Community Housing Development Organization (CHDO) Application Instructions

Applications for local designation as a Community Housing Development Organization (CHDO) should include the following information:

A. **Cover Letter.** Please include a cover letter briefly describing your organization, your mission, and primary service area. IRS status, Articles of Incorporation, and By-laws documents need not be resubmitted for recertification applications — if the cover letter clearly states that the previously submitted documents remain unchanged. Please specify exactly which document(s) remain unchanged.

B. **Completed CHDO Organizational Checklist Form.** Complete and sign the checklist. Attach supporting materials as appropriate, if not listed below.

C. **Proof of IRS 501 (c) (3) or (4) Non-Profit Status.** Applicants must provide a copy of the non-profit 501 (c) (3) ruling from the Internal Revenue Service.

D. **Articles of Incorporation or Charter.** Include a copy of the organization’s Charter or Articles of Incorporation.

E. **Organization’s By-Laws.** Include a copy of the organization’s By-Laws.

F. **Completed Low-Income Board Representation Certification Form.** Complete and sign the form.

G. **Organization’s Development Capacity.** Submit the following:
   1. **Organizational Chart.**
   2. **Completed CHDO Staff Experience & Organizational Capacity Checklist.** Complete the self-assessment by filling out the Excel checklist and provide supporting documentation or narrative to document capacity.
   3. **Key Staff Resumés.** Provide resumés of key staff members, including management, development, and financial management staff. Resumés should indicate if staff members have experience with HOME-funded and/or HOME-eligible projects.
   4. **Development Project Experience Narrative.** Provide a narrative outlining development project experience. Describe projects completed to date, including a project description, role of the organization in the project, location, number of units, type of project, and population served. Describe projects currently under development and future planned projects.

H. **Community Service Experience.** Include a statement that describes how the organization has a history of serving the community where housing to be assisted with HOME funds will be used.

I. **Organization’s Audit & Management Letter.** Include a copy of the organization’s most recent audit, including a copy of the Management Letter.

**QUESTIONS:** Contact Anisa Mendizabal, amendizabal@cityofithaca.org, (607) 274-6565.
CHDO CHECKLIST

The information contained in this checklist refers to the definition of Community Housing Development Organization (CHDO) in Subpart A, Section 92.2 of the HOME Final Rule. This checklist should be used as a tool to educate participating jurisdictions about the documents they must receive from a nonprofit before it may be certified as a CHDO.

I. LEGAL STATUS

A. The nonprofit organization is organized under State or local laws, as evidenced by:

   _____ A Charter, OR
   _____ Articles of Incorporation.

B. No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

   _____ A Charter, OR
   _____ Articles of Incorporation.

C. Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986, as evidenced by:

   _____ A 501(c) Certificate from the IRS.

D. Has among its purposes the provision of decent housing that is affordable to low- and moderate-income people, as evidenced by a statement in the organization's:

   _____ Charter,
   _____ Articles of Incorporation,
   _____ By-laws, OR
   _____ Resolutions.
   _____ A HUD approved audit summary
II. CAPACITY

A. Conforms to the financial accountability standards of Attachment F of OMB Circular A-110, "Standards for Financial Management Systems," as evidenced by:

_____ A notarized statement by the president or chief financial officer of the organization;

_____ A certification from a Certified Public Accountant; OR

_____ A HUD approved audit summary.

B. Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

_____ Resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds, OR

_____ Contract(s) with consulting firms or individuals who have housing experience similar to projects to be assisted with HOME funds to train appropriate key staff of the organization.

C. Has a history of serving the community where housing to be assisted with HOME funds will be used, as evidenced by:

_____ 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.

NOTE: The CHDO or its parent organization must be able to show one year of serving the community from the date the participating jurisdiction provides HOME funds to the organization. In the statement, 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 of the organization or by a HUD-approved representative.
III. ORGANIZATIONAL STRUCTURE

A. Maintains at least 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, as evidenced by the organization's:

   _____ By-Laws,
   _____ Charter, OR
   _____ Articles of Incorporation.

Under the HOME Program, for urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area (but not the whole state).

B. Provides a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of all HOME-assisted affordable housing projects, as evidenced by:

   _____ The organization's By-laws,
   _____ Resolutions, OR
   _____ A written statement of operating procedures approved by the governing body.

