



Louisiana Housing
Corporation

HUD HOME GRANT CHDO Programs

Policies and Procedures for CHDO Programs:

**CHDO Annual Awards Program (CHAAP)
&
CHDO Single Acquisition Rehabilitation Program (CSAR)**

2415 QUAIL DRIVE, BATON ROUGE, LA 70808

PH 225.763.8700 • TF 888.454.2001 • FX 225.763.8710



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VERSION HISTORY

DATE	SUMMARY OF CHANGES	SECTION
8/19/22	Version 1 – Sections I-IV. Approved and posted to LHC Website. <i>Section V-IX to be finalized.</i>	

I. Overview

The Louisiana Housing Corporation's (LHC) mission is to ensure that every Louisiana resident is granted an opportunity to obtain safe, affordable, energy-efficient housing.

The *National Affordable Housing Act of 1990* authorized the **HOME Investment Partnerships Act (HOME)** Program, the largest block grant given to state and local governments exclusively to produce affordable housing to low-income and very low-income families and individuals under the U.S. Department of Housing and Urban Development (HUD). As such, LHC receives an annual federal entitlement of HOME funds to implement the Act in the State of Louisiana and is defined by federal regulation as a *Participating Jurisdiction (PJ)*. LHC as a HOME PJ is responsible for the overall administration, planning, monitoring, and reporting requirements for the HOME Program.

The intent of the HOME Program is to:

- Increase the supply of decent, affordable housing to low- and very low-income households;
- Expand the capacity of nonprofit housing providers;
- Strengthen the ability of state and local governments to provide housing; and
- Leverage private sector participation.

HOME funds can be used to finance a wide variety of affordable housing activities that generally fall into four categories:

- 1) rehabilitation of owner-occupied housing;
- 2) assistance to homebuyers;
- 3) acquisition, rehabilitation, or construction of rental housing; and
- 4) tenant-based rental assistance.

As a means of furthering the goal of expanding the capacity of **nonprofit agencies** to provide affordable housing for low-income households, the HOME statute requires each participating jurisdiction to reserve at least 15% of its HOME funding for **Community Housing Development Organizations (CHDOs)** as a "Set-aside" requirement. LHC has determined to set aside 25% (but not less than \$2,000,000) of its HOME annual allocation for use in funding CHDO eligible projects on an annual basis.

A CHDO is a specific type of nonprofit organization as defined in 24 C.F.R. §92.2. CHDOs are required to meet certain legal and organizational requirements and have the capacity and experience to carry out affordable housing projects. PJs evaluate the qualifications of participating organizations and designate them as CHDOs.

LHC administers HOME set-aside funds targeted at community affordable housing developers/non-profits through three different programs and additional notices:

- **CHDO Annual Awards Program (CHAAP):** Funding for CHDO-designated nonprofits to build or rehabilitate units – *rental and homeownership development*.
- **CHDO Single Acquisition Rehabilitation Program (CSAR):** Funding for CHDO-designated nonprofits for **single unit** rehabilitation projects – *homeownership development*.

- **Nonprofit Open Cycle Affordable Housing Program (NOAH):** Funding intended for nonprofits (not specifically CHDO-designated) to build or rehabilitate *up to six units – rental and homeownership development*. Funding for the NOAH program is originated from the LHC HOME allocation, but not counted as part of the 25% set-aside.
- **Small Continuation Project or other Notice of Funding Opportunities (NOFA) –** Special announcement of available funds targeted to small projects previously funded by LHC that are interested in undertaking an expansion of their affordable housing development. First come first serve basis and until funds are exhausted.

1. Purpose of Manual

This CHDO **Policies and Procedures** document focuses on the **CHAAP and CSAR programs** designated specifically for CHDOs, prepared to inform all interested stakeholders of the baseline requirements for the Programs. It provides details for CHDO qualifications, certifications, and eligible activities for HOME funds under these CHDO programs managed by LHC. *The NOAH and the Small Project Continuation Program policies are detailed in a separate document.*

This is to serve as the LHC’s administrative policies and procedures for the administration of HUD HOME Program funds through CHAAP and CSAR and to assist LHC, its staff, subrecipients, Community Housing Development Organizations (CHDOs) and developers with the day-to-day operations of CHAAP and CSAR activities. It provides practical information on how to implement CHAAP and CSAR activities that will meet legal, financial and program obligations. It also serves to provide a nonprofit developer with a step-by-step approach beginning with CHDO certification, grant approval, activity set-up, program implementation, program audit and close-out of activities.

This **Policies and Procedures Manual** addresses the following purposes:

- To provide uniform guidance on the administration of CHAPP and CSAR -- LHC programs utilizing HUD HOME funding for CHDO projects. While it conforms to federal rules and guidelines, it focuses primarily on LHC crafted procedures.
- To ensure that all stakeholders, including applicants for funding and other interested residents, have access to information about program administration.
- To demonstrate to HUD that the HOME Program is administered in a way that is consistent with federal regulations and guidelines.

HOME funds are regulated by HUD through [24 CFR Part 91 and 92](#). This manual is not intended to be a substitute for HOME regulations from HUD, but as a supplement to them. It is not exhaustive regarding all considerations affecting the use of HOME funds. LHC reserves the right to add, remove, or change policies, procedures or forms in this manual. Where a conflict of language or omission of requirements occurs, the requirements of Federal regulations, Federal Notice, and HUD Guidance on the HOME Program shall prevail.

2. LHC Administration of CHAAP and CSAR

LHC and the program staff under Housing Development are responsible for managing HOME grant funds allocated to the CHAAP and CSAR programs, as well as any additional CHDO project allocations (NOFAs), in accordance with HUD regulations and state requirements. This administration responsibility includes overseeing awards, maintaining records, documenting compliance, monitoring projects and affordability periods, and providing reports on all projects using HOME dollars.

a. Housing Management System (HMS)

To standardize and manage records for certification, applications, and project developments, LHC has implemented an electronic document and project database called the **Housing Management System (HMS)**. Nonprofits and CHDOs interested in HOME funds for CHAAP or CSAR-eligible projects must complete all required fields and attachments in the HMS. This manual will highlight specific details about where the HMS is included in the process. *A separate user guide for the HMS will be made available as the system is fully implemented.*

3. HOME and Community Housing Development Organizations (CHDOs)

LHC is required to set-aside a portion of its annual allocation of HOME funding to support CHDO housing development. HOME funds are used by LHC to support housing development and rehabilitation projects led by CHDOs. CHDO is a designation that LHC provides to private nonprofit, community-based service organizations who have among its purposes to provide and develop decent, affordable housing for the communities it serves.

HOME funds are generally used to achieve the following objectives:

- To provide decent affordable housing to low and very low-income households.
- To stabilize and rehabilitate deteriorating homeowner and rental housing stock.
- To expand the capacity of non-profit housing providers through financial and technical assistance.
- To strengthen the ability of state and local governments to provide affordable housing.
- To leverage public and private sector (for-profit and nonprofit) participation and funding in the production and operation of affordable housing.

These objectives are met through the following eligible activities that LHC has determined as part of its allowable CHDO program activities:

HOME Assistance	Description	Eligible Activities
Homebuyer Unit Development (24 CFR 92.254)	Development of affordable owned homes.	- Acquisition - Acquisition and Rehabilitation - New Construction
Rental Housing (24 CFR 92.252)	Development of affordable rental housing.	- Acquisition - New Construction - Rehabilitation

LHC defines its goals, objectives and priorities as part of its **Five-Year Consolidated Plan** and each **Annual Plan**, as required by HUD. Plans can be accessed through the LHC website, <https://www.lhc.la.gov> under Resources: State Plans.

These documents provide guidance in terms of how the LHC plans to address affordable housing needs with its federal funds, including the HOME Program funds. The LHC funds projects that meet the HOME Program regulatory requirements and eligible activities under the HOME Program including, but not limited to:

- Increasing the number of affordable housing units,
- Increasing the number of affordable units for special needs populations,
- Decreasing the numbers of individuals and families experiencing homelessness,
- Decreasing the number of owner-occupied units with housing problems, and
- Creating competitive and sustainable communities.

LHC provides CHDO certification to private nonprofit, community-based service organizations that meet certain mission, organizational structures, and capacity requirements to provide housing activities for the community they serve. Receiving the CHDO designation from LHC indicates that a nonprofit has met certain HOME Program requirements and therefore is eligible for CHDO funding. Private nonprofit organizations must meet the following organizational structure requirements to become a certified CHDO. *Further details on certification and CHDO requirements are provided in Section III.*

The following activities may be undertaken by CHDOs who are awarded funding by LHC:

- **Operating Expenses:** LHC may reserve up to five percent (5%) of its annual HOME allocation for operating expenses incurred by qualified CHDOs while they are undertaking CHDO activities ([24 CFR 92.208](#)).
- **Affordable Housing Development ([24 CFR 92.300](#)):**
 - **Homebuyer activities** – Acquisition and/or rehabilitation of properties for sale to homebuyers; new construction of homebuyer properties, with net proceeds going back into homebuyer activities.
 - **Rental housing** – Acquisition and/or rehabilitation of rental housing; new construction of rental housing.

A certified CHDO must serve as the developer, sponsor, or owner of a HOME-eligible project when using funds under CHAAP or CSAR. 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. Refer to *Section II* of this manual for further details on the developer, sponsor, or owner roles.

4. Definitions

Action Plan: The one-year portion of the Consolidated Plan submitted to HUD prior to the start of the program year. It includes the LHC's annual application for HOME funds.

Acquisition: The purchase of property. An eligible expense if property is necessary to completing a CHDO project. All acquisitions must comply with the requirements of [49 CFR Part 24](#) and the Uniform Relocation Assistance Act and Real Property Acquisition Policy of 1970, as amended (URA).

