

STATE OF WISCONSIN

Department of Administration



PRELIMINARY APPLICATION FOR CDBG NON-REGIONAL HOUSING PROGRAM (Small Cities Housing Program)

2017

**STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
DIVISION OF ENERGY, HOUSING AND COMMUNITY RESOURCES
BUREAU OF HOUSING**



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SECTION I

INTRODUCTION

Funding for the Community Development Block Grant (CDBG) Small Cities Housing Program is provided to the State of Wisconsin by the U.S. Department of Housing and Urban Development (HUD). CDBG funds are under the oversight of the Department of Administration (DOA), Division of Energy, Housing and Community Resources (DEHCR).

Letter of Intent (see Section VI) must be received by the DEHCR by 5:00 p.m. March 3, 2017.

This document provides basic information about the Wisconsin CDBG Small Cities Non-Regional Housing application process.

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SECTION II

Chapter Adm 90

SMALL CITIES COMMUNITY DEVELOPMENT BLOCK GRANTS FOR HOUSING

Adm 90.01 Purpose and authority.
Adm 90.02 Definitions.
Adm 90.03 Consistency with federal regulations.
Adm 90.04 Housing rehabilitation and homeownership assistance.
Adm 90.05 Application process.

Adm 90.06 Emergency grants.
Adm 90.07 Recaptured funds and program income.
Adm 90.08 Resubmitted applications.
Adm 90.09 Special housing projects.

Note: Chapter Adm 19 was created as an emergency rule effective 11-9-91; Chapter Adm 19 was renumbered chapter Comm 154 under s. 13.93 (2m) (b) 1., Stats., and corrections made under s. 13.93 (2m) (b) 6. and 7., Stats., Register January 2004 No. 577. **Chapter Comm 154 was renumbered chapter Adm 90 under s. 13.92 (4) (b) 1., Stats., Register December 2011 No. 672.**

Adm 90.01 Purpose and authority. This chapter is promulgated under the authority of ss. 16.309 (2), 227.11, Stats., and 560.02 (4), 2009 Stats., to implement s. 16.309, Stats.

History: Cr. Register, May, 1992, No. 437, eff. 6-1-92; am., Register, April, 1995, No. 472, eff. 5-1-95; **correction made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672.**

Adm 90.02 Definitions. (1) "CDBG" means community development block grant.

(2) "Department" means the department of administration.

(3) "Eligible applicant" means any unit of general local government in Wisconsin which is a non-entitlement area as defined by 24 CFR part 570.3.

(4) "LMI household" means a household with an annual income that is at or below 80% of county median income or 80% of state median income, whichever is greater.

(5) "Program" means the small cities community development block grants for housing program.

(6) "Special housing project" means an activity that results in the creation of new low- to moderate-income dwelling units.

(7) "Unfunded application" means a CDBG application which receives an insufficient point score in the evaluation process to be eligible for funding.

Note: Income tables are published annually by the U.S. department of housing and urban development.

History: Cr. Register, May, 1992, No. 437, eff. 6-1-92; renum. (1) to (5) to be (2) to (6) and am. (6) and cr. (1), Register, April, 1995, No. 472, eff. 5-1-95; am. (6), cr. (7), Register, April, 1999, No. 520, eff. 5-1-99; CR 03-002: r. and recr. (6) and (7) Register July 2003 No. 571, eff. 8-1-03; **correction in (2) made under s. 13.92 (4) (b) 6., Stats., Register December 2011 No. 672.**

Adm 90.03 Consistency with federal regulations.

The department shall administer the program, including recaptured funds, in accordance with 24 CFR part 570, the federal regulations governing the program.

History: Cr. Register, May, 1992, No. 437, eff. 6-1-92.

Adm 90.04 Housing rehabilitation and homeownership assistance.

