St Clair County

Community Housing Development Organization

(CHDO)

Policy, Procedure, and Standards

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EXECUTIVE SUMMARY

The purpose of this Policy and Procedure Manual is to provide guidance regarding the CHDO participation with HOME set-aside funding including the certification process and revised HOME criteria per the HOME Final Rule .

The HOME Investment Partnerships Program is a U.S. Department of Housing and Urban Development (HUD) grant program administered by St. Clair County, as a participating jurisdiction (PJ). Per HUD HOME regulations defined at 24 CFR 92.2 and implemented at 24 CFR 92.300 and 24 CFR 92.500, PJs are required to set-aside 15 percent of their HOME allocation for Community Housing Development Organizations (CHDO). These CHDO funds can be obtained by qualified/certified nonprofit organizations that act as an owner, developer, or sponsor of a HOME-eligible project. A CHDO may serve in one of these roles or in a combination of roles, such as being owner and developer. CHDO/Contractors/subcontractors must agree to comply with all applicable federal and state requirements as required in 24 CFR Part 570 (Community Development Block Grants) and/or 24 CFR Part 92 (Home Investment Partnerships Program).

Key Definitions

Affordability Period

Occupancy restrictions for varying lengths of time for those homeowners assisted with HUD HOME funds. The affordability period affects the terms of the resale/recapture of the property if sold during the affordability period. (24 CFR 92.254(a)(4))

CHDO

a private nonprofit organization that:

1) Is organized under State or local laws;
2) Has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual;
3) Is neither controlled by, nor under the direction of, individuals or entities seeking to derive profit or gain from the organization. A CHDO may be sponsored or created by a for-profit entity, but:
    a. The for-profit entity may not be an entity whose primary purpose is the development or management of housing, such as a builder, developer, or real estate management firm.
    b. The for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body. Board members appointed by the for-profit entity may not appoint the remaining two-thirds of the board members;
    c. The CHDO must be free to contract for goods and services from vendors of its own choosing; and
    d. The officers and employees of the for-profit entity may not be officers or employees

of the CHDO.

4) Has a tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4), is classified as a subordinate of a central organization non-profit under section 905 of the Internal Revenue Code of 1986 (26 USC 905) , or if the private nonprofit organization is an wholly owned entity that is disregarded as an entity separate from its owner for tax purposes (e.g., a single member LLC that is wholly owned by an organization that qualifies as tax-exempt), the owner organization has a tax exemption ruling from the Internal Revenue Service under section 501(c)(3) or (4) and meets the definition of CHDO.

5) Is not a governmental entity (including the PJ, public housing authority, housing finance agency, or redevelopment authority) and is not controlled by a governmental entity. An organization that is created by a governmental entity may qualify as a CHDO; however, the governmental entity may not have the right to appoint more than one-third of the membership of the organization's governing body and no more than one-third of the board members may be public officials or employees of governmental entity. Board members appointed by a governmental entity may not appoint the remaining two-thirds of the board members. The officers or employees of a governmental entity may not be officers or employees of a CHDO;

6) Has standards of financial accountability that conform to 2 CFR Part 200 , "Standards for Financial Management Systems;"

7) Has among its purposes the provision of decent housing that is affordable to low-income and moderate-income persons, as evidenced in its charter, articles of incorporation, resolutions or by-laws;

8) Maintains accountability to low-income community residents by:
   a. Maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representative of low-income neighborhood organizations. For urban areas, "community" may be a neighborhood or neighborhoods, County, county or metropolitan area; and
   b. Providing a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, sitting, development, and management of affordable housing;

9) Has a demonstrated capacity for carrying out housing projects assisted with HOME funds. A designated organization undertaking development activities as a developer or sponsor must satisfy this requirement by having paid employees with housing development experience who will work on projects assisted with HOME funds. For its first year of funding as a CHDO, an organization may satisfy this requirement through a contract with a consultant who has housing development experience to train appropriate key staff of the organization. An organization that will own housing must demonstrate capacity to act as owner of a project and meet the requirements of 24 CFR 92.300(a)(2) . A nonprofit organization does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated by another organization; and

10) Has a history of serving the community within which housing to be assisted with HOME funds is to be located. In general, an organization must be able to show one year of serving the community before HOME funds are reserved for the organization. However, a newly created organization formed by local churches, service organizations or neighborhood organizations may meet this requirement by demonstrating that its parent organization has at least a year of serving the community.

Commitment
The County has executed a legally binding written agreement, with the CHDO to use a specific amount of HOME funds to produce affordable housing, provide down payment assistance; or has met the requirements to commit to a specific local project.(24 CFR Part 92).

Commit to a specific local project means:

1) If the project consists of rehabilitation or new construction (with or without acquisition) the County (or CHDO) and project owner have executed a written legally binding agreement under which HOME assistance will be provided to the owner for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within twelve months of the agreement date.
2) If the project consists of acquisition of standard housing and the County (or CHDO) is acquiring the property with HOME funds, the County (or CHDO) and the property owner have executed a legally binding contract for sale of an identifiable property and the property title will be transferred to the County (or CHDO) within six months of the date of the contract.

Developer
Rental housing is "developed" by the CHDO if the CHDO is the owner of multifamily or single family housing in fee simple absolute and the developer of new housing that will be constructed or existing substandard housing that will be rehabilitated for rent to low-income families. To be the "developer," the CHDO must be in sole charge of all aspects of the development process, including obtaining zoning, securing non-HOME financing, selecting architects, engineers and general contractors, overseeing the progress of the work and determining the reasonableness of costs. At a minimum, the CHDO must own the housing during development and for a period at least equal to the period of affordability.