Acquisition of property: Acquisition of existing standard property or substandard property in need of rehabilitation, as part of either a homeowner program or rental housing project. Note: The acquisition of rental units must meet HOME rental occupancy, affordability and lease requirements.

Acquisition of vacant land: HOME funds may be used for acquisition of vacant land only if construction will begin on a HOME project within 12 months of purchase. Note: Land banking is prohibited.

Affordability: The requirements of HOME that relate to the cost of housing both at initial occupancy and over established timeframes. The homebuyer's written agreement requires housing assisted with HOME funds to meet the affordability requirements of [24 CFR §92.252](#) or [24 CFR §92.254](#), as applicable, and requires repayment of the funds if the property owner does not meet the affordability requirements for the specified time period.

Affordability Period: The minimum period of time during which income-eligible households must occupy a HOME-assisted unit (rental or purchased) and comply with the HOME rules and regulations. To ensure that HOME investments yield affordable housing over the long term, HOME imposes occupancy requirements for both rental and homebuyer units. The length of the affordability period requirements varies depending upon the type of construction (rehabilitation or new) and amount of HOME funds provided.

Annual Income: As defined in 24 CFR 5.609: gross amount of income of all adult household members that is anticipated to be received during the coming 12-month period.

Applicant: The organization chartered and domiciled in Louisiana that has complete control of project and either has control of a property on which they will develop a project, or has a contractual obligation to a property owner to develop a project; and performs all the functions typically expected of for nonprofit developers, and assumes all the risks and rewards associated with being the project developer

Area Median Income (AMI): The median income of the region, established by HUD, which is adjusted for family size and used to determine the maximum income for households targeted in assisted projects. This is provided by HUD on an annual basis.

Area of Demonstrated Need: An Area of Demonstrated Need is one that is located in a Qualified Census Tract, city, town, etc. that has a shortage of standard affordable housing units available for 80% AMI households and meets at least two of the following three criteria:

1. Housing value at or below 50% of the State average. The State Average is currently \$144,100 (2015 ACS 5-Year Estimates, Table B25077)
2. Median Household Income at or below 65% of the State Average. The State Average is currently \$45,047.00 (2015 ACS 5-Year Estimates, Table B19013).
3. A Poverty Rate at or above 1.5 times the state average. The State Average is currently 0.20197615 as computed from Poverty Status in the Past 12 Months by Sex and Age Table B17001 (2015 ACS 5-Year Estimates)

Community Housing Development Organization (CHDO): A private nonprofit, community-based service organization with qualified staff that has been designated by the PJ and is receiving HOME funds as the owner, developer or sponsor of affordable housing for the community it serves.

Completed Projects: Projects are considered complete only after all units identified in a single project are a one hundred percent construction complete and occupied by an eligible tenant or sold to an eligible buyer.

Consolidated Plan: Plan prepared in accordance with the requirements set forth in 24 CFR Part 91 which describes community needs, resources, priorities and proposed activities to be undertaken under certain HUD programs, including HOME.

Construction Completion: All necessary title transfer requirements and construction work have been performed; the project complies with the requirements of this part (including the property standards under § 92.251); the final drawdown of HOME Funds has been disbursed for the project, and a certificate of occupancy or its equivalent has been issued.

Conversion: Converting an existing structure from a different land use, such as commercial to affordable residential housing is usually considered as rehabilitation. If the conversion involves the creation of additional units beyond the envelope of an existing structure, the project in its entirety is considered new construction. Note: HOME prohibits the conversion of a structure to commercial.

Cost Reasonableness: A Cost Reasonableness Analysis is performed on all projects by the LHC Construction Department. The cost of construction submitted by the applicant must fall within twenty percent of the cost obtained by the LHC staff for the project to be considered as cost reasonable.

CHDO Set-Aside Funds: HOME allocated funds set aside by LHC (*a minimum of 15 percent required by HUD*) from each annual HOME allocation for homebuyer or rental housing which is owned, developed, or sponsored by certified CHDOs.

Demolition: Demolition of a structure may be funded through HOME only if construction will begin on the HOME project within 12 months.

Developer: A CHDO is a “developer” when it either owns a property and develops a project or has a contractual obligation to a property owner to develop a project.

Direct HOME Subsidy: The amount of HOME assistance, including any program income, that is invested in a project. In addition, direct subsidy includes any assistance to a homebuyer that reduces the purchase price from fair market value to an affordable price.

Environmental Review: An environmental review is the process of reviewing a project to determine its potential environmental impacts and whether it meets federal, state, and local environmental standards (24 CFR Part 58).

Fair Market Rent (FMR): Published by HUD, the FMR for an area is the amount that would be needed to pay the gross rent (shelter rent plus utilities) of privately owned, decent, safe and sanitary rental housing of a modest (non-luxury) nature with suitable amenities. The FMRs are the maximum eligible rent levels allowed under the Section 8 Housing Choice Voucher Program.

Income-Eligible Household: Households with incomes at or below 80 percent of the median income, adjusted for family size.

Income Targeting: Not less than ninety percent of the families receiving tenant based rental assistance (TBRA) are families whose annual incomes do not exceed sixty percent of the median family income for the area, as determined and made available by HUD with adjustments for smaller and larger families at the time of occupancy or at the time funds are invested, whichever is later or the dwelling units assisted with HOME Funds are occupied by families having such incomes

Low-Income Families: Families whose annual incomes do not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. An individual does not qualify as a low-income family if the individual is a student who is not eligible to receive Section 8 assistance under [24 CFR Part 5.612](#).

Net Proceeds: The sales price of the home minus superior loan repayment (other than HOME funds) and any closing costs.

New Construction: HOME funds may be used for new construction of both rental and ownership housing. A project that includes the addition of dwelling units outside the existing walls of a structure is considered new construction.

Operating Expenses: General operating expenses to CHDOs that are receiving set-aside funds for activities or are expected to receive set-aside funds within 24 months of the date of the written agreement. HUD policy allows that assistance for operating expenses in each fiscal year may not exceed \$50,000, or 50 percent of the CHDO's total annual operating expenses for that year, whichever is greater. LHC policy is that Assistance for operating expenses in each fiscal year may not exceed \$50,000

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

Participating Jurisdiction (PJ): States and localities that receive HOME funds from HUD as an annual grant allocation. LHC is a PJ.

Program Funds: Funds that have been duly appropriated or allocated to the CHDO Program.

Program Income: Gross revenue received by a subrecipient generated from activities supported by HOME funds or matching contributions.

Project: A site or sites together with any building (including a manufactured housing unit) or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME Funds as a single undertaking located within a five mile radius of each other within a single governmental entity (if located within a city, town, or other similar political subdivision then all sites must be within the same political subdivision for rental projects and within the same parish for homeownership projects. If located outside of a local jurisdiction then all sites must be within the same Parish for both rental and ownership projects. The project includes all the activities associated with the site and building.

Project Funding: Any governmental and private funds, used to pay for hard and soft costs to carry out the construction or rehabilitation of housing under the CHDO Program as described in [24 CFR §92.206](#).

Project Proceeds: Proceeds generated from a CHDO development activity (interest on HOME loans or proceeds from permanent financing).

Property Owner: Refers to the organization or individual that owns HOME-assisted housing unit(s) and must meet HOME requirements and affordability period for the unit(s). This includes both owners of rental units and homebuyers.

Recapture: The mechanism for LHC to collect all or a portion of the direct HOME subsidy if the HOME recipient does not meet project requirements or decides to sell the property within the affordability period at whatever price the market will bear.

Reconstruction: The rebuilding a structure on the same lot where housing was standing at the time of project commitment. HOME funds may be used to build a new foundation or repair an existing foundation. Reconstruction of a unit in a new location on the lot is considered new construction for the purposes of the environmental review (refer to 24 CFR Part 58). Reconstruction also includes replacing a substandard manufactured housing unit with a new manufactured housing unit. During reconstruction, the number of rooms per unit may change; however, not the number of units. Note: Replacing a manufactured unit with a stick-built unit is considered a homebuyer development activity even if the applicant/beneficiary owns the lot and existing manufactured unit.

Rehabilitation: This includes the alteration, improvement or modification of an existing structure. It also includes moving an existing structure to a foundation constructed with HOME funds. Rehabilitation may include adding rooms outside the existing walls of a structure; however, adding a housing unit(s) is considered new construction.

Relocation costs: The Uniform Relocation Act and Section 104(d) (known as the Barney Frank Amendments) apply to all HOME-assisted projects for both permanent and temporary relocation assistance. Note: Staff and overhead costs associated with relocation assistance are eligible for HOME funds.

Single Family Housing: Means a one-to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot

Site Control: Under [24 CFR Part 92.300\(a\)](#), a CHDO must have “effective project control,” or site control, regardless of the role it serves on the project (owner, developer, sponsor). HUD has defined effective site control in terms of property ownership where the CHDO holds the legal title, or a long-term ground lease for the property through the time of sale (homebuyer) or for the duration of the affordability period (rental).

Special Flood Hazard Area (SFHA): A National Flood Insurance Program (NFIP) area where NFIP floodplain management regulations must be enforced due to high risk of localized flooding and for which mandatory purchase of flood insurance applies.

Sponsor: Person(s) with respect to the project concerned, having site control (evidenced by a deed, a sales contract, or an option contract to acquire the property), a preliminary financial commitment, and a capable development team. Only CHDOs that are LHC certified to do development may sponsor a project.

Subrecipient: A public agency or non-profit organization to implement HOME eligible activities under the HOME program.

Substandard Housing: Any housing unit which does not satisfy the Habitability Standards and requires Substantial Rehabilitation.

