

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. There are also maximum limits on representation and control by a for-profit entity when the CHDO is sponsored by a for-profit entity.

Low-income community representation

(CHDO Checklist, Section III. ORGANIZATIONAL STRUCTURE, A.)

As noted above, a *minimum* of one-third of the board must consist of representatives of the low-income community.

There are three ways to meet this requirement:

1. Residents of low-income neighborhoods in the community.

- Low-income neighborhoods are defined as neighborhoods where 51 percent or more of the residents are low-income.
- Residents of low-income neighborhoods on CHDO boards do **not** have to be low-income themselves.

and/or

2. Low-income residents of the community.

- In urban areas, "community" is not necessarily limited to a single neighborhood, but may include several neighborhoods, the city, county or metropolitan area.

- In rural areas, "community" may also cover a multi-county area (but not the whole state). The board need **not** include low-income residents from each county in the multi-county area.
- Low-income residents of low-income neighborhoods in the community **do not** need to submit proof of their income.
- If low-income residents of the community who do not live in low-income neighborhoods are necessary to meet this threshold, the CHDO must obtain a certification from the resident that the resident does qualify as low-income. No PJ verification of the CHDO certification of income is required.

and/or

3. Elected representatives of low-income neighborhood organizations.

- A **low-income neighborhood organization** is an organization composed primarily of residents of a low-income neighborhood.
- The primary purpose of the organization must be to serve the interests of the neighborhood residents.
- Block groups, town watch organizations, civic associations, neighborhood church groups and NeighborWorks® organizations can be examples of low-income neighborhood organizations.
- The governing body of the low-income neighborhood organization may elect the representative(s) to serve on the CHDO board.

Low-income input

(CHDO Checklist, Section III. ORGANIZATIONAL STRUCTURE, B.)

Input from the low-income community is not met solely by having low-income representation on the board.

- The CHDO must also provide a formal process for low-income program beneficiaries to advise the CHDO on design, location of sites, development and management of affordable housing. The process must be described **in writing**, and must be included in the organization's by-laws or a board resolution.
- This requirement is especially important for CHDOs serving a large geographic area, where it may not be possible for a CHDO to have low-income board representation from every neighborhood in which the CHDO will develop, own or sponsor housing.
- CHDOs should establish systems for community involvement in parts of their service areas where housing will be developed, but which are not represented on their boards. Such systems might include special committees of neighbors of a proposed development site, neighborhood advisory councils or open town meetings.

Public-sector limits A *maximum* of one-third of the governing board may consist of representatives of the public sector.

- This limitation is intended to ensure that separation exists between PJs and CHDOs, and that CHDOs are indeed community-based and community-controlled organizations.
- A member of the governing board of a CHDO would be considered a representative of the public sector if he or she:
 - is a public official, including:
 - Elected officials - council members, aldermen, commissioners, state legislators, members of a school board, etc.
 - Appointed public officials - members of a planning or zoning commission, or of any other regulatory and/or advisory boards or commissions that are appointed by a PJ official.
 - Public employees - all employees of public agencies (including the schools) or departments of the PJ's government (e.g., a clerk in the water and sewer department, a public facility janitor or a secretary in the tax assessment office); or
 - Appointed by a public official - any individual who is not necessarily a public official, but who has been appointed by a public official (as described above) to serve on the CHDO board
- Members of the board appointed by public officials cannot select other members of the board.
- What if the public official is low-income? Public officials and/or appointees who themselves are either low-income community residents or residents of a low-income neighborhood count against the one-third maximum limit of **public sector** representatives. However, they do not count toward the one-third minimum requirement of community representatives.

Example 1: Alderman Robert "Big Bob" Jones creates a nonprofit with a nine-member board to be a CHDO for his ward. The alderman appoints himself and two good friends to the board. At that point, three members of the board are considered to be representatives of the public sector. This means that the nonprofit has reached the one-third maximum limit for public officials and appointees. "Big Bob" realizes that he cannot appoint any other members to the board, but he still wants to have control over a majority of the board members. "Big Bob" designates his two good friends to select at least two other board members. A public official has directly or indirectly appointed five out of the nine members of the board, so Big Bob's nonprofit would **not** qualify to be a CHDO.

Example 2: *Truetown Neighbors Together (TNT), Inc., wants to qualify as a CHDO. The group fulfills every other requirement and is now at the point of reviewing its board composition for compliance with CHDO requirements. TNT has long been proud of its measure of neighborhood control, because six of the 12 members of its board reside in Truetown, a low-income neighborhood. However, included in the six are: the neighborhood's alderwoman, a member of the school board and a neighborhood resident appointed by the mayor to serve on the city's planning and zoning commission. The other six members are neither low-income nor public officials/appointees. The current TNT board does not exceed the one-third maximum limit on public-sector representatives, since only three out of 12 members are public officials/appointees. However, the three public officials/appointees, even though they live in the low-income neighborhood, cannot count toward the minimum one-third community representative requirement. Therefore, TNT's board does not currently meet that threshold requirement.*

PJs, public bodies or instrumentalities: PJs, public bodies or instrumentalities of public bodies cannot be considered CHDOs. Examples of instrumentalities of public bodies include public housing authorities (PHAs), urban renewal agencies, redevelopment authorities and downtown development authorities.

These limits on public-sector representation on CHDO boards **only** serve to define CHDOs. There are other (not specific to HOME) restrictions on the participation of public officials on the boards of nonprofit organizations seeking public funds.