHDO (i.e. a wholly owned subsidiary entity, a limited partnership controlled by the CHDO, or a limited liability company controlled by the CHDO). The affiliate may “own” or “develop” the project. See the **Rental-CHDO Sponsored/Affiliate Owned** and **Rental-CHDO Sponsored/Affiliate Developed** checklists.

The second form of CHDO-sponsored allows a CHDO to develop rental property that will be transferred to another nonprofit upon completion. This role largely overlaps with the CHDO-developed classification for rental projects except that the property will be held during the affordability period by another nonprofit. See the **Rental-CHDO Sponsored/Turnkey** checklist.

## 5. Additional Underwriting Considerations

The Threshold Criteria, CHDO Staff Capacity Determination, and classification of the CHDO's Role discussed above relate to CHDO-specific provisions of the HOME Rule. Whether or not an organization is a CHDO, §92.250 of the HOME Rule requires that a PJ evaluate a developer's capacity prior to committing funds. So while the CHDO definition focuses on the capacity of an organization's employees, in considering whether or not to fund a given project, the County will also consider broader aspects of organizational capacity. For example, in addition to having a board that meets minimum membership requirements under §92.2 the County prefers to work with CHDOs where the board and staff have strong working relationships and where board members bring professional experiences that enhance their ability to make strategic decisions about development priorities.

The attached **Additional Organizational Capacity Checklist** outlines the factors the County will consider when evaluating whether or not a CHDO should be funded for a specific project. It takes into account past performance, organizational structure, and governance issues not included regulatory CHDO threshold requirements, the quality of the development team that will support the CHDO employees in the project, fiscal soundness concerns, and a CHDO's relationships with its other partners.

## 6. Optional CHDO Benefits

HOME provides for several other benefits to CHDOs that PJs can choose to provide. While the County does not anticipate providing predevelopment loans authorized under §92.301, it will, in limited circumstances, consider allowing CHDOs to retain project proceeds and will consider awarding CHDO operating assistance allowed under §92.208 as further discussed below.

### 6.1 CHDO Proceeds

For CHDOs undertaking the development of for-sale housing, the County will generally require that sales proceeds (after repayment of senior construction loans, reimbursement of documented equity investment by the CHDO, and/or final payment of outstanding developer fee) be returned to the County as Program Income. CHDOs may, however, request permission in their applications to retain sales proceeds as "CHDO proceeds."

While not considered HOME funds, CHDO proceeds must be used either for HOME-eligible activities or other affordable housing efforts approved by the County. The County may negotiate to allow the use of some or all of the CHDO proceeds:

- i) For subsequent HOME-eligible projects otherwise consistent with the County's Consolidated Plan;
- ii) As operating funding by a CHDO the County intends to fund in the future, particularly if the use of such funds as operating assistance is related to a County-endorsed plan for the CHDO to expand its capacity to own, develop, or sponsor HOME-assisted housing; or
- iii) To support HOME-assisted rental projects previously funded by the County that are troubled, for example by funding un-met rehabilitation needs.

CHDOs seeking the ability to retain CHDO proceeds should include a written request explaining their proposed use of funds as part of their application under any RFP issued pursuant to the County's Single Family Development Program or its Rental Housing Program.

## **6.2 CHDO Operating Assistance**

Subject to the limits in §92.208 and §92.300(e) the County will consider awarding CHDO operating assistance to an eligible CHDO to support capacity building efforts. In general, the County will only fund a given organization with operating assistance one time, either in anticipation of or related to the CHDO's receipt of funding from the County's CHDO set-aside. For an organization that has previously been funded, the County may consider allowing an additional year of CHDO operating funding if i) the CHDO is undertaking a new type of project (e.g. was previously funded to develop for-sale housing but is expanding into rental housing) or ii) if the CHDO has experienced significant staff turnover and the additional operating support is determined to be necessary to complete a project that is underway.

Pursuant to HUD requirements, the County will use no more than 5% of its annual allocation of HOME funds for CHDO Operating Assistance (for example in FY 2014, 5% of the County's allocation was \$26,749. Additionally, no single CHDO may receive more than 50% of its annual operating budget or \$50,000, whichever is greater, in the form of CHDO Operating Assistance.

