CHDO Requirements Checklist

Organizations seeking to become a certified Community Housing Development Organizations (CHDOs) in the City of Houston are required to satisfy and document the requirements of the *CHDO Requirements Checklist*. The City of Houston’s Housing and Community Development Department (HCDD) is responsible for certifying and recertifying that each applicant organization is eligible to be certified as a CHDO. This *Checklist* serves as a baseline for CHDO eligibility.

Before committing CHDO set-aside funds to an organization, HCDD must certify the organization:

1. Meets the definition of a ‘‘community housing development organization’’ in [§92.2](https://www.gpo.gov/fdsys/pkg/CFR-2004-title24-vol1/xml/CFR-2004-title24-vol1-sec92-2.xml);
2. Has paid staff with demonstrated experience appropriate to the role the organization will play for the project being funded;
3. Demonstrates fiscal soundness; and
4. Has a project eligible for the set-aside that the organization will develop in accordance with [§92.300](https://www.gpo.gov/fdsys/pkg/CFR-2004-title24-vol1/xml/CFR-2004-title24-vol1-sec92-300.xml)..

|  |  |  |
| --- | --- | --- |
| **CHDO Requirements** | **Rule Citation** | **Requirement satisfied & documented** |
| **ORGANIZATIONAL REQUIREMENTS** |  |
| **1. Legal structure** |  |  |
| 1.1. The organization is organized under state or local law. | §92.2 CHDODefinition ¶ (1) |  |
| 1.2. The organization has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons. | §92.2 CHDODefinition ¶ (7) |  |
| 1.3. The organization has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual. | §92.2 CHDODefinition ¶ (2) |  |
| 1.4. The organization is not under the control or direction by any individual or entity seeking to derive profit or gain. | §92.2 CHDODefinition ¶ (3) |  |
| * 1. The organization has one of the following IRS tax exempt statuses:
		1. Exemption under 501(c)(3) or 501(c)(4);
		2. Subordinate of a central nonprofit under IRC Section 905; or
		3. A private nonprofit that is a wholly owned subsidiary of an organization that has 501(c)(3) or (c)(4) status and meets the CHDO definition.
 | §92.2 CHDODefinition ¶ (4) |  |
| 1.6. The organization is not a governmental entity (any of the following: participating jurisdiction, other jurisdiction, Indian tribe, public housing agency, Indian housing authority, housing finance agency, or redevelopment authority). | §92.2 CHDODefinition ¶ (5) |  |
| **2. Independence** |  |  |
| 2.1. Public officials & employees of a governmental entity may comprise no more than 1/3 of the board. | §92.2 CHDODefinition ¶ (5) |  |
| 2.2. Officers and employees of a governmental entity cannot be officers (e.g. CEO, CFO, or COO) or employees of a CHDO. | §92.2 CHDODefinition ¶ (5) |  |

|  |  |  |
| --- | --- | --- |
| **CHDO Requirements** | **Rule Citation** | **Requirement satisfied & documented** |
| 2.3. If the organization was created by a governmental entity, then the governmental entity that created the organization may not appoint more than 1/3 of the board members and board members appointed by the governmental entity may not appoint remaining 2/3. | §92.2 CHDODefinition ¶ (5) |  |
| 2.4. If the organization was created by a for-profit entity, then 2.4.1 through 2.4.4 apply: |  |  |
| 2.4.1. The for-profit entity that sponsored or created the organization may not have as its primary purpose the development or management of housing, such as a builder, developer, or real estate management firm. | §92.2 CHDODefinition ¶ (3)(i) |  |
| 2.4.2. The for-profit entity that created the organization may not appoint more than 1/3 board members, and for-profit-appointed members may not appoint remaining 2/3 of board. | §92.2 CHDODefinition ¶ (3)(ii) |  |
| 2.4.3. Officers and employees of the for-profit entity that created the organization cannot be officers or employees of the CHDO. | §92.2 CHDODefinition ¶ (3)(iv) |  |
| 2.4.4. The organization must be free to contract for goods & services with others. | §92.2 CHDODefinition ¶ (3)(iii) |  |
| **3. Accountability to the Low Income Community** |  |  |
| 3.1. The organization must have a designated service area (i.e. the “community” in which it produces housing). A community can be a neighborhood or neighborhoods, city, county, metropolitan area, or multi-county area (but not the entire State). | §92.2 CHDODefinition ¶ (8)(i) |  |
| 3.2. At least 1/3 of the board members are: 1) low-income; 2) residents of a low- income neighborhood; or 3) elected representatives of a low-income neighborhood organization. | §92.2 CHDODefinition ¶ (8)(i) |  |
| 3.3. The organization has a formally adopted process for low-income beneficiaries to advise it on decisions regarding design, siting, development, and management of housing. | §92.2 CHDODefinition ¶ (8)(ii) |  |
| 3.4. The organization has at least 1 year of serving the community, or, if it is formed by local churches, service organizations, or neighborhood organizations, its parent organization meets this requirement. | §92.2 CHDODefinition ¶ (10) |  |
| **4. Capacity** |  |  |
| 4.1. The organization has financial management systems that conform to 2 CFR200.302 and 200.303 | §92.2 CHDODefinition ¶ (6) |  |

