



Community Housing Development Organization (CHDO) Single Family Home Development Program Guidelines

Version 2.0
Approved: 1/20/2026

Table of Contents

| | |
|--|----|
| Table of Contents | 2 |
| Disclaimer..... | 4 |
| Introduction | 5 |
| CHDO Program Goals | 5 |
| Eligible Forms of Assistance | 6 |
| CHDO Eligible Activities | 7 |
| Property Eligibility..... | 8 |
| Project Eligible Costs | 9 |
| CHDO Eligibility Requirements | 9 |
| CHDO Project Application Process | 16 |
| Project Development and Construction | 18 |
| Marketing Plan..... | 19 |
| Sale of CHDO Single Family Housing | 21 |
| Project Completion | 22 |
| CHDO Developer Fees | 22 |
| Homebuyer Eligibility Requirements | 24 |
| Homebuyer HOME Subsidy | 28 |
| Compliance and Monitoring Requirements | 29 |
| Program Closeout..... | 34 |
| Regulatory Considerations..... | 34 |
| Complaints and Appeals..... | 48 |
| Document Control..... | 50 |
| Amendments | 51 |
| Change Log | 52 |
| Term Definitions..... | 53 |

Language and Disability Accommodations

Every effort will be made to assist all Applicants. Upon request, program information, including application and supporting forms, will be available in the top five languages spoken in Houston (Spanish, Vietnamese, Chinese, Arabic, and French) and other native languages. Applications will be offered in a manner consistent with HUD regulations per [24 CFR § 5.502](#) and [§ 8.6](#), such as Title II of the ADA; Section 504 of the Rehabilitation Act; and other related regulations and directives. To ensure effective communication, these regulations also require consideration of special populations, including but not limited to persons with disabilities and persons with limited English proficiency (LEP), as outlined in the latest [City of Houston Administrative Procedure 2-11: Language Access](#) and other related regulations and directives.

Applicants who require an accommodation for language access (individuals who are non-English speaking or have limited English proficiency) or due to an impairment or disability, may contact Program Staff at (832) 394-6200 or singlefamilychdo@houstontx.gov.

Examples of potential accommodation may include:

- Arranging for qualified American Sign Language interpreters;
- Providing on-site captioning and/or remote conference captioning services;
- Producing alternate formats of print materials in braille, large print, or in an electronic format; and/or
- Accessible electronic and information technology.

Upon receiving an accommodation request, the City may contact the Applicant to obtain additional information to better assess the need. The City will make a good-faith effort to accommodate all reasonable requests that allow the Applicant to effectively participate in the CHDO Single Family Home Development Program (CHDO Program).

Contact Us

It is our mission to make participating in the CHDO Program as straightforward and expedient as possible while remaining fully compliant with the conditions of this federal award. We welcome feedback from beneficiaries and the public on how we can improve our service to Houstonians. We further encourage interested parties to reach out to their federal elected officials and provide feedback.

We welcome any questions or feedback regarding this document. If you would like to file a complaint or appeal, please refer to section 10 for

instructions. If you would like to report potential fraud, waste, or abuse, please refer to section 11 for instructions.

For all other inquiries, we can be reached at the following:

Housing and Community Development Department

2100 Travis St., 9th Floor

Houston, TX 77002

(832) 394-6200

HCDD@houstontx.gov

Disclaimer

This manual contains a basic overview of the CHDO eligible activities and requirements but does not and is not intended to replace any existing guidance produced by HUD or an attorney. The information provided in this manual is not intended and does not constitute legal advice. Readers of this manual should contact their attorney to obtain advice with respect to any particular legal matter or question and compliance with applicable law. Information in this manual may not represent the most up-to-date legal or other information.

Note: This manual contains links and references to third-party websites or other sources. Such links and references are for convenience only. The City does not necessarily endorse the contents of said third-party websites or sources.

Introduction

The [Cranston-Gonzalez National Affordable Housing Act of 1990](#) authorized the [HOME Investment Partnerships Program \(HOME\)](#) to promote partnerships among federal, state, and local governments, nonprofit organizations, and the private sector. HOME funding is administered through the [U.S. Department of Housing and Urban Development \(HUD\)](#).

These Guidelines implement HUD's HOME Final Rule, published January 6, 2025, and apply to HOME funds committed on or after February 5, 2025; projects with commitments prior to that date are governed by the prior HOME rule (2013 amendments). [24 CFR §92.2, §92.3]

Per 24 CFR § 92.300(a), the City of Houston ("City") is required to set aside at least 15% of its HOME allocation exclusively for investment in housing to be owned, developed, or sponsored by a [Community Housing Development Organization \(CHDO\)](#) as defined in [24 CFR § 92.2](#), known as CHDO-Set Aside. The City's Housing and Community Development Department (HCD) administers the CHDO Set-Aside on behalf of the City in accordance with HOME regulations, including but not limited to [24 CFR Part 92](#).

HCD aims to partner with CHDOs to increase access to affordable, safe, and decent housing opportunities for Low-Income Families within the incorporated areas of the City of Houston.

The purpose of this document is to inform the public of the CHDO Single Family Home Development Program (CHDO Program) requirements for developing new, sustainable, and affordable single-family housing units using CHDO Set-Aside Funds.

CHDO Program Goals

- To develop and market affordable, quality, sustainable, Energy Star single-family homes.
- To effectively leverage available resources to provide more affordable housing choices through community developers.
- To provide federal financial assistance through CHDOs.
- To provide Homeownership opportunities to families whose Household income is at or below 80% of the area median income, adjusted for family size, as determined by HUD annually.

CHDO Assistance

Eligible CHDOs may receive federal financial assistance from the City's HOME CHDO Set-aside.

1 CHDO Loan

The City shall provide a Development Subsidy from the HOME CHDO Set-Aside to an eligible CHDO in the form of a performance-based forgivable loan ("CHDO Loan") at 0% interest with a 24-month term. To secure the CHDO Loan, the CHDO shall execute certain security instruments, including but not limited to a Developer Agreement, Deed of Trust, Note, Forgivable Loan Agreement, and Land Use Restrictive Covenant (collectively the "Loan Documents").

2 Development Subsidy

The Development Subsidy is assistance used to cover the difference between the total eligible development costs of the CHDO Home and an affordable sales price that can be reasonably achieved when sold to a First-Time Homebuyer. The Development Subsidy is not repaid to the City by the CHDO. The Development Subsidy benefits the project, rather than being provided directly to the First-Time Homebuyer, which constitutes the Total HOME Investment in the CHDO home for purposes of determining the required Period of Affordability under 24 CFR § 92.254(a)(4) and the applicable Recapture provision.

Development Subsidy funds must benefit low-income Households ($\leq 80\%$ of Area Median Income) and may not be used for homeowner rehabilitation or for non-HOME-eligible activities. The CHDO must maintain documentation of all development costs, funding sources, and HOME cost allocation in accordance with § 92.206 and § 92.254(a).

3 CHDO Proceeds

The City has the discretion, per [24 CFR § 92.300\(a\)\(6\)\(ii\)](#), through the terms of the Forgivable Loan Agreement, to allow the CHDO to retain any proceeds resulting from the investment of CHDO set-aside funds in the development of Homeownership housing. The CHDO Proceeds are funds that are recovered by the CHDO from the sale of a home after all project construction financing/costs of sale, and closing costs are paid.

CHDOs must use the CHDO Proceeds for HOME-eligible activities or other housing activities to benefit low-income families. CHDOs must pay on the project construction financing/costs of sale before allocating funds to other eligible uses.

CHDO Proceeds under § 92.300(a)(6)(ii) are distinct from HOME Program Income under § 92.503. Reuse of CHDO Proceeds shall follow the written agreement and must benefit low-income families through HOME-eligible or other eligible housing activities. If CHDO Proceeds are not used for HOME-eligible or approved low-income housing activities within the time period established in the written agreement, the unused funds shall revert to the City's HOME Investment Trust Fund.

| | | | | | | |
|-------------|---|----------------------------|---|---------------|---|---------------|
| Sales Price | - | Superior Loan Repayment(s) | - | Closing Costs | = | CHDO Proceeds |
|-------------|---|----------------------------|---|---------------|---|---------------|

4 Program Income vs. CHDO Proceeds

For purposes of these Guidelines and consistent with 24 CFR § 92.300(a)(6)(ii), § 92.503, and § 92.504(b), the distinction between CHDO Program Income and CHDO Proceeds is as follows:

CHDO Proceeds arise when a CHDO acts as an owner, developer, or sponsor of housing assisted with HOME CHDO set-aside funds. CHDO Proceeds consist of funds realized by the CHDO from the sale or operation of HOME-assisted units after all project construction financing, costs of sale, and closing expenses have been paid. Subject to written authorization in the CHDO Agreement, such proceeds may be retained by the CHDO and reused for HOME-eligible or other housing activities that benefit low-income families, consistent with § 92.300(a)(6)(ii). All CHDO Proceeds must be fully documented, tracked separately from Program Income, and made available for review by HCD and HUD upon request.

CHDO Eligible Activities

1 Land Acquisition

Land to be acquired by a CHDO must be:

- (a) Located within the incorporated areas of the City of Houston;
- (b) Owned and developed by the CHDO; and
- (c) Constructed for affordable new single-family housing to be sold to eligible low-income families.

For any proposed project that involves the acquisition of vacant land or demolition activities, HCD must evaluate whether it is reasonable to expect that construction will begin within 12 months of project commitment, before committing the Development Subsidy funds.

Note: The CHDO Program does not permit the acquisition of occupied properties and must follow the required procedures as outlined in the latest [HCD #21-32 Uniform Relocation Assistance \(URA\) Policy](#).

2 Qualifications as Affordable Housing for New Construction of Single-Family Housing for Homeownership

Single-Family Housing Developed by a CHDO must be:

- (a) Located within the incorporated areas of the City of Houston;
- (b) Owned and developed by the CHDO;
- (c) Modest, meaning the Purchase price does not exceed 95% of the median purchase price provided by HUD;
- (d) Sold to First-Time Homebuyers who qualify as Income Eligible Households, and the CHDO Home must be the Principal Residence of the First-Time Homebuyer for the duration of the Period of Affordability

3 Homebuyer HOME Subsidy

A Homebuyer HOME Subsidy must be for First-Time Homebuyers of a CHDO Home constructed under the CHDO Program.

Property Eligibility

1 Property Location

All properties must be located within the incorporated areas of the City of Houston, including areas annexed and subject to City taxation and municipal services.

The determination of the property location can be searched using the address at: City of Houston City Limits Address Verification (arcgis.com). The property's location must be verified by the City of Houston's HCD GIS Section to confirm that it is eligible.

2 Property Appraisal

The sales price of a CHDO Home may not exceed the property's appraised fair market value as determined by a qualified, independent appraiser to ensure the CHDO Home cost is reasonable.

3 Floodplain

Properties must not be located in a 100-year floodplain, a 500-year floodplain, or a floodway.

Project Eligible Costs

1 Development Hard Costs

- (a) Acquisition of Land;
- (b) Costs to meet new construction standards;
- (c) Site Preparation or Improvements; and
- (d) Construction Materials and Labor.

2 Related Soft Costs

Per [24 CFR § 92.206\(d\)](#), soft costs include, but are not limited to:

- (a) Architectural, engineering, or related professional services;
- (b) Inspection and Progress Inspections;
- (c) Financing Fees;
- (d) Credit Reports;
- (e) Title Binders and Insurance;
- (f) Surety Fees;
- (g) Recordation Fees and Transaction Taxes;
- (h) Legal Fees;
- (i) Accounting Fees;
- (j) Realtor Fees;
- (k) Appraisals;
- (l) Developer Fees;
- (m) Affirmative Marketing Costs;
- (n) Eligible costs of project-specific assistance; and
- (o) Homebuyer Counseling services provided to Homebuyers of HOME-assisted housing or recipients of HOME assistance.

