



**Improving CHDO Performance**  
Techniques for Better Production



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**Panelist**

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**Topics**

- Context
- Assessment of Capacity
- CHDO Assistance from PJ
- Other Techniques
- Q&A



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### Context

- Spending CHDO set-aside funding can be challenge
  - CHDOs may not have adequate capacity to perform
  - Necessary skill sets change with changing market conditions
- How can PJs assess and improve CHDOs' capacity?



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### Assessment of Capacity

- PJs can assess capacity or require CHDOs to do self-assessment
- Key question: Is the CHDO capable to perform project?



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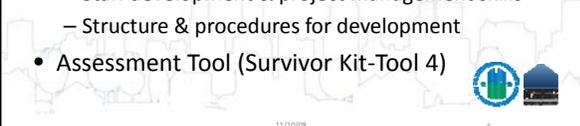
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### Factors to Consider

- Capability/capacity to be developer
  - Long-term: independence as developer
- Factors beyond CHDO qualifications
  - Board stability/skills
  - Financial management practices
  - Staff development & project management skills
  - Structure & procedures for development
- Assessment Tool (Survivor Kit-Tool 4)



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### CHDO Assistance

- PJs may provide special forms of HOME assistance to CHDOs
  - Project pre-development loans
  - Operating assistance
  - Project proceeds



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### Pre Development Loans (cont'd)

- CHDO must repay from construction loan proceeds or other income
- PJ may waive repayment if:
  - There are impediments to project development beyond the CHDO's control
  - Project deemed infeasible



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### CHDO Assistance (cont'd)

- PJs may also permit or provide assistance outside of HOME
  - Developer fee
  - Pairing CHDOs up with experienced nonprofits, lender support



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## Project Pre Development Loans

- Access to up-front money for eligible CHDO development costs, two types:
  - Technical assistance and site control
  - Seed money loans
- Costs must be in the form of a loan
- Up to 10% of CHDO set-aside



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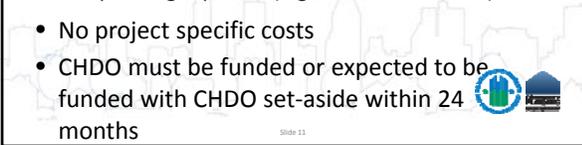
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## CHDO Operating Assistance

- Up to 5% of PJ's HOME allocation may be used for CHDO operating
- Eligible uses:
  - Housing education, training, technical assistance
  - Staff administration expenses
  - Operating expenses (e.g., rent, utilities, etc.)
- No project specific costs
- CHDO must be funded or expected to be funded with CHDO set-aside within 24 months



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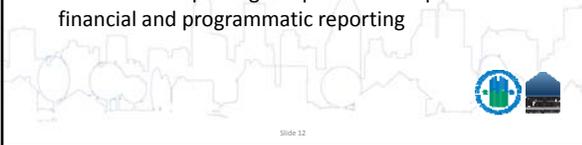
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## CHDO Operating Assistance (cont'd)

- Assistance may NOT exceed the greater of:
  - \$50,000 each fiscal year OR
  - 50% of CHDO's total annual operating expenses for that year
- Uses must be outlined in written agreement
- Provision of reporting template also helpful for financial and programmatic reporting



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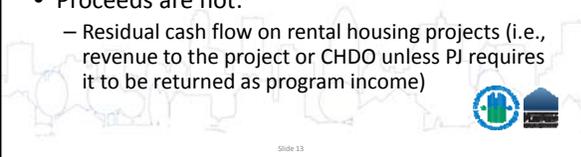
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### CHDO Proceeds

- PJs may allow CHDO to retain some or all proceeds from a HOME project
- Proceeds might be:
  - Proceeds from permanent financing
  - Principal and interest on HOME loans
- Proceeds are not:
  - Residual cash flow on rental housing projects (i.e., revenue to the project or CHDO unless PJ requires it to be returned as program income)



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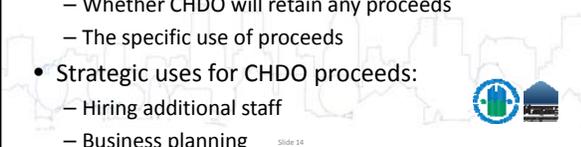
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### CHDO Proceeds (cont)