Applicants shall be compared and rated by the department based upon the department's evaluation of the proposal's consistency with s. 16.302, Stats., and 24 CFR part 570, and the scoring criteria in the CDBG application package. Applicants shall be eligible to receive funding for housing rehabilitation, homeownership assistance, and housing-related public facilities based on established and documented need and the applicant's ability to complete the proposed activities. The department shall ensure that awarded grant funds are reasonably balanced among geographic areas of the state.

History: Renum. from Adm 19.05 and am. (1) to (4), r. (6), renum. (5), (7) to (9) to be (5) to (8), Register, April, 1999, No. 520, eff. 5-1-99; CR 03-002: r. and recr. Register July 2003 No. 571, eff. 8-1-03; **correction made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672.**

Adm 90.05 Application process. The department shall make funds available annually as those funds are made available by the federal department of housing and urban development. To receive funds under the program, an eligible applicant shall submit an application which is complete and in the format required by the department. The department shall make housing rehabilitation and homeownership assistance awards to fundable

applicants on an annual basis. The department shall make special housing project awards under s. Adm 90.09 to eligible applicants as projects are ready for funding under the criteria established by the department and as funding becomes available.

History: Cr. Register, April, 1999, No. 520, eff. 5-1-99; CR 03-002: r. and recr. Register July 2003 No. 571, eff. 8-1-03; **correction made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672.**

Adm 90.06 Emergency grants. The department may use program funds for emergency housing needs arising from a natural disaster or catastrophic event. A local government interested in applying for an emergency grant under this section shall provide the department with written notice of intent to apply within 90 days after the natural disaster or catastrophic event. The department shall develop emergency fund application requirements as necessary. Applications will be evaluated based on:

(1) The nature of the emergency.

(2) The amount of emergency-related housing need.

(3) The availability of program funds.

(4) Other mitigating circumstances the department deems significant.

(5) The inability of the applicant to finance the activity on its own.

(6) The unavailability of other funding sources to address the need.

Note: The application requirements can be obtained by writing to: Department of Administration, P.O. Box 7970, Madison, WI 53707-7970.

History: Cr. Register, April, 1995, No. 472, eff. 5-1-95; renum. from Adm 19.07, Register, April, 1999, No. 520, eff. 5-1-99; EmR0823: emerg. am. (intro.), eff. 7-16-08; CR 08-096: am. (intro.) Register May 2009 No. 641, eff. 6-1-09.

Adm 90.07 Recaptured funds and program income.

The department may use CDBG funds received as recaptured program funds or program income as defined in 24 CFR 570, to fund specific hazard reduction activities in homes with low and moderate income occupants.

History: Cr. Register, April, 1995, No. 472, eff. 5-1-95; renum. from Adm 19.08, Register, April, 1999, No. 520, eff. 5-1-99.

Adm 90.08 Resubmitted applications. (1) An applicant for funds shall be eligible to receive funds in the CDBG program year following the year for which the applicant submits an unfunded application, without having to submit another application for that following year if all of the following apply:

(a) The applicant is an eligible applicant under the terms of the program.

(b) The applicant submits a request to resubmit in a format as required by the department.

(2) The resubmitted application will retain the score received in the original application submittal.

(3) An unfunded application may be resubmitted under sub. (1) only once.

History: Cr. Register, April, 1999, No. 520, eff. 5-1-99; CR 03-002: r. and recr. (2) Register July 2003 No. 571, eff. 8-1-03.

Adm 90.09 Special housing projects. The department may use at least \$750,000 annually from the program for special housing projects. Funds not awarded within 12 months may be included in the funding available for housing rehabilitation and homeownership activities under s. Adm 90.04. The department shall make special project awards to eligible applicants as projects are ready for funding under the criteria established by the department and as funding becomes available.

