



**HOME Investment Partnerships
Program**

**Community Housing Development
Organization (CHDO)**

**PY2020 Certification
Application Instructions**

Before You Begin

At least 15% of the Lake County Consortium’s HOME allocation must be reserved, or “set aside,” for specific activities to be undertaken by a **Community Housing Development Organization (CHDO)**. A CHDO is defined as a private nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves. If the Lake County Consortium certifies your organization as a Community Housing Development Organization, your organization will be eligible to receive “CHDO set-aside” for projects and/or funding for “CHDO Operating” assistance. Please note that participating jurisdictions, public bodies or instrumentalities of public bodies (i.e. public housing authorities) cannot be designated as a CHDO.

Before committing any CHDO funding to an organization (for either CHDO Set-Aside or CHDO Operating), the Lake County Consortium is required to ensure that prospective CHDOs meet the CHDO qualifying criteria outlined in the HOME Rule at 24 CFR 92.2. This packet must be completed in order to apply for CHDO status in Lake County. You must complete the certification process each time you apply for affordable housing funding and must sign a document indicating that your organization continues to meet CHDO requirements prior to signing any grant agreement for CHDO set-aside funds. Previous CHDO status does not guarantee continued CHDO certification. If your organization is not certified as a CHDO but would like to become one, County staff will work with your organization to see if it may become eligible.

This packet contains information necessary to apply for CHDO Certification, as required by the HOME Investment Partnerships Program Final Rule at 24 CFR Part 92, revised and in effect August 23, 2013 and per the guidelines of the Lake County Consortium. Before completing this certification packet, you should become familiar with the Lake County HOME Program Guidelines and appropriate federal regulations. Please contact Lake County Community Development at (847) 377-2475, and speak with the CHDO Coordinator, Irene Marsh-Elmer, if you have any questions regarding this certification process.

Application Submission Requirements

The CHDO Certification (Tier 1) Application, including all required documents, are accepted on a rolling basis. If this CHDO Certification application corresponds with a housing project application, this CHDO Certification application must be submitted no later than the due date of the corresponding housing application to the Lake County Community Development office, located at the Central Permit Facility, 500 W. Winchester, Unit 101, Libertyville, IL 60048. In addition to completing the CHDO Certification Application, CHDOs applying for CHDO set-aside must submit a CHDO Tier 2 Application with their Affordable Housing Application as Attachment 7. Organizations that do not submit a complete CHDO Certification Application by the housing application due date, as stated above, will not be considered for CHDO set-aside funding for that year.

Each CHDO is required to submit one CHDO Certification Packet with original signatures. All materials must be three-hole punched and should not be bound; each separate section (questions/attachments) should be tabbed using standard binder tabs. An electronic version must also be submitted to communitydevelopment@lakecountyil.gov as an Adobe .pdf.

Description of Projects Eligible for CHDO Set-Aside Funding

Eligible activities:

- Acquisition, rehabilitation, and sale of units to homebuyers (may include direct financial assistance to homebuyers)

- New construction of rental or homebuyer units (may include direct financial assistance to homebuyers)
- Acquisition of rental housing units
- Acquisition and rehabilitation of rental housing units

Ineligible activities:

- Non-development activities
- Tenant-based rental assistance
- Homeowner rehabilitation
- Downpayment and closing cost assistance when not associated with unit construction or rehabilitation

CHDO Operating Funds

Up to 5% of the Lake County Consortium’s HOME allocation may be used for the operating expenses of CHDOs. These funds may not be used to pay operating costs incurred by a CHDO acting as a sub-recipient or contractor under the HOME Program.

A CHDO may not receive HOME funding for any fiscal year in an amount that provides more than 50% of its operating budget or \$50,000, whichever is greater.

Regulatory Requirements for CHDOs

The following regulatory thresholds are required by the Department of Housing and Urban Development in order to certify organizations to act as Community Housing Development Organizations (CHDOs).

Legal Structure Requirements

1. The organization is organized under state or local law.
2. The organization has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons.
3. The organization has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual.
4. The organization is not under the control or direction by any individual or entity seeking to derive profit or gain.
5. The organization has one of the following IRS tax exempt statuses:
 - a. Exemption under 501(c)(3) or 501(c)(4);
 - b. Subordinate of a central nonprofit under IRC Section 905; or
 - c. A private nonprofit that is a wholly owned subsidiary of an organization that has 501(c)(3) or (c)(4) status and meets the CHDO definition.