This limit is an aggregate limit and must take into account any CHDO Operating Assistance an eligible CHDO receives from other PJs (such as the State or the City of Mobile) and any "pass through" funding received from a technical assistance intermediary.

CHDOs seeking Operating Assistance must submit a written request explaining their proposed use of funds and how the receipt of Operating Assistance will expand or maintain the CHDO's capacity to undertake the proposed project as part of its application under any RFP issued pursuant to the County's Single Family Development Program or its Rental Housing Program. If the County determines that a CHDO's project application would have been funded but for sufficient capacity, it may award operating funds as part of a plan to expand the organization's capacity in anticipation of the likely award of project funding within the next 24 months.

## 7 Ongoing Enhancements

Many aspects of this CHDO Policy are based on recent changes to the HOME Rule promulgated by HUD in July 2013. Given the breadth and significance of changes to the regulation, HUD will necessarily be releasing additional guidance to HOME PJs through CPD Notices, training, and other means. Consequently, the County reserves the right to modify and update this CHDO Policy additional clarification from HUD becomes available. CHDOs and potential CHDOs should anticipate the new or updated documentation requirements may be imposed, and the County will use its experience in past and future projects to refine and expand upon these perspectives.

## 8 CHDO Threshold Requirement Checklist

**INSTRUCTIONS:** Potential CHDOs seeking funding from the Mobile County should complete this form and provide all indicated attachments. The County will review these attachments to determine whether or not the organization meets initial threshold requirement to be certified as a CHDO. To be certified the nonprofit seeking CHDO status will have to submit an application for project funding so that the County can also determine whether or not the proposed project meets the requirements for being CHDO owned, developed, or sponsored per the requirements of 24 CFR 92.300(a). This information will also be necessary to pursue eligibility for CHDO operating support (24 CFR 92.208) and/or a pre-development loan (24 CFR 92.301).

In the form below, the potential CHDO should indicate which attached document(s) provide evidence for specific threshold criteria. Additionally, the applicant should indicate where in the document applicable provision can be found. For example:

<p><i>Criterion Met:</i></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p><b><i>This box for County Use Only</i></b></p>	<p><i>Documentation submitted to demonstrate this item:</i></p> <p><input type="checkbox"/> Charter;</p> <p><input type="checkbox"/> Articles of Incorporation;</p> <p><input checked="" type="checkbox"/> By-laws; OR</p> <p><input type="checkbox"/> Resolutions</p>
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**REQUIRED ATTACHMENTS:** Required attachments should be labeled with cover sheets.

- Articles of Incorporation/Charter
- Bylaws
- Certificate of Good Standing (issued not less than 60 days prior to application)
- IRS Nonprofit Designation letter
- Current Board Roster, must indicate LI representatives and public official/employee status
- Documentation of LI status for designated board members
- Certification of Public Official/Governmental Employee Status

- Corporate profile of for-profit entity that created organization (if applicable)
- Description of Formal Process for LI Beneficiaries to Advise on development including notes/minutes/reports of input received on proposed project(s)
- Corporate profile for prospective CHDO describing history of providing service within the community (i.e. organization's service area)
- CHDO Staff Roster
- W-2s for staff assigned to proposed project
- Resumes/biographies for staff assigned to proposed project
- 24 CFR 84.21 Financial Standards Certification/Documentation
- Map and Description of Service Area
- Other: \_\_\_\_\_
- Other: \_\_\_\_\_

SUMMARY	
<i>Organization:</i>	<i>Contact Name &amp; Address:</i>
<i>County Date of Review:</i>	<i>Reviewed by County Representative:</i>
<i>County Determination:</i>	
<input type="checkbox"/> The organization meets initial CHDO Threshold requirements, including the capacity requirement as demonstrated by an attached CHDO Staff Capacity Evaluation Checklist	
<input type="checkbox"/> The organization will not be preliminarily certified as a CHDO at this time for the following reasons:	
<ul style="list-style-type: none"> <li><input type="checkbox"/> The organization has failed to meet and/or document compliance with the threshold criteria as indicated in the notes below and/or</li> <li><input type="checkbox"/> Staff does not have the necessary capacity given the project proposed by the organization.</li> </ul>	
<i>Other Notes:</i>	