History: CR 03-002: cr. Register July 2003 No. 571, eff. 8-1-03; **correction made under s. 13.92 (4) (b) 7., Stats., Register December 2011 No. 672.**

SECTION III

CDBG HOUSING ELIGIBILITY CRITERIA

This publication is for the 2017 Community Development Block Grant (CDBG) Small Cities Non-Regional award process. It includes the Letter of Intent and explanation for determining awards for applications submitted under the Wisconsin CDBG Small Cities Non-Regional Housing program.

I. Definitions

A. **Division of Energy, Housing and Community Resources (DEHCR)**

The Division of Energy, Housing and Community Resources is the agency responsible for the direct administration of the CDBG Small Cities Housing program.

B. **Entitlement City/County**

A city or urban county which receives CDBG funds directly from the Department of Housing and Urban Development (HUD). Entitlement cities and counties are not eligible to receive State small cities CDBG funds. A list of entitlement cities and counties may be found at

<http://www.doa.state.wi.us/Divisions/Housing/CDBG-RLF>

C. **Accessibility Improvements**

Rehabilitation to permit improved access to low – and moderate - income (LMI) persons with physical challenges is a permitted use of CDBG funds.

D. **Low Income (LI)**

LI means 50% of the county median income, or 50% of the state median income, whichever is greater, by family size as annually determined by HUD. The 2016 Income Levels are still in effect. DEHCR will update our website when the 2017 Income limits become available. The 2016 income limits can be found on our webpage at:

http://www.doa.state.wi.us/Documents/DOH/Household_Income_Limits.pdf

E. **Moderate Income (MI)**

MI means 80% of the county median income, or 80% of the state median income, whichever is greater, by family size as annually determined by HUD. The 2016 Income Levels are still in effect. DEHCR will update our website when the 2017 Income limits become available. The 2016 income limits can be found on our webpage at:

http://www.doa.state.wi.us/Documents/DOH/Household_Income_Limits.pdf

II. Eligible Applicants

- A. To be eligible to request funding under this grant program, the applicant must be a general purpose unit of local government not participating in the CDBG Entitlement Program. Indian Tribes are not eligible for the CDBG Small Cities Housing Program. Tribes receive funding under a special Indian Block Grant administered by the Department of Housing and Urban Development.

- B. An applicant with past CDBG housing awards must show evidence of project completion or satisfactory progress, and must be compliant with all CDBG projects (not limited to housing). Any and all identified violations of CDBG administrative rules, and regulations must be resolved to DEHCR's satisfaction prior to making a funding award.
- C. An applicant's past performance may impact eligibility and/or the level of funding committed to a unit of local government.
- D. An applicant may submit only one application for CDBG Housing funds per funding cycle.

III. Eligible Activities

Activities eligible under the CDBG Small Cities Housing program include but are not limited to:

- Deferred payment housing rehabilitation loans to low- and moderate-income (LMI) owner-occupants.
- 0% - 3% rehabilitation loans to owners of LMI renter-occupied units.
- Accessibility improvements for LMI persons with disabilities.
- Sewer and water laterals from the lot line to the LMI-occupied dwelling unit.
- Wells and septic systems for LMI-occupied dwelling units.
- Direct assistance to LMI households to facilitate and expand homeownership (e.g., reasonable closing costs and up to 50% of the required downpayment). Applicants for homebuyer assistance funds should be aware that homebuyer education will be a required component of this activity.
- Conversion of structures into dwelling units to be occupied by LMI households.
- Neighborhood code enforcement activities which will result in improvements to LMI occupied units.
- Hazard mitigation activities such as floodproofing, landscaping to improve drainage, or sewer back flow prevention.

IV. Ineligible Activities

Activities NOT eligible for funding under the CDBG Small Cities Housing program include:

- New housing construction (digging basement, drain tiles, foundation, backfill, driveway, parking lot, private sidewalk).

- Additions or the converting/finishing of vacant or under-used space (except as necessary to relieve overcrowding).
- Furnishings (blinds and fixtures).
- Mechanicals in new construction (water heaters, furnaces).