CHDO Eligibility Requirements

1 General Eligibility Requirements

- (a) The organization must certify as meeting the HUD definition of a “Community Housing Development Organization” per [24 CFR § 92.2](#) and City requirements.

- (b) The organization must develop housing for Homeownership as a developer per [24 CFR § 92.300\(a\)](#).
- (c) The organization must be fiscally sound, with no outstanding liens or unpaid taxes.
- (d) The organization must demonstrate compliance with the revised CHDO definition and capacity standards set forth in the HOME Final Rule (24 CFR § 92.2, as amended February 6, 2025), including maintaining adequate paid staff, independent control, and community accountability.
- (e) Faith-based organizations are eligible to apply and participate in the CHDO Program on the same basis as any other organization. The City may not discriminate against or give preference to any organization based on its religious character or affiliation.

2 CHDO Certification Application

Per [24 CFR § 92.300\(a\)](#) and City requirements, the City must certify that an organization qualifies as a CHDO and must document that the organization has the capacity to own and develop housing each time it commits funds to the organization. Organizations interested in qualifying as a CHDO must submit the [CHDO Certification Application](#) and satisfy the requirements outlined in the [CHDO Requirements Checklist](#) at the time of NOFA application.

(a) HOME Program CHDO Certification Requirements

To meet the HOME Program CHDO certification as defined per 24 CFR § 92.2, the organization must:

- (i) Provide their Articles of Incorporation as evidence of being organized under state and local law;
- (ii) Not benefit any members, founders, contributors, or individuals with any CHDO Proceeds. This requirement must be evidenced in the CHDO's Articles of Incorporation;
- (iii) Provide a 501(c)(3) Nonprofit Status Ruling of Tax Exemption Letter of Certification from the IRS under the Internal Revenue Code of 1986 ([26 CFR § 1.501\(c\)\(3\)-1](#) or [1.501\(c\)\(4\)-1](#)). A nonprofit organization may qualify as a CHDO if it is tax-exempt as follows:
 - (1) The private nonprofit organization is a subordinate organization that has been included in its 501(c)(3) or (4) central organization's group exemption letter by the Internal Revenue Service; or

- (2) The private nonprofit organization is wholly owned by the community housing development organization, as defined in this part, and is disregarded as an entity separate from its own organization for Federal tax purposes.
- (iv) Not be controlled by or 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:
 - (1) 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.
 - (2) The for-profit entity may not 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;
 - (3) The CHDO must be free to contract for goods and services from vendors of its own choosing; and
 - (4) The officers and employees of the for-profit entity may not be officers or employees of the CHDO.
- (v) Have standards of financial accountability that conform to [2 CFR § 200.302](#), 'Financial Management' and [2 CFR § 200.303](#), 'Internal Controls'.
- (vi) Proclaim its primary purpose as providing decent housing that is affordable to Low-Income Families, as evidenced in its Charter, articles of incorporation, resolutions, or By-Laws.
- (vii) Demonstrate its history of serving the Low-Income Families that reside in the community where the organization intends to develop affordable housing by:
 - (1) Providing letters of community support and a written statement of the organization's community history, demonstrating a minimum of 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.
- (viii) Maintain accountability to the community it serves by:
 - (1) Ensuring the board of directors must contain no more than one-third representation from the public sector and a

minimum of one-third representation from the low-income community it serves. Please see [24 CFR § 92.2\(8\)\(i\)](#); and

- (2) Providing a formal process for Low-Income Families to advise the organization in its decisions regarding the design, siting, development, and management of affordable housing.
- (ix) Demonstrate experience and capacity to develop new, sustainable, and affordable single-family housing units using CHDO Set-Aside Funds. To satisfy this requirement and demonstrate capacity, the organization must:
 - (1) Have paid employees with housing development experience, such as construction oversight, negotiation of financing, Homeownership counseling, sales and marketing, and mortgage financing, as evidenced by resumes.
 - (2) 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 appropriately paid staff of the organization. Consulting firms or individuals must provide written plans detailing the training of CHDO personnel. The use of consultants to demonstrate capacity is limited to the organization's first year of funding as a CHDO, after which the CHDO must employ its own paid staff with demonstrated development capacity, in accordance with [24 CFR § 92.2\(9\)\(iii\)](#).
- (x) Not be a governmental entity (including the Participating Jurisdiction (PJ), other jurisdiction, Indian Tribe, public housing authority, Indian 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, no more than one-third of the board members of the organization may be officials or employees of the PJ or governmental entity that created the CHDO. Further, no governmental entity may have the right to appoint more than one-third of the organization's board members. The board members appointed by a governmental entity and the board members who are officials or employees of the PJ or governmental entity that created the organization may not appoint any of 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.

(b) City of Houston's CHDO Certification Requirements

The City of Houston's Housing and Community Development Department established the following CHDO certification requirements to ensure the goals of the City's Consolidated Plan are accomplished. CHDO Applicants must meet the following City requirements for CHDO certification:

- (i) Maintain a physical office within the community it serves in the incorporated area of the City of Houston, that is open for business and accessible to potential Homebuyers during customary business hours.
- (ii) Have an established means of notifying the community it serves at least 72 hours before scheduled board meetings.
- (iii) Maintain and provide copies of board meeting minutes and any information that includes input from Low-Income Family residents regarding affordable housing design, location, etc., upon request.
- (iv) In addition to the required one-third low-income representation, at least one-third of the Board members are required to be residents of the Houston Metropolitan Statistical Area.
- (v) Not be debarred, suspended, or otherwise excluded from or ineligible to participate in federally, state, or locally funded programs.
- (vi) Have a record of good standing with:
 - (1) The City Of Houston.
 - a) Have no unpaid tax liens.
 - b) Have no history of non-compliance with any City of Houston-funded projects within the last seven years.
 - (2) The Texas Secretary of State's Office.
 - a) Have a [Certificate of Account Status](#) from the Texas Comptroller of Public Accounts.

3 CHDO Recertification

Per 24 CFR § 92.300(a), the City is required to certify an organization as meeting the definition of a CHDO and document that the organization has the capacity to own and develop housing each time it commits CHDO set-aside funds to the organization, including any additional funds awarded to the same project or funds awarded to a new project, regardless of whether the organization has been designated as a CHDO by the City previously.

Note: HCD's Director makes the final CHDO recertification approval. The criteria above are not comprehensive, and the City may require additional information before determining CHDO recertification.

4 Notification of CHDO Certification

Organizations will receive written notification on whether they have met the criteria for being designated as a CHDO.

The CHDO Program, at its discretion, may allow a cure period for correcting information and documentation submitted with completed CHDO certification applications.

Note: Meeting the above requirements does not guarantee CHDO certification, and the City reserves the right to deny or revoke CHDO certification and recertification based on its evaluation of the organization's performance.

5 CHDO as a Developer of Housing for Homeownership

To be considered a developer of housing for Homeownership, a CHDO must be:

- (a) The owner in a Fee Simple absolute;
- (b) Developer of housing that will be constructed or rehabbed for sale to low-income families;
- (c) In charge of all aspects of the development process, including but not limited to:
 - (i) Selecting the site;
 - (ii) Obtain permit approval(s);
 - (iii) Arranging all project financing;
 - (iv) Selecting architects, engineers, and general contractors;
 - (v) Overseeing project progress;
 - (vi) Determining cost reasonableness;
 - (vii) Identifying eligible Homebuyers;
 - (viii) Overseeing the sale of Homeownership units; and
 - (ix) Marketing.

6 Project Construction Financing

The CHDO is responsible for securing project financing and overseeing all construction activities.

Acceptable financing may be in the form of a line of credit, construction loan, or Bridge Loan from a reputable lending institution. This financing will

cover construction development costs incurred before it is reimbursed by the City's performance-based draw process, as outlined:

- (a) Foundation completion;
- (b) Drywall finish;
- (c) Project completion; and
- (d) Retainage.

The maximum Bridge Loan may not exceed the total development cost, less developer fees and Homebuyer closing costs. The Bridge Loan may be secured by a lien on the specific property for which the funds are advanced. Any lien created as a result of project financing must remain subordinate to the City's Land Use Restriction Agreement.

Any lien securing development financing must be released when all of the following conditions are met:

- (a) Construction on the property is complete; and
- (b) The City has disbursed CHDO Loan proceeds to reimburse eligible costs; and
- (c) The CHDO has paid off the development financing.

The City's CHDO Loan shall be subordinate to the CHDO's development financing; however, at no time shall any development lien take priority over the City's Land Use Restriction Agreement.

7 Land Use Restriction Agreement

As a condition of receiving the CHDO Loan, any CHDO acquiring real property for the purpose of affordable housing development shall be required to execute and record a Land Use Restriction Agreement (LURA) at the time of closing on the land purchase. The LURA shall:

- (a) Ensure Affordability Requirements: Impose long-term affordability restrictions consistent with the requirements of 24 CFR Part 92, including but not limited to income targeting, occupancy, and resale or recapture provisions, as applicable.
- (b) This Agreement shall be recorded in the official public records of the county in which the Property is located and shall constitute a covenant running with the land, binding the CHDO and its successors, transferees, and assigns for the duration of the Period of Affordability. The LURA may be recorded electronically in accordance with Texas Property Code § 12.017. The instrument shall expressly state that it runs with the land and shall be superior to all liens or encumbrances, except for those to which it is

specifically made subordinate, and to the extent permitted by applicable law.

- (c) Define the Period of Affordability: Include the applicable Period of Affordability based on the Total HOME Investment.
- (d) Be Executed Prior to or Concurrent with Transfer: Be fully executed and recorded no later than the date of transfer of title to the CHDO, and no CHDO Loan funds for construction or development shall be disbursed until such recording is verified.

Failure to comply with this requirement may result in the termination of CHDO funding and/or the Recapture of CHDO Loan funds disbursed.

CHDO Project Application Process

1 Solicitations for Funding Opportunities

- (a) HCD's Notification of Funding Availability (NOFA) and Request for Proposal (RFP) processes are consistent with the requirements of the City's [Strategic Procurement Division](#). HCD will comply with the standard operating procedures of HCD #10-01 Notice of Funding Availability (NOFA) SOP and the HCD #21-31a Public Notice and Funding Determination Form (PNFDF) SOP to ensure compliance with [24 CFR Part 92](#).

Note: *The NOFA or RFP will inform the CHDO Applicant of any HOME Matching Contribution Requirements.*

- (b) CHDOs must submit their proposals for the CHDO Program according to the instructions available on the website <https://houstontx.gov/housing/chdo.html>.
- (c) CHDOs are evaluated, scored, and selected based on their responses to the criteria identified within the NOFA or RFP.
- (d) HCD will ensure that all proposed activities comply with the Department's Consolidated Plan/Annual Action Plan and meet all regulatory requirements established by the funding source(s).

