

Community Housing Development Organization (CHDO) Application for Certification and Project Funding



Department of Housing and Community Development

20 W. Main Street, Suite 250

P. O. Box 1466

Mesa, AZ 85211

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Office Hours: Monday through Thursday 7:00 a.m. – 6:00 p.m.

HOME INVESTMENT PARTNERSHIP PROGRAM (HOME)

http://www.ecfr.gov/cgi-bin/text-idx?SID=b01b0797db11d4e3fc39f0699c886d9a&cfbrowser/T06c2424cd92_main_02.pdf

The City of Mesa Department of Housing and Community Development (HCD) makes available 15% of its total HOME Program annual allocation exclusively for special and highly qualified nonprofits who can be certified as a Community Housing Development Organization (CHDO). CHDO organizations must have capacity to Develop, Own and Sponsor housing development projects that benefit low and moderate income households.

Program Year 2019-2020

Last updated: 11/14/18



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COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS (CHDOs)



CITY OF MESA HOME PARTICIPATING JURISDICTION

Program Year 2019-2020

APPLICATION PACKET

- Information Packet
- CHDO Qualifying Criteria
- CHDO Application

**City of Mesa
Housing and Community Development
20 W. Main Street, Suite 250
P. O. Box 1466
Mesa, AZ 85211
Phone: (480) 644-2168
FAX: (480) 644-2923
AZ Relay: 711**

Office Hours: Monday through Thursday 7:00 a.m. – 6:00 p.m.



NOTICE

CITY OF MESA COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) FY 2019-2020

CHDO Application Submission Requirements

Submit Hard Copy Applications To:

City of Mesa Housing and Community Development
20 W. Main Street, Suite 250
P. O. Box 1466
Mesa, AZ 85211-1466
AZ Relay: 711
Attention: 2019-2020 HOME Program

Submit Electronic Copy Applications to:

Homeprogram@mesaz.gov

**Note: Hard copy AND
electronic copy required!**

Application Deadline:

“Open Round” First Come-First Served

Application Requirements:

Provide the following documentation:

- one (1) original and two (2) copies** of the CHDO qualification documentation
- one (1) original and two (2) copies** of the funding application. *The provided application format must be used. Do NOT reformat or bind.*
- one (1) original and two (2) copies** of all required attachments
- one (1) original and two (2) copies** of the resolution of support and commitment *(may require City/Town Council action)*

*FAXED copies are **not** acceptable.*

The application must be complete in all aspects to be considered for funding. All supporting documentation, including support from match sources, must be included. Faxed copies are not acceptable. Preliminary reserve approval of CHDO funding is contingent upon submission of a complete application.

***PLEASE CHECK YOUR APPLICATION(S) CAREFULLY
AS INCOMPLETE APPLICATIONS
WILL NOT BE CONSIDERED.***



Section I.

CITY OF MESA COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) FY 2019-2020

FUNDING AVAILABLE

The City of Mesa Department of Housing and Community Development (HCD) shall make available approximately \$600,000 to fund HOME Program CHDO activities. Funding shall be in the form of a development loan or operational grant (*for qualified nonprofits only*).

A 25% nonfederal match is required for all activities and must be supplied by the CHDO.

SUMMARY OF REQUIREMENTS

Nonprofit organizations that qualify as CHDO's may be eligible to apply for FY 2018/2019 funding. Proposed activities must benefit the residents of Mesa. Applications must address a priority need/goal of that jurisdiction or service area as identified in the FY 2015-2019 Five-Year Strategic Consolidated Plan (CP) for the City. The CP can be obtained online at: <http://mesaaz.gov/residents/housing-community-development>.

Applications may be requested by contacting City of Mesa Housing and Revitalization, at (480) 644-3536. The provided application format *must be* used. Do *NOT* reformat.

BACKGROUND

In 1990, Congress passed the Cranston-Gonzalez National Affordable Housing Act. Under Title II of this Act, the HOME Investment Partnerships Program (HOME) was established. In order to promote the involvement of nonprofit organizations to increase the supply of affordable housing, the HOME regulations mandate that 15% of HOME funding be set aside for use by nonprofit organizations that qualify as CHDO's. CHDO funds may be used to provide incentives to develop and support affordable rental housing and homeownership affordability through activities such as acquisition, construction, reconstruction, rehabilitation, and/or various subsidies.

COMPLIANCE WITH FIVE-YEAR CONSOLIDATED PLAN

Each proposed activity must address a high or medium priority goal of the City of Mesa or unincorporated area in the identified service area.

Activities conducted by CHDO's must be consistent with the state's Consolidated Plan. The Consolidated Plan can be viewed on the City of Mesa website at www.mesaaz.gov. The Consolidated Plan identifies housing and community development needs in the state's jurisdiction and provides a long-term strategy for addressing those needs. The Consolidated Plan indicates the level of resources which are allocated to each program.

Each year the City must develop an Action Plan which spells out which activities it will carry out and how much money will be spent in each area. The Consolidated Planning process is an opportunity for CHDO's

to provide input to the state on how its funds are allocated. ***CHDO's certified by the City are encouraged to participate in at least one of its annual public hearings or comment periods each year.***

PERFORMANCE MEASUREMENT SYSTEM

The U. S. Department of Housing and Urban Development performance measurement system is intended to capture the purpose of each activity and to generate certain performance indicators that measure the activity's success at achieving the intended purposes. Critical components of the mandated system are: objectives, outcomes, and indicators.

- ❖ Objectives are based on the broad statutory purpose of the HOME program. For all HOME activities, the performance objective used will be “providing decent housing”.
- ❖ Outcomes help further refine the objective and are designed to capture the nature of the change or the expected result of the objective that a CHDO should seek to achieve. The three objectives designated for the HOME program are availability/accessibility, affordability, and sustainability. The CITY OF MESA will choose the appropriate outcome measure for the HOME activity based on the activity description provided the CHDO.
- ❖ Indicators are the means by which progress is measured toward meeting the intended results of the activity. Indicators are prescribed in the Integrated Disbursement and Information System (IDIS), and will differ depending on the specific activity. Indicators will be identified for successful CHDO applicants by the City during the contract process.

FUNDING DECISIONS

The following summarizes the sequence of events that occur during the funding process. Refer to the schedule in the application for specific dates, times and locations.

- ✓ Applicants must be qualified as a CHDO for each CHDO activity¹. HCD HOME Program staff will review the CHDO qualification documentation submitted with this application for eligibility.
- ✓ Completed and qualifying applications will then undergo a Qualitative “in-depth” review. Although missing documents cannot be submitted after the application due date, the HCD reserves the right to request minor clarifications and corrections to applications during this review process. Applicants will be notified as to the status of their application before the first public hearing.
- ✓ The City will hold Proposal Evaluations – *HOME Proposal Review & Funding Recommendations to Council*) before staff and the Housing & Community Development Advisory Board on: (*See HOME Funding Schedule for 2019-2020*)

TBA - at the Lower Level Council Chambers, 57 E. First St., Mesa, Arizona

¹ See Section V and Section VII for more detail.



Presentations on the proposed CHDO activities will be heard by the Housing Advisory Board, City staff and the public in attendance at this time. Applicants will have an opportunity to briefly describe their applications and activities. Applicants may be asked to respond to questions.

CHDO applications will be ranked according to a feasibility analysis. The Housing and Community Development Director will forward funding recommendations to the Community & Cultural Development Committee (a subcommittee of Council).

Note: *Final award amounts are contingent on complete underwriting analysis and subject to HUD allocation amounts.*

NON-CHDO HOME APPLICATIONS

Note that this application process is for the City of Mesa HOME CHDO Set-Aside funding only. Applications for HOME funding should be made utilizing the HOME application. If there are any questions, contact Ra'Chel'Ni Mar'Na, MA at (480)644-3020, email: Rachelni.Marna@mesaaz.gov.

FUNDING RECOMMENDATIONS

The City will consider the following criteria when making funding recommendations to the Mesa City Council:

- an application's feasibility analysis score (see below)
- the current needs and priorities addressed by the application
- the geographic distribution of previous CHDO funding
- the guiding principles (See below)

CHDO APPLICATION RATING TOOL

It is anticipated that there will be more applications that meet the threshold requirements than there will be funding available for activities. A rating tool will be used along with the guiding principles to evaluate applications that meet the CHDO qualification requirements.