V. Estimated Funding Level

It is estimated that approximately \$500,000 will be available for funding CDBG Small Cities Non-Regional Housing applications in 2017. Reference the multiplier on pg. 12.

VI. Grant Award Modification

DEHCR reserves the right to adjust the award amount from the amount requested in the application based on the following criteria:

- FUNDING AVAILABILITY/FEDERAL BUDGET.
- PERFORMANCE and PROGRESS in any and all other DEHCR programs.
- CAPACITY to complete the proposed activities.
- LMI BENEFIT of the proposed activities.
- OTHER HOUSING GRANTS currently in force in the community.
- FINANCIAL and PROGRAMATIC AUDIT results from any and all other DEHCR programs.

VII. CDBG Housing Contract

The CDBG Housing contract performance period will be approximately 12-months.

VIII. Funding Cycle

Letter of Intent for the 2017 CDBG Housing program must be received no later than 5:00 p.m., March 3, 2017. Final applications will be due May 5, 2017.

IX. Other Considerations

DEHCR reserves the right to amend, modify, or withdraw this application package and any of the grant program instructions, procedures, or rules contained herein and may exercise such right at any time and without notice and without liability to any applicant or other parties for their expenses in the preparation of an application or otherwise.

X. Disbursal of Funds

Successful applicants receiving CDBG grant awards will be required to manage their funds so that the disbursal of funds takes place within 3-10 days of receipt. Grantees not able to disburse funds in the 3-10 day period must be prepared to advance funds and work on a reimbursement basis.

ATTACHMENT 1

DAVIS BACON - LABOR STANDARDS QUESTIONS AND ANSWERS

Q: Do Davis-Bacon wage rates ever apply to single-family home or duplex rehabilitation?

A: No.

Q: Do Davis-Bacon wage rates ever apply to apartment rehabilitation?

A: Yes. They apply to rehabilitation and/or conversion work in mixed-use buildings and to rehabilitation work in apartment buildings that contain eight or more apartments.

Q: What is a mixed-use building?

A: A mixed-use building is one that contains or will contain both residential and commercial or industrial uses after the rehabilitation/ conversion work is completed.

Q: Is rehabilitation work in a mixed-use building ever exempt from Davis-Bacon wages?

A: Yes. If there are less than eight apartments in the building, and the rehabilitation work is confined to the interior of the apartment(s) or the areas common to the apartments only (e.g., residential hallways, stairways) Davis-Bacon wage rates will not apply. However, no work can be done, on siding or utilities, or public areas that serve the entire building.

Q: We have a ten-unit apartment building where the owner wants to do the rehabilitation work himself. Will Davis-Bacon Labor Standards apply?

A: Yes. Since there are more than seven apartments, Davis-Bacon regulations will apply. The owner must submit a payroll form showing how many hours a day he works on the project, but need not show any wage information for himself. If he hires someone to help him for any of the work, that person must be paid Davis-Bacon wages. If he subcontracts any part of the work (e.g., plumbing or electrical) the contractor(s) must pay Davis-Bacon wages and file all the required reports.

Q: Would the same rule apply to the owner of a mixed-use building working on his own apartments?

A: Yes.

Q: We have an empty warehouse which the owner wants to convert to apartments. The building will be all residential when it is done. Will Davis-Bacon Labor Standards apply?

A: It depends on the number of apartments the owner will create. If there will be eight or more units, Davis-Bacon wages will apply. If there will be seven or less, they will not apply.

Q: We have an eight-unit apartment, but only four units need rehabilitation. Will Davis-Bacon Labor Standards apply?

A: Yes. Coverage is determined by the number of units in the building, not by the number to be rehabilitated.