## SECTION 1: LEGAL STATUS

### 1. Requirement

**The nonprofit organization is organized under State or local laws [§92.2 CHDO definition paragraph (1)]**

*Criterion Met:*

Yes  No

*Documentation submitted to demonstrate this item:*

- Certificate of Good Standing AND one or more of the following
- Articles of Incorporation
- Bylaws
- Other: \_\_\_\_\_

*County Review Notes:*

### 2. Requirement

**The organization must have among its purposes the provision of decent housing that is affordable to low- and moderate-income people [§92.2 CHDO definition paragraph (7)]**

*Criterion Met:*

Yes  No

*Documentation submitted to demonstrate this item:*

- Charter;
- Articles of Incorporation;
- By-laws; OR
- Resolutions

*County Review Notes:*

### 3. Requirement

**No part of the organization's net earnings may inure to the benefit of any member, founder, contributor, or individual [§92.2 CHDO definition paragraph (2)]**

*Criterion Met:*

Yes  No

*Documentation submitted to demonstrate this item:*

- Organizational Charter, OR

	<input type="checkbox"/> Articles of Incorporation.
<i>County Review Notes:</i>	
<b>4. Requirement</b> <b>The organization may not be controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization [§92.2 CHDO definition paragraph (3)]</b>	
<i>Criterion Met:</i> <input type="checkbox"/> Yes <input type="checkbox"/> No	<i>Documentation submitted to demonstrate this item:</i> <input type="checkbox"/> The organization's By-laws, OR <input type="checkbox"/> A Memorandum of Understanding (MOU).
<i>County Review Notes:</i>	
<b>5. Requirement</b> <b>The organization must be a recognized nonprofit by virtue of:</b> <b>1. Having a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1986; OR</b> <b>2. Is classified as a subordinate of a central organization non-profit under section 905 of the Internal Revenue Code; OR</b> <b>3. Is a wholly owned entity that is a disregarded entity separate from its owner for tax purposes and is owned by entity with a tax exemption ruling from the IRS under Section 501(c)(3) or 501(c)(4).</b> <b>[§92.2 CHDO definition paragraph (4)]</b>	
<i>Criterion Met:</i> <input type="checkbox"/> Yes <input type="checkbox"/> No	<i>Documentation submitted to demonstrate this item:</i> <input type="checkbox"/> 501(c)(3) or (4) ruling/designation from the IRS; or <input type="checkbox"/> A group exemption letter from the IRS under Section 905 that includes the CHDO.
<i>County Review Notes:</i>	

**6. Requirement**

The organization may not be a governmental entity such as a participating jurisdiction, other jurisdiction, Indian tribe, public housing agency, Indian housing authority, housing finance agency, redevelopment authority, zoning board or commission [§92.2 CHDO definition paragraph (5)]

*Criterion Met:*

Yes  No

*Documentation submitted to demonstrate this item:*

- Charter;
- Articles of Incorporation;
- By-laws; OR

*County Review Notes:*

**SECTION 2: INDEPENDENCE**

**1. Requirement**

No more than one-third of the governing board members may be public officials or employees of a governmental entity [§92.2 CHDO definition paragraph (5)]

*Criterion Met:*

Yes  No

*Documentation submitted to demonstrate this item:*

- By-laws, OR
- Articles of Incorporation, **AND**
- Current Board Roster indicating which members, if any, are public officials or employees of government entities

*County Review Notes:*

**2. Requirement**

The officers (including elected or appointed officials) or employees of a governmental entity may not be employees of a CHDO. [§92.2 CHDO definition paragraph (5)]