GUIDING PRINCIPLES

The guiding principles for use of CHDO Funds are as follows:

- Serve a new or previously underserved clientele
- Distribute funds as seed or gap financing money and not as an ongoing entitlement
- Distribute funds equitably throughout the City's geographic area

- Consider the recipients’ current urgency of need
- Provide a unique service or activity
- Address current needs and priorities for housing in Mesa
- Efforts to partner within the City of Mesa

EVALUATION CRITERIA	Possible Points
1.0 Experience, Abilities and Qualifications. Evidence of the organization’s ability to perform the work, as indicated by profiles of the principals, licenses, staff’s professional and technical competence, and experience in performing similar types of services, as evidenced by the sample reports provided in the submittal.	55
2.0 Prior Federal Experience. Knowledge of the City of Mesa guidelines and HUD regulations including HOME.	15
3.0 Conformance to Requirements. The Score for Organization of submittal will be based on the provisions stated under the “Submittal Requirements” section of this manual.	20
4.0 Readiness to Proceed. The selected firms must be adequately staffed and ready to begin work immediately after a contract execution and issuance of a notice to proceed by the City.	10
5.0 CHDO development application & project.	
Application is complete with supporting documentation	33
Market Analysis justifies proposed project development	33
Development proposal financially sound	34
TOTAL POINTS Possible	200
Total Points Applicant Scored	



Section II.

CITY OF MESA COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) Application Instructions for Funding

1. Summary

These policies and procedures apply to the management and funding of Community Housing Development Organization (CHDO) for **Set-Aside funding** or **Operating Grants** by the City of Mesa Department of Housing and Community Development (HCD). They are based on HOME Program regulations and HCD policies. It is the responsibility of the CHDO to understand and ensure compliance with these policies and procedures. It is the intent of this document to create a consistent and equitable system to provide operating grants to the CHDOs in Mesa, Arizona.

2. Certification

In order to receive any type of HOME CHDO funds from HCD, a local housing organization must be formally certified by HCD at the time of application for operating grants and have CHDO-eligible housing projects. In order to be certified as a CHDO, a local housing organization must:

Meet all of the CHDO certification requirements per 24 CFR 92.2 and 24 CFR Part 92.208
(*See Appendix A, CHDO Certification Checklist*), Submit a project application,

HCD will provide a certification letter and conditions to each CHDO to confirm the organization's CHDO status upon review and approval of the documents listed in this section.

The certification letter will be incorporated into the applicant's funding Agreement as part of the terms and conditions under which the funding has been granted to the applicant.

3. Funding Priorities and Operation Grant Funding Considerations

HCD will accept applications for CHDO set-aside funding once a year on a "First Come-First Serve" basis. HCD will award CHDO Operating Grant funds on an as-needed basis taking into consideration six (6) priorities:

1. A new not-for profit seeking CHDO certification and proven need for operating assistance.
2. Proven track record of production of affordable housing units within the past 24 months and/or staff and Board having extensive experience producing affordable housing as a Developer, Owner or Sponsor of affordable housing.
3. Representation in underserved areas.
4. Representation and input process of the low income residents of the applicant's service area.
5. Demonstrated ability to produce HOME match.
6. Response to community housing needs as identified by Mesa's Consolidated Plan

The HCD Housing Production Applications for Development Loan or Operating Grant assistance will be used to request CHDO Operating Grant funds.

4. Available Funding

Community Housing Development Organizations may apply for CHDO Operating Grants and/or for funds from the HOME Program CHDO Project Set-Aside. Up to 5% of the City's HOME Program allocation may be awarded for CHDO Operating Grants to build capacity that will result in additional affordable housing units.

HOME Program assistance for the CHDO's operating expenses in each fiscal year may not exceed \$50,000 or 50% of the CHDO's total annual operating expenses for that year, whichever is greater.

HCD sets aside 15 percent of the HOME Program allocation for CHDO Set-Aside Projects that result in affordable housing units. CHDO pre-development loans for projects are included in the Set-Aside amount.

CHDO FUNDING

CHDOs may obtain funding from a PJ in several different ways. CHDO's may:

- Serve as owners, developers, and sponsors of projects undertaken with funds from a PJ's required 15 percent set-aside for CHDOs.
- Receive special assistance, such as developing funds, technical assistance or operating funds, from a PJ that is not available to other types of organizations.
- Perform certain services as contractors to PJs.
- Contract with PJs in the same ways as other nonprofit subrecipients.

CHDO SET-ASIDE

The HOME requirements at 24 CFR Part 92.300 requires PJs to set-aside at least 15 percent of their HOME allocation for projects sponsored, owned, or developed by CHDOs.

CHDO's may also be a subrecipient under a PJ's HOME program; however, the funds committed will not count towards the 15% set-aside requirement.

PJs have 24 months after HUD signs the letter for the PJ's HOME agreement to identify and designate the CHDO's they plan to work with and reserve monies for their use. Funds may be reserved for CHDO's before specific projects are identified. However, for funds to be reserved, a written agreement must be executed between the CHDO and the PJ. The agreement must meet the HOME requirement for written agreements found at 24 CFR 92.504 (c)(3).

A certified CHDO must serve as the developer, sponsor, or owner of a HOME-eligible project when using funds from the 15 percent CHDO set-aside. A CHDO may serve in one of these roles for several projects or it may undertake projects in which it combines roles, such as being both an owner and developer, however the CHDO must be certified to undertake each project activity.

5. Eligible Uses of CHDO Operating Grant Funds

The following uses of CHDO Operating Grant funds are permitted (24 CFR Part 92.208)

- Salaries, wages, benefits, and other employee compensation
- Training and travel, resulting in increased capacity
- Administrative expenses
- Operating expenses, including rent and utilities
- Equipment, materials and supplies, including communication costs
- Taxes and insurance

6. Department of HCD Guidelines

A. CHDO Application Guidelines

1. Technical assistance and Certifying nonprofit organizations applying for CHDO certification shall be managed by the HOME Program Manager.
2. The Certification shall comply with the 2013 Amended HOME Program Final Rule.
3. No certification shall be granted without a housing development project.
4. Qualifying “Capacity” for certification shall include, but not limited to:
 - a. The organization’s in-house staff experience, qualifications and skill-sets to undertake the proposed project activity.
 - b. Evaluating: “ If the organization is systems engineered to perform as proposed and is the organization structured for success over the long term”
 - c. Fiscal soundness and has standards of financial accountability that conform to 24CFR 84.21, “Standards for Financial Management Systems;”
5. Qualifying the “Project” activity shall be based on:
 - a. Meeting a vital need identified in the Consolidated Plan
 - b. Meeting eligibility of the current Annual Action Plan
 - c. Approved Affirmative Fair Marketing Housing Plan
 - d. Approved Section 3 Plan
 - e. Approved M/WBE Plan & Good Faith Effort
 - f. Approved financial underwriting
 - g. Approved Project Development Critical Path Timeline
 - h. Approved Davis-Bacon Plan (if applicable)
 - i. Formal Loan Committee Approval
6. Financial Leveraging with private (non-federal funding sources) financing;
7. Successfully securing the required 25% HOME Match.

B. Complete the CHDO Certification Application, including all requested documentation and forms.

C. Submit 1 original and 2 copies of the entire application. The application should be bound with a binder clip. Do not submit 3-ring binders or other forms of binding.

D. The application may be mailed or hand delivered to the address below. Fax and email copies are not acceptable:

**City of Mesa Department of Housing and Community Development
20 East Main Street, Suite 250
Mesa, Arizona 85201**

Attention: HOME Program

E. The applicant has 30 days to respond to any request for additional information. If information is not received within 30 days the CHDO Certification application will be denied.

F. How to Apply For Change In Geographic Service Area

1. Complete the CHDO Certification Request to Change Service Area form, including all requested attachments:

- a. Statement of history serving the community
- b. Certification of Board Status (updated)
- c. Certification of Low Income Representation (new/changes only)
- d. Submit map of service area showing both existing service area and the service area change.

2. Submit 1 original and 2 copies. The application should be bound with a binder clip. Do not submit 3-ring binders or other forms of binding.

3. The application may be mailed or hand delivered to the address below.

Handwritten, faxed and e-mail copies are not acceptable:

**Ra'Chel'Ni Mar'Na, MA HOME Program Manager
City of Mesa Department of Housing and Community Development
20 East Main Street, Suite 250
Mesa, Arizona 85201**

Section III.

HOW TO APPLY FOR CHDO CERTIFICATION

1. CHDO FUNDS APPLICATION ATTACHMENT CHECKLIST: (See attached form)

Complete the attached form, **CHDO Certification Application**, by identifying the specific **Attachments** and **Appendixes** included in this application packet.

2. APPLICATION & INFORMATION SHEET (See Attached Form)

Complete the attached form, identifying the following information for your agency.

Applicant Information

Identify the contact information for your agency. The individual listed as the contact will be the primary individual that city staff and the Contract Administrator will work with. All correspondence will be sent to the contact person.

Activity Information

Identify, as completely as possible, the activity for which the CHDO HOME funds are being requested. If the specific site address is not known, identify to the fullest extent possible the location of the proposed project. Each proposed activity must address a high priority goal of each City/Town or unincorporated area listed in the service area identified (cannot be the entire County).

Project Application

Complete either the *HOME For-Sale Housing Production* or *HOME Rental Housing Production Applications* with all required attachments.

Contract Administration

Identify the staff person or officer that will administer the contract for the proposed activity.