- Q: Is a single-family dwelling containing a home occupation a mixed-use building?
- A: Technically, yes. In practical terms, we do not consider it a mixed-use building unless there have been additions or permanent modifications to the building which make part of it useable only for the business purpose. A spare bedroom used as an office would not count. A beauty parlor added to the side of a home and useable only for that purpose would make the building a mixed-use building.
- Q: Our program includes purchasing vacant homes and duplexes and renovating them for resale. Will Davis-Bacon Labor Standards apply?
- A: No, Davis-Bacon will not apply.
- Q: Part of our program includes renovation work on some Housing Authority-owned apartments in our community. Will Davis-Bacon Labor Standards apply?
- A: Yes. All work on Housing Authority-owned property is covered.

ATTACHMENT 2

LENDING OPTIONS FOR LANDLORDS AND DEVELOPERS

Loans to landlords and/or developers must be repaid in monthly or quarterly installments. Repayment of installment rehab loans must begin within 60 days of the initiation/start of the rehabilitation

1. RE: ALL LOANS FOR RENTER-OCCUPIED UNITS

Property owners must guarantee LMI occupancy for a minimum of 5 years. If the term of the loan is extended beyond 5 years, the property owner must guarantee the LMI occupancy for at least half the term years of the loan. For example, if the CDBG repayment is extended over 12 years, the unit must be rented to LMI households for at least 6 years.

The length of time given for repayment of the CDBG funds is left to the grantee's discretion.

2. GRANTS should be an incidental part of a housing rehabilitation program.

Grants are permitted ONLY when no more than \$1,000 will be awarded to the LMI owner-occupant during a 12-month period. Grants are permitted for LMI owner-occupants only.

ATTACHMENT 3

CDBG HOMEBUYER OPPORTUNITY LENDING PROGRAM

A unit of local government receiving a Community Development Block Grant (CDBG) for housing may use a portion of the CDBG funds to offer low- and moderate-income (LMI) renter households the opportunity to become owner-occupants.

CDBG funds may be used to pay for reasonable closing costs and up to one-half of the required downpayment (CDBG to pay no more than 10% of the purchase price) to enable a LMI household to purchase a home. CDBG funds may be used to pay eligible downpayment and closing costs for new construction projects as well as existing housing units.

All downpayment loans must be matched 1:1. The matching downpayment may be from other grant funds or the homebuyer's contribution. The matching sources must be documented with the project file.

The CDBG funds are secured with a second mortgage, and are required to be paid back only when the house ceases to be the owner's principal place of occupancy.

LMI households participating in the Homebuyer Program must contribute at least \$1,000 in personal funds toward the purchase of the property.

All participants in the Homebuyer Program must receive pre-purchase homebuyer education in the following areas:

- Homebuyer Education
- Basics of the Home Purchase Process
- Post-purchase Expectations

SECTION IV

INITIAL APPLICATION PROCESS

1. All counties (except Dane*, Milwaukee and Waukesha** which receive funds directly from HUD) are currently a part of a CDBG region (Map is found at http://doa.wi.gov/Documents/DOH/CDBG-Housing/CDBG_Housing_Regions_Map.pdf). CDBG funds are currently available for ALL low- and moderate-income households in Wisconsin. If your local unit of government applies and receives funds through this non-regional application, you will no longer be a part of the CDBG region and will NOT have access to the regional CDBG Housing funds until June 30, 2017.
2. The CDBG Small Cities Non-Regional Housing program has a total of \$500,000 available for this non-regional application.
3. Funds will be determined using the same formula as the CDBG Small Cities Housing regions. This formula included the following factors:
 - Affordability rate
 - Households below 80% of the County Median Income paying more than 30% of their income on housing
 - Unemployment rate
 - Number of LMI households
 - Number of structures built prior to 1950

DEHCR will use the multiplication factor for your region times the number of LMI households in your local unit of government. The 2006-2010 American Community Survey will be used to determine the number of LMI households in your local unit of government. This data can be found at <https://www.hudexchange.info/manage-a-program/acs-low-mod-summary-data-local-government/>