2 Project Underwriting and Subsidy Layering Analysis

Total HOME Investment may not exceed HUD's current maximum per-unit subsidy limits for the Houston MSA. HCD will verify compliance at commitment and prior to final draw. [24 CFR § 92.250(a)]

- (a) Before committing funds to a project, HCD must conduct an analysis of the project in accordance with [24 CFR § 92.250\(b\)](#) to verify that the investment in the project is reasonable, necessary,

and sufficient for the entire Period of Affordability. HCD must confirm that:

- (i) Any CHDO set-side funds (alone or in conjunction with other governmental assistance) are used only to the extent necessary to provide quality, affordable housing that remains viable for the required Period of Affordability.
 - (ii) The CHDO's profit or return is considered reasonable and does not exceed the City's standards based on the Project's size, type, and complexity.
- (b) To confirm the viability of the Project, the CHDO must provide HCD with the following documentation:
- (i) An identifiable Project property address, or a legal description under common ownership, management, and financing, and treated as a single undertaking, assisted with HOME funds.
 - (ii) A housing market analysis not older than 12 months that assesses the current market demand in the Project's neighborhood for the proposed unit types and quantities.
 - (iii) A completed environmental review.
 - (iv) Written evidence of secured financing from all funding sources for acquisition and construction.
 - (v) Documented results of cost reasonableness, confirming that all project costs are necessary and reasonable, and that sources of funds are sufficient to cover these costs.
 - (vi) Documented evidence of the CHDO's required experience and financial capacity.
 - (vii) An HCD-approved and established project budget.
 - (viii) A project completion schedule that complies with all applicable HOME Program requirements.

3 Project Selection

- (a) In addition to ensuring that projects are reasonable, necessary, and sufficient, CHDOs whose projects are identified as the most reasonable and responsive will be recommended for consideration by the City Council. HCD's review of NOFA responses will include an evaluation of which CHDOs are the most responsive and have projects that are the most reasonable, necessary, and sufficient project to assess the project areas:
- (i) Demography.

- (ii) Socioeconomic characteristics.
- (iii) Housing configuration and needs.
- (iv) Access to educational institutions, transportation, and health care opportunities.
- (v) Environmental hazards or concerns.
- (b) Projects must demonstrate that they are likely to lessen area racial, ethnic, and Low-Income concentrations, and promote affordable housing in low-poverty, non-minority areas in response to natural hazard-related impacts.
- (c) Selected projects will be presented to the City Council for approval before committing CHDO-Set Aside Funds for a CHDO Loan via a Loan Agreement.

Project Development and Construction

1 Property Standards

- (a) All newly constructed single-family homes must meet applicable [local building codes](#), including but not limited to:
 - (i) [Minimum Construction Standards for Rehabilitation, Reconstruction, and New Construction for Single Family Residences](#), as amended.
 - (ii) [Aging-in-Place Design Standards](#)
 - (iii) [HUD Single-Family Housing Standards](#)
- (b) The CHDO must keep records of and include inspection reports by certified inspectors in their project files.
- (c) The CHDO must keep an inspection checklist and work documentation in their project files as approved by HCD.
- (d) Energy efficiency and fortified building plans must incorporate energy efficiency measures through materials, heating, ventilation, air conditioning (HVAC) systems, building design, and site orientation.
- (e) **Green, Resilient, and Energy-Efficient Construction Standards:** Each home shall be designed and constructed to meet or exceed the following requirements:
 - **ENERGY STAR® Certification:** Each home must achieve ENERGY STAR® certification in accordance with HUD's guidance, *"Building ENERGY STAR® Qualified Homes and*

Incorporating Energy Efficiency and Green Building Practices into HOME-Funded Affordable Housing” (HUD, 2008), or any successor guidance issued by HUD.

- **Green and Resilient Building Standards:** In compliance with 24 CFR § 92.251(a)(2)(iii), all new construction shall meet minimum International Energy Conservation Code (IECC) 2021 standards or equivalent and shall achieve National Green Building Standard (NGBS) Silver certification or higher.
- **FORTIFIED Home™ Program Requirements:** Each home shall be designed and constructed in accordance with the **FORTIFIED Home™ program** adopted by HCD to promote structural resilience. At a minimum, FORTIFIED Home design elements must include:
 - Upgraded roof systems designed to prevent wind and water intrusion through roof coverings and vents;
 - Impact-resistant, pressure-rated windows and doors to enhance hurricane resilience;
 - Chimney bracing and anchored porch systems to improve tornado resilience; and
 - A continuous load path connecting the foundation, walls, floors, and roof to ensure unified structural performance under high wind conditions.
- **Local Codes and Amendments:** Construction shall also comply with the **City of Houston 2021 Construction Code suite** and all related amendments effective **January 1, 2024**, including applicable provisions of the Houston Building Code, Residential Code, and Energy Conservation Code.

Marketing Plan

- (a) The CHDO must provide HCD with a marketing plan that describes its proposed outreach and marketing strategy for selling the new homes.
- (b) The CHDO must obtain written approval from HCD of its marketing plan and budget before marketing the first CHDO Home.
- (c) The marketing plan must outline specific steps to ensure that prospective Homebuyers who might not apply for housing without targeted outreach can access housing opportunities provided by the CHDO.

- (d) The marketing plan must include the following elements:
 - (i) Methods of advertising homes for sale, including but not limited to such methods as Multiple Listing Services, flyers, or other printed materials.
 - (ii) Method and timing of prequalifying prospective buyers in terms of income eligibility and eligibility for mortgage financing.
 - (iii) A Policy for managing a waiting list of potential Homebuyers.
 - (iv) Applicable disclosure statements are to be given and explained to buyers before signing the purchase contract at closing.
 - (v) An applicable form of the purchase contract.
 - (vi) Provisions for establishing and adjusting sale prices.
- (e) The CHDO must obtain written approval from HCD, confirming its compliance with the Affirmative Fair Housing Marketing Plan (AFHMP), before marketing the first CHDO Home.
- (f) CHDOs must submit an Affirmative Fair Housing Marketing Plan (AFHMP) – Single Family Housing Form to ensure outreach and communication efforts reach eligible Homebuyers. The CHDO AFHMP must include the following:
 - (i) A satisfactorily completed Affirmative Fair Housing Marketing Plan (AFHMP) – Single-Family Housing Form, as specified in 24 CFR § 200.620.
 - (ii) Methods to carry out an affirmative program, promote fair housing choice, and foster inclusive communities by attracting buyers regardless of race, color, religion, sex (including gender identity and sexual orientation), disability, familial status, or national origin, for all home sales.
 - (iii) Methods to construct homes within the City of Houston that will overcome historic patterns of segregation and foster inclusive communities.
 - (iv) Methods of advertising homes for sale, including but not limited to publicizing to the minority and other low- and moderate-income persons the availability of housing opportunities regardless of race, color, religion, sex, disability, familial status, or national origin, through the type of media customarily utilized by the CHDO, including advertising via the radio, internet, social media outlets, minority publications or other minority outlets available in the housing market area, that will promote fair housing choice and foster inclusive communities.

- (v) All advertising must include the HUD-approved Equal Housing Opportunity logo, slogan, or statement, and all advertising depicting persons must depict persons of majority and minority groups, and all sexes, to inform the viewer that the property is free from discrimination.
- (vi) Prominently display in all offices in which sale activity pertaining to the Project (homes for sale) takes place, the HUD-approved Fair Housing Poster, and include in any printed material used in connection with sales, the HUD-approved Equal Housing Opportunity logo, slogan, or statement.

Sale of CHDO Single Family Housing

1 CHDO Home Price

- (a) The sales price of a CHDO Home must be at least \$1,000.00 less than the appraised Fair Market Value.
- (b) The sales price limit for CHDO Homes is set by calculating 95% of the area's median purchase price of single-family homes in the area based on [HUD HOME Homeownership Value Limits](#).
- (c) The sales price must not include maintenance costs such as lawn mowing and boarding up units.
- (d) For new construction home sales, the CHDO shall comply with applicable Texas Property Code seller's disclosure requirements, including any required notices and certifications in accordance with Tex. Prop. Code § 5.016.

2 Homebuyer Application and Eligibility Screening

CHDOs are responsible for:

- (a) Identifying First-Time Homebuyer Applicants;
- (b) Determining Income Eligibility;
- (c) Sending the First-Time Homebuyer checklist to Request CHDO Application ID from HCD;

Note: *HCD staff will verify income eligibility upon CHDO Applicant ID request in accordance with the latest Single Family Manual.*

- (d) Assist First-Time Homebuyers with securing a first lien mortgage approval; and
- (e) Communicate the Period of Affordability and Recapture Provisions associated with the Total HOME Investment.

Project Completion

The following criteria must be met for a project to be considered complete when:

- (a) All construction work has been completed;
- (b) All property standards have been approved;
- (c) The final drawdown of the CHDO Loan has been disbursed;
- (d) The transfer of title to the First-Time Homebuyer is complete; and
- (e) All project completion information has been entered into the Integrated Disbursement and Information System (IDIS) established by HUD.

CHDO Developer Fees

The developer's fee compensation to the CHDO for successfully completing a CHDO Home may include reasonable consulting or project management fees. Developer fees (including consulting fees) are limited to 15% of the total development costs.

Developer Fees are earned only upon completion of the CHDO Home and are paid upon acceptance by the City of all required completion documentation, including proof of sale to an eligible First-Time Homebuyer and IDIS completion entry. The developer fee will be reduced by \$100.00 per day to be subtracted from the agreement amount for each calendar day any portion of the work that remains uncompleted after the expiration of the written agreement.

Developer fees and any other fees earned by the CHDO or affiliated entities, including contractor and realtor fees, must be approved by HCD. Costs included in the developer fee must be distinguished from costs billed separately to the Homebuyer.

Default of HOME Development Subsidy

1 Failure of CHDO to Perform

If the CHDO fails to complete a project in accordance with the Developer Agreement or these guidelines, applicable HOME Program regulations (24 CFR Part 92), and City requirements, the City shall terminate the Developer Agreement and recapture all HOME funds disbursed as a Development Subsidy. The CHDO acknowledges that these funds constitute federal

assistance subject to recapture if project completion or eligibility requirements are not met.

2 Events Triggering Recapture

Recapture shall be required upon any of the following occurrences:

- (a) Failure to complete construction or rehabilitation of the Project within the approved schedule;
- (b) Failure to sell or transfer the CHDO Home to an eligible First-Time Homebuyer in accordance with 24 CFR § 92.254 and City policy;
- (c) Expenditure of HOME funds for ineligible costs or in violation of program requirements;
- (d) Termination of the Developer Agreement for cause, default, or non-performance; or
- (e) Failure to maintain project files, financial documentation, or other records necessary to establish compliance with HOME requirements.

3 Repayment Obligation

Upon written demand by the City, the CHDO shall repay the full amount of the Development Subsidy disbursed under the Developer Agreement within thirty (30) calendar days. Failure to repay within the specified period shall constitute a default. The City may pursue any legal remedy available, including offsetting the repayment amount against other payments or awards owed to the CHDO.

4 City Accountability

The CHDO acknowledges that the City, as the Participating Jurisdiction (PJ) under the HOME Program, remains accountable to HUD for ensuring compliance with HOME regulations and shall be obligated to reimburse its HOME account with non-federal funds if HOME monies are determined ineligible or not recovered from the CHDO. If the CHDO fails to complete the project in accordance with the Developer Agreement, these Guidelines, and applicable HOME requirements, the City shall terminate the CHDO Loan agreement and recapture any CHDO Set-Aside funds disbursed as Development Subsidy. The CHDO shall return such funds to the City within 30 days of written demand.

Homebuyer Eligibility Requirements

1 First-Time Homebuyer

Assistance is limited to applicants who meet the definition of a First-Time Homebuyer at the time of application.

Applicants, co-applicants, and non-purchasing spouses must complete a “First-time Homebuyer Status and Certification of Property Ownership” Form.

2 Housing Counseling

Prior to applying to the CHDO Program, First-Time Homebuyers are required to attend and complete an eight-hour Homebuyer Education (HBE) class with a HUD-approved housing counseling agency.

Upon successful completion of the HBE class, the counseling agency shall provide the First-Time Homebuyer with a dated Certificate of Completion.