3. STATEMENT OF WORK: (See attached form)

For Operating Grant Only. Complete the attached form, *Statement of Work*, by identifying the scope of work, implementation schedule, proposed budget, and match sources for the activity. Please be as specific and accurate as possible. At a minimum, this section will be included in the CHDO contract. (Note that *any activity* information submitted with this application may be included as part of the CHDO contract.) A detailed activity budget specific to the proposed activity must be attached to the statement of work. The detailed budget should include, at a minimum, each cost component by year.

4. CERTIFICATION OF AUTHORIZED OFFICIALS: (See attached form)

Complete the attached form, *Certification of Authorized Official*, by certifying that the agency has the authority to apply for the funding, execute a contract and complete the proposed activity, and that it has the capacity to apply for the HOME funds and comply with the federal regulations.

5. ACTIVITY NARRATIVE: (Limit to one page)

In your own format, describe the proposed activity in detail indicating any issues that may impact timely implementation. **NOTE: The activity *must* be well thought out with a defined target area. The target area may be the entire City of Mesa, but it cannot be outside of Mesa.** State if this is a new activity or an ongoing activity. Indicate if HOME funding has been previously used in this activity. Describe necessary site and any zoning issues. Elaborate on total funding including sources of additional funding. If this is a multi-family rental activity (over five units), describe how the Project Rule will be met.

6. MARKET DEMAND

In your own format, identify the criteria used to determine that there is a clear market demand for this activity. Whereas need is outlined in the CP, the need may not automatically translate into demand depending on occupancy levels, vacancy rates and waiting lists, etc. This information should be as complete and detailed as possible.

7. PRO FORMA (for rental or For-Sale activities)

Submit the information used to determine that rents or sales of the proposed units will be sufficient to pay off debt, and pay for operation and maintenance, while the units still remain affordable to the target population.

Rental activities must show that they will remain feasible throughout the period of affordability; by showing that all operating costs will be covered with either sufficient rental income or through the commitment of other resources.

For-Sale activities must show sufficient sales to pay down the Total Development Cost (TDC). The sales price must be no higher than 95% of the area median sales price (\$208,000 for rehabilitation of existing housing, \$232,000 for new construction) for the City of Mesa. The Developer's subsidy shall be that write-down portion of the TDC of the sales price to 95% of the area median sales price. Any portion remaining shall count towards the affordability period of the unit, plus any direct subsidy to the homebuyer.

The Pro Forma must cover the period of affordability. *The application will be incomplete without the initial proposed Pro Forma.* It is acknowledged that a new pro forma will likely be required pending final location selection. Note: Preliminary award decisions will be based on the enclosed feasibility analysis and guiding principles. Final award amounts are contingent on complete underwriting analysis.

8. ORGANIZATION PERFORMANCE NARRATIVE

In your own format, describe your organization and its sponsors. Describe your organization's performance on past and current activities of this nature, including how your organization met its timely implementation requirement, encumbrance deadline, and reporting requirements. Finally, provide any statements documenting a history of serving the community/required beneficiaries.

9. MATCH CERTIFICATION

In your own format, provide documentation of a firm commitment from each match provider listing the amount of match, form of match, and specific source. **Applications with match commitments to be secured or specifically identified at a later date will not be accepted.**

10. CHDO CERTIFICATION REVIEW CRITERIA

CHDO Certification: The new 2013 HOME Final Rule made some significant changes to certifying CHDO's. Under the previous rule, the practice of certification of CHDO's by most PJs was tied exclusively to the organizational structure. In the past, the system Engineering of CHDO's lacking "capacity" was achieved through contractual relationships for the deficient component of the organizational structure (*with caveats*). Under the new rule, contracting the skill sets to undertake a project has been eliminated for existing CHDO's². In addition, certifying a nonprofit organization is now tied to the PJ *committing* HOME funds to the organization, but the commitment is now based on two (2) requirements:

1. A specific project(s) and specific amounts of HOME funds; and
2. The organization being system engineered to undertake the project(s).

Therefore, to be certified as a CHDO, the organization has to be structured and have the "in-house" capacity to undertake the project(s).

11. SUMMARY OF CHDO REVIEW PROCESS

This review covers three (3) major categories:

- 1). Systems Engineering of the Organization & Organizational Structure; and
- 2). Qualitative review of the evidentiary material; and
- 3). Qualitative review of the "capacity" of the system's (Corporation) skill sets to undertake CHDO activity.

Category One. Review included analyzing the legal structure of the system relative to the regulatory compliance under 24 CFR 92. Here we looked at both how the system is engineered as well as what system legal structures need to be addressed to clearly meet the specific compliance rule.

² *New nonprofits organizations with one year of existence of less may contract the needed skill sets to undertake the CHDO project provided that the contract is in compliance with 92.504(c) and includes a consulting plan that trains the organizations staff to achieve competent skill sets in-house once the project has concluded.*

Category Two. Reviews the quality of the documents submitted as evidence in meeting the compliance rule.

Category Three. Review also involves assessing the knowledge & skill capabilities of the system relative to the CHDO activities to Develop, Own and Sponsor affordable housing.

Section IV.

Summary of the 2013 HOME Final Rule Community Housing Development Organization (CHDO) Changes

§92.2 Definitions

Commitment

The 2013 Rule amends several aspects of this definition to clarify the actions that constitute a commitment:

- ❑ The Rule clarifies that PJs are able to commit funds for the provision of downpayment assistance. The pre-2013 Rule expressly permitted a PJ to commit funds for the production of affordable housing or the provision of tenant-based rental assistance.
- ❑ Agreements with CHDO's that are not project-specific are no longer considered commitments. PJs must commit CHDO set-aside funds to **specific projects** for a specified amount of HOME funds within 24 months of signing their HOME grant agreement. [Note, a number of other changes related to CHDOs are made in the 2013 Rule. Changes to the definition of CHDO are described in this section; §92.300 includes changes related to activities that are eligible for CHDO set-aside funds and PJ oversight of CHDO's; and §92.208 clarifies certain issues related to CHDO operating funds.]
- ❑ It specifies that a PJ cannot commit HOME funds to a project until all necessary financing is secured, a budget and schedule established, underwriting and subsidy layering completed, and construction is scheduled to begin within 12 months.
- ❑ It specifies that signatories to written agreements must **date** the document in order for it to constitute a valid commitment. Since the HOME statute and regulations require the PJ to enter into a legally binding commitment within 24 months of signing the HOME Investment Partnerships Agreement, dates are needed to verify compliance.
- ❑ It includes a cross-reference to §92.504(c) to direct PJs to the required provisions of a written agreement to help ensure that the agreements evidencing commitment meet the HOME standards for written agreements.
- ❑ It clarifies that a commitment does not include an agreement between:
 - A PJ and a subrecipient that the PJ controls (such as an authority that is part of the local government), or
 - A lead entity of a consortium and a consortium member.

These entities are considered a part of the PJ itself, and not separate entities. The requirement that funds are considered committed only when the PJ has a legally binding written agreement with a State recipient, a subrecipient, or a contractor to use a specific amount of HOME funds remains unchanged.

Program Administration Due Diligence

1. Verification, prior to execution of a written agreement, that all necessary financing has been secured, a budget and schedule have been established, underwriting and subsidy layering have been completed, and construction is expected to start within 12 months.
2. Elimination of the “reservation” of CHDO set-aside funds for projects to be determined at a later date, and adoption of CHDO commitment of funds for specific projects and specific amounts of HOME funds.
3. Review commitment agreements to be sure they include the required provisions of a written agreement that are specified at §92.504(c) to meet the HOME standards for written agreements.
4. Develop a tracking system of CHDO set-aside projects that are in the planning stages to ensure that projects will be ready for commitment before the 2-year deadline. This will help ensure that the PJ will meet the requirement to expend 15 percent of its formula allocation through CHDO’s.
5. Revise the correspondence/legal review process for documents to ensure that all documents are dated by the signatories.

Community Housing Development Organization (CHDO’s)

There are several changes to the definition of CHDO that impact the criteria that qualify a nonprofit organization as a CHDO.

Nonprofit Status

The pre-2013 Rule requires that a nonprofit organization, in order to qualify as a CHDO, must be organized under the Internal Revenue Code of 1986 (IRC) at 501(c)(3) or 501(c)(4). The 2013 Rule expands this definition to include: (1) a subordinate of a central organization under IRC 905 (this was previously permitted in practice, but is now codified); or (2) a wholly-owned entity that is regarded 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), when the owner organization has a tax exemption ruling from the IRS under section 501(c)(3) or 501(c)(4) of the IRC. The nonprofit must meet the other qualifying criteria outlined in the CHDO definition.

CHDO and For-Profit Entities

The requirements of paragraph 3 ensure that the CHDO is not controlled by, or significantly influenced by, a for-profit entity. In addition to the pre-2013 requirements that remain unchanged, paragraph 3(iv) adds a new criterion that if a for-profit entity creates or sponsors a potential CHDO, while the officers and employees of the for-profit entity can serve as Board members of a CHDO (subject to the one-third appointment limitation), they cannot serve as officers or employees of the CHDO.

