

THE HFA INSTITUTE 2021

COVID-19 Response: Working with CHDOs

February 11, 2021



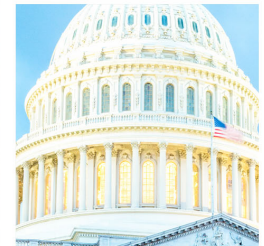
**MRBs and
Other Federal
Homeownership
Programs**
FEBRUARY 1 – 3



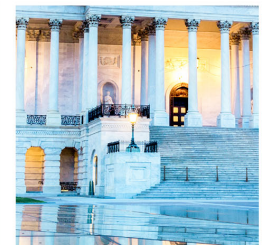
Housing Credit
FEBRUARY 3 – 5



**Section 8 and
Other Federally
Assisted
Multifamily
Housing**
FEBRUARY 8 – 10



**HOME and
Housing Trust
Fund**
FEBRUARY 10 – 12



CHDO Topics

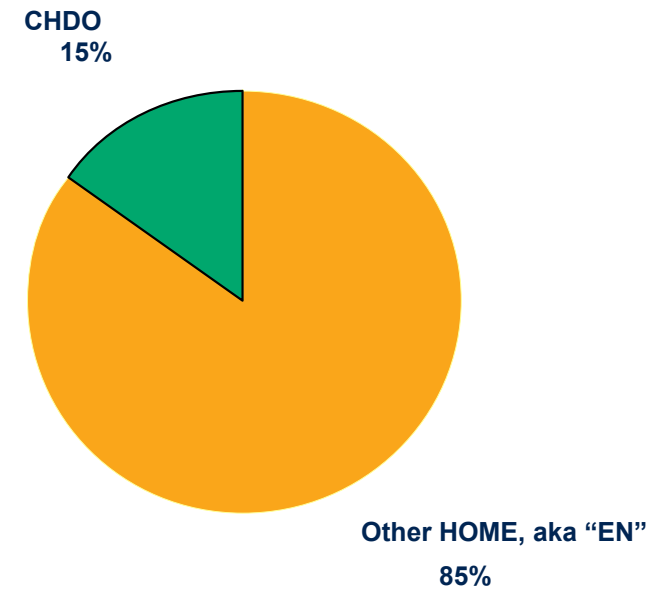
- Review of CHDO requirements
- Current status of CHDO requirements
 - Commitment deadline/CHDO set-aside
 - COVID-19 suspensions/waivers
- Helping CHDOs survive

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The CHDO Set-Aside

- 15% of PJ annual allocation reserved for CHDO projects:
 - Rental Housing & Homebuyer projects only
 - §92.300 definitions: owned/developed/sponsored
 - **COVID Suspension: 0% FY 2017-20**
- Nonprofit must qualify as CHDO
 - At time of project-specific commitment
 - Revised CHDO definition (§92.2) capacity (staff)



Eligible CHDO Activities & Roles

- Ownership/development activity
 - New construction, rehab, or acquisition by CHDO
 - Rental or homebuyer
 - Not “DPA only,” owner-occupied rehab, or TBRA
- Owned, developed, sponsored by CHDO
 - Roles defined in §92.300(a)(2) - (6) in 2013
 - Key changes
 - New owner definition (own, not necessarily develop)
 - Tax Credit projects: CHDO/subsidiary must be the sole general partner/managing member; HOME funding must be to owner
 - CHDO must demonstrate capacity in relation to its “role” – certify for specific project role

Homebuyer

- Developer (own, develop, sell)

Rental

- Owner
- Developer
- Sponsor (Turn-key)
- Sponsor (Affiliate)



CHDO Certification at Funding

Checklist Item	Set-Aside Project	Pre-Development Loan	Operating Expenses
1. Legal Structure	✓	✓	✓
2. Independence	✓	✓	✓
3. LI Community Accountability	✓	✓	✓
4. Capacity	✓	✓	✓*
5. Role	✓	✓	
6. Pre-development costs		✓	
7. Operating expense eligible			✓

*Exception: the operating assistance will allow CHDO to obtain staff capacity needed for project funding



Other CHDO Assistance

- In addition to CHDO set-aside funds, a PJ may offer CHDOs:

Operating assistance

- CHDO operating expenses, not project costs
- Up to 5% of PJ annual allocation (from EN not set-aside)
- **COVID waiver: Up to 10% of FY 2019-20, expenses thru 6/30/21**

Pre-development loans

- TA/site control or seed money
- Up to 10% of CHDO commitments
- Forgivable under certain conditions