The First-Time Homebuyer is responsible for any costs associated with registering for and completing the HBE class. All HBE certificates must be valid and unexpired at the time HCD determines CHDO Program eligibility.

Note: *Exceptions to the HBE class requirement may be granted if the applicant has previously owned a home but meets the definition of a First-Time Homebuyer as described in the [Term Definitions](#).*

3 U.S. Citizenship/Residency

CHDO Program applicants, co-applicants, and non-purchasing spouses must provide proof of U.S. citizenship or proof of lawful permanent resident status. Acceptable documents include:

- (a) A Birth Certificate issued by a governmental entity in the United States;
- (b) A valid U.S. Passport;
- (c) A Permanent Resident Card, also known as a Green Card, issued by the U.S. Citizenship and Immigration Services (USCIS); or
- (d) A valid Social Security Card that does not state “Valid for Work Only.”

Verification of eligibility will be conducted using the **Systematic Alien Verification for Entitlements (SAVE)** system or an equivalent federally approved verification system, consistent with 8 U.S.C. § 1601 et seq.

4 Co-borrower Requirement

Any Co-borrower listed on a mortgage loan application or approval must be listed on the CHDO Program application as a co-applicant, and all co-applicants shall be included in the Household composition section of the application.

5 Legal Guardianship

Household members (including the First-Time Homebuyer and any CHDO Program co-applicants) 18 years of age or older must provide supporting documentation of legal guardianship for all minor Household members at or under the age of 17, as applicable. Acceptable documents include:

- (a) Birth Certificate listing the Homebuyer Applicant, co-applicant, and/or Household member as the parent.
- (b) Legal guardianship documents.
- (c) A Court-Order Guardianship, signed by a Judge.
- (d) A Letter of Guardianship, signed by a Judge.
- (e) Foster Care Order or Adoption paperwork.
- (f) Genetic Test or Acknowledgement of Paternity.
- (g) Court Order Child Support documents.

6 Child Support

Household members must be current on child support payments or on an approved payment plan, as applicable.

7 Income Eligible

The First-Time Homebuyer's Household Annual Income must not exceed 80% of the Area Median Income (AMI), as determined annually by HUD, with adjustments for family size ("Income Eligible Household").

CHDO Program applicants must be qualified as an Income-Eligible Household as of the date of signature of the Homebuyer's purchase contract.

Income Eligibility is determined at application and re-evaluated before closing if a 6-month recertification is due, in accordance with the Single Family Program Manual.

8 Liquid Assets Limits

First-Time Homebuyers and Co-Applicants' total Household liquid assets shall not exceed \$50,000.00, and liquidity shall be verified at the time of HCD's CHDO Program eligibility determination and prior to closing. Liquid assets are those readily convertible to cash (including but not limited to

savings/checking accounts, certificates of deposit, cash equivalents, stocks, bonds, money market instruments, cryptocurrency, or any other non-retirement investments or assets that are not tax-deferred). The CHDO Program will exclude savings held in a tax-deferred retirement account (e.g., Pension, 401(K), IRA, etc.), and college savings plan (e.g., 529 account).

Waivers may be granted to this requirement in situations where the First-Time Homebuyer is

- (a) Near retirement (within two years or less);
- (b) Retired; or
- (c) Permanently disabled where the applicant's ability to work is severely diminished, and the applicant is solely dependent on liquid assets to pay for basic living expenses.

Waiver authorization must be provided in writing by the First-Time Homebuyer, citing the justification for the waiver, signed and dated by the Director or his/her authorized designee, and maintained in the client's file. Waiver requirements will be assessed annually.

This requirement will be enforced if an applicant must be recertified every six months.

9 First Mortgage Loan

The Program requires First-Time Homebuyers to obtain a mortgage loan from any lender who agrees to comply with the requirements of the CHDO Program. A first loan mortgage must meet all the following criteria:

- (a) Must not exceed a term of a 30-year fixed mortgage.
- (b) Fees charged by third-party mortgage lenders must be limited to the greater of 2% of the mortgage loan amount or \$3,500.00, including, but not limited to, the origination fee, the loan application fee, and the underwriting fees.

10 Homebuyer Contribution and Closing Requirements

- (a) An eligible CHDO Program First-Time Homebuyer must provide a minimum cash investment of \$1,000.00 for the purchase transaction.
 - (i) The minimum cash investment is met when the cost of the appraisal, credit report, inspection, earnest money, and/or cash brought to closing satisfies this requirement.
- (b) The First-Time Homebuyer cannot receive any funds back at closing.

- (c) Closing costs cannot exceed 6% of the sales prices, except for when the First-Time Homebuyer purchases points to decrease the mortgage interest rate.
- (d) Outstanding debts cannot be paid off at the time of closing.

Note: *If a debt is required to be paid to meet the HCD back-end ratio of 43% or below, then the debt must be paid before closing. A supplemental credit report from the lender is required to show proof of the debt being eliminated before closing.*

11 Ineligible CHDO Program Applicants

The following applicants, co-applicants, and adult Household members are ineligible for participation in the CHDO Program:

- (a) Registered Sex Offenders – applicant, co-applicant, or any adult Household member cannot be a registered sex offender.
- (b) Separated Martial Status – applicant, co-applicant(s), and adult Household members must be legally divorced. Applicants who are separated but not legally divorced cannot apply to the CHDO Program without listing their spouse as a co-applicant on the CHDO Program application.
- (c) Applicant(s), co-applicant(s), and spouses who have an existing shared interest in a property and/or ownership interest are ineligible to participate in the CHDO Program.
- (d) Applicants who do not qualify as First-Time Homebuyers under the CHDO Program.

12 Front and Back End Ratio Analysis

An analysis will be completed to ensure affordability is achievable to the First-Time Homebuyer while meeting the front-end ratio of 30% and the back-end ratio of 43%.

- (a) The front-end ratio is determined by dividing the proposed monthly mortgage payment by the Household's gross monthly income and multiplying it by 100.
- (b) The back-end ratio consists of adding all recurring monthly payments (mortgage, school loans, alimony, child support, car notes, credit cards, etc.) and dividing it by the Household's monthly gross income and multiplying it by 100.
- (c) If the front-end ratio exceeds 30%, HCD's CHDO Underwriting Staff must inform the lender, realtor, and the First-Time Homebuyer.

- (d) The lender will work on behalf of the First-Time Homebuyer to negotiate the best possible outcome by selecting one or more of the options below, including but not limited to:
 - (i) Reducing the price of the home.
 - (ii) Reducing the interest rate.
 - (iii) Adjusting the escrow amount
 - (iv) Provide documentation verifying the most recent 24 months of rental payment history, with payments equal to or exceeding the proposed monthly mortgage payment. If this option is selected, Program Management may consider a front-end ratio of up to 38%.
- (e) If the back-end ratio exceeds the required 43%, then the CHDO underwriting staff must inform the lender, realtor, and the First-Time Homebuyer. The First-Time Homebuyer will have the option to reduce the back-end ratio by paying down a debt, which must be done before closing. Proof of debt payment is required before setting up funds for closing.
- (f) To ensure long-term affordability, HCD must impose Recapture provisions per [24 CFR § 92.254\(a\)\(5\)\(ii\)](#).
- (g) The First-Time Homebuyer may not combine other federal funding sources, whether through the City or another entity (e.g., Homebuyer Assistance Program or Harvey Homebuyer Assistance Program 2.0), with the CHDO Program assistance.

Homebuyer HOME Subsidy

The Homebuyer HOME Subsidy, as defined herein, is the portion of the Total HOME Investment that is provided from the CHDO directly to the First-Time Homebuyer to make the purchase affordable. Examples include down payment assistance, closing cost assistance, interest rate buy-downs, or other direct grants or loans.

Total HOME Investment

The Total HOME Investment is the aggregate amount of HOME funds invested by the City in a CHDO Home. The Total HOME Investment is extended to the First-Time Homebuyer in the form of a performance-based forgivable loan (“City Loan”), which requires First-Time Homebuyer compliance with the [Principal Residence](#) requirements for the duration of a

Period of Affordability, and subject First-Time Homebuyer to the [Recapture Provision](#).

The amount of Total HOME Investment is calculated prior to closing during the underwriting process and includes the Homebuyer HOME Subsidy and the portion of the Development Subsidy. To determine the amount of the Development Subsidy in the Total HOME Investment, the City shall subtract the actual purchase price from the appraised fair market value.

| Total HOME Investment | | | | | |
|------------------------------------|---|----------------------|---|------------------------|-------------------------|
| (Appraised/Fair Market Value Home) | - | Purchase Price Home) | + | Homebuyer HOME Subsidy | = Total HOME Investment |

Compliance and Monitoring Requirements

1 Period of Affordability

A CHDO Home must be acquired by a First-Time Homebuyer whose Household qualifies as an Income Eligible Household, and the CHDO Home must be the Principal Residence of the First-Time Homebuyer throughout the Period of Affordability as required by [24 CFR § 92.254\(a\)\(3\)](#). The CHDO Home must meet the minimum affordability requirements for at least the applicable period specified in the following table, beginning after the time title is transferred to the First-Time Homebuyer and the Deed of Trust is recorded in the real property records. The Period of Affordability is as follows:

| Amount of Total HOME Investment | Minimum Period of Affordability |
|---------------------------------|---------------------------------|
| Under \$25,000 | 5 years |
| \$25,000.01 to \$50,000 | 10 years |
| Over \$50,000 | 15 years |

HCD secures the City Loan to the First-Time Homebuyer through the execution of a Note, Homeowner Statement, and a Second Lien Deed of Trust executed by the Homebuyer (the “City Loan Documents”). The Deed of Trust is recorded in the real property records and includes the Principal Residence requirement and the Period of Affordability as restrictive covenants that run with the land.

During the Period of Affordability, First-Time Homebuyers must use the CHDO Home as their Principal Residence and comply with all CHDO Program requirements.

Note: If a Homebuyer remains in the home, but elects to pay off Total HOME Investment, the Period of Affordability remains in effect for the written agreement timeframe unless sold to a willing buyer, [CPD Notice 12-003](#).

2 Principal Residence

Assisted Homebuyers are required to occupy the assisted property as their sole and principal residence for the full duration of the applicable compliance and Period of Affordability. The First-Time Homebuyer must occupy the CHDO Home continuously (full-time and year-round) and may not convert the CHDO Home to a rental, investment, or vacation property at any time during the compliance period.

The CHDO Program's Principal Residence requirement exists to ensure the program supports its intended purpose: helping improve Homeownership affordability for low-income families. This requirement aligns with the HCD's mission to create opportunities for Houstonians to realize their dream of Homeownership.

3 Sale or Transfer of Property

The sale, any transfer of title, voluntary or involuntary, during the required Period of Affordability will trigger the Recapture provisions as outlined in the section below.

4 Recapture Provision

- (a) Purpose: To ensure that the benefits of the CHDO Program are retained for the intended low-income Households, as intended by HOME, the City shall invoke the Recapture Provisions when a First-Time Homebuyer sells voluntarily or involuntarily (including a foreclosure), rents, or ceases to occupy the property as their Principal Residence during the applicable Period of Affordability.
- (b) Exemption: If the Homebuyer occupies the property as their Principal Residence for the entire Period of Affordability, then the Recapture Provisions shall not be invoked, and the City Loan shall be forgiven and the lien released.
- (c) Basis of Recapture: The Period of Affordability is determined by the amount of the Total HOME Investment provided to the First-Time Homebuyer in accordance with 24 CFR § 92.254(a)(4). The City has elected to use a pro-rata reduction method, whereby the Recapture amount is reduced proportionally for each year the First-Time Homebuyer has owned and occupied the CHDO Home as their Principal Residence.

| Recapture Amount | | | |
|-----------------------------------|---|-----------------------|--------------------|
| Remaining Period of Affordability | x | Total HOME Investment | = Recapture amount |
| Minimum Period of Affordability | | | |

The Recapture amount is equal to the Total HOME Investment minus the pro rata forgiven amount. If the property is sold before the end of the Period of Affordability, the First-Time Homebuyer shall repay the pro-rated Recapture amount to the City at closing from the net proceeds of the sale. Net proceeds shall mean the sale price minus superior loan repayment and reasonable closing costs.