CHDO and Governmental Entities

Paragraph 5 is revised to state that a governmental entity may create a CHDO, and while officers and employees of the governmental entity can serve as Board members to the CHDO (subject to the one-third

appointment limitation), they cannot serve as officers or employees of the CHDO. The additional limitations of the pre-2013 Rule on the involvement of a public entity remain unchanged.

CHDO Capacity and Staffing

Changes how a nonprofit demonstrates its capacity to undertake affordable housing activities. To qualify as a CHDO, the 2013 Rule requires that a nonprofit have paid employees with housing experience appropriate to the role the nonprofit expects to play in projects (i.e., developer, sponsor, or owner) in order to receive a CHDO designation. Note, the definition of “owner” has been significantly revised in the 2013 Rule at §92.300. The Rule now permits a CHDO to own and operate housing that it does not develop. Therefore, a nonprofit that will undertake development activities must demonstrate development capacity. A nonprofit that will undertake property ownership and management must demonstrate ownership/management experience. The requirement for development capacity can no longer be demonstrated through the use of consultants with development experience, except during the first year of operation as a CHDO, provided that the consultant trains the CHDO staff. In addition, the capacity requirement cannot be met through the use of volunteers or staff that is donated by another organization. Consultants or volunteers can continue to fill occasional skill gaps or undertake activities that are required only on a periodic basis (e.g., project underwriting), but cannot be the basis of a determination that a nonprofit has the capacity to be designated as a CHDO.

Key CHDO Staff

For key staff only, statement of qualifications and experience, or resume(s). The qualifications and experience of consultants is no longer relevant unless the CHDO is in its first year of operation and it is using a consultant to train its staff.

Homeownership

The revised definition reorganizes the list of eligible forms of homeownership and provides guidance on ownership situations that were not addressed in the pre-2013 Rule (indicated as “NEW” below):

- Fee simple title in a 1- to 4- unit dwelling or condominium unit or at least a 99-year leasehold interest, except:
 - Housing located in insular areas must have a ground lease for at least 40 years
 - Housing located on an Indian trust or restricted Indian land, for at least 50 years (NEW)
 - Manufactured housing on a ground lease that is at least equal to the applicable affordability period. (NEW) Additional guidance on manufactured housing is found at §92.251(e).

Ownership Interest in Deed of Trust

Ownership interest must be in good, marketable title, subject to only certain restrictions (such as HOME resale restrictions, mortgages, deeds of trust, or liens or instruments that secure debt on the property), provided these are approved by the HCD HOME Program Manager.

Contract for Deed

A contract for deed (also known as an installment contract or land sales contract) is **not** an eligible form of homeownership. A contract for deed is a financing mechanism that fails to provide equitable title to the contracting party, who remains vulnerable to forfeiting the property until the final payment is made.

Because of this risk, assisting low-income families through contract for deed situations is not a sound use of HOME funds.

HCD shall determine whether ownership or membership in a cooperative or mutual housing project constitutes homeownership under State law has not changed. However, the 2013 Rule clarifies that when these types of housing receive Low-Income Housing Tax Credits, they are rental housing (and not homeownership).

- Housing located on land owned by a community land trust, for at least 50 years. (NEW)
- Manufactured housing on a ground lease that is at least equal to the applicable affordability period. (NEW) Additional guidance on manufactured housing is found at §92.251(e).

The requirement of the 2013 Rule that PJs have the responsibility to determine whether ownership or membership in a cooperative or mutual housing project constitutes homeownership under State law has not changed. However, the 2013 Rule clarifies that when these types of housing receive Low-Income Housing Tax Credits, they are rental housing (and not homeownership).

AFFORDABLE HOUSING

In-eligible Types of Housing

- ✓ Halfway housing
- ✓ dormitories (including farmworker dormitories)
- ✓ *all* types of student housing and dormitories.

These types of residence constitute facilities or provide short-term or transitory housing, not permanent or transitional housing, as required by the HOME statute.

Note, revisions were also made to the definitions of low-income and very low-income families to clarify when a student household may be an eligible beneficiary.

New Eligible Forms of Homeownership

- ✓ Housing located on land owned by a community land trust, for at least 50 years.
- ✓ Manufactured housing on a ground lease that is at least equal to the applicable affordability period.

Reconstruction

The pre-2013 Rule states that housing can be rebuilt under the reconstruction category only if the housing was standing on the site at the time of project commitment. This definition is revised to facilitate rebuilding efforts after disasters (when housing may no longer be standing on the site). It permits reconstruction of units that are not standing on the site at the time of project commitment, provided that HOME funds are committed within 12 months of the date of destruction.

Since reconstruction is considered rehabilitation under the HOME program, the periods of affordability for reconstructed housing are based on the per-unit investment for rental projects [§92.252(e)], and displaced owner-occupants are not subject to resale and recapture provisions of §92.254(a)(5).

For all other housing (not destroyed by disaster), the definition of reconstruction remains unchanged.

Single Room Occupancy (SRO)

The 2013 Rule amends this definition to clarify that in order for a project to be designated as an SRO, its characteristics cannot be inconsistent with the PJ's applicable building and zoning code classifications.

For jurisdictions whose building and zoning codes do not include an SRO designation, SRO housing is permitted because it is not "inconsistent."

Classifying a project as a SRO rather than a group home results in larger potential HOME subsidies and higher gross rents (because a group home is considered a single unit with multiple bedrooms). However, a PJ may not classify a project as a SRO in violation of its own building and zoning code classifications.

HOME Housing Activities that Support Revitalization

The City of Mesa allows a great deal of flexibility in designing HOME program activities to meet local needs and priorities within certain statutory and regulatory requirements. The primary requirement is that HOME funds must be used to expand the supply of affordable housing for low- and very low-income households. Mesa uses HOME funds to help renters, new homebuyers, or existing homeowners.

Assistance can be provided for many different types of housing activities, such as acquisition, rehabilitation, new construction, or tenant based rental assistance. Assistance can also be provided in many different forms, including grants, low-interest loans, deferred payment loans, or loan guarantees.

Homeownership development is typically considered one of the most effective ways to contribute to neighborhood stabilization, because homeowners have a vested interest in the future of the neighborhood, and they act in ways to secure and improve that future. Other housing activities, when undertaken strategically, and in combination with homeownership, can also contribute to the redevelopment effort.

Section V.

1. ROLES AND RELATIONSHIPS BETWEEN THE PJ AND ITS PARTNERS

The HOME Program requires the City of Mesa to maintain some existing partnerships and to forge many new ones. Partners play different roles at different times, depending upon the project or activity being undertaken. The HOME program's emphasis on consolidated planning is intended to expand and strengthen partnerships among all levels of government and the private sector in the development of affordable housing. The HOME program's technical assistance activities and set-aside for qualified community-based nonprofit housing groups is intended to help build the capacity of these partners. The HOME program's requirement that participating jurisdictions match 25 cents of every dollar in program funds is intended to help mobilize community resources in support of affordable housing.

Typical partners are discussed below.

◆CHDO's: A CHDO is a private, nonprofit organization that meets a series of qualifications prescribed in the HOME regulations. Each PJ must use a minimum of 15 percent of its annual allocation for housing owned, developed or sponsored by CHDOs. PJs evaluate organizations' qualifications and designate them

as CHDO's. CHDO's also may be involved in the program as subrecipients, but the use of HOME funds in this capacity is not counted toward the 15 percent set-aside.

◆Subrecipients: A subrecipient is a public agency or nonprofit organization selected by a PJ to administer all or a portion of the PJ's HOME Program. It may or may not also qualify as a CHDO. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not considered a subrecipient.

◆Developers, owners and sponsors: Individuals, for-profit entities and nonprofits can participate in the HOME Program as owners, developers or sponsors of housing. When CHDO's use HOME funds as owners, developers or sponsors, this use of HOME funds counts toward the 15 percent CHDO set-aside.

◆Private lenders: One of the goals of the HOME Program is to establish strong public/private partnerships. PJs are required to make all reasonable efforts to maximize participation by private lenders and other members of the private sector. The Community Reinvestment Act (CRA) requirements provide an incentive to private lending institutions to become involved in HOME Program activities.

◆Faith based organizations: Faith-based or religious organizations are now able to compete on an equal footing with other organizations for HUD funding. Funding may be provided directly to any recipient, as long as those funds are not used to support inherently religious activities. As of the September 30, 2003 Final Rule for 24 CFR Part 92, HUD identified regulations for eight programs, including the HOME Program, to eliminate barriers and ensure that these programs are open to all qualified organizations regardless of their religious character (see Attachment 1-4 for more information).

◆Third-party contractors: A PJ may contract with a private for-profit contractor to administer all or part of its HOME Program. Unlike public agencies or nonprofits, contractors must be procured through a competitive process in accordance with applicable Office of Management and Budget (OMB) procurement requirements. These requirements are found in 24 CFR Part 85 (for PJs) and Part 84 (for nonprofits).

