

# INTRODUCTION

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**NOTES**

## CHAPTER 1: INTRODUCTION

### IMPLEMENTATION HANDBOOK

The State of Wisconsin Department of Administration's (DOA) Division of Energy, Housing and Community Resources (DEHCR), has developed this handbook as a resource for local government officials and their appointed Community Development Block Grant (CDBG) project managers (i.e. Grant Administrators) to clarify the rules for grant recipients and to help ensure compliance with the state and federal CDBG program requirements. Non-entitlement Units of General Local Government (UGLGs) (i.e. towns, villages, cities and counties) which are contemplating applying for CDBG funding from the State, are strongly encouraged to review this Handbook as it will provide an in-depth overview of responsibilities associated with any CDBG funding potentially awarded.

UGLGs awarded CDBG funding must follow all policies and procedures included in this Handbook. While this Handbook contains guidance for a combination of state and federal requirements to assist UGLGs in meeting their awarded program obligations, it should be noted that some independent judgment may be required on the part of the UGLG when making certain decisions. DEHCR fully expects recipients of CDBG funding to comply with all applicable local, state and federal requirements, regardless of the information and materials included in this Handbook.

### IMPORTANT REMINDER!

DEHCR fully expects recipients of CDBG funding to comply with all applicable local, state, and federal requirements, regardless of the information and materials included in this Handbook.

Although DEHCR strives to provide a comprehensive overview of relevant rules and regulations pertaining to the use and administration of CDBG funding, program requirements may change throughout the life of a *Grant Agreement's* contract period. Periodic updates to the contents of this Handbook will be made as program requirements change, including (but not limited to): changes in federal regulations, changes in state policies or requirements, and/or changes in the interpretation of federal regulations or clarification of a stated requirement.

The DEHCR staff will review and update this *Bureau of Community Development CDBG Implementation Handbook* on an as-needed basis in the event that such changes in regulations make formal updates to the published document necessary. It should further be noted that it is the UGLG's obligation to obtain a copy of, and ensure compliance with, the grant requirements stated within the most up-to-date version of the *BCD CDBG Implementation Handbook*, as well as

all of the terms within the *Grant Agreement*. Further information on the Handbook may be found at:

- The Department website – <https://doa.wi.gov/Pages/LocalGovtsGrants/CommunityDevelopmentPrograms.aspx>; or
- By contacting staff at: [DOACDBG@wisconsin.gov](mailto:DOACDBG@wisconsin.gov).

## IMPORTANT REMINDER!

It is the UGLG's obligation to ensure compliance with the grant requirements specified within the **most up-to-date** version of the State of Wisconsin's *BCD CDBG Implementation Handbook*.

## CDBG PROGRAM OVERVIEW

The United States Department of Housing and Urban Development (HUD) administers the CDBG Program, which is governed by *Title I* of the *Housing and Community Development Act of 1974* as amended ([https://www.hud.gov/sites/documents/CDBG\\_24\\_CFRPART570.PDF](https://www.hud.gov/sites/documents/CDBG_24_CFRPART570.PDF)) and federal regulations at 24 CFR 570.480-497 (Subpart I) (<https://www.hudexchange.info/onecpd/assets/File/CDBG-State-National-Objectives-Eligible-Activities-Appendix-B.pdf>). The *Omnibus Budget Reconciliation Act of 1981* (<https://www.congress.gov/bill/97th-congress/house-bill/3982>) authorized states to administer the CDBG programs.

The CDBG program was designed using the block grant model, which gives states the authority to determine their funding priorities and provides broad latitude to the states to use funds for a variety of development activities.

Every year, HUD provides federal CDBG funds directly to states, which in turn, provide the funds to small, rural cities, villages and towns with populations less than 50,000 people and/or to non-urban counties. These small communities are called 'non-entitlement' areas because they must apply for CDBG dollars through the state. Larger communities, such as Milwaukee, La Crosse and Madison, receive CDBG funds directly from HUD, and are called 'entitlement' communities. A complete list of Wisconsin's CDBG 'entitlement' communities can be found at: <https://doa.wi.gov/DECHR/Entitlement%20Communities%20CDBG%20Revolving%20Loan%20Fund.pdf>.

## IMPORTANT REMINDER!

Entitlement communities are not eligible to apply for funds from the State's CDBG program.

## ELIGIBLE APPLICANTS

DEHCR may only award CDBG funding to UGLGs to perform eligible activities. The only UGLGs permitted to apply for the State's CDBG funding are towns, villages, non-entitlement cities, and non-urban counties.

Non-profit agencies and entities such as sewer districts and fire departments are not eligible to apply directly for grant funds. An UGLG may apply for funds on their behalf. DEHCR cannot award CDBG funding directly to citizens or private organizations.

Eligible UGLGs that are in the process of applying for or have already received DEHCR funding may also be referred to as Grantees on HUD forms depicted in this Handbook.