Region	Counties	Multiplication Factor
Northwest Housing Region	Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk and Sawyer	\$3.54
Northwoods Housing Region	Florence, Forest, Langlade, Lincoln, Menomonie, Oconto, Oneida, Shawano, Taylor and Vilas	\$3.35
West Central Housing Region	Barron, Buffalo, Chippewa, Clark, Dunn, Eau Claire, Pierce, Pepin, Polk and St. Croix	\$2.71
Central Housing Region	Adams, Green Lake, Juneau, Marathon, Marquette, Portage, Waupaca, Waushara, Wood	\$2.83
Northeastern Housing Region	Brown, Calumet, Door, Fond du Lac, Kewaunee, Manitowoc, Marinette, Outagamie, Sheboygan, Winnebago	\$2.56

South West Housing Region	Crawford, Grant, Green, Iowa, Jackson, Lafayette, La Crosse, Monroe, Richland, Trempealeau, Vernon	\$2.82
Southern Housing Region	Columbia, Dodge, Jefferson, Kenosha, Ozaukee, Racine, Rock, Sauk, Walworth, and Washington	\$2.61

Note: This award amount may be reduced if applications are received with totals exceeding the \$500,000 available.

4. After the Letters of Intent are reviewed, DEHCR will send an "Invitation to Apply" letter to applicants. This letter will invite applicants to submit a final application for funds.
5. The final application will be due by 5:00 p.m., May 5, 2017.
6. Final applications will be reviewed to ensure that all required documentation is satisfactory and complies with CDBG requirements.
7. Local units of government submitting a final application will be awarded funds based, in part, on available funding.

**Cottage Grove, Dane, Edgerton, Maple Bluff, Mazomanie, Rockdale are non-entitlement municipalities*

*** Chenequa, Oconomowoc Lake, and Village of River Hills are non-entitlement municipalities*

SECTION V

2017 GRANT TIMELINE

Preliminary Application Release and Publication	February 3, 2017
Preliminary Application Deadline (Letter of Intent)	March 3, 2017
Final Application Deadline	May 5, 2017
Final Award Letters	June 2017
Implementation Training for Program Administrators	July 2017
CDBG Housing Contracts	July 2017

*The preliminary announcement will be addressed to all clerks of eligible local units of government. In addition, a copy of the preliminary application is going to be published online at <http://www.doa.state.wi.us/Divisions/Housing/CDBG-Housing>

Please note:

The Department reserves the right to adjust the deadlines throughout the grant cycle. Please check our web site for updates.

SECTION VI
FORMS & INSTRUCTIONS

1. Complete the Letter of Intent form enclosed and mail the Letter of Intent with Original Signature to:

Phillip Crow, CDBG Housing
Department of Administration
Division of Energy, Housing and Community Resources
PO BOX 7970
Madison, WI 53707-7970

**All Letters of Intent must be received by DEHCR no
later than 5:00 p.m., March 3, 2017.**

LETTER OF INTENT

I _____, _____ of the
(Chief Elected Official's name) (Title)

_____ (Community name),

_____ County, Wisconsin,

Hereby express our interest in participating in the Wisconsin Community Development Block Grant (CDBG) housing program.

I understand that federal monies are available under the Wisconsin Community Development Block Grant Housing program, administered by the State of Wisconsin, Department of Administration, Division of Energy, Housing and Community Resources, for the purpose of housing activities.

By means of this letter, I am requesting that the Division of Energy, Housing, and Community Resources, Department of Administration, include the _____ (Community name) in the 2017 CDBG Small Cities Non-Regional Housing Application Selection process.

I understand that if the _____ (Community name) is funded for a 2017 CDBG grant award, CDBG requirements must be met.

I understand that upon award of a 2017 CDBG Small Cities Non-Regional Housing grant my community will NOT have access to the regional CDBG Housing funds until June 30, 2017.

I hereby attest that the _____ (Community name) will comply with all of the provisions of the Community Development Block Grant program.

Chief Elected Official's Signature

Title

Print name

Date