COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) HOUSING PROGRAM MANUAL

Regions, Revolving Loan Fund (RLF),
Emergency Assistance Program (EAP)

WISCONSIN DEPARTMENT OF ADMINISTRATION

DIVISION OF ENERGY, HOUSING AND COMMUNITY RESOURCES (DEHCR)

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A. INTRODUCTION

OVERVIEW

The Wisconsin Department of Administration (DOA), Division of Energy, Housing and Community Resources (DEHCR), administers the federally funded Community Development Block Grant (CDBG) Housing Program. The State is responsible for distribution of funds to Wisconsin Units of General Local Government (UGLG) located in non-entitlement areas (communities who receive an allocation of CDBG funds directly from the United States Department of Housing and Urban Development (HUD)). Throughout this manual, all entities that receive funds from the state program are referred to as ***Grantees***.

In 2012 the State of Wisconsin began to use a regional approach to allocate CDBG housing funds (see map on page 10). The state is divided into seven regions; each region includes 9-12 counties. Each Region has a lead county as the Grantee, and the Grantee has appointed or hired a Regional Administrator. A chapter on the Emergency Assistance Program (EAP) is also included in this manual.

CDBG PROGRAM OBJECTIVES

All CDBG funds must be used to meet one or more national objectives (low-moderate income, slum and blight, and/or urgent need) established by the federal government. DEHCR is responsible for the allocation of funds to local governments for programs to achieve these objectives.

The housing program is used to benefit low and moderate-income households by:

Expansion of affordable housing stock for low- and moderate- income (LMI) persons;

Elimination of housing conditions detrimental to public health, safety and welfare;

Conservation of the existing housing stock;

Provision of an opportunity for LMI renters to become homeowners;

Recover from natural or man-made disasters (see EAP Chapter N);

The State provides funds for the following:

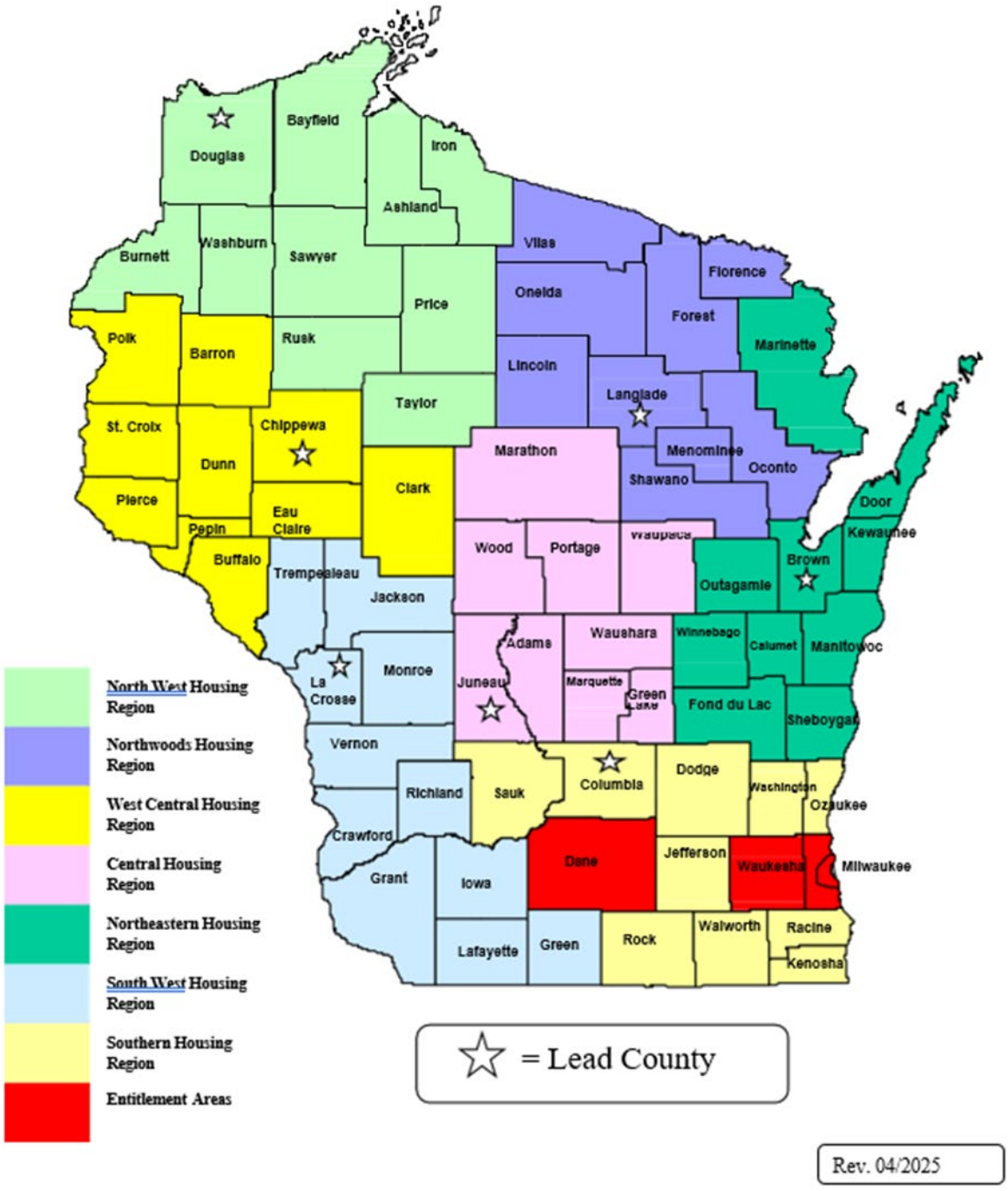
No-interest, deferred payment home repair loans for LMI owner-occupants (owner-occupied housing rehabilitation loans);

0% installment loans for repairing units rented to LMI tenants (rental rehabilitation loans);

0% installment loans for creating new LMI rental units by converting vacant properties into rental units and/or converting large single- family homes to duplexes (rental development loans);

No-interest deferred loans for down payment and closing costs to eligible LMI households (down payment loans);

CDBG Housing Regions Map



CDBG HOUSING ADMINISTRATORS

North West Region:

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CDBG HOUSING MANUAL

This manual establishes the State of Wisconsin requirements for operation of the Wisconsin CDBG Housing Program including Regions, Revolving Loan Fund (RLF), and the Emergency Assistance Program (EAP). These policies and procedures use federal requirements as the basis for program operation.

This manual is a guide and may be modified when there are changes in federal regulations, state requirements, or new interpretations of existing federal requirements. This MAY result in the need to make changes in established local policies and procedures. In the event that changes are made to the manual, DEHCR will issue special notices and/or schedule training. The Grantee is responsible for implementing changes made in their program operation. In the event of conflict between the language specified in a grantee's contract and this handbook or other supporting documents, the provisions in the contract shall take precedence.

GRANTEE RESPONSIBILITIES

Policies and Procedures

Grantees are responsible for implementing the policies and procedures described in this manual.

Written policies and procedures MUST be in place for:

1. Program Operation—Overall policies and procedures must be developed that specify how Grantees will operate programs at the local level. Policies and procedures must clearly specify application and selection procedures, methods for identifying contractors, work to be completed, and procedures used for loans made with program funds;
2. Financial Management—Policies related to management of funds;
3. Monitoring Policies—If the Grantee procures for and uses any other entity (administrator) for the operation of the programs on their behalf, the Grantee is responsible for monitoring these entities;
4. Housing Committee —The Grantee is responsible for establishing a housing committee that represents the service area.

Grantees must ensure the following specific areas are addressed in the written policies and procedures:

1. Conflict of Interest
2. Internal Controls
3. Procurement
4. Allowable Costs (indirect vs. direct)
5. Record Retention/Destruction
6. Monitoring
7. Payments (advance vs. reimbursement)
8. Program Guidelines and Procedures (homeowner rehabilitation, home buyer assistance, etc.)
9. Complaint and Appeal Process

Staff Requirements

A single staff person must be designated by the Grantee to serve as the Grantee Program Manager. This person will serve as the primary contact for the staff administering the program for DEHCR. The Program Manager will oversee program compliance at the local level. If there is a change in the Grantee Program Manager, DEHCR staff must be informed.

In staffing the program, it is helpful to understand the specific skills that are required to administer a successful program. The Program Manager and program staff need to include individuals who can work effectively with people from diverse backgrounds, process administrative work and manage contractors.

Each property must have a Housing Quality Standards (HQS) inspection. This inspector must possess experience and knowledge in the area of housing construction, local codes, inspection (building, electrical, and plumbing) and cost estimating.

The minimum qualifications of the inspector should include:

1. Hands-on experience in construction;
2. Hands-on experience in writing work specifications for residential rehabilitation;
3. Knowledge of lead-based paint safe work practices and requirements;
4. Knowledge of environmental review requirements.

A housing inspector is responsible for determining what repairs the home needs and if those repairs qualify under the program guidelines. A good housing inspector is crucial to your rehabilitation program, and must be able to:

1. Perform all HQS property evaluations, including initial, interim and final;
2. Ensure that the Grantee is in compliance with CDBG rules and regulations related to the activities she/he executes. All rules must be always followed, including but not limited to lead-based paint, asbestos, equal opportunity, fair housing, procurement, etc.;
3. Provide clear work specifications to contractors to reduce the likelihood of change orders;
4. Provide work specifications (write-ups) that will ensure all health and safety issues are addressed;
5. Balance the relationship between the local government, the homeowner, and the contractor;
6. Ensure that the work is of good quality and in accordance with the specifications;
7. Ensure that disputes about the quality of work or unforeseen obstacles to project completion are resolved in a manner that is fair to all parties;
8. Evaluate the need for change orders to the work scope;
9. Other duties as agreed upon between inspector and Grantee.

Housing Committee

Grantees must establish a CDBG Housing Committee. This committee will be responsible for the following:

1. Oversight of CDBG program compliance;
2. Timeliness and expenditures;
3. Review of Homeowner Complaints
4. Setting priorities on how funds will be distributed including funds for emergency projects;
5. Evaluate rent limits for rental projects;

6. Review potential conflict of interest loan application(s) and ensure compliance with Conflict-of-Interest policy.

It is NOT the committee's responsibility to approve individual loans. If a project is eligible based on the policies established in this manual, the project is generally approved.

B. APPLICATION

The Grantee must develop an application process that ensures that:

1. The program benefits low and moderate income (LMI) households;
2. Each applicant is treated equitably;
3. Information about the program is widely available to the population to be served, including non-English speaking applicants;
4. There is adequate opportunity for appeal of decisions related to eligibility and other program decisions;
5. No conflict of interest exists, and
6. Applicants are made aware of all relevant program requirements.

APPLICATION CONTENTS

The State has developed an Application Form**.** This application must be used and can be modified with a local agency and contact information. Any additional modifications to this application need to be approved by DEHCR.