CHDO Proceeds

- Primarily homebuyer net sales proceeds
- Use for HOME or other Low-Income housing activities
- In written agreement & PJ monitors 1st reuse



Suspensions/Waivers Affecting CHDOs

Appropriations

- 24-month commitment deadline suspension (2018-23)

COVID

- 0% CHDO Set-aside (FY 2017-20)
- 10% CHDO operating assistance & limit (FY 2019-20 thru 6/30/21)
- Project completion: 4 yr. & 9 mo. sale to homebuyer (4/10/20 – 9/30/21)
- Maximum subsidy limit (commitments thru 9/30/21) & rental operating deficits (thru 9/30/21)

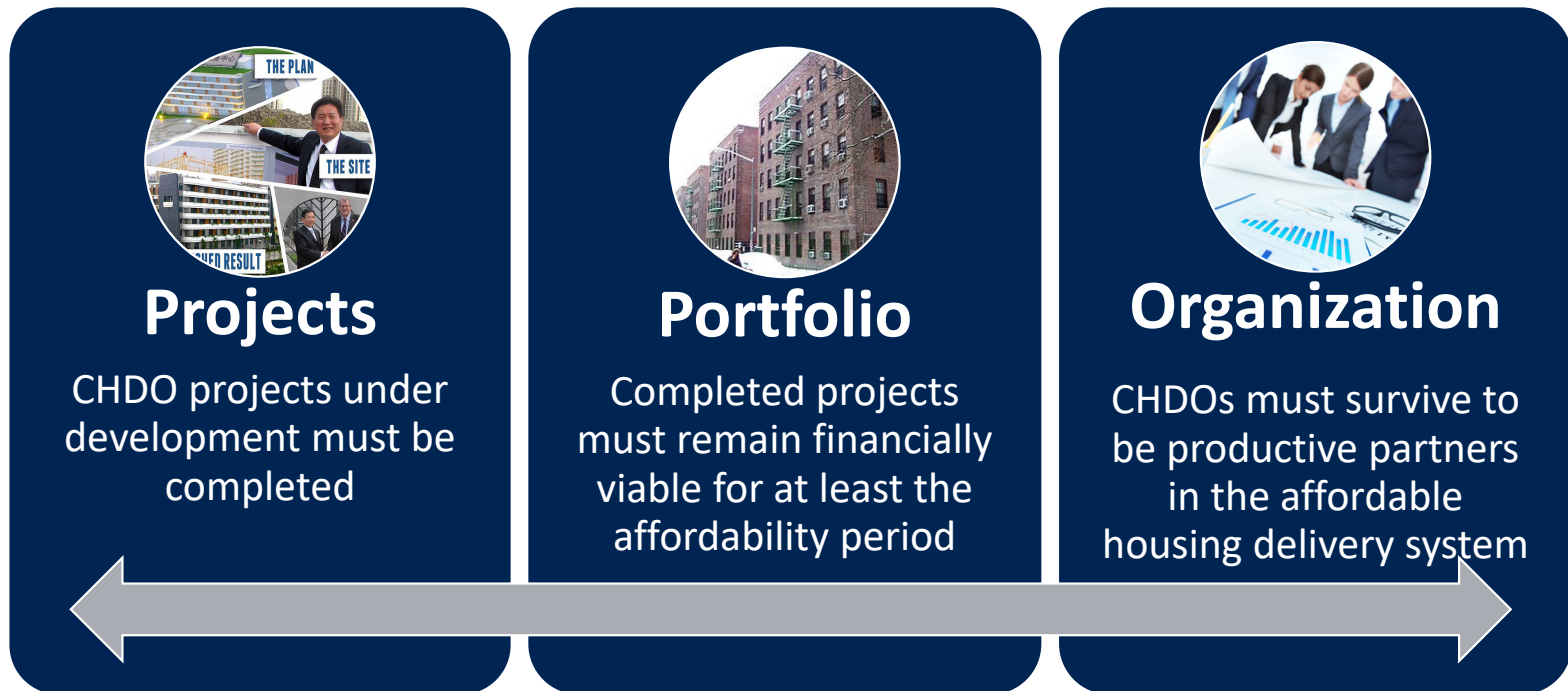
Short-term Opportunities

- PJs have short-term opportunities to use set-aside funds for activities & organizations that don't meet standard requirements
- PJs should consider how to use the unrestricted funds to assist/support CHDOs and other nonprofits during the pandemic
 - Continue to do the same CHDO projects, but “slow” the commitment until project is truly ready
 - Provide funds to CHDOs for non-set-aside projects, for example:
 - Joint ventures in LIHTC projects, homebuyer assistance without development, and owner-occupied rehab
 - Use the funds to assist other nonprofits besides or in addition to certified CHDOs for HOME-eligible projects