Title: The applicant must be able to produce a title commitment from a title company with an 'A' rating from AM Best, that doesn't contain any major exceptions or curative conditions, dated within 30 days of the application.

Written Agreement: The document entered into between the LHC and the applicant for the HOME assisted units that includes, but is not limited to, the terms of funding

II. HOME Allocation for CHDO Programs

1. CHDO Set-Aside Programs

HOME funds are available through LHC as a PJ exclusively for qualified, eligible projects submitted by a qualified CHDO and for operating expenses. If an organization becomes a certified CHDO, it is eligible to take advantage of the HOME funds set-aside for CHDOs, as well as additional special assistance. CHDO set-aside funds provide equity for community-based organizations to undertake projects and build their capacity to serve a broad range of affordable housing development.

LHC offers two funding programs specifically for CHDOs using the HOME CHDO set-aside funds:

- **CHDO Annual Awards Program (CHAAP):** Funding for CHDO-designated nonprofits to build or rehabilitate units – rental and homeownership.
- **CHDO Single Acquisition Rehabilitation Program (CSAR):** Funding for CHDO-designated nonprofits for *single unit* rehabilitation projects – homeownership.

For CHAAP, LHC sets aside a minimum of **25 percent** of each annual HOME allocation received from HUD for activities related to homebuyer or rental housing which is owned, developed, or sponsored by certified CHDOs (also called the "CHDO set-aside"). The CSAR program has a total budget of three million dollars in HOME funds for single-unit rehabilitation projects for homeownership. This amount may be adjusted or reallocated at LHC's discretion, based on funding availability, Consolidated Plan or Action Plan priorities, program interest and applications received annually.

In order to qualify for the LHC CHAAP or CSAR programs, a CHDO must be designated by the LHC, not by another PJ in which the CHDO may operate. Becoming a certified CHDO does not automatically mean that the organization is entitled to any CHDO set-aside funds or CHDO Operating Expenses assistance funds. Awards are made at the discretion of LHC, based on project application submissions and the availability of funds. However, if a CHDO is awarded set-aside funds for a HOME-eligible project, that CHDO must demonstrate capacity for each project before a written agreement is fully executed by verifying its certification remains eligible.

CHDOs must be the owner, developer or sponsor of the affordable housing project in the community that they serve. In owner or developer roles, CHDOs must own HOME-assisted housing in fee simple absolute.

HOME funds for a given program year must be committed to a HOME project within two years of LHC signing the *HOME Investment Partnerships Agreement*. For the CHDO set-aside funds, LHC must reserve funds for use by CHDOs within that 24-month period. In addition, HOME funds must be expended within five years of the *HOME Agreement* date. The **HUD Integrated Disbursement and Information System (IDIS)** tracks progress toward meeting these deadlines. Failure to meet these deadlines may result in a return of HOME funds to HUD.

b. CHDO as an Owner:

A CHDO is considered an owner of a property when it holds valid legal title. The CHDO may be an owner with one or more individuals, corporations, partnerships, or other legal entities. A CHDO can own and operate housing that it does not develop. A nonprofit that will undertake property ownership and management must demonstrate ownership/management experience. While a CHDO may be sole owner and have another entity act as a developer, it also can 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.

c. CHDO as a 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. Under [24 CFR 92.252](#), if the CHDO owns the property, it must be in total control of the development process, which includes:

- Zoning,
- Securing non-HOME financing,
- Selecting architects, engineers and general contractors,
- Overseeing the progress of the work, and
- Determining the reasonableness of costs.

d. 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 before and/or during the development phase of the project.

For HOME-assisted rental housing, the CHDO also owns the property during the development and throughout the period of affordability. 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.

2. CHDO Operating Costs Assistance

LHC makes funds available to certified CHDOs to be used for general operating expenses assistance to CHDOs that are receiving set-aside funds for development activities and

capacity building, depending on availability of funds. The total amount of funds available for CHDO Operating Expenses is set by Federal regulation at no more than **five percent** of LHC's current year's annual HOME allocation. That amount varies per annual allocation. The allocation of operating expenses funds does not count toward the required 25% CHDO set-aside funds that are to be used by CHDOs for projects.

Each CHDO Operating Expenses assistance grant will be determined by the number of qualified CHDOs eligible to receive funding and the amount of the annual HOME allocation, with the first funding priority to CHDOs in non-entitlement areas. Individual awards for assistance for operating expenses in each fiscal year may not exceed \$50,000 annually.

LHC awards *CHDO Operating Expenses* assistance at two points through the fiscal year annually:

- Operating Assistance grants for non-entitlement CHDOs will be awarded in January.
- Operating Assistance for CHDOs located in areas of Louisiana within another PJ (urban areas) and corresponding HOME funding, are awarded in June.

All awards made in January will be equal for all applicants, up to the maximum level supportable. If any funds remain after the January awards, it will be evenly disbursed to the June awards, up to the maximum limit. If a CHDO receives operating assistance funds from a local PJ, then that is taken into consideration in the overall LHC award. LHC would reduce its award so that the overall assistance received by a CHDO from both local and state funds did not exceed the level allowed.

For example:

1. Funds Available for Operating Assistance	\$344,876.00
2. Number of NEC with a Qualifying Project	6
3. Operating Assistance awarded to each NEC (344,876/6 = \$57,479 . Maximum Award Allowed is \$50,000.00)	\$50,000.00
4. Total Funds Awarded to NEC	\$300,000.00
5. Funds remaining for June Award	\$44,876.00
6. Number of qualifying June awards	3
7. Dollar amount of June operating Awards (\$44,876.00/ 3 = \$14,958.00)	\$14,958.00

Qualified CHDOs will be informed of their eligibility for CHDO Operating Expenses funds via email and will be invited to apply. Eligibility for Operating assistance is tied to the receipt of a conditional award letter.

Eligible CHDO Applicants must meet the following Condition for Operating Expenses:

1. Has a current qualifying project or program*; or
2. Has received a Conditional Award Letter
3. Expectation of project funds expenditure within 12 months of receiving operating expenses.
4. Provide a budget /source of funding, and an agreement specifying eligible expenses.

***Note: No project may be considered as a qualifying project for more than three (3) years.**

If the CHDO does not have an eligible project funded by LHC within that timeframe, operating support will not be awarded until an eligible project is funded.

Eligible operating expenses for which CHDOs may use the funds allocated by LHC include:

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

CHDOs must document eligible expenses have been incurred, such as documentation on salary reimbursement, according to the terms of the Operating Expenses Agreement (see *Section V*).

Because the purpose of providing CHDO operating expenses support is to nurture successful CHDOs and ensure their continued growth and success, LHC will periodically evaluate the performance of any CHDO wishing to receive CHDO operating expenses funds.

Although the disbursement of CHDO operating expense funds is not tied directly to the drawdown of the CHDO project funds, LHC reserves the right to delay disbursement of operating expenses funds if it is evident that the CHDO project is experiencing excessive delays. LHC reserves the right to reduce the amount of, or not award, operating expenses funds based upon its evaluation of the CHDO's production and overall performance.

Cycle for Drawing CHDO Operating Funds

CHDO operating funds are awarded on an annually qualified basis and will be for the period of one year. Draw requests for eligible expenditures may be made at any time but only as needed to reimburse eligible operating expenses. For example, the CHDO may submit a draw request in October for eligible expenses incurred and paid in calendar quarter July – September. For CHDOs that become eligible to receive operating support mid-year, the following will apply:

- Eligibility is determined between July - December: CHDO operating funds will be retroactive to July 1 of the current fiscal year and draw requests may be submitted for eligible expenses incurred during that timeframe. If eligible expenses cannot be documented in a timely manner, then the CHDO operating will begin on July 1 of the following year.
- Eligibility determined January - June: CHDO operating will begin on July 1 of the following fiscal year and draw requests may be submitted beginning in October of that year.

Operating funds must be drawn on a quarterly basis, beginning October 1 of the applicable fiscal year. The quarterly draw requests must be submitted within 30 days of the end of each quarter; otherwise, operating funds are subject to recapture. Each quarterly draw request must be accompanied by an updated CHDO Quarterly Progress Report.

Refer to Section VI for the process to submit a draw request on Operating Funds and Quarterly Progress Report.

3. CHDO Project Proceeds & Program Income

At the discretion of LHC, a CHDO may be authorized to retain some, or all the proceeds generated from a CHAAP or CSAR development activity. Proceeds would include interest on HOME loans or proceeds from permanent financing. Such proceeds are not considered program income and are not subject to HOME Program requirements.

LHC must stipulate in its written agreement with the CHDO whether the CHDO may retain project proceeds or whether proceeds must be returned to LHC. Where the LHC has permitted the CHDO to retain project proceeds, the written agreement must specify how the proceeds will be used.

CHDO's may be allowed to retain the proceeds of homeownership development projects. CHDO proceeds may be retained if all the following conditions are met:

1. CHDO has an approved, current **CHDO Proceeds Reuse Agreement** with LHC.
2. CHDO proceeds or funds generated from CHDO proceeds must be used for the HOME-eligible activities that benefit low to moderate-income families allowed under the contract in force.
3. CHDO proceeds or funds generated from CHDO proceeds must be kept in an interest-bearing account and accounted for in unique general ledger accounts.
4. CHDO must submit quarterly reports on any CHDO proceeds as long as any CHDO proceeds, or funds generated from CHDO proceeds, are retained or until the expiration of the Proceeds Reuse Plan whichever comes first.
5. Reports must be verified and approved by LHC. Corrections/revisions to the reports may need to be made before the report is approved.
6. Disallowed expenditures funded from CHDO proceeds must be corrected in the CHDO's general ledger account within 15 days after receiving notification from LHC.
7. Repeated or egregious misuse of CHDO Proceeds will result in the termination of the reuse agreement by LHC.
8. All CHDO proceeds must be expended within 3 years from the completion of construction.