- Use of proceeds must be for:
  - HOME-eligible activities OR
  - Other low-income housing activities, including CHDO operations
- Written agreement with CHDO must include:
  - Whether CHDO will retain any proceeds
  - The specific use of proceeds
- Strategic uses for CHDO proceeds:
  - Hiring additional staff
  - Business planning



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### Other Techniques

- Use successful nonprofit or for-profit developers to mentor CHDOs and CHDO "wannabes"
- Entice high performing nonprofit developers to become CHDOs



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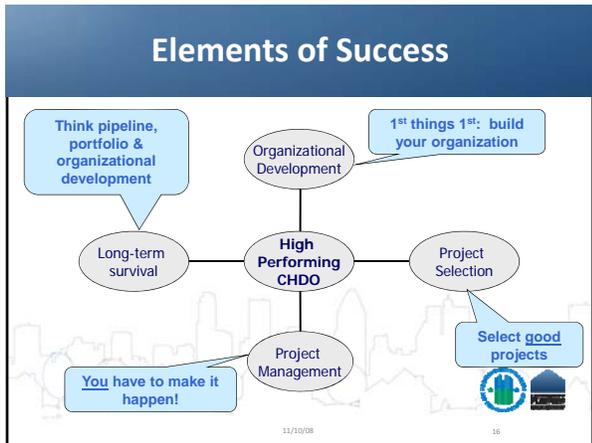
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### Q & A

- What is reaction to techniques?
- Are there other suggestions?

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# CHDO Capacity Self-Assessment Tool

This tool combines the regulatory requirements of CHDO qualification with additional questions to help CHDOs determine if they have the capacity to be successful as a developer. It has been provided as a tool to HOME PJs in the CHDO Toolbox.

For each of six topics, the CHDO regulatory thresholds are provided. If the organization does not meet these thresholds, then it may not be certified as a CHDO regardless of its overall capabilities. For this reason, the deficiency column is blacked out.

However, if the regulatory thresholds are met, then the organization's success as a CHDO developer may be influenced by the additional questions that indicate capacity to successfully manage housing development activities. If deficiencies are noted, the organization should work on these areas or request TA from the PJ before seeking project funds.

	Topic/Question	Adequate	Deficiency
1	<b>Organizational Status &amp; Mission</b>		
	<b>Regulatory Thresholds:</b>		
	The nonprofit is organized under State or local laws, as evidenced by: ____ 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.		
	It has among its purposes the provision of low- and moderate-income housing, as evidenced by: ____ Charter, ____ Articles of Incorporation, ____ By-laws, OR ____ Resolutions.		
	<b>Additional Questions:</b>		
	<u>Certificate of Good Standing</u> : Can it deliver a certificate of good standing or other documents from the State?		
	<u>Service Area</u> : Does it have a documented service area consistent with its CHDO activities?		
	<u>Strategic plan</u> : Has it produced a strategic plan that specifies an action plan for housing development?		

	<b>Topic/Question</b>	<b>Adequate</b>	<b>Deficiency</b>
	<u>Organizational structure</u> : Does the organization have a development subsidiary or other structural method of ensuring that it can undertake development without diverting time and resources from other activities?		
	<u>Shared commitment</u> : Do board and staff exhibit shared commitment to its housing development mission?		
	<u>Capital advance set-aside</u> : Has the organization set aside funds for meeting the equity and/or capital advance needs of development?		
	Other organization issues:		
<b>2</b>	<b>Board Composition</b>		
	<b><i>Regulatory Thresholds:</i></b>		
	At least 1/3 of board membership is for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations, as evidenced by: <input type="checkbox"/> By-Laws, <input type="checkbox"/> Charter, OR <input type="checkbox"/> Articles of Incorporation		
	No more than one-third of the governing board members may be public officials (including any employees of the PJ) or appointed by public officials, and government-appointed board members may not, in turn, appoint any of the remaining the board members, as evidenced by: <input type="checkbox"/> By-laws, <input type="checkbox"/> Charter, OR <input type="checkbox"/> Articles of Incorporation.		
	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, as evidenced by the CHDO's: <input type="checkbox"/> By-laws, <input type="checkbox"/> Charter, OR <input type="checkbox"/> Articles of Incorporation.		
	<b><i>Additional Questions:</i></b>		
	<u>Board stability</u> : Has there been stability/continuity of board members over the last several years?		
	<u>Development oversight</u> : Does the board have a committee structure or other means of overseeing planning and development?		

