

PJ-CHDO Relationship Policies & Procedures

Executive Summary

Following is a brief summary of the PJ-CHDO Relationships Policies and Procedures which are specified in greater detail in the other chapters of this manual.

1. **Training and Technical Assistance:** Periodically the Department of Federal and State Programs, Community Development Division (CDD) staff will provide technical assistance and/or trainings offered to currently certified CHDOs and other known organizations interested in CHDO eligibility. As part of the trainings, the CDD staff will:

a. Discuss:

- Basic relevant HOME statutory and regulatory requirements;
- These Hattiesburg PJ-CHDO Relationship Policies and Procedures;
- Timely issues and best practices, as necessary.

b. Provide:

- Current digital copies of these Hattiesburg PJ-CHDO Relationship Policies and Procedures;
- *CHDO Self-Assessment Tool Checklist* (see: [CHDO Capacity Self-Assessment Tool.doc](#));
- *CHDO Project Risk Analysis Checklist* (see: [CHDO Project Risk Analysis Checklist.doc](#));
- *CHDO Toolbox* and *CHDO Survivor Guide Publications* for organizations who do not already have copies of them.
- Updated copy, if applicable, of Hattiesburg's *Rehabilitation/Repair/Reconstruction Program Manual*, which includes a section on Property Standards and references to the City's most recently adopted code standards.

2. **CHDO/Project Solicitation, Submittal, Evaluation and Selection Policies and Procedures:**

a. The CDD will periodically issue a formal RFP to solicit HOME/CHDO proposals for eligible projects from nonprofits which will include:

- Instructions;
- An Application;

- Market Need and Demand Questionnaire;
 - CHDO Self-Evaluation Tool Checklist (for the nonprofit's own use);
 - Project Risk Analysis Checklist (for the nonprofit's own use).
- b. Proposals will be submitted by interested nonprofits using a City HOME CHDO Project Proposal application document and any required attachments.
 - c. The project proposal submittal and public opening process will follow standard City RFP submittal procedures.
 - d. CDD staff will perform a threshold evaluation of all applications to assess:
 - Project feasibility and underwriting
 - CHDO capacity to develop the proposed project
 - Market need and demand for the proposed units.
 - e. All projects will be submitted to a City committee for review, scoring, and ranking by committee based on established funding criteria.
 - f. The committee will be responsible for selecting a project based on its rankings.
 - g. All organizations submitting proposals will be notified, in writing, of the results of the selection process.

3. CHDO Certification Policies and Procedures:

- a. The organization proposing the selected project will then submit required documentation to determine whether it qualifies as a CHDO under established federal and local criteria and what particular role in the development it will play – Developer, Owner or Sponsor.
- b. If the organization is determined to be qualified as a CHDO in a specific role – Developer, Owner or Sponsor, it will receive CHDO Certification from the City Council.

4. Developer Agreement Policies and Procedures:

- a. A Developer Agreement will be drafted by CDD staff for the project and CHDO including all required federal and local provisions and discussed with the CHDO.

- b. CDD will perform a required environmental review for the project.
- c. Costs incurred for the environmental review will be charged against the agreement amount as a project cost.
- d. If the project receives environmental clearance, the Developer Agreement will be presented to the City Council for Approval.
- e. Once approved, the Developer Agreement will be Executed by the Mayor and CHDO's Executive.
- f. After Developer Agreement execution, CDD staff will enter the project into IDIS.
- g. CDD staff will prepare amendments to the Developer Agreement, if and when needed, and oversee their approval and execution.

5. Closing Policies and Procedures:

- a. CDD staff will prepare and oversee the execution of all required project documents, including promissory notes, deed of trust, restrictive covenants.
- b. Recordation of documents that need to be recorded.

6. Fund Disbursements:

- a. Reimbursements to CHDOs of project expenses and developer fees, if applicable, will follow standard City of Hattiesburg policies and procedures.
- b. CDD staff will enter fund disbursement information into IDIS.

7. Project Development Oversight:

- a. CDD staff will monitor project development progress according to agreed-upon timelines and milestones.
- b. The CDD Project Inspector and City Technical Inspectors will perform regular inspections to ensure that construction is in compliance with project plans, specifications and all applicable City codes.