1. WHAT IS A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO)?

A CHDO is a private nonprofit, community-based service organization whose **primary** purpose is to provide and develop decent, affordable housing for the community it serves. Certified CHDO's receive certification from a Participating Jurisdiction (PJ) indicating that they meet certain HOME Program requirements and therefore are eligible for HOME funding.

The Home Investment Partnerships (HOME) program was authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended. HOME provides formula grants to states and localities that communities use – often in partnership with local nonprofit groups – to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. HOME funds are regulated and distributed to PJs by the U.S. Department of Housing and Development (HUD).

A PJ is a term given to any State or local government that HUD has designated to administer a HOME Program. HUD designation as a PJ occurs if a State or local government meets the funding thresholds,

notifies HUD that it intends to participate in the program, and obtains approval by HUD of a Consolidated Plan. Consolidated Plans describe community needs, resources, priorities and proposed activities to be undertaken under certain HUD programs, including HOME.

The HOME Program definition of a CHDO is found at 24 CFR Part 92.2. A copy of the HOME regulation (24 CFR Part 92) can be found at the U.S. Department of Housing and Urban Development website: www.hud.gov. Information may also be found of the Mesa Department of Housing and Community Development website at www.mesaaz.gov.

2. WHY SHOULD AN ORGANIZATION APPLY FOR CHDO CERTIFICATION?

Funds are available through HOME PJs exclusively for qualified, eligible CHDO projects and operating expenses. If an organization becomes a certified CHDO, it is eligible to take advantage of the HOME funds set-aside just for CHDO's, as well as additional special technical assistance. CHDO set-aside funds provide equity for community-based organizations to undertake projects, build their capacity to serve a broad range of affordable housing needs and provide guaranteed resources for affordable housing development. PJs are required to set-aside a minimum of 15% of their HOME allocations for housing development activities in which qualified CHDO's are the owners, developers, and/or sponsors of affordable housing in the communities that they serve.

Section VI.

REQUIREMENTS FOR CHDO CERTIFICATION ORGANIZATIONAL STATUS AND MISSION REQUIREMENTS FOR CHDO CERTIFICATION

Regulatory Thresholds:

1. Organized Under State/Local Law. Organizations must show evidence to the PJ, either in their charter or articles of incorporation, that it is organized under state or local law.


2. Non-Profit Status. A tax exemption ruling from the Internal Revenue Service as evidenced by a 501(c)(3) or (4) Certificate from the IRS or a group exemption letter under Section 905 from the IRS that includes the CHDO is required.

3. Purpose of Organization. The organization's primary purpose must be the provision of decent housing that is affordable to low-and moderate income people.

This must be evidenced by a statement in the organization's charter, articles of incorporation, by-laws, or resolutions.

4. Strategic Plan. CHDO's and CHDO aspirants are required to submit a comprehensive strategic plan to HCD. In order to be a comprehensive plan, the document submitted should address the following:

The mission, goals, and vision of the organization

 Whom you will serve

- ✦ The organization's role in the community
- ✦ The programs, services, and products you offer
- ✦ The resources needed to succeed
- ✦ The best way to combine resources, programming and relationships to accomplish the organization's mission

5. BOARD COMPOSITION REQUIREMENTS FOR CHDO CERTIFICATION

Regulatory Thresholds:

There are three specific requirements related to the organization's board which must be evidenced in the organization's by-laws, charter, or articles of incorporation. These are:

1. LOW INCOME REPRESENTATION. At least 1/3 of the organization's board must be representatives of a low-income community served by the CHDO. The CHDO is required to certify the status of low-income representatives. There are three methods to meet the HOME requirement that stipulates 1/3 of the organization's board be representatives of a low-income community served by the CHDO. If a potential boardmember fits one of the following descriptions, then they count towards fulfilling this requirement:

- ✓ *The person lives in a low-income neighborhood where 51% or more of the residents are low-income. This resident does not have to be low-income.*

In order 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.

Neighborhood means a geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government; except that if the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a unit of general local government.

- ✓ *The person is a low-income resident of the community.*

In order to qualify under this criteria, the board member must be a low-income resident of a community that the CHDO is certified to serve. **Low-income** is defined as 80% or less of area median family income.

- ✓ *The person was elected by a low-income neighborhood organization to serve on the CHDO board. 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.*

In order to qualify under this criterion, the board member must be elected by a low-income neighborhood organization to serve on the CHDO Board. The group must be a neighborhood organization and it may not be the CHDO itself.

If the board member is qualifying under this criterion, a copy of signed resolution from the neighborhood organization naming the individual as their representative on the CHDO is required.

2. PUBLIC SECTOR LIMITATIONS. No more than 1/3 of the organization's board may be representatives of the public sector, including any employees of the P.J. States or local governments who charter CHDO's may not appoint more than 1/3 of the board, and the board members appointed by the state or local government may not appoint the remaining 2/3 of the board members. If a person qualifies as a low income person and a public official, their role as a public sector representative supersedes their residency or income status. Therefore, the official counts toward the 1/3 public sector limitation.

3. FOR PROFIT LIMITATIONS. If a CHDO is sponsored by a for-profit entity, the for-profit may not appoint more than 1/3 of the board. The board members appointed by the for-profit may not appoint the remaining 2/3 of the board members.

Additional Considerations:

4. BOARD REPRESENTATION. The Board should have at least one representative for each geographic area to be served by the CHDO.

5. STABILITY. There should be stability/continuity of board members over the last several years.

6. DEVELOPMENT OVERSIGHT. The Board should have a committee structure or other means of overseeing planning and development.

7. BOARD SKILLS. The Board members should have professional skills directly relevant to housing development. For example, real estate, legal, architectural, planning, construction, finance and management experience are all professional skills that are relevant to housing development.

8. DECISION-MAKING. The Board should demonstrate the ability to make timely decisions using an appropriate process.

9. SPONSORSHIP/INDEPENDENCE REQUIREMENTS FOR CHDO CERTIFICATION

Regulatory Thresholds:

- a. Free from influence from another organization with a vested interest
- b. Free to contract goods and services via competitive bids from the market
- c. CHDO Board members are also staff or members of affiliate organizations with decision making authority and/or receive financial benefit

10. RELATIONSHIP/SERVICE TO THE COMMUNITY REQUIREMENTS FOR CHDO CERTIFICATION

The HOME Program establishes requirements for the organizational structure of a CHDO to ensure that the governing body of the organization is controlled by the community it serves.

The CHDO by Federal Statute Authority is required to represent (as a 2/3 majority) low and moderate income households and communities. This requirement is demonstrated through the organizations representation infrastructure (Board of Directors composition, community input processes and free of influences from non-low and moderate income sources. *Therefore, it is expressively understood that HCD will evaluate the organization's representation infrastructure including, but not limited to,*

composition of the Board of Directors for each Board meeting with a quorum attending. (see Regulatory Requirements, "Low Income Input").

These requirements are designed to ensure that the CHDO is capable of decisions and actions that address the community's needs without undue influence from external agendas.

Regulatory Requirements:

1. History of Serving the Community. The organization has a history of serving the community within which housing to be assisted with HOME funds is to be located, as evidenced by either documentation of at least one year of experience in serving the community or for new organizations, documentation that its parent organization has at least one year of experience in serving the community.

2. Low Income Input. Input from the low-income community is not met solely by having low-income representation on the board. The CHDO must provide a formal process for low-income program beneficiaries to advise the CHDO on design, location of sites, development and management of affordable housing. The process must be described in writing and may be documented in the organization's by-laws, resolutions, or a written statement of operating procedures approved by the governing body. Each project undertaken by the CHDO should allow potential program beneficiaries to be involved and provide input on the entire project from project concept and site selection to property management. One way to accomplish this requirement is to develop a project advisory committee for each project or community where a HOME assisted project will be developed. Proof of input from potential low-income program beneficiaries in all aspects of the project will be required for project funding.

3. Clearly Defined Service Area. The organization must have a clearly defined geographic service area which can be described and documented for the PJ.

CHDOs may serve individual neighborhoods or large areas. However, while the organization may include an entire community in their service area (such as a city, town, village, county, or multi-county area), they may not include the entire state.

4. Needs. Current plans should be well grounded in an understanding of current housing conditions, housing needs, and need for supportive services. The organization should have an analysis of the local housing market and the housing needs of low-income households.

5. Relations. The organization should have a good reputation and a positive relationship with the community that it serves.

6. Local Government Relations. The CHDO should have a positive relationship with the local government(s) of the community(s) that it serves.