Housing for *homeownership* is "developed" by the CHDO if the CHDO is the owner in fee simple absolute and developer of new housing that will be constructed or existing substandard housing that will be rehabilitated for sale to low-income families.

- To be the "developer" the CHDO must arrange financing of the project and be in sole charge of construction. The CHDO may provide direct homeownership assistance when it sells the housing to low-income families and the CHDO will not be considered a sub-recipient. The HOME funds for down payment assistance shall not be greater than 10 percent of the amount of HOME funds for development of the housing.

- The County shall determine and set forth in its written agreement with the CHDO the actual sales prices of the housing or the method by which the sales prices for the housing will be established.

Displaced Person

A displaced person means a person (family individual, business, nonprofit organization, or farm, including any corporation, partnership or association) that moves from real property or moves personal property from real property, permanently, as a direct result of acquisition, rehabilitation, or demolition for a project assisted with HOME funds. (24 CFR Part 92)

Effective Period

CHDO's must meet the definition of CHDO throughout the period of agreement.

Expenditure Deadline

The County has 5 years for expenditure of CHDO set-aside funds. A CHDO receiving a commitment of set aside funds will be expected to expend and complete activities based on a reasonable performance based metric negotiated prior to a commitment of funds.

Housing

May include single family units, manufactured housing and manufactured housing lots, permanent housing for disabled homeless persons, and single-room occupancy housing. Housing may also include elder cottage housing opportunity (ECHO) units that are small, free-standing, barrier-free, energy-efficient, removable, and designed to be installed adjacent to existing single-family dwellings. Housing does not include emergency shelters (including shelters for disaster victims) or facilities such as nursing homes, convalescent homes, hospitals, residential treatment facilities, correctional facilities, halfway houses, housing for students, or dormitories (including farm worker dormitories). (24 CFR Part 92)

Low-income families

Families whose annual incomes do not exceed 80% of the median income for the area, as determined by HUD, with adjustments for smaller and larger families. An individual does not qualify as a low-income family if the individual is a student who is not eligible to receive Section 8 assistance. (24 CFR Part 92)

Owner

The HOME funds must be provided to the entity that owns the project.

Policy

A guiding principle that outlines what the organization does and why.

Project

A site or sites together with any building (including a manufactured housing unit) or buildings located on the site(s) that are under common ownership, management, and financing and are to be assisted with HOME funds as a single undertaking under this part. The project includes all the activities associated with the site and building. (24 CFR Part 92)

Project Completion

all necessary title transfer requirements and construction work have been performed; the project complies with the requirements of this part (including the property standards); the final drawdown of HOME funds has been disbursed for the project; and the project completion information has been entered into the IDIS, except that with respect to rental housing project completion, project completion occurs upon completion of construction and before occupancy. (24 CFR Part 92)

Procedure
Step-by-step instructions on how to carry out a policy or task.

Set Aside
U.S. Department of HUD mandates that a minimum of 15% of the County's annual HOME allocation be reserved for use by Community Housing Development Organizations.

Sponsor
Housing is "sponsored" by the CHDO if it is housing "owned" or "developed" by a subsidiary of a CHDO, an LP of which the CHDO or its subsidiary is the sole general partner, or a LLC of which the CHDO or its subsidiary is the sole managing member.

- The subsidiary of the CHDO may be a for-profit or nonprofit organization and must be wholly owned by the CHDO. If the LP or LLC agreement permits the CHDO to be removed as general partner or sole managing member, the agreement must provide that the removal must be for cause and that the CHDO must be replaced with another community housing development organization.

HOME-assisted housing is also "sponsored" by a CHDO if the CHDO "developed" the rental housing project that it agrees to convey to an identified private nonprofit organization at a predetermined time after completion of the development of the project. Sponsored rental housing, as provided in this paragraph (a)(5), is subject to the following requirements:

1. The private nonprofit organization may not be created by a governmental entity.
2. The HOME funds must be invested in the project that is owned by the CHDO.
3. Before commitment of HOME funds, the CHDO sponsor must select the nonprofit organization that will obtain ownership of the property.
    a) The nonprofit organization assumes the CHDO's HOME obligations (including any repayment of loans) for the rental project at a specified time after completion of development.
    b) If the housing is not transferred to the nonprofit organization, the CHDO sponsor remains responsible for the HOME assistance and the HOME project.

Standard

The expected level of quality or performance for a task or outcome.

Very low-income families
Families whose annual incomes do not exceed 50% of the median family income for the area. An individual does not qualify as a very low-income family if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.603.

CHDO POLICIES

Program Guidelines

Eligible Activities

Set forth by 24 CFR Part 92 Subpart E, a CHDO acting as owner, sponsor or developer may use the 15 percent CHDO set-aside for the following activities:

- Acquisition and/or rehabilitation of rental or homebuyer property;
- New construction of rental or homebuyer property; and
- Direct financial assistance to homebuyers of HOME-assisted property developed or sponsored by the CHDO.
- **CHDO set-aside HOME funds must be used during the construction or rehabilitation of the property.**

Ineligible CHDO Activities

Ineligible uses of the HOME CHDO set-aside are:

- Homeowner rehabilitation;
- Tenant-based rental assistance (TBRA); and
- Down Payment and/or closing cost assistance to purchasers of housing not developed with HOME CHDO funds.

