

2016

STATE OF WISCONSIN



Community Development Block Grant – *Rural Economic and Area Development Initiative* (CDBG-READI)

COMMUNITY DEVELOPMENT ORGANIZATION APPLICATION PACKET

This application packet may be accessed at the Bureau of Community Development- Economic Development section on the Division of Energy, Housing and Community Resources website at housing.wi.gov. The electronic version on the website is the most recent version, and is the only official version, of the document. Revisions are made periodically. Users should only reference the official version of the document.

Contents

Introduction	5
What is CDBG?	5
CDBG-READI	5
Program Income Reporting & Section 105(a)(15) of the Housing and Community Development Act....	6
Program Requirements	9
Eligibility	9
Applicant	9
Prohibition on Job Pirating	9
Previous CDBG Assistance	10
Meeting a National Objective	11
CDBG-READI Economic Development Priorities	11
CDBG-READI Housing Priorities.....	12
CDBG-READI Job Training Priorities	13
Enforcement of National Objective Requirement.....	13
Award Limits.....	14
Match Requirements	14
Maximum Project Period	14
Other Federal Requirements	14
Section 3.....	14
Fair Housing	15
Labor Standards (Davis-Bacon)	15
Citizen Participation	16
Environmental Review	18
Audit	18
Application and Selection Process	18
Scoring	19
Application Approval Process	20
Appeal Process.....	21
Community Development Organization Certification	22
Requirements to Apply for CDO Certification.....	23
Organizational Structure	23
CDBG-READI Project Review Committee.....	23

Capacity and Experience 24

DEHCR Review of CDO Certification Application 25

Community Development Organization: Application for Certification 26

Letter of Intent..... 32

CDBG PROGRAM CONTACT INFORMATION

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Division of Energy, Housing and Community Resources
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Introduction

What is CDBG?

The Community Development Block Grant (CDBG) program is a federal formula-allocated grant program administered by the U.S. Department of Housing and Urban Development (HUD). Funding for the CDBG Small Cities Program is provided to the State of Wisconsin by HUD. *The program was created when Congress passed the Housing and Community Development Act, Title 1 in 1974 and it is governed by the rules set forth in the Housing and Community Development Act (HCDA) of 1974 (as amended) and in the Code of Federal Regulations (24 CFR Part 570).*

The CDBG program consists of two components: One, an “entitlement program” under which HUD provides funding directly to urban counties with populations of at least 200,000; cities with populations of at least 50,000; and principal cities of Metropolitan Statistical Areas, and two, a “state-administered program” under which HUD provides CDBG funds to States to distribute to non-entitlement communities. The Department of Administration (DOA) Division of Energy, Housing and Community Resources (DEHCR) is responsible for administering Wisconsin’s State-Administered Community Development Block Grant Program.

The primary purpose of the CDBG program is the development of viable communities through the provision of decent housing, a suitable living environment, and the expansion of economic opportunities, principally for the benefit of persons of low and moderate income (LMI).

CDBG-READI

READI is designed to use CDBG resources to provide targeted economic development investment in either a single unit of general local government or a rural region. All funds must meet the low-to moderate-income national objective. Because economic growth is linked to the availability of skilled workers and quality workforce housing, **READI applications are required to include both economic development and housing projects, and are encouraged to include job training.**

- **Economic Development (required):** The cornerstone of a READI proposal would be an application to create a new business or expand an existing business. Loans of up to \$500,000 would be available in exchange for low- and moderate- income job creation. Job training can be considered an economic development activity.
- **Workforce Housing (required):** To attract new workers to rural areas, loans of up to \$300,000 would be available to rehabilitate or create workforce housing near the economic development project. These funds cannot be used for the construction of new housing.

- **Job Training (encouraged):** Job training grants/loans of up to \$200,000 would be available to train workers to step into new jobs directly associated with the economic development project. Job training for this purpose is considered a CDBG economic development activity and not a HUD national objective “service” activity.

Efforts will be extended to ensure maximum state coverage of CDBG program resources. Emphasis shall also be placed on enhancing local capacity building and on integrating CDBG program resources as opportunities and situations arise in disadvantaged and under-served areas. Approximately \$10 million has been set-aside for grants to Units of General Local Governments (UGLG) for READI projects to fund activities allowed under federal guidelines. Funds will be made available to UGLGs through an application process.

An economic development application is composed of two parts; community information and **Project Partner** information. However, all CDBG applications **must** be submitted by an UGLG, including information and documentation from the company that is the intended beneficiary of the requested CDBG assistance. The significant difference between the READI application and a traditional CDBG – ED application: A traditional CDBG-ED project must include information on the project partner business. Traditional CDBG applications are available on a continuous application schedule. READI applications should not contain business information, but rather contain information on the project partner community development organization (CDO). The READI Program is a pilot program.

Program Income Reporting & Section 105(a)(15) of the Housing and Community Development Act

The READI Application is limited to UGLGS who will provide grant assistance to Community Development Organizations (CDOs) serving the development needs of the community as referenced by Section 105 (a) (15) of the Housing and Community Development Act (HCDA), as amended. These CDOs must be certified by DEHCR before the letter of intent and application process may begin.

Activities funded by the CDO must carry out a neighborhood revitalization, community economic development, or energy conservation project in furtherance of the objectives of Section 101(c) of the HCDA. All projects must be activities that meet a HUD national objective, and provide a low – moderate – income benefit. Further, a CDO must follow the public benefit standards identified in 24 CFR 570.482 (e) and (f).