*Criterion Met:*

Yes  No

*Documentation submitted to demonstrate this item:*

- By-laws,
- Charter, OR

	<input type="checkbox"/> Articles of Incorporation, <b>AND</b> <input type="checkbox"/> Current Board Roster indicating which members, if any, are public officials or employees of government entities <b>AND</b> <input type="checkbox"/> <b>Separate CHDO Staff Capacity Evaluation Checklist (staff roster)</b>
<i>County Review Notes:</i>	
<p><b>3. Requirement</b></p> <p><b>If the CHDO was created by a governmental entity provided:</b></p> <p><b>a. The governmental entity may not appoint more than one-third of the membership of the organization's governing body; and</b></p> <p><b>b. The board members appointed by the governmental entity may not, in turn, appoint the remaining two-thirds of the board members. [§92.2 CHDO definition paragraph (5)]</b></p>	
<p><i>Criterion Met:</i></p> <input type="checkbox"/> Not applicable, organization not created by a gov't entity <input type="checkbox"/> Yes <input type="checkbox"/> No	<p><i>Documentation submitted to demonstrate this item:</i></p> <input type="checkbox"/> By-laws, <input type="checkbox"/> Charter, OR <input type="checkbox"/> Articles of Incorporation, <b>AND</b> <input type="checkbox"/> Current Board Roster indicating which members, if any, are public officials or employees of government entities <b>AND</b> <input type="checkbox"/> <b>Separate CHDO Staff Capacity Evaluation Checklist (staff roster)</b>
<i>County Review Notes:</i>	
<p><b>4. Requirement(s)</b></p> <p><b>A CHDO may be sponsored or created by a for-profit entity, provided that</b></p> <p><b>a. The for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and</b></p> <p><b>b. The board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members</b></p> <p><b>c. The officers or employees of the sponsoring for-profit entity may not be employees of a CHDO.</b></p> <p><b>[§92.2 CHDO definition paragraph 3(i) and (ii)]</b></p>	

<p><i>Criterion Met:</i></p> <p><input type="checkbox"/> Not applicable, organization not created by a for-profit</p> <p><input type="checkbox"/> Yes   <input type="checkbox"/> No</p>	<p><i>Documentation submitted to demonstrate this item:</i></p> <p><input type="checkbox"/> By-laws,</p> <p><input type="checkbox"/> Charter, OR</p> <p><input type="checkbox"/> Articles of Incorporation</p> <p><input type="checkbox"/> Current Board Roster indicating which members, if any, are appointed by a for-profit parent entity</p>
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*County Review Notes:*

**5. Requirement**

**A Community Housing Development Organization may be sponsored or created by a for-profit entity, however, the for-profit entity's primary purpose does not include the development or management of housing AND the CHDO is free to contract for goods and services from vendor(s) of its own choosing [§92.2 CHDO definition paragraph (3)(i) and (iii)]**

<p><i>Criterion Met:</i></p> <p><input type="checkbox"/> Not applicable, organization not created by a for-profit</p> <p><input type="checkbox"/> Yes   <input type="checkbox"/> No</p>	<p><i>Documentation submitted to demonstrate this item:</i></p> <p><input type="checkbox"/> For-profit organization's By-laws</p> <p><input type="checkbox"/> CHDO's By-laws,</p> <p><input type="checkbox"/> Charter, OR</p> <p><input type="checkbox"/> Articles of Incorporation.</p>
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*County Review Notes:*

**SECTION 3: ACCOUNTABILITY TO LOW INCOME COMMUNITY**

**1. Requirement**

**The organization must have a designated service area (i.e. the “community” in which it produces housing). A community can be a neighborhood or neighborhoods, city, county, metropolitan area, or multi-county area (but not the entire State). [§92.2 CHDO definition paragraph (8)(i)]**

<p><i>Criterion Met:</i></p> <p><input type="checkbox"/> Yes   <input type="checkbox"/> No</p>	<p><i>Documentation submitted to demonstrate this item:</i></p> <p><input type="checkbox"/> By-Laws,</p>
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	<input type="checkbox"/> Charter, <input type="checkbox"/> Articles of Incorporation, OR <input type="checkbox"/> Board Resolution
<i>County Review Notes:</i>	
<p><b>2. Requirement</b></p> <p><b>The organization must maintain <u>at least</u> one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations [§92.2 CHDO definition paragraph (8)(i)]</b></p>	
<p><i>Criterion Met:</i></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><i>Documentation submitted to demonstrate this item:</i></p> <input type="checkbox"/> By-Laws, <input type="checkbox"/> Charter, OR <input type="checkbox"/> Articles of Incorporation. <input type="checkbox"/> Current Board Roster indicating which members meet this criterion along with documentation of each such board member's qualification (e.g. certification of low income status, documentation of home address in low income community, designation by low income neighborhood organization)
<i>County Review Notes:</i>	
<p><b>3. Requirement</b></p> <p><b>The organization has a formally adopted process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects [§92.2 CHDO definition paragraph (8)(ii)]</b></p>	
<p><i>Criterion Met:</i></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><i>Documentation submitted to demonstrate this item:</i></p> <input type="checkbox"/> By-laws, OR <input type="checkbox"/> Resolutions, OR