11. FINANCIAL MANAGEMENT AND CAPACITY REQUIREMENTS FOR CHDO CERTIFICATION

Regulatory Requirements:

- 1. Conformance to Accountability Standards.** *The organization must conform to the financial accountability standards of 24 CFR 84.21, "Standards for Financial Management Systems",* as evidenced by a notarized statement by the board president or Chief Financial Officer (CFO), or a certification from a Certified Public Accountant (CPA), or a HUD approved audit summary.
- 2. No Individual Benefit.** No part of a CHDO's net earnings (profits) may benefit any members, founders, contributors, or individuals. This requirement must also be evidenced in the organization's Charter or Articles of Incorporation.
- 3. Audit.** Audit information, if available, will be reviewed.
- 4. Budgeting.** The organization should conduct annual budgeting of its operations and all activities and programs. It should track and report budget versus actual
- 5. Reporting.** Financial reporting should be regular, current and sufficient for the board to forecast and monitor the financial status of the corporation.
- 6. Cash Flow Management.** The organization should know its current cash position and maintain controls over expenditures.
- 7. Internal Controls.** The organization should have adequate internal controls to ensure separation of duties and safeguarding of corporate assets. There should be sufficient oversight of all financial activities.
- 8. Procurement/Conflict of Interest.** The organization should have a conflict of interest policy governing board members, employees, and development activities, particularly in procurement of contract services and the award of housing units for occupancy.
- 9. Insurance.** The organization should maintain adequate insurance, including liability, fidelity, bond, workers compensation, property hazard and project.
- 10. Financial Stability.** The current balance sheet and budget should indicate a sufficient, diversified and stable funding base to support essential operations.
- 11. Portfolio Financial Condition.** If the organization has a portfolio of properties, they should be in stable physical and financial condition.
- 12. Liquidity.** Whether the organization has liquid assets available to cover current expenses shall be considered, as well as the whether the organization has funds available for predevelopment expenses or equity investments required for development.

12. DEVELOPMENT CAPACITY REQUIREMENTS FOR CHDO CERTIFICATION

Regulatory Requirements:

- 1. Capacity to Carry Out Activities.** The organization must have a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by either experience of key staff that have

completed similar projects to HOME-funded activities or the organization should have contracts with consultants who have relevant housing experience to train key staff.

2. Assessment. HCD wishes to assure that all organizations that are eligible to apply for and /or receive funding under its CHDO program are capable of providing services in an effective and efficient manner. To achieve this goal, the organization must complete an organizational assessment. The assessment will determine organizational development needs (i.e. strategic planning, visioning, administrative systems, board development, etc.) This assessment must be completed before a CHDO application will be approved.

3. Portfolio. The organization's portfolio of projects and properties should evidence competent management and oversight.

4. Previous Performance. The organization should have exhibited competence with any previous CHDO activities.

5. Management Capacity. The organization's management should have the capacity and ability to manage additional development activities.

6. Procedures. There should be policies and procedures in place to govern development activities.

7. Project management. The organization should have procedures for monitoring the progress of a project and the capacity to monitor project-level cash flow and schedules.

8. Personnel. There should be staff that is assigned responsibilities for housing development and personnel policies and job descriptions should be clear.

9. Staff skills. The strength of staff in the following areas shall be considered:

- Legal/financial aspects of housing development
- Management of real estate development
- Oversight of design & construction management
- Marketing, intake
- Property management (if applicable)

10. Training. Staff should be encouraged to obtain training and develop new skills.

11. Member involvement. The organization's membership should be active and in support of the organization's housing activities.

12. Use of consultants. To what extent the CHDO has access to and makes use of qualified development consultants shall be considered, as well as how these consultants interact with staff.

13. Funding access. The organization should have the ability to raise funds for the capital requirements of a project.

Section VII.

1. CHDO AS DEVELOPER

A CHDO is considered a developer when it either owns the property and develops the project or has the contractual obligation to a property owner to develop a project.

If the CHDO owns the property, it must obtain financing and rehabilitate or construct the project. For HOME-assisted rental housing the CHDO may maintain ownership and manage the project over the long term, or it may transfer the project to another entity for long-term ownership and management. For HOME-assisted homebuyer projects, the CHDO must transfer title of the property and the HOME obligations to an eligible homebuyer within a specified time frame of project completion.

If the CHDO does not own the property, it must be under a contractual obligation with the owner to obtain financing and rehabilitate or construct the project. Under this arrangement, the CHDO assumes all risks and rewards associated with being the project developer. A written agreement between the CHDO and the property owner must detail the CHDO's specific obligations. For HOME-assisted rental housing, the CHDO may manage the project for the owner at project completion. For homebuyer housing, the owner must transfer title of the property and the HOME obligations to eligible homebuyers within a specified timeframe of project completion.

If the CHDO develops the property for an owner pursuant to a written or other agreement

With the PJ, the CHDO is acting in the capacity of a subrecipient. CHDO's receiving funds as subrecipients cannot use the funds from the 15 percent set-aside for that particular project or service.

2. CHDO AS A SPONSOR

A CHDO may be a sponsor for both HOME-assisted rental housing and homebuyer housing. A CHDO sponsor must always own the project prior to and/or during the development phase of the project.

For HOME-assisted rental housing - The CHDO is considered a sponsor when it develops a project that it solely or partially owns and agrees to convey ownership to a second nonprofit organization at a predetermined time. The conveyance may occur prior to or during development or upon completion of the development of the project. In this situation, the following requirements apply:

- HOME funds must be invested in the project owned by the CHDO sponsor. The CHDO sponsor must identify the particular nonprofit organization that will obtain ownership of the property prior to commitment of HOME funds. The second nonprofit must assume all HOME obligations (including repayment of loans and tenant and rent requirements) for the project from the CHDO at a specified time. If the property is not transferred to the nonprofit organization, the CHDO sponsor will remain liable for the HOME obligations.
- The nonprofit organization must be financially and legally separate from the CHDO sponsor. (The second nonprofit may have been created by the CHDO; nevertheless it is a separate entity from the CHDO.) The CHDO must provide sufficient resources to the nonprofit organization to ensure the completion of the development and long-term operation of the project.

For HOME-assisted homebuyer projects - The CHDO is considered a sponsor when it owns a property and then shifts responsibility for the project to another nonprofit at a specified time in the development process. The second nonprofit, in turn, transfers title, along with the HOME obligations and resale/recapture requirements, to a HOME-qualified homebuyer within a specified time frame. In this situation, the following requirements apply:

- The HOME funds must be invested in the property owned by the CHDO.
- The other nonprofit being sponsored by the CHDO must acquire the completed units or complete the rehabilitation or construction of the property.

Upon completion of the rehabilitation or construction, the sponsored nonprofit is required to sell (transfer) the property, along with the HOME loan/grant obligations, to a qualified homebuyer.

This sponsorship role could include a lease-purchase approach, whereby the sponsor would lease the property to a homebuyer for a period not to exceed two years. At the expiration of the lease, the sponsor must sell or transfer the property, along with the HOME loan/grant obligations, to the homebuyer. If the property is not transferred, the sponsored nonprofit retains ownership and all HOME rental requirements will apply.

CHDO's AS DEVELOPER OR SPONSOR

The CHDO developer and sponsor roles are similar in many ways. In both roles, the CHDO carries out the principal project development activities, such as acquisition, financing, construction management, and assembling a capable development team to bring a project from conception to completion. However, as developer, the CHDO need not own the property. As sponsor, the CHDO must own the property and shift the responsibility to another nonprofit at a specified time in the development process. This transfer could occur, for example, at the:

- Initiation of the construction,
- Completion of the construction, or
- Issuance of the certificate of occupancy.

3. CHDO AS AN OWNER

A CHDO is considered an owner of a property when it holds valid legal title or has a long term leasehold interest (99-year minimum). The CHDO may be an owner with one or more individuals, corporations, partnerships, or other legal entities.

While a CHDO may be sole owner and have another entity act as developer, it can also be the owner and developer of its own project. The CHDO may own a property in partnership with either a majority or minority interest. However, the CHDO, in partnership with a wholly owned for profit or nonprofit subsidiary, must be the managing general partner with effective control (in decision making authority) of the project.

CHDO AS A SUBRECIPIENT

CHDO's may play the role of a "subrecipient," which undertakes all other HOME-eligible activities. Activities performed as a subrecipient cannot be undertaken with, nor do they count toward, the 15 percent CHDO set-aside. Being a HOME subrecipient is not the same as being a subrecipient in the Community Development Block Grant Program. A HOME subrecipient is an entity selected by the PJ to administer:

- aspects of a HOME Program (i.e., screen projects, market activities, review and certify tenant income, counsel potential homebuyers), or
- an entire HOME activity (i.e., manage a tenant based rental assistance program or review requests for HOME funds for the rental housing production set-aside).

When a CHDO is acting in the capacity of a HOME subrecipient, it may not also receive HOME funds to develop, sponsor, or own housing funded through the subrecipient activity it is administering. Doing so constitutes a conflict of interest for the CHDO. For example, if a CHDO is distributing funds for a rental program for a PJ (as a subrecipient), the CHDO may not grant itself money for rental projects it is developing.