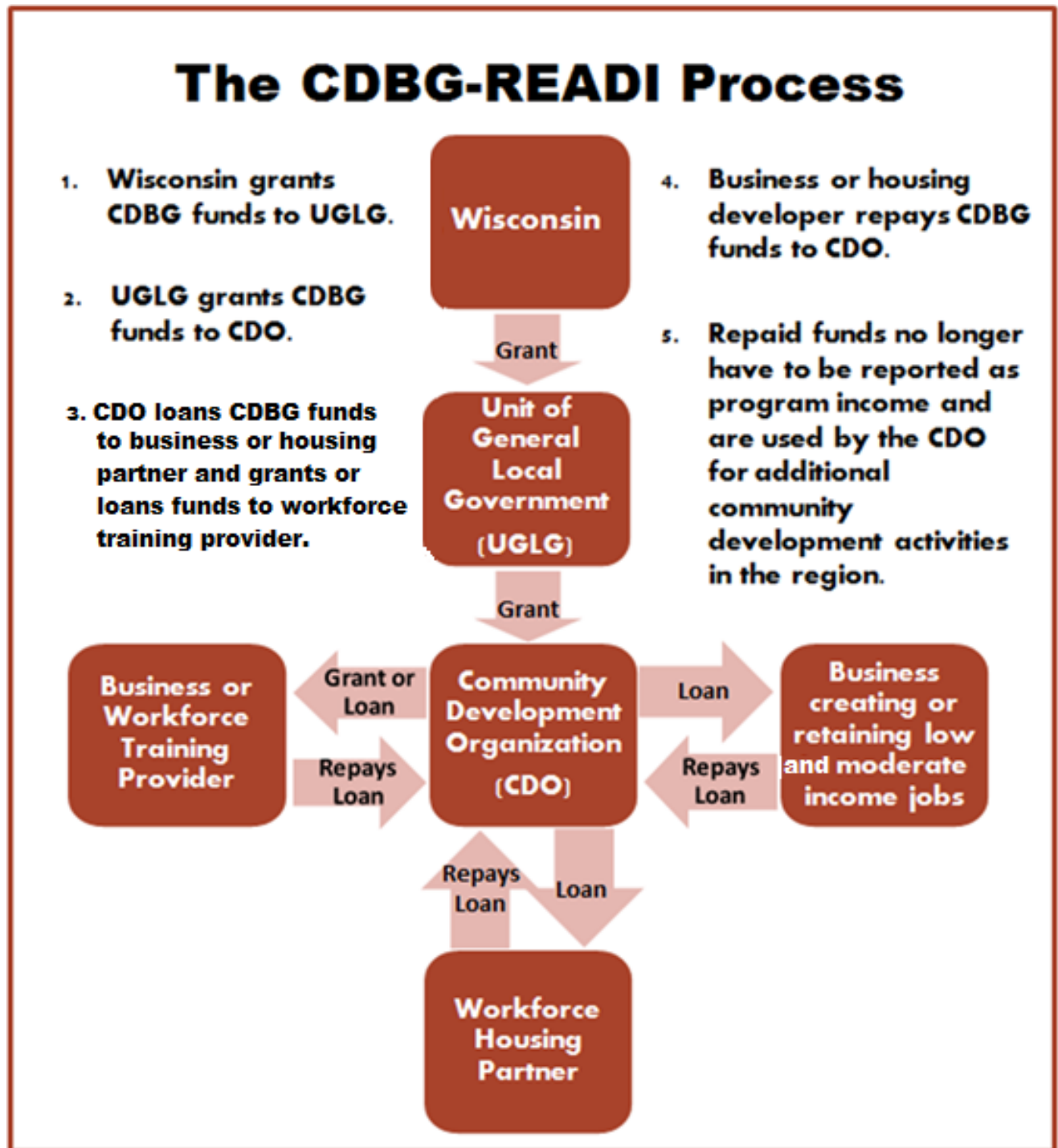
Based on the process outlined in Section 105(a)(15), Wisconsin will first grant funds to the UGLG, who has selected a DEHCR certified CDO as a project partner during the READI application process. The UGLG will then grant funds to the CDO. During this process, the UGLG and CDO will have identified an area within their selected region in need of assistance. The CDO will then loan funds to a business or multiple businesses for the purpose of creating or retaining low to moderate income (LMI) jobs. Additionally, the CDO will loan funds to a workforce housing developer to rehabilitate or create workforce housing in the same area as the economic development project. The CDBG funds cannot be used for construction of new residential units, but can be used for rehabilitation, conversion, and limited new

development activities. Finally, the CDO may grant or loan funds to a business or job training provider who trains workers for the economic development project. This process is visualized in Figure 1. During the period of this first loan (or job training grant), the UGLG will be responsible for enforcing reporting requirements and gathering all documentation required by CDBG regulations. However, much of this documentation should be kept at the UGLG level. Reporting to DEHCR will be required on a quarterly basis (see CDBG-READI Forms Section). During at least the first round of CDBG-READI awards, DEHCR may conduct monthly conference calls with the UGLG and CDOs, reviewing the required reports remitted, to ensure compliance and provide technical assistance. Meetings will be scheduled no less than quarterly. Each selected project will have at least one on-site visit for technical assistance and/or monitoring. Though much of the documentation is not sent to DEHCR, it will be reviewed during DEHCR monitoring visits. More information on which forms must be sent to DEHCR and which forms must be maintained at the UGLG level is available in the READI application.

All documentation must be remitted to DEHCR for review to ensure the activities were both eligible and that a national objective was met. DEHCR will work closely with the grantee to ensure that the documentation is sufficient to evidence compliance and record the information into HUDs Integrated Disbursement and Information System (IDIS). Once the information has satisfied the requirements and documentation entered into IDIS, the State will send a letter to the UGLG/CDO confirming the CDO may use the repayments for a new activity. Based on the process outlined in Section 105(a)(15), once the loans are repaid to the CDO, the CDBG funds no longer have to be reported as CDBG program income. This decreases the CDO's reporting burden, and allows it to fund additional neighborhood revitalization, community economic development, or energy conservation projects in their selected region. However, before the CDBG funds are no longer classified as program income, DEHCR must receive all required documentation, monitor the grant for contract compliance and certify that a national objective has been met. Once funds do not need to be reported as CDBG program income, **outcomes such as jobs created, housing units rehabilitated, etc., must still be reported annually for Wisconsin's Annual Report on Economic Development (ARED) to the Wisconsin state legislature.**

- **New construction of housing units is not allowable under CDBG.**

Figure 1



Program Requirements

Eligibility

General purpose units of local government (towns, villages, and cities with populations of less than 50,000, and counties other than Dane, Milwaukee and Waukesha) are eligible to apply. Regional applications are encouraged. Indian tribes are not eligible because there is a special Indian Block Grant Program administered directly by the U.S. Department of Housing and Urban Development.

- Tier 1 Regional Applications: \$8.5 million available
 - Applications will be considered regional if they represent three counties OR if the counties submitting an application have a population of at least 100,000 persons. Regional applications must have a lead County to act as the administrator of the grant.
 - Counties submitting a regional application must be geographically close; however, do not have to be contiguous.
 - All counties in the region must have adopted a resolution indicating the lead County for application, grant administration, and reporting requirements.
 - Though the application is considered regional, the first project should be located in a single municipality or geographically contiguous area. Once the loan is repaid to the CDO, funding may be used in other municipalities in the region.
- Tier 2 Non-Regional Applications: \$1.5 million available
 - All applications which do not meet the Tier 1 standards (such as an application from a single city) will be considered Non-Regional.

Applicant

The applicant **must be a non-entitlement** Unit of General Local Government (UGLG), or a region comprised of a minimum of three counties. A single UGLG as the lead for a region or individual unit must be an applicant even if a private company or community development organization (CDO) will be the principal beneficiary. A list of Wisconsin's entitlement communities can be found at the Bureau of Community Development- Economic Development section on the Division of Energy, Housing and Community Resources website at housing.wi.gov. This application does not affect the UGLG's ability to apply for other CDBG projects during the program year. For a regional application, each county must have adopted a resolution indicating the lead County for application, grant administration, and reporting requirements. A sample resolution is also available on the Division's website. Should the applicant agency or partnership dissolve or agency be incapable of managing award funds or proceeds, any assets that were originally awarded by the CDBG-READI program shall be remitted to the State of Wisconsin.