	<input type="checkbox"/> A written statement of operating procedures approved by the governing body, <u>AND</u> <input type="checkbox"/> Statement signed by the president or chief executive officer describing input sought and received on the current project proposal
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*County Review Notes:*

**4. Requirement**

**The organization must have a history of serving the community within which housing to be assisted with HOME funds is to be located [§92.2 CHDO definition paragraph (10)]**

The CHDO or its parent organization must be able to show one year of serving the community prior to the date the PJ provides HOME funds to the organization. The organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as, developing new housing, rehabilitating existing stock and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president or other official of the organization.

*Criterion Met:*

Yes  No

*Documentation submitted to demonstrate this item:*

- A statement that documents at least one year of experience in serving the community, OR
- For newly created organizations formed by local churches, service, or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.

*County Review Notes:*

**SECTION 4: CAPACITY**

**1. Requirement**

**The organization must have demonstrated capacity appropriate to the organization’s role under §92.300 and to the nature of the proposed or anticipated project. This capacity must be satisfied by having paid employees with housing experience appropriate to the project or, for the first year of operations as a CHDO, by having a qualified consultant who will train the organization’s paid employees. [§92.2 CHDO definition paragraph (9)]**

<p><i>Criterion Met:</i></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><i>Documentation submitted to demonstrate this item:</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Project description from proposal/application</li> <li><input type="checkbox"/> Resumes/description of experience for staff assigned to development project</li> <li><input type="checkbox"/> <b>See separate CHDO Staff Capacity Evaluation Checklist</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Include W-2s for identified staff, or in the absence of W-2s, copies of the employment contract between the CHDO and the employee (Social Security No. may be blacked out.)</li> </ul> </li> </ul>
<p><i>County Review Notes:</i></p>	
<p><b>2. Requirement</b></p> <p><b>The organization must conform to the financial accountability standards of 24 CFR 84.21, "Standards for Financial Management Systems" [§92.2 CHDO definition paragraph (6)]</b></p>	
<p><i>Criterion Met:</i></p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p><i>Documentation submitted to demonstrate this item:</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> A notarized statement by the president or chief financial officer of the organization;</li> <li><input type="checkbox"/> A certification from a Certified Public Accountant, OR</li> <li><input type="checkbox"/> A HUD approved audit summary.</li> </ul>
<p><i>County Review Notes:</i></p>	

## 9 CHDO Role Checklists

Applicable checklists can be found on the following pages for: Homebuyer – CHDO Developed; Rental – CHDO Owned & Rental- CHDO Developed; Rental CHDO Sponsored/Affiliate Developed & Rental – CHDO Sponsored / Affiliate Owned Checklist; and Rental – CHDO Sponsored Turnkey Checklist.



RENTAL—CHDO OWNED	
Required elements §92.300(a)(2)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Project involves a HOME-assisted rental project</li> <li><input type="checkbox"/> CHDO must solely own the property in fee simple (or via long term ground lease) during the development period</li> <li><input type="checkbox"/> CHDO will solely own the property for the required affordability period</li> <li><input type="checkbox"/> CHDO will EITHER               <ol style="list-style-type: none"> <li>1. Acquire standard housing (i.e. must meet property standards in §92.251) that will be rented to income eligible tenants, <b>OR</b></li> <li>2. Hire a project manager/developer to oversee development of new or rehabilitated housing. The project manager will:                   <ul style="list-style-type: none"> <li>▪ Obtain zoning and other local approvals;</li> <li>▪ Secure non-HOME financing;</li> <li>▪ Manage the selection of a general contractor/builder, and</li> <li>▪ Oversee work progress including cost reasonableness.</li> </ul> </li> </ol> </li> </ul>
Additional considerations	<ul style="list-style-type: none"> <li>• While the CHDO may not be responsible for development activity itself, CHDO staff must have relevant experience in the ownership and ongoing management of similar rental housing projects.</li> <li>• CHDO staff should have experience in managing the work of contracted professionals to provide effective oversight to the contracted project manager/developer.</li> </ul>
<p><b>PJ Determination</b></p> <p><input type="checkbox"/> Project meets <b>all</b> required elements and is eligible for funding from the CHDO set-aside.</p> <p><input type="checkbox"/> Project does not meet all required elements and is not eligible as a CHDO project.</p> <p><i>Review Notes:</i></p>	