	<b>Topic/Question</b>	<b>Adequate</b>	<b>Deficiency</b>
	<u>Board skills</u> : Do board members have professional skills directly relevant to housing development (e.g., real estate, legal, architecture, finance, management)?		
	<u>Decision-making</u> : Has the board demonstrated the ability to make timely decisions?		
	<u>Board-staff relations</u> : Is there a good relationship between board and staff? Do they have shared goals?		
	Other board issues:		
<b>3</b>	<b>Sponsorship/Independence</b>		
	<b><i>Regulatory Thresholds:</i></b>		
	The CHDO is not controlled, nor receives directions from individuals, or entities seeking profit from the organization, as evidenced by: <input type="checkbox"/> The organization's By-laws, OR <input type="checkbox"/> A Memorandum of Understanding (MOU).		
	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, as evidenced: <input type="checkbox"/> In the for-profit organization's By-laws		
	If sponsored or created by a for-profit entity, the CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced by: <input type="checkbox"/> By-laws, <input type="checkbox"/> Charter, OR <input type="checkbox"/> Articles of Incorporation		
	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, as evidenced by: <input type="checkbox"/> By-laws, <input type="checkbox"/> Charter, OR <input type="checkbox"/> Articles of Incorporation		
	<b><i>Additional Questions:</i></b>		
	<u>Identity of Interest</u> : Are there any identity of interest issues between the organization and the contractors, consultants, and professionals it uses for its CHDO projects that might constitute a conflict of interest?		
	Other independence issues:		

	Topic/Question	Adequate	Deficiency
4	<b>Relationship/Service to the Community</b>		
	<b>Regulatory Thresholds:</b>		
	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:  <input type="checkbox"/> Documentation of at least one year of experience in serving the community, OR  <input type="checkbox"/> For new organizations, documentation that its parent organization has at least one year of experience in serving the community.		
	It provides a formal process for low-income, program beneficiaries to advise the organization in decisions regarding design, siting, development, & management of affordable housing projects, as evidenced by:  <input type="checkbox"/> The organization's By-laws, <input type="checkbox"/> Resolutions, OR <input type="checkbox"/> A written statement of operating procedures approved by the governing body.		
	<b>Additional Questions:</b>		
	<u>Needs</u> : Are current plans well grounded in an understanding of current housing conditions, housing needs, and need for supportive services? Has it done any analyses of the local housing market and the housing needs of low-income households?		
	<u>Community relations</u> : How strong are the current reputation of the corporation and the relationship with the community?		
	<u>NIMBY</u> : To what extent does NIMBY opposition exist to low income housing in the service area? To what extent do channels exist for the CHDO to negotiate with the community and potential opponents?		
<u>Local government relations</u> : How strong is the CHDO's relationship with the local government? How strongly does local government support its housing activities?			
Other community issues:			
5	<b>Financial Management &amp; Capacity</b>		
	<b>Regulatory Threshold:</b>		
	The organization conforms to the financial accountability standards of 24 CFR 84.21, "Standards for Financial Management Systems", as evidenced by:  <input type="checkbox"/> A notarized statement by the president or CFO; <input type="checkbox"/> A certification from a CPA, OR <input type="checkbox"/> A HUD approved audit summary.		
	<b>Additional Financial Management Questions:</b>		