For this requirement, please include a letter from the IRS confirming tax-exempt status.

6. The organization is not a governmental entity (any of the following: participating jurisdiction, other jurisdiction, Indian tribe, public housing agency, Indian housing authority, housing finance agency, or redevelopment authority).

Independence Requirements

7. Public officials & employees of a governmental entity may comprise no more than 1/3 of the board.
8. Officers and employees of a governmental entity cannot be officers (e.g. CEO, CFO, or COO) or employees of a CHDO.

9. If the organization was created by a governmental entity, then the governmental entity that created the organization may not appoint more than 1/3 of the board members and board members appointed by the governmental entity may not appoint remaining 2/3.
10. If the organization was created by a for-profit entity, then a through d apply:
 - a. The for-profit entity that sponsored or created the organization may not have as its primary purpose the development or management of housing, such as a builder, developer, or real estate management firm.
 - b. The for-profit entity that created the organization may not appoint more than 1/3 board members, and for-profit-appointed members may not appoint remaining 2/3 of board.
 - c. Officers and employees of the for-profit entity that created the organization cannot be officers or employees of the CHDO.
 - d. The organization must be free to contract for goods & services with others.

Accountability to the Low-Income Community Requirements

11. The organization must have a designated service area (i.e. the “community” in which it produces housing). A community can be a neighborhood or neighborhoods, city, county, metropolitan area, or multi-county area (but not the entire State).
12. At least 1/3 of the board members are: 1) low-income; 2) residents of a low-income neighborhood; or 3) elected representatives of a low-income neighborhood organization.
13. The organization has a formally adopted process for low-income beneficiaries to advise it on decisions regarding design, siting, development, and management of housing.
For this requirement, please include the organizations’ low-income beneficiary input policy.
14. The organization has at least 1 year of serving the community, or, if it is formed by local churches, service organizations, or neighborhood organizations, its parent organization meets this requirement.

Financial Capacity Requirements

15. The organization has financial management systems that conform to 2 CFR 200.302 and 200.303
To fulfill this requirement please attach a copy of the organization’s financial management policies and procedures.

Additional Requirements

16. In addition to HUD regulatory threshold requirements, all organizations applying to be certified as CHDOs must have an active account on the System for Award Management (SAM). To fulfill this requirement, please include your DUNS number on the Cover Sheet and Tier 1 Regulatory Thresholds Checklist, and Lake County Community Development staff will verify your active status.
17. Certification of compliance with all conflict of interest rules.
For this requirement, please attach the Certification of Conflict of Interest Compliance document.

CHDO Set-Aside Project Role Requirements

To participate in homebuyer projects, the CHDO **must** act as *Developer*. To participate in rental projects, the CHDO may act as *Owner*, *Developer*, or *Sponsor*. To participate in projects involving the Low Income Housing Tax Credit (LIHTC), the CHDO **must** act as *Sponsor*.

Homebuyer Project Requirements

1. The organization is acting as *Developer*, and is or will be the owner in fee simple and the developer of new or rehabilitated units for sale to low-income buyers.
2. The organization will control the development process including, at a minimum, arranging financing of the project and being in sole charge of construction.

Rental Project Requirements

1. The organization will act as *Owner, Developer, or Sponsor*.
 - a. To act as *Owner*: The organization is or will be owner in fee simple absolute (or will hold a long-term ground lease) for at least the period of affordability. If project involves rehabilitation or construction, organization will oversee all aspects of development.
 - b. To act as *Developer*: The organization is or will be owner in fee simple absolute (or will hold a long-term ground lease) for at least the period of affordability, and will be in sole charge of all aspects of the development process.
 - c. To act as *Sponsor*: The organization must meet one of the following:
 - i. The organization will own and develop the project that it will convey at a predetermined time after completion to a designated private nonprofit (that was not created by a governmental entity); **or**
 - ii. The project will be owned and/or developed by an eligible CHDO affiliate, including:
 1. A wholly owned subsidiary of the CHDO; or
 2. A limited partnership of which the CHDO or its wholly owned subsidiary is the sole general partner; or
 3. A limited liability company of which the CHDO or its wholly owned subsidiary is the sole managing member.

Project Capacity Requirements

1. The organization has paid employees with demonstrated experience relevant to the CHDO's role in undertaking the HOME activity to be funded. (Note: this does not include volunteers, board members, donated or shared staff, or consultants - except as described in 4.1.1. below.)
 - a. During the first year of an organization's funding as a CHDO only, capacity can be demonstrated through a contract with a consultant who has housing development experience to train appropriate key staff of the organization.

