

Housing Development

HOME Community Housing Development Organization (CHDO)

Application for Designation

**Administered by:
The South Carolina State Housing Finance and Development Authority**

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DEFINITIONS:

Annual Income – as defined at 24 CFR 5.609 is the gross amount of income of all adult household members that is anticipated to be received in the upcoming twelve (12) month period.

Annual Performance Plan - a document that describes the actions that a CHDO will undertake during the year to work towards the long-term goals established in the Housing Strategic Plan. Specifically, the annual performance plan establishes the agency's performance goals for the year and describes strategies the agency will use to meet these goals. It identifies performance criteria to measure or assess the relevant service levels, outcomes, or outputs that are to be achieved and to compare actual program results with the established performance goals.

Applicant - any 501(c)(3) or (4) or Section 905 subordinate organization applying for HOME Program funds.

Application - the completed forms, schedules, attachments, and any additional documentation requested in the application for designation purposes.

Application Deadline - the date a CHDO Applicant must submit an application for initial CHDO designation.

Authority- the South Carolina State Housing Finance and Development Authority.

Capacity - An organization's experience in relationship to tasks it has completed or plans to undertake; credible and ethical management practices.

CHDO Applicant - any 501(c)(3) or (4) or Section 905 subordinate organization applying for CHDO designation.

CHDO Developer – Rental housing is “developed” by the CHDO if the community housing development organization is the owner of multifamily or single family housing in fee simple absolute (or has a long term ground lease) and the developer of new housing that will be constructed or existing substandard housing that will be rehabilitated for rent to low-income families in accordance with §92.252. To be the “developer,” the community development housing organization must be in sole charge of all aspects of the development process, including obtaining zoning, securing non-HOME financing, selecting architects, engineers and general contractors, overseeing the progress of the work and determining the reasonableness of costs. At a minimum, the community housing development organization must own the housing during development and for a period at least equal to the period of affordability in §92.252.

CHDO Operating Expenses - reasonable and necessary costs for the operation of the CHDO. Such costs include salaries, wages, and other employee compensation and benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; and equipment, materials and supplies. A CHDO may not receive operating expenses in an amount that provides more than 50% or \$50,000, whichever is greater, of the CHDO's total operating expenses in that fiscal year. Operating expenses are awarded only to those CHDOs that receive HOME awards for rental projects during the HOME competitive cycle or during the LIHTC/HOME combined cycle. CHDOs that have previously received two (2) operating awards may be eligible to receive up to \$10,000 in operating funds.

CHDO Owner - Rental housing is “owned” by the community housing development organization if the community housing development organization is the owner in fee simple absolute of multifamily or single family housing (or has a long term ground lease) for rental to low-income families in accordance with §92.252. If the housing is to be rehabilitated or constructed, the community housing development organization hires and oversees the developer that rehabilitates or constructs the housing. At minimum, the community housing development organization must hire or contract with an experienced project manager to oversee all aspects of the development, including obtaining zoning, securing non-HOME financing, selecting a developer or general contractor, overseeing the progress of the work and determining the reasonableness of costs. The community housing development organization must own the rental housing during development and for a period at least equal to the period of affordability in §92.252. If the CHDO acquires housing that meets the property standards in §92.251, the CHDO must own the rental housing for a period at least equal to the period of affordability in §92.252.

CHDO Sponsor - 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.

- i. 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.
- ii. The HOME funds must be provided to the entity that owns the project.

HOME-assisted rental housing is also “sponsored” by a community housing development organization if the community housing development organization “developed” the rental housing project that it agrees to convey to an identified private nonprofit organization at a predetermined time after completion of the development of the project. Sponsored rental housing, as provided in this paragraph (a)(5), is subject to the following requirements:

- i. The private nonprofit organization may not be created by a governmental entity.
- ii. The HOME funds must be invested in the project that is owned by the community housing development organization.
- iii. Before commitment of HOME funds, the community housing development organization sponsor must select the nonprofit organization that will obtain ownership of the property.
 - a) The nonprofit organization assumes the community housing development organization's HOME obligations (including any repayment of loans) for the rental project at a specified time after completion of development.
 - b) If the housing is not transferred to the nonprofit organization, the community housing development organization sponsor remains responsible for the HOME assistance and the HOME project.