The **CHDO Proceeds Reuse Plan** must contain the following:

- The CHDO's experience in producing and managing CHDO proceeds. If no experience with CHDO Proceeds, what experience has the CHDO had managing the proceeds produced from non-HOME projects.
- The circumstances under which the proposed development will produce CHDO proceeds and the amount of proceeds that will be generated. This will be indicated in the agreement as follows.
 - The process or processes by which CHDO proceeds will be tracked.
 - How proceeds produced by the proposed project will be combined with other financing to fund additional affordable housing activities and the number of expected additional units to be assisted.
 - The role the CHDO Board will fulfill with regards to the reinvestment of proceeds.

As outlined in [CPD Notice 97-09](#), CHDO proceeds must always be used for HOME-eligible or other affordable housing activities to benefit low-income families. LHC has further defined

these as affordable housing initiatives for households at or below 80% of the area median income, including:

- Predevelopment costs
- Housing counseling
- Emergency repairs
- Energy (weatherization) repairs
- Indoor plumbing
- Rental assistance
- Rental housing project reserves
- Rental housing operating subsidies
- Construction and/or permanent financing
- Repair, accessibility and adaptability modifications to owner-occupied housing
- Down payment and closing costs assistance in the acquisition of existing housing
- Supportive services (as defined by Continuum, of Care)

LHC will consider additional uses of CHDO proceeds on a case-by-case basis. All allowed uses of CHDO proceeds must be specified in the approved **CHDO Reuse Plan**. Any use not contemplated at the time the plan is approved must receive written approval from the LHC prior to such use. Any proceeds used for a non-approved use must be repaid to the LHC.

CHDO's allowed to retain CHDO proceeds must report quarterly to the LHC how these proceeds were utilized. The LHC reserves the right to disallow a CHDO to continue to retain CHDO proceeds, if deemed necessary. Unless previously approved by the LHC, CHDO's that are allowed to retain proceeds are required to adhere to all other LHC requirements including:

- Underwriting/repayment criteria
- Use of LHC-provided or approved loan documents;
- Universal design and minimum design standards;
- Cost containment;
- Maximum purchase price; and
- Maximum subsidy.

LHC requires that a minimum of 15% of the expected CHDO proceeds be used for at least one of the following activities: housing counseling, emergency repairs, fair housing or repair, accessibility and adaptability modifications to owner-occupied housing.

The LHC may, on a case-by-case basis, consider allowing a CHDO that retains proceeds to waive some or all of the additional LHC requirements noted above, but only after careful review of the CHDO's organizational capacity and experience. CHDO Proceeds not utilized by the CHDO for eligible expenses during the term of the CHDO Proceeds Reuse Plan, which is not to exceed 3 years, must be returned by the CHDO to the LHC.

Meeting the above-outlined criteria does not guarantee that the CHDO will be allowed to retain CHDO proceeds. LHC reserves the right, at its discretion, to make this determination.

The final rule of the HOME regulations created the concept of CHDO proceeds. Examples of CHDO proceeds are funds resulting from:

- The permanent financing of a CHDO project used to pay off a CHDO-financed construction loan;
- The sale of CHDO-developed homeownership housing; or
- The principal and interest payments from a loan to a buyer of CHDO-developed homeownership housing.

Proceeds generated from the investment of CHDO set-aside funds in a HOME-eligible project and that are retained by the CHDO are not subject to the requirements of the HOME regulations, *except in the event of repayment or recapture*. Therefore, CHDO proceeds have no federal identity and are not subject to lead-based paint requirements, the Davis-Bacon Act, Uniform Relocation Act, etc. However, since CHDO proceeds are derived from HOME funds, any activities funded with CHDO proceeds may not be counted as match for other LHC-financed projects. Once CHDO proceeds are used, there are no further HOME requirements which must be met. Funds generated from the use of CHDO proceeds are not considered additional CHDO proceeds or program income.

Unless previously approved by LHC, CHDOs that are allowed to retain proceeds may not also keep **Program Income** and are required to adhere to all other LHC requirements including:

- Underwriting/repayment criteria,
- Use of LHC-provided loan documents,
- Universal design and minimum design standards,
- Cost containment,
- Maximum purchase price, and
- Maximum subsidy.

Program Income never loses its federal identity and is always subject to HOME regulations. HOME funds that are a result of repayment or recapture are always considered Program Income, even if originally funded from CHAAP or CSAR. **Repayment** occurs when a HOME-funded project, including CHAAP or CSAR funds, is terminated before completion. **Recapture** occurs when a HOME-funded project, including CHDO set-aside funds (i.e., CHAAP or CSAR), does not continue to be the principal residence of the HOME-assisted homebuyer for the full affordability period. No administrative fees may be retained on repaid or recaptured funds.

Regarding administrative fees and CHDO proceeds, during the initial realization of CHDO proceeds, a CHDO may retain 10% for administrative costs. Thereafter, each time CHDO proceeds are realized, 20% may be retained for administrative purposes. At the request of the CHDO, LHC may permit the CHDO to exceed the 20% administrative limit on a one-time basis, if it can be demonstrated that the CHDO's capacity to serve its community would be strengthened.

III. CHDO Certifications and Qualifications

A Community Housing Development Organization (CHDO), as defined under [24 CFR part 92.2](#), is a private, nonprofit, community-based organization with qualified staff that receives HOME funds for an eligible housing activity. CHDOs are further defined by their legal structure, organizational independence, role and accountability to the low-income community, and their capacity and experience. The CHDO cannot be owned by large for-profit developers.

While LHC does not limit the number of parishes in a CHDO's service area, an organization proposing a large or regional service area must demonstrate that it is taking the appropriate steps to achieve the community-based component.

1. Requirements for State CHDO Certification

In order to qualify for CHAAP and CSAR project funding, an organization must first apply for certification or designation of CHDO status and provide documentation to LHC on its ability to meet the following minimum HUD regulatory standards. Certification as a CHDO only provides the ability to apply for HOME-funded projects through LHC program – CHAAP and CSAR.

Certification (and recertification) is completed on an annual basis per HUD guidance and interpretation of [24 CFR part 92.300](#). LHC provides an open period for new CHDO applications and recertifies eligible CHDOs between June and July annually. (See part 3 below on *Recertification* for details on Recertification process). CHDO Certification must be maintained for the duration of a project's affordability period.

LHC must document that the CHDO meets the following qualifications and capacity needs before approving the CHDO certification.

a. Organizational Status & Mission

An organization seeking to be certified as a CHDO with LHC must demonstrate it has been organized under State or local laws and in existence for at least three (3) years and provide the following as evidence:

- A Charter or Articles of Incorporation
- It has 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
- Maintains a record of good standing with the Louisiana Secretary of State's office.
- It has among its mission or purposes the provision of providing low- and moderate-income housing as evidenced by:
 - Charter,
 - Articles of Incorporation,
 - By-laws, or
 - Resolutions.
- It has a clearly defined geographic service area, which may encompass one or more of the following that are not entitlement areas:
 - One or more neighborhoods,
 - Cities, and/or
 - A Parish.

An organization seeking CHDO status with LHC is also requested to demonstrate its ability to meet the following:

- Employ at least one paid, full-time qualified housing production staff person.

- Maintain a staffed, physical office location in the proposed service area that is open for business and accessible by potential program applicants during generally-accepted customary business hours.
- Is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization. A community housing development organization may be sponsored or created by a for-profit or non-profit entity, but:
 - The other (for-profit or non-profit) entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer;
 - The other (for-profit or non-profit) entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the other (for-profit or non-profit) entity may not appoint the remaining two-thirds of the board members; and
 - The community housing development organization must be free to contract for goods and services from vendors of its own choosing.
- The other (for-profit or non-profit) entity may not exercise final control over decisions of the CHDO Board.

b. Board Composition

The CHDO's board must include at least six (6) members and demonstrate it is responsive to the community it serves. To qualify as a CHDO:

- At least one-third of board membership is comprised of low-income representation. These members may be residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations.
- The local representation on the boards governing body may not be exclusively the residents of a single project, apartment complex or neighborhood but must, to the greatest extent possible, be representative of the population of the service area.
- LHC requires that at least 70% of a CHDO's governing board's membership are residents of the Parish or Parishes served.
- No more than one-third of the governing board members may be public officials (including any employees of the state or local jurisdiction) or may be appointed by public officials. Government-appointed board members or board members who are public officials may not, in turn, appoint any of the remaining the board members.
- If the CHDO is sponsored/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.
- Additionally, no member of the governing board's membership may be employees of the CHDO or the creating organization.
- The organization's Articles of Incorporation and/or Bylaws must provide for the local representation and board structure, as well as establish meeting frequency, required for CHDO certification.

CHDOs certified by LHC are required to hold board meetings at least quarterly and ensure meetings are held within the defined service area at a time and place that is convenient to the

residents. All board meetings are to conform with the public meeting laws of the State of Louisiana.

c. Sponsorship

The CHDO is not controlled, nor receives directions from individuals, or entities seeking profit from the organization.

If sponsored or created by a for-profit entity, the for-profit entity's primary purpose does not include the development or management of housing, and the CHDO is free to contract for goods and services from vendor(s) of its own choosing.

If sponsored by a religious organization, the CHDO is a separate secular entity from the religious organization, with membership available to all persons, regardless of religion or membership criteria.

d. Service to 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:

- 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.
- The CHDO must provide a formal process for low-income, program beneficiaries to advise the organization in decisions regarding design, location of sites, development, and management of affordable housing projects.
 - LHC requires this process to be described within the organization's Articles of Incorporation and/or Bylaws. Each project undertaken by the CHDO should allow potential program beneficiaries to be involved and provide input on the entire project from project concept, design and site location to property management.
 - Proof of input from the low-income community will be required at the CHDO's annual recertification.

