

**OFFICE OF COMMUNITY DEVELOPMENT
CHDO GENERAL OPERATING GRANT**

PROGRAM STATEMENT

This Program Statement is being revised to reflect the following policy changes:

1. Effective for CHDO General Operating Grants for fiscal years beginning October 1, 2010 and later, HPR will not be considered an activity eligible for the CHDO set-aside.
2. CHDO's using MSHDA HOME funds for non-CHDO eligible activities are eligible to receive a Base Operating Grant under certain conditions.

MSHDA's Office of Community Development (OCD) is offering General Operating (GO) funds to MSHDA-designated Community Housing Development Organizations (CHDOs) that are currently receiving HOME project funds through OCD's program. A CHDO may apply for a Base Operating Grant plus the Housing Production Incentive (HPI) **for units developed using Homebuyer-Acquisition/Development/Resale (ADR) component**.

CHDO's developing homebuyer-**ADR** units with MSHDA HOME funds within a local Participating Jurisdiction (PJ) must secure matching funds from the local PJ in an amount equal to the Base Operating Grant. The Housing Production Incentive is available only to those CHDO's that have completed a minimum of five (5) MSHDA HOME-funded homebuyer-**ADR** units during their previous fiscal year. There is no match requirement for the HPI.

CHDO's using MSHDA HOME funds for activities other than homebuyer-ADR units are eligible to receive a Base Operating Grant if the following conditions are met:

- Grantee has used MSHDA HOME funds to produce homebuyer-ADR units in the past (which are CHDO-eligible activities),
- Grantee is currently using MSHDA HOME funds for non-CHDO eligible activities (i.e. Homebuyer-Homebuyer/Purchase/Rehab (HPR), or rehabilitation of owner-occupied or rental units), and
- Grantee plans to resume their MSHDA HOME-funded homebuyer-ADR program within the next two years.

MSHDA HOME funds reserved for CHDO operating expenses are limited to five percent (5%) of the state's annual HOME allocation. MSHDA maintains the right to award grants below the maximum amount based on CHDO past performance and the availability of funds.

To ensure funding for a complete fiscal year, the Authorized Official must submit the CHDO GO application **at least 60 days prior to the beginning of the CHDO's fiscal year**. There is no guarantee that the amount of HOME funds reserved for CHDO general operating grants will be sufficient to meet the demand for this resource. Therefore, grants awarded to CHDO's submitting their requests after the beginning of their fiscal year will be pro-rated to begin the first day of the month after the application is received. Applications will be reviewed in the order they are received.

A. Federal Authorities

1. The HOME regulatory framework for Community Housing Development Organizations may be found at 24 CFR 92.2 and for CHDO GO funds at 24 CFR 92.208, 92.300(e) and (f) and 92.302. These regulations:
 - a. Define eligibility requirements for designation as a Community Housing Development Organization (CHDO).
 - b. Allow the award of CHDO GO funds to MSHDA CHDOs currently receiving HOME funds from MSHDA's CHDO Set-Aside.
 - c. Limit the total of HOME funds received by a CHDO in any fiscal year for general operating and "organization support and housing education" to \$50,000 or 50% of the CHDO's total operating expenses in that fiscal year, whichever is greater.
 - d. Allow MSHDA to award general operating funds to CHDOs that are expected to be receiving HOME funds from MSHDA's CHDO Set-Aside within the next 24 months. ~~OCD has made grants to CHDOs in the past under these terms; however, there are no longer sufficient CHDO GO funds available to MSHDA to support this practice, and these grants have been discontinued.~~
 - e. Limit the amount of funds available for CHDO GO to 5% of the State's allocation of HOME funds for any program year. *MSHDA will, at its sole discretion, reduce, suspend or postpone CHDO GO Grants at any time it becomes clear that this limit may be exceeded.*
2. Other federal statutory requirements governing HOME funds require compliance with environmental review regulations found at 24 CFR Part 58. CHDO GO funds are covered under 24 CFR 58.35(b)(3) which states that "following the award of assistance, no further approval from HUD or the State will be needed with respect to environmental requirements." An environmental review by the grantee is not required for CHDO GO grants.

B. Funding Objectives

OCD's intention for CHDO General Operating funds is to increase the capacity of its CHDOs to produce MSHDA HOME-funded homebuyer-ADR units. MSHDA expects that the expenditure of these funds will result in the organization's ability to improve, increase, or sustain:

- Production of MSHDA HOME-funded homebuyer-ADR units
- Timeliness of project completion
- Construction management services
- Homeownership counseling/outreach
- Community programming

Other areas of improvement may be targeted for CHDO GO funds depending on individual CHDO capacity and needs.

C. Applicant Eligibility. Applicants must meet following criteria:

1. Continued compliance with initial CHDO certification requirements of: HOME regulations at 24 CFR 92.2 defining a "CHDO", board membership criteria, and the financial accounting standards of 24 CFR 84.21.