Prohibition on Job Pirating

- Pursuant to Section 588 of the Quality Housing and Work Responsibility Act, Section 105(h) of the federal Housing and Community Development Act prohibits “job pirating” or the use of CDBG funds to “assist directly in the relocation of any industrial or commercial plant, facility, or operation, from one area to another area if the relocation is likely to result in a significant loss of employment in the labor market area (LMA) from which the relocation occurs.”
- The Bureau of Labor Statistics (BLS) defines an LMA as area in which individuals can live and find employment within a reasonable distance or can readily change jobs without changing their place of residence. A listing of LMAs within the U.S. can be found at: <http://www.bls.gov/lau/lmadir.pdf>.
- Federal regulations set the following parameters for a company’s relocation from one LMA to another, and whether the number of jobs being lost will trigger the anti-pirating provisions:
 - The loss of 25 jobs or less from the LMA where the company is currently located does not trigger the anti-pirating regulation and is not viewed as significant loss of employment.
 - A loss of 500 jobs or more is considered significant and would automatically invoke the anti-pirating provisions.
 - Job losses ranging from over 25 – 500 jobs must be less than 0.1 percent of the total jobs in the LMA that is losing jobs. If the job loss is less than 0.1 percent, the anti-pirating regulation would not be triggered.
 - Involuntary relocations, meaning those businesses forced to relocate as a result of some government action covered under the Uniform Relocation Act (URA), are excluded from the anti-pirating regulation.
 - Job relocation within the same LMA is not subject to the anti-pirating regulation.
- Under CDBG regulations (24 CFR 570.482(h)), before a community or CDO can provide a business with CDBG funds, it must sign an agreement with the assisted business that includes the following:
 - A statement from the business indicating the assistance will not result in the relocation of any industrial or commercial plant facility from one LMA to another. If the assistance will not result in relocation, a certification from the business stating that, at the time the agreement is signed, neither the business nor any of its subsidiaries has plans to relocate jobs that would result in significant job loss; and
 - A provision for full reimbursement in the event that the assistance results in a relocation prohibited by the regulation.

Previous CDBG Assistance

A unit of local government is eligible to receive in addition to another CDBG award in a 12-month period upon review of the application at the discretion of the Division of Energy, Housing and Community Resources (DEHCR).

However, CDBG-READI applications will not be considered if there are any outstanding or unresolved instances of non-compliance associated with prior federally-funded awards including, but not limited to CDBG, including non-compliance related to administrative, financial management, underwriting, recordkeeping, reporting, auditing, closeout, payment, reimbursement or other requirements.

DEHCR will also continue to evaluate projects' feasibility after awards are made. Successful applicants will be required to submit semi-annual project performance reports to the Division as part of the project grant agreement and will be monitored at least once during the contract period by a staff member from the Division.

Meeting a National Objective

To ensure the CDBG program principally benefits low and moderate income (LMI) persons, at least 70 percent of all state CDBG funds must address this objective. By federal regulations, in order to be eligible for CDBG funding, a proposed project must meet at least one HUD National Objective. HUD has three national objectives as defined by HUD in 24 CFR 570.483:

1. Benefitting low and moderate income (LMI) persons (persons earning under 80% of county median income);
2. Preventing or eliminating slums or blight; or
3. Meeting an urgent local need that poses a serious and immediate threat to the health or safety of the community and for which other financial resources are not available.

For the purposes of the CDBG-READI program, all applications must meet #1 above: benefiting LMI persons through Housing and Economic Development. A national objective of low-moderate housing and low –moderate jobs must BOTH be met.

CDBG funds will be granted to communities to support area development activities which include the following:

- Economic Development
 - Constructing, reconstructing, rehabilitating, and/or acquiring buildings
 - Purchasing equipment
 - Acquiring property
- Workforce Housing
 - Funding for rehabilitation, conversion, and limited new development activities (not new construction).
- Job Training
 - New Jobs directly associated with the Economic Development project must be created.

These projects must (all) meet the LMI national objective. **Remember, before the CDBG funds are no longer classified as program income, DEHCR must receive, review, approve and certify all required documentation stating that a national objective has been met.**

CDBG-READI Economic Development Priorities

The primary purpose for funding in this application is to help facilitate economic development, job creation, and housing opportunities for low to moderate income (LMI) individuals. Funding will be directed to proposals that best meet Wisconsin's CDBG Economic Development and Consolidated and Annual Action Plan goals:

- Encourage business investment that supports job creation through expansion;
- Foster new businesses that result in job creation;
- Assist businesses that are considering closing or reducing employment levels to be able to retain those positions;
- Support job training and skill development;
- Promote entrepreneurial development and small business start-ups;
- Support incubators and microenterprises;
- Support regional economic development strategies;

For more detailed information about CDBG economic development-specific requirements, please see the CDBG Economic Development Application, available on the DEHCR website at

http://doa.wi.gov/Documents/DOH/CDBG-CommunityDevelopment/CDBG_ED/CDBG_ED_Application.pdf.

CDBG-READI Housing Priorities

The primary purpose of housing funding for this application is to rehabilitate and/or expand housing stock in rural communities to ensure that housing opportunities exist for low to moderate income households. In particular, funding should benefit those households who may benefit from the newly created economic opportunities associated with this application.

READI Applications must contain a housing component. To upgrade the quality and expand the supply of decent, safe, and sanitary housing for LMI households, successful applications may include residential rehabilitation (including accessibility improvements for persons with disabilities), or conversion of non-residential property to residential units, and/or acquisition of property for new development of residential units.

- Residential Rehab
 - Rehabilitation of rental housing to ensure that the units are decent, safe, and sanitary. Rehabilitation activities may include:
 - Roofing
 - Siding
 - Window replacement
 - Correct electrical hazards
 - Flooring
- Conversion
 - Conversion of commercial or industrial property to decent, safe, and sanitary residential units.
- Limited New Development Activities
 - CDBG funds cannot be used for construction of new residential units. However, CDBG funds can be used for acquisition of property, architectural design, etc.

For the duration of a five year affordability period, 51% of housing units rehabilitated must be rented to low/moderate income individuals. For example, if a four unit structure is rehabilitated using

CDBG-READI housing funds, three units must be rented to low/moderate income individuals for the five year affordability period.

For more detailed information regarding CDBG housing priorities and requirements, please see the CDBG Housing Implementation Manual, available on the DEHCR website at <http://doa.wi.gov/Divisions/Housing/CDBG-Housing-Handbook>.

CDBG-READI Job Training Priorities

The primary purpose for training funding in this application is to provide training resources and opportunities which ensure that LMI individuals have the necessary skills to meet and exceed expectations of success in the newly created positions. For the purposes of this program/application training is not a public service, but rather an economic development activity.

To be eligible for CDBG-READI assistance under the LMI-Jobs national objective, the applicant must demonstrate that a minimum of 51% of the jobs to be directly created by an economic development project will be held by LMI persons as described in Title 42 Chapter 69 of the Act. Each LMI individual who is trained must actually attain a job to be counted in the total LMI persons benefiting for the purposes of meeting the national objective.

