

**Date:** January 17, 2023

**To:** Mark Israelson, City Manager

**From:** Lori F. Schwarz, AICP, Director of Neighborhood Services  
Shanette Eaden, Housing and Community Services Manager

**Subject:** Community Housing Development Organizations - Overview

**Overview:**

The City of Plano qualifies as a Participating Jurisdiction by U.S. Department of Housing and Urban Development (HUD). Therefore, the City is eligible to receive an individual allocation of HOME Investment Partnerships Program (HOME) funds annually based upon a federally determined formula. At least 15 percent of HOME funds must be reserved (set-aside) for housing developed, sponsored, or owned by a Community Housing Development Organization (CHDO) within 24 months after HOME funds have been made available to the City.

Community Housing Development Organizations (CHDOs) are defined by the U.S. Department of Housing and Urban Development (HUD) as:

*A private nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves.*

In order to qualify for designation as a CHDO, the organization must be a nonprofit under state or local law and at least one-third of the board members must qualify as low-income or be residents or representatives of a low-income area. The organization must have staff with the capacity to develop affordable housing for the community it serves. Government and for-profit companies are permitted only a limited role in the group's governance, among other rules. Due to the eligibility requirements, not all nonprofits can be designated as CHDOs and receive the set-aside funds.

CHDO's eligible activities for set-aside funds include:

- acquisition and/or rehabilitation of homebuyer properties;
- new construction of homebuyer properties;
- direct financial assistance to purchasers of HOME-assisted housing that has been developed with HOME funds by the CHDO;
- the acquisition and/or rehabilitation of rental housing; and,
- new construction of rental housing.

**City of Plano Designated CHDOs:**

The City of Plano has worked with two non-profit organizations that have been designated as CHDOs. While there is no limit to the number of organizations that a city may qualify as a CHDO, historically, the City has not worked with multiple CHDOs. However, the City remains open to qualified organizations seeking to become CHDOs for Plano. Within the last several months, the City has been approached by

two organizations interested in becoming a CHDO for Plano. Additionally, City staff has inquired with an existing nonprofit housing developer, Habitat for Humanity regarding interest in becoming a CHDO.

The following two organizations were designated as CHDOs for the City of Plano. A brief summary of funding and housing activities is included for both organizations.

#### Plano Housing Corporation:

Plano Housing Corporation (PHC) began receiving funds from the City to acquire, rehabilitate and construct new housing units for low-to-moderate income households in 1999 and continued to receive Community Development Block Grants (CDBG) and HOME funds from the City every year until 2014.

From 1999 to 2003, the organization mainly received only CDBG funds. Though CDBG can be used for new construction, it can only be used in very limited circumstances. As the HOME program was designed exclusively to create affordable housing, and funds can also be used to provide operating expenses and capacity-building costs for the organization, HOME funds were a better fit for the organization's program and activity. Therefore, the City began assisting PHC to meet Community Housing Development Organizations (CHDO) requirements so that all HOME funds received by the city could be utilized.

In 2004, PHC was certified as the City's Community Housing Development Organization (CHDO) and started receiving HOME funds to be used for the organization operating expenses and construction projects.

From 1999 to 2014, the organization applied for City's funds annually and received approximately \$1,773,213.78 of federal funds in those 15 years. PHC was able to assist approximately 37 households with these funds.

On July 12, 2017, PHC requested to terminate their existing HOME contract and stated this was due to rising construction costs that would prohibit the sale of the new units to households at or below eighty percent (80%) of the area median income, as required by HUD.

#### Housing Channel:

Due to PHC's withdrawal as a CHDO for the City of Plano, there were \$187,185 of HOME funds that had been set-aside for the creation of affordable housing units by a CHDO. In order to retain this funding, a new CHDO had to commit the funds to a specific project by November 30, 2017. Staff consulted other municipalities within the Dallas-Fort Worth region, HUD personnel, as well as met with potential CHDOs to determine their capacity to utilize the available funds by HUD's deadline.

Housing Channel had been creating and rehabilitating affordable housing within the DFW metroplex for the past 26 years. The organization had the financial means and capacity to utilize the available funds by November 30, 2017. The organization entered into the funding agreement with City Council approval under the Resolution No. 2017-9-15(R). On October 3, 2017, staff certified Housing Channel as a CHDO for the City of Plano.

Since October 2017, the organization has received \$587,185 of HOME funds for acquisition, rehabilitation, and resale of five (5) homes to eligible homebuyers. The organization has \$200,000 of HOME funds remaining; the organization has until December 31, 2023 to commit these funds to two projects.

**Next Steps:**

City Council may wish to discuss the following:

- Should City staff prioritize proactively seeking additional CHDOs to receive HOME funds?
- Are there specific goals for CHDO activities that the City Council would like to prioritize?

xc: Sam Greif, Deputy City Manager