UGLGs are responsible for considering the local needs of their population when preparing grant applications for submission to the State, along with carrying out the funded community development activities. UGLGs must comply with all federal and state requirements pertaining to the use of their awarded CDBG dollars.

## SUB-RECIPIENTS

The State defines a 'sub-recipient' as a not-for-profit organization or agency that indirectly receives the benefit of CDBG funds, but is not eligible to apply for those funds on its own. Examples of sub-recipient organizations include: fire departments/associations, senior citizen organizations, food distribution programs, and libraries. These and similar organizations are not eligible to apply for CDBG dollars directly from DEHCR, but they may receive the benefit of the funds if their UGLG submits an application for funding on the organization's behalf.

It is extremely important that UGLGs understand the contingent liability they assume when applying for CDBG funding on behalf of a sub-recipient. In every case, the UGLG is ultimately responsible if the project does not meet the stated National Objective outlined in the *Grant Application* which was formalized in the executed *Grant Agreement*.

If the project does not meet the stated goal of the selected National Objective, then the project is in non-compliance and the UGLG will be asked to pay back the funds to the State. Until compliance is reached and/or the requested reimbursement funds returned to DEHCR (if applicable), the UGLG may be ineligible to apply for other CDBG funding.

### **IMPORTANT REMINDER!**

Until compliance is reached and/or the requested reimbursement funds returned to DEHCR (if applicable), the UGLG may be ineligible to apply for other CDBG funding.

## CDBG PROGRAM OBJECTIVES

The objectives of the CDBG program are to develop viable communities by helping to:

1. Provide decent housing;
2. Provide suitable living environments; and
3. Expand economic opportunities principally for persons of low- and moderate-income (LMI).

To achieve these goals, CDBG regulations define the eligible activities and the National Objectives that each project must meet. As the recipient of CDBG funding from the Federal Government, DEHCR is charged with ensuring that each project it funds meets at least one of the following National Objectives, and that each project is an eligible activity (as defined/determined by HUD).

## CDBG NATIONAL OBJECTIVES

The HUD National Objective category must be identified in the *Grant Application* prior to the award of funding. The National Objective is not met until the UGLG (i.e. Grantee) successfully carries out the activity, completes the *Project Completion Report* documenting how the National Objective was met, and has it approved by DEHCR (see Chapter 10: *Project Completion*).

The three National Objectives are:

1. To provide benefits to low- and moderate-income (LMI) persons;
2. To aid in the prevention or elimination of slums or blighted areas; and
3. To provide funding for projects that have a particular urgency due to existing conditions which pose a serious and immediate threat to the health or welfare of the community.

These National Objectives are described in more detail on the following pages.

### **NATIONAL OBJECTIVE #1 – LOW- AND MODERATE-INCOME (LMI) BENEFIT**

Public Facilities (PF) projects such as street, water, sanitary sewer and storm water projects in primarily residential or in downtown areas generally qualify under this first National Objective; providing area benefits to LMI persons. Planning (PLNG) and Public Services (PS) projects may qualify under the LMI National Objective if at least 51% of the intended beneficiaries of the planning or service initiative are LMI. Public Facilities for Economic Development (PFED) projects such as creating street and utility extensions to a new or expanding manufacturing firm qualify under the LMI National Objective through the creation or retention of jobs, with at least 51% of the jobs created or retained being held by LMI persons.

For PF and PLNG projects, the 'benefit to LMI persons' test is met by documenting – using HUD LMI census data or by conducting an income

survey – that 51% or more of the persons who live in the service area (i.e., the primary beneficiaries) are LMI. In rare cases, a PF project may qualify by demonstrating that at least 51% of the users of the public facility created or improved using the CDBG funds are LMI persons, which is verified by requiring users to complete income certifications after the facility is created or improved (required during the project performance period and/or potentially each year for 5 years after project completion). For PFED projects, employee income certifications are used to verify at least 51% of the new or retained workers are LMI persons.

Possible community-wide benefit projects, for which at least 51% of all residents living in the community must be LMI, include: libraries, downtown improvements, and community centers. In some instances, the project may qualify under the Limited Clientele criteria (LMC). These are typically projects that exclusively serve individuals that are in one or more specific groups designated by HUD as serving limited clientele individuals, who are presumed to be LMI. HUD has designated eight limited clientele groups that automatically qualify as benefitting LMI persons. These groups are:

- Abused children;
- Battered spouses;
- Senior citizens (age 62 and over);
- Illiterate adults;
- Severely disabled adults;
- The homeless;
- Persons with HIV/AIDS; and
- Migrant farm workers.

Examples of limited clientele projects include: senior citizens centers, nursing homes, or facilities serving the homeless, migrant farm workers, and persons with HIV/AIDS.

For PS projects, the 'benefit to LMI persons' test is met by:

1. Documenting that 51% or more of the persons that receive services (i.e., the primary beneficiaries) each year are LMI, or
2. Qualifying under the Limited Clientele criteria (LMC) by exclusively serving individuals in one or more specific groups designated by HUD who are presumed to be LMI. (See above.)