Enforcement of National Objective Requirement

While it is the responsibility of the business and the Community Development Organization (CDO) to maintain employment verification records, the UGLG is the recipient of the CDBG award and therefore is ultimately accountable for the project. If it is determined that the **Project Partners** have failed to fulfill any portion of the contractual agreement, the **Project Partners** and/or UGLG will be asked to return the full award back to the State. CDBG projects that do not meet a national objective based on the **number of people hired, trained jobs actually filled, and housing units occupied** will result in a full repayment, plus applicable interest, of the award.

Because job creation projects are measured for a national objective at the end of the performance period, it is critical that the **Project Partners** and UGLGs maintain thorough records that document the number and LMI status of **people trained, jobs, and housing units filled** in order for the project to remain eligible by complying with the LMI- national objective standards. It is the responsibility of the **Project Partners** to acquire LMI information for all **individuals** that are beneficiaries of CDBG funds. These records must be reported on time and at regular intervals per the grant agreement, and maintained by the UGLG until notification from the State.

Please be aware that submitting project closeout documents to the State DOES NOT mean that the project has been closed out. Completed projects will be reviewed by the Division of Energy, Housing and Community Resources (DEHCR) to ensure that all contractual requirements have been met and analyzed by HUD to ensure that a national objective and all other federal requirements have been met. After a final project review, the DEHCR will issue a closeout letter to the UGLG approving the closeout of the project.

Award Limits

The **maximum** total award for a CDBG-READI project is \$1,000,000; which consists of:

- \$500,000 for economic development
 - Maximum award per job created is \$35,000/ job.
- \$300,000 for housing
 - UGLGs and CDOs should ensure that the cost per unit is reasonable given the scope and size of the project.
- \$200,000 for job training
 - Maximum level for job training project is \$3,500/ student.

Match Requirements

The **Project Partners** must demonstrate a dollar-for-dollar match investment up to a maximum of \$1,000,000. Match funds may include bank loans, loans to be repaid to other state or federal programs, grants from state or local partners, or new business investments. The following will not be considered as match by DEHCR.

- Other federal funds*
- In-kind contributions or services
- Existing assets
- Existing equity
- Projected operating cash flow
- Existing Line of Credit (LOC)

*Some exceptions may apply. Contact DEHCR to discuss eligibility of proposed federal funds

Maximum Project Period

Project activities must usually be completed within twenty-four (24) months from the date the funding is awarded. Funds not disbursed within the specified time limit may be recaptured by DEHCR for reallocation to any other eligible CDBG project. All grant agreements will incorporate timelines to assure the project is on track to have successful completion within the grant term.

Other Federal Requirements

Section 3

Grantees are obligated to comply with Section 3 of the Housing and Urban Development Act of 1968 and 24 CFR part 135.

To the maximum extent practicable, the grantee and subgrantees will involve through employment, low to moderate income individuals and families in constructing, renovating, maintaining, and operating facilities, in providing services assisted under the CDBG-READI program, and in providing services for occupants of facilities assisted by the CDBG-READI program. Furthermore, grantees and subgrantees must comply with all required reporting as established by DEHCR.

Fair Housing

Per 24 CFR 570.487(b), recipients of any CDBG funds must take action to affirmatively further fair housing during the contract period.

DEHCR's "Potential Fair Housing Action" form is included as Exhibit 6 of the Application. This form must indicate the three actions that will be taken to affirmatively further fair housing and must be submitted with the application materials. If the project is funded, the selected actions will be included in the CDBG Agreement timetable and implementation of those actions is required.

Labor Standards (Davis-Bacon)

Economic Development

Federal labor standards requirements (also known as "Davis-Bacon") apply to economic development projects for which construction related labor exceeds \$2,000. If your project is funded, your contract will require you to comply with Davis-Bacon requirements, including, but not limited to:

- Obtaining wage decisions for use in the project;
- Including federal labor standards provisions in bid and contract documents; and
- Monitoring contractors for compliance with wage rates and collecting restitution from contractors that violate wage requirements.

Recipients of CDBG funds whose projects are subject to Davis-Bacon requirements are required to submit semi-annual labor standards enforcement reports to your project representative in the DEHCR. If funded, your project representative at DEHCR will provide you with additional information on labor standards requirements.

Housing

Federal labor standards requirements (also known as "Davis-Bacon") apply to housing projects in multifamily buildings with 8 or more units. Coverage is determined by the number of units in the building, not by the number to be rehabilitated. In addition, a mixed-use building that contains or will contain both residential and commercial or industrial uses after the rehabilitation/ conversion work is completed is also subject.

Citizen Participation

Regulations require that local governments provide citizens with advance notice of an opportunity to comment on proposed activities in an application to the State for CDBG assistance. Citizen participation is required in the planning and administration of CDBG projects. All CDBG applicants must prepare and implement a written Citizen Participation Plan as specified in Section 104 (a)(3) of the Housing and Community Development Act of 1974 as amended. All CDBG applicants must demonstrate compliance with federal citizen participation requirements at the time of application. Applicants that do not include documentation of citizen participation as part of their application materials will be determined ineligible for CDBG funding.

A CDBG grant may be made only if the applicant certifies that it has established and is following such a plan. The Citizen Participation Plan must include, at a minimum, the elements listed below:

- A. Provision for and encouragement of citizen participation, with particular emphasis on participation by persons of low- and moderate-income (LMI) who are residents of target area neighborhoods/communities in which the CDBG funds are proposed to be used.

The applicant must meet this requirement by doing **at least one** of the following:

1. Establish a committee composed of individuals who are representative of the community's demographics. This committee shall include at least one LMI person and one resident of the designated target area. This committee will assume the responsibility for coordinating all required elements of the Citizen Participation Plan. All committee members must be residents of the community.
 2. Distribution of timely notification of all required meetings to 100 percent of the designated target area or neighborhood. Applicants not having a target area must design a notification system which will reach a majority of the community's LMI population. All notifications of meetings and available assistance must be worded in such a way as to encourage LMI participation.
- B. Provision to citizens of reasonable and timely access to local meetings, information, and records relating to the applicant's proposed and actual use of funds.

Pursuant to 24 CFR 570.486 (5), "There must be reasonable notice of the hearings and they must be held at times and locations convenient to potential or actual beneficiaries, with accommodations for the handicapped. Public hearings shall be conducted in a manner to meet the needs of non-English speaking residents where a significant number of non-English speaking residents can reasonably be expected to participate."

To meet this requirement, the applicant must:

1. Have at least one of the public hearings in the target community/region; **and**
2. Notify the community of upcoming meetings **not less than two (2) weeks, a full fourteen (14) days** prior to the meeting; **and**
3. In all meeting announcements, include where, and during what hours, information and records relating to the proposed and actual use of funds may be found.
4. Be able to provide ADA accommodations.

- C. Provision for technical assistance to groups representative of LMI households that request such assistance in developing proposals with the level and type of assistance to be determined by the applicant.