What Documents Do You Need to Submit?

CHDOs must meet federal requirements both on an organizational level and on a project-specific level. The **Tier 1 Regulatory Thresholds Application** is the CHDO Certification Application and certifies an organization as a CHDO. The **Tier 2 Set-Aside Certification Application** is Attachment 7 of the Affordable Housing Application and certifies that the project described in the Affordable Housing Application is eligible for the CHDO to undertake using set-aside funding. The Tier 1 application is general information about the CHDO, while the Tier 2 application contains information specific to the project.

Tier 1: The Tier 1 Regulatory Thresholds Certification Application must be submitted by **ALL CHDOs**. Tier 1 ensures that the agency meets the definition of a “community housing development organization” and meets all CHDO regulatory thresholds regarding legal structure, independence, and accountability to the low-income community. The documents required to provide evidence of meeting all regulatory thresholds are detailed in the Tier 1 Application Checklist and explained below. **If you are not applying for a project for set-aside funds, you may submit only the Tier 1 Regulatory Thresholds Certification Application.**

Tier 2: The Tier 2 Set-Aside Certification Application is Attachment 7 of the Affordable Housing Application. The Tier 2 Set-Aside Certification Application must be submitted by **CHDOs intending to use Set-Aside funds** as an owner, developer, or sponsor. Tier 2 ensures that the agency meets the CHDO Set-Aside Project Role Requirements and Project Capacity Requirements listed above. To meet these requirements, the CHDO must have an eligible project for use of CHDO Set-Aside funds, the staff experience and capacity necessary to complete the role in the project, and the capacity to remain a CHDO throughout the period of affordability. The documents required to provide evidence of meeting all Set-Aside Certification requirements are detailed in the Tier 2 Application Checklist and explained below. **If you are applying for a project for set-aside funds, you must submit the Tier 1 Regulatory Thresholds Certification Application. Additionally, you must include a Tier 2 Set-Aside Application Form and supporting documentation as part of your Lake County Consortium Affordable Housing Application (Attachment 7 of the Affordable Housing Application).**

Tier 1 Application Checklist

The Tier 1 Application documents must be submitted to the Lake County Consortium independently from any application for funding and can be accepted throughout the year. If the CHDO is applying for funding for a project that will use set-aside funds, however, the Tier 1 CHDO Certification Application must be submitted no later than the due date of the Affordable Housing Application.

Document	Type of Document
CHDO Certification Application Form and Tier 1 Checklist*	Form
Attachment 1: Charter and Articles of Incorporation	Attachment only
Attachment 2: By-Laws	Attachment only
Attachment 3: CHDO Board Member Questionnaire and Roster*, all applicable Board Member Certification Forms* (Low Income and Public Service), and all applicable Board Member Conflict of Interest Waiver Request Forms*	Forms
Attachment 4: IRS tax-exempt status letter (fulfills requirement 5)	Attachment only
Attachment 5: Low-income beneficiary input policy (fulfills requirement 13)	Attachment only
Attachment 6: Conflict of Interest Policy (fulfills requirement 17)	Attachment only
Attachment 7: Financial Management and Procedures	Attachment only

*Form available on the website at <http://www.lakecountyiil.gov/1907/Applicants>.

Tier 2 Application Checklist

Tier 2 Application documents must be submitted with the Lake County Consortium Affordable Housing Application along with materials specific to the CHDO’s affordable housing project. Tier 2 Application documents are Attachment 7 of the Affordable Housing Application.

Document	Tier 2 Applications (all CHDOs applying for Set-Aside funding)
CHDO Tier 2 Application*	Form
Supporting documentation	Attachments only

*Form available on the website at <http://www.lakecountyiil.gov/1907/Applicants>.

Overview of Tier 1 Application Attachment Forms

Application Form and Tier 1 Regulatory Thresholds Checklist - The Application Form and Tier 1 Checklist serve as your application’s cover sheet and provides general information about the applicant. Additionally, the checklist helps the applicant ensure evidence of all regulatory threshold requirements can be found within the submitted documents. The Application Form includes the CHDO Certification Application Submission Certification which certifies all information contained in the application is true to the best of the knowledge of the signing party.