**RENTAL—CHDO SPONSORED/AFFILIATE DEVELOPED**

<p>Required elements §92.300(a)(4) and §92.300(a)(3)</p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Project involves the development of new or rehabilitated rental housing that will be leased to income eligible tenants</li> <li><input type="checkbox"/> One of the following types of CHDO affiliate will carry out the project:             <ol style="list-style-type: none"> <li>1. CHDO's wholly owned subsidiary;</li> <li>2. CHDO or wholly owned subsidiary will be sole general partner of limited partnership;                 <ul style="list-style-type: none"> <li>▪ Partnership agreement can only allow removal of CHDO or its subsidiary for cause and must provide for replacement by another CHDO</li> </ul> </li> <li>3. CHDO or wholly owned subsidiary will be sole managing member of limited liability company                 <ul style="list-style-type: none"> <li>▪ Operating agreement can only allow removal of CHDO or its subsidiary for cause and must provide for replacement by another CHDO</li> </ul> </li> </ol> </li> <li><input type="checkbox"/> Affiliate must solely own the property in fee simple (or via long term ground lease) during the development period</li> <li><input type="checkbox"/> Affiliate will continue to solely own the property for the required affordability period</li> <li><input type="checkbox"/> Affiliate must be in sole charge of the development process, including             <ul style="list-style-type: none"> <li><input type="checkbox"/> Obtaining zoning and other approvals</li> <li><input type="checkbox"/> Obtaining other non-HOME financing needed for the project</li> <li><input type="checkbox"/> Selecting architects, engineers, general contractors, and other members of the development team</li> <li><input type="checkbox"/> Overseeing progress of work and determining cost reasonableness</li> </ul> </li> </ul>
<p>Additional considerations</p>	<ul style="list-style-type: none"> <li>• PJ must enter into written agreement with the entity that actually owns the property [§92.300(a)(4)(ii)] and determine the form of assistance [§93.200(a)(7)]</li> <li>• For complex ownership/financing structures, CHDO staff should have relevant experience with projects that had similar ownership/financing</li> </ul>
<p><b>PJ Determination</b></p> <p><input type="checkbox"/> Project meets <b>all</b> required elements and is eligible for funding from the CHDO set-aside.  <input type="checkbox"/> Project does not meet all required elements and is not eligible as a CHDO project.</p> <p><i>Review Notes:</i></p>	

RENTAL—CHDO SPONSORED/AFFILIATE OWNED	
Required elements §92.300(a)(4) and §92.300(a)(2)	<ul style="list-style-type: none"> <li><input type="checkbox"/> Project involves a HOME-assisted rental project</li> <li><input type="checkbox"/> One of the following types of CHDO affiliate will carry out the project:               <ol style="list-style-type: none"> <li>1. CHDO’s wholly owned subsidiary;</li> <li>2. CHDO or wholly owned subsidiary will be sole general partner of limited partnership;                   <ul style="list-style-type: none"> <li>▪ Partnership agreement can only allow removal of CHDO or its subsidiary for cause and must provide for replacement by another CHDO</li> </ul> </li> <li>3. CHDO or wholly owned subsidiary will be sole managing member of limited liability company                   <ul style="list-style-type: none"> <li>▪ Operating agreement can only allow removal of CHDO or its subsidiary for cause and must provide for replacement by another CHDO</li> </ul> </li> </ol> </li> <li><input type="checkbox"/> Affiliate must solely own the property in fee simple (or via long term ground lease)</li> <li><input type="checkbox"/> Affiliate must continue to solely own the property for the required affordability period</li> <li><input type="checkbox"/> CHDO will EITHER               <ol style="list-style-type: none"> <li>1. Acquire standard housing (i.e. must meet property standards in §92.251) that will be rented to income eligible tenants, <b>OR</b></li> <li>2. Hire a project manager/developer to oversee development of new or rehabilitated housing. The project manager will:                   <ul style="list-style-type: none"> <li>▪ Obtain zoning and other local approvals;</li> <li>▪ Secure non-HOME financing;</li> <li>▪ Manage the selection of a general contractor/builder, and</li> <li>▪ Oversee work progress including cost reasonableness.</li> </ul> </li> </ol> </li> </ul>
Additional considerations	<ul style="list-style-type: none"> <li>• PJ must enter into written agreement with the entity that actually owns the property [§92.300(a)(4)(ii)] and determine the form of assistance [§93.200(a)(7)]</li> </ul>
<p><b>PJ Determination</b></p> <p><input type="checkbox"/> Project meets <b>all</b> required elements and is eligible for funding from the CHDO set-aside.</p> <p><input type="checkbox"/> Project does not meet all required elements and is not eligible as a CHDO project.</p> <p><i>Review Notes:</i></p>	



