

This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities Web <http://www.hud.gov/offices/cpd/affordablehousing/training/chdo/characteristics/orgstructure/in>



Organizational Structure

The HOME Program establishes requirements for the organizational structure of a CHDO to ensure that the governing body of the organization is controlled by the community it serves. These requirements are designed to ensure that the CHDO is capable of decisions and actions that address the community's needs without undue influence from external agendas.

There are four specific requirements related to the organization's board which must be evidenced in the organization's by-laws, charter, or articles of incorporation. These are:

1. **At least** 1/3 of the organization's board must be representatives of the low-income community served by the CHDO.
2. **No more than** 1/3 of the organization's board may be representatives of the public sector, including any employees of the PJ.
3. If a CHDO is sponsored by a for-profit entity, the for-profit may not appoint more than 1/3 of the board. The board members appointed by the for-profit may not appoint the remaining 2/3 of the board members.
4. States or local governments who charter CHDOs may not appoint more than 1/3 of the board, and the board members appointed by the state or local government may not appoint the remaining 2/3 of the board members.

Content updated January 24, 2002

U.S. Department of Housing and Urban Development
451 7th Street, S.W., Washington, DC 20410
Telephone: (202) 708-1112 [Find the address of a HUD office near you](#)

This page is located on the U.S. Department of Housing and Urban Development's Homes and Communities Web <http://www.hud.gov/offices/cpd/affordablehousing/training/chdo/assistance/projectproceeds/inc>



CHDO Project Proceeds

At the discretion of the PJ, a CHDO may retain some or all of the proceeds from a CHDO development activity. The PJ must stipulate in its written agreement with the CHDO whether the CHDO may retain project proceeds or return them to the PJ.

CHDO project proceeds are funds resulting from:

- ▶ Permanent financing of a CHDO project that is used to pay off a CHDO-financed construction loan.
- ▶ Sale of CHDO-sponsored rental housing to a second non-profit.
- ▶ Sale of CHDO-developed homeownership housing.
- ▶ The principal and interest payments from a loan to a buyer of CHDO-developed homeownership housing.

If authorization is given by a PJ for a CHDO to retain project proceeds, then proceeds must still be used for HOME-eligible activities or other low-income housing activities. A PJ determines how the proceeds can be used in the written agreement with the CHDO.

- ▶ A PJ may establish more stringent requirements, than those required by the HOME Final Rule on the use of CHDO proceeds.
- ▶ A PJ may have a flexible policy on the use of proceeds that differs from CHDO to CHDO, or even from project to project.
- ▶ CHDO project proceeds **are not** considered HOME program income and are not subject to program income requirements.
- ▶ However, CHDO project proceeds that are returned to the PJ **are** considered program income and are subject to HOME program income requirements.
- ▶ If a CHDO is acting as a subrecipient, the funds generated from HOME-assisted activities **are** program income and **are** subject to HOME program income requirements.
- ▶ HOME funds recaptured because housing no longer meets affordability requirements are not considered proceeds and are subject to the requirements on program income.

Once CHDO project proceeds are used by the CHDO for eligible activities, there are no further HOME requirements. Funds generated from the use of CHDO proceeds **are not** considered CHDO proceeds.

Examples of CHDO Project Proceeds

The PJ may have a flexible policy that differs from CHDO to CHDO, or even from project to project, on the use of proceeds.

- ▶ Uptown, Inc., a certified CHDO, develops a small subdivision of 35 single-family homes for sale to low-income homebuyers. The PJ has provided the CHDO with HOME assistance totaling \$350,000 for construction of the units. The purchasers of the units obtain first mortgage financing from private lenders, which will repay the CHDO's construction loans and other development debt. The PJ has determined, through an assessment of Uptown, Inc.'s track record and capacity, that Uptown, Inc. may retain project proceeds for future low-income housing activities, which include a homebuyer counseling program and additional development of affordable homeownership housing. These specific activities are detailed in the written agreement between the PJ and Uptown, Inc.
- ▶ The Smith County PJ works with six CHDOs. Four of them are small developers who have difficulty covering pre-development costs. Smith County decides to permit each of these CHDOs to retain project proceeds. The People for Progress CHDO is a multicounty developer with a substantial portfolio and a multi-million dollar operating budget. Smith County decides to require People for Progress to return project proceeds to the county, where the proceeds must then be treated as program income.
- ▶ The Elm Street CHDO has developed two projects for which Smith County has permitted it to retain project proceeds. Elm Street explains to Smith County that Elm Street's third project will complete its development agenda for its service area. Smith County decides to require the return of proceeds from its third project.

Content updated January 28, 2002

U.S. Department of Housing and Urban Development

451 7th Street, S.W., Washington, DC 20410

Telephone: (202) 708-1112 [Find the address of a HUD office near you](#)