SPECIAL ASSISTANCE AVAILABLE TO CHDO's

Certified CHDO's are eligible to receive special assistance funds. In contrast to the 15 percent set-aside mandated by the HOME Program, PJs have total discretion about whether to provide these special forms of assistance to CHDO's. They are available in the following forms:

OPERATING EXPENSES IN CONJUNCTION WITH PRODUCING UNITS

Funds are available to provide general operating assistance to CHDO's receiving or which are eligible to receive CHDO set-aside funds for activities. Certified CHDO's may receive funds from PJs to be used for operating expenses. PJs have the option of allocating up to 5 percent of their HOME allocations to provide funds for CHDO operating expenses. This allocation does not count toward the required 15 percent CHDO set-aside funds that are to be used by CHDOs for projects.

Eligible operating expenses for which CHDO's may use the funds allocated by PJs include:

- Salaries, wages, benefits, and other employee compensation;
- Employee education, training and travel;
- Rent and utilities;
- Communication costs;
- Taxes and insurance; and
- Equipment, materials and supplies.

Certified CHDO's are eligible to receive operating funding to assist in building capacity with the understanding that units of housing must be produced. For additional information on CHDO Operating Assistance, please contact:

Ra'Chel'Ni Mar'Na, MA HOME Program Manager
City of Mesa Department of Housing and Community Development
20 East Main Street
Mesa, Arizona 85201
(480) 644-3020 Rachelni.Marna@mesaaz.gov

PROJECT PROCEEDS

All project proceeds shall be returned to the City of Mesa. At the discretion of the City, a CHDO may retain some or all of the proceeds from a CHDO development activity. The City will stipulate in its written agreement with the CHDO whether the CHDO may retain project proceeds or return them to the City.

CHDO project proceeds are funds resulting from:

- Permanent financing of a CHDO project that is used to pay off a CHDO-financed construction loan.
- Sale of CHDO-sponsored rental housing to a second non-profit.
- Sale of CHDO-developed homeownership housing.
- The principal and interest payments from a loan to a buyer of CHDO-developed homeownership housing.

If authorization is given by HCD for a CHDO to retain project proceeds, then proceeds must still be used for HOME-eligible activities or other low-income housing activities. HCD shall determine how the proceeds can be used in the written agreement with the CHDO. HCD may establish more stringent requirements, than those required by the HOME Final Rule on the use of CHDO proceeds. A PJ may have a flexible policy on the use of proceeds that differs from CHDO to CHDO, or even from project to project. CHDO project proceeds are not considered HOME program income and are not subject to program income requirements. However, CHDO project proceeds that are returned to the PJ are considered program income and are subject to HOME program income requirements.

If a CHDO is acting as a subrecipient, the funds generated from HOME-assisted activities are program income and are subject to HOME program income requirements. HOME funds recaptured because housing no longer meets affordability requirements are not considered proceeds and are subject to the requirements on program income. Once CHDO project proceeds are used by the CHDO for eligible activities, there are no further HOME requirements. Funds generated from the use of CHDO proceeds are not considered CHDO proceeds. The exception to this rule is if the PJ requires that these funds continue to be used for eligible activities. (HCD may impose more stringent requirements than the HOME regulations.)

ELIGIBLE & INELIGIBLE USES OF HOME FUNDS

ELIGIBLE ACTIVITIES - OWNERS, SPONSORS, DEVELOPERS

Using the 15% set-aside, a CHDO acting as an owner, sponsor, or developer may undertake any of the following activities:

- Acquisition and/or rehabilitation of rental property;

- New construction of rental housing; acquisition and/or rehabilitation of homebuyer property;
- New construction of homebuyer property; and
- Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds.

INELIGIBLE ACTIVITIES - OWNERS, SPONSORS, DEVELOPERS

Using the 15% set-aside, a CHDO acting as an owner, sponsor, or developer may not undertake any of the following activities:

- Rehabilitation of existing homeowners' properties; and
- Tenant-based rental assistance.

ELIGIBLE ACTIVITIES - SUBRECIPIENTS

CHDO's may also act as subrecipients with non-set-aside funds by undertaking all other HOME-eligible activities such as:

- TBRA
- Homeowner Rehabilitation
- Providing down payment or closing cost assistance, and
- Brokering or other real estate transactions that do not count toward the set-aside.

EFFECTIVE PERIOD OF CHDO CERTIFICATION

HCD shall certify the CHDO organization based upon the housing activity it proposes to undertake (Develop, Own, and Sponsor). **Once a CHDO has been certified, it must maintain that certification for the life of the CHDO Agreement (including the affordability period). This includes maintaining both staff capacity and Board of Director composition requirements.**

Each time the CHDO has a board meeting, the board composition requirements must be maintained with its quorum attending. If a CHDO holds a board meeting and does not maintain 2/3 majority low-income and low-income representation (limiting public official to no more than 1/3), that board meeting shall be deemed "out of compliance" and HCD shall not allow that board action taken. Each official board action must be submitted to HCD along with the duly recorded Resolution showing the board members that comprised the quorum and the action taken.

If the CHDO fails to submit these board resolutions, the CHDO will be de-certified and may be required to submit a complete CHDO Certification application to regain CHDO status.



CHDO Certification Application

Organization Information

Organization Legal Name:	Tax ID Number:
	DUNS Number:

Address:	Mailing Address (if different from physical address)

Contact Name/Title: Chief Executive Officer/Executive Director

Phone:	Phone:
Fax:	Fax:
Email Address:	Email Address:

President of the Board of Directors: Secretary of the Board of Directors:

Phone:	Phone:
Fax:	Fax:
Email Address:	Email Address:

Activities

Please describe the CHDO eligible activities your organization plan to undertake in the next 12 months as a CHDO.

Service Area

1.	2.	3.	4.	5.	6.	County	Service Area		County	Service Area	
							General	CHDO		General	CHDO

II. CAPACITY

<input type="checkbox"/>	<p>a. Conforms to the financial accountability standards of 24 CFR 84.21, “Standards for Financial Management Systems”. As Appendix 3, provide one of the following:</p> <p><input type="checkbox"/> a notarized statement by the president or chief financial officer of the organization</p> <p><input type="checkbox"/> a certification from a Certified Public Accountant</p> <p><input type="checkbox"/> a HUD approved audit summary</p>	<p>Requirements Met</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<input type="checkbox"/>	<p>b. Has demonstrated capacity for carrying out activities assisted with HOME funds. As Attachment 4, provide one of the following:</p> <p><input type="checkbox"/> Résumés that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds; -OR-</p> <p><input type="checkbox"/> 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 (<i>only new 501(c)</i>)</p>	<p>Requirements Met</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<input type="checkbox"/>	<p>c. Has a history of serving the community(ies) where housing to be assisted with HOME funds will be produced. As Appendix 5, provide one of the following:</p> <p><input type="checkbox"/> Statement signed by the Board President that details at least one year of experience in serving each community for which Certification is sought,</p> <p>-OR-</p> <p><input type="checkbox"/> For newly-created organizations formed by local churches, service or community organizations, a statement signed by the Board President that details that its parent organization has at least one year of experience in serving each community for which Certification is sought.</p> <p>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.</p>	<p>Requirements Met</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p>



III. ORGANIZATIONAL STRUCTURE

<input type="checkbox"/>	<p>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:</p> <p><input type="checkbox"/> By-Laws <input type="checkbox"/> Charter <input type="checkbox"/> Articles of Incorporation</p> <p><i>Note: 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).</i></p>	<p>Requirements Met <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<input type="checkbox"/>	<p>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. Identify the appropriate document and Section here below that indicates compliance.</p> <p><input type="checkbox"/> The organization's Bylaws, <input type="checkbox"/> Resolutions, -OR- <input type="checkbox"/> A written statement of operating procedures approved and signed by the governing body</p>	<p>Requirements Met <input type="checkbox"/> Yes <input type="checkbox"/> No</p>
<input type="checkbox"/>	<p>c. A CHDO may be chartered by a state or local government however, all of the following restrictions apply:</p> <p>(1) the State or local government may not appoint more than one-third of the membership of the organization's governing body as evidenced by the organization's:</p> <p><input type="checkbox"/> By-Laws <input type="checkbox"/> Charter <input type="checkbox"/> Articles of Incorporation</p> <p>(2) the board members appointed by the State or local government may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the organization's:</p> <p><input type="checkbox"/> By-Laws <input type="checkbox"/> Charter <input type="checkbox"/> Articles of Incorporation</p> <p>(3) no more than one-third of the governing board members are public officials (including any employees of the PJ), as evidenced by the organization's:</p> <p><input type="checkbox"/> By-Laws <input type="checkbox"/> Charter <input type="checkbox"/> Articles of Incorporation</p>	<p>Requirements Met <input type="checkbox"/> Yes <input type="checkbox"/> No</p>



