

HOME Investment Partnerships Program FAQs

Last Updated: December 30, 2015

Description:

This document contains the HOME Investment Partnerships Program FAQs posted on the HUD Exchange website (<https://www.hudexchange.info/home/>). The FAQs are organized by topic.

Community Housing Development Organization

CHDO Set-Aside Funds

What types of activities qualify to use CHDO set-aside funds?

Updated: November 22, 2013

CHDO set-aside funds may be used for projects that are owned, developed, or sponsored by a nonprofit that qualifies as a CHDO as defined at 24 CFR §92.2. Previously, these roles were limited to development activities—that is, projects that involved acquisition, rehabilitation, and/or new construction of housing for sale or rent to low-income families. However, the 2013 HOME Final Rule amended the definitions of these roles and now nonprofits can also own and manage HOME-assisted housing that it does not develop. CHDO set-aside funds may **not** be used for administering tenant-based rental assistance or downpayment assistance programs (except in combination with a development project in certain circumstances). HUD provides a detailed definition of the roles of owner, developer, and sponsor for rental and homebuyer projects in the HOME regulation §92.300(a).

Can CHDO set-aside funds be used to provide downpayment assistance?

Updated: November 22, 2013

Yes. When a CHDO provides downpayment assistance to a buyer of a property that it developed with CHDO set-aside funds, it can use additional CHDO set-aside funds to provide downpayment assistance to that buyer. The 2013 Rule limits this assistance to no more than 10 percent of the total amount of HOME development funds. The 10 percent limitation only applies when additional CHDO set-aside funds are used to provide the homebuyer assistance and to projects for which funds were committed on or after August 23, 2013. When a CHDO administers a downpayment assistance **program**, it is acting as a subrecipient, not a developer of affordable housing; this is not an eligible use of set-aside funds per §92.300.

What does the change from CHDO *reservations* to *commitments* mean to a PJ?

Updated: November 22, 2013

In the 2013 Rule, changes to the HOME regulations at §92.300(a)(1) require a PJ to **commit CHDO set-aside funds to a specific project** within 24 months of receiving its HOME allocation. The PJ must enter into a written agreement(s) with one or more CHDOs that the PJ certifies meets the definition a CHDO (as defined at §92.2) and has the capacity to undertake the proposed project in which a CHDO will own, develop, or sponsor an affordable housing project. There must be a written agreement with the CHDO that meets the requirements of §92.504(c). This requirement became effective on October 22, 2013 and applies to all projects that receive a commitment of CHDO set-aside funds on or after that date.

Can a PJ provide CHDO set-aside funds to a CHDO that has the capacity to own and manage rental housing, but does not have the capacity to develop a project?

Updated: November 22, 2013

Yes. The 2013 Rule codifies the definition of “**owner**” of rental housing to *clarify* that a CHDO may own and manage affordable housing in this way. The *change* to the definition of CHDO in 92.2 requires the PJ to determine and certify that the CHDO has the capacity to own and manage the rental housing. As an owner, a CHDO without development capacity can acquire an existing property that meets the HOME property standards (see §92.251) and then own and manage that property. Prior to the 2013 amendment, a CHDO could use set-aside funds to purchase a developed property that did not require rehabilitation however, that CHDO was nevertheless required to have capacity to develop affordable housing.

Alternately, in a sponsorship situation, a CHDO (or any other nonprofit) could be the ultimate owner and manager of a property that is developed by another CHDO that serves as “**sponsor**” of the project. The CHDO sponsor develops the property, and once development is completed, conveys the property to a pre-determined nonprofit entity that will own and manage the property during the affordability period. In this situation, the entity that develops the property as the project sponsor must be a qualified CHDO with development capacity; however, the entity that ultimately owns and manages the property could be any nonprofit, including another CHDO that has

the capacity to own and manage the project. Project sponsorship in this form has been a permissible use of CHDO set-aside funds and this has not changed with the 2013 Rule.

Has the definition of *developer* of rental housing changed under the 2013 Rule?

Updated: November 22, 2013

Yes. Effective August 23, 2013, a CHDO that serves as a developer of rental housing must be in sole charge of all aspects of the development of the property, and must own the property during development and throughout the affordability period. Previously, a CHDO could develop a property that it did not own, under contract with the property owner. This is no longer permitted under the developer definition in 24 CFR 92.300.

CHDO Deadlines

What are the effective dates of the 2013 Rule changes related to CHDOs?

Updated: November 22, 2013

For the most part, the amendments to the definition of CHDO (found at §92.2) and other amendments related to CHDOs at §92.300 became effective on August 23, 2013. There are only two changes related to CHDOs with delayed implementation dates:

- The change in the definition of *commitment* at §92.2 that no longer permits PJs to *reserve* HOME funds for projects that will be identified at a later date became effective on October 22, 2013. This change requires PJs to commit CHDO set-aside funds to a specific project for a specific amount of HOME funds via a signed and dated written agreement within 24 months of the PJ's receipt of HOME funds. This provision will be implemented by HUD for all commitment deadlines that occur on or after January 1, 2015.
- The requirement that PJs must expend CHDO set-aside funds within 5 years of receipt of HOME funds [found at §92.500(d)(1)(C)] becomes effective on January 1, 2015.