Financial and Compliance Requirements

Performance Monitoring

The St Clair County Intergovernmental Grants Department (IGD)/ Community Development Group (CD) is responsible for ensuring that HOME funds are used in accordance with 24 CFR Part 92 , CPD Monitoring Handbook (Chapter 7: Exhibit 7-32), (HUD) **U.S. Department of Housing and Urban Development** , and all program requirements and written agreements. The IGD/CD shall take appropriate action when performance problems arise. The performance and compliance of each CHDO must be reviewed at least annually in accordance with HUD requirements. With respect to written agreement, the IGD/CD has the right to require specific performance expectations to ensure a timely and effective use of HOME funds. For details of compliance monitoring, refer to the Self-Monitoring section or the Policy and Procedure Manual for Compliance Monitoring, available on St. Clair County Illinois > Departments > Intergovernmental Grants > Community Development (RC Version: 9.13.3.0)

Payment and Reimbursements

Set forth by 24 CFR 92.504 , the IGD/CD must have an executed contractual agreement to initiate any payments or reimbursements. For CHDO development activities, the IGD/CD will not issue payments from County coffers except through a reimbursement process whereby the CHDO's funds are expended in accordance with HUD requirements and then submitted for reimbursement with appropriate documentation.

County funds must be deposited into an escrow account at the time of closing with a County approved Title Company. The escrow account must be maintained by a separate federally insured account and be contractually bound through an escrow agreement executed with the County detailing escrow instructions containing the terms of release of payments.

Procurement

In accordance with 2 CFR 200.318 , CHDO organizations acting in a CHDO developer, owner, or sponsor capacity for CHDO eligible projects ensure cost reasonableness for transactions through procurement processes; the CHDO must ensure all costs are considered reasonable in accordance with cost and price analysis as described in the St. Clair County IGD Finance Procedures Manual which can be located at St. Clair County Illinois > Departments > Intergovernmental Grants > Community Development (RC Version: 9.13.3.0).

Match Requirements

Set forth by 24 CFR Part 92.218 , the CHDO is required to make contributions to housing that qualifies as affordable housing under the HOME Program. The CHDO must ensure match contributions of not less than 25 percent of the HOME funds drawn down. Match contributions must occur **during the same period** in which the **HOME funds are expended**. This means that the match must be documented at the time the HOME funds are drawn down or used.

Eligible forms of matching contributions must be made from nonfederal resources and may be in the form of one or more of the following:

1) Cash contributions from nonfederal sources
2) Forbearance of fees -State and local taxes, charges or fees.
3) Donated Real Property
4) The cost, not paid with Federal resources, of on-site and off-site infrastructure that the participating jurisdiction documents are directly required for HOME-assisted projects
5) Proceeds from multifamily and single family affordable housing project bond financing validly issued by a State or local government, or an agency or instrumentality of a State or local government or a political subdivision of a State and repayable with revenues from the affordable housing project financed
6) The reasonable value of donated site-preparation and construction materials, not acquired with Federal resources.
7) The reasonable rental value of the donated use of site preparation or construction equipment.
8) The value of donated or voluntary labor or professional services in connection with the provision of affordable housing.
9) The value of sweat equity provided to a homeownership project, under an established component of a participating jurisdiction's program, up until the time of project completion (i.e., submission of a project completion form).
10) The direct cost of supportive services provided to families residing in HOME-assisted units during the period of affordability or receiving HOME tenant-based rental assistance during the term of the tenant-based rental assistance contract.

11) The direct cost of homebuyer counseling services provided to families that acquire properties with HOME funds including ongoing counseling services provided during the period of affordability.

CHDO Proceeds
All CHDO Proceeds must be returned to Intergovernmental Grants Department.

Regulatory and Legal Compliance

Conflict of Interest
No employee, officer, or agent of the CHDO shall participate in the selection or in the award or administration of a contract supported by HOME funds if a conflict of interest, real or apparent, would be involved. Such a conflict could arise if the employee, officer or agent; any member of his/her immediate family; his/her partner; or an organization which employs or is about to employ any of the above, has a financial or other interest in the firm selected for award.

No officer, employee or agent of the CHDO shall solicit or accept gratuities, favors or anything of monetary value from contractors or firms, potential contractors or firms, or parties to sub-agreements, except where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value.

No member, officer, or employee of the municipality, or its designees or agents, no member of the governing body of the locality in which the program is situated, and no other public official of such locality or localities who exercises any function or responsibilities with respect to the program during his/her tenure or for one year thereafter, shall have any interest, direct or indirect, in any contract or subcontract, or the proceeds thereof, for work to be performed in connection with the program assisted under the Grant, and that it shall incorporate, or cause to be incorporated, in all such contracts or subcontracts a provision prohibiting such interest pursuant to the purposes of this certification.

Any alleged violations of these standards of conduct shall be immediately referred to St. Clair County Intergovernmental Grants Department. Where violations appear to have occurred, the offending employee, officer or agent shall be subject to disciplinary action, including but not limited to dismissal or transfer; where violations or infractions appear to be substantial in nature, the matter may be referred to the appropriate officials for criminal investigation and possible prosecution.

This Conflict of Interest policy is established in accordance with 24 CFR 92.356, 24 CFR 570.611 , and 2 CFR Part 200.

Resale/Recapture Policies
To ensure that HOME investments yield affordable housing over the long term, HOME regulations impose occupancy requirements over the length of an affordability period. If a house purchased with HOME funds is sold during the affordability period, recapture or resale provisions as per 24 CFR 92.254 shall apply to ensure the continued provision of affordable homeownership.
The IGD/CD has adopted a recapture provision for all Homebuyer Activities using HUD HOME funds as a Direct Homebuyer Subsidy or if the project includes both a Direct and Development Subsidy.

The IGD/CD shall require that Resale provisions be used in the event that **only** a Development Subsidy is used to make the home affordable (i.e. funding construction to the developer).