The application materials must include:

1. Income Checklist (list of all information necessary for income verification)
2. General Release of Information Form (signed by all household members over the age of 18)
3. Conflict of Interest
4. Lead-Based Paint Brochure and Receipt
5. A general description of the terms and conditions of the program and loan process
6. The application must be accompanied by an appropriate Overview and Process form. This form must be signed by the applicant and a copy must be kept in the project file.

APPLICATION DISTRIBUTION

Grantees should allow applications to be requested and received in hard copy or electronically. Grantees are encouraged to make the application available on their website. Grantees should also provide the option for an applicant to come to their office for the purposes of obtaining an application and/or assistance in completion of an application.

INTAKE

After receipt of an application, Grantee staff should contact the applicant either in person, by phone, email, or by mail to request additional information, explain program requirements (including financial, insurance and procurement requirements), and describe the program process.

LOAN APPROVAL PRIORITIES

The Housing Committee must establish the priority in which applications will be considered. It may not be possible to fund all applications. After the loan approval criteria have been established, these criteria should be strictly enforced to ensure equitable treatment of applicants.

APPLICATION-APPROVAL OR DENIAL

An application is complete after all required information is submitted. The Grantee must clearly understand all eligibility and underwriting criteria to be able to approve and/or deny applications.

No application should be approved, nor loans or grants made, which are in conflict with Chapter 946.13 Wisconsin State Statutes/ Private interest in public contract prohibited.

After application information is reviewed and compared to eligibility criteria, a decision will be made regarding eligibility. Once the decision has been made, a written Notice of Eligibility or Denial will be sent to the applicant. A denial notice **must** clearly state the reason for denial and provide the opportunity for appeal.

APPEAL

Applicants may appeal any decision within 30 days after receipt of a denial notice. Every effort will be made to review and respond in a timely manner. **All CDBG Housing appeals will follow this process.**

The appeal process is as follows:

1. If the applicant would like to appeal the Grantee's decision, the applicant must submit the appeal in writing to the CDBG Housing Committee. The CDBG Housing Committee will review the appeal and a written response will follow to the applicant.

2. If the applicant would like to appeal the CDBG Housing Committee's decision, the applicant may appeal to the Bureau Director of DEHCR. DEHCR will review the appeal and a written response will follow to the applicant. The determination made by DEHCR on the appeal is final.

CONFLICT OF INTEREST

The application process should ensure that there is no conflict of interest related to loan selection and approval. The Conflict of Interest is defined in 24 CFR 570.489(h) and Wisconsin State Statutes 946.13 and 19.59.

Conflict of interest provisions apply to any **person who is an employee, agent, consultant, officer, or elected official or appointed official of the state, or of a unit of general local government, or of any designated public agencies, or sub-recipients.**

The general rule is that no persons described above who exercise or have exercised any functions or responsibilities with respect to CDBG activities and who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from the activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties during their tenure or for one year thereafter.

For purposes of the CDBG Housing program "family" means:

1. Spouse
2. Fiancée/Fiancé
3. Children and Stepchildren
4. Brothers and Brothers-in-Law
5. Sisters and Sisters-in-Law

6. Parents and Parents-in-Law

Anyone who receives more than 50% of their support from the person (e.g., adopted child, foster child) is also ineligible.

CONFLICT OF INTEREST WAIVER OR EXCEPTION PROCESS

A waiver or exception to the Potential Conflict of Interest may be requested from DEHCR. Prior to submitting the request, public disclosure of the potential conflict must be made. An opinion must be obtained from the Grantee's attorney stating that the interest for which the exemption or waiver is sought would not violate state or local law.

Use the following steps to determine a potential conflict of interest:

1. Identify "covered persons" for your CDBG program;
2. Inform applicants with potential conflict of interest that their name will be disclosed at the local Housing Committee meeting or municipal council meeting;
3. The covered person(s) should not attend this meeting;
4. After loans have been presented (if applicable), disclose the names and the nature of the conflicts of interest (type of family or business tie) for applicable approved loans. DO NOT disclose loan number or proposed work;
5. Ask all in attendance at the loan approval meeting if there are any objections to awarding the loans in question. Document any objections in the meeting minutes;

Following the municipal or Housing Committee meeting the following process must occur.

1. Summarize the review of the potential conflict of interest, including all actions taken for the review [e.g., reviewed by Grantee employees involved with the program, reviewed by City Council and disclosed/reviewed at public meeting; review by legal counsel, etc.);
2. Inform DEHCR of the determination made and the basis for the determination - state all factors, such as:
    a. basis of loan qualification/approval being the same objective criteria for all applicants (include list of the objective criteria, including applicants needing to be LMI status to qualify, etc.); noting the person being a municipal employee or having relationships with other municipal employees or elected officials has no bearing on the loan decision;
    b. the employee having no power, role or involvement in the decision-making process for the loan decision/award;
    c. any actions that were/will be taken by the Grantee to remove any potential conflict of interest, such as reassigning/designating the employee's responsibilities for loan management (for the employee's loan, if approved); and
    d. any other relevant considerations.
3. Request on Grantee's letter head DEHCR review the Grantee's potential conflict of interest review process and determination and provide a decision of whether DEHCR concurs with the Grantee's determination and the Grantee may proceed with the loan award/issuance to the individual.

Documents that must accompany the grantee's letter for DEHCR Review:

In addition to the Grantee's letter with the information listed above, DEHCR must also receive the documentation listed below for our review of the potential conflict of interest review process and determination:

1. A signed disclosure form from the loan applicant, disclosing the position and relationship to any persons involved with the decision making and management of the loan (these should be listed on the disclosure form).
2. Council meeting agenda and minutes for the meeting in which the potential conflict of interest was reviewed;
3. Proof of public disclosure, in both a public meeting and elsewhere outside the public meeting (for those that could not/did not attend the meeting), such as a list of public locations and dates of posting the council meeting agenda and minutes for the meeting in which the potential conflict of interest was disclosed and discussed. The Clerk must sign the list to certify the agenda and minutes were posted in the locations and on the dates specified. Note: The Grantee must show efforts of relaying the proceedings to residents, including those that did not attend the council meeting. Postings of the agenda and minutes would meet this requirement.
4. The letter from the legal counsel/attorney that verifies an exception would not violate local law.

DO NOT sign any loan closing documents until you have received approval from DEHCR. Any loan that is made where an appearance of conflict exists (and no exception has been approved) is subject to repayment.

Sample Application Language: Conflict of Interest

In order to assess whether there is an apparent conflict of interest, Grantee must gather this information at the point of application submittal. The following question must be included on the initial loan application form:

Do you have family or business ties to any of the following people? YES NO (CIRCLE ONE)

A list of covered persons (for example, Mayor, member of the Housing Committee, City Council member) must be included on the application form. The applicants must answer this question regardless of whether there is a relationship or not.

* The Grantee must work with their local attorney to identify the list of covered persons. Covered persons must be identified with their proper name(s).

C. DETERMINING INCOME

In order to receive CDBG assistance, households must have incomes at or below 80 percent of the median household income for the geographic area, adjusted for household size, and determined annually by HUD. The annual income definition found at 24 CFR Part 5 is used by a variety of Federal programs and must be used to determine eligibility for all Wisconsin CDBG Housing programs.

ANTICIPATING INCOME

For the purpose of determining eligibility, the Grantee must project a household's income in the future by evaluating current circumstances. The assumption is that today's circumstances will continue for the next 12 months unless there is verifiable evidence to the contrary. This method should be used even when it is not clear that the type of income received currently will continue in the coming year. For example, unemployment benefits must be included in income projections if the applicant is receiving unemployment and even if there is a chance a person may be employed in the future. The exception to this rule is when documentation is provided that current circumstances are about to change.

NOTE the Part 5 definition of income is used to determine eligibility; annual income is calculated by projecting a household's income and comparing this calculated amount to the HUD limits (by household size).

VERIFYING INCOME

The preferred method of determining income eligibility is by third-party verification. To conduct third-party verification, a Grantee must obtain a written release from the household member that authorizes the third party to release required information. Conversations with a third-party, such as an employer, may be acceptable if documented through notes in the file, including contact name, address, phone number, information conveyed, and date of a call.

Another way to verify income is to collect source documentation. The source documents, such as wage statements, unemployment compensation statements, child support statements, Social Security and disability award letters, must be maintained in the file. Three (3) consecutive months of source documentation or (1) one current benefit award letter is an appropriate amount upon which to base a projection of income over the following 12-month period. Calculation of the annual income must include any expected cost of living increases (COLA's), bonuses, raises, and overtime pay. If it is determined that an applicant has earned overtime and will continue to earn overtime pay on a regular basis, the Grantee should calculate the average amount of overtime pay earned by the applicant.

For those whose annual employment is less stable or does not conform to a 12-month schedule, the Grantee should examine income documentation that covers the entire previous 12 months.

For those who are self-employed, three consecutive quarterly tax statements or three prior years of income taxes shall be averaged to project forward over the next 12 months.

Although it is not part of the income calculation, it is advisable to collect the prior year's taxes for all households to ensure all sources of income are included in the income calculation.

NOTE: Income verification is valid for a twelve- month period (beginning with mailing of eligibility determination letter). If the project has not started (signed loan documents) within the twelve- month period, the household's income must be re-verified.

INCOME CALCULATION

The CDBG program requires that the income of all household members be included in the determination of income. The Part 5 definition of annual income provides specific guidance pertaining to whose income in a household must be included in that calculation.

Income Inclusions

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services.
2. The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $51,600 annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.
4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in number 14 of Income Exclusions).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except as provided in number 3 of Income Exclusions Section).
6. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income:
    a. Qualify as assistance under the TANF program definition at 45 CFR 260.31; and
    b. Are otherwise excluded from the calculation of annual income per 24 CFR 5.609(c);
    c. (If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of):
    d. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
    e. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is reduced from the standard

of need by applying a percentage, the amount calculated per 24 CFR 5.609 shall be the amount resulting from one application of the percentage.

7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. All regular pay, special pay, and allowances of a member of the Armed Forces (except as provided in number 8 of Income Exclusions Section).

Income Exclusions

The following types of income are excluded:

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except as provided in number 5 of Income Inclusions Section).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of a live-in aide (as defined in 24 CFR 5.403).
6. Certain increases in income of a disabled member of qualified families residing in HOME assisted housing or receiving HOME Tenant Based Rental Assistance (24 CFR 5.671(a)).
7. The full amount of student financial assistance paid directly to the student or to the educational institution.
8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
    (a) Amounts received under training programs funded by HUD.
    (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self- Sufficiency (PASS).
    (c) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program.
    (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time.
    (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated

with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program.

9. Temporary, nonrecurring, or sporadic income (including gifts).
10. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
11. Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household or spouse). The first $480 will be included in the income.
12. Adoption assistance payments in excess of $480 per adopted child.
13. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
14. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.
15. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.
16. Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion.

Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:

- The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.
- Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions).
- Certain payments received under the Alaskan Native Claims Settlement Act.
- Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes.
- Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (this includes payments from DEHCR Public Benefits Fund)
- Income derived from the disposition of funds to the Grand River Band of Ottawa Indians.
- The first $2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission;

- Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work study program or under the Bureau of Indian Affairs student assistance programs.
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aides, Older American Community Service Employment Program).
  Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.).
- Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721).
- The value of any childcare provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Childcare and Development Block Grant Act of 1990.
- Earned income tax credit (EITC) refund payments received on or after January 1, 1991, for programs administered under the United States Housing Act of 1937, title V of the Housing Act of 1949 section 101 of the Housing and Urban Development Act of 1965, and sections 221(d)(3), 235, and 236 of the National Housing Act.
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation.
- Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990.
- Any allowance paid under the provisions of 38 U.S.C. 1805 to children of Vietnam veterans born with spina bifida, children of women Vietnam veterans born with certain birth defects, and children of certain Korean service veterans born with spina bifida.
- Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act.
- Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998
- Any amount received under the Richard B. Russell School Lunch Act and the Child Nutrition Act of 1966, including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC);
- Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990
- Payments from any deferred U.S. Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.
- Compensation received by or on behalf of a veteran for service-connected disability, death, dependency, or indemnity compensation as provided by an amendment by the Indian Veterans Housing Opportunity Act of 2010 to the definition of income applicable to programs authorized under the Native American Housing Assistance and Self-Determination Act (NAHASDA) and administered by the Office of Native American Programs;

- A lump sum or a periodic payment received by an individual Indian pursuant to the Class Action Settlement Agreement in the case entitled *Elouise Cobell et al.* v. *Ken Salazar et al.,* 816 F.Supp.2d 10 (Oct. 5, 2011, D.D.C.), for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010
- Any amounts in an "individual development account" as provided by the Assets for Independence Act, as amended in 2002;
- Per capita payments made from the proceeds of Indian Tribal Trust Cases as described in PIH Notice 2013–30 "Exclusion from Income of Payments under Recent Tribal Trust Settlements"; and
- Major disaster and emergency assistance received by individuals and families under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Pub. L. 93–288, as amended) and comparable disaster assistance provided by States, local governments, and disaster assistance organizations.

ASSET CALCULATIONS

An asset is a cash or non-cash item that can be converted to cash. The value of an asset is not included in annual income. Cash value assets have both a market value and a cash value. The market value of an asset is simply its dollar value on the open market. A property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties. An asset's cash value is the market value less reasonable expenses required to convert the asset to cash (such as settlement costs or penalties for withdrawal).

In order to calculate income from assets, a Grantee must recognize what to include in assets, how to compute the market and cash value of those assets, and how to determine the income from the asset to be included in annual income.

Assets – Inclusions

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.
5. Individual retirement, 401(K), and Keogh accounts (even though withdrawal would result in a penalty);
6. Retirement and pension funds; For employed individuals, only amounts that can be withdrawn from a company retirement or pension account without retiring or terminating employment are counted as an asset. Once an individual retires or terminates employment, any distributions from the account are counted as either income (for periodic payments) or assets (for lump sums).

7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy);
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.;
9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

Assets – Exclusions

1. Necessary personal property, except as noted in number 8 of Inclusions Section, such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household, and that other person is responsible for income taxes incurred on income generated by the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (i.e., where there is no cash value).
7. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.
8. Income received from any account under a retirement plan recognized as such by the Internal Revenue Service, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals; except that any distribution of periodic payments from such accounts shall be income at the time they are received by the family.

DETERMINING HOUSEHOLD SIZE

Household size must include all persons living in the home, including children and unrelated persons. A child must reside in the household at least 50% of the time to be counted as a household member. An unborn child is not counted. Live-in aides are not counted in the calculation of household size. If the household provides foster care to adults or children, they are NOT included in the calculation of household size. A temporarily absent household member must also be included when determining household size.

CERTIFICATION

Income verification must be completed with certification that is signed and dated by the person evaluating and making household income determination. After calculating the annual household income, compare it to the annual income limits for household size for the county where the household will reside.

Note that there are some on-line income calculators that are available for use. If used, the Grantee is required to ensure that the calculation method and the income limits used are consistent with program requirements.

The income limit for the county in which the applicant resides must be printed and attached to the income calculation worksheet and certification. Income limits are adjusted annually; current limits can be found at:

Income Limits

Once an income determination has been made, a letter must be sent to the applicant notifying them of income eligibility. If a project loan is not closed (signed loan or grant documents) within twelve months of the certification date, income must be recertified before project can be undertaken.

OTHER RESOURCES

Complete information on income calculation can be found in the "Technical Guide for Determining Income and Allowances for the HOME Program" which is published by HUD on the HUD Exchange.

D. PROGRAM REQUIRMENTS

The priorities for the CDBG Housing Program are single-family rehabilitation, multi-family rehabilitation, homebuyer activities, emergency assistance and rehabilitation on manufactured homes in manufactured housing communities. Although there are other eligible CDBG uses, they are not discussed in this manual. The Grantee must review their Grant Agreement to determine eligible activities. If unforeseen circumstances occur, an amendment may be granted on a case-by-case basis. No project may be funded that is not consistent with the language in the original written contract, or amendment modifying the terms of the Grant Agreement without approval from DEHCR.

OWNER OCCUPIED REHABILITATION PROGRAM

The CDBG Housing rehabilitation program is designed to provide rehabilitation assistance for homes that are occupied by the owner of a property. Loans to owner-occupants are generally made to address health and safety issues, improve energy efficiency and to complete accessibility work that allows the homeowner to remain safely in their home.

A relatively new category of eligibility under rehabilitation is reconstruction. Reconstruction generally means demolishing and rebuilding a housing unit on the same lot in substantially the same manner. However, reconstruction may also include replacing an existing substandard unit with a new or standard manufactured housing unit. Deviations from the original design are allowed for reasons of safety or if otherwise impractical. The number of housing units may not increase or decrease as part of reconstruction, but the number of rooms may decrease or increase. If a new foundation is necessary for reconstruction, it is generally limited to a slab only. All demolition costs associated with reconstruction are provided as a grant to the homeowner. Please contact DEHCR for guidance.

Properties should not be demolished or moved without all appropriate environmental approvals (including historical review).

General criteria must be used while designing underwriting criteria for owner-occupied rehabilitation loans which includes:

1. The property must be in need of rehabilitation work as determined by the Grantee, utilizing the Housing Quality Standards (HQS) Inspection form.
2. Eligible repairs are those necessary to correct health and safety issues, increase energy efficiency, replace non-cosmetic items that are beginning to deteriorate, and make handicap accessible repairs or adaptations per the HQS inspection form.
3. All work must be determined to be financially feasible, as determined by the property's estimated Fair Market Value upon completion.
4. The **Grantee** (not the administrator) must be added to the insurance policy as a mortgage holder at the time the mortgage is signed.
5. Properties scheduled for sale, acquisition, foreclosure, demolition, or condemnation, are not eligible for rehabilitation. Exceptions may be made for emergency situations upon approval of DEHCR staff.
6. Properties located in the floodplain are not eligible without initiating the 8-step environmental review process. If CDBG funds assist floodplain property, the owner will be required to purchase flood insurance coverage for minimally one year, equal to or greater than the amount of the

CDBG loan. If the owner cannot afford to purchase flood insurance, the cost of one year of flood insurance may be added to the CDBG loan. There may be additional requirements related to the construction work to be completed in order to flood proof the home.

7. Properties that are being considered for reconstruction should compare the costs to demolish and rebuild the unit against the cost to demolish the unit and replace it with a manufactured unit. The needs of the family should also be taken into consideration when deciding which option is suitable.

8. **Project costs in excess of $50,000 must be submitted to DEHCR for review and approval and should include, but is not limited to:**

    a. HQS- listing the reasons for why the item failed and the remedy that is proposed.
    b. Lead Risk Assessment if applicable
    c. Loan calculation/equity calculation
    d. Interior and Exterior pictures of the home and all items that failed
    e. Chosen contractor bid
    f. Bid comparison
    g. Asbestos report if applicable
    h. Inspectors estimate
    i. Homeowner Bid Tracker
    j. Radon Report or Radon assessment

GRANTS VERSUS LOANS

The CDBG Housing Program is a loan program. However, a grant to the recipient must be provided under the following circumstances:

1. If the presence of lead-based paint is documented through a risk assessment, a grant must be made for the cost of removal and replacement or repair of components.
2. Radon testing when applicable
3. All demolition costs associated with the reconstruction of a housing unit.

No lead-based paint rehabilitation costs may be granted, unless a risk assessment documenting the presence of lead- based paint is completed. All lead- based paint risk assessments and clearance tests must be provided as a grant to the homeowner.

Grants may also be provided under the following circumstances:

1. The environmental review standards may require higher quality materials (for example, if the home is a designated historical home and the cost of windows is higher because of replacement requirements i.e., wood windows versus vinyl). If there are unusually high and/or unanticipated costs related to these standards, the Grantee will pay the difference between the standard product and the higher cost product from the project budget as a grant.
2. The funds are used for the rehabilitation of an LMI owner-occupied property AND no more than $1,000 will be awarded to that property owner during a 12-month period. If additional funds are requested and approved within the 12-months of the grant approval, the entire amount will become a deferred payment, no-interest loan.

HOMEBUYER PROGRAM

The property to be purchased must be owner-occupied, occupied by the purchasing tenant, or vacant at the time of purchase. CDBG funds should be used for down payment and closing costs where the interest rate reflects local lending rates. CDBG housing funds may provide up to 50% of the required down payment costs, not to exceed ten percent (10%) of the purchase price of the home.

All down payment assistance must be matched with a 1:1 ratio. The matching down payment may be from other grant or loan funds or the homebuyer's monetary contribution. Deferred payment loans offered by the grantee, another governmental agency, or a non-profit organization will also be considered match. The matching sources must be documented in the project file. Closing costs are not subject to the 1:1 ratio match.

Every homebuyer applicant must contribute at least $1,000 of their own funds towards the purchase of the property. This amount may be applied towards down payment or eligible closing costs.

Eligible closing costs include:

1. Loan origination fees
2. Loan discount points
3. Appraisal costs
4. Credit report
5. Title search and preparation charges
6. Title insurance
7. Transfer fees
8. Recording costs
9. Surveyor charges
10. Private mortgage insurance premiums

Every homebuyer applicant must receive housing counseling, by a HUD Certified Housing Counselor **prior** to purchase, covering the following areas:

1. Homebuyer Education
2. Basics of the Home Purchase Process
3. Post-purchase Expectations

The grantee must maintain documentation within the project file that the applicant has received homebuyer counseling.

