Orangeburg County
HOME Consortium

aka

Lower Savannah
Regional Housing Consortium

Community Housing Development Organization (CHDO)

Application for Designation - Guidelines
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Part 1

DEFINITIONS

**Annual Income** means 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 measures 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** means any 501(c)(3) or (4) interested in applying for HOME or HTF program funds.

**Application** means the completed forms, schedules, attachments, and any additional documentation requested in the application for designation package.

**Application Deadline** the date nonprofits must apply for an initial designation or to re-certify an already existing designation to become an approved nonprofit or CHDO.

**Audit** means complete and current financial statements that have been audited by a Certified Public Accountant (CPA) licensed by the South Carolina Board of Accountancy. Current means not more than twelve (12) months from the date that the audit was performed.

**Capacity** - sum of an organization’s experience in relationship to tasks to be undertaken; credible and ethical management practices; perceived ability to deliver within the system.

**CDBG** – Community Development Block Grant

**CHDO Applicant** means any 501(c)(3) or (4) or Section 905 subordinate organization applying for HOME funds.

**CHDO Developer** - A CHDO is a developer of rental housing when it owns (in fee simple absolute or has a long term ground lease) multifamily or single family housing and develops new housing that will be constructed or existing substandard housing that will be rehabilitated for rent to low-income families. It must be in sole charge of all aspects of the development process, including obtaining zoning and building permits, 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. Housing for homeownership is “developed” by the community development housing organization if the community housing development organization is the owner (in fee simple absolute) and developer of new housing that will be constructed or existing substandard housing that will be rehabilitated for sale to low-income families.

**CHDO Operating Expenses** means 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 may only be awarded to those CHDOs that receive a HOME project award during HOME’s competitive cycle or during the LIHTC/HOME combined cycle.

**CHDO Owner** – A CHDO is an "owner" when it owns (in fee simple absolute) multifamily or single family housing for rental to low-income families or when it holds a valid legal title to or has a long-term (99 year minimum) leasehold interest in a property. The CHDO may be owner with one or more individuals, corporations, partnerships or other legal entities. While the CHDO may just be the owner with another entity acting as a developer, it can also be the sole owner and developer of its own project.

**CHDO Sponsor** - A CHDO is a sponsor when it “developed” the rental housing project that it agrees to convey to an identified private nonprofit organization, which will also assume the CHDO’s HOME obligations, at a predetermined time after completion of the development of the project. The CHDO sponsor receives the initial commitment of CHDO set-aside with the requirement that it designates up-front the second private non-profit organization before funds are committed. The CHDO must initially own or acquire the property. If the property is not transferred to the non-profit organization, the CHDO sponsor remains liable for the HOME assistance and the project.

**Community** - 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)

**Community Housing Development Organizations (CHDOs)** means private non-profit organizations that are organized pursuant to the definition in the HUD Regulations found in 24 CFR Part 92.2.

**Contact Person** means a person with decision-making LSRC for the applicant with whom the LSRC will correspond concerning the application.

**Housing Consultant** - a group or individual that has experience in housing development (single- or multi-family) utilizing government funding. In addition, the group or individual has working knowledge of operating a nonprofit entity in the development of business and housing strategies, administrative and financial management, board and community involvement, funding application preparation, etc. **NOTE**: Consultants are to be used to provide and build capacity. This does not include providing ongoing services such as grant writing and/or development services.

**Housing Strategy Plan** - a wide-ranging document that examines housing-related challenges in a designated service area, sets out all housing objectives and establishes clear priorities for action. A housing strategy is supported by a detailed action plan. Typically, a strategy plan covers a five- or ten-year period.

**Liquid Assets** – The LSRHC 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, and lines of credit obtained from a financial institution or other entity.

**Low-Income** - A family whose annual (gross) income does not exceed 80% of the median family income for the area (adjusted for family size). HUD may establish, on an exception basis, income ceilings higher or lower than 80% of median income for an area.
**Low-Income Input Records** – document that memorializes and provides 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 information gathered at a previous time was shared; 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 and church groups are examples of low-income neighborhood organizations.

**Parent or Sponsoring Organization** – means other nonprofits, charities, religious organizations, local or state government, public agencies or for-profit corporations. A non-profit organization seeking CHDO designation status that has been created or sponsored by a for-profit entity is prohibited from having the officers or employees of the for-profit entity serve as officers or employees of the CHDO.

**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.

**Training Plan** - must address 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; completion date.
CHDO Designation Application Checklist

Please include this checklist with the application along with all required documentation when applying for initial or re-certification for either CHDO or Nonprofit designation.