***Certification Regarding Debarment, Suspension, Ineligibility And Voluntary Exclusion--Lower Tier Covered Transactions*.**
A person who is debarred or suspended shall be excluded from Federal financial and nonfinancial assistance and benefits under Federal programs and activities (2 CFR Part 180). The undersigned representatives of the BORROWER each certify, to the best of their knowledge and belief, that:

1. Neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this contract; and
2. It will include the following clause without modification, in all proposals, agreements, contracts, proposals, or other lower tier covered transactions:
    - "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion--Lower Tier Covered Transaction: (A) The prospective lower tier participant certifies, by submission of this proposal, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department. (B) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal."
3. HOME Funds may not be used to directly or indirectly employ, award contracts to, or otherwise engage the services of any contractor or subrecipient during any period of debarment, suspension, or placement of ineligibility status (48 CFR Part 9 Subpart 9.4) . Prior to entering into any HUD-funded agreement, the IGD/CD will be provided status of all known contractors, subcontractors (including sub-tier contractors), consultants, and subrecipients for registration and UEI numbers in the System for Award Management (SAM), found at https://www.sam.gov.

The debarment/suspension status will be checked in the SAM system for the following entities:

1. General contractors
   General contractors check System for Award Management (SAM) for subcontractors and will provide completed SUBCONTRACTOR UEI NUMBER & DEBARMENT STATUS Form to IGD/CD staff.
2. Community Housing Development Organization (CHDO)

Temporary Relocation
If a CHDO plans to relocate residents temporarily such tenants must be provided:

1) **Reimbursement** for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation, including the cost of moving to and from the temporarily occupied housing and any increase in monthly rent/utility costs (49 CFR 24.202).
2) **Appropriate advisory services**, including reasonable advance written notice of:
    a) The date and approximate duration of the temporary relocation (49 CFR 24.203).;

b) The location of the suitable, decent, safe, and sanitary dwelling to be made available for the temporary period (49 CFR 24.205) ;

c) The terms and conditions under which the tenant may lease and occupy a suitable, decent, safe, and sanitary dwelling in the building/complex upon completion of the project (49 CFR 24.205 ; and

d) The provisions of related to out of pocket expenses (49 CFR 24.205)

Fair Practices and Equal Opportunity

Non-Discrimination

St. Clair County shall comply with all applicable non-discrimination laws and regulations, including those enforced by the U.S. Department of Housing and Urban Development (HUD) or any other applicable funding source, and shall ensure that no person is excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity funded in whole or in part by HUD and/or any other applicable funding source.

Section 3/Minority Business Enterprise (MBE) Requirements

If applicable, compliance with Section 3 of the HUD Act of 1968 is required wherever HUD financial assistance is expended for housing or community development. To the greatest extent feasible, economic opportunities will be given to Section 3 residents and businesses in that area. Section 3 residents include public housing residents, low-and very low-income persons who live in the metropolitan area or non-metropolitan county where the HUD assisted project is located.

HUD has mandated that the CDBG Program in St. Clair County take all necessary, affirmative steps to ensure awarded contractors make efforts to encourage the use of minority and women business enterprises, referred to as a Minority Business Enterprise (MBE). The IGD/ CD has set an overall goal of fifteen percent (15%) for the Minority Business Utilization Rate. The CHDO shall include, to the maximum extent possible, the use of minorities and women, and entities owned by minorities and women, including, without limitation, real estate firms, construction firms, appraisal firms, management firms, financial institutions, investment banking firms, underwriters, accountants, and providers of legal services, in all contracts entered into as a result of the HOME funding.

Environmental and Safety Standards

Environmental Review

The CHDO shall comply with 24 CFR Part 58 regarding the environmental review requirements as stated in the St Clair County's IGD/CD Environmental Policies and Procedures which can be located at St. Clair County Illinois > Departments > Intergovernmental Grants > Community Development (RC Version: 9.13.3.0).

Lead Based Paint Requirements

In accordance with HUD's lead-based paint regulations at 24 CFR Part 35 will apply. For HUD funded rehabilitation activities, lead hazard evaluation and reduction activities must be carried out for all projects constructed before 1978. In all cases, notification must be made to the homeowner/buyer in the form of the **HUD Lead Hazard Information Pamphlet and Disclosure** or an acceptable alternative pamphlet.

The required evaluation and reduction activity is dependent upon the amount of HUD funding used for the project.

Funding Amount	Testing Requirements	Lead Hazard Reduction Requirements	Additional Requirements
≤ $5,000	Paint testing of disturbed surfaces	Repair disturbed surfaces using safe work practices	Clearance testing by a certified professional upon project completion
$5,001 - $25,000	Paint testing of disturbed surfaces - Risk assessment required	Use of interim controls (e.g., paint stabilization, addressing friction/impact surfaces) Safe work practices must be followed	Clearance testing by a certified professional upon project completion
> $25,000	Paint testing of disturbed surfaces - Risk assessment required	Abatement of hazards (permanent removal of lead-based paint hazards via paint/component removal, replacement, encapsulation, or enclosure) Interim controls & paint stabilization may be used on the exterior if not included in rehabilitation scope Safe work practices must be followed	Clearance testing by a certified professional upon project completion

Tenant and Housing Stability

Displacement, Relocation, and Acquisition

The CHDO shall ensure that it has taken all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of a project assisted with HOME funds. To the extent feasible, residential tenants must be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary, and affordable dwelling unit in the building/complex upon completion of the project.