	<b>Topic/Question</b>	<b>Adequate</b>	<b>Deficiency</b>
	<u>Audit</u> : Does the CHDO have an annual audit? Is the most recent audit current?		
	<u>Audit findings</u> : Were there management or compliance findings in the last two years? Are finding resolved?		
	<u>Budgeting</u> : Does the organization undertake annual budgeting of its operations and all activities or programs? Does it track and report budget v. actual income and expenses?		
	<u>Reporting</u> : Is financial reporting regular, current and sufficient for the board to forecast and monitor the financial status of the corporation?		
	<u>Cash flow management</u> : Does it know its current cash position and maintain controls over expenditures? How regularly does it experience cash flow problems?		
	<u>Internal controls</u> : Does it have adequate internal controls to ensure separation of duties & safeguarding of corporate assets? Is there sufficient oversight of all financial activities?		
	<u>Procurement/conflict of interest</u> : Does the organization have a conflict of interest policy governing employees and development activities, particularly in procurement of contract services and the award of housing units for occupancy?		
	<u>Insurance</u> : Does it maintain adequate insurance – liability, fidelity bond, workers comp, property hazard, & project?		
	<u>Financial stability</u> : Does the current balance sheet and budget indicate sufficient funds to supports essential operations? To what extent does the organization have a diversified and stable funding base for operations? What portion of revenues is predictable year-to-year? Does the CHDO have an established fundraising program for both capital & operational needs?		
	<u>Portfolio financial condition</u> : If it has a portfolio of properties, are the properties in stable physical and financial condition or are they a drain on corporate resources? Does it collect adequate management fees from the properties?		
	<u>Liquidity</u> : Does the organization have liquid assets available to cover current expenses? Does it have funds available for pre-development expenses or equity investments required for development?		
	Other financial issues:		
<b>6</b>	<b>Development Capacity</b>		
	<b>Regulatory Threshold:</b>		



	<b>Topic/Question</b>	<b>Adequate</b>	<b>Deficiency</b>
	<u>Use of consultants/partners:</u> To what extent does the CHDO have access to and make use of qualified development consultants and partners? How well do consultants and partners interact with staff? Are the consultants/partners focused on training CHDO staff and building capacity?		
	<u>Access to funding:</u> Does the organization have funds available for equity or capital advances in housing development projects? Does the organization have the ability to raise funds for the capital requirements of a project? How strong are relationships with funders of housing? With lenders?		
	<u>Opportunity costs:</u> If the organization pursues housing development, what other activities are likely to suffer or not be able to be pursued due to the effort required for development activities?		
	<u>Other capacity issues:</u>		
<b>7</b>	<b>Conclusions</b>	<b>Yes</b>	<b>No</b>
	Has the organization met all CHDO regulatory thresholds? If not, these must be corrected prior to CHDO certification.		
	Have capacity deficiencies been identified that may need to be addressed prior to the award of CHDO funds or as a condition of the commitment? If not, proceed to a request for CHDO certification and funding.		
	Can any identified capacity deficiencies be addressed by TA from the PJ or from a qualified CDTA CHDO intermediary? If so, request TA.		



**Vermont's HOME Program**  
Building Sustainable  
CHDO Capacity



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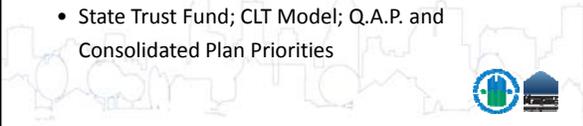
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**State Housing Policy Environment**

- Perpetual affordability
- No Displacement
- Build capacity; serve regions with high unemployment and low per capita income
- Partnership with conservation community
- State Trust Fund; CLT Model; Q.A.P. and Consolidated Plan Priorities



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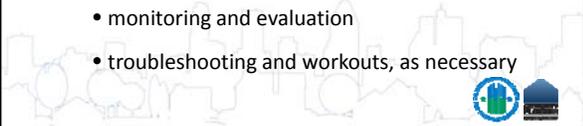
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**Components of VT's CHDO capacity program:**

- outreach
- financial support and incentives
- training
- targeted technical assistance
- monitoring and evaluation
- troubleshooting and workouts, as necessary



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### ICF Report 2004:

“VHCB, through its operating support grants and ongoing organizational monitoring, plays an important role in building and maintaining the capacity of individual nonprofits. . . [VHCB’s] collaborative mentoring approach and flexible underwriting augmented with training and careful organizational monitoring has strengthened and hardened the nonprofit industry in Vermont appropriately.”