|  |  |  |
| --- | --- | --- |
| **CHDO Requirements** | **Rule Citation** | **Requirement satisfied & documented** |
| 4.2. The organization has paid employees with demonstrated experience relevant to the CHDO’s role in undertaking the HOME activity to be funded. (Note: this does not include volunteers, board members, donated or shared staff, or consultants – except as described in 4.1.1. below.) | §92.2 CHDODefinition ¶ (9) |  |
| 4.2.1. During the first year of an organization’s funding as a CHDO only, capacity can be demonstrated through a contract with a consultant who has housing development experience to train appropriate key staff of the organization. | §92.2 CHDODefinition ¶ (9) |  |
|  |  |
| **CHDO ROLE** |  |
| **5. CHDO set-aside project**CHDOs can undertake either homebuyer or rental projects, as described below, with CHDO set-aside funds: |  |  |
| 5.1. Homebuyer projects in accordance with §92.254To qualify under CHDO set-aside, must meet 5.1.1 and 5.1.2: |  |  |
| 5.1.1. Developer: The organization is or will be the owner in fee simple and the developer of new or rehabilitated units for sale to low-income buyers | §92.300(a)(6) |  |
| 5.1.2. The organization will control the development process including, at a minimum, arranging financing for the project and being in sole charge of construction. | §92.300(a)(6)(i) |  |
| 5.2. Rental projects in accordance with §92.252To qualify under CHDO set-aside, must meet one of the following: |  |  |
| 5.2.1. Own: The organization is or will be owner in fee simple absolute (or will hold a long term ground lease) for at least the period of affordability. If project involves rehabilitation or construction, organization will oversee all aspects of development. | §92.300(a)(2) |  |
| 5.2.2. Develop: The organization is or will be owner in fee simple absolute (or will hold a long term ground lease) for at least the period of affordability, and will be in sole charge of all aspects of the development process. | §92.300(a)(3) |  |
| 5.2.3. Sponsor:Must meet one of the following: |  |  |
| 5.2.3.1. The organization will own and develop project that it will convey at a predetermined time after completion to a designated private nonprofit (that was not created by a governmental entity). | §92.300(a)(5) |  |

|  |  |  |
| --- | --- | --- |
| **CHDO Requirements** | **Rule Citation** | **Requirement satisfied & documented** |
| * + - 1. The project will be owned and/or developed by an eligible CHDO affiliate, including:
				* A wholly owned subsidiary of the CHDO; or
				* A limited partnership of which the CHDO or its wholly owned subsidiary is the sole general partner; or
				* A limited liability company of which the CHDO or its wholly owned subsidiary is the sole managing member.
 | §92.300(a)(4) |  |
|  |  |
| **CHDO CERTIFICATION** |  |
| **6. CHDO Certification**6.1 The organization meets **all** CHDO regulatory thresholds, **AND** the of the following:6.1.1 The organization qualifies for a project that meets the project eligibility requirements of 92.300 for a reservation of CHDO set-aside funds.

|  |  |  |  |
| --- | --- | --- | --- |
| Signature |  | Date  |  |
| Name |  | Title |  |

  |