Relocation Assistance For Displaced Persons

If a CHDO displaces a person, that person must be provided relocation assistance at the levels described in, and in accordance with the requirements of the (42 USC Ch. 61:) UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICIES Act of 1970 and 24 CFR 92.353. This applies to any permanent, involuntary move for an assisted project, including any permanent move from the real property that is made:

1) After notice by the owner to move permanently from the property, if the move occurs on or after the date of the submission of an application to the County, if the applicant has site control and the application is later approved; or

2) After the date the jurisdiction approves the applicable site, if the applicant does not have site control at the time of the application; or

3) Before the notice by the owner to move permanently from the property, if the County determines that the displacement resulted directly from acquisition, rehabilitation, or demolition for the project; or By a tenant-occupant of a dwelling unit, if any one of the following three situations occurs:

4) The tenant moves after execution of the agreement covering the acquisition, rehabilitation, or demolition and the move occurs before the tenant is provided written notice offering the tenant the opportunity to lease and occupy a suitable, decent, safe, and sanitary dwelling in the same building/complex upon completion of the project under reasonable terms and conditions.

Reasonable Terms & Conditions for Tenants Remaining in the Project

Such reasonable terms and conditions must include a term of at least one year at a monthly rent and estimated average monthly utility costs that do not exceed the greater of:

1) The tenant's monthly rent before such agreement and estimated average monthly utility costs; or
2) The total tenant payment, as determined under 24 CFR 5.628 , if the tenant is low-income, or 30 percent (30%) of gross household income, if the tenant is not low-income;

Temporary Relocation Assistance

A tenant who is required to relocate temporarily and does not return to the building/complex, may experience one of the following:

1) The tenant is not offered payment for all reasonable out-of-pocket expenses incurred in connection with the temporary relocation; or
2) Other conditions of the temporary relocation are not reasonable; or
3) The tenant is required to move to another dwelling unit in the same building/complex but is not offered reimbursement for all reasonable out-of-pocket expenses incurred in connection with the move, or other conditions of the move are not reasonable.

Conditions Where a Tenant is NOT Considered Displaced

A person does not qualify as a displaced person if

1) The person has been evicted for cause based upon a serious or repeated violation of the terms and conditions of the lease or occupancy agreement, violation of applicable

federal, State or local law, or other good cause, and the County determines that the eviction was not undertaken for the purpose of evading the obligation to provide relocation assistance.

2) The person moved into the property after the submission of the application but, before signing a lease and commencing occupancy, was provided written notice of the project, it's possible impact on the person (e.g., the person may be displaced, temporarily relocated, incur a rent increase), and the fact that the person would not qualify as a "displaced person" (or for any assistance under this section) as a result of the project

Labor Standards and Construction Compliance

Build America, Buy America Act (BABA)

The Grantee must comply with the requirements of the, Build America, Buy America Act (BABA), 41 USC 8301, and all applicable rules and notice, as may be amended, if applicable to the Grantee's infrastructure project. Pursuant to HUD's Notice, " Public Interest Phased Implementation Waiver for FY 2022 and 2023 of Build America, Buy America Provisions as Applied to Recipients of HUD Federal Financial Assistance " any funds obligated by HUD on or after the applicable listed effective dates, are subject to BABA requirements, unless excepted by a waiver. St Clair County IGD/CD's Build America, Buy America Policies and Procedures can be found at St. Clair County Illinois > Departments > Intergovernmental Grants > Community Development (RC Version: 9.13.3.0)

Labor Provisions

In accordance with 24 CFR 92.354, every contract for the construction (rehabilitation or new construction) of housing that includes 12 or more units assisted with HOME funds must contain a provision requiring the payment of not less than the wages prevailing pursuant to the Davis-Bacon and Related Acts | U.S. Department of Labor

The contract for construction must contain these wage provisions if HOME funds are used for any eligible project costs.

1) If HOME funds are only used to assist homebuyers to acquire single-family housing, and not for any other project costs, the wage provisions apply to the construction only if:
    a) There is a written agreement with the owner or developer of the housing that HOME funds will be used to assist homebuyers to buy the housing
    b) The construction contract covers 12 or more housing units to be purchased with HOME assistance.
2) Applicability Across Projects:
    a) The wage provisions apply to any construction contract that includes a total of 12 or more HOME-assisted units, whether one or more than one project is covered by the construction contract.
    b) Once they are determined to be applicable, the wage provisions must be contained in the construction contract so as to cover all laborers and mechanics

employed in the development of the entire project, including portions other than the assisted units.

c) *Arranging multiple construction contracts within a single project for the purpose of avoiding the wage provisions is not permitted.*

3) CHDO Responsibilities

CHDO's shall ensure that bid and contract documents contain required labor standards provisions and the appropriate Department of Labor wage determinations;

a) Conduct on-site inspections and employee interviews;
b) Collect and review certified weekly payroll reports;
c) Correct all labor standards violations promptly;
d) Maintain documentation of administrative and enforcement activities; and
e) Require certification as to compliance with the provisions of this section before making any payment under such contracts.

CHDO PROCEDURES

Certification Procedure

The 2013 HOME Final Rule requires that the IGD/CD must certify an organization as meeting the definition of "community housing development organization" and must document that the organization has capacity to own, develop, or sponsor housing each time it commits funds to the organization. To meet this requirement, the IGD/CD will conduct certifications as part of the solicitation process for selecting CHDO set-aside activities. Solicitations will be done in accordance with St Clair County IGD procurement policies and procedures. These are stated in the St Clair County Intergovernmental Grants Department Financial Policies and Procedures Manual & Risk Assessments which can be located at St. Clair County Illinois > Departments > Intergovernmental Grants > Community Development (RC Version: 9.13.3.0). The following is the process for obtaining CHDO certification during solicitation.

CHDO Certification Process

1) Complete the CHDO Project Application, CHDO Certification Application and the required supporting materials.

2) Submit the applications to the County in accordance with the instructions provided in the RFP solicitation.

3) The application submitted with the solicitation proposal will be evaluated to ensure the agency meets the criteria for qualifying as a CHDO.