To meet this requirement, the applicant must include in the adopted Citizen Participation Plan:

1. The type of assistance generally available; and
2. The procedure used to request the assistance.

- D. Provision for public hearings to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at least:

1. The identification and development of housing, public facility, and economic development needs;
2. The review of proposed activities; and
3. The review of program performance (for which hearings shall be held after adequate public notice, at times and locations convenient to potential or actual beneficiaries, and with accommodation for the handicapped).

- E. Provision of timely written answers to written complaints and grievances within 15 working days where practical.

To meet this requirement, the applicant must:

1. Include the complaint/grievance procedure steps in the Citizen Participation Plan; and
2. Develop a procedure to ensure compliance with the 15 working day response time.

- F. Identify how the needs of non-English speaking (including the hearing impaired) will be met in the case of public hearings where a significant number of non-English speaking residents reasonably can be expected to participate.

To meet this requirement, the applicant must:

1. Identify all non-English speaking populations in the community (regardless of American or Wisconsin citizenship) and make a determination of their special needs.
2. Include evidence in the Citizen Participation Plan that the community has conducted a review of this matter consistent with the Housing and Community Development Act of 1974 as amended.

Citizen Participation documents to be submitted by applicants include:

- A copy of the Applicant's Citizen Participation Plan (signed or accompanied by a copy of the adopting resolution);
- A copy of the Public Hearing Notice(s) as published in the local newspaper (a **Sample Public Hearing Notice** can be found on our Bureau of Community Development website: <http://doa.wi.gov/Divisions/Housing/Bureau-of-Community-Development>);

- A completed Citizen Participation Certification (the **Citizen Participation Certification** form can be found on our Bureau of Community Development website: <http://doa.wi.gov/Divisions/Housing/Bureau-of-Community-Development> **OR** the meeting minutes from the Public Hearing; and
- A copy of the sign-in sheet(s) from the Public Hearing(s).

In addition to documentation of citizen participation, all CDBG–READI applicants must submit a resolution signed by the Chief Elected Official (CEO) of their Unit of General Local Government (UGLG) requesting the funds authorizing the submission of the Community Development Block Grant Application. (A **Sample Authorizing Resolution** form can be found in the Exhibits on our Bureau of Community Development website: <http://doa.wi.gov/Divisions/Housing/Bureau-of-Community-Development>.)

Environmental Review

The National Environmental Policy Act of 1969 (NEPA) applies to **every CDBG project**. Regulations governing *Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities* can be found in 24 CFR Part 58, which is available via the following link: <http://www.ecfr.gov/cgi-bin/text-idx?c=ecfr&SID=d4966c17222ec9dc63a434ad9599aa6c&rqn=div5&view=text&node=24:1.1.1.1.33&idno=24>.

The type of review required, and the amount of time it will take, can vary depending on the nature of the project. The review, and the amount of work required to complete it, may impact project scheduling.

At the completion of the environmental review process, DEHCR will issue an environmental clearance letter. In addition, please note:

- An UGLG or their CDO grantee may not commit any HUD assistance funds or non-HUD funds until an award has been made and the environmental review has been completed. Exceptions may be granted for pre-award costs if approved by DEHCR in advance; and
- DEHCR cannot release funds until the environmental review process is complete and an award and contract are in place.

Audit

In accordance with 2 CFR Part 200, non-federal entities that expend \$750,000 or more in federal funding in any one year must undergo a Single Audit.

Application and Selection Process

The federal CDBG guidelines, as applied, are summarized as follows:

- A. Project costs must be reasonable, not excessive, and must be supported by cost analyses. Transactions must be carried out through arms-length transactions, not insider arrangements.

- B. All proposed sources of financing necessary to carry out the project must be committed. This ensures that funds are not awarded to projects that are not in a position to proceed to project completion within a reasonable time. To fulfill this requirement, the DEHCR requires a written verification affirming the various funding parties' intentions to make funds available, and, depending on the nature of the funding party, a showing of their capacity to actually provide such funds. Additionally, a statement from the UGLG affirming they understand the grant will be immediately withdrawn if commitment documentation is not readily available.
- C. CDBG funds are not to be substituted for other funds. This standard requires a financial underwriting analysis of the project. The level of analysis will vary with the nature and complexity of the project. Since projects in this category provide financing for for-profit businesses, appropriate levels of private source financing (e.g., bank loans) are expected to be present, and equity participation in the project must be sufficient given the financial capacity of those owning the enterprise.
- D. Financial feasibility of the project. The public benefit expected from the investment of CDBG funds is the creation and maintenance of LMI jobs. That benefit will not materialize if the project is not financially feasible.
- E. Avoidance of providing an unreasonable return on investment to the owner of the project. The availability of non-interest bearing loans, forgivable loans, and/or **Grants** to for-profit businesses presents a potential for this to occur. Therefore, while the UGLG may grant funds to the CDO, the CDO may not grant funds to a developer or a business, except for job training.
- F. CDBG funds should be disbursed on a pro rata basis with other project funding sources. CDBG money should not be the first money into a project, but rather should flow into a project in proportion to other project funding sources. CDBG-funded activities should not be completed prior to activities funded by match funds to ensure that matching funds are spent concurrently with, and in proportion to, the CDBG funds.

Applications that do not meet basic program eligibility requirements will be returned with an explanation of requirements needing to be met.

Scoring

CDBG-READI applications will be processed on a competitive first come, first served basis with a set-aside of \$8.5 million available for regional applications and \$1.5 million for individual rural UGLG applications. Once DEHCR has received an application that meets all program eligibility criteria and program staff has compiled a complete loan file with all required credit, financial, and underwriting information, a DEHCR staff member will review and score the application. Applications could receive a maximum of 100 points, based on the following breakdown:

- 30 Points: Economic Development component
- 30 Points: Workforce Housing component
- 15 Points: Job Training component (no points will be awarded if this component is not included)
- 25 Points: Capacity, Need, and Community Support