Loans should be structured to be affordable for LMI households. Homebuyer loans (rehabilitation and/or down payment and closing costs) are awarded ONLY to LMI individuals/families. Homebuyer loans may be awarded to LMI households currently owning a house only under exceptional situations. Grantee must receive written authorization from DEHCR before awarding homebuyer funds to a current LMI owner-occupant.

All homes purchased under the homebuyer program must meet Housing Quality Standards **at the time of purchase** or receive a rehabilitation loan that will bring it up to HQS within six months of purchase. If the home does not receive the required rehabilitation within six months, the homebuyer loan may be

deemed ineligible and immediately due and payable. **The program will not help purchase houses in need of major/substantial rehabilitation work.**

LOAN TERMS

When loans are made for owner occupied rehabilitation, and/or homebuyer, the loan repayment will be deferred at no interest with no payment until ownership is transferred and/or the housing unit ceases to be the borrower's principal place of residence. A mortgage and mortgage note must be issued in the name of the Grantee against the property owner in the amount of the loan to ensure repayment of the loan.

When a deferred loan has reached 29 years, Grantees must re-record the mortgage to extend the effectiveness of the mortgage for an additional 30 years under Section 893.33 of the Wisconsin Statutes as long as the home remains the principle residence of the borrower (CDBG applicant).

RENTAL REHABILITATION PROGRAM

CDBG funds may be used to rehabilitate LMI occupied rental housing units. CDBG funds may also be used to rehabilitate vacant housing units that will be rented to LMI households within six months of project completion. If the rental unit is not occupied by an LMI tenant within six months of the completion of the rehabilitation project (documented by the final inspection), the loan will be deemed ineligible and immediately due and payable. CDBG funds may also be used to convert existing structures into affordable LMI rental housing units.

When rental rehabilitation loans are made, rents charged for those units after rehabilitation are limited to HUD designated rent limits for the geographic areas in which the unit is located or locally established affordable rents. Prior to initiation of a rental rehabilitation project (including vacant rehabilitation and conversion projects), the property owner must agree, in writing, to rent to LMI households and maintain affordable rents for the pre-determined timeframe. Rent limits must be kept current and provided to participating landlords as limits are amended. Affordable rents must be available to LMI tenants for a minimum of half the term of the mortgage but not less than five years. **NOTE: Owner occupied duplexes are exempt from monthly repayments and will have the same loan terms as owner occupied rehabilitation.**

A mortgage and mortgage note in the amount of the loan must be issued in the name of the Grantee against the owner of the property to ensure repayment of the loan. Rental rehabilitation loans are available as 0% installment loans. The repayment period must begin within 60 days of project completion and the terms should be negotiated with the property owner.

Rental projects may require additional funding sources, including commercial lending and/or other program(s) funds. If total project costs are in **excess of $50,000**, information on the project must be **submitted to DEHCR for review and approval**.

Eligible properties are those where at least 51% of the units are occupied by LMI tenants. Duplexes are exempted from this provision. If one unit is vacant, the other one must be occupied by an LMI tenant. An increase in a current tenant's income to the point where it exceeds the current LMI income limits is NOT a reason for eviction; however, should the unit become vacant; it must be filled with an income qualified household.

These general criteria must be used while designing underwriting criteria for the CDBG rental rehabilitation loans:

1. The property must be in need of rehabilitation work determined by the Grantee utilizing the HQS Inspection form.

2. Eligible repairs are those necessary to correct health and safety issues, increase energy efficiency, replace non-cosmetic items that are beginning to deteriorate, and make handicap accessible repairs or adaptations per the HQS inspection form.
3. All work must be deemed financially feasible, as determined by the property's estimated FMV and 120% rule, upon completion of work.
4. Properties scheduled for sale, acquisition, foreclosure, demolition or condemnation, are not eligible for rehabilitation. Vacant properties may be rehabilitated; for example, conversion of space from single-family use or commercial use to LMI rental project. Please consult with DEHCR prior to rehabilitating vacant properties.
5. The property must be insured against loss by fire and other perils, in accordance with lending institution standards.
6. The Grantee (not the administrator) must be added to the insurance policy as a mortgage holder at the time the mortgage is signed.
7. Repayment of installment loans must begin within 60 days upon completion of the CDBG rehabilitation as determined by the final inspection and must be repaid in monthly installments.
8. Properties located in the floodplain are generally not eligible unless certain conditions are met. If CDBG funds assist floodplain property, the owner will be required to purchase flood insurance.
9. No tenants will be permanently displaced as a result of rehabilitation to a renter-occupied property.
10. All tenants will receive:
    a. Lead-Based Paint Brochure
    b. General Information Notice
    c. Notice of non-displacement
11. At a minimum, 51% of all tenants must be documented as LMI households. The Grantee must develop and implement an annual verification of LMI occupancy. The Grantee is required to keep this information with each rental project file. The annual verification documents:
    a. The rents being charged are affordable and comply with the terms of the loan
    b. The original tenant continues to reside in the unit or
    c. The new tenant(s) met LMI income levels at the time of occupancy. The landlord will collect all required documents from potential occupants and the Grantee will determine income eligibility.
12. Labor standards apply to any building with eight or more units. Coverage is determined by the number of units in the building, not by the number to be rehabilitated.

ACQUISITION/DEMOLITION LOANS

Under unusual circumstances, the Grantee may choose to acquire dilapidated dwellings using CDBG funds. CDBG funds may be used to pay all displacement, relocation (see the Temporary Relocation Section) and demolition costs. The reuse of the land must meet a CDBG housing national objective. Properties must be acquired in accordance with all state and federal requirements. Copies of these regulations must be available for public review. The Grantee should contact the State Program Manager if considering this activity to verify that all appropriate requirements are understood. Properties should

not be demolished or moved without all appropriate environmental approvals (including historical review).

All Units of General Local Government (UGLGs) in the State of Wisconsin receiving Community Development Block Grants (CDBG) funds or other federal funding for projects that involve property acquisition and potential displaced persons must comply with the following:

- 49 CFR 24, Uniform Relocation and Real Property Acquisition Act of 1970, as amended (URA or Uniform Act)
- 24 CFR 42, [implementing rule for the Housing and Community Development Act 104(d)] - establishes requirements governing conversion demolition and one-for one replacement of low-income housing under CDBG
- 24 CFR 570.606, Community Development Block Grants – Displacement, Relocation, Acquisition and Replacement of Housing
- 42 USC 5304(d), Section 104(d) of the Housing and Community Development Act of 1974 (as amended)
- Uniform Relocation Act 2024 Update – Final Rule
- Chapter 32, Wisconsin Statutes – Eminent Domain; and
- Chapter Adm 92, Wisconsin Administrative Code – Relocation Assistance

Additional acquisition and relocation requirements and notices can be found under Chapter 5 Attachments of the CDBG Implementation Manual.

CONVERSION OF EXISTING STRUCTURES FOR HOUSING

A community may increase its supply of housing by converting buildings to housing units. Existing housing units may become more affordable when grantees acquire those units and sell or lease them at reduced prices. Grantees may use CDBG funds to finance conversions in the following ways:

1. Renovation of Closed Buildings. The costs of converting existing non-residential structures to residential use is eligible as a rehabilitation activity [24 CFR 570.202 (e)].
2. Acquisition for Rehabilitation. CDBG funds may be provided to private individuals, nonprofit organizations, and for-profit entities to acquire property for rehabilitation which is then used for residential housing. [24 CFR 570.202(b)(1)]
3. Acquisition for Housing. Grantees and nonprofits may acquire housing units and either lease or sell them for residential purposes [24 CFR 570.201(a) and (b)(1)]. Manufactured homes may also be acquired for this purpose. As a general rule, newly constructed housing units may be acquired if the units will otherwise be available for rental or sale on the open market and to the extent that the grantee, prior to completing the construction, had not planned to use CDBG to assist the activity [24 CFR 570.207(b)(3)].

Grantees interested in conversion should contact DEHCR for additional information.

MANUFACTURED HOUSING

CDBG funds may be used for rehabilitation on manufactured homes if the home is being used as a permanent residence by a low-to moderate-income (LMI) household. This includes manufactured homes that are in a manufactured housing community (MHC) where the owner of the manufactured housing unit may own the home but not the land. Loans to owner-occupants are made to address health and

safety issues, improve energy efficiency and to complete accessibility work that allows the homeowner to remain safely in their home.

General criteria for these funds include:

- Manufactured homes constructed after 1976 are eligible for repair and replacement options dependent upon the HQS. Homes constructed prior to 1976 are only eligible for replacement activities.
- CDBG funds used for rehab and repair must follow the 120% after rehab value policy. Homes that cannot meet this policy are not eligible for rehab or repair; emergency repairs are exempted from this policy. Please see loan terms below for replacement housing.
- Manufactured replacement homes must be built under the manufactured home construction safety standards program identified under [24] CFR 3280.
- CDBG funds may be used for the entire cost of the replacement home, however, cooperative financing with other funding sources is highly encouraged.
- If the manufactured housing unit is on a rented site in an MHC, it is recommended to work with the MHC to have a long-term lease agreement to ensure the homeowner is able to affordably remain there for an extended period.
- Administrative staff will need to work with the Department of Safety and Professional Services to file a lien in the name of the grantee against the home; the lien will remain on the home until paid in full. If the applicant/owner does not have a title to their home CDBG funds may be used for the cost of a replacement title.
- Administrate costs for manufactured home activities located in a manufactured housing community, will not exceed 10% of the CDBG award amount.
- CDBG funds may be used for homebuyer activities within an MHC. These activities are eligible under the same terms as the existing CDBG Housing program.
- CDBG funds may be used to assist in the purchase of a manufactured home that will be placed on a site that does not currently have an existing unit. CDBG funds **may not** be used to pay for the installation cost of that unit.
- Property insurance is required. CDBG funds may be used to purchase up to one year of property insurance in conjunction with facilitating a CDBG project.
- Repair or replacement of manufactured homes in an MHC must follow (as applicable) all CDBG requirements including but not limited to environmental review, asbestos, lead, and radon.

LOAN TERMS FOR REPLACEMENT HOUSING

This section applies to replacement manufactured housing in all CDBG housing programs (manufactured housing program and non-manufactured housing program).

Principal Reduction to Actual cost

Loan payments shall be implemented and continue until such time as the outstanding CDBG loan balance is reduced to an amount not exceeding the actual, documented costs of the manufactured housing unit provided at the time of replacement. This provision shall serve to preserve homeowner

equity and ensure that the indebtedness incurred does not exceed the replacement value of the housing unit.

Commencement of Repayment

Repayment of the loan shall commence immediately upon the completion of installation and occupancy of the replacement manufactured home. The length of the loan and the repayment amount will be at the discretion of the grantee. All loans will be provided at 0% interest.