**Initial Designation:**

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<th>Initial Certification Check-off</th>
<th>Required Information</th>
<th>Nonprofit Initials</th>
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<td>Charter OR Articles of Incorporation</td>
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<td>Bylaws</td>
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<td>Certificate of Existence</td>
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<td>Housing Strategy Plan</td>
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Part 2
General Requirements

Submitting Applications:
Applications will be accepted on a continuous basis for initial designation. CHDOs must recertify when applying for individual HOME funded projects and must submit proper capacity documentation for each project at the time of application. Applications may be delivered by mail, other shipping service, or by hand delivered as follows:

Orangeburg HOME Consortium
Lower Savannah Regional Housing Consortium
Attn: Yolonda Buchanan
CHDO Designation Application

Mailing Address
PO Box 850 Aiken, SC  29802
Physical Address
2748 Wagener Rd., Aiken, SC  29801

•  Facsimile and email transmissions will NOT be accepted.
•  Incomplete applications will NOT be eligible for consideration.
•  Applications may be obtained from Lower Savannah Council of Governments by calling (803) 649-7981 or emailing Yolonda Buchanan at ybuchanan@lscog.org.

Application Review Process:

•  Review of Initial and Recertification Designations will be completed no later than fifteen (15) business days from receipt of application.

•  Applications will be scored and reviewed by LSRHC staff.
•  Qualifying organizations will receive a letter of designation.
•  Organizations that fail to qualify will receive a letter noting the deficiencies and a timeline in which to submit corrections.
•  The LSRHC will maintain a list of Approved LSRHC designated Community Housing Development Organizations (CHDOs).
•  Each time a CHDO requests funds for a project, LSRHC must recertify that it has the capacity to implement said project.
CHDO REQUIREMENTS for HOME

The primary purpose of the HOME program is to promote partnerships and to expand the supply of decent, safe and affordable housing for low-income families. To this end, it was legislated that a minimum of fifteen percent (15%) of HOME funds must be set-aside annually for use by specific types of nonprofit housing organizations known as Community Housing Development Organizations (CHDOs). 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, and/or owner of HOME-assisted housing. These activities are limited to rental and housing for homeownership. Only nonprofit organizations that have been certified by the LSRHC as CHDOs can receive HOME funds from the fifteen percent (15%) CHDO set-aside.

Eligible CHDO Roles:

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

Eligible CHDO Activities:

- **Rental** – Acquisition, Construction and Rehabilitation

- **Housing for Homeownership** – New Construction

Non-Eligible CHDO Activities:

- Owner-Occupied Rehabilitation
- Operating Subsidies
- Down Payment and Closing Cost Assistance
- Nonfederal matching contributions required under any other Federal program
- Assistance to a project previously assisted with HOME funds during the period of affordability (other than tenant-based rental assistance or assistance to a homebuyer to acquire housing previously assisted with HOME funds).

QUALIFYING CRITERIA (LEGAL STATUS):

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 LSRHC as a CHDO:

   - 501(c)(3) status - a charitable, nonprofit corporation;
   - 501(c)(4) status - a community or civic organization; or
   - Section 905 status - a subordinate organization of a 501(c) organization.

Submit documentation (IRS certification) for one of the above HOME permissible designations.
2. An organization must be organized under State and Local Laws. **Submit one of the following with the CHDO application:**

- Charter, or
- Certificate of Incorporation from the South Carolina Secretary of State’s Office

It is required that the organization maintain a status of “Good Standing” with the South Carolina Secretary of State’s Office as long as the organization is a CHDO. The LSRHC will require documentation evidencing this at recertification.

3. Provision of decent housing that is affordable to low and moderate-income persons must be among the purposes of a potential CHDO. This commitment must be evidenced by a statement in one or more of the following organizational documents:

- Charter;
- Articles of Incorporation;
- By-Laws, or;
- Resolution approved by the Board of Directors

**Submit a copy of the commitment to provide decent affordable housing with the application.**

4. 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 LSRHC programs, including any member of a nonprofit’s staff, family member, board of directors, or any related person seeking any direct or indirect benefit” - must be evidenced in the:

- Charter;
- Articles of Incorporation;
- By-Laws, or;
- Resolution approved by the Board of Directors

**Submit a copy of the “no benefit” provision with the application.**

5. CHDOs must have a clearly defined geographic service area. A CHDO’s service area can be a single neighborhood or part of the state of South Carolina but not the entire state. Below are guidelines potential CHDOs can use to help define their service area:

- CHDOs do not need to represent a single neighborhood;
- For urban areas, a CHDO may include in its service area a neighborhood or neighborhoods, city, county, or metropolitan area;
- For rural areas, a CHDO may include in its service area a neighborhood or neighborhoods, town, village, county or multi-county area (but not the entire State);
- Nonprofits serving special populations must also define the geographic boundaries of their service areas in order to qualify as CHDOs.