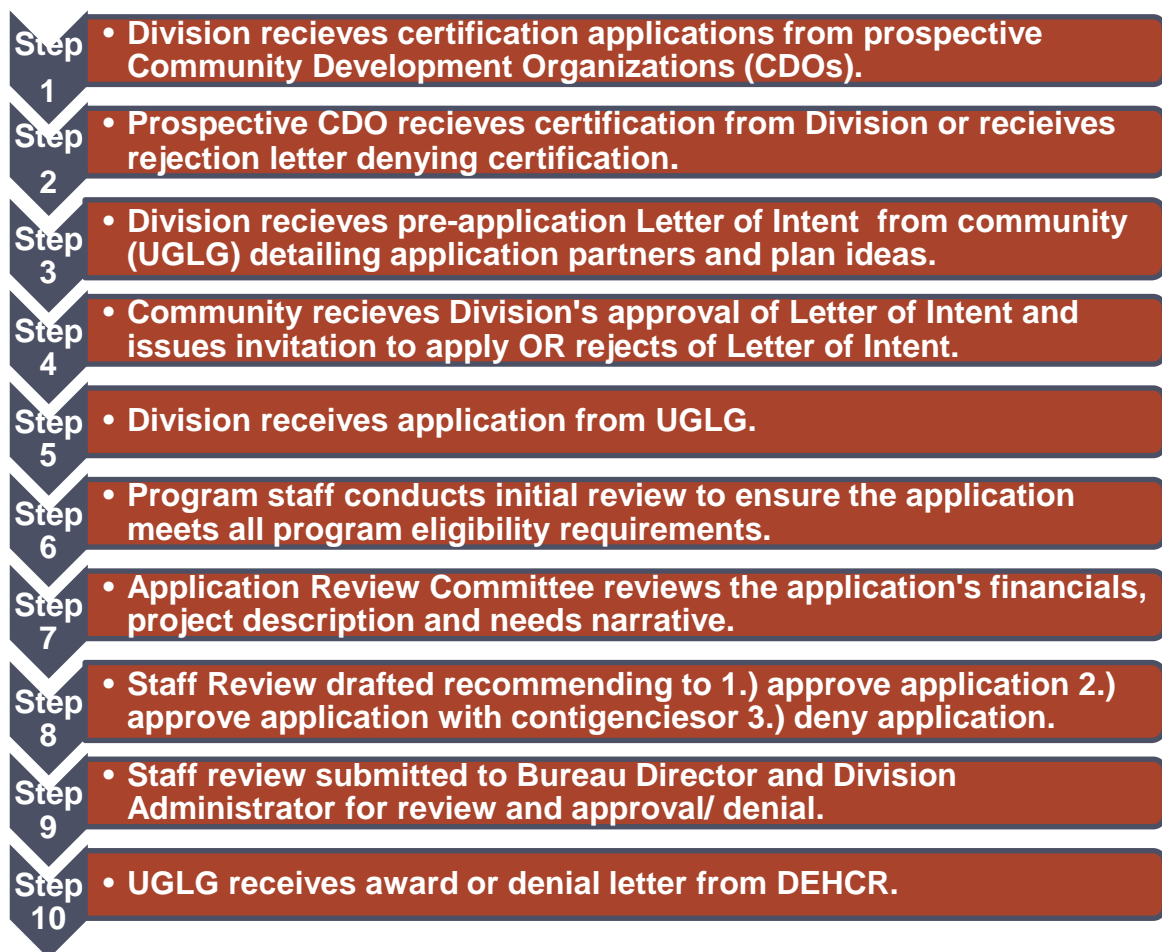
Based on the review and scoring of the CDBG-READI application, a staff review will be drafted recommending one of the following actions:

1. Approve the application as submitted;
2. Approve the application with contingencies, modifications or loan covenants; or
3. Deny the application.

The Staff Review, with proper documentation, will then be submitted to Bureau Director and Division Administrator for review and approval/denial. Applicants that are denied will receive a written denial letter explaining the reason(s) for the denial.

Applicants for CDBG-READI grant program may appeal if their application is denied. DEHCR has implemented a formal Appeal Process for grant applicants who feel a non-funding decision was made in error. The process provides an opportunity for applicants to have their application reviewed a second time to ensure no errors were made during the review process. The following page shows the Application Approval Process and Appeals Process for CDBG-READI Job Training Applications.

Application Approval Process



Appeal Process

An applicant who objects to the denial of an award has the right to appeal the decision.

- The appeal must include the name of the application and a short summary of why the applicant is appealing the decision.
- Lack of available funding may negatively impact the appeal process.
- The appeal must be filed with the Bureau Director within thirty (30) business days of the date of the denial.
- The Bureau Director will review the application and will make a decision whether to reverse the denial decision.
- If the Bureau Director denies the appeal, the applicant must file an appeal with the Secretary's office within thirty (30) days from the date of the letter.
- The Secretary's office will review the application and will make a final determination.

Community Development Organization Certification

The Community Development Organization Certification Process is intended to ensure that the organizations that will be granted CDBG-READI funds through the Unit of General Local Government (UGLG) have the capacity to follow technical CDBG requirements, and the knowledge and experience to select projects that will add value to the community.

Organizations that are certified as a Community Development Financial Institution (CDFI), Certified Housing Development Organization (CHDO), and/or Small Business Association (SBA) Lender have demonstrated capacity and do not need to go through the long application form CDO Certification process. Instead, these organizations must submit a letter requesting CDO certification from DEHCR, proof that they are a CDFI, CHDO, or SBA lender and have a federal not-for-profit status under 26 USC §501. The letter and form will be reviewed by DEHCR staff before Certification is issued. Proof for certification includes, but is not limited to:

- Letter from U.S. Treasury;
- Letter from the Department certifying CHDO status;
- Letter from Internal Revenue Service documenting not-for-profit status;

These organizations must also certify that they have a project review committee and include in their letter the names and backgrounds of the committee. Lastly, these organizations must include copies of their organization's manual(s) containing fiscal and administrative and personnel policies and procedures. Manuals must meet the standards established in the Omni Circular. In the event that a CDO partner exits, the group dissolves or becomes incapable of managing funding under the READI program, the State will assume ownership of all assets of the organization, unless the organization has an original agreement for the settlement of assets.

Organizations who are not certified as a CDFI, CHDO, or SBA lender who wish to be certified by DEHCR as Community Development Organizations (CDOs) must submit the following information form and all required attachments before a grant will be awarded to their partner UGLG. Certification Application forms and attachments will be reviewed by DEHCR staff for completeness. Final review and recommendations will be made by a review committee.

Please submit one original and one electronic version to:

Wisconsin Department of Administration
Division of Energy, Housing and Community Resources
Bureau of Community Development
ATTN: READI CDO Certification
101 E. Wilson St., 5th Floor
Madison, WI 53703
Email: doadohcdbgcd@wi.gov

Requirements to Apply for CDO Certification

Organizational Structure

- The organization must have received approval from the Internal Revenue Service to operate as a non-profit corporation [26 USC §501].
 - CDO Certification will be revoked if the organization loses its not-for-profit status.
- Applicants may not be a municipal department or be fully funded by a municipality.
- The organization must have a board of directors.
 - Elected officials cannot make up over one-half of the board.

CDBG-READI Project Review Committee

The organization must have a project review committee with the following makeup:

- Committee members must not include elected officials.
- At minimum, the committee must have:
 - An accounting professional
 - A banking representative with demonstrated lending experience
 - A legal representative, practicing attorney, not municipal legal counsel
 - At least one business professional
 - At least one community member who fits the criteria for low- to moderate-income.

The project review committee must complete a full financial review of any project partner which is the recipient of a CDBG loan or grant. The review must include review of the underwriting of the business loan, the underwriting of housing loan, evidence that the project partner has the financial procedures in place to receive a CDBG loan, etc.