# 10 Additional Organizational Capacity Checklist

<b>ADDITIONAL ORGANIZATIONAL CAPACITY CHECKLIST</b> <b>CONSIDERATION FACTORS, INCLUDING FISCAL SOUNDNESS</b>	
<b>Factors for Consideration</b>	<b>PAST &amp; CURRENT PERFORMANCE</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Has the CHDO performed adequately in the past in HOME, CHDO, and/or other real estate development activities?</li> <li><input type="checkbox"/> Is the CHDO currently in good standing on all its development and administrative activities? Does it show the capacity to take on this additional activity and continue to manage everything its other projects and programs?</li> </ul>
<b>PJ Determination</b>  <input type="checkbox"/> Past & Current Performance demonstrates a likelihood of success with the proposed project. <input type="checkbox"/> Past & Current Performance raises concerns about the proposed project.  <i>Review Notes:</i>	
<b>Factors for Consideration</b>	<b>ORGANIZATIONAL STRUCTURE/GOVERNANCE</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Corporate/Legal Structure:               <ul style="list-style-type: none"> <li><input type="checkbox"/> Can the current corporation structure support housing development activities, or is there a need for a subsidiary or other organizational structure for future development?</li> <li><input type="checkbox"/> Are there operations or activities that need to be organizationally separate from housing development activities and portfolios?</li> </ul> </li> <li><input type="checkbox"/> Management structure/practices:               <ul style="list-style-type: none"> <li><input type="checkbox"/> Does the current management have the ability to manage additional development activities?</li> <li><input type="checkbox"/> Are the corporate lines of authority for development activities clear?</li> <li><input type="checkbox"/> Are policies &amp; procedures in place governing development activities?</li> </ul> </li> <li><input type="checkbox"/> Pipeline/portfolio:               <ul style="list-style-type: none"> <li><input type="checkbox"/> What does the CHDO have as its current project pipeline and program responsibilities?</li> <li><input type="checkbox"/> Will it be able to handle the additional project proposed?</li> <li><input type="checkbox"/> If the organization pursues housing development, what other activities may suffer or not be able to be pursued due to the effort required for development activities?</li> <li><input type="checkbox"/> Does its portfolio of projects/properties evidence competent management and oversight?</li> <li><input type="checkbox"/> Do the properties appear to have adequate funding?</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li><input type="checkbox"/> Board expertise/skills: <ul style="list-style-type: none"> <li><input type="checkbox"/> Do board members have professional skills directly relevant to housing development (e.g., real estate, legal, architecture, finance, management)?</li> <li><input type="checkbox"/> Has the board demonstrated the ability to make timely decisions?</li> <li><input type="checkbox"/> Is there a good relationship between board and staff?</li> <li><input type="checkbox"/> Does the board have a committee structure or other means of overseeing planning and development?</li> <li><input type="checkbox"/> Has there been stability/continuity of board members over the last several years?</li> </ul> </li> </ul>
<p><b>PJ Determination</b></p> <p>[ ] Organizational Structure &amp; Governance demonstrates a likelihood of success with the proposed project.  [ ] Organizational Structure &amp; Governance raises concerns about the proposed project.</p> <p><i>Review Notes:</i></p>	
<b>Factors for Consideration</b>	<p><b>DEVELOPMENT TEAM CAPACITY</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Are all of the key development team roles filled with qualified individuals or firms?</li> <li><input type="checkbox"/> Does the CHDO have a need for a partner or a consultant to supplement its skills and help it to ensure success, while still maintaining development control?</li> <li><input type="checkbox"/> Do team members have prior experience directly relevant to the proposed project?</li> <li><input type="checkbox"/> Have the team members worked together before or demonstrated the ability to work effectively as a team?</li> </ul>
<p><b>PJ Determination</b></p> <p>[ ] Development Team Capacity demonstrates a likelihood of success with the proposed project.  [ ] Development Team Capacity raises concerns about the proposed project</p> <p><i>Review Notes:</i></p>	
<b>Factors for Consideration</b>	<p><b>FISCAL SOUNDNESS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Financial management: <ul style="list-style-type: none"> <li><input type="checkbox"/> Is there evidence that the CHDO meets the 84.21 standards?</li> <li><input type="checkbox"/> Does it do annual budgeting of its operations and all activities or programs?</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li><input type="checkbox"/> Does it track and report budget v. actual income and expenses?</li> <li><input type="checkbox"/> Does it have adequate internal controls to ensure separation of duties &amp; safeguarding of corporate assets?</li> <li><input type="checkbox"/> Is there sufficient oversight of all financial activities?</li> <li><input type="checkbox"/> Is financial reporting regular, current, and sufficient for the board to forecast and monitor the financial status of the corporation?</li> <li><input type="checkbox"/> Financial stability: <ul style="list-style-type: none"> <li><input type="checkbox"/> To what extent does the organization have a diversified and stable funding base for operations?</li> <li><input type="checkbox"/> How regularly does it experience cash flow problems?</li> </ul> </li> <li><input type="checkbox"/> Liquidity: <ul style="list-style-type: none"> <li><input type="checkbox"/> Does CHDO management know its current cash position and maintain controls over expenditures?</li> <li><input type="checkbox"/> Does the current balance sheet and budget indicate sufficient funds to supports essential operations?</li> <li><input type="checkbox"/> Does it have funds available for pre-development expenses capital advances required for development?</li> </ul> </li> <li><input type="checkbox"/> Audit: <ul style="list-style-type: none"> <li><input type="checkbox"/> Does the CHDO have an annual audit?</li> <li><input type="checkbox"/> Is the most recent audit current?</li> <li><input type="checkbox"/> Were there management or compliance findings in the last two years?</li> <li><input type="checkbox"/> Are finding resolved?</li> </ul> </li> <li><input type="checkbox"/> Portfolio &amp; corporate liabilities: <ul style="list-style-type: none"> <li><input type="checkbox"/> If it has a portfolio of properties, are they are in stable physical and financial condition or are they a drain on corporate resources?</li> <li><input type="checkbox"/> Are there assets at risk of default?</li> <li><input type="checkbox"/> Does it collect adequate revenues and management fees from the properties?</li> <li><input type="checkbox"/> Does it maintain adequate insurance – liability, fidelity bond, workers comp, property hazard, &amp; project?</li> </ul> </li> </ul>
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**PJ Determination**