Intent and Interpretation

The intent of this provision is to mitigate the risk of negative equity and prevent homeowners from being financially encumbered in an amount exceeding the value of the replacement housing unit.

FINANCIAL MANAGEMENT

Segregated Funding Requirement

Funding allocated for the replacement or repairs of manufactured housing (within a manufactured housing community) shall be accounted for and administered as a distinct and separately tracked component within the overall CDBG grant program. Such funding shall not be commingled with other CDBG Housing allocations, and all financial reporting shall reflect this segregation.

Program Income and Revolving Use

All loan repayments received from homeowners under this component shall be treated as program income in accordance with [24] CFR 570.500(a). Such income shall be retained by the grantee and shall be used for eligible for manufactured housing activities, with a preference for continued reinvestment into housing assistance within the designated program. Should one program (manufactured housing vs non manufactured housing program) have a greater need than the other, the grantee may request from DEHCR a transfer of funds from one program to the other.

EMERGENCY ASSISTANCE

CDBG funds may be used in limited circumstances when a man made or natural disaster affects only a limited number of households, within the Grantee's service administrator area and the estimated damage(s) do not exceed $250,000. Assistance is limited to gap financing for the repair/rehabilitation or replacement of owner-occupied and/or rental units occupied by households with incomes at or below 80% CMI and when other funding, public or private is not available to the household. Prior authorization from DEHCR is required before committing these funds.

Guidelines for using CDBG Housing for Emergency Assistance:

1. Damage must be documented as caused by the disaster. Dates of the disaster must be documented. Photos and estimates must be available. DEHCR must approve all projects prior to commencement.
2. May only be used for rehab/repair of replacement of housing owned/occupied and/or rented by LMI households as their primary residence. Non-owner-occupied investment properties or second homes are ineligible for assistance.
3. Funds will be provided in the form of a grant to the household.
    a. Assistance in the amount of $5,001-$10,000 will be provided as a 5-year forgivable loan.
    b. Assistance in the amount of $10,001- $50,000 will be provided as a 10-year forgivable loan.

c. Replacement housing or assistance in excess of $50,000 will be provided as a 15-year forgivable loan.

d. Loan forgiveness will be prorated on an annual basis.

4. Prior to awarding CDBG assistance, applicants must apply for and utilize other assistance that may be available to them including homeowner and flood insurance. Duplication of benefits is not allowed and the applicant is required to sign a Duplicate of Benefits statement.
5. Actual damage estimates must exceed $5000 per property to be eligible for an emergency assistance loan. Damages to outbuildings and/or detached garages are not included as part of this estimate. Damages that do not exceed $5000 are eligible as a loan under the CDBG housing program. Inspection fees are not included in this threshold.
6. Funds may not be used to replace personal items; however, stoves and refrigerators used primarily for cooking and cooling are eligible costs if damaged by the disaster.
7. All remaining EAP guidelines apply as outlines in the CDBG Housing Implementation Manual

ACQUISITION AND RELOCATION

Whenever federal funds are used in a project involving the acquisition, rehabilitation or demolition of real property, a federal law known as the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) generally applies. The purpose of the URA is to justly compensate people who are displaced and must move from their homes, farms, or businesses or who relinquish ownership of a portion of their land due to a publicly assisted project.

All Units of General Local Government (UGLGs) in the State of Wisconsin receiving Community Development Block Grants (CDBG) funds or other federal funding for projects that involve property acquisition and potential displaced persons must comply with Federal and State requirements. Detailed information for acquisition and relocation requirements can be found at: Acquisition and Relocation Requirements.

Temporary Relocation

If a Grantee engages in any activity that requires a tenant or homeowner to be temporarily relocated (meaning that they will be returning to the housing unit after work is completed or safety violations repaired) or permanently removed from a property, CDBG funds **may** be used to pay relocation expenses. Grantees must develop a relocation plan. Homeowners are eligible for reimbursement of relocation related expenses.

For example, under some circumstances, it may be necessary to temporarily relocate homeowners or tenants when lead paint rehabilitation is being completed, or when a home has safety issues such as no heat. In this case, a hotel room or short-term rental should be provided during the duration the home is not safe for habitation. Prior to the relocation, the Grantee will provide a letter to the household specifying eligible costs such as:

1. Meals – The Grantee will use the state rate for meal allowances if displaced at a hotel without a kitchen facility (breakfast is not covered if the hotel offers). Grantees are encouraged to use rooms with kitchenette facilities.
2. Mileage – Additional mileage required due to temporary displacement. For instance, additional mileage to and from work or school.

3. Costs in lieu of hotel - A daily stipend of $20 a day may be offered as an alternative to hotel stay if the household stays with family or friends to cover such costs as additional electricity, water, and use of accommodations.

Permanent Relocation

Federal relocation requirements are specific about the types and amount of assistance that must be provided to someone displaced when federal funds are used to engage in housing activities. The Grantee must provide relocation benefits to anybody who is involuntarily displaced due to public acquisition by an agency with the power of eminent domain (Grantee) or anybody else carrying out a public project with CDBG funds. If this is to occur, a relocation plan must be submitted to DEHCR for approval. In most situations, compliance with State relocation regulations will satisfy federal relocation requirements since State benefits usually exceed federal benefits. The Grantee must establish and maintain a relocation file for each displaced household which will be monitored by DEHCR. Contact DEHCR if you have questions regarding relocation applicability and more information will be provided.

SUBORDINATION

The household may request the Grantee to subordinate the mortgage held by the CDBG program to refinance. Grantees should develop a subordination policy that will not jeopardize the Grantee's mortgage but will allow the homeowner to refinance when warranted.

DEHCR recommends that the Grantee subordinate in the following cases:

1. The monthly housing costs will be reduced;
2. To obtain a lower interest rate;
3. To prevent foreclosure action;
4. To finance additional rehabilitation on the primary residence;
5. Other exceptions may be made on a case-by-case basis with the permission of DEHCR.

DEHCR does not allow **any** "cash back" or "cash out" with subordinations. Exceptions may be requested under extenuating circumstances. Please contact DEHCR for guidance.

CONVERSION FROM HOMEOWNER TO RENTAL

The Grantee may allow a homeowner to convert their deferred payment loan to a 0% installment loan, provided they agree to rent to LMI tenants and to keep the rents affordable. Annual monitoring and documentation by the Grantee will be required to verify tenant LMI eligibility and ensure affordable rents.

EMERGENCY REHABILITATION PROGRAMS

CDBG funds may be used for emergency rehabilitation. An emergency is defined as a housing condition which represents an **imminent threat to health and safety,** for example, a furnace failure or septic system failure. The emergency must be documented in the file with a statement from a contractor or from the program building inspector detailing the emergency.

All CDBG requirements apply to the emergency rehabilitation program except:

1. Homeowners will not be required to have an HQS inspection performed on their property. The homeowner has the **option** of re-applying to the CDBG owner-occupied rehabilitation program at a later date to correct other deficiencies.

2. Homeowners will not be required to have equity in their property. In addition, liens, judgements, and unpaid taxes do not preclude a homeowner from receiving assistance as it relates to emergency situations.
3. Homeowners will not be required to obtain three bids.

The emergency loans must have the same terms as regular owner-occupied loans. Please note the emergency situations are not the same as urgent need (Emergency Assistance Program– EAP) grants. For more information refer to Chapter M.

LABOR STANDARDS

Federal labor standards (also known as "Davis-Bacon") may apply to your project. Coverage is determined by the number of units in the building, not by the number to be rehabilitated. In addition, mixed-use buildings may also be subject to this requirement. See the Common Questions Related to Labor Standards Section to determine if your project is subject to Labor Standards. If federal labor standards apply, then federal wage rates will have to be paid to employees.

Labor standards apply to all contracts for construction, alteration, or repair of a public building or public work financed in whole or in part from federal funds, except as noted below:

1. Residential rehabilitation in structures with fewer than eight units.
2. Contracts that are part of a project of less than $2,000 value.

Common Questions Related to Labor Standards

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

A: No.

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. 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.

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 that serve the entire building in this case.

We have a ten-unit apartment building where the owner wants to do the rehabilitation work himself. Is this subject to Davis-Bacon?

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/she hires someone to help him with any of the work, that person must be paid Davis-Bacon wages. If he/she 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.

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

A: Yes.

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 apply?

A: It depends on the number of apartments he/she 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.

We have an eight-unit apartment, but only four units need rehabilitation. Will this be covered?

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

Is a single-family dwelling containing a home occupation a mixed-use building?

A: 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 usable 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.

Our program includes purchasing vacant homes and duplexes and renovating them for resale. Will Davis-Bacon apply?

A: No, Davis-Bacon will not apply.

OTHER CONSIDERATIONS

There are a number of other factors to consider in the design and administration of the program, including:

1. Dwellings should not be rehabilitated if they are structurally unsound or if the combined total of all debt against the property (usually identified on the title report and with third-party verification) and the cost of rehabilitating the structure exceed 120% of the after-rehab FMV of the property.
2. For the purpose of the Program the term **"land sales contract"** refers to any transaction, regardless of the nomenclature, in which the purchaser obtains fee simple title to the property only by completing a series of installment payments over a period of years. In order for a purchaser under a land sales contract to be eligible for a housing rehabilitation loan, the following requirements must be met:
    a. The contract must be a written, legally binding, properly recorded instrument relating to the property to be rehabilitated.
    b. The seller of the property must hold fee simple title to the property and while the contract is in good standing, must be unable to use the property for collateral or to convey the property to any other party, unless such use for collateral or conveyance of fee simple title is subject to the contract.
    c. Under the contract, the seller and any subsequent holder of the fee simple title to the property must be obligated, without qualification, to deliver to the purchaser fee simple title and a deed to the property upon full payment of the contract price, or some lesser amount.
    d. Under the terms of the contract, the purchaser must have full use, possession and quiet enjoyment of the property; equitable title to the property; and full rights of redemption for a period of not less than 60 days.
    e. The purchaser must be legally able to mortgage, pledge or assign equitable title to the property to the Grantee, as required by the loan security provisions as set forth in this handbook. If, under the terms of the contract, the purchaser may only make such mortgage, pledge or assignment with the seller's consent, the purchaser must obtain such consent from the seller in a written and recordable form.
    f. The CDBG Mortgage and Note must be signed by both the land contract holder (current owner) and the purchaser. In the event the purchaser defaults on the land sales contract and is removed from the property or the land sales contract is terminated, the CDBG Mortgage and Note are due and payable in full; the CDBG Mortgage and Note are not transferrable.
2. Persons occupying a dwelling unit under a **life estate agreement** are eligible for a CDBG rehabilitation loan under the following conditions.
    a. The person(s) occupying the dwelling to receive CDBG rehabilitation must be LMI.
    b. The life estate agreement terms must be written, signed and recorded.

c. The owner(s) of the dwelling must agree, in writing, prior to the initiation of the rehabilitation, to repay the loan when the dwelling ceases to be the principal place of occupancy of the current occupant (life estate tenant).

d. The CDBG Mortgage and Note must specify that the mortgage is due in full when the life estate tenant no longer owns or occupies the property.

e. ALL parties of the life estate (occupants AND owners) must sign the mortgage and the note.

f. The CDBG loan is treated as an owner-occupied loan.