Community - In urban areas, “community” is not necessarily limited to a single neighborhood, but may include several neighborhoods, the city, county or metropolitan area. In rural areas, “community” may also cover a multicounty area (but not the entire state).

Community Housing Development Organizations (CHDO) –

Community housing development organization means a private nonprofit organization that:

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 CHDO 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 CHDO 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 CHDO; 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 24 CFR 84.21, “Standards for Financial Management Systems;”
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.

Contact Person - a person with decision-making authority for the applicant with whom the Authority will correspond.

Financial Statements – The organization’s most recent financial statements compiled, reviewed, or audited by an independent CPA licensed by the South Carolina Board of Accountancy must be submitted. The financial statements must include a Statement of Financial Position, Statement of Activities (documenting one full year of activity), and notes/footnotes or disclosure statements to the financial statements (*Dated September 30, 2013 or later*).

Liquid Assets - The Authority defines liquid assets as cash, cash equivalents, and investments held in the name of the entity(s) including cash in bank accounts, money market funds, U.S. treasury bills, and equities traded on the New York Stock Exchange or NASDAQ. Certain cash and investments will not be considered liquid assets, including, but not limited to: stock held in the applicant’s own company or any closely held entity, investments in retirement accounts, cash or investments pledged as collateral for any liability, cash in property accounts including reserves.

Low-Income - a family whose annual (gross) income does not exceed 80% of the median family income for the area (adjusted for family size).

Low-Income Input Records – documents that memorialize and provide objective evidence of activities performed, events occurred, results achieved, or statements made. Records are created/received by an organization in routine transaction of its business or in pursuance of its legal obligations. Examples are flyers, pictures, agendas, or minutes of low-income input meetings; or agendas and/or minutes of board meetings documenting low-income input or information gathered at a previous time; or any other reasonable means.

Low-Income Neighborhoods - neighborhoods where 51% or more of the residents are low-income.

Low-Income Neighborhood Organizations - an organization composed primarily of residents of a low-income neighborhood. The primary purpose of the organization must be to serve the interest of the neighborhood residents. Block groups, town watch organizations, civic association, neighborhood church groups and NeighborWorks® organization can be examples of low-income neighborhood organizations.

Participating Jurisdiction (PJ) - is a term given to any state, local government or consortium that has been designated by HUD to administer the HOME Program. HUD designation as a PJ occurs if a state or local government meets the funding thresholds, notifies HUD that they intend to participate in the program and has a HUD approved Consolidated Plan.

Status of “Good Standing” – it is required that the organization maintain a status of “Good Standing” with the S.C. Secretary of State’s Office. This certification may be obtained by visiting www.scsos.com and searching a nonprofit.

Training Plan – A document containing all of the following areas of training: scope of work; CHDO staff to be trained; costs; timeline with specific objectives to be reached by specific dates, and completion dates.

Very Low-Income – income that does not exceed fifty percent (50%) of the median income for the area, as determined by HUD, with adjustments for family size.

CHDO Designation Application Checklist 2015 Program Year

Please include this checklist with the application along with all required documentation when applying for initial CHDO designation.