While LHC does not limit the number of parishes in a CHDO's service area, the very definition of a CHDO is that it be **community-based**. Therefore, an organization proposing a large or regional service area must demonstrate that it is taking the appropriate steps to achieve the community-based component. Some of the ways this can be achieved is by having an active community (non-public) representative from each of the parishes on the CHDO's board of directors; establishing local advisory councils to advise the CHDO board on topics relative to the organization's activities; hosting "town hall" meetings in the proposed project areas, etc. LHC will consider other methods suggested by the CHDO. CHDOs will be required to provide updates on how it is ensuring that it is active and visible in the communities included in its service area.

If a certified CHDO intends to expand its service area, it will need to complete a NOAH project according to the NOAH policies and procedures and demonstrate service in the new area for at least one year. LHC will review the CHDO's expansion of services as part of recertification once these milestones have been met.

e. Financial Management and Capacity

The organization must demonstrate it conforms to the financial accountability standards of [24 CFR 84.21](#), as evidenced by:

- A notarized statement by the president or CFO,
- A certification from a CPA,
- 2 years of Annual Single Audit or Audited Financial Statements, according to the federal assistance threshold at [2CFR 200.501](#)², and
- Annual operating budget.

Financial documentation required for CHDO Certification for LHC is additionally based on the [Louisiana Governmental Audit Guide](#) according to the amount of local and state assistance received within a fiscal year:

Amount of revenues and other sources/local and state assistance received	Type of report provided	CPA or self -prepared
\$500,000 and over	Audit	Independent CPA
\$200,000 - \$499,999	Review/Attestation	Independent CPA
\$75,001 - \$199,999	Compilation	CPA
\$75,000 and under	Sworn Financial Statements	CPA or self -prepared

- An **audit** engagement is an examination of a local auditee's financial statements that is performed by an independent CPA firm. Included in the audit report is the auditor's opinion on the financial statements, in which the CPA states whether or not he or she believes that the financial statements present fairly, in all material respects, the financial position of the local auditee for the period of time that the audit covers - which is usually one year.
- A **review/attestation** engagement is another type of examination performed by a CPA. In the review portion of the engagement, the CPA performs limited tests of the local auditee's financial records, and states in the review report whether anything came to his or her attention that would indicate that the financial statements are not presented fairly, in all material respects, in accordance with generally accepted accounting principles. In the attestation portion of the engagement, the CPA reviews the local auditee's compliance with certain laws and regulations that LHC asks the CPA to test. The CPA's attestation report states whether the local auditee has complied these requirements. For the purposes of CHDO designation or re-designation the CPA should include a statement that the CHDO is in compliance with the requirements of 24 CFR 84.21, "Standards for Financial Management Systems."
- A **compilation engagement** is one in which the CPA compiles, or puts together, the financial statements for the auditee. The CPA's report that accompanies compiled financial statements gives no assurance as to whether or not the financial statements are correct.

² A Single Audit is required for any organization that expends \$750,000 or more of federal awards during its fiscal year; financial statements may be provided for review when federal awards expended in a fiscal year do not meet the audit threshold ([2 CFR 200.501](#))

- **Sworn financial statements** include a simple financial statement form that a local auditee may self-prepare, without the aid of a CPA. It must contain the information listed under the requirements for initial designation in this guide. The sworn statement must include:
 - Assets;
 - Liabilities;
 - Equity;
 - Revenue; and
 - Expenses.

The Assets portion of the statement must include Cash on hand and a listing of any restriction on the use of funds listed.

LHC also requires organizations seeking CHDO certification to have established a **Strategic Business Plan that covers no less than three (3) year** periods, which must include CHDO-related production and community involvement goals. The strategic business plan must be updated periodically.

It is expected the organization is in good standing with the Louisiana Secretary of State and has not been debarred from working with federal funds. Additionally, the organization shall have **no adverse findings** with the Louisiana Department of Revenue or the IRS for the prior three (3) years to application for CHDO Certification. Organizations are also expected to maintain a history of no significant compliance findings on LHC-funded CHAAP, CSAR or NOAH projects to certify as a CHDO.

Please note: LHC has determined that any CHDOs that qualify to submit a 990-N after more than 3 years designation shall lose their CHDO status.

f. Development Capacity

The CHDO has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

- Experience of key staff who have completed similar projects to HOME-funded activities, or
- Contract(s) with consultants who have relevant housing experience, to train key staff.
 - The use of a consultant for the purposes of establishing capacity may only be for **homeownership** development projects and provided that the consultant enters into a contract to train the CHDO in the upcoming year. For rental projects, the CHDO must have full time staff with significant rental experience (as defined above) and may not use a consultant for this purpose. LHC does not consider training without subsequent actual experience to qualify an organization for having capacity.

Please note that the criteria noted in the sections above are not intended to be all-inclusive and LHC may require additional information prior to making a determination for CHDO designation. Meeting the above requirements does not guarantee that the organization will be granted CHDO designation. LHC reserves the right to deny or revoke CHDO designation based upon its evaluation of the nonprofit organization's performance. Designated CHDOs will be evaluated periodically for production and other benchmarks as established by LHC.

2. CHDO Certification Process

a. Request for Certification/Designation

CHDO Certification Requests, or applications, will be entered and submitted into the **LHC Housing Management System (HMS)** on an on-going basis, unless otherwise stated by LHC. A nonprofit interested in obtaining a CHDO certification will need to provide all required documentation related to organizational capacity, board composition, financial management, and development experience based on the requirements listed above, and as laid out in the HMS. Incomplete applications will not receive CHDO certification.

To maintain CHDO status, a CHDO must apply for and receive funding for a CHDO-eligible project at least once every three (3) years. CHDOs that fail to meet this standard will be decertified and ineligible to apply for designation for two years.

For any organization that has completed an affordable housing project with LHC as a CHDO, certification must be maintained for the duration of a project's affordability period and will need to submit for recertification according to LHC's schedule.

Accessing HMS

Nonprofit organizations seeking to submit an initial CHDO Certification will need to:

Step 1: Qualify for access to the HMS by completing and submitting a **Core Qualification Survey**, following instructions on the LHC website.

Step 2: If the core responses meet the qualifications, the organization's point of contact will receive an email invitation to create a unique login and password to access to the **Application for Certification** in the *LHC HMS*.

Step 3: The organization is then expected to establish their HMS account and follow the process to provide all information required for Certification, per Section III.1. (Additional reference: *User Guide: Certification for Non-Profit Organizations Users of HMS*).

b. Recertification Requirement

HUD requires recertification of any CHDO on an annual basis. At minimum, a PJ must recertify an organization as a CHDO each time it receives development or operating expenses funds ([HOME Fires Vol. 4, No. 1](#)). To ensure compliance with the HOME regulations, each CHDO will be required to submit specific information to LHC on an annual basis, including, but not limited to:

- A list of its board of directors, as well as which sector each represents,
- An updated 2-year business plan, and
- A description of how the low-income advisory process was implemented.
- If no HOME funds were used within the reporting period, a detailed description of all other affordable housing initiatives undertaken will be requested.

A full Recertification package submitted through HMS will be required at each annual recertification and subsequently reviewed at the time of a project closing. CHDOs that have not been allocated project funds from the HOME CHDO set-aside for 3 consecutive years will be deemed inactive in the HMS system.

To ensure a previously certified CHDO is maintaining the legal and organizational structures, community accountability, and capacity required for the CHDO status, LHC through the HMS system will recertify CHDOs on an annual basis and upon project submittal on the following cycle:

- Quarter 1 - LHC provides a notice in writing to all certified CHDOs of the recertification requirement along with guidance on recertification process within the HMS.
- Quarter 2 - CHDOs provide all updated documents and information requests within the HMS no later than June 30th.
- Quarter 3 - LHC staff review CHDO responses, updated documentation, and any performance concerns to determine recertification. Determinations for recertification are made and letters regarding CHDO Designation are sent to each CHDO reviewed no later than July 31st. CHDO status will also be provided within HMS.

Additionally, CHDOs are recertified at the time of a project closeout to verify no changes have occurred that may impact the ability of the nonprofit organization to meet CHDO designation requirements.

c. Submission of Certification Package

Once the CHDO Certification (or Recertification) information is complete in the HMS, the organization's Board Members must provide signatures to the Certification package via electronic submission (DocuSign). The Board Chair provides certification of package through electronic signature and formally submits the Certification package in the HMS for LHC to review.

If signatures are not provided within the HMS system through DocuSign, the Certification package will not be considered complete and not move forward for consideration; unless special arrangements are requested and approved by LHC on a case-by-case basis.

d. Review and Approval of Certification

Certification and Recertification request submissions are reviewed by LHC staff members, ensuring the nonprofit has provided all required documents to demonstrate they meet the organizational structure, board composition, and mission requirements required by HUD and LHC to be considered as a CHDO. If documentation is missing or incomplete, the LHC staff reviewer will send a message through HMS as appropriate for the nonprofit to complete the missing information for the determination.

Once reviewed, the LHC staff member provides a recommendation for certification status (to certify, or not to certify) to the LHC Housing Development Director. The Director reviews the recommendation and approves the certification status, or requests for more consideration. Once a final approval is received from the LHC Director on the nonprofit's certification status, a letter is provided on the CHDO status to the nonprofit and maintained in the nonprofit's file within the HMS system.