2. Currently have an active **HOME-funded** grant from MSHDA.

3. Grantee anticipates that within two (2) years they will resume a homebuyer-ADR program funded through MSHDA's CHDO Set-Aside allowance to produce housing that is "owned, sponsored or developed" by the CHDO, and

4. An updated Partnership Profile has been submitted within the preceding 12 months.

D. Eligible Uses of Funds

Eligible expenses include "reasonable and necessary costs for the operation of the community housing development organization." Such costs include salaries, wages, and other employee compensation and benefits; employee education, training and travel; rent; utilities; communication costs; taxes; insurance; and equipment, materials and supplies (24 CFR 92.208(a)).

~~The amount of operating costs eligible under the CHDO General Operating Grant program are computed using the agency's total operating budget for **CHDO-eligible activities (homebuyer component) regardless of source.** Operating expenses needed for subrecipient activities such as homeowner rehabilitation and rental rehabilitation are not to be included in this budget. Likewise, these funds cannot be used to pay operating expenses incurred by a CHDO acting as a subrecipient or contractor under the HOME program. (For example, CHDO GO funds may not be used to pay the costs of running a Homeowner Rehabilitation or Rental Rehabilitation program with an NPP grant.)~~

E. Match Requirements

Local PJ match funds may be from any initial source but must be part of the PJ's appropriated budget and must be committed for the general operating purposes of the CHDO's ~~homebuyer~~ program. If local PJ HOME funds are used as match, they apply toward the maximum annual HOME investment allowed for CHDO operating expenses under HOME regulations (24 CFR 92.300(f)). A dollar for dollar match is required for the base operating grant amount only.

F. Recertification of CHDO status.

HUD recommends that CHDOs be annually recertified as meeting CHDO requirements. To ensure that MSHDA CHDOs meet these requirements, OCD requires the following with each CHDO GO application: (1) An updated Partnership Profile, and (2) Certification by the organization's authorized official that the CHDO maintains compliance with these requirements. (See Section VIII of the application.)

G. Grant Awards

CHDO GO Grants will be made available to MSHDA-designated CHDOs on the following basis:

1. Grant term. The grant term will end on the last day of the CHDO's fiscal year. The amount of the grant is based on a 12-month grant period. A grant will be pro-rated for any term other than 12 months.
2. Grant amount. A MSHDA-funded CHDO GO Grant is comprised of two components: the Base Operating Grant and a Housing Production Incentive (HPI). The maximum grant amount and match requirement depends on whether CHDO activities are undertaken inside or outside the boundaries of a local Participating Jurisdiction (PJ).
 - a. Base Operating Grant
 - i. If CHDO activities are undertaken inside a local PJ, up to \$15,000 is available. A dollar for dollar local PJ match is required and may come from any source, but it must be dedicated for CHDO operating expenses.
 - ii. If CHDO activities are undertaken outside a local PJ's jurisdiction, up to \$30,000 is available. No match is required in this instance.
 - b. Housing Production Incentive (HPI). In addition to the Base Operating Grant, an HPI is available to CHDOs having completed a minimum of 5 homebuyer-ADR units with MSHDA HOME funds during their previous fiscal year. A project is "completed" on the final pro forma approval date (See: "Activity Tracking Checklist" on OPAL) provided it falls within the CHDO's previous fiscal year and there has been no undue delay in filing the final pro forma. Local PJ match is not required for the HPI portion of the CHDO GO.
 - i. \$15,000 is available for CHDO activities undertaken *inside* a local PJ.
 - ii. \$30,000 is available for CHDO activities undertaken *outside* a local PJ.
 - Note:** Down Payment Assistance (DPA) without rehabilitation, homeowner rehabilitation, or rental rehabilitation units are not CHDO-eligible activities and do not count toward the Housing Production Incentive.
 - c. Maximum CHDO GO Grant awards from MSHDA. The Base Operating Grant and the Housing Production Incentive are combined and awarded in the form of a single grant.
 - i. \$30,000 maximum available to CHDOs working *inside* a local HOME PJ (\$15,000 Base Operating + \$15,000 HPI).
 - ii. \$60,000 maximum available to CHDOs working *outside* a local HOME PJ (\$30,000 Base Operating + \$30,000 HPI).
3. Disbursement of funds. Upon receipt of the original, executed grant agreement and compliance with all pre-disbursement conditions, funds may be disbursed as needed.
4. Budget. The amount of operating expenses eligible under the CHDO General Operating Grant program are computed using the agency's total operating budget for **CHDO-eligible activities (homebuyer component) regardless of source.** Operating

expenses needed for sub-recipient activities are not to be included in this budget. OCD staff will approve the CHDO GO grant budget.

5. Grant Agreement. CHDO GO funds are covered by a separate grant agreement and may only be used for costs incurred during the term of the grant agreement.

H. How to Apply

Eligible applicants may complete and submit an application via the Office of Community Development's OPAL system. If you are unfamiliar with the OPAL system and require assistance, please contact your Community Development Specialist.