- (d) Limitation to Net Proceeds: If Net Proceeds at the time of sale are insufficient to recapture the full pro-rata amount, the City will not require repayment beyond the net proceeds available consistent with 24 CFR § 92.254(a)(5)(ii)(A)(3). The City shall document the calculation and any shortfall in the file.
- (e) Release of Lien: Upon repayment of the Recaptured Amount (or full satisfaction of the Period of Affordability), the City shall issue a Release of Lien evidencing that the obligation has been satisfied.
- (f) Default: It shall also be considered a Default under the Deed of Trust if the First-Time Homebuyer violates, fails to pay, or perform in accordance with any term, condition, or covenant contained in the City Loan Documents, these Guidelines, or any other documents pertaining to the CHDO Program.

5 Death of Homeowner

In the event of the death of a First-Time Homebuyer, the Period of Affordability shall continue for any heir or other individual who inherits the property, provided that the heir occupies the property as their Principal Residence. If the heir sells, rents, or otherwise fails to occupy the property as their Principal Residence during the remaining Period of Affordability, the City shall enforce Recapture in accordance with 24 CFR § 92.254(a)(5)(iii). Repayment of the Total HOME Investment by the heir shall satisfy the affordability obligation, after which the City will release its lien or other security instrument.

6 Monitoring

HCD reserves the right to monitor each property to determine if it was transferred or sold during the Period of Affordability. The following sources of verification may be used:

- (a) Title Report;

- (b) Lien and ownership search in the applicable County Clerk's Office online records;
- (c) Ownership verification in applicable Tax Office appraisal records; and/or
- (d) Certification from the owner.

7 Release of Liens

HCD will release the lien (consider the loan forgiven) once the First-Time Homebuyer has successfully complied with the Period of Affordability determined by the Total HOME Investment awarded and as written in the City Loan Documents.

HCD reserves the right to charge a fee to prepare a duplicate original Release of Liens.

The First-Time Homebuyer is responsible for filing the lien and the payment to record the lien with the local County Clerk's Office.

8 Insurance Verification and Property Management

Monitoring staff will ensure that First-Time Homebuyers who are required to purchase and maintain private insurance of one or more applicable types (flood, homeowner's, hazard, etc.) are compliant.

First-Time Homebuyers must maintain flood insurance protection when the property is located within the Special Flood Hazard Area.

For all projects in the Program, per [2 CFR § 200.310](#), all property owners must procure and maintain insurance for the duration of the agreement to protect all contract assets from loss due to any cause, such as theft, fraud, and physical damage. If federal funds are used to acquire real property or personal property, the Property owner is responsible for complying with the regulation at [2 CFR § 200.311](#).

9 Payment of Taxes

Property tax payments cannot be delinquent. The First-Time Homebuyer must provide HCD with evidence that the property taxes are paid, upon request.

10 Default and Remedies

Authority: 24 CFR § 92.504(c)(3), 92.254(a)(5), and City of Houston HOME Program Requirements

- (a) **Definition of Default.** A Default shall occur when a CHDO or Homebuyer fails to comply with any term, condition, or obligation contained in these Guidelines, the Developer Agreement,

Promissory Note, Deed of Trust, or Land Use Restriction Agreement (LURA), or any other Loan Document.

Default includes, but is not limited to:

- (i) Failure to complete the project or sell the CHDO Home to an eligible First-Time Homebuyer within the required timeframes;
 - (ii) Failure to maintain the property as the First-Time Homebuyer's Principal Residence during the Period of Affordability;
 - (iii) Unauthorized transfer, refinance, lease, or encumbrance of the property;
 - (iv) Failure to make required repayment under the City's Recapture Policy;
 - (v) Use of CHDO Set-Aside funds for ineligible costs; or
 - (vi) Fraud, misrepresentation, or failure to provide requested documentation.
- (b) **Notice and Opportunity to Cure.** Upon determination of default, the City shall provide written notice specifying the nature of the violation and a reasonable period (not to exceed thirty (30) days) to cure or respond.
- (c) **Remedies.** If the default is not cured within the specified time, the City may pursue one or more of the following remedies, as appropriate:
- (i) Terminate the Developer Agreement or the City Loan and demand repayment of HOME funds disbursed;
 - (ii) Accelerate repayment of any deferred or forgivable loan secured by the property;
 - (iii) Foreclose on the property under the Deed of Trust;
 - (iv) Suspend or debar the CHDO or Developer from future participation; or
 - (v) Take any other action authorized under federal, state, or local law.
- (d) **Effect of Recapture.** If a First-Time Homebuyer repays the required Total HOME Investment in accordance with the City's Recapture Policy, the Default shall be deemed cured and the affordability restrictions released.

Program Closeout

After all construction and sales activities are completed and the title has transferred to a First-Time Homebuyer, the City shall initiate project closeout by completing the Homebuyer IDIS Activity Completion form.

After completing the form, it should be uploaded to OnBase, the system of record used by the Planning and Grant Reporting team, to input the information into the Integrated Disbursement and Information System (IDIS).

Project completion information must be entered into IDIS only after the unit meets property standards, has been sold to an eligible Homebuyer, and the resale or recapture instrument has been recorded, as required under 24 CFR § 92.502(c)(3).

If satisfactory project completion information is not provided, HUD may suspend further Project set-ups or take other corrective actions.

No additional HOME funds may be committed to a project after it has been marked complete in IDIS. The Total HOME investment in the project may not exceed the applicable maximum per-unit subsidy limit established under [24 CFR § 92.250a](#).

Regulatory Considerations

1 FY 2025 HOME Federal Award Agreement Requirements

All CHDOs and subrecipients shall comply with the following requirements established in Addendum 1 to the City's FY 2025 HOME Federal Award Agreement with HUD:

- (a) **Gender Ideology Restriction:** No CHDO or subrecipient may use HOME funds to promote "gender ideology," as defined in Executive Order 14168.
- (b) **Anti-Discrimination Compliance:** Compliance with all applicable federal anti-discrimination laws (including Title VI of the Civil Rights Act of 1964) is material to payment decisions under 31 U.S.C. § 3729(b)(4).
- (c) **Hyde Amendment Compliance:** HOME funds may not be used to fund or promote elective abortions, per Executive Order 14182.
- (d) **Revoked Executive Orders:** The City and CHDOs acknowledge that this Grant is not governed by Executive Orders revoked by E.O.

14154, including E.O. 14008 (“Tackling the Climate Crisis at Home and Abroad”).

- (e) **Immigration Restrictions:** The City and its CHDOs shall administer the grant in accordance with all immigration eligibility and verification requirements under the **Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA)**, 8 U.S.C. § 1601–1646, and Executive Order 14218.
- (f) **No Facilitation of Illegal Immigration:** Funds may not be used in any manner that facilitates the subsidization or promotion of illegal immigration or shields illegal aliens from deportation.
- (g) **SAVE Verification:** The City and CHDOs must use the **Systematic Alien Verification for Entitlements (SAVE)** system or an equivalent federally approved system to prevent provision of benefits to ineligible aliens.
- (h) **Faith-Based Organizations:** Faith-based organizations are eligible subrecipients on the same basis as any other organization, and the City may not discriminate based on religious character or affiliation.
- (i) **Certification of Compliance:** Each CHDO must execute an acknowledgment of these Addendum 1 policy requirements as a condition of funding.

2 Americans with Disabilities Act (ADA)

The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination and protects equal opportunity for persons with disabilities in employment, state and local government services, public accommodations, commercial facilities, and transportation. It also mandates the use of telecommunications devices for the deaf (TDD) relay services.

HCD takes affirmative steps to ensure that people with disabilities have equal access to the programs offered by HCD. All services offered by HCD are delivered in the most integrated manner possible, alongside services for persons with disabilities.

HCD takes the requirements of ADA seriously and requires that all stakeholders, subrecipients, vendors, contractors, and developers adhere to the requirements of ADA to the fullest legal extent.

Applicants and Participants who believe they may have been discriminated against can file a complaint with the U.S. Department of Housing and Urban Development at the following link:

https://www.hud.gov/program_offices/fair_housing_equal_opp/online-complaint

Complainants can also file a complaint with HCD. Please see [Complaints and Appeals](#) for information on how to file a complaint or appeal with HCD.

3 Environmental Review

The Environmental Review process is required for all HUD-assisted programs to ensure the proposed project does not negatively impact on the surrounding environment and the property site itself will not have an adverse environmental or health effect on end users. All properties assisted under this CHDO Program must be subject to an Environmental Review by HCD before land Acquisition and new construction, per the latest HCD #21-16 Environmental Review SOP.

- (a) CHDO must submit the project site address and parcel identification number to HCD. HCD must conduct the Environmental Review in compliance with [24 CFR Part 58](#).
- (b) If the project passes the Environmental Review, HCD will issue a Notice to Proceed (NTP), and the CHDO may move forward with the approved land Acquisition and new construction activity.
- (c) A commitment of funds must occur only upon satisfactory completion of an Environmental Review to determine whether the project meets federal, state, and local environmental standards and receipt by the City of a release of funds from HUD or, where appropriate under 24 CFR Part 58, an environmental clearance issued internally by HCD.
- (d) Down-payment assistance and other comparable activities under the HOME program are typically cleared in-house under [24 CFR § 58.35\(a\)\(5\)](#).
- (e) More extensive work, such as qualifying single-family new construction, may be cleared pursuant to the HUD Authority to Use Grant Funds (AUGF) issued on June 5, 2024, for the HOME Program, per a Part 58 Site-Specific Review. Any rehabilitation or new construction not covered by the AUGF will require a separate Part 58 Review, and where necessary, a separate HUD AUGF.
- (f) CHDOs must agree that the provision of Project Funding is conditioned on HCD's determination to proceed with, modify, or cancel the Project based on the results of a subsequent Environmental Review.
- (g) CHDOs must contract for environmental consulting services to provide the information required, which is an eligible Project soft cost.

The following applicable regulations include:

- (a) Per [24 CFR § 58.5\(i\)\(2\)\(i\)](#), all properties that are being proposed for use in HUD programs must be free of hazardous materials, contamination, toxic chemicals and gases, and radioactive substances where a hazard could affect the health and safety of occupants or conflict with the intended utilization of the property.
- (b) Per [24 CFR § 58.22](#), lots to be acquired for selection must not undergo any development or other activity that constitutes a choice-limiting action, regardless of whether HUD or non-HUD funds are used. Choice-limiting actions include Acquisition, demolition, disposition, rehabilitation, repair, new construction, site preparation, and leasing or any other activities that commit to future activities. Part 58 regulations are found under Laws and Regulations posted on [HUD's Environment website](#). HUD funds must NOT be used prior to the issuance of the Release of Funds/Authority to Use Grant Funds (AUGF) and all necessary site-specific Environmental Review and clearance as required by [24 CFR Part 58](#).
- (c) Regulations found at [24 CFR § 51.103](#) govern sound mitigation requirements if noise levels in a Normally Unacceptable Noise Zone (NUNZ, 65-75 decibels (dB)) or Unacceptable Noise Zone (UNZ, 75+ dB).
- (d) Regulations found at [24 CFR Part 55](#) govern flood mitigation for any existing properties that reside in the Federal Flood Risk Management Standard (FFRMS) floodplain.¹
- (e) Hazardous materials outlined in [24 CFR § 58.5\(i\)\(2\)\(i\)](#) include all forms of contamination, including but not limited to lead and asbestos, often found in homes built before 1978.