The **Letter of Certification** issued by LHC covers a one-year period from the date of the letter, but CHDO status may be reviewed by LHC at any point during this period if changes occur that may impact the ability of the nonprofit organization to meet CHDO designation requirements. If an organization does not meet Certification requirements, the letter provided by LHC will highlight the deficiencies that need to be addressed prior to future applications for

CHDO Certification. If the nonprofit disagrees with the determination, an Appeal can be sent to the Director with complete back up for any position taken in conflict with the staff finding. Refer to *Section IX* on the appeals process.

e. Post-Certification

Once designated, representatives (a CHDO employee) must attend at least two (2) of the regular quarterly scheduled phone calls and participate in all training offered by the LHC unless excused in writing by LHC executive staff.

Newly designated CHDOs must complete the LHC CHDO On-Boarding process within six months of designation and prior to applying for CHDO funding.

Performance Review

As part of the annual recertification process, LHC will consider performance of a CHDO over the prior year. At the discretion of LHC, an evaluation of CHDO performance may be conducted to determine organizational effectiveness and capacity, by reviewing some or all of the following:

- Capacity and ability of staff to develop project applications,
- Timeliness and ability to complete projects within terms of agreement,
- Adequate financial resources,
- Ability to leverage other resources,
- Compliant financial systems and administration,
- Board operations and composition,
- Strategic plans,
- Organizational work plans,
- Compliant and clear record-keeping, and
- Compliance with HOME targeting requirements.

LHC will provide notice to a CHDO in writing when a performance review is being conducted as part of recertification and will also notify the CHDO of any additional requests for information or documentation to be submitted along with the recertification package.

IV. CHDO Project Requirements

As stated in Section II, a certified CHDO must serve as the Developer, Sponsor, or Owner of a HOME-eligible project when using funds from CHAAP or CSAR. 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.

- A new CHDO may be limited to applying for funding under the CSAR program during the initial year of designation. After the initial year of designation, a CHDO may apply for one additional CSAR funding award. A CHDO then must apply under CHAAP and be successful (project must be completed and placed in service) before receiving a third round of CSAR funding or additional CHAAP funding.

CHAAP and CSAR projects can only be completed in the CHDO's approved service area. If a CHDO intends to complete a project outside of its service area, it will need to apply for a NOAH project according to the NOAH policies and procedures.

Existing CHDOs that received less than \$1,000,000 in project funding and less than \$350,000 of combined Developers Fees and CHDO proceeds will be exempt from having to provide any private leverage or CHDO equity financing for CSAR and CHAAP projects.

1. Eligible Activities in CHAAP

All CHAAP activities must be related to homebuyer or rental housing that is owned, developed, or sponsored by certified CHDOs. The following activities may be undertaken by CHDOs participating in CHAAP:

- Affordable housing development ([24 CFR 92.300](#) and [CHAAP Ia.gov](#)) –
 - Homeownership Development
 - Rental Housing Development

Eligible activities and expenses related to a rental or single-family homeownership development project may include:

- Acquisition,
- Demolition,
- Rehabilitation,
- Construction,
- Construction management, and/or
- Marketing and outreach.

CHAAP projects do not have a specific unit limit. However, Davis Bacon and related acts requirements apply to projects that contain 12 or more units assisted with HOME funds. This includes any combination of construction, rehabilitation, alteration, or repair, including painting, flooring, installation, and decoration over a total of twelve units within the same project.

Project funding limit:

- \$1.5 million within an area of demonstrated need, and
- \$1.3 million outside of an area of demonstrated need.

Project expenses should be determined and included with a project proposal through the **CHAAP Application** process (**See Section V**).

a. CHAAP Homeowner/Homebuyer Activities

CHAAP funds may be used to pay eligible costs associated with the development of single-family homeownership units. The units may be either new construction or acquisition and rehabilitation of existing vacant units. Project must be small in scope (up to five units) and modest by local standards.

The value of the homes produced (appraised value after rehabilitation or new construction) cannot exceed [HOME/Housing Trust Fund Sale Price/Value Limit](#) for the year in which the project is originally funded. The homes produced must be sold to an eligible buyer through a fee simple sale within nine months of completion of the construction.

At project completion, the owner/developer transfers title of the property and the HOME obligations to an eligible homebuyer who must agree to terms of affordability and maintenance that are included in the terms of the sale and enforced through deed restrictions.

b. CHAAP Rental Housing Activities

CHAAP funds may be used to pay eligible costs associated with the development of permanent multifamily rental housing. The units may be either new construction or involve acquisition with rehabilitation or reconstruction.

Units developed with LHC assistance must meet the following affordability requirements:

- Rent for assisted units must not exceed 30% of the adjusted income of a family whose annual income equals or is less than 65% of the area median income as determined by HUD, adjusted by bedroom size. HUD provides annual [HOME rent limits](#) that include average occupancy per bedroom and adjusted income assumptions. For the purposes of the CHAAP Program, HOME rent limits and requirements will be used for all HOME-assisted units.
- If applicable, in affordable rental housing developments with five or more assisted units, 25% of the HOME-assisted units must be occupied by very low-income families and meet one of the following rent requirements:
 - The rent does not exceed 30% of the annual income of a family whose income equals 50% of the median income for the area, as determined by HUD, with adjustments for smaller and larger families.
 - The rent does not exceed 30% of the family's adjusted income. If the unit receives federal or state project-based rental subsidy and the very low-income family pays as a contribution toward rent not more than 30% of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the federal or state project-based rental subsidy program.

At project completion, the owner/developer may maintain ownership and manage the project over the long term (for the affordability period), or it may transfer the project to another entity if built as a sponsorship project.

2. Eligible Activities in CSAR

All CSAR activities must be related to **homebuyer housing** that is owned, developed, or sponsored by certified CHDOs. The following activities may be undertaken by CHDOs participating in CSAR:

- Affordable housing development ([24 CFR 92.300](#) and [CSAR la.gov](#)) –
 - Homeownership Development

Eligible activities and expenses related to a homeownership development project may include:

- Acquisition,
- Demolition,
- Rehabilitation,
- Construction,
- Construction management, and/or
- Marketing and outreach.

CSAR projects do not have a specific unit limit. However, Davis Bacon and related acts requirements apply to projects that contain 12 or more units assisted with HOME funds. This includes any combination of construction, rehabilitation, alteration, or repair, including painting, flooring, installation, and decoration over a total of twelve units within the same project.

Project funding limit: CSAR projects are limited to \$200,000 in HOME assistance.

Project expenses should be determined and included with a project proposal through the CSAR application process (**See Section V**).

a. CSAR Homebuyer Activities

CSAR funds may be used to pay eligible costs associated with the acquisition and rehabilitation of existing single-family homeownership units (no new construction).

The value of the finished homes (appraised value after rehabilitation) cannot exceed [HOME/Housing Trust Fund Sale Price/Value Limit](#) for the year in which the project is originally funded. The rehabilitated homes must be sold to an eligible LMI buyer through a fee simple sale within nine months of completion of the construction.

At project completion, the owner/developer transfers title of the property and the HOME obligations to an eligible homebuyer who must agree to terms of affordability and maintenance that are included in the terms of the sale and enforced through deed restrictions.

3. Federal Cross Cutting Requirements

All applications under the CHAAP and CSAR Program are governed by the HOME regulations and Final HOME Rule dated July 24, 2013, as amended (24 CFR Part 92). Modification of federal statutes or regulations governing the HOME Program by Congress, the Department of Housing and Urban Development (HUD), the state legislature, or LHC may become effective immediately and apply to the activities funded under the CHAAP and CSAR Program.

All HOME Funds must be spent in accordance with HOME Program rules and regulations on eligible HOME activities. All dwelling units assisted with HOME Funds shall comply with the applicable federal, state, and local codes and ordinances, the rules and regulations for affordable housing set forth at 24 CFR 92.254, Subpart H--"Other Federal Requirements" (such as Affirmative Marketing, Lead-Based Paint Poisoning Prevention Act), and the rules and regulations set forth in 24 CFR Part 92 including Model Energy Code.

Certain federal regulations cut across all program, hence they are "**cross-cutting**" requirements. CHDOs who are Owners are also subject to the following federal requirements that all developers (who are also owners) using federal funds must adhere to in order to remain compliant. Owners can, and should, pass some of these requirements on to the Developer if the two are different entities.

The manual does not include the text of all applicable regulations that may be important to particular projects. LHC strongly encourages Applicants to consult the federal HOME Program regulations, and other federal cross-cutting regulations (referred to in Subpart H of the federal HOME regulations). Applicants should also consult the state Uniform Multifamily Regulations (UMRs).

a. Environmental Reviews (NEPA) and Approvals

The National Environmental Policy Act of 1969 (NEPA) requires all federal agencies to adopt a systematic interdisciplinary approach to decision-making to ensure environmental values are considered. The U.S. Department of Housing and Urban Development (HUD) is one of the federal agencies that must comply with NEPA as applicable by 24 CFR Part 58. This compliance is extended downward to all recipients of HUD funding, which includes the LHC also known as the Responsible Entity (RE).

The primary objective of the environmental review is to identify specific environmental factors that may be encountered at a potential project site and to develop procedures to ensure compliance with regulations pertaining to these factors. All HUD funded projects and activities are required to have an *Environmental Review Record (ERR)* completed prior to the commitment of funds. The environmental review process was designed around the following factors:

- Make decisions based on understanding of environmental consequences before the final decision to move forward on a project is made.
- Ensure environmental information is made available to public officials and citizens before decisions are made and actions taken.
- Consider reasonable alternatives and avoid or minimize any possible adverse effects of their actions upon the quality of the human environment.
- Required by 24 CFR Part 58.
- Secures the value of the public investment.