Designation Requirements:

Tab	Required Information	Certification Check-off	
1	Application		
2	(a) Organization's By-Laws	(a)	(b)
	(b) Status of Good Standing from SC Secretary of State (c) Documentation of Implementation of Low-income Process	(c)	
3	(a) Attachment A (b) Attachment B <i>Attach Verification Documentation to respective Attachment B</i>	(a)	(b)
4	(a) Attachment E	(a)	(b)
	(b) Staff Resumes (c) Staff Payroll Documentation (d) Description of similar projects staff has worked on	(c)	(d)
5	(a) Financial Statements (b) Attachment C	(a)	(b)

General Requirements

HOME CHDO Certification

Application Submission:

Applications are accepted **annually** for CHDO certification. Designations are valid only for the following HOME application period. Applications for CHDO certification are due as follows:

Submission date begins at 8:30 a.m.: December 4, 2014

Submission date ends at 5:00 p.m.: December 5, 2014

Applications may be delivered by mail, other shipping service, or by hand delivery to the Authority's offices at:

South Carolina State Housing Finance and Development Authority
Attn: **HOUSING DEVELOPMENT**
CHDO Designation Application
300-C Outlet Pointe Blvd. Columbia, SC 29210

- Facsimile or email transmissions will **NOT** be accepted.
- Provide one (1) original application, no additional copies are needed.

Applications may be obtained on the Authority's website: www.schousing.com

CHDO Application (TAB 1):

Place the original CHDO Application behind Tab 1.

Application Review Process

- Authority staff will review the CHDO application and the required documents to ensure the application package is complete.
- Not later than **January 5, 2015**, CHDO applicants will receive either a letter of CHDO designation or a deficiency letter. Those receiving a CHDO designation letter will be considered an approved CHDO for the 2015 HOME funding cycle.
- Applicants that receive a deficiency letter will be allowed to submit corrected or missing documents. Applicants will be allowed **ten (10)** days to submit any missing or incomplete documents. There will only be **one (1)** opportunity for applicants to submit missing or incomplete documents for review before being disqualified.
- The Authority will maintain a list of state designated CHDOs that will be posted on the Authority's HOME program web page.

HOME CHDO REQUIREMENTS

The primary purpose of the HOME program is to expand the supply of decent, safe and affordable housing for low-income families. Federal regulations require a minimum of fifteen percent (15%) of HOME funds be set-aside annually for use by specific types of nonprofit housing organizations known as Community Housing Development Organizations (CHDO). CHDO set-aside requirements are set forth at 24 CFR Part 92.2 and 24 CFR Part 92.300. Although many nonprofit organizations share common characteristics with CHDOs, not all nonprofits qualify as CHDOs under the HOME program requirements.

A CHDO's use of set-aside funds is restricted to eligible HOME activities in which the CHDO acts in the capacity of a developer, sponsor, or owner of HOME-assisted housing. These activities are limited to rental. Only nonprofit organizations that have been certified by the Authority as CHDOs can receive HOME funds from the fifteen percent (15%) set-aside and subsequently **may** qualify to receive operating expenses.

Eligible CHDO Roles

Only those projects in which the CHDO acts as the **developer, sponsor** and/or **owner** of the affordable housing will be eligible to receive funds from the CHDO set-aside. Specific definitions for these terms can be found in the definitions section of the application package.

Eligible CHDO Activities

Rental – Acquisition, New Construction, and Rehabilitation of rental properties. Acquisition is only an eligible activity if undertaken in conjunction with new construction or rehabilitation.

Non-Eligible CHDO Activities

- Owner-Occupied rehabilitation
- Operating subsidies
- Nonfederal matching contributions required under any other federal program
- Assistance to a project previously assisted with HOME funds during the period of affordability
- Servicing, origination or other fees related to the cost of administering the HOME program

QUALIFYING CRITERIA -LEGAL STATUS- (TAB 2):

1. An organization must have received a tax-exempt ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986 before being designated by the Authority as a CHDO. The 501(c) designations permissible under HOME are:
 - 501(c)(3) status or 501(c)(4) status; or
 - Section 905 status - a subordinate organization of a 501(c) organization.