4) If the application is not complete or if the organization does not meet the requirements for CHDO certification, the solicitation may be deemed non-responsive.

The IGD/CD also recognizes there may be situations whereby an organization may wish to receive a "CHDO Certification" without submitting a specific project. The IGD/CD will accept a voluntary CHDO Certification Application whereby if the organization meets the criteria set forth; can receive "CHDO Acknowledgement" from the County that the organization "meets the criteria to be considered a CHDO".

CHDO Acknowledgement Request Process

1) Complete the appropriate CHDO Certification Application and the required supporting materials.

2) Submit the application to the St. Clair County Intergovernmental Grants Department Community Development Group.

3) The application will be evaluated to ensure the agency meets the criteria for qualifying as a CHDO.

4) The County will respond in writing within 60 days of receipt of the CHDO application.

Financial Reimbursement Procedure

Invoicing Reimbursement Procedure

In accordance with the contractual requirements for project reimbursement, the CHDO shall adhere to the following procedure to receive reimbursement for CHDO eligible expenses:

1) A signed invoice billing package including, request for payment cover sheet, a summary of expenditures, vendor forms must be completed with supporting documentation.

2) Supporting documentation at shall include a copy of vendor invoices, proof of payment received by the vendor, release of liens (if applicable), cancelled checks, paid bills, payrolls, time and attendance records, contract award documents, etc…

3) Upon receipt of the complete invoice reimbursement package, the IGD/CD shall review eligible costs and submit it to the County's Finance Group to issue payment.

4) After payment is issued, the County will complete IDIS draw down to reimburse the County from HOME funds provided by the U.S. Treasury.

Match Procedure

CHDO's will be required to document eligible match for each project undertaken with HOME funds in accordance with eligible match requirements as described above policy section. Upon completion of each project, CHDO shall provide a report to the County with the following:

1) Project Number
2) Date Project Committed
3) Project Address
4) Project Type
5) HOME Funds Expended
6) Date HOME $ Expended
7) Amount of Match Liability Incurred
8) Value of Match Contribution
9) Type of Match
10) Date Match Recognized

IGD/CD staff shall collect all match information reported by the CHDO for record keeping and reporting purposes.

Match Procedures are in compliance with all applicable regulations which can be located at HOME Match | HUD.gov / U.S. Department of Housing and Urban Development (HUD).

Performance and Compliance Procedures

CHDO Proceed Recording Requirements

CHDO's and the IGD/CD are responsible for tracing the ultimate distribution of HOME funds in a CHDO homebuyer project in accordance with 24 CFR 92.300(6)(ii)(A).

1) The IGD/CD and CHDO shall determine the total HOME investment, which is a combination of any HOME funds provided to the CHDO to be used in the development phase of the project for acquisition, construction/rehab and soft costs.

2) The IGD/CD and CHDO shall determine if the project had costs in excess of sales prices, and therefore is eligible to write off part or all of the HOME development funds as "Development Subsidy" that does not have to be mortgage to the buyer(s). The Development Subsidy write-off is eligible only using the <u>recapture method, and not the resale method.</u>

3) The IGD/CD and CHDO calculates the total HOME Buyer Subsidies

    a. Rollover purchase subsidies from CHDO development funds (in essence, this is the portion of the HOME development funds that are not written off as Development Subsidy, which can be in the form of down payment assistance or purchase assistance, and must be mortgaged to the home buyer

    b. Closing Cost Assistance – which does not have to be mortgage as it falls outside of the sales price/fair market value of the property; and/or

    c. If applicable, new buyer assistance funds that are made available to the buyer at closing and were not originally invested as development funds in the CHDO project

4) The IGD/CD and CHDO determine HOME funds to be repaid

    a. When CHDO funds are invested in the development phase of the project (e.g., as a construction loan), these funds are repaid from net sales proceeds. They may also be retained by the CHDO as CHDO proceeds – at the County's option. This step is designed to calculate what funds are available for repayment, or to be retained by the CHDO as proceeds. Any such repayments are considered program income to the County.

    b. If repayment is mandated, then it is appropriate to allow the CHDO to draw any remaining developer fee due from the unit, after paying closing costs (realtor, legal and recording costs, etc.) and other construction loans. Then any net proceeds are available for repayment, if required by the County.

5) The IGD/CD and CHDO shall reconcile HOME Funds & CHDO Proceeds

    a. The final step in the process is to take the four previous calculations to reconcile the ultimate allocation of all HOME funds invested in that unit.

    b. Take the total HOME investment in the unit, and subtract funds allocated as Development Subsidies, Buyer Subsidies, and any Repayments from Sales Proceeds.

    c. The net result is any CHDO funds that are CHDO proceeds.

    d. Again, CHDO proceeds are the option of the County to permit them to be retained or to be repaid as program income to the County. If CHDO proceeds are permitted, they must be reinvested as required by <u>24 CFR 92.300</u> – either to be used for HOME-eligible or other housing activities to benefit low-income families. The County is responsible for monitoring the reuse of CHDO proceeds. NOTE: Currently the County requires all proceeds to be returned to the County.

Performance Reporting Procedure

In accordance with 2 CFR Part 200 Subpart D, CHDO's shall submit regular performance reports to the IGD/CD in a manner acceptable to the County, as cited in the agreement between the CHDO and the IGD/CD.

CHDO STANDARDS

Development Capacity

To qualify as a CHDO, the 2013 HOME Final Rule requires that a nonprofit have paid employees and contracted staff with housing experience appropriate to the role the nonprofit expects to play in projects (i.e., developer, sponsor, or owner) in order to receive a CHDO designation. For instance, a CHDO that undertakes rental development activities must demonstrate internal capacity to development housing of that type. A nonprofit that will undertake property ownership and management must demonstrate ownership/management experience.

