

HOME PROGRAM FAQs about CHDOs

1. WHAT does (CHDO) Stand for?
 - a. Community Housing Development Organization

2. What is a CHDO?
 - a. A private nonprofit organization with a 501 (c) 3 or (c) 4 federal tax exemption, a CHDO must also include providing decent, affordable housing to low-income households as its purpose in its charter, articles of incorporation, or by-laws. It must serve a specific, delineated geographic area; either a neighborhood, several neighborhoods, or the entire community. Merely serving certain population groups (by ethnicity, race, age, or gender) does not qualify. Note on the 501 (c): participating jurisdictions cannot contract with nonprofits as CHDOs with pending 501 (c) applications. There are also additional requirements that an organization must meet to qualify as a CHDO. For more information about CHDO requirements click [Here](#).

3. What kind of experience is necessary for an organization to be designated a CHDO?
 - a. A CHDO must demonstrate the capacity to carry out HOME development projects, by displaying a development track record, by hiring experienced development staff, or by hiring experienced consultants with a plan to train the CHDO development staff. The CHDO must also have at least one year of serving its HOME target community prior to receiving HOME funds. Since some CHDOs are likely to be new organizations established specifically for HOME, they can inherit their required one year of community service from a parent organization, such as an existing community development corporation (CDC), a human service organization (such as the local United Way or a United Way affiliate), a community land trust, a mutual housing association (MHA), a church group, etc. Church organizations can create and sponsor CHDOs, but CHDOs must be secular, and CHDO projects must be available to any eligible low income households regardless of religious affiliation.

4. Are there requirements for allowing persons of low income from the community to participate and have input in CHDOs?
 - a. The CHDO must have a formal process for involving potential and actual low-income HOME program beneficiaries in the design, siting, and development of CHDO programs and projects. The more complex standards involve low-income accountability: no less than one-third of the CHDO's governing board must be residents of low-income neighborhoods (defined as at least 51 percent of households with incomes below 80 percent or median), low-income residents of the CHDO's target area, or elected representatives of low-income neighborhood organizations.

5. Can for-profit organizations create CHDOs?
 - a. Yes, for-profits can sponsor CHDOs, but there are important limitations. The CHDO must be truly nonprofit and not controlled or directed by people wanting to profit from the CHDO's activities. Like the government prohibition, a for-profit may appoint no more

than one-third of the board members of a CHDO, and those members cannot appoint the remainder of the board. Despite its for-profit “parent,” the CHDO has to be free to contract with whomever it wants for goods and services. Note: a for-profit real estate builder, developer, or manager CANNOT sponsor a CHDO.

6. Can local governments create CHDOs?
 - a. The HOME program calls for authentic community-based nonprofits as CHDOs. Public bodies or instruments of public bodies (public housing authorities, redevelopment agencies, housing finance agencies, etc.) do not qualify. Local or state governments can appoint no more than one-third of the membership of a CHDO board, and public officials can constitute no more than one-third of a CHDO board.

7. Why should THDA comply with the set-aside rules for with CHDOs?
 - a. Aside from the fact that CHDO’s have historically been strong partners in the mission to develop and preserve affordable housing in Tennessee all State HOME recipients must contract for and commit its CHDO set-aside or the jurisdiction automatically loses the money, with no appeal.

8. Is the CHDO set-aside limited to only 15 percent for CHDOs?
 - a. The 15 percent set-aside is the statutory required minimum for CHDO participation in local HOME programs. THDA determines the percentage of funds that it will make available as its CHDO set-aside each grant year when designing the program and preparing the program description. The actual set-aside is established in the program description for each HOME grant year.

9. Is nonprofit participation limited to the CHDO set-aside?
 - a. The CHDO set-aside is for nonprofit CHDOs only. Other nonprofit developers can participate in the non-CHDO portions of HOME programs.

10. What can CHDOs do with HOME funds?
 - a. There are specific eligible activities under THDA’s HOME CHDO Program Description each grant cycle that must address the housing needs of low-income households. These activities generally require the development and or preservation of housing for low income persons and families for homeownership and/or rental. Each grant year THDA determines the specific eligible activities for that program year. All eligible activities for a specific program year are published in that grant cycles HOME Program Description.

11. Are there types of projects that are prohibited?
 - a. Yes, manufactured housing and manufactured housing lots are not eligible for HOME assistance. Home eligible housing does not include emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, and dormitories, including those for farm workers or housing for students.

12. Who will pay a CHDO for carrying out CHDO set-aside projects?

- a. Unfortunately, there is no general administrative money in HOME for CHDOs however a CHDO may request up to 7% of the project funds awarded as CHDO operating expenses to help with the administrative costs of operating the organization. Operating expenses are separate from project funds and are funded from the 5% set-aside for CHDO operating expenses from the annual HOME allocation. A CHDO may also request an 8% developer's fee if the CHDO is acting as a developer of housing. The developer's fee is 8% of the HOME funds used to construct or acquire and rehabilitate the unit.