2. **A copy of your organization's most updated By-Laws must include:**
- **No Benefits Provision:** No part of a CHDO's net earnings (profits) may benefit any members, founders, contributors or individuals. A "no benefit" provision, stating the following: *"No person may seek to derive profit or financial gain from the organization's participation in Authority programs, including any member of a nonprofit's staff, family member, board of directors, or any related person seeking any direct or indirect benefit."*
 - **Clear Housing Purpose:** A provision of decent housing that is affordable to low and moderate-income persons must be among the purposes of a potential CHDO.
 - **CHDO's Service Area:** CHDO must have a clearly defined geographic service area. A CHDO's service area is limited to seven (7) counties which includes the county where their central office is located and up to six (6) adjacent counties.
 - **Organizational Structure:** A board structure mirroring that which is defined below under "Tab 3" must be outlined and identified as the CHDO applicant's chosen method for governance. Board terms must be defined for all board members. A life time board term is not acceptable.
 - **Low-income Input Process:** A CHDO Applicant must create a formal process for low-income program beneficiaries to advise the CHDO on all of its decisions regarding the design, location of sites, development and management of affordable housing projects. CHDO Applicants should establish a system for community involvement throughout all parts of their service areas where housing will be developed. Those systems might include special committees of neighbors/neighborhoods of proposed development site; Advisory Councils, Open Town Meetings, or Ad Hoc Committees. The process must be described in writing and an approved CHDO must maintain records showing their formal process has been followed. ** Documentation of the implementation of this process must be included.
3. **Status of Good Standing:** The organization must maintain a "Good Standing" status with the S.C. Secretary of State's Office (www.scsos.com) as long as the organization is a CHDO. Provide a current certification of "Good Standing".

ORGANIZATION STRUCTURE - (TAB 3):

Structure of the Board of Directors – A CHDO is created to respond to a particular community's needs. The structure of a CHDO's Board of Directors is viewed as the main indicator of community control over the CHDO. A CHDO Applicant must have a minimum of five (5) board members with the majority situated within the defined service area(s) **and must** be composed as follows:

1. **At least one-third (1/3) of the Board must be representatives of the low-income community.** There are three ways to meet this requirement.
- **Residents of low-income neighborhoods in the community** - Residents of low-income neighborhoods do not have to be low-income themselves. Low-income neighborhoods must be verified and identified as such

through census tracts, CDBG targets areas, or other appropriate means.

- Low-income residents of the community - Low-income residents do not have to live in a low-income neighborhood but the Board member must certify that their annual gross income (adjusted for family size) is at or below 80% of the area's county median income. See the Authority's website for area income guidelines: www.schousing.com
- Elected representatives of low-income neighborhood organizations - The governing body of a low-income neighborhood organization may elect a representative to serve on a CHDO Board. Verification of a low-income neighborhood organization's election procedure, term, and minutes of the meeting in which the vote took place are required to be submitted.

2. No more than one-third (1/3) of the Board may be public officials or employees of a Participating Jurisdiction (PJ). A member of the governing board of a CHDO Applicant would be considered to be a representative of the public sector if he/she is a(n):

- Elected Official – council members, aldermen, commissioners, state legislators, members of the school board, mayors and so forth;
- Appointed Public Official – members of a planning or zoning commission or of any other regulatory and/or advisory boards, or commissions;
- Public Employee – all employees of public agencies (including schools) or departments of government; or
- Public Official's Appointee – any individual who is not necessarily the appointed public official, but who has been appointed by an appointed 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.

3. The balance of the Board is unrestricted. They 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 that do not also meet the "public official" definition explained above.

CHDO Board Documentation Needed - Applicants must complete the Board of Directors Status Information form (**Attachment A**). In addition, each Board Member is required to complete a Board of Directors Representation form (**Attachment B**). These attachments will be used to determine if the organization's Board structure meets HUD regulatory requirements for board structure. All verification documentation is to be placed behind **Tab 3**.