Note: The regulations listed above are the most significant HUD requirements under 24 CFR 58, but they are not comprehensive, and more information can be found at HUD's Environmental website.

4 Floodplain Management and Protection of Wetlands

When proposing Acquisition, construction, demolition, improvement, disposition, financing, and use of properties located in a floodplains or wetlands in which approval is required by HUD or HCD as authorized by 24

¹ The [HUD Final Flood Rule of 2024](#) would cover activities that take place in the FFRMS floodplain, which encompasses both the 500-year floodplain and the 100-year floodplain. Any AUGF issued prior to May 23, 2024, for CHDO Program new construction is not subject to the new rule; however, any work undertaken separately from the AUGF would be subject to the HUD Final Flood Rule and any new floodplain requirements, including mitigation, elevation, and floodproofing as applicable. Nevertheless, even where not mandated, mitigation, elevation and floodproofing in the 500-year floodplain is still recommended.

CFR Part 58, the provisions outlined in Executive Orders [11988](#), [11990](#), and [24 CFR 55](#), shall be included in the decision making process to avoid to the extent possible the long and short term adverse impacts associated with the occupancy and modification of floodplains or the destruction or modification of wetlands; and to avoid direct or indirect support of floodplain development or new construction in wetlands wherever there is a practicable alternative.

HCD will follow the Executive Orders of the Floodplain Management and Wetland Protection as outlined in the latest HCD #21-16: Environmental Review SOP. This includes, where applicable, any new requirements under the HUD Final Flood Rule of 2024.

5 Flood Disaster Protection Act of 1973

Per 24 CFR Part 55, under [42 USC 4001-4128](#) of the Flood Disaster Protection Act of 1973, as amended, federal funds used in whole or in part, for Acquisition and construction purposes (including rehabilitation) of property located in an area identified by the Federal Emergency Management Agency (FEMA) as having special flood hazards may not be used, unless:

The property is located in a community that is participating in the National Flood Insurance Program (see [44 CFR Part 59](#) through 80), or less than one year has passed since the FEMA notification regarding such hazards; and

Where the community is participating in the National Flood Insurance Program, flood insurance protection must be obtained as a condition of the approval of federal funding to the property owner. HCD will require Program participants to obtain and maintain flood insurance under the National Flood Insurance Program for properties assisted with federal funds. Proof of flood insurance will be evidenced by the declaration page and maintained during the life of the property, regardless of transfer of owner, to qualify for future assistance.

6 Davis-Bacon and Related Acts

Pursuant to 24 CFR § 92.354(a)(2), 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 in the locality, as predetermined by the Secretary of Labor per the [Davis-Bacon Act](#) (40 U.S.C. 3141), to all laborers and mechanics employed in the development of any part of the housing. Such contracts must also be subject to the overtime provisions of the Contract Work Hours and Safety Standards Act (40 U.S.C. 3701).

In accordance with 24 CFR § 92.354(a)(2), the construction contract must contain these wage provisions if HOME funds are used for any Project costs in [24 CFR § 92.206](#), including construction or non-construction costs, of housing with 12 or more HOME-assisted units.

When 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 of the housing if 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 and the construction contract covers 12 or more housing units to be purchased with HOME assistance.

The wage provisions apply to any construction contract that includes a total of 12 or more HOME-assisted units, whether one or more projects are covered by the construction contract. Once the federal labor standards provisions are determined to be applicable, the wage provisions must be contained in the construction contract to cover all laborers and mechanics employed in the development of the entire Project, including portions other than the assisted units.

Arranging multiple construction contracts within a single Project for the purpose of avoiding the wage provisions is not permitted.

7 Section 3

Section 3 of the Housing and Urban Development Act of 1968, as amended, ([12 USC § 1701](#)) ("[Section3](#)") applies to construction Projects that receive more than \$200,000.00 of federal financial funds or assistance, whether in full or in part.

All contracts, including lower-level contracts that exceed \$200,000, must comply with 24 CFR 75 ("Section 3 Regulations").

Priority employment and training should be provided to Section 3 workers residing within the service area or YouthBuild participants. To the greatest extent feasible, recipients of housing and community development financial assistance shall ensure contracts for work awarded in connection with Section 3 projects are provided to business concerns that provide economic opportunities to Section 3 workers residing within the metropolitan area (or nonmetropolitan county) in which the Project is in the following order of priority:

- (a) Section 3 business concerns that provide economic opportunities to Section 3 workers residing within the service area or the neighborhood of the Project or YouthBuild programs.
- (b) For meeting the safe harbor in 24 CFR § 75.23, recipients that certify to following the prioritization in 24 CFR § 75.19 and meet or exceed the following Section 3 benchmarks will be considered to

have complied with Section 3 requirements, absent evidence to the contrary:

- (c) Twenty-five percent or more of the total number of labor hours worked by all workers on a Section 3 Project are Section 3 workers; and 5% or more of the total number of labor hours worked by all workers on a Section 3 Project are Targeted Section 3 workers.

8 Minority-and/or Women-Owned Business Enterprises

Contractors shall comply with the City's Minority and Women Business Enterprise ("MWBE") programs as set out in [Chapter 15, Article V of the City of Houston Code of Ordinances](#) and the applicable Office of Business Opportunity's ("OBO") Policies and Procedures.

The Contractor shall make good faith efforts to award subcontracts or supply agreements in at least 29% of the value of this Agreement to MWBEs. If the Contractor is a certified MBE or WBE, the Contractor may count toward goals the work that it commits to perform with its own workforce, capped at 50% of the total advertised goal.

The Contractor shall acknowledge that they have reviewed the requirements for good faith efforts on file with the Office of Business Opportunity (OBO), available at:

<http://www.houstontx.gov/obo/docsandforms/goodfaithefforts.pdf> and

9 Uniform Relocation Act (URA)

Per [49 CFR Part 24](#), the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, provides protections and assistance for people affected by the acquisition, rehabilitation, or demolition of real property for federally funded projects. This law was enacted by Congress to ensure that people whose real property is acquired, or who must relocate as a direct result of projects receiving federal funds, are treated fairly and equitably and receive assistance in moving from the property they occupy.

The CHDO Program does not permit the acquisition of a tenant-occupied property. Should a tenant be identified as qualifying for relocation assistance, compliance with 49 CFR 24 is required. Relocation advisory services, a 90-day notice to vacate, replacement housing payments, and moving expenses must be provided to the displaced persons (i.e., individual, farm, non-profit, or business). For additional guidance, please review the department's policy HCD #21-32 Uniform Relocation Assistance (URA) Policy.

10 The Federal Privacy Act of 1974, as Amended

The amended Federal Privacy Act of 1974 provides for confidentiality and the restriction of disclosing confidential and personal information. Unauthorized disclosure of such personal information may result in personal liability with civil and criminal penalties. The data collected from Homebuyer Applicants for HCD's CHDO Single Family Home Development Program and services may contain personal information on individuals that is covered by the Federal Privacy Act of 1974, as well as applicable state laws. The information collected may only be used for limited official purposes:

- (a) Program staff may use personal information throughout the award process to ensure compliance with Program requirements, reduce errors, and mitigate fraud and abuse.
- (b) Independent auditors, when hired by the City to perform a financial or programmatic audit of the Program, may use personal information in determining Program compliance with all applicable HUD and federal regulations, including the Stafford Act, HUD program requirements, and State and local law.
- (c) HCD may disclose personal information on a Homebuyer Applicant to those with official Power of Attorney for the applicant or for whom the applicant has provided written consent to do so.
- (d) Organizations assisting HCD in executing the Programs must comply with all federal and state law enforcement and auditing requests, including, but not limited to, requests from HUD, FEMA, FBI, GLO, Office of the State and City Comptroller, and the Office of Inspector Generals.

Per HCD #01-04 Personally Identifiable Information (PII) Policy, HCD is committed to protecting the privacy of all individual stakeholders, including the public and those individuals working on the Program. The HCD policies describe how information is to be handled and protected. The purpose of this privacy policy is to establish when and under what conditions certain information relating to individuals may be disclosed.

In the event of a data breach, HCD will follow procedures outlined in the HCD #01-10: Data Breach SOP to provide support to Applicants and Program participants when an unauthorized release of personal information occurs.

11 Conflict of Interest

HCD must follow the federal conflict of interest provisions per [2 CFR § 200.317](#), [§ 200.318](#), and [24 CFR § 92.356](#), the City of Houston's

Administrative Policy 2-22: Conflict of Interest, and the HCD #01-40: Non-Procurement Conflict of Interest Policy.

All CHDO Applicants and participants, including lenders, realtors, and Homebuyers, must complete and sign a Conflict-of-Interest Disclosure Form before funds are expended. This disclosure requires Program participants to disclose, under penalty of perjury, their immediate family members or business partner(s) currently employed by the City of Houston or who were employed by the City within the past year.

Note: “Immediate family members” means and includes (whether by blood, marriage, or adoption) the spouse, parent (including a stepparent), child (including a stepchild), sibling (including a stepsibling), aunt/uncle, niece/nephew, grandparent, grandchild, great-grandparent, great-grandchild, and in-laws of the same relations.

Additionally, in compliance with HCD Non-Procurement Conflict of Interest Policy #1-40, employees and/or family members of an entity performing work on behalf of HCDD or the employees and/or family members of a direct contractor to an entity performing work on behalf of HCDD are not eligible to receive assistance under the HCDD Single Family Programs.

Program staff must disclose any relationships with CHDO Applicants and participants. Program staff who disclose such relationships are placed in roles where there is no opportunity for them to display favoritism or collude for financial benefit or otherwise benefit themselves or the applicant.

Upon the written request of the CHDO, HCD may consider contacting HUD to request an exception to the federal conflict of interest provisions per [24 CFR 92.356\(d\)](#), on a case-by-case basis if HCD determines that the exception will serve to further the purposes of the HOME Investment Partnerships Program and the effective and efficient administration of the CHDO Program or Project.

Conflicts prohibited. No persons described in [paragraph \(c\)](#) of this section who exercise or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or financial benefit from a HOME-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to the HOME-assisted activity, or the proceeds from such activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter. Immediate family ties include (whether by blood, marriage, or adoption) the spouse, parent (including a stepparent), child (including a stepchild), brother, sister (including a stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person.

(c) *Persons covered.* The conflict of interest provisions of [paragraph \(b\)](#) of this section apply to any person who is an employee, agent, consultant, officer, elected official, or appointed official of the Participating Jurisdiction, State recipient, or subrecipient that is receiving HOME funds.

This provision does not apply to individuals who receive HOME funds to acquire or rehabilitate a Principal Residence, nor to an employee or agent of the owner or developer of a rental housing Project who occupies a housing unit as a Project manager or maintenance worker.

12 Audit Requirements

This Program is subject to audit at the federal and local levels. The U.S. Department of Housing and Urban Development (HUD), HUD's Office of Inspector General, the U.S. Government Accountability Office (GAO), and the City of Houston's Finance Department (typically via a contracted third party) all have the authority to audit this Program.

All auditors are independent of HCD and report either to their respective authorities at the federal level or to the Mayor of Houston.

In accordance with [Subpart F of 2 CFR Part 200](#), non-federal entities that expend \$1,000,000 or more during their fiscal year in federal awards must have a single or program-specific audit conducted for that year.