## **NATIONAL OBJECTIVE #2 – SLUM AND BLIGHT PREVENTION/ ELIMINATION**

Activities that qualify under the second National Objective of preventing or eliminating slum and blight address deteriorated infrastructure and living conditions which have long-lasting effects on community viability. The slum and blight conditions must affect the health and safety of the local community, and be addressed on either an area-wide basis or on a spot basis. Common project activities include: acquisition, relocation, demolition, site clearance,

environmental remediation, rehabilitation, and/or historic preservation. When an activity by itself would not qualify for meeting the Slum & Blight National Objective, such as acquisition, then it must be followed by an activity that would qualify. Acquisition by itself would not meet the Slum & Blight National Objective (given that acquiring a property alone would not address site contamination nor eliminate blighted buildings without some amount of demolition or rehab), and would need to be followed by at least one (1) site clearance/demolition or rehab or historic preservation activity.

### **Prevention/Elimination of Slum and Blight (Area Basis)**

Public and/or private facilities requiring improvements that aid in the prevention or elimination of slums or blighted conditions in a designated slum/blight area may qualify for CDBG funding under the National Objective of Prevention/Elimination of Slum and Blight (Area Basis). Such projects would include: downtown sidewalk repairs, façade/structural repairs or demolition of dilapidated structures to multiple downtown buildings. These projects often involve multiple project activities to address and eliminate slum/blight conditions on an Area Basis.

### **Prevention/Elimination of Slum and Blight (Spot Basis)**

A single building or property (public and/or private) posing a health and safety risk to the community may qualify under the 'Elimination of Slum and Blight (Spot Basis)' National Objective if there is evidence of blight and the UGLG certifies that it is blighted. These projects are often limited to a single (or minimum) number of activities due to the reduced project scope of work associated with Spot Basis improvements.

## **NATIONAL OBJECTIVE #3 – URGENT LOCAL NEED (ULN)**

Activities that qualify under the third National Objective of resolving an urgent local need address deteriorated infrastructure and living conditions which have arisen suddenly, usually as the result of a local natural or man-made disaster.

*At HUD's direction, DEHCR is providing the following clarification for the Urgent Local Need National Objective.*

HUD's regulation 24 CFR 570.483 (d) and policy guidance in meeting a National Objective state that to qualify for under the ULN National Objective the project/activity must meet all of the following:

- Alleviate conditions which pose a serious and immediate threat to the health or welfare of the community;
- The need is of recent origin, within 18 months of the application and award of funds;
- The UGLG is unable to finance the activity on its own; and
- Other sources of funds are not available.

Additionally, HUD's *Guide to National Objectives and Eligible Activities for State CDBG Programs* states PLNG grants are not allowed under this objective and activities designated solely to prevent a threat will not qualify. Previous cases where ULN projects have been funded have typically addressed urgent health and safety issues, or disaster recovery activities.



## ELIGIBLE ACTIVITIES

In addition to meeting a National Objective, every project that receives CDBG funds must also be an 'eligible' activity.

A list of typical eligible activities includes, but is not limited to:

- Economic development projects;
- Infrastructure improvements;
- Acquisition;
- Relocation;
- Clearance activities;
- Historic preservation;
- Planning activities;
- Grant administration;
- Handicap accessibility projects;
- Public facilities improvements (excluding regular maintenance) – such as sewer and/or water infrastructure projects; and
- Public services – examples include child care, health care, job training (including training a qualified pool of candidates for unspecified jobs), recreation programs, education programs, public safety services, fair housing activities, services for senior citizens, services for homeless persons, drug abuse counseling and treatment, energy conservation counseling and testing, homebuyer down-payment assistance, and emergency assistance payments (for example, to keep tenants from losing their housing). Paying the cost of operating and maintaining that portion of a facility in which the service is located is also considered to fall under the basic eligibility category of Public Services, even if such costs are the only contributions made by CDBG for those services. The public services of political activities, and on-going grants or non-emergency payments (defined in the entitlement program as more than three consecutive months) to individuals for their food, clothing, rent, utilities, or other income payments are not eligible under this category.

## INELIGIBLE ACTIVITIES

In general, any activity not specifically authorized under CDBG statute or regulations is ineligible for CDBG funding. In addition, the regulations specifically stipulate that the following activities may not be funded with CDBG monies:

- Buildings for the general conduct of government, except to create accessibility for disabled populations (e.g., city hall);
- General government expenses;
- Political activities;
- Purchase of general equipment or furnishings for a property (exceptions are allowed for certain types of manufacturing equipment connected with economic development activities and the purchase of fire trucks and

firefighting equipment; and certain equipment necessary for operations for public services projects);

- New housing construction and income payments ('income payments' are defined in the regulations as direct payments to subsidize rent and/or utilities);
- Operating and maintenance expenses for public facilities, improvements and services (exceptions are allowed for operations for public services projects); and
- Lobbying activities.

ADDITIONAL NOTES: (optional)