- **Submission Requirement:** Your submission should include one document. Please include a completed Cover Sheet and Tier 1 Checklist. A fillable PDF, “Cover Sheet and Tier 1 Regulatory Thresholds Checklist,” is available at <http://www.lakecountyil.gov/1907/Applicants>.

Attachment 3 - The CHDO Board Member Forms (CHDO Board Member Questionnaire and Roster, Board Member Certification Forms, and Board Member Conflict of Interest Waiver Request Forms) ensure that the CHDO meets all regulatory thresholds regarding the composition of the board and compliance with 24 CFR 92.356. The CHDO Board Membership Questionnaire and Roster includes general information about the board and indicates all members of the board which will need to submit Low Income Representative Certifications. The Low Income Representatives CHDO Board Member Certification ensures that the CHDO’s board has at least 1/3 low income representatives. The Public Service Certification ensures that the CHDO’s board has no more than 1/3 public sector representatives. Lastly, the Board Member Conflict of Interest Waiver Request Forms ensure the Consortium is aware of any board members who reside in HOME-assisted housing and have approved their participation in the board. HUD regulations contain language which forbids any CHDO from having board members who live in HOME-assisted housing; however, many CHDOs recruit board members from HOME-assisted housing units that the CHDO owns, develops, or manages. HUD recognizes the value of having residents of HOME-assisted housing on the CHDO’s Board of Directors and allows participating jurisdictions to grant exception waivers to CHDO board members.

- **Submission Requirement:** Your attachment should include three to four types of documents. The number of applicable documents depends on the number of members on your board. Please include a copy of the CHDO Board Member Questionnaire and Roster. **Each board member** must submit a Public Service Certification, regardless of whether they are or are not public employees. **Additionally, each low income representative of the board** must submit a Low Income Representative Certification. If applicable, please also include Conflict of Interest Exception Waiver Request Forms for any board member with a potential conflict of interest. Any board member who lives in a HOME-assisted affordable housing unit in a project (within its period of affordability) owned or managed by the CHDO will need to fill out an Exception Waiver Request Form. A fillable word document that includes all of these forms, “Attachment 3 CHDO Board Member Forms (all)” is available at <http://www.lakecountyil.gov/1907/Applicants>. Please review the checklist below to ensure you are including all documents necessary in Attachment 3.

Documents included in Attachment 3	Who?	How many?
Board Member Questionnaire and Roster	One per CHDO	1

Public Service Certification	Each board member	The number of Public Service Certifications should match the number of members on the board roster.
Low Income Certification	Each low income representative board member	The number of Low Income Certifications should match the number of Low Income Representatives on the board roster.
Conflict of Interest Exception Waiver Request Form	Each board member who lives in HOME-assisted housing	As many as applicable.

Overview of Tier 2 Application (Affordable Housing Application Attachment 7)

All Tier 2 Application materials must be submitted with the CHDO’s Lake County Consortium Affordable Housing Application as Attachment 7. The Tier 2 Application Form includes 3 sections, described below. If the organization is requesting CHDO Operating Assistance, they must include the attachments described below.

- **Section 1: CHDO Role** - The CHDO Role section provides evidence that the CHDO is aware of HUD regulations regarding the role of the CHDO as a sponsor, developer, or owner of a project that receives CHDO set-aside funding. Please review the CHDO Set-Aside Project Role Requirements above then indicate what role the CHDO will play in the project.
- **Section 2: Period of Affordability Recognition** - The period of affordability recognition section provides evidence that the CHDO is aware of HUD’s expectation that CHDOs will remain certified as CHDOs throughout the period of affordability of any project undertaken with CHDO set-aside funding. Please sign.
- **Section 3: CHDO Operating Assistance Request** - The Operating Assistance Request section provides evidence that the CHDO is aware of HUD regulations regarding CHDOs who receive funding for operating assistance or funding for set-aside projects. In order to receive funding for operating expenses a **certified CHDO must submit:**
 - A written proposal identifying how the requested CHDO operating funds will be used in relationship to a current or proposed HOME funded project as required under 24 CFR 92.300(e). The proposal must address how 24 CFR 92.300(e) will be met if the CHDO applicant does not receive the requested CHDO Project funding under this application.
 - A detailed operating budget identifying all sources and uses of funds.
 - Year-to-date financial statement
 - Certified audit for the preceding year
 - If applying for operating funds to be used for costs other than salaries, a cost-allocation plan is required.

END OF INSTRUCTIONS