E. PROPERTY ELIGIBILITY AND PROGRAM REQUIREMENTS

This chapter provides general background on the property eligibility criteria, including eligible programs and eligible properties. While a range of programs is possible using CDBG funds, the Grantee may only operate the types of programs that have been included in the written contract agreement with the State. In the event of conflict between the language specified in the contract and this handbook or other supporting documents, the provisions in the contract shall take precedence. In general, to be eligible for a rehabilitation loan, a property must be located within the limits of the service area defined in the Grantee written contract agreement with the State.

MINIMUM GENERAL PROGRAM REQUIREMENTS

The following sections describe the minimum requirements a Grantee must use when designing a local CDBG Housing program. Written policies and procedures must be developed and approved by the local Housing Committee. In addition, the written Grant Agreement between the State and the Grantee must describe the general terms of the loans offered at the local level.

There are some general rules that apply across all CDBG Housing programs.

Loan Security

It is the Grantee's responsibility to ensure that CDBG housing loans are as secure as reasonably possible. At a minimum, this includes the following:

1. Document ownership of the property through, at a minimum, a letter report from an accredited title company.
2. Rehabilitation loans may not exceed 120% of after-rehabilitation equity in the property. All mortgages, liens or any other encumbrance of the property must be reviewed and considered to ensure that there is adequate equity in the property to cover the CDBG loan. A property may not be considered for rehabilitation if the mortgage(s), judgments, and liens, in addition to the rehabilitation cost exceed the property's equity (based on the 120% rule). If a homeowner feels the value of their property is understated, he or she may provide an appraisal or a market analysis of the property to be rehabbed, provided it is within six months of the date of application.
3. Require the borrower to sign a mortgage and note for the amount of the loan. All loan documents must be signed and properly recorded prior to any construction work beginning on the property.
4. Record the mortgage immediately after the mortgage and contract documents have been signed and the three-day rescission waiting period has expired.
5. Any project amount that exceeds $50,000 requires **written approval** from DEHCR Program Manager, prior to commencing the project. A detailed description of the project must be submitted to the Program Manager for consideration, including a description of the financial considerations (equity calculation), bid, photos, tests performed, HQS and work specifications necessary in order for DEHCR review to take place.
6. Property taxes **must be paid up to date** before any rehabilitation work can begin.

Environmental Review

An environmental review process completed for a property must be considered as part of the eligibility process. Each project file must contain a properly completed Statutory Checklist. If the age of the structure is not known, it must be assumed to be over 50 years old. Please refer to the link below to the Environmental Review Manual, which is also located on DOA website.

Environmental Review Manual

Property Insurance

Contact the borrower's property insurance company to verify adequate insurance and that the Grantee is listed as a mortgage holder of the property (obtain Certificate of Insurance to document this). The property owner must have adequate insurance coverage to cover the proposed improvements after rehabilitation.

In order to facilitate a CDBG rehabilitation loan, CDBG funds may be used to purchase one-year of property insurance; CDBG funds that are given as a grant in their entirety are not eligible. The cost of the insurance will become part of the property owner's loan and is for one time only and not on-going. CDBG funds may also be used to purchase one-year of floodplain insurance if required.

No CDBG funds may be used to pay for the cost of property taxes.

REQUIREMENTS FOR ALL TYPES OF LOANS:

- ✓ The applicant must be the property owner of record.
- ✓ Considering all mortgages, liens, and any other encumbrances on the property, the after-rehab loan to value ratio cannot exceed 120%.
- ✓ Homeowner must have adequate property insurance coverage.
- ✓ Homeowner must sign mortgage and note to secure loans.
- ✓ Environmental review must be completed for assisted property when required.
- ✓ Loans greater than $50,000 require prior written approval from DOA/DEHCR staff.

F. INSPECTION AND BIDDING

In order to determine the scope of rehabilitation work, an initial inspection and evaluation of the property must be done utilizing the Housing Quality Standard (HQS) form and a final HQS inspection is completed after all the work is finished. In addition, inspections should be conducted as needed during the rehabilitation construction to make sure that all work is performed according to work specifications.

The quality and success of the housing program depends on the quality and experience of the people implementing the program and the capacity and ability of local contractors.

INITIAL INSPECTION

All rehabilitation programs must use the Section 8 Housing Quality Standard (HQS) form to document the initial inspection. An initial inspection of the property must be conducted to determine the type and cost of work necessary to address health and safety issues. The work that will be required to correct these issues is conveyed to the homeowner and bidding contractors in a written form. Eligible repairs are not limited to health and safety issues; refer to page 37, under "Eligible Activities" and "Ineligible Activities" for further detail. CDBG projects **ARE NOT** required to meet HQS. Work specifications along with the cost estimates must be documented in the project file prior to bidding.

- ✓ Inspections should identify all health and safety issues.
- ✓ To ensure competitive bidding, project specifications must list the quality or grade and type of materials to be used for the project.
- ✓ Administrators may not specify brand names when preparing project specifications.

The inspector should specify actions needed to remedy all deficiencies found during initial inspection utilizing the HQS inspection form. In addition, the following items (but not limited to), must also be included in the inspection and corrected.

1. Properly located and working smoke and carbon monoxide detectors;
2. Identification of all chipping and peeling paint in a pre-1978 property (regardless of children present);
3. Ground Fault Circuit Interrupters (GFCI) within six feet of a water source including by a washing machine;
4. Installation or repair on handrails for a section of four or more steps;

Once the work write-up has been prepared, the cost of the work must be estimated. The cost estimate is necessary to know whether the work can be done within the program requirements. The cost estimate serves as a basis for determining if the bid or bids for the rehabilitation work are reasonable.

The inspector preparing cost estimates should be familiar with rates for materials and labor in the area and be able to accurately estimate the time required to complete each task. Good, reliable cost estimates are critical. This practice may protect the Grantee from contractors underbidding only to add charges after award.

Lead hazard reduction costs must be clearly identified as a part of the total rehabilitation costs and must be documented in the project file.

Adjustments should be made to the work write-up prior to requesting bids. This includes the possible necessity of reducing the work to address health and safety issues only if the property's equity does not allow for all rehabilitation.

All contractors bidding on rehabilitation projects should be provided with general specifications for acceptable materials and work standards.

The Grant Administrator must obtain approval (signature) of the final work specifications and estimates from the homeowner ***before*** the bidding process begins. This is not necessary in the case of emergency loans

INTERIM AND FINAL INSPECTIONS

A thorough inspection of the work must be completed prior to authorizing the payment of funds for the rehabilitation work. The Grantee is responsible for determining the number of payments per project. Each payment request must be accompanied with a copy of the interim/final evaluation report. The report must list items installed and due for payment. **The initial and final inspection reports must include a line specifically noting the condition of the paint on all impact, friction, and accessible surfaces, as well as the presence of smoke and carbon monoxide detectors.**

The evaluation/inspection fees will be paid out of the project budget with the exception of projects that are not funded.

No payments may be made to a contractor without completion of an interim inspection that documents work that has been completed and for which reimbursement has been requested by the contractor.

ELIGIBLE ACTIVITIES

Eligible activities include any repairs necessary to ensure that health and safety issues are addressed based on an HQS Inspection/Evaluation of property. Activities to make the home energy efficient, repair or replace equipment or components that are nearing the end of their useful life or are beginning to deteriorate, and accommodations for accessibility are also eligible. The HQS inspection must clearly state the reason the item is being replaced or repaired. **Upon completion of the work (emergency and/or non-emergency), all units must have an adequate number of functioning, properly placed smoke and carbon monoxide detectors and must be documented in the project file**.

INELIGIBLE WORK

Work not allowed by CDBG federal program requirements, includes:

1. CDBG funds may not be used to pay for the same work twice. There are exceptions; please contact your DEHCR representative for guidance.
2. Repairs to unoccupied buildings (unless rental property).
3. Repairs to any outbuildings.
4. Repairs to detached garages, except where the building poses a lead-based paint hazard or is unstable and is an imminent threat of collapse. Detached garages that pose other health and safety issues may also be addressed; prior authorization from DEHCR is required.
5. New construction, expansion of the size of the structure, the rehabilitation of uninhabited space, or the finishing of unfinished spaces, except as required to eliminate overcrowding of bedrooms (per Housing Code), to floodproof the home, or for handicap accessibility.
6. Repairs or replacement of items for cosmetic purposes.

7. CDBG funds may NOT be used to reimburse property owners for work which has been contracted for or completed prior to the property owner signing agreements with the Grantee except for emergency projects.
8. CDBG funds may not be used for the labor costs of any household member, of any non-insured person/contractor, of any non-licensed person/contractor, or of any person/contractor that does not submit a bid.
9. Rehabilitation work that was completed and not submitted for environmental review but would otherwise have required additional Environmental Review Record compliance, will be identified as "ineligible" and the funds will be reimbursed to the program by the Grantee.
10. Materials, fixtures, equipment or landscaping of a type or quality which exceeds that customarily used in properties of the same general type as the property to be rehabilitated.
11. Purchase, installation or repair of furnishings, and appliances (except for a refrigerator to properly cool food and/or a stove to properly heat food).
12. Automatic garage door opener unless required for handicapped accessibility documented by a written medical recommendation in the project file.
13. Performing rehabilitation work on a business is generally not an eligible expense through the CDBG Housing Program. If a business resides in or is attached to the homeowner's house, contact the DEHCR for further guidance.
14. Outdoor decks can be replaced as reasonably necessary to address health and safety issues, with a maximum amount of 12x12 square foot deck unless otherwise required by code.

WORK BY APPLICANT

Homeowners (including landlords and other occupants) are **not** allowed to complete any rehabilitation or renovation activities on their property while a CDBG-funded rehabilitation project is underway.

In the event an applicant wants to take on their home repairs, the program may pay for materials but not labor. The applicant must demonstrate to the satisfaction of the Administrator that they are able to complete the work in a timely fashion. If accepted, the applicant will sign **the Borrower Labor Agreement.**

The Borrower-Labor Agreement MUST include:

1. An itemized list of the necessary materials for the repair. The list must include product name(s), store of purchase, and cost of each item necessary for the repair. Payments to the homeowner will be made after the work is completed and inspected.
2. Identification of all paint hazards.
3. A clear statement that no untrained persons can be within ten (10) feet of the work site until it has passed clearance for lead-based paint.
4. A Breach of Condition Clause that immediately terminates the Borrower-Labor Agreement if lead paint is present and:
    a. Any untrained persons are within ten(10) feet of the work site;
    b. Any applicable permits or lead-safe work practices are violated;
5. A statement that if the Borrower-Labor Agreement is terminated:

a. All work must cease immediately upon notification.