The requirement for development capacity can no longer be demonstrated through the use of consultants with development experience, except during the first year of operation as a CHDO, provided that the consultant trains the CHDO staff. In addition, the capacity requirement cannot be met through the use of volunteers or staff that is donated by another organization.

Certification

The County has one certification application that may be completed as described below

CHDO Certification Application

A CHDO Certification Application must be completed each time a CHDO Project Application is submitted.

Underwriting Standards

In accordance with 24 CFR Part 92 Subpart F, each CHDO set aside project identified for assistance with federal funding, underwriting and (if applicable) subsidy layers shall be performed to ensure the funding in the project is at an appropriate level to neither over subsidize the project nor inject the project to long term sustainability and affordability risk.

These evaluations shall be conducted in alignment with the St. Clair County, Illinois Underwriting and Subsidy Layering Policies and Procedures, which provide specific local standards and methodologies to assess project viability, cost reasonableness, and long-term affordability based on federal and county-level guidelines.

APPENDIX I

Additional Policies and Procedures

Acquisition Requirements

- All acquisitions have to be approved by IGD prior to executing any contracts.
- Surveys, appraisals, inspections etc. are considered part of soft costs.
- For acquisition, a before rehab value must be provided to assist in establishing the acquisition price.

Title and Disbursement Procedures

- Title companies will provide an inspector to sign off for all disbursements.
- Title companies must provide comprehensive disbursement records to IGD upon final payment for IGD file. (will replace an owner's cost certification)

Developer Requirements

1) *Fees and Disbursement*
- Developers' fee is based on base rehabilitation cost.
- Developers' fee disbursing schedule is established in CHDO contract.
- Developers prior to final disbursement of funds will provide:
  - o Documentation of pricing,
  - o Listing subs, names and addresses for Section 3 purposes
  - o Provide all MBE/WBE's on each project.

2) Financial
- Developer may be required to provide a 7.5% cash alternative bond or a letter of credit in the amount of 7.5% of each project at the start of rehab
  - o If a cash alternative bond is provided, the bond will be returned when:
    - a) the rehab has completed;
    - b) IGD inspector/risk assessor has passed the project
    - c) The occupancy permit has been obtained by municipal official **or**
    - d) the developer may have the option to withhold the cash alternative amount from the first draw.
- Developers will execute agreements, notes, and mortgages if IGD provides funds for acquisition or rehab.
- Developer may provide a homebuyer protection plan to the home purchaser at time of closing. The protection plan should be reviewed/approved by IGD prior to closing.

Application and Agreement

- Developer must provide:
  - o Estimated application at pre-award for acquisition
  - o Full application when project site agreement (amended loan agreement) is executed.
  - o Estimated application should be within 15% of final application.

- Developer must provide at pre-award and project site agreement:
    - Document reflecting breakout of monthly carrying costs.
    - Explanation of subsidy
- Developer costs:
    - General Requirements should be broken out as an attachment to the budget
    - Builders' overhead should not exceed 5% of site work and rehab costs
    - Builders' profit should not exceed 11% of site work and rehab costs
    - Real Estate commissions should not exceed 6%. (TBD by specific project)
    - Developer fee should not exceed 11.5% and will be figured on base construction costs (Line 5 of the CHDO application rehabilitation).
    - Total soft costs for project should not exceed 25 to 30% of site work, rehab and acquisition costs.
    - Total project costs IGD will allow for any project shall not exceed $190,000, if all above criteria is met. The maximum project costs is a guide only and will be determined and approved by IGD.

Homebuyer Subsidy

- Subsidy to buyers should not exceed $10,000. (To be determined by specific project sample of ratios to follow front end 25 to 30% and back end no more than 45%). Homebuyer to be approved by IGD/CD staff.
- All work performed will utilize energy star materials/appliances including high efficiency mechanical systems. Scope of work to be reviewed and approved prior to funding for rehab by IGD.
- IGD will agree to provide homebuyer subsidies and developer subsidies, as negotiated per project specific budget. (i.e. $100,000 total development costs, sell house for $60,000, $40,000 gap remaining, as developer subsidy, and offer $20,000 subsidy to buyer, IGD will have $40,000 returned as program income, due upon sale from Developer. (TBD by specific project)

Program Income

- Program income will be utilized for other HOME eligible activities.
- IGD/CD expects a 45% -50% return of funds invested once home is sold. 45%- 50% will include the subsidy provided to buyer. For example:
    - Home funds invested 150,000, when home is sold;
    - A check for program income returned to IGD for $75,000;
    - Check for $75,000 plus $5000 subsidy will amount to $80,000 return since a lien to the buyer will be in place

APPENDIX II

CHDO FLOW

1. Non-profit submits Project Application and Certification Application for new project along with CMA. Numbers are calculated for the percentage of return. 50% is the desired percentage.

2. Once non-profit has been certified as a CHDO and project numbers have met an acceptable return percentage, a memorandum is created for the Community Development Coordinator and Executive Director's initials. The CHDO is given the OK with a conditional letter of approval to make an offer on the property.

3. If the offer is accepted, the Environmental Review is initiated. The CHDO needs to have Lead & Asbestos Assessments scheduled before the Scope of Work. The CHDO submits a 90-day vacancy verification info, if applicable. Environmental Review usually takes a month or can be around 2 months, depending on if the property is in a historic district. Lead/Asbestos and SOW can be 2-3 weeks or so. It's important to stay on top of the timeline so there is no hold-up on the project. The Radon policy requires that a Radon Protocol letter must be signed off on by the CHDO.