In addition to a financial review, the following business screening items must be considered by the CDO loan or project review committee:

- Background Checks: DEHCR has established requirements to ensure that funds awarded are not provided to any person that has been convicted of a criminal offense or held liable in civil proceedings that negatively reflects on the business integrity of the person. Automatic disqualification would be based on, but not limited to a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes, or as otherwise required by law. Any business or individuals benefitting from CDBG funds will be subject to a background check.
- Suspensions and Debarments: HUD's Departmental Enforcement Center pursues suspension and debarment actions that result in the exclusion of a sanctioned party from further participation in HUD procurement and non-procurement programs and other Federal Government programs. Suspensions and debarments are not punitive measures but are part of a government-wide

administrative sanctions initiative to ensure the highest standards of professional conduct and ethical business practices by the Federal Government's business partners. Suspensions are generally enacted after an indictment is issued. Debarments are generally issued after a criminal conviction or when serious program violations are detected.

- The System for Award Management (SAM) is the official U.S. Government system database of individuals, organizations, and affiliates excluded from conducting business with any Federal Agency. Before a project is recommended to the DEHCR, the grantee (UGLG) must verify that any Project Partner or business benefitting from the project is not suspended or debarred from federal funding. Any contractor or consultants associated with the project, after the signing of the grant agreement, must also be verified as they are selected. UGLG's must also certify that they are not excluded from conducting business with any Federal Agency. An online records search can be conducted at www.sam.gov.
- Grant Agreements: DEHCR will require **Grant and Loan Agreements** between the UGLG and **Project Partners (i.e. Community Development Organizations and businesses/developers)** to be executed in conjunction with the CDBG Grant Agreement. DEHCR is not a party to the **Grant Agreement(s)** between the UGLG (grantee) and the CDO (the UGLG's grantee) or the CDO and the business or developer. UGLGs must ensure that the project partners as noted above are aware that the **Grant Agreement** obliges all parties (UGLG and all **Project Partners**) to the DEHCR Grant Agreement terms and conditions, including, but not limited to reporting requirements. The business/developer and CDO shall indemnify the UGLG if funds must be returned to the State. At any point in time, if the grantee(s) does not fulfill the responsibilities of the **Grant Agreement**, DEHCR may intervene and protect its rights and interests. Immediately upon DEHCR's request, the grantee shall execute and deliver an assignment and any other legal documents that may be required by DEHCR to facilitate its pursuit or intervention in such negotiations or litigation. Sample documents are included within the application packet.

Capacity and Experience

- The organization must have infrastructure necessary to support its financial and business dealings, as evidenced by staff capacity, adequate supervisory staff, a regular place of business, and sufficient office equipment and computer programs to handle the amount of data processing required to carry out your mission.
- The organization, or its staff, must have the following capacity and experience:
 - A Manual(s) containing fiscal and administrative policies and procedures.
 - A mechanism for recording CDBG outcomes and maintaining all required CDBG documentation.
 - Staff capacity sufficient to administer a CDBG-READI project or concrete plans to gain staff capacity.
 - Two examples of projects with public grant funding or financing which the organization has taken from grant application to completion.
 - Experience or history of serving the community with economic development, housing, training, or other types of anti-poverty programs which serve low- to moderate income individuals.

- Experience with or knowledge of federal revolving loan programs or other types of lending, including underwriting, technical assistance, loan monitoring and workout, and marketing experience.
 - Changes to the managing staff of a CDO require departmental notification within two weeks of a staffing change.
- The organization must participate in the creation and ongoing collaboration of a board of peer CDOs to share best practices and create procedures to ensure funds are spent to benefit communities.

DEHCR Review of CDO Certification Application

A CDO Selection Committee will be formed to review CDO applications to ensure that they meet all eligibility criteria included in the application and are well suited to administer a CDBG project. After reviewing each certification application, the CDO Selection Committee will submit its recommendations to the Division Administrator of DEHCR. The Division Administrator will select CDOs based primarily on the recommendations, but also based on the prospective CDOs' past experience with DEHCR CDBG projects and the status of any open CDBG projects. If a prospective CDO's application is not approved, the organization may re-apply.

Community Development Organization: Application for Certification

1) General Information

Nonprofit Name: _____
Address: _____
City: _____ County: _____ State: _____
Zip: _____ Phone: _____ Fax: _____
Contact Person: _____
Title: _____ Email: _____
Data Universal Numbering System (DUNS#)*: _____
FTI/SSN#: _____ SIC Code: _____

2) Identification of Geographic Area CDO will serve:

The organization must serve a clearly defined geographic area within the State of Wisconsin. Areas served must not include Entitlement Communities as defined under 42 U.S.C. 5302. Please identify the geographic area served by your organization:

3) **Please provide the names of your board members and certify that elected officials do not, and will not make up over one-half of your board.**

(Initial here)

Elected officials do not, and will not make up over half of the board of the organization referenced in question 1.

- 4) Please describe your organization's financial accountability standards/requirements. At a minimum, describe:
- a. Policies regarding identification of the source and requirements of funding.
 - b. Organization's policies regarding the creation and retention of records including, but not limited to: awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
 - c. Mechanisms to establish control and accountability for all funds, property and other assets.
 - d. Ability to produce records/reports to compare outlays with budget amounts, by award.
 - e. Statement of Assurances, signed by the CDO's President, stating that the CDO will comply with all record keeping and financial accountability requirements of the Omni Circular.
 - f. Please provide a copy of your financial manuals and administrative policies.
- 5) **Please describe the infrastructure your organization maintains to support its financial and business dealings, as evidenced by staff capacity, adequate supervisory staff, a regular place of business, and sufficient office equipment and computer programs to handle the amount of data processing required to carry out your mission.**

A large empty rectangular box with a black border, intended for the respondent to provide details about their organization's infrastructure as requested in question 5.

- 6) **Please describe your mechanism for recording CDBG outcomes and maintaining all required CDBG forms and reports.**

- 7) Please describe your experience or history of serving the community with economic development, housing, training, or other types of anti-poverty programs which serve low-to –moderate income individuals.**

- 8) Please provide two examples of projects with public grant funding or financing which you or your staff has taken from grant application to completion. If you have ever taken a CDBG project from grant application to completion, please include it in your response. If needed, further information regarding the two projects may be included as an attachment.**