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### CHDO projects in Vermont



Vermont CHDOs have developed nearly 3,000 units of affordable housing (nearly 1,000 HOME units) in 70 towns ranging from Vermont’s largest city, Burlington, to very small towns, like Groton (population 966).



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### Groton Community Housing (before)



In this small town, a major revitalization project, rehab and new construction, transformed the village center (before/during).



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### Groton Community Housing (after)



*After:* The general store, with apartments above and 3 business incubator spaces. 19 apartments; \$204,200 HOME award.



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### Examples of CHDO Operating grant requirements:

- 1) Raising money locally;
- 2) Identify properties that are losing money or experiencing high vacancies;
- 3) Establishing organizational goals and objectives for:
  - organizational planning
  - staff/board relations
  - personnel
  - finance
  - contract compliance
  - technical operating systems
  - project development
  - property and asset management
  - tenant relations
  - community relations



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### Adaptive Re-use: Daly Shoe Building



The Windham Housing Trust created 29 apartments in the Daly Shoe Building, a former warehouse. The energy efficient retrofit uses solar panels for domestic hot water.



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### Waterfront Housing, Burlington



LEEDS certified: high efficiency building envelope; locally cut and milled flooring; state-of-the-art storm water runoff treatment system; advanced heating and cooling systems; direct line of sight to daylight for more than 90% of occupied space.

2005 Home Depot Award of Excellence for Affordable Housing Built Responsibly



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### VT provides a robust technical assistance program

- CHDO staff work one-on-one with VHCB staff on financial, personnel, development & administration;
- VHCB pays for consultants to work with CHDOs on specific issues;
- VHCB has sponsored 37 workshops developed in response to an annual survey of CHDOs



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The Willard Mill (a former industrial building) was converted to housing. Energy retrofit with interior foam insulation and aluminum clad windows. Energy performance will allow affordability at oil prices up to \$6 a gallon.



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**Bellows Falls Family Housing**



Energy use was cut in half after windows were replaced, solar panels for domestic hot water were installed, siding was removed and exterior rigid foam insulation added. The property will be able to maintain affordability at oil prices in the \$5/gallon range.



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**Park Place, Burlington**

34 affordable apartments and commercial space developed by the Champlain Housing Trust after a fire



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**Green Mountain Seminary Apts, Waterbury**

16 apartments developed by the Central Vermont Community Land Trust. On the ground floor is a branch of the local library; out back is a ballfield used by the Little League.



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**Infill Development:  
Passumpsic View Apartments (before)**



A huge void was left in the center of St. Johnsbury's downtown when the prominent Daniel's Block burned to the ground in January 2000. This picture shows the town band preparing to play at the groundbreaking celebration for Passumpsic View Apartments as a neighboring structure, damaged in the fire, looms in the background.



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**Infill Development:  
Passumpsic View Apartments (after)**



The newly constructed 4-story building includes 25 senior apartments with rental assistance and 2 commercial spaces along with a large community room.



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**Howard Block in Bellows Falls  
(pop. 3,165)**



After a fire, the brick apartment building was renovated with CDBG funds, VHC grants and HOME funds to create 13 affordable apartments and 4 commercial spaces.



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**Officers Row, Dalton Drive, Essex and Colchester**



Affordable duplexes with conserved parade grounds. Rental apartments and housing for persons living with HIV/AIDS are also on the site.



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**Cottage Street, Rutland (before)**



This building was demolished during a neighborhood revitalization project. Rehab and new construction created 27 apartments in 7 buildings, using \$375,000 in HOME funding.

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**Cottage Street, Rutland (after)**



These two multi-family apartment buildings, designed to fit the style of the neighborhood, replaced the demolished buildings.



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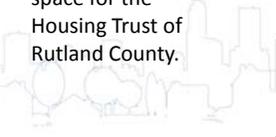
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**Tuttle Block,  
Rutland**

13 affordable  
downtown  
apartments,  
2 commercial  
spaces, and office  
space for the  
Housing Trust of  
Rutland County.



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**Conant Square Apartments, Brandon**



4 HOME units  
in a 19-unit  
senior housing  
development -  
Housing Trust  
of Rutland  
County



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