HOME funded projects are subject to the provisions of NEPA [24 USC 432-14347] and the HUD regulations implementing NEPA [24 CFR Part 58]. No work may start on a proposed project before the environmental review process is completed, even if that work is being done using non-HUD funds. In other words, **an environmental review must be concluded for each CHDO project prior to the firm commitment of federal or non-federal funds to any expenses or contracts related to a project.** A violation of this requirement may jeopardize federal funding to this project and disallow all costs that were incurred before the completion of the Environmental Review. The type of project will determine the level of environmental review and the necessary documentation that will be required.

Levels of Review

Exempt Activities, 24 CFR §58.34(a)

These reviews do not require compliance with any other federal laws or authorities cited in §58.5 but must comply with the applicable requirements of §58.6. Examples of qualified activities include but are not limited to: environmental and other studies, information and financial services, administrative and management activities, engineering or design costs, and technical assistance or training.

Categorical Exclusions Subject to §58.5, 24 CFR §58.35(a)

These reviews are categorically excluded under NEPA but may be subject to review under authorities cited in §58.5. Examples of qualified activities include, but are not limited to: acquisition, repair, improvement, reconstruction, or rehabilitation of public facilities and improvements (other than buildings); special projects directed to the removal of material and

architectural barriers that restrict the mobility of and accessibility to elderly and handicapped persons; and rehabilitation of buildings and improvements.

Categorical Exclusions Not Subject to §58.5, 24 CFR §58.35(b)

These reviews are categorically excluded under NEPA and have been determined by HUD to not alter any conditions that would require a review or compliance determination under the Federal laws and authorities cited in §58.5. Examples include but are not limited to: tenant-based rental assistance, supportive services, operating costs, and economic development activities.

Environmental Assessment (EA), 24 CFR §58.36

If the activity is not determined to fit under the first three types of environmental reviews, then it will require the preparation of an Environmental Assessment. Examples include but are not limited to: new construction of housing, infrastructure, or facilities, and acquisition of land for the development of a housing subdivision.

Environmental Impact Statement (EIS), 24 CFR §58.37

An environmental impact statement (EIS) is required when the activity is determined to have a potentially significant impact on the human environment. Examples include but are not limited to construction of hospitals or nursing homes containing 2,500 beds or more, demolition, conversion, or substantial rehabilitation of 2,500 housing units or more, and additional water and sewer capacity.

Floodplain Management

Requirements of Executive Order 11988 and 24 CFR part 55 must be met for all projects that are located in a 100-year floodplain, and critical action properties (hospitals, day cares, nursing homes, or emergency responders) located in a 500-year floodplain.

HEROS

The **HUD Environmental Review Online System (HEROS)** is used for developing, documenting, and managing environmental reviews. HEROS covers all levels of environmental reviews for both Part 50 and Part 58 activities including compliance with related laws and authorities.

LHC may contract with an environmental consultant to perform Part 58 Environmental Reviews for CHDOs that qualify for waiver of required leverage/equity financing³. LHC makes all submissions into HEROS as the responsible entity for HOME funds. Where the CHDO completes its environmental reviews, it must submit any reviews and reports to LHC for review and entry into HEROS for HUD to approve. **CHDOs may not submit environmental reviews to HUD directly.**

b. Davis Bacon and Related Acts

Davis Bacon and related acts requirements apply to projects that contain 12 or more units assisted with HOME funds. This includes any combination of construction, rehabilitation, alteration, or repair, including painting, flooring, installation, and decoration over a total of twelve units within the same project.

³ Existing CHDOs that received less than \$1,000,000 in project funding and less than \$350,000 of combined Developers Fees and CHDO proceeds

c. Section 3

Section 3 of the Housing and Urban Development Act of 1968 (providing preference for new employment, training, and contracting opportunities to low- and very low- income residents, regardless of race or gender) applies to projects using HUD assistance for housing rehabilitation, housing construction and other public construction projects that exceed \$200,000 or any Section 3 project funding from HUD's Lead Hazard Control and Healthy Homes programs.⁴ All recipients of federal funds must make efforts, *to the greatest extent possible*, to provide training, employment, contracting and other economic opportunities to low- and very low-income persons.

Efforts that show compliance with Section 3 should include but is not limited to:

- Implementing procedures to notify Section 3 residents and business concerns about training, employment, and contracting opportunities generated by Section 3 covered assistance.
- Incorporating the Section 3 Clause into all covered solicitations and contracts [see 24 CFR Part 135.38].
- Facilitating the training and employment of Section 3 residents and the award of contracts to Section 3 business concerns.
- Refraining from entering into contracts with subcontractors that are in violation of Section 3 regulations.
- Documenting actions taken to comply with Section 3.
- Submitting Section 3 Annual Summary Reports to LHC in accordance with 24 CFR Part 135.90.

LHC must report the following Section 3 results to HUD annually, for projects that meet the threshold:

- The total dollar amount of HOME funding that was spent by the recipient for covered projects/ activities during the specified reporting period.
- The total dollar amount of construction and/or non-construction contracts (or subcontracts) that were awarded with covered funding.
- The dollar amount of the recipient's construction or non-construction contracts (or subcontracts) that were awarded to Section 3 business concerns.
- The aggregate number of hours worked by employees that met the definition of a "Section 3 Worker" and "Targeted Section 3 Workers" for the recipient (or its covered contractors and subcontractors) towards the completion of covered projects/activities.
- The aggregate number of hours worked by Section 3 business concern employees.
- The total number of Section 3 workers that participated in training opportunities that were made available by the recipient (or its covered contractors and subcontractors), or other local community resource agencies.
- A narrative of the specific actions that were taken by the recipient (or its covered contractors and subcontractors) to comply with the requirements of Section 3 and/or meet requirements for employment and contracting opportunities.

⁴ September 29, 2020, FRN 85 No. 189, 61525

LHC can provide technical assistance to CHDOs and their contractors with Section 3 compliance. For more information about Section 3, refer to <https://www.hud.gov/section3>.

d. Minority and Women’s Business Enterprise (M/WBE) Requirements

CHDOs that use set-aside HOME funding from LHC will be required to have procedures in place to facilitate minority outreach to ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, in all contracts.⁵

e. Lead-Based Paint (Rehabilitation Only)

All units in a project built before 1978 that are assisted with HOME funds must comply with the lead-based paint regulation at 24 CFR part 35. Recipients of HOME funds that support applicable projects will be required to provide evidence to LHC that shows compliance with the following approaches:

- Approach 1: Do No Harm
- Approach 2: Identify and Stabilize Deteriorated Paint
- Approach 3: Identify and Control Lead-Based Paint Hazards
- Approach 4: Identify and Abate Lead Based Paint Hazards

f. Uniform Relocation and Real Property Acquisition

If HOME Funds are proposed to pay for acquisition costs and activities, the CHDO Applicant must follow the procedures of the Uniform Relocation and Real Property Acquisition Act to acquire the project site. The procedures must be followed prior to the site acquisition and steps must be documented. HOME funds cannot be used to pay or reimburse an applicant for site acquisitions activities that do not comply with the requirements of the Uniform Act.

g. Other Requirements: Accessibility Requirements, Building Codes, Housing Choice

UNIFORM PHYSICAL PROPERTY CONDITION STANDARD: Housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. If there are no such standards or code requirements, the housing must meet the Uniform Physical Property Condition Standard for the entire affordability period.

ACCESSIBILITY REQUIREMENTS: All funded projects must meet the accessibility requirements at 24 CFR Part 8, which implements Section 504 of Rehabilitation Act of 1973 (29 U.S.C. 794) and covers multifamily dwellings, as defined at 24 CFR 100.201, and must also meet the design and construction requirements at 24 CFR 100.205, which implement the Fair Housing Act (42 U.S.C. 3601-3619). These requirements must be met for the entire affordability period. Per HUD regulations at [24 CFR part 8.22\(b\)](#), new construction rental projects with five or more units are required to provide at least one unit or a minimum of five percent of units as “accessible for persons with mobility impairments.”

ENERGY EFFICIENCY

LHC encourages projects for new construction and rehabilitation to incorporate energy efficiency measures through materials, heating, ventilation and air conditioning (HVAC) systems, building design, and site orientation as feasible and cost reasonable. LHC

⁵ 24 CFR 85.36(e)

encourages CHDOs to build homes or rental units to be Energy Star certified. Refer to HUD's *Building ENERGY STAR® Qualified Homes and Incorporating Energy Efficiency and "Green" Building, 2008*⁶ for Energy Star and energy efficient standards.

SITE DEVELOPMENT REQUIREMENTS: Pursuant to 24 CFR §92.251, single-family new construction housing that is financed by HOME Funds must meet all applicable local building codes and building and zoning ordinances in effect at the time of project's completion. In the absence of a locally adopted building code, the project must meet the 2000 International Residential Code.

HOUSING CHOICE OPPORTUNITIES: Projects awarded HOME Funds must comply with Title VI of the Civil Rights Acts of 1964, the Fair Housing Act, Section 504, Executive Order 11063 and HUD regulations issued pursuant thereto so as to promote greater choice of housing opportunities.

4. CHDO Project Responsibilities

As a recipient of HOME funds from LHC, CHDOs are expected to be responsible for the administration and management of their rehabilitation and new construction projects and meet all federal regulations and state requirements of the award.

a. Community Engagement

The CHDO must have a formal process for involving potential and actual low-income HOME program beneficiaries in 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 organization's by-laws or a board resolution.** This requirement is especially important for CHDOs serving a large geographic area, where it may not be possible for a CHDO to have low-income board representation from every neighborhood in which the CHDO will develop, own, or sponsor housing.

CHDOs should establish systems for community involvement in parts of their service areas where housing will be developed, but which are not represented on their boards. Such systems might include special committees of neighbors of a proposed development site, neighborhood advisory councils or open town meetings.

b. Procurement

CHDOs are exempt from procurement requirements for goods and services as described under the uniform administrative requirements according to **2 CFR 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards)**. However, LHC strongly recommends CHDOs to follow procurement standards when seeking contractors or other services and for major purchases according to the below table to ensure good cost management and to document cost reasonableness.