C. A CHDO may be chartered by a State or local government, however, the State or local government may not appoint: (1) more than one-third of the membership of the organization's governing body; (2) the board members appointed by the State or local government may not, in turn, appoint the remaining two-thirds of the board members; and (3) no more than one-third of the governing board members are public officials, as evidenced by the organization's:

   _____ By-Laws,
   _____ Charter, OR
   _____ Articles of Incorporation.

D. If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's:

   _____ By-Laws,
   _____ Charter, OR
   _____ Articles of Incorporation.
IV. RELATIONSHIP WITH FOR-PROFIT ENTITIES

A. CHDO is not controlled, nor receives directions from individuals or entities seeking profit from the organization, as evidenced by:

- The organization's By-laws, OR
- A Memorandum of Understanding (MOU).

B. A CHDO may be sponsored or created by a for-profit entity, however:

1. The for-profit entity's primary purpose does not include the development or management of housing, as evidenced by:

- The for-profit organization's By-laws

AND;

2. The CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced by the CHDO's:

- By-Laws,
- Charter, OR
- Articles of Incorporation.
**Community Housing Development Organization (CHDO)**

**Board Certification Form**

**INSTRUCTIONS:** HUD regulations state a CHDO must maintain at least \( \frac{1}{3} \) of its governing Board’s membership as residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations. To document compliance with this requirement, please list all current members and indicate their category.

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<thead>
<tr>
<th>CHDO Name:</th>
<th>Date:</th>
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## CHDO BOARD COMPOSITION CRITERIA

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<tr>
<th>Board Member Name</th>
<th>Home Address</th>
<th>At least 33% must be:</th>
<th>No more than 33% may be:</th>
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<td>Resident of Low-Income Neighborhood</td>
<td>Other Low-Income Community Resident</td>
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I certify the information provided above is accurate.

_________________________________________  ___________________________  ____________
Signature                                      Name (please PRINT)          Date

— EXPLANATION OF BOARD MEMBER QUALIFICATIONS —

Resident of Low-Income Neighborhood
To qualify under this criterion, the Board member must live in a low-income neighborhood, where 51% or more of the residents are low-income. The Board member does not have to be low-income. If unsure of the neighborhood’s low-income status, contact IURA staff and provide Board member home address.

Other Low-Income Community Resident
To qualify under this criterion, the Board member must be a low-income resident of the community the CHDO serves. Low income is defined as 80% or less of Area Median Income adjusted for family size. Income information is available at: https://www.huduser.gov/portal/datasets/il.html. Maintain records of Board member income and family size. A one-page income self-certification form is available from IURA staff upon request.

Elected Representative of Low-Income Neighborhood Organization
To qualify under this criterion, the Board member must be elected by a low-income neighborhood organization. The organization must be composed primarily of residents of the low-income neighborhood and its primary purpose must be to serve the interests of the neighborhood residents. Such organizations might include Block Groups, neighborhood associations, and neighborhood watch groups. The group may not be the CHDO itself. Maintain documentation of Board member’s membership.
Notes to the CHDO Staff Experience & Organizational Capacity Checklist

Staff Development Experience

1. Staff classification and documentation – To be counted as staff, the person must be employed by the CHDO, and documentation is needed.
   a. Full time or part time employment – This would be evidenced by a payroll report or a W-4 or a W-2.
   b. Contracted staff – This would be evidenced by a “contract” for employment and a W-9 and 1099 (at the end of a year).

2. Relevant development experience – Document the basis for answers to the applicable project type.
   a. Homeownership development – Has the staff person been involved in the acquisition, rehabilitation/construction and sale of homebuyer housing? Previous experience purely in counseling, marketing, or financing activities is not sufficient to be considered development experience.
   b. Rental development – Has the staff person been involved in the acquisition, rehabilitation/construction and/or ownership/operation of rental housing?

Developer Capacity & Fiscal Soundness

3. Past and current performance
   a. Has the CHDO performed adequately in the past in HOME, CHDO, and/or other real estate development activities?
   b. 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 that it has ongoing?