**Submit a copy of the document indicating the applicant’s service area along with a map outlining the service area with the application.**
ORGANIZATION STRUCTURE:

Structure of the Board of Directors - CHDOs were created to respond to a particular community’s needs. Therefore, the structure of a CHDO’s Board of Directors is viewed as the main indicator of community control over the CHDO. A CHDO Board 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 target areas, one or several neighborhoods, 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 SC State Housing Finance website for 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.

   NOTE: 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).

2. No more than one-third (1/3) of the Board may be public officials or employees of the Participating Jurisdiction (PJ). A member of the governing board of a potential CHDO 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 the schools) or departments of government (e.g. a clerk in the water and sewer department, a public facility janitor or a secretary in the tax assessment office); 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 with Application Submission - Applicants must complete the “Board of Directors Status Listing.” In addition, each Board member is required to complete “Board of Directors Representation,” These attachments will be used to determine if the organization’s Board
structure meets HUD’s regulatory requirements for board structure.

These documents will also be required at CHDO designation recertification.

4. **Low-Income Input** - Potential CHDOs 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. The process must be described in writing and must be included in the organizations bylaws or in a board resolution.

   - Potential CHDOs 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.
   - This formal process must be in place prior to the submission of a CHDO application for designation.
   - This process must be described in writing and must be included in the organization’s bylaws or in an approved resolution by the Board of Directors.
   - Approved CHDOs must maintain records showing the established formal process has been followed.

Submit a copy of the CHDO’s Low-Income Community Input process.

**NOTE:** Input from the low-income community is not met solely by having low-income community representatives on the Board of Directors.

**EXPERIENCE AND CAPACITY:**

1. **Experience** - A potential CHDO must demonstrate that it has at least one year’s experience serving the community where it intends to develop HOME-assisted housing. CHDOs must also have some type of affordable housing experience, and experience operating in the capacity in which it asks for funds from the LSRHC. CHDOs must have successfully completed a minimum of two (2) affordable housing projects. Projects that are ongoing at the time of application do not count towards this minimum.

   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 affordable housing project experience.

   **Documentation to justify experience must be submitted behind can include:**

   - Newspaper clippings;
   - Annual reports;
   - Other funding approval for the particular community; or
   - Other appropriate confirmation

2. **Financial Capacity** - At a minimum, a potential CHDO must have financial accountability standards that conform to the requirements of 24 CFR 84.21, "Standards for Financial Management Systems.” The organization must have a minimum of **forty thousand dollars ($40,000)** in unrestricted liquid assets. Refer to the included definitions section for what can and cannot qualify as liquid assets.

   **Documentation for Application** - The financial certification provided must be completed and submitted behind as well as a copy of the organization’s last audit report, operating budget, and current bank statements.

   **An executed financial certification will be required at CHDO designation recertification.**
estimated CHDO operating budget will be required as well.

3. **Staff Capacity** - An organization wanting to become a CHDO must demonstrate the capacity of its key staff to carry out the HOME-assisted activities it will eventually pursue. Because the purpose of this capacity requirement is to build staff expertise, CHDOs must have their own paid professional staff. This can be accomplished by having:

- Experienced key staff that have successfully completed projects similar to those proposed by the applicant.
- Key staff **CANNOT BE** municipal, county or state employees, volunteers, or donated staff.
- 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.
- Consultants or volunteers can continue to fill occasional skill gaps or undertake activities that are required only on a periodic basis but cannot be the basis of a determination that a nonprofit has the capacity to be designated as a CHDO.
- The LSRHC expects key staff to eventually operate the CHDO without the assistance of a housing consultant. A CHDO in its first year of involvement in the Consortium may count consultant capacity, but can count only paid staff after the initial year. CHDOs unable to operate on their own or unable to sustain staff capacity, within a designated timeframe outlined in the training plan, may be at risk for future recertification.
- Skills necessary to sustain capacity include:
  - Management of the organization on a daily basis: time management; fiscal management; conflict management; team management; communication; and commitment.
  - Defining the project: identify market, assemble/manage development team; test feasibility; and negotiate effectively.
  - Undertake project: build and maintain relationships; attend to details; manage the development team; adapt and manage a crises; and negotiate effectively.
  - Complete or manage a project to completion: deliver on time and within the established budget and produce a quality product, recognize and fix mistakes when made; and evaluate outcomes objectively.

**Documentation that may be submitted with Application:**

- Resumes of all key staff; and
- Descriptions of similar completed or ongoing projects key staff, volunteers or consultants have or are working on; and
- If a consultant will be used, detailed training plan must be submitted along with the consultant contract.