<input type="checkbox"/>	<p>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:</p> <p> <input type="checkbox"/> By-Laws <input type="checkbox"/> Charter <input type="checkbox"/> Articles of Incorporation </p>	<input type="checkbox"/> Yes <input type="checkbox"/> No
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IV. RELATIONSHIP WITH FOR-PROFIT ENTITIES

<input type="checkbox"/>	<p>a. The CHDO is not controlled, nor receives directions from individuals, or entities seeking profit from the organization, as evidenced by:</p> <p> <input type="checkbox"/> the organization's By-laws <input type="checkbox"/> a Memorandum of Understanding (MOU) </p>	<p>Requirements Met</p> <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/>	<p>b. A Community Housing Development Organization may be sponsored or created by a for-profit entity, however:</p> <p>(1) the for-profit entity's primary purpose does not include the development or management of housing, as evidenced in:</p> <p> <input type="checkbox"/> the for-profit organization's By-laws </p> <p style="text-align: center;">AND;</p> <p>(2) the CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced in the CHDO's:</p> <p> <input checked="" type="checkbox"/> By-Laws <input checked="" type="checkbox"/> Charter <input checked="" type="checkbox"/> Articles of Incorporation </p>	<p>Requirements Met</p> <input type="checkbox"/> Yes <input type="checkbox"/> No

V. ADDITIONAL FUNDING ELIGIBILITY REQUIREMENTS

<input type="checkbox"/>	<input type="checkbox"/> EPLS Clearance	<p>Requirements Met</p> <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/>	<input type="checkbox"/> DUNS Number	<p>Requirements Met</p> <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/>	<p> <input type="checkbox"/> Developer <input type="checkbox"/> Owner <input type="checkbox"/> Sponsor </p> <p>Date: _____ Reviewer: _____</p>	<p>Requirements Met</p> <input type="checkbox"/> Yes <input type="checkbox"/> No



VI. PROJECT FUNDING ELIGIBILITY REQUIREMENTS

<input type="checkbox"/>	<input type="checkbox"/> Project Application - Including: <input type="checkbox"/> Development Plan <input type="checkbox"/> Construction Budget <input type="checkbox"/> Development Budget <input type="checkbox"/> For-Sale Pro-forma <input type="checkbox"/> Rental Pro-forma <input type="checkbox"/> Extended Operating Projection (10, 20, 30 yr.) <input type="checkbox"/> Private Financing <input type="checkbox"/> Critical Path Project Timeline Schedule <input type="checkbox"/> Drawing / Floor Plans / Site Plans <input type="checkbox"/> _____ <input type="checkbox"/> _____	Requirements Met <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/>	<input type="checkbox"/> Underwriting Review Date: _____ Record #: _____ By: _____	Requirements Met <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/>	<input type="checkbox"/> Loan & Grant Committee Approval Date: _____ Record #: _____	Requirements Met <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/>	<input type="checkbox"/> Contract <input type="checkbox"/> IDIS Setup Date: _____ IDIS #: _____ By: _____	Requirements Met <input type="checkbox"/> Yes <input type="checkbox"/> No



**ATTACHMENT 1
ADMINISTRATIVE AUDIT AND LEGAL ISSUES
(Attach all supporting documentation)**

	Yes	No
A. Has your organization been placed under administrative restrictions from federal, state, or local sources at any time in the past 5 years?	<input type="checkbox"/>	<input type="checkbox"/>
B. Has your organization been involved in any lawsuits?	<input type="checkbox"/>	<input type="checkbox"/>
C. Are there any outstanding judgments against your organization?	<input type="checkbox"/>	<input type="checkbox"/>
D. Has your organization defaulted on any loans in the past 5 years?	<input type="checkbox"/>	<input type="checkbox"/>
E. Has your organization had any audit findings in the past 5 years?	<input type="checkbox"/>	<input type="checkbox"/>

If you answered "Yes" to any of the above questions, attach a complete explanation labeled as "Attachment 2 Supplemental Response"



ATTACHMENT 2
CERTIFICATIONS

By signing below:

- A. The Applicant Organization certifies that the information provided in this application for certification as a City Community Housing Development Organization is true and complete.
- B. The Applicant Organization understands that the Agency may conduct its own independent review of the information herein and the attachments, and may verify information from any source; and
- C. The Applicant Organization understands that the City of Mesa will not be responsible for any costs incurred by the applicant in developing and submitting this application, and that all applications submitted become the property of the City.

Name of Authorized Official: _____

Signature of Authorized Official: _____

Title of Authorized Official: _____

Date: _____



**ATTACHMENT 3
QUESTIONNAIRE
OMB-110 (24 CFR PART 84.21)
STANDARDS FOR FINANCIAL MANAGEMENT SYSTEMS**

Name of Organization: _____

Address: _____

Phone: Fax: _____

Name of person completing questionnaire: _____

INSTRUCTIONS:

Please complete the questions below with as much detail as necessary. Please attach additional documentation when asked for and/or when the space provided is insufficient.

- 1) On what basis are financial records maintained? If other than accrual, can pertinent accrual data be developed for reports on the basis of an analysis of the records on hand?
- 2) How do your records identify the source and application of funds for federally sponsored activities? What is captured in the records (i.e., award amounts, grantee authorizations, obligations, outlays, etc.)?
- 3) What controls are in place to adequately account for and safeguard funds, property and other assets and to assure they are solely used for authorized purposes?
- 4) Do you have a budget system? If not, what procedures do you have in place to provide for a comparison of outlays with budget amounts for each award?
- 5) What procedures do you have in place to relate financial information to performance and unit cost data?
- 6) Please provide written policies on your cash management procedures. How do you minimize the time lapse between the reimbursement of Federal funds and the actual disbursement for program purposes?
- 7) What controls are in place to determine whether disbursements are reasonable and allowable under grant programs? These disbursements must be allowable under the grant program as well as in accordance with the applicable Federal cost principles as documented in OMB A-122. Please provide written procedures.
- 8) What accounting systems do you have in place to ensure that all accounting records are supported by source documentation (i.e. accounting software)?
- 9) Does your organization have an annual audit? Is the most recent audit current?
- 10) Does the organization have a conflict of interest policy governing employees and development activities, particularly in the procurement of contract services and the award of housing units for occupancy?
- 11) Does the current balance sheet and budget indicate sufficient funds to support essential operations? Does the organization have a diversified and stable funding base for operations? What revenue sources are predictable year to year?
- 12) Does the organization have liquid assets available to cover current expenses?



**ATTACHMENT 3
QUESTIONNAIRE
OMB-110 (24 CFR PART 84.21)
STANDARDS FOR FINANCIAL MANAGEMENT SYSTEMS**

Page 2 of 2.

Name of Organization: _____

Address: _____

Phone: Fax: _____

Name of person completing questionnaire: _____

I hereby certify that the responses to the above questions are true and accurate.

Name of Authorized Official: _____

Signature of Authorized Official: _____

Title of Authorized Official: _____

Date: _____



**ATTACHMENT 5
CERTIFICATION OF LOW-INCOME REPRESENTATION**

Each board member representing the interests of low-income families in the Applicant's service area must complete this certification. Please maintain a copy of this certification in your files and send a copy to the City of Mesa. Note: the board member needs to check at least one of the three criteria listed below but does not need to indicate the specific way in which he or she represents low-income community interests.

Board Member Name: _____.

I certify that I am a current member in good standing of the governing board for

(Name of the CHDO organization seeking certification) and that I represent the interests of low-income families in the Applicant's service area.

Please check and complete one of the following:

- I am a low-income resident of _____, a community in the Applicant's service area. ***In order to qualify under this criteria, the board member must be a low-income resident of a community that the CHDO is planning to serve or is currently serving. Low-income is defined as 80% or less of area median family income.***

OR

- I am a low-income resident of a neighborhood in _____, a community in the Applicant's service area. ***In order to qualify under this criteria, 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.***

OR

- I am an elected representative of _____, a low-income neighborhood organization within _____, a community in the Applicant's service area. ***In order to qualify under this third criteria, the person must be elected by a low-income neighborhood organization to serve on the CHDO Board. The organization must be composed primarily of residents of a 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 must be a neighborhood organization and IT MAY NOT BE THE CHDO ITSELF. If the applicant is representing a low income neighborhood organization, please attach a copy of the signed resolution from the neighborhood organization naming the individual as their representative on the CHDO.***

Signature: _____

Date: _____

ATTACHMENT 6
DESCRIPTION OF PROCESS FOR OBTAINING LOW-INCOME INPUT

1. In what ways was low-income input sought and implemented in the past year and what were the results?

2. How have the low-income residents and program beneficiaries in your service area been involved with the CHDO to advise on policies and procedures, program design, site location(s), and the development and management of affordable housing?

3. Are there any unique approaches you have taken to obtain feedback from low-income residents and what avenues will be pursued to overcome these barriers?

Having low-income representatives on the board of directors does not satisfy the low-income advisory process. The low-income advisory process is designed to report the outreach efforts made by the CHDO to the low-income community.

**Attach additional sheets as necessary.*