- Fiscal Soundness reflects a likelihood of success with the proposed project.
- Fiscal Soundness raises concerns about the proposed project

*Review Notes:*

<b>Factors for Consideration</b>	<p><b>PARTNER RELATIONS</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Community relations: <ul style="list-style-type: none"> <li><input type="checkbox"/> How strong are the current reputation of the corporation and the relationship with the community?</li> </ul> </li> </ul>
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	<ul style="list-style-type: none"> <li><input type="checkbox"/> To what extent does NIMBY opposition exist to low income housing in the service area?</li> <li><input type="checkbox"/> To what extent do channels exist for the CHDO to negotiate with the community and potential?</li> <li><input type="checkbox"/> Does the CHDO have effective working relationships with other local organizations such as community/neighborhood organizations, other area nonprofits, Continuum of Care members and service providers, etc.?</li> <li><input type="checkbox"/> Local government relations: <ul style="list-style-type: none"> <li><input type="checkbox"/> How strong is the CHDO's relationship with the local government?</li> <li><input type="checkbox"/> How strongly does local government support its housing activities?</li> </ul> </li> <li><input type="checkbox"/> Lender relations: <ul style="list-style-type: none"> <li><input type="checkbox"/> Does the CHDO have good working relationships with lenders, especially those who might participate in the proposed project?</li> </ul> </li> </ul>
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**PJ Determination**

- Partner Relations reflect a likelihood of success with the proposed project.
- Partner Relations raise concerns about the proposed project.

*Review Notes:*