8. Project Completion and Close-out:

- a. Projects will be considered completed after inspectors have determined that all City codes have been met, the project has been built to plans and

specifications, punch list items have been cleared, and documentation has been provided to indicate that the Homebuyer units or homes are occupied by eligible households (Rental units have a 18 month leasing up period).

- b. Final 10% payments will be made to the CHDO after all requirements have been met and lien releases have been received by contractors and sub-contractors.
- c. CDD staff will enter project close-out information into IDIS to commence the project's Affordability Period.

9. Annual Monitoring:

- a. CDD staff will perform annual monitoring of projects to determine that all federal and local requirements continue to be met. Post project completion monitoring will continue during the affordability period.
- b. CHDO staff will submit required reports to the City for its review and approval--including occupancy of the project units or homes, and information concerning CHDO proceeds or program income, project resale or recapture.
- c. Records and documentation will be maintained by the City and CHDOs and retained as required by HOME regulations.
- d. Periodic training and technical assistance to CHDOs will be provided by CDD staff.

10. Updates and Changes to Policies and Procedures:

- a. To ensure that these policies and procedures continue to be relevant and useful, CDD staff will be responsible for drafting changes and updates as conditions warrant and for obtaining the required approvals.

Federal Regulatory Requirements for CHDO Certification

HUD has established standard criteria for organizations to be eligible for CHDO certification.

1. Organized under State/Local Law: The nonprofit organization must show their Charter of Articles of Incorporation as evidence of being organized under state and local law.
2. IRS Nonprofit Status: Organizations must have a 501(c)(3) nonprofit status of exemption letter of certification from the Internal Revenue Service (IRS).
3. Purpose of Affordable Housing: Providing decent and affordable housing must be the organization's primary purpose. This is evidenced by the organization's By-Laws, Charter or Articles of Incorporation.
4. Benefit No Individual: No part of the CHDO's profits may benefit any members, founders, contributors, or individuals. This requirement must be evidenced in the Articles of Incorporation.
5. Service Area: The organization must have a clearly defined geographic service area in its Articles of Incorporation and/or By-Laws and a map of the service area must be attached to the application.
6. Board Representation: The board of directors must contain no more than one-third representation from the public sector and a minimum of one-third representation from the low-income community it serves.
7. For-Profit Sponsorship: CHDOs may be sponsored by for-profits; however, the CHDO cannot be controlled by the for-profit and must be free to contract for goods and services evidenced by CHDO's By-Laws, Charter or Articles of Incorporation. The primary purpose of the for-profit cannot be housing ownership/management as evidenced by the for-profit's Articles of Incorporation. Furthermore, officers (meaning, CEO, COO, CFO etc.) and employees of the for profit that created the CHDO cannot serve as officers (meaning, CEO, COO, CFO etc.) or employees of the CHDO.
8. Low-Income Input: A formal process that is described in the By-Laws or Resolutions, has been established and implemented for low-income program beneficiaries from the organization's service area to advise the organization in of its decisions regarding design, location, development and management of affordable housing.
9. Capacity and Experience: Key staff and board members must have significant experience and capacity to carry out CHDO eligible HOME-assisted projects in the community where it intends to develop affordable housing. Resumes of key staff and

board members will serve as evidence of experience and capacity. The City of Hattiesburg will determine if the key staff persons have capacity in relation to the specific role the CHDO is playing in the development. If the nonprofit is a first-time CHDO, this capacity can be demonstrated by contracts with consulting firms or individuals who have successfully completed projects similar to those to be assisted with CHDO funds for the first year only. The consulting firms or individuals must have written plans detailing the training of CHDO personnel. Even with a consultant the CHDO must have their own staff who can be trained.