But Long-term Impacts

- The choices will have long-term impacts on CHDOs, the PJ & the community. PJs have to consider:



Helping CHDOs Survive



Ways to Assist with HOME

- Monitoring (asset management, not just compliance)
- Technical assistance: PJ, other stakeholders, HUD
- CHDO operating assistance
- CHDO pre-development loans
- CHDO proceeds
- Project workouts: §92.210



Monitoring Project Progress & Budgets

- Has the pandemic and economic impacts affected:
 - Pricing and absorption – both homebuyer & rental?
 - Project costs or timing?
- Do you need to:
 - Adjust project budgets & level of HOME assistance (including maximum subsidy limit waiver)?
 - Adjust initial operating deficit to respond to rental absorption changes?
 - Use the project completion waiver or extension for any projects at or near their completion deadline?
 - Use the waiver of 9-month sale requirement (and what can be done to ensure sale by 9/30/21)?



Monitoring CHDO Portfolios

- Has the pandemic and economic impacts affected the viability of existing CHDO portfolios? Are you monitoring financial conditions of the portfolio?
 - How is occupancy? How are rent collections?
 - Are they current on mortgage payments, reserve contributions?
 - Even if you can't go onsite, are they continuing to maintain properties?
- Do you need to consider:
 - Proactive monitoring of portfolio finances?
 - Operating assistance to CHDO projects under the COVID waiver?
 - Longer-term workouts under 92.210?
 - Your legal options to assert control of the projects?



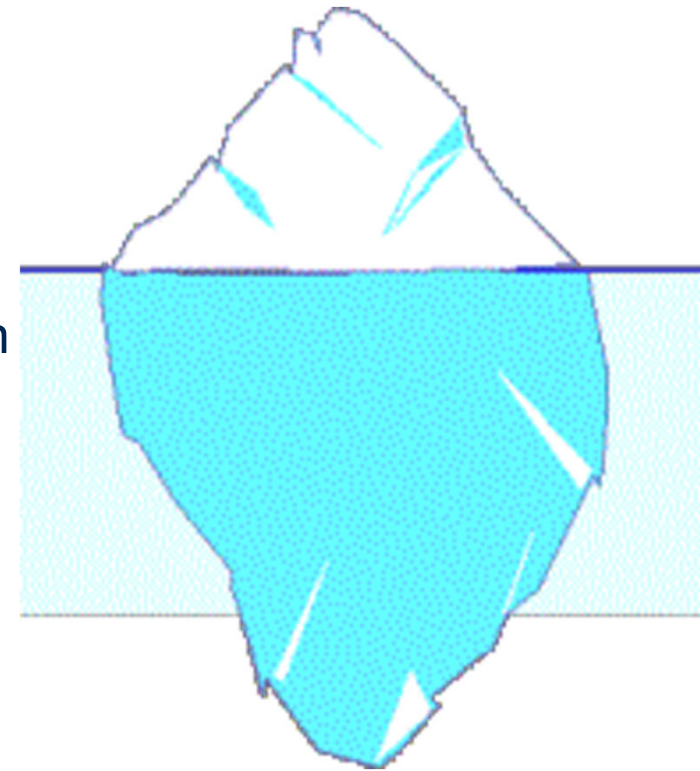
Monitoring CHDO Organization Health

- Are there indicators of potential organizational distress?
 - Loss of portfolio revenue?
 - Loss of other funding or programs?
 - Loss of staff?
 - Changes in the pace of development & earning developer fees?
- Are you delivering enough assistance?
 - Are you providing operating assistance to your CHDOs?
 - Are you using the temporary ability to increase operating assistance under the COVID waiver? (only through 6/30/21)
 - Are you allowing strategic use of CHDO proceeds?
 - Are you examining strategies if CHDOs fail – e.g., mergers & acquisitions?



Project Workouts

- §92.210 sets conditions for additional HOME investment or change in assisted units
 - COVID waiver to assist with short-term op deficits
- But project workouts require broader focus:
 - All parties must come to the table and participate in the workout solution
 - Expose all problems (not just tip of the iceberg)
 - Don't just band-aid symptoms
 - Over-engineer the workout for long-term viability



Wrap Up



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