⁶ <https://files.hudexchange.info/resources/documents/EnergyStarAndHOME.pdf>

Purchase Types	When to Use
Small Purchase	Equipment (e.g., computers); Materials (e.g., lumber); Services (e.g. consulting, environmental review, or planning) less than \$30,000
Sealed Bid	Construction Contractors; Goods costing more than \$30,000
Competitive Proposal (e.g., RFP/RFQ)	Professional services (e.g., engineers, consultants) over \$30,000

Cost reasonableness is determined by LHC’s Construction Department who undertakes a Cost Reasonableness analysis of all CHDO project through the use of estimating software (RS Means). The estimating software reviews the local level cost numbers to the project budget estimates.

LHC has ***determined that any price provided is within the cost reasonable range when it is no more than 20 percent above or below the local evaluated price estimate.*** All documentation and the analysis for cost reasonableness should be kept with the project file.

c. Project Design and Constructions Plans

CHDOs are responsible for development of the design and providing architectural plans for their project. Final plans must be submitted to LHC for review and approval before an awarded project goes to closing. If necessary, the CHDO is responsible for procuring an architect or engineer to provide necessary project plans to submit to LHC.

Construction plans will meet all specifications as determined by LHC, local jurisdiction codes, and HUD HOME requirements. The overall design for any housing development is expected to be economical, safe and fit with the architecture within the neighborhood. Materials included in the plan for construction will meet standards listed under Part d, *Construction Management* below.

CHDOs are also required to submit a Project Description of the proposed housing development to LHC for review and approval as part of the project application. The description should include:

- Identify type of project, target population, and where it will be located.
- Identify all project activities such as the new construction of housing units for sale or development of rental housing units and the proposed number of units.
- Number of bedrooms and number of bathrooms in each unit.
- Total number of square feet in each unit, including projected cost per square foot.
- Sale price of new construction homes or targeted rent amount for rental housing development.
- Identify if HOME funds will be used to assist homebuyers with down payment and/or closing cost assistance and explain the terms of the assistance.
- Provide a narrative of project readiness, including if the CHDO has secured site control and if the property is zoned correctly for the proposed development.
- Provide if any level of environmental review has been completed and is available for LHC review.
- Provide an explanation of the Fair Housing Activity you intend to provide during the contract period. Explain what Fair Housing Act and Section 504 requirements apply to the project and how they will be met and/or exceeded.

d. Construction Management

LHC will hold all CHDOs to the same timeline requirements for construction and leasing after project completion, regardless of the number of units being built.

Construction Start and Completion Date

Construction is expected to begin within 90 days from the date of the written agreement execution and the Notice to Proceed is released. Construction is not to exceed 18 months from the contract execution date. A timeline for construction should be included with the application to demonstrate the developer's ability to meet this requirement. Given the HOME commitment and expenditure deadlines, the proposed project should have all planning close to final or be ready to execute when the application is submitted. Any delays in construction from the contract execution date must be communicated to LHC with justification as extraordinary delays can lead to violations of HOME regulations.

Standards

All work performed, as well as materials and equipment provided, shall be in full compliance with all applicable statutes, ordinances, codes, regulations and laws (collectively "laws"), and in actual conformance with the described scope of work. This program is funded by HOME. Per HUD regulations, all HOME-funded construction must meet the Uniform Physical Condition Standards (UPCS) when it comes to inspections. In addition, the entire home must be built to meet the program's standards and meet all building requirements of the local jurisdiction.

Unless expressly stated in the scope of work, all materials and equipment shall be new and with appropriate warranties. Selected contractors are responsible for providing warranties against the structural, functional, and aesthetic integrity of the structures, products, materials and/or equipment. CHDOs and their contractors that choose to use higher grade materials than allowed by the program will do so at their own expense. Luxury items and items outside the scope of work will not be reimbursed by the program. Any upgrade will need to be approved, in writing, by the LHC Director or designee.

Inspections

LHC Construction & Compliance Monitoring division inspects all work on the project, at the request and coordination of the LHC programs division. The CHDO or their contractor will submit an invoice which will trigger the engagement with the LHC Construction & Compliance Monitoring division to schedule an inspection when projects have met milestones.

Inspectors review all work completed according to reporting provided by the contractor. The inspector institutes a comparison of receipts from the contractor with the materials found on-site to guard against the use of substandard or used materials. In addition, date and time-stamped photographs are taken during inspections, detailing complete and incomplete work. The required plumbing, electrical, structural and mechanical inspections will be conducted by the LHC inspector while work is in progress.

Any deficiencies identified during an inspection will be provided to the contractor, CHDO, and LHC in writing. The contractor is required to address and complete all deficiencies to code and program standards and then request a re-inspection. If deficiencies are not fully addressed at the time of re-inspection, LHC may complete a deductive change order for any incomplete work funded by the HOME award.

At the completion of work, the LHC inspector or designee performs a final walk through of the property, noting any deficiencies that must be cured before the final payment is made. A punch list is drafted by LHC and provided to the CHDO and its contractor. The punch list includes photographs, indicating the location of each item which must be completed. Once all items from the punch list are completed, the CHDO will receive its final payment from the program.

Incomplete Work or Failed Final Inspection

HUD requires any HOME set-aside funds invested into a project that is incomplete to be returned to the program. If for any reason a CHDO and/or its contractor is unable to complete the project to code and program standards, and pass a final inspection, LHC may require the CHDO to return all HOME funds paid to date, according to the terms of the written agreement. CHDOs must be able to complete each property to the required standards and provide the housing units as agreed to in the written agreement or else the project is deemed incomplete.

e. Affirmative Marketing

CHDOs must design and employ marketing plans that promote fair housing by ensuring outreach to all potentially eligible households, especially those least likely to apply for assistance. Affirmative marketing consists of actions to provide information and otherwise attract eligible persons to available housing without regard to race, color, national origin, sex, religion, familial status (persons with children under 18 years of age, including pregnant women), or disability. The affirmative marketing requirements also apply to projects targeted to persons with special needs.

CHDOs must develop a strategy for outreach and marketing to sell or rent completed housing units. The CHDO Developer is responsible for:

- 1) Marketing;
- 2) Collecting applications and screening buyers for eligibility;
- 3) Providing assistance as needed to help buyers secure first mortgage financing approvals; and
- 4) Explaining the affordability provisions against the property.

The CHDO must obtain written approval from LHC for their **program marketing plan and budget** prior to executing the written agreement.

CHDOs completing housing projects that will have five or more HOME-assisted units must create an Affirmative Marketing Plan using the appropriate HUD form. This form should be completed based on the market assessment and the lease-up marketing plan. Plans are verified by LHC for compliance.

The form is not required for CHDOs with less than five units, however, LHC recommends CHDOs have a marketing plan in line with the requirements and details outreach efforts for proposed units. CHDOs with less than five units can use the HUD form as an outline for establishing a marketing plan.

- Single Family - <https://www.hud.gov/sites/documents/935-2B.PDF>;
- Multi-family - <https://www.hud.gov/sites/documents/935-2A.PDF>)

Affirmative Marketing Plans must be updated annually based on the contract date. LHC will monitor and review marketing and outreach efforts of all developers that receive HOME awards.

f. Technical Assistance

LHC is available to provide technical assistance on these areas and other federal cross-cutting requirements to ensure the project is compliant, timely, and is successful in providing safe and affordable housing.

V. Project Award and Agreement

1. Project Application
 - a. Certification
 - b. Funding Sources
 - c. Project Requirements
 - d. Submission to LHC
2. Project Review
 - a. Review of Application
 - i. Complete/Incomplete
 - ii. Project Eligibility
 - iii. Notice of Consideration (notice to CHDO project is/is not considered for further review)
 - b. Environmental Review
 - c. Market Assessment
 - d. Subsidy Layering and Underwriting
 - e. Risk Assessment
3. Project Closing – Closing Packet
 - a. Project Budget – Proceeds and Re-Use Plan
 - b. Project Approvals
 - c. Commitment of Funds
 - d. Timeline of Construction
 - e. Entry IDIS
 - f. Notice to Proceed
4. CHDO Written Agreement
 - a. Development Project Agreement
 - b. Operating Expense Agreement

VI. Project Implementation

1. Construction
 - a. Construction Standards
 - b. Contractor Procurement
 - c. Sustainability and Accessibility Requirements
 - d. Change Orders
 - a. Budget change
 - e. Inspections
 - f. Incomplete Work or Failed Final Inspection
2. Housing Transfer (Sale/Rent)

- a. Outreach/Marketing
 - b. Property Management Policies
- a. Eligibility Determination
- b. Rental Unit Lease Up
- c. Homeownership Unit Sales
- 3. Requisitions – Draw process
 - a. Operating Fund Agreement Payment Requests Process
 - b. Developer Fund Agreement Payment Request Process
 - i. Inspection
 - ii. Finance team review
 - iii. Payment
 - c. Developer Fee
 - d. Project Proceeds
- 4. Project Completion and Conveyance
 - a. Final Acceptance
 - b. Affordability Period
 - c. Homeownership shift to Rental
 - d. Deed Restrictions/Liens – Transfer requirements

VII. Compliance and Monitoring

- 1. Homebuyer Activity
- 2. Rental Activity
- 3. Recapture/Resale

VIII. Reporting and Recordkeeping

- 1. Reporting Requirements
- 2. Recordkeeping Requirements

IX. Appeals and Grievances

- 1. Application Appeal
- 2. Project-related Appeal
- 3. Public Comments, Concern, or Grievance