WORK PERFORMANCE

All work is performed in accordance with, "A Working Guide to Lead-Based Paint Regulations in Wisconsin." All work will be performed in accordance with local municipal housing codes and other standards of acceptable performance.

In all pre-1978 units where the rehabilitation activities will disturb painted surfaces, all workers must be trained in lead-safe work practices (eight-hour training by an accredited instructor) in accordance with the U.S. Department of Housing and Urban Development's Lead Safe Housing Rule at 24 CFR Part 35, Subparts B through M. The rehabilitation must be designed to prevent lead dust from being disbursed to other areas of the unit.

In any unit where rehabilitation activities will remove a product suspected to contain asbestos the work must comply with state and federal asbestos removal requirements. Please refer to the Department of Health Services (DHS) website for more information at the following link: (https://www.dhs.wisconsin.gov/asbestos/index.htm).

Only contractors certified by DHS may remove asbestos-containing products. The rehabilitation will be designed to limit release of asbestos fibers and ensure disposal in an approved landfill.

BIDDING

The Grantee must establish clear and consistent policies and procedures on the procurement of private contractors by the grantee, sub-recipients, and program administrators. Procurement procedures must consider the federal and state requirements as discussed in this section but also must be in compliance with any procurement policies in place at the local level. Competitive bidding provides the framework for this process. Based on the work write-ups, an attempt to secure a minimum of three bids from eligible contractors must be documented in the file. DEHCR recommends homeowners use the Homeowner Bid Tracking form to ensure the attempts are documented in the file. Emergency projects are excepted from this requirement.

The Administrator or homeowner shall mail and/or email bids to the contractors selected by the homeowner. **The Grantee/Administrator may not recommend any contractors to the homeowner**.

Written bids may be submitted to and accepted by the Grantee/Administrator via email, fax, in person, or mail.

The Administrator must provide the homeowner with copies of all bids prior to selection.

Each project file must contain a separate authorization form, signed by the homeowner, identifying the selected bid(s). The signature of the homeowner on the rehabilitation contract is **not** considered to be approval of the selected bid.

The lowest, reasonable, and most responsible bid is normally the awarded bid; however, the homeowner may select a bid within 10% of the lowest, reasonable and most responsible bid, with the 10% difference being an allowable CDBG cost. If the homeowner decides to choose a bid outside of that 10% difference, they can finance the difference in escrow. Some localities have added language to their local policy manual that the contractor cannot be awarded to the low bidder if that contractor has a backlog of incomplete rehabilitation jobs.

Additionally, the Grantee may consider bids below 20% of the cost estimate non-reasonable and/or non-responsive. This may protect the Grantee from contractors underbidding only to add charges later (change order) after the contract has been awarded.

When a Grantee undertakes a construction project (e.g., neighborhood improvements, public facility) utilizing CDBG dollars, the following state statutes regarding procurement apply s. 66.29, Wis. Stats., and if a county, s. 59.52; if a town, s. 60.47; if a village, s. 61.54-61.56; and, if a city, s. 62.15. Please see Chapter H of this manual for more information.

CONTRACTOR VERIFICATION

Federal requirements preclude hiring contractors that have been debarred. Contractors must also carry appropriate insurance, as defined in this manual and by local procurement requirements. Contractors and subcontractors must also have the appropriate licenses or certifications for the work to be performed. The bidding packet provided to contractors must include a complete contractor verification application. The Administrator must verify and document in the project file the following:

1. Contractor's debarment status. Grantee must verify all contractors through System for Award Management Refer to the System for Award Management (SAM) website - https://www.sam.gov/SAM/pages/public/searchRecords/search.jsf.
2. Contractor's Liability Insurance ($300,000 bodily injury and $100,000 property damage coverage). The Insurance coverage must be verified at the time of bidding.
3. Contractor's lead-based paint and/or asbestos certification(s).
4. Contractor's worker's compensation policy, if applicable.[1]
5. Minority Business Enterprise / Women Business Enterprise (MBE/WBE).
6. Section 3 Economic Opportunities.

The same verification **must** be performed and documented for all work done by the sub-contractors.

It is expected that contractors meet worker compensation requirements. If the company bidding on the project believes that it is exempt from Worker's Compensation requirements (based on s. 102.07(8) Wisconsin Statute), the contractor must present that information to the Program Administrator.

CHANGE ORDERS

In the event the rehabilitation contract needs to be adjusted from the amount originally approved, the Administrator will complete a change order approval form. This form must be signed by all parties: administrator, contractor, and homeowner before an adjustment is executed.

Generally, change orders should not be accepted unless they are due to conditions that the inspector and/or contractor could not have seen or anticipated, for example; the condition of additional decking related to roof replacement job or areas of drywall not visible behind the tub.

G. LEAD BASED PAINT AND ASBESTOS

Both asbestos and lead-based paint (LBP) may cause adverse effects on human health. It is important to follow the protocol when disturbing materials containing LBP and Asbestos. Various federal and state agencies are involved in compliance activities related to hazardous activities, for example, a contractor working on the CDBG Housing project must follow both state and federal regulations. Program Administrators and Inspectors are responsible for making sure contractors are informed of applicable regulations. Inspectors must follow through with appropriate inspection to make sure the contractors follow their requirements.

ASBESTOS

Asbestos is a mineral fiber that was commonly added to products to strengthen them, and to provide heat insulation and fire resistance. Asbestos is commonly found in older homes where it was used for pipe and furnace insulation, asbestos shingles, millboard and Transite siding, floor tiles, and a variety of other coating materials. The only way to determine whether a material is asbestos (containing more than 1% asbestos by volume) is through Polarized Light Microscopy.

Asbestos testing is an eligible CDBG expense and should be taken from the rehabilitation project funds; these costs may be granted to the applicant or charged to their mortgage.

The handling of asbestos-containing materials is regulated by the Environmental Protection Agency (EPA) under the National Emissions Standards for Hazardous Air Pollutants (NESHAP), 40 CFR Part 61, and the Occupational Safety and Health Administration (OSHA) under regulations delineated in 29CFR 1926.1101.

In Wisconsin, the Department of Natural Resources (DNR) enforces the control of asbestos emissions through chapter NR447 Wisconsin Administrative Code. The Wisconsin Department of Health Services (DHS) requires and enforces training and certification of individuals involved in asbestos-related activities through chapter DHS159, Wisconsin Administrative Code.

All rehabilitation that is done in whole or part with CDBG funds must comply with state and federal asbestos removal requirements.

1. Leave undamaged asbestos in place. Asbestos should only be removed when it is friable (which means that it can be crumbled to a powder by hand pressure) or when it will be disturbed by building rehabilitation or demolition.
2. Removal of asbestos-containing material can only be legally performed by contractors certified by DHS.
3. Regulations regarding disposal in an approved landfill must be followed. Disposal is regulated by DNR, Bureau of Solid Waste Management.

DHS regulations regarding certification and training accreditation of workers are applicable. If a contractor is removing or disturbing asbestos-containing materials, he/she must be certified and provide a notification prior to the start of a project to DHS or DNR.

Only glass, wood, metal and fiberglass do not contain asbestos. Any other materials which will be disturbed or has the potential to be disturbed as a result of renovation activities must be presumed and treated as Asbestos Containing Material (ACM).

For more information, please review the following web resources:

Wisconsin Department of Natural Resources: Demolition, Construction, and Renovation

Wisconsin Department of Health Services Asbestos Program

LEAD-BASED PAINT (LBP)

Any housing unit rehabilitated in whole or part with CDBG funds must comply with the lead-based paint requirements in Title X of the Housing and Community Development Act of 1992, as amended, Section 1012 of the Residential Lead-Based Paint Hazard Reduction Act of 1992 (Title X Subpart J), DHS 163, and 24 CFR 35.

All contracts for housing rehabilitation and/or housing development must prohibit the introduction of lead-based paint

Lead-based paint (LBP) hazards include:

1. Deteriorated LBP: any interior or exterior LBP that is peeling, chipping, chalking, or cracking, or located on any surface or fixture that is damaged or deteriorated;
2. LBP on a friction surface: an interior or exterior surface subject to abrasion or friction, such as painted floors and friction surfaces on windows;
3. LBP on an impact surface: an interior or exterior surface subject to damage by repeated impacts, such as parts of door frames;
4. LBP on an accessible surface: an interior or exterior surface accessible for a young child to mouth or chew, such as a windowsill, or door frame;
5. Lead-contaminated dust: surface dust in residential dwellings that contains an area or mass concentration of lead in excess of current federal guidelines;
6. Lead-contaminated soil: bare soil on residential property that contains lead (often from chipping and peeling exterior paint) in excess of current federal guidelines;

All OCCUPANTS of housing units built prior to 1978 (regardless of work to be performed) must be notified of the hazards of lead-based paint, of the symptoms and treatment of lead-based paint poisoning, of the need to identify lead-based paint hazards through environmental inspection and blood lead tests, and of the importance and availability of maintenance and removal techniques to eliminate such hazards. The Environmental Protection Agency e has the required pamphlet, Protect Your Family from Lead in Your Home, as well as other good information to increase awareness about the continuing problem of lead-based paint poisoning.

All occupants of units built before 1978 must be notified of the importance of monitoring and continual maintenance unless the lead-based paint has been permanently removed.

All units built prior to 1978 must be inspected for deteriorated paint. If there is deteriorated paint, this condition MUST be reflected on the HQS inspection form. All deteriorated paint must be addressed by the rehabilitation activities.

All federal and state laws must be followed when completing rehabilitation work where lead-based paint is known or presumed to be present. All inspection forms, the Risk Assessment, or if there is none, the Presumption Notice, must be given to the occupants.