HCD is responsible for conducting reviews of these single or program-specific audit reports and for coordinating the issuance of management decisions for audit findings relating to HCD-provided federal funds.

13 Affirmative Marketing and Outreach

The City, through HCD, is committed to affirmatively furthering fair housing through established affirmative marketing policies. Affirmative marketing efforts will include the development of an Affirmative Marketing & Outreach Plan based on U.S. Department of Housing and Urban Development (HUD) regulations.

The CHDO will perform outreach activities in targeted areas to advertise the Program and encourage potential Applicants to apply for assistance. Methods of outreach may include, but are not limited to, advertising on social media or other media outlets, newsletters, brochures, HCD website, and/or community events, email or other electronic blasts, press releases/statements, public meetings/hearings, and partner events.

The CHDO will ensure that outreach and communication activities reach eligible homeowners from all racial, ethnic, national origin, religious, familial status, disabled, and gender groups.

Documentation of all marketing measures used, including copies of all advertisements and announcements, will be retained and made available to the public upon request.

14 Limited English Proficiency

The program will be administered consistent with 24 CFR § 92.350 and Executive Order 13166 to ensure meaningful access for persons with limited English proficiency and persons with disabilities.

[Federal Executive Order 13166](#) requires HCD and all satellite offices, programs, subrecipients, Contractors, subcontractors, and/or developers funded in whole or in part with federal funds to ensure fair and meaningful access to programs and services for families and individuals with Limited English Proficiency (LEP) and/or hearing impairment.

HCD ensures fair access through the implementation of a Language Assistance Plan (LAP), which includes non-English-based outreach, translation services of vital documents, free language assistance services, and staff training. Refer to the “Language Assistance Plan” Provision of Language Assistance Services for additional guidance and protocol.

15 Suspension and Debarment

Per [2 CFR Part 180](#), HCD shall comply with Suspension and Debarment Executive Order [12549](#) and [12689](#), which prohibit an entity that has been debarred, suspended, or otherwise excluded or deemed ineligible from participating in federal programs or activities.

Any entity seeking federal funds received by HCD will undergo a debarment verification.

Entities that are determined to be debarred, suspended, or otherwise excluded will not be eligible to receive federal funds from HCD in accordance with the Executive Orders, [2 CFR Part 180](#), [2 CFR Part 2424](#), and the HCD #01-14: Debarment Verification Policy and Procedure.

16 Fraud, Waste, and Abuse

The Program is subject to, and will follow, HCD’s Policy# 21-10, Fraud, Waste, and Abuse. Anyone with information regarding known or suspected misappropriation of CDBG-DR funds or resources is encouraged to report the information to the City by sending an electronic report via email to the following email address: housingfraud@houstontx.gov.

Note: Title 18, section 1001 of the U.S. Code states Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or

document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

Fraud, Waste, and Abuse / Whistleblower Protections:

Any person aware of suspected fraud, waste, or abuse related to HOME or CHDO activities must report such incidents to both the City's HCD Compliance Office and the HUD Office of Inspector General at 1-800-347-3735 or online at <https://www.hudoig.gov/>. CHDOs must inform their employees, in writing and in the predominant native language of the workforce, of their rights and remedies under 41 U.S.C. § 4712.

17 Equal Employment Opportunity

[Executive Order 11246](#), Equal Employment Opportunity, as amended, prohibits federal Contractors and federally assisted construction Contractors and subcontractors who do over \$10,000 in government business in one year from discriminating in employment decisions based on race, color, religion, sex, sexual orientation, gender identity, or national origin. The Executive Order also requires government Contractors to take affirmative action to ensure that equal opportunity is provided in all aspects of their employment. This regulation is adhered to within HCD programs.

Anyone who feels that their Equal Employment Opportunity rights have been violated can contact any or all of the following enforcement authorities:

City of Houston Office of Inspector General

900 Bagby St., 4th Floor, Houston, TX 77002

OIG Hotline: (832) 394-5100

[OIG Complaint Form](#)

U.S. Equal Employment Opportunity Commission

Mickey Leland Building

1919 Smith St., 6th Floor, Houston, TX 77002 Phone: 1 (800) 669-4000

TTY: 1 (800) 669-6820

ASL Video Phone: (844) 234-5122

[EEOC Public Portal](#)

18 Housing Discrimination

No person shall be excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, Disability, or marital status.

Applicants/Participants who feel they have been discriminated against can contact:

U.S. Department of Housing & Urban Development

Housing

Discrimination inquiries and/or complaints 800-669-9777 (Voice)

1-800-927-9275 (TTY)

Texas Workforce Commission

Civil Rights Division 1-888-452-4778 (Voice)

1-800-735-2989 (TTY)

19 Fair Labor Standards Act

The amended Fair Labor Standards Act of 1938 (FLSA) establishes the basic minimum wage and requires the payment of overtime for certain employees. Overtime payments must be at the rate of at least one and one-half times the basic hourly rate of pay for hours worked in excess of forty per work week. These standards are applicable to all activities funded by this Program.

20 Pay or Play

Contractors shall comply with the City's Pay or Play Program, as set out in [Executive Order No. 1-7](#).

The Contractors should demonstrate that they have the willingness and ability to comply with the City's Contractors' Pay or Play Program.

21 Residential Anti-Displacement

The City of Houston does not plan to administer activities that will cause a direct or indirect displacement of persons or entities. In accordance with Winter Storm Uri's Federal Register Notice, the City of Houston plans to amend the current Residential Anti-displacement and Relocation Assistance Plan (RARAP) to strengthen efforts to prevent hardship of a displaced person or entity and increase oversight to ensure the requirements of the Uniform Relocation Assistance and Real Property Acquisition Act of 1970 (URA), as amended. The amended RARAP will set the minimum standard for, but not limited to, planning efforts, Relocation Plan, relocation schedule, accommodations for displaced persons with disabilities, relocation budget, and project the number of staff needed to carry out URA requirements.

22 Record Keeping and Retention

By HUD regulations, as the grantee, and the City of Houston as the sub-grantee and prime recipient of CHDO Set-Aside funds, follow the records retention requirements cited in [2 CFR Part 200](#), which includes financial records, supporting documents, statistical records, and all other pertinent records.

HCD establishes recordkeeping and retention requirements in its subrecipient and Contractor agreements in accordance with the guidelines stated in <https://www.ecfr.gov/current/title-24/section-92.508>.

Record retention per [2 CFR § 200.333](#) is a requirement of the Program. Records are maintained to document compliance with program requirements and federal, state, and local regulations and to facilitate a review or audit by HUD. The HCD Records Management Program seeks to ensure that:

- (a) HCD complies with all requirements concerning records and records management practices under federal and state regulations.
- (b) HCD has the records it needs to support and enhance ongoing business and citizen service, meet accountability requirements, and community expectations.

These records are managed efficiently and can be easily accessed and used for as long as they are required.

These records are stored as cost-effectively as possible, and when no longer required, they are disposed of in a timely and efficient manner based on HUD Handbook 2225.6, Records Disposition Schedules, and HUD Handbook 2228.2.

Failure to report timely or accurately may result in suspension of disbursements or other remedies under [2 CFR § 200.339](#).

23 Access to records

Per [24 CFR 92.508\(d\)](#) and [2 CFR Part 200, Subpart D](#), Representatives of HUD, the Inspector General, and the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, or property pertaining to the administration, receipt and use of federal funds as necessary to facilitate such reviews and audits.

The City shall provide citizens with reasonable access to records regarding the past use of federal funds and ensure that units of general local government provide citizens with reasonable access to records regarding the past use of funds consistent with State or local requirements concerning the privacy of personal records.

The availability of records is subject to the exceptions to public disclosure outlined in Chapter 552 of the Texas Public Information Act, of the Texas Government Code (“TPIA”). Requests under the TPIA must be made in writing to the Public Information Officer and will be processed per the procedures outlined in the TPIA and applicable City policies, such as Administrative Procedure 2-9, Guidelines for Responding to Requests for Public Information.

24 File Management

The HCD Records Management section assists with ensuring that:

- (a) HCD complies with all requirements concerning records and records management practices under federal and state regulations.
- (b) HCD has the records it needs to support and enhance ongoing business and citizen service, meet accountability requirements, and community expectations.

The records are managed efficiently and can be easily accessed and used for as long as they are required.

25 Reporting

The Reporting provisions at [2 CFR § 200.329\(b\)](#) require non-federal entities to collect performance reports.

As a recipient of federal funds, HCD has established its own reporting requirements per these provisions, as applicable:

- (a) At execution of agreements.
- (b) Monthly.
- (c) Quarterly.
- (d) Annually.
- (e) As required.

Complaints and Appeals

The City of Houston Housing and Community Development Department (HCD) accepts complaints and appeals regarding HCD-funded programs, developments, and activities. The following section outlines the complaints and appeals processes.

1 Contact Information

City of Houston Housing and Community Development Department
ATTN: Complaints and Appeals

2100 Travis Street, 9th Floor, Houston, TX 77002

Phone: 832-394-6200 Option 2

Email: HCDdcomplaintsappeal@houstontx.gov

Business Hours: Monday – Friday, 8:00 AM – 5:00 PM

2 Complaints

HCD welcomes feedback and complaints from any member of the public. Complaints are accepted in writing or over the telephone. Complaints will be responded to in writing within 15 business days, as practicable. For more information, please refer to the [HCD Complaints, Appeals, & Fraud](#) webpage.

3 Appeals

Appeal Requests

All Program Applicants have the right to appeal a determination made by the Housing and Community Development Department (HCD). Applicants have the right to appeal decisions made on their Program file based on the following reasons:

- (a) Denial of any of HCD's programs.
- (b) A program eligibility determination.
- (c) A program award calculation.
- (d) A procedural error where program staff did not process the application per the program guidelines.
- (e) Furthering Fair Housing decisions.

Appeal requests are accepted in writing via mail, email at HCDDComplaintsAppeal@houstontx.gov, online using the [Appeal Request](#) form, or using the paper form available at the HCD office. Appeal Requests must be submitted within 30 calendar days of the notice of determination. To be considered complete, an appeal request must contain the following information:

- (a) Name
- (b) Property Address
- (c) Mailing Address (if different from Property Address)
- (d) Telephone Number
- (e) Application Number (if applicable)
- (f) Email Address

- (g) Reason for Appeal (consistent with the reasons listed above)

4 Appeals Process

Tier 1 Appeals are the initial determination appeals, in which the program area will review all documentation submitted and either reiterate the initial determination or approve your appeal and overturn the determination. Appeals will be responded to in writing within 30 calendar days.

When a Program Applicant does not agree with the decision made in the initial appeal, Program Applicants have the right to request a Tier 2 Appeal. If the request is approved, the Appeals Review Committee (ARC) will review all documentation and the supporting documents you send to support your appeal and make a final decision. The appellant may only escalate the appeal after the completion of the initial program area process. The ARC will process the escalated appeal within thirty (30) days, as practicable. The ARC will transmit its decision to the appellant in writing.

Note: The appellant may only escalate an appeal after completing the preceding Appeal. Additionally, the reason for the Tier 2 appeal must be the same reason for the Tier 1 Appeal.

HCD must keep a record of each appeal received and include all communications and their resolutions. Please refer to the [HCD Appeals](#) webpage for more information.

Document Control

While this document is the primary document governing how this program is administered, these guidelines are controlled by applicable laws, statutes, and requirements at the federal, state, and local levels. Every attempt is made by the Housing and Community Development Department (HCD) to update this document to reflect changes “upstream.” However, in cases of conflict between this document and a controlling, upstream document, the upstream document controls. Examples of upstream documents include, but are not limited to:

- (a) Applicable laws, statutes, and requirements set by the federal government or the State of Texas.
- (b) Relevant notices from the U.S. Department of Housing and Urban Development published in the Federal Register.
- (c) City of Houston Code of Ordinances.
- (d) Mayoral Policies and Procedures, such as:
- (e) Mayor’s Policies.