10. **Serving the Community**: A minimum of one year of relative experience serving the community where the organization intends to develop affordable housing must be demonstrated via letters of community support and written statement of organization's community activities.
11. **Accounting Standards**: The organization must meet and adhere to financial accountability standards found in 24 CFR 84.21. (See 84.21.doc)
12. Organizations having revenues in **excess** of \$300,000 **MUST** submit an audit performed by a Certified Public Accountant, along with their most recently filed IRS Form 990.
13. Organizations having income **less** than \$300,000 **MUST** submit the organization's most recently filed IRS Form 990, along with the items from either **(a) or (b)**:
 - a) A set of Basic Financial Statements, which **MUST** include the industry equivalent of a "Balance Sheet", "Statement of Cash Flows", "Income Statement" and the "Notes to the Financial Statements". These must have been certified as official financials and evidenced by a copy of the board minutes showing that they were presented and accepted as official financial statements by the entity's board or governing body.
 - OR**
 - b) A compiled set of Basic Financial Statements, along with a letter that the compilation was performed in accordance with American Institute of Certified Public Accountants' industry standards. The compilation must include the industry's equivalent of the "Balance Sheet", "Statement of Cash Flows", "Income Statement" and the "Notes to the Financial Statements".
 - Audit or Certified Financial Statements must be completed in accordance with generally accepted accounting principles and prepared during the last fiscal year.

14. Organizational Structure Requirements for CHDO Certifications:

HUD has established specific organizational structure requirements for CHDOs to ensure that the governing board is not controlled by influence from outside the community it serves. These requirements are also designed to ensure that the CHDO is capable of independent decisions and actions designed to best serve the community needs. The requirements relating to the organization's board must be evidenced in the Articles of Incorporation or By-Laws. They include:

- a. Low Income Representation: At least one-third of the organization's board must be representatives of the low-income community the CHDO serves. To meet the one-third minimum requirement, the organization's board may consist of either:
 - Residents that live in the low-income community where 51 percent or more of the residents are low-income. The persons need not be low-income;
 - Residents of the community who are qualified as low-income (below 80 percent of the median income); or
 - Elected representatives of low-income neighborhood organizations.
 - The CHDO is required to certify the status of all low-income representatives and the low-income Board representation should be included in the CHDO's By-Laws, Charter or Articles of Incorporation.
- b. Public Sector Limitations: A CHDO may be chartered by state or local government, however restrictions apply. Only one-third or less of the organization's board may consist of representatives from the public sector, including elected public officials, appointees of elected public officials or employees of The City of Hattiesburg or other government entities, as discussed in the CHDO's By-Laws, Charter or Articles of Incorporation. If a person qualifies as a low-income representative and a public sector representative, the role of public sector representative supersedes their residency or income status. This person would therefore count toward the one-third public sector limitation.
- c. Low Income Advisory Process: The CHDO must provide a formal process for low-income program beneficiaries to advise the CHDO on design, location of sites, development and management of affordable housing. This process must be described in the CHDO's By-Laws or Resolutions. Each project the CHDO undertakes should allow for the potential program beneficiaries to provide input on the project from start to finish. This may be accomplished by creating a project advisory committee for each project located in the areas the project will serve. Proof of low-income beneficiary input will be required at the CHDO's annual recertification.

- d. For-Profit Limitations: If a CHDO is sponsored by a for-profit, the for-profit may not appoint more than one-third of the board, as evidenced by the CHDO's By-Laws, Charter or Articles of Incorporation. Board members appointed by the for-profit may not appoint the remaining two-thirds of the board members.

15. Experience, Capacity and Financial Accountability Requirements for CHDO Certification:

HUD also requires that organizations must demonstrate sufficient experience, capacity and financial accountability to be certified as a CHDO.

- a. Experience and Capacity: CHDOs must demonstrate a history of serving the community in which the housing activities will take place. This can be demonstrated by providing:
 - A statement that documents one year of experience serving the community, or
 - A statement that a parent organization (if applicable) has at least one year experience serving the community.
- b. Financial Accountability: CHDOs must have financial accountability standards that conform to the requirements detailed in 24 CFR 82.21, "Standards for Financial Management Systems" (See [84.21.doc](#)). This can be evidenced by a notarized statement by a Certified Public Accountant or the Chief Financial Officer of the CHDO to certify the organization's financial system is in compliance with financial accountability standards of 24 CFR 82.21.