EXPERIENCE AND STAFF CAPACITY- (TAB 4):

Staff Capacity: An organization applying for designation to become a CHDO must demonstrate the capacity of its key staff to carry out HOME-assisted activities. HOME regulations require that a CHDO have paid employees with housing experience appropriate to the role the CHDO expects to play in projects. The purpose of this capacity requirement is to build staff expertise. A CHDO must have its own professional staff. Suggestions for meeting capacity requirements are as follows:

- Hiring experienced key staff.
- Skills necessary to sustain capacity include:
 1. Management of the organization on a daily basis - time management; fiscal management; conflict management; team management; communication; and commitment.
 2. Defining the project - identify market, assemble/manage development team; test feasibility; and negotiate effectively.
 3. Undertake project - build and maintain relationships; attend to details; manage the development team; adapt and manage a crises; and negotiate effectively.
 4. Complete or manage a project to completion – deliver on time and within the established budget and produce a quality product, recognize and correct mistakes when made; and evaluate outcomes objectively.

A CHDO must be separate from and not under the control of a government entity. A government entity is still permitted to create a CHDO but it is not permitted to control the CHDO by providing its employees to the CHDO as staff or officers.

There are significant differences in the type of experience and capacity that is required to carry out the CHDO eligible HOME activities. Therefore, experience in having completed similar projects draws a distinction between development/management of rental housing and development/sale of housing for a homeownership program.

Documentation for experience and staff capacity behind **Tab 4** must include:

- **Attachment E**; and
- Resumes of all staff; and
- Staff payroll documentation; and
- Descriptions of similar completed or ongoing projects the key staff have been or are currently working on.

FINANCIAL REQUIREMENTS - (TAB 5):

Financial Capacity: At a minimum, a CHDO Applicant must have financial accountability standards that conform to the requirements of 24 CFR 84.21, "Standards for Financial Management Systems." An applicant must demonstrate that it is financially viable and has a financial management system in place that provides proper controls and reporting of the organization's activities. **The Authority requires CHDO applicants to have a minimum of \$50,000 in unrestricted liquid assets and \$250,000 in net assets.**

As a note, the Authority's HOME programmatic financial capacity requirement states that the applicant or applicant group applying for funding during a HOME funding cycle must have unrestricted liquid assets of at least ten percent (10%) of the HOME award amount requested.

Provide the following financial requirements behind Tab 5:

1. Financial Statements: The organization's most recent financial statements compiled, reviewed, or audited by an independent CPA licensed by the South Carolina Board of Accountancy must be submitted. The financial statements must include a Statement of Financial Position, Statement of Activities (documenting one full year of activity), and notes/footnotes or disclosure statements to the financial statements (*Dated September 30, 2013 or later*)
2. **Attachment C** (executed and notarized): Newly certified CHDOs awarded more than \$100,000 in HOME funds during a HOME funding cycle may receive **up to** \$50,000 in operating funds. CHDOs cannot receive more than \$50,000 in operating funds in any one calendar year. If a previously funded CHDO has received two operating awards from the Authority, it may be eligible to receive up to \$10,000 in operating funds during any one calendar year.

DEBARMENTS/ SUSPENSIONS

1. **Debarred or Suspended Applicants** – In accordance with Authority requirements, no award of federal/state funds may be made to a CHDO applicant that is debarred or suspended, or proposed to be debarred or suspended from doing business with the Federal/State Government.
2. **CHDO Applicant Reviews** – CHDO Applicants are subject to a review process. This process is intended to reveal matters that may significantly reflect on the applicant's management and financial integrity, including (but not limited to) if any key individuals have been convicted or are presently facing criminal charges. If the review reveals significant adverse findings that reflect on the business integrity or responsibility of the applicant or any key individual, the Authority reserves the right to:
 - a. Deny the CHDO designation, deny funding, or in the case of a continuing award, consider suspension or termination of an award immediately for cause,
 - b. Require the removal of any key individual from association with management or implementation of the award, and
 - c. Make appropriate provisions or revisions with the respect to the method of payment or financial reporting requirements.
3. **False Statements** – A false statement in an application is grounds for denial of the requested CHDO designation and/or termination of an award by the Authority.
4. **Debarment and/or Suspension** – The Authority may debar and/or Suspend a CHDO Applicant in accordance with the Authority's Debarment and Program Suspension Policy.