- (f) Executive Orders.
- (g) Administrative Policies.
- (h) City of Houston's Action Plan.

In cases where the conflict concerns a requirement, the more stringent requirement controls unless otherwise determined by the Director of HCD to the extent of applicable laws and requirements.

Amendments

As the Community Housing Development Organization (CHDO) Program Guidelines mature, HCD may request waivers and alternative requirements to the guidelines. Per the latest HCD #01-01: Governing Documents Policy, the guidelines may be amended administratively or by a vote from the Houston City Council.

Change Log

1.0 - Adopted 02/13/2019

- Original Version

2.0 – Adopted 01/20/2026

- Updated formatting;
- Included the NOFA funding process;
- Added liquid asset limit section and included cryptocurrency as an asset calculated;
- Indicated that properties located in a 100-year Floodplain, 500-year Floodplain, and floodway are ineligible;
- Overhaul of regulatory consideration;
- Overhaul of terms in the definitions section;
- Included additional sections, such as Language Accessibility, Green and Energy Efficient Standards, Recapture of HOME Development Subsidy, Verification of Citizenship via SAVE system, Default and Remedies, Disclaimer, Amendments, and Document Control.
- Added clarifying language to the Principal Residence section and defined “principal residence” in the Definition section.
- Added an additional option for lenders to streamline the homebuyer process to the Front and Back End Ratio Analysis section.
- Updated the amount of assistance in the Period of Affordability chart to align with the latest [HOME Final Rule effective 2/5/2025](#).
- **PRC Presentation 09/04/2025**
- **HAC Presentation held at the December 2025 HAC briefing**
- **City Council Approval 01/20/2026, Ordinance No. 2026 -0040**
- **HCD Approval 02/03/2026**

Term Definitions

Acquisition – The purchasing of existing properties intended for Homeownership, for the purpose of affordable housing development.

Annual Income – Per [24 CFR §5.609](#) definition, the Household's annual gross income calculated. Annual income includes, but is not limited to:

- (a) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, and bonuses, and other compensation for personal services.
- (b) The net income from the operation of a business or profession.
- (c) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (e.g., Black Lung Sick benefits or Veterans Disability).
- (d) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts (in accordance with Part 5 requirements) received from organizations or from persons not residing in the dwelling.

Note: Gifts are accepted to assist the Homebuyer with their purchase. The maximum amount allowed is \$20,000.00. A Gift Letter must be completed and signed by both parties, along with the submission of the most current 3 months' worth of bank statements (showing the fund availability).

- (e) Interest, dividends, and other net income of any kind from real or personal property. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets over \$50,000.00, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.

If the property being purchased has more than 1 unit, not exceeding 4 units, with the intention of any of the additional units being utilized as rental property, the anticipated income from that unit must be included as income. This will be calculated as anticipated income using a current lease agreement and/or HUD's Fair Market Rents data.

Per 24 CFR § 5.609(b), Annual Income does not include, but is not limited to:

- (a) Income from employment of children (including foster children) under the age of 18 years.
- (b) Payment received from the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who can live alone).
- (c) Earnings over \$480.00 for each full-time student 18 years or older (excluding the head of Household and spouse).
- (d) Adoption assistance payments over \$480.00 per adopted child.

Articles of Incorporation – Legal documents filed with a state government to officially establish a corporation as a separate entity.

By-Laws – The rules and regulations established by an organization, group, or community to govern its internal operation and procedures.

Charter – A written document issued by a government or other authority, granting rights, privileges, or responsibilities to an individual organization or group.

CHDO Home – A completed HOME-assisted single-family housing unit that a certified Community Housing Development Organization (CHDO) develops and sells to an income-eligible Homebuyer under the City's CHDO Program, in accordance with 24 CFR § 92.300(a) and the CHDO written agreement with the City.

CHDO Proceeds – Funds that result from a CHDO's ownership, development, or sponsorship of housing with HOME CHDO set-aside funds. That includes:

- Net sale proceeds after paying all project costs, financing, and closing expenses;
- Loan repayments or equity paybacks received by the CHDO from Homebuyers;
- Net rental income if the CHDO temporarily rents before sale

CHDO Set-Aside Funds – Under 24 CFR § 92.300(a), CHDO Set-Aside funds are not less than fifteen percent (15%) of each Participating Jurisdiction's annual HOME allocation must be reserved for investment only in housing that is owned, developed, or sponsored by organizations meeting the definition of a Community Housing Development Organization (CHDO) under 24 CFR § 92.2.

City – The City of Houston, a home-rule city organized under the laws of the State of Texas and principally situated in Harris County.

Department of Housing and Urban Development (HUD) – The United States Department responsible for administering programs that provide housing and community development assistance.

Development Subsidy – The portion of HOME funds invested in the acquisition, construction, or rehabilitation of a CHDO Home that reduces the total cost of the CHDO Home to make it affordable to a low-income Homebuyer, as described in 24 CFR § 92.254(a)(5)(i)(A).

Energy Star – The energy efficiency Program established in 1992, administered by the U.S. Environmental Protection Agency (EPA) in partnership with the U.S. Department of Energy (DOE).

Fee Simple – A legal term in real estate referring to the highest and most complete ownership interest one can have in a property. The owner has full control over the property, including the right to use it, lease it, sell it, pass it on to heirs, or even destroy the property. It includes two types: Fee Simple absolute (unrestrictive) and Fee Simple defeasible (conditional).

First-Time Homebuyer – Homebuyer Applicants who may qualify as first-time Homebuyers in the following cases:

- (a) An individual who has not owned a home within the last 3-year period ending on the date of purchase
- (b) An individual who is a displaced homemaker and has only owned property with a spouse.
- (c) A homemaker or single parent who previously owned a marital home that is now owned by the former spouse.
- (d) An individual who has only owned a property that was not permanently affixed to a foundation per Texas Occupations Code § 1201.003(12), such as a mobile home.
- (e) An individual who has only owned a property that was not in compliance with state, local, or model building codes, and which cannot be brought into compliance for less than the cost of constructing a new permanent residence.

Homebuyer HOME Subsidy – Federal financial assistance provided from the CHDO directly to the First-Time Homebuyer to make the purchase affordable. Examples include down payment assistance, closing cost assistance, interest rate buy-downs, or other direct grants or loans.

Household – All persons who occupy a housing unit as their principal residence, regardless of age or relationship, whose income is considered together for the purpose of determining eligibility under the HOME Program.

For purposes of HOME-assisted Homebuyer activities, the term “Household” is synonymous with “family,” as defined in 24 CFR § 5.403, and includes the Homebuyer and all other persons who will reside in the unit. Household income shall be determined in accordance with 24 CFR Part 5, Subpart F, using one of the HUD-approved methods (Adjusted Gross Income, Census Long Form, or Section 8 Annual Income)

Homeownership – Ownership in Fee Simple title in a one-to-four-unit dwelling or a 99-year leasehold interest in a one-to-four-unit dwelling or a condominium unit, or an equivalent form of ownership approved by HUD.

Housing and Community Development Department (HCD) – The City of Houston’s Department responsible for serving the City’s housing needs and building a more equitable city by creating safe, resilient homes and vibrant, healthy communities.

Land Use Restrictive Agreement (LURA) – A recorded agreement between the CHDO as owner and the City that sets forth the restrictions placed upon a property, including affordability requirements, Recapture and Period of Affordability.

Notice of Funding Availability (NOFA) – A written announcement informing the public of funding available on a competitive basis to finance qualifying projects and services that support program goals and provides prospective applicants with information on the submission of an application.

Participating Jurisdiction (PJ) – A term given to any state, local government, or consortium that has been designated by HUD to administer the HOME Program. HUD designation as a PJ occurs if a state or local government meets the funding thresholds, notifies HUD that it intends to participate in the Program, and has a HUD-approved Consolidated Plan. The City of Houston, Texas, is the designated PJ.

Period of Affordability – The required number of years a CHDO Home must remain affordable and owner-occupied as the First-Time Homebuyer’s principal residence, beginning after title transfer and recordation of the resale or recapture instrument, as specified in 24 CFR § 92.254(a)(4). The Period of Affordability shall be the Total HOME Investment of the CHDO Home and shall be in accordance with the chart set forth in these guidelines.

Principal Residence – The primary dwelling that a HOME-assisted Homebuyer, whose family qualifies as a low-income family, occupies as their permanent, year-round home and legal residence throughout the Period of Affordability, as required by 24 CFR § 92.254(a)(3) and (a)(5).

Principal Residence Requirement – Assisted Homebuyers are required to occupy the assisted property as their sole and principal residence for the full duration of the applicable compliance and affordability period. The First-Time Homebuyer must occupy the CHDO Home continuously (full-time and year-round) and may not convert the CHDO Home to a rental, investment, or vacation property at any time during the compliance period.

Program Income – The gross income received by the PJ or any subrecipient directly generated from the use of HOME funds, such as:

- Repayment of principal and interest on HOME loans;
- Interest earned on HOME-assisted accounts;
- Lease or rental income from HOME-assisted properties (before resale);
- Sale proceeds if the City, not the CHDO, owns the property.

Recapture – The repayment of all or a portion of the direct HOME subsidy when a HOME-assisted Homebuyer sells, transfers, or ceases to occupy the property as a principal residence before the end of the affordability period, in accordance with 24 CFR § 92.254(a)(5)(ii)

Request for Proposal (RFP) – A formal document issued by HCD to solicit bids from vendors or service providers for a specific Project, product, or service.

Section 3 Business Concern – A business concern meeting at least one of the following criteria, documented within the last six-month period:

- (a) It is at least 51 percent owned and controlled by low- or very low-income persons;
- (b) Over 75 percent of the labor hours performed for the business over the prior three-month period are performed by Section 3 workers; or
- (c) It is a business at least 51 percent owned and controlled by current public housing residents or residents who currently live in Section 8-assisted housing.

Section 3 Worker – Any worker who currently fits or, when hired within the past five years, fits at least one of the following categories, as documented:

- (a) The worker's income for the previous or annualized calendar year is below the income limit established by HUD.
- (b) The worker is employed by a Section 3 business concern.
- (c) The worker is a YouthBuild participant.

- (d) The status of a Section 3 worker shall not be negatively affected by a prior arrest or conviction.

Nothing in this part shall be construed to require the employment of someone who meets this definition of a Section 3 worker. Section 3 workers are not exempt from meeting the qualifications of the position to be filled.

Special Flood Hazard Area (SFHA) – A land area covered by the floodwaters of the base flood is the SFHA on National Flood Insurance Program (NFIP) maps. The SFHA is the area where the NFIP floodplain management regulations must be enforced and the area where the mandatory purchase of flood insurance applies.

- (a) 100-year floodplain” – The geographical area defined by FEMA as having a one percent chance of being inundated by a flooding event in any given year. This is also known as a Special Flood Hazard Area (SFHA).
- (b) “500-year floodplain” – The geographic area defined by FEMA as having a 0.2 percent chance of being inundated by a flooding event in any given year. The Houston Special Flood Hazard Areas (HSFHA) include both 100- and 500-year floodplains under [Chapter 19 of the City's Code of Ordinances](#).

Total HOME Investment – The aggregate amount of HOME funds invested by the City in a CHDO Home, inclusive of a portion of the Development Subsidy, Homebuyer HOME Subsidy, and/or other eligible costs under 24 CFR § 92.205.