4. After the Environmental Review has cleared, inform CHDO. They will submit another application with final numbers from the contractor etc. Ensure 50% minimum is still met.

5. CHDO needs to submit project docs (Purchase Contract, Title Commitment, Insurance, Contractor Ad etc.)

6. Mortgage Note and Agreement docs are created and signed by Executive Director and CHDO representative.

7. IDIS setup paperwork is submitted for the project, along with the fund request for acquisition. Create drawdown spreadsheet. Keep drawdown spreadsheet updated throughout project timeline.

8. Attend closing for acquisition with check for title company.

9. Contractor requests title company to issue the Disbursement & Indemnity Agreements for signatures. Double check the dollar amount on the disbursing agreement; that the dollar amount matches the application, minus the contingency funds. The contractor requests the first half of construction funding. Verify that the amount requested is half of the construction budget. The title company sends a request for construction funds. Funds are ordered.

<u>Timeline for Developer Fee requests:</u>

After Acquisition → After Rehab Completion → After Property is Sold to Eligible Homebuyer

10. Contractor submits invoices etc. to title company during rehab. The disbursing agent emails for approval on disbursing funds. They send status update/photos from their inspector. Verify descriptions of work to be inspected against photos. Reply email "If you have the proper documentation and funds available, you may disburse."

11. Check on the progress periodically during rehab.

12. The contractor will request the second half of construction funding. The title company sends a request for construction funds. Funds are ordered.

13. The contractor will continue to submit invoices etc. to the title company. The disbursing agent emails for approval on disbursing funds. They send status update/photos from their inspector. Verify descriptions of work to be inspected against photos. Reply email "If you have the proper documentation and funds available, you may disburse."

14. Any changes deviating from the SOW will be sent from the contractor. Sometimes more funds are requested. Some projects have contingency funds built into the budget. Check the budget on each draw to determine if contingency funds are being used. Make sure that we have change orders when any contingency funds are being drawn.

15. Once rehab is complete, final inspection is conducted. Property is put on market.

16. Potential homebuyer completes the CHDO Homebuyer Application. Once income eligibility is determined, inform CHDO and homebuyer by sending approval letter. The CHDO decides on the homebuyer, depending on how many applicants have met income eligibility criteria. The contractor provides a Certificate of Compliance from the City of Belleville before closing.

17. Homebuyer procedures will be followed for the CHDO Homebuyer, including home counseling course & HB application. Attend closing. No check to be issued. The subsidy amount has already been injected into the project. No seller credits are allowed. The check is issued to CHDO/IGD and then returned to IGD.

18. CHDO proceeds check from the closing is turned in to the Fiscal Manager with a Memorandum.

19. The last development fee needs to be paid before IDIS completion. If no request has been made before it's time to submit the IDIS completion form, reach out to the CHDO about submitting the request for their last development fee. IDIS completion form is submitted once all funds have been disbursed.

20. Enter homebuyer information into One Roof. A forgiveness memo is added to the file.

21. Request check register and draw report from the title company after project is completed.

22. Expiring Insurance and Loan reports are run monthly in One Roof.

23. Insurance expiration dates are updated in One Roof as insurance documents are received at IGD. If homeowners insurance and flood insurance (if applicable) policies expire during the period of affordability (5 years) without receipt of updated documentation, contact either the client, insurance company, or lender to request updated homeowners and flood (if applicable) policies.

24. After the loan has expired, a notarized Release of Deed is prepared along with a letter of instructions to the client that they must take the Release of Deed to the St. Clair County Recorder's Office to get the document recorded for the lien to be taken off the title. One Roof is updated to reflect the lien has been released. If the client does not get the Release of Deed recorded at the Recorder's Office, the IGD lien will continue to show up on the title. A duplicate release can be issued for a $10 fee, check or money order payable to St. Clair County IGD.

25. Files are retained for 5 years and then archived. File retention and record keeping are in accordance with HUD requirements and 24 CFR 92.508.

APPENDIX III

CHDO FILE CHECKLIST

Address

PROJECT APPLICATION

CHDO Certification INFO

- CHDO Certification Application & Required Supporting Materials
- Board Member Roster
- CHDO Board Member Certification Forms
- Board Member Resumes
- Independent Contractor Agreement
- Articles of Incorporation
- By-laws
- Certificate of Good Standing
- SAM Registration (CHDO & General Contractor) • Sub UEI Form
- Minutes for 6 months of Board Meetings
- Financial Audit/Statements
- HUD Standards for Financial Management Systems

BUYER INFORMATION

HH SIZE ________________

HH INCOME _____________

PURCHASE PRICE

$_______________________

SUBSIDY AMOUNT

$_______________________

IGD/RESPEC WRITE UP

Contractor Ad

Explanation of Contractor Recommendation

Contractor Contract

LEAD/ASBESTOS/RADON PROTOCOL LETTER

DRAWDOWN INFORMATION (PHOTOS)

MEMORANDUM TO RICK / REQUEST FOR APPROVAL

PURCHASE CONTRACT

MORTGAGE / NOTE / AGREEMENT

INSURANCE

TITLE COMMITMENT

HUD FORM (SETTLEMENT STATEMENT)

IDIS OBLIGATION FORM

APPRAISAL / CMA

ENVIRONMENTAL / IHPA LETTER / FLOOD INFO (uploaded in HEROS)

EMAILS / MISC.

APPENDIX IV

Additional Resources

CHDO Survivor Kit - HUD Exchange

CHDO Toolbox for HOME PJs - HUD Exchange

Revision History

Event	Date
Adopted	
Adopted revisions	5/28/25
Adopted revisions- updated conflict of revisions section	9/12/25