4. Capacity – CHDO Organization
   a. Organizational structure – Can the current corporation structure support housing development activities, or is there a need for a subsidiary or other organizational structure for future development? Are there operations or activities that need to be organizationally separate from housing development activities and portfolios?
   b. Management structure/practices – Does the current management have the ability to manage additional development activities? Are the corporate lines of authority for development activities clear? Are policies & procedures in place governing development activities?
   c. Pipeline/portfolio – What does the CHDO have as its current project pipeline and program responsibilities? Will it be able to handle the additional project proposed? If the organization pursues housing development, what other activities are likely to suffer or not be able to be pursued due to the effort required for development activities? Does its portfolio of projects/properties evidence competent management and oversight? Do the properties appear to have adequate funding?
d. Staff capacity – Do(es) the identified staff have the time to direct toward management of the proposed project? How strong are staff in the following areas: Legal/financial aspects of housing development? Management of real estate development? Oversight of design & construction management? Marketing & intake? Property management (if applicable)? Are staff encouraged to obtain training and develop new skills? What is their potential for learning skills that they currently do not have?
e. Board expertise/skills – Do board members have professional skills directly relevant to housing development (e.g., real estate, legal, architecture, finance, management)? Has the board demonstrated the ability to make timely decisions? Is there a good relationship between board and staff? Does the board have a committee structure or other means of overseeing planning and development? Has there been stability/continuity of board members over the last several years?
f. Project specific capacity for marketing & sale of homebuyer units or operation of rental units – If a homebuyer project, does the CHDO experience and capacity to market the units and counsel and qualify homebuyers? If a rental project, does the CHDO experience and capacity to oversee the marketing, management and ownership of the project?

5. Development Team Capacity
a. Development team roles – Are all of the key development team roles filled with qualified individuals or firms?
b. Partner/consultant – 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?
c. Prior experience – Do team members have prior experience directly relevant to the proposed project?
d. Experience working together – Have the team members worked together before or demonstrated the ability to work effectively as a team?

6. Fiscal Soundness
a. Financial management – Is there evidence that the CHDO meets the 84.21 standards? Does it do annual budgeting of its operations and all activities or programs? Does it track and report budget v. actual income and expenses? Does it have adequate internal controls to ensure separation of duties & safeguarding of corporate assets? Is there sufficient oversight of all financial activities? Is financial reporting regular, current, and sufficient for the board to forecast and monitor the financial status of the corporation?
b. Financial stability – To what extent does the organization have a diversified and stable funding base for operations? How regularly does it experience cash flow problems?
c. Liquidity – Does CHDO management know its current cash position and maintain controls over expenditures? Does the current balance sheet and budget indicate sufficient funds to support essential operations? Does it have funds available for pre-development expenses capital advances required for development?
d. Audit – Does the CHDO have an annual audit? Is the most recent audit current? Were there management or compliance findings in the last two years? Are finding resolved?
e. Portfolio & corporate liabilities – If it has a portfolio of properties, are they are in stable physical and financial condition or are they a drain on corporate resources? Are there assets at risk of default? Does it collect adequate revenues and management fees from the properties? Does it maintain adequate insurance – liability, fidelity bond, workers comp, property hazard, & project?

7. Other Factors
   a. Community relations – How strong are the current reputation of the corporation and the relationship with the community? To what extent does NIMBY opposition exist to low income housing in the service area? To what extent do channels exist for the CHDO to negotiate with the community and potential opponents?
   b. Local government relations – How strong is the CHDO’s relationship with the local government? How strongly does local government support its housing activities?
   c. Lender relations – Does the CHDO have good working relationships with lenders, especially those who might participate in the proposed project?
### CHDO Staff Experience & Organizational Capacity Checklist - Program Year 2023 CHDO Funding

<table>
<thead>
<tr>
<th>Check if Adequate Capacity</th>
<th>CHDO Staff &amp; Experience</th>
<th>See Notes</th>
<th>Documentation (identify)</th>
<th>(Applicant name and date here) Comments:</th>
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<tr>
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<td>CHDO has paid staff to manage development project</td>
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<td>☐</td>
<td>Paid full-time staff</td>
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<td>Paid part-time staff</td>
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<td>Contracted staff</td>
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<td>(contract, w-9, 1099)</td>
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<td>Homeownership development</td>
<td>2a</td>
<td>(resume, other)</td>
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<td>Rental development</td>
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<td>Other real estate development and management</td>
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<td>Rehabilitation &amp; other housing program administration</td>
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### CHDO Developer Capacity & Fiscal Soundness

| Past and Current Performance | 3 |
| HOME / CHDO project performance | 3a |
| Past development performance | 3a |
| Housing program & Federal grant management performance | 3b |

| Developer Capacity - CHDO | 4 |
The Community Housing Development Organization has documented it has staff with development experience; and has the organizational capacity and development team to implement the proposed CHDO project.