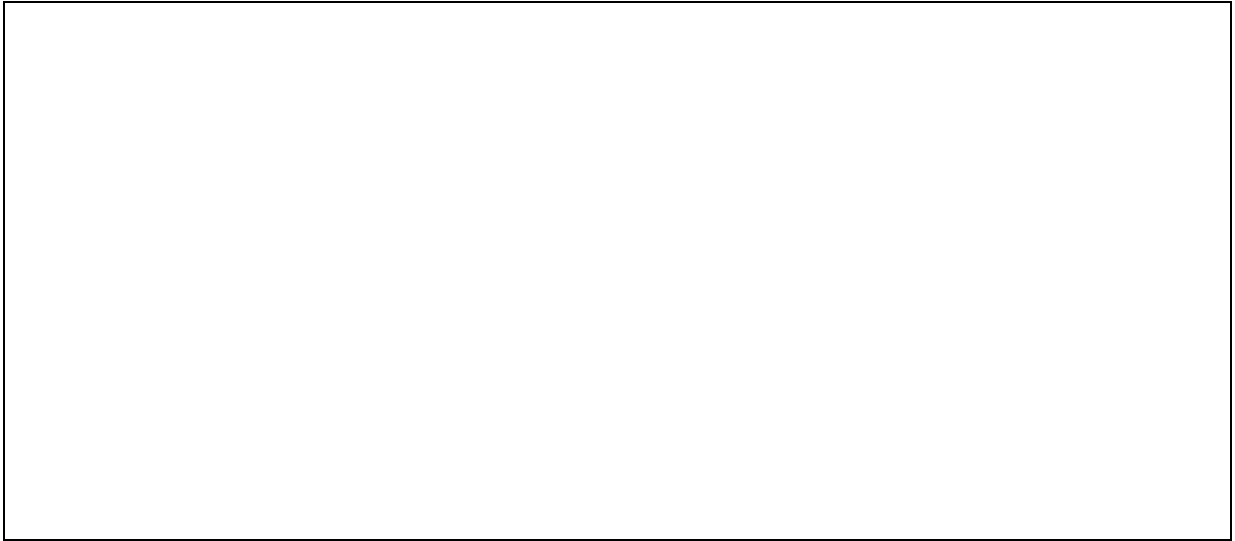
- 9) Please describe your experience with or knowledge of federal revolving loan programs or other types of lending, including underwriting, technical assistance, loan monitoring and workout, and marketing experience.**

- 10) Please list the names of the individuals on your organization's loan or project review committee and certify that elected officials are not on the committee. Please note the members who are:**

- i. An accounting professional**
- ii. A banking representative with demonstrated lending experience**
- iii. A legal representative, practicing attorney**
- iv. A business professional**
- v. A community member who fits the criteria for low- to moderate-income**

Criteria includes: Owners or senior officers of private establishments and other institutions, located in a low- to moderate-income geographic area and/or serving LMI persons; members of non-profit organizations that deliver services to low- to moderate-income persons; OR

Representatives of low- to moderate-income neighborhood organizations – located within the defined geographic location of the CDO.



(Initial here)

Elected officials do not, and will not have a seat on the loan or project review committee of the organization referenced in question 1.

11) Required Attachments to the Application for Certification:

- a. Documentation from the Internal Revenue Service allowing the organization to operate as a non-profit corporation [26 USC §501].
- b. Documentation that the organization is a qualified non-profit development group that meets the requirements of the Housing and Community Development Act 105(a) (15)
 - vi. Non-profit Small Business Investment Company organized under 15 USC Section 681
 - vii. Non-profit SBA Section 504 Certified Development Company
 - viii. Non-profit Community Action Agency
 - ix. Non-profit Community Development Corporation
 - x. Non-profit Local Development Corporation
- c. Manual(s) containing fiscal and administrative and personnel policies and procedures. Must meet standards of Omni Circular.
- d. Organizational Chart
- e. Policies required to comply with federal grant programs, including but not limited to: Conflict of Interest, Procurement, Equal Opportunity and Fair Housing, and Drug Free Workplace.
- f. All CDO organizations and officers of those organizations will be subject to a background check. By signing the CDO application, the organization understands this requirement and signifies its acceptance.

- g. Statement of Assurances, signed by the CDO's President, acknowledging that if an Activity fails to meet its National Objective that the CDO will repay to the State the full amount of the loan for that Activity.
 - h. Statement of Assurances, signed by the CDO's President, acknowledging that Funding awarded under the READI program must benefit non-entitlement areas as defined in 24 CFR 570 and may not benefit tribal areas. Projects funded by CDO's utilizing sub-award repayments must also wholly benefit non-entitlement areas.
 - i. Statement of Assurances, signed by the CDO's President, acknowledging that their organization will attend a CDBG continuing education training session provided by the State at a minimum every two years.
- 12) Revolving Loan Fund Plan. Within one year of project award, the CDO must submit to DEHCR a plan for the re-use of funding re-paid pursuant to the original award. This plan must be approved by DEHCR prior to awarding repaid funds. Plan should include:
- a. Eligible activities for funding
 - b. Types of assistance
 - c. Minimum/maximum award size
 - d. Application process
 - e. Approval process
 - f. Contract terms
 - g. Administration
 - h. Dedicate 5% or more of de-federalized funds to address an identified need for the area served by the CDO to ensure a future skilled workforce. Examples include, but are not limited to: education, training, job-ready skills, drug treatment, homeless services.
- 13) Projects undertaken by CDO's funded with READI repayments must also be loans unless approved by the Department.
- 14) Changes to the managing staff of a CDO require departmental notification within two weeks of a staffing change.
- 15) A CDO must reinvest the repayments from a successful project in a new project within 36 months.
- 16) The Department may require CDO's to set-aside a percentage of loan repayments for specific uses as defined by the award agreement.
- 17) Funds may be used by the CDO to administer the revolving loan fund, but may not exceed 20%. Alternatively, loan origination fees may be assessed for the purpose of administering the revolving loan fund.
- 18) In the event that a CDO partner exits, the group dissolves or becomes incapable of managing funding under the READI program, the State will assume ownership of all assets of the organization unless the organization has an original agreement for the settlement of assets.

Letter of Intent

Prospective applicants must submit a Letter of Intent to the Division of Energy, Housing and Community Resources to become eligible to complete an application. This Letter will be reviewed by DEHCR staff to ensure that the UGLG and CDO have the capacity and commitment needed to administer a CDBG project. All prospective applicants must participate in a one hour webinar or in person training explaining CDBG-READI requirements. The webinar will be announced at a later date. The letter of intent should be sent to the address listed below.

The Letter of Intent should contain the following information:

1. A high level description of the project (for example, how many loans do you expect to make, have you identified any specific partners to work with, what area will you be targeting).
2. A description of the involvement of community officials.
3. The name of the certified Community Development Organization (CDO) and name(s) and contact information of representatives of the CDO who will be working with CDBG-READI.
4. The name of any other identified project partners.
5. The steps taken by all project partners to ensure that all parties are engaged in the project and the process from application preparation to grant approval can operate as smoothly as possible.
6. The signature of the chief elected official of the prospective applicant UGLG.

Following receipt and review of the Letter of Intent, DEHCR will issue an invitation to apply to selected UGLGs that submitted successful Letters of Intent. Therefore, only UGLGs who are seriously interested in participating in a competitive CDBG-READI application process should submit Letters of Intent.

Please submit one original and one electronic copy to:

Wisconsin Department of Administration
Division of Energy, Housing, and Community Resources
Bureau of Community Development
ATTN: READI Applications
101 E. Wilson St., 6th Floor
Madison, WI 53703
Email: doadohcdbgcd@wi.gov