Lead Based Paint (LBP) Process

1. Upon receipt of the application, determine the age of the home. In 1978, federal regulations effectively banned the use of lead in residential paint. Any home built pre-1978 must be assumed to contain lead.
2. Provide occupants with the pamphlet, **Protect Your Family from Lead in Your Home**. Receipt of the pamphlet must be documented.
3. Contractors are required to distribute the **Renovate Right** brochure to the occupants prior to project execution. The contractor must document the homeowner received this brochure. The program administrator may want to secure a copy of the signature page the contractor received to document the homeowner received this brochure.
4. Children under the age of six (6) may not be required to be tested for elevated levels of lead in their blood as a requirement to receive the CDBG loan. It is STRONGLY urged that such testing take place prior to the initiation of rehabilitation that addresses deteriorated paint or that will disturb a painted surface in a pre-1978 unit.
5. During the initial inspection, the condition of painted or varnished surfaces must be noted and the existence of assumed lead-based paint hazards must be evaluated. A Risk Assessment or the Presumption of the Presence of Lead-Based Paint must be completed. *The HQS inspection report must be thorough and identify all deteriorated paint in the home, inside and out. Failure to do so may jeopardize the ability of the contractor to achieve project clearance.*
6. Write the bid specifications, making sure to identify deteriorated paint that must be corrected or work items that will break a painted surface. *Lead Clearance is **REQUIRED** if a project has tested positive or is presumed to contain lead.*
7. Estimate the project cost:
    a. If the estimated cost exceeds $25,000 in a pre-1978 home (regardless of work to be performed), any hazards identified on the risk assessment that were NOT identified in the HQS Inspection, MUST be abated with a certified lead abatement company. If all hazards were identified on the HQS Inspection, then paint/varnish disturbing work can be performed by 8-hour trained lead safe renovators. ALL rehab performed on a pre-1978 home that disturbs painted/varnished surfaces **REQUIRE** a Lead Clearance test. Lead Risk Assessments and Lead Clearance testing costs are eligible CDBG expenses to be taken from the rehabilitation project funds but NOT charged to the homeowner's mortgage. The Risk Assessment and Clearance testing fees may also be included in the administrative costs.
    b. Clarify in work specifications what must be done with lead safe renovators vs. lead abatement company.
    c. When conducting lead safe renovations –
        i. Everyone on the job site must complete the 8-hour trained by an approved State of Wisconsin training provider - OR - one supervisor must be a Certified Lead Abatement Supervisor and the workers must obtain on-the-job training in lead-safe work practices.
        ii. One Lead Safe Renovator or Lead Abatement Supervisor must be Wisconsin certified.

iii. Lead Safe Company must be Wisconsin certified.

d. When conducting lead abatement –

i. Everyone on the job site must be a certified Lead Abatement Worker or Lead Abatement Supervisor.

ii. Lead Company must be Wisconsin certified.

Interim Control can be performed by a Lead Safe Renovator.

1. Determine whether the household should be temporarily relocated during the rehabilitation. The trained contractor being used to do the lead-based paint related work must develop an occupancy protection plan for the project. Depending on the nature of the rehabilitation project, the occupants may need to be temporarily relocated from the unit. The cost of the temporary relocation is an eligible CDBG project expense but IS NOT an expense to be included in the loan to the property owner.
2. Make sure the CDBG contract includes language which will ensure that the contractor is responsible for cleaning the unit so that it will pass clearance when all work is done, and before payment is made. The contract should also contain language that requires the contractor to document receipt by the property owner of the **Renovate Right** pamphlet.
3. Make frequent site visits to ensure compliance by all contractors of the lead-safe work rules.
4. Arrange for Clearance Testing, both visual and sampling. The CDBG program will pay for the first clearance test. If the clearance test fails, the contractor is responsible for the cost of any subsequent cleaning and clearance testing. Final payment may not be issued to the contractor until the lead clearance test passes.

Lead-based paint web resources:

HUD Office of Lead Hazard Control and Healthy Homes

Wisconsin Department of Health Services

Environmental Protection Agency

H. PROCUREMENT & CONTRACTING

Units of General Local Government (UGLGs) must comply with all applicable federal, state and local procurement and contracting regulations and policies for the Community Development Block Grant (CDBG) project. Conflict of interest provisions within the Code of Federal Regulations must be addressed as part of procurement and contracting processes. The following chapter applies to UGLGs, sub-recipients and program administrators. **Procurement does not apply to program beneficiaries (property owners) that select contractors for their projects.**

LOCAL PROCUREMENT POLICY

The Division of Energy, Housing and Community Resources (DEHCR) requires all UGLGs to adopt written procurement/purchasing procedures **prior** to the *Grant Agreement* being executed for the CDBG monies. An UGLG must use procurement/purchasing procedures that are in conformance with federal, state and local laws and regulations. Federal regulations and standards are identified in 24 CFR 85, which sets forth the standards that are applicable to procurement for federal grants, cooperative agreements, and sub-awards to state, local, and Indian tribal governments. State and federal CDBG procurement and guidance are provided in the chapter and are published on the State of Wisconsin VendorNet System

The UGLG must have written selection procedures for adequate procurement and contracting to ensure that:

1. The purchase of unnecessary or duplicate items is avoided. Where appropriate, an analysis should be made of lease vs. purchase alternatives [24 CFR 85.36(b)(4)];
2. Whenever possible, use of federal excess and surplus property, or of intergovernmental agreements for procurement or use of common goods and services should be considered as a way to foster greater economy and efficiency [24 CFR 85.36(b)(5) and (6)];
3. All purchase orders (and contracts) are signed by the UGLG's authorized official(s);
4. Items delivered and paid for are consistent with the purchase order and/or contract for the goods or services;
5. Timely payment to vendors occurs when the order is delivered, inspected, accepted and payment is authorized;
6. ***A cost or price analysis is performed for every procurement action***, with contract modifications, and documentation to that effect is maintained in the UGLG's files. The method and degree of analysis is dependent on the facts surrounding the particular procurement method, but as a starting point, ***the UGLG must make independent estimates before receiving bids or proposals [24 CFR 85.36(f)]***; and
7. Profit or fee is negotiated separately from price where competition is lacking, or a cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of sub-contracting, the quality of past performance, and industry rates for the area [24 CFR 85.36(f)(2)].

When the UGLG is using CDBG funds to cover the costs for a CDBG project purchase or contract, the UGLG must comply with its local procurement/purchasing policy *and* state and federal CDBG procurement/purchasing requirements summarized in this chapter; following the most restrictive of the three when there are differences. When not using CDBG funds to cover the costs for a CDBG project purchase or contract, then the UGLG must comply with its local procurement/purchasing policy.

See Attachments 3-A1 and 3-A2 for sample procurement/purchasing policies.

INITIAL PROCUREMENT DECISIONS

Questions to consider when determining the procurement requirements that apply for each CDBG project activity include:

1. Will a third party be selected to perform all or part of the CDBG project activity, using some method of procurement, or will the work be performed in-house by municipal employees (either the UGLG's own employees or through a cooperative agreement with a partnering UGLG or other governmental entity)?
    - If the work will be performed in-house by municipal employees or a regional planning commission, then no procurement process is required to be completed.
    - If contracting with a third party, then some or all federal, state and local procurement requirements will apply.
2. Will the contract be for construction, professional services (e.g., engineering, grant administration, planning, auditing, legal, etc.), or some other non-construction related work/purchase (e.g., equipment, supplies, etc.), and will CDBG funds be used to fund all or part of the contract?
    - If the contract is a construction contract, competitive procurement, * with adherence to federal, state, and local procurement regulations and policies, is required. Refer to the procurement options summarized later in this chapter to determine which option is most appropriate based on the anticipated amount of the construction contract.
    - If the contract is a professional services contract or other non-construction contract and CDBG funds are not funding any part of the contract, then the UGLG must ensure compliance with its local procurement policy.
    - If CDBG funds are funding all or part of the professional services contract or other non-construction contract, and the contract is *not* with another governmental entity and *not* with a quasi-governmental entity (e.g., Wisconsin Regional Planning Commissions and certain non-profit publicly/government-funded Economic Development Organizations), then the UGLG must ensure compliance with federal, state, and local procurement regulations and policies. Federal regulations require that professional services and other non-construction work/purchases funded with CDBG monies generally must be competitively procured. * Refer to the procurement options summarized later in this chapter to determine which option is most appropriate based on the type of professional services contract or other non-construction contract.

**Other exceptions for federal competitive procurement requirements are noted under the sole source procurement option summarized later in this chapter*

CONFLICT OF INTEREST

Applicability

The conflict-of-interest provision applies to any individual who is an employee, agent, consultant, officer, or elected official or appointed official of the state, or of an UGLG, or of any designated public agencies, or sub-recipients. Except for eligible administrative or personnel costs, the general rule for those individuals described above (who exercise or have exercised any functions or responsibilities with respect to CDBG activities and who are in a position to participate in a decision-making process or gain inside information with regard to such activities) is that they **may not**:

- Obtain a financial interest or benefit from the activity;
- Have an interest or benefit from the activity; nor
- Have an interest in any contract, subcontract, or agreement with respect thereto, or the proceeds thereunder.

This rule also applies during their tenure or for one year thereafter to themselves and to those individuals with whom there is a family or business tie, with "family" intended to mean immediate family. The definition of an "immediate family member" is defined differently within the state statutes than the federal regulations, with the federal definitions being broader. Under federal HUD definition, and "immediate family member" includes" … (weather by blood, marriage or adoption) the spouse, parent (including stepparent), child (including stepchild), brother, sister (including stepbrother or stepsister), grandparent, grandchild, and in-laws of a covered person".

IMPORTANT NOTE!

The UGLG's Chief Elected Official may not receive a CDBG loan or any financial interest from the CDBG activity.

To determine if there are any potential conflicts of interest, the UGLG should gather the above information at the point of bid submittal (for construction contracts), proposal submittal (for professional services contracts) or property identification (acquisition/relocation). Potential contractors or sellers should be asked to disclose family or business ties to persons involved with the CDBG project that may be potential conflicts of interest. The *Potential Conflict of Interest Disclosure* form (Attachment 3-B) may be used as a template for preparing a disclosure form. The *24 CFR 570.489(h) Conflict of Interest Clause* (Attachment 3-C*)* must be included in all bid packets for construction contracts.

Conflict of Interest Reviews and Exceptions/Waivers

An exception/waiver to the federal conflict of interest provisions may be requested by the UGLG and requires DEHCR approval, and may require HUD approval, depending on the nature of the conflict of interest. Contact the assigned DEHCR Project Representative for further guidance on submitting a request for such exception/waiver. Prior to submitting an exception/waiver request, public disclosure of

the potential conflict must be made. A legal opinion must be obtained from the corporate or municipal counsel stating that the interest for which the exemption is sought would not violate state or local law.

The following steps may be used to identify and review potential conflicts of interest, and request an exception/waiver to the federal conflict of interest provisions, if determined necessary, **prior to awarding a contract to the contractor for which the potential conflict of interest has been disclosed**:

1. Review the contractor's potential conflict of interest disclosure (which may be on the *Potential Conflict of Interest Disclosure* form (Attachment 3-B- must be customized by the UGLG for use) or similar document provided by the UGLG to potential responders or confirmed responders of the procurement solicitation for the contract. The UGLG's form should have the "covered person" from the UGLG associated with the CDBG project listed, such as the UGLG's officials and employees involved with the project, and other persons from other entities/organizations also associated with eh project who had or will have a role int eh procurement solicitation, contract award, reviewing or approving payment request, and contractor oversite and compliance monitoring for the CDBG project.
2. Identify "covered persons" in relation to the conflict-of-interest restrictions for the CDBG program;
3. Consult legal counsel as needed prior to taking the steps below. This is highly recommended to ensure state and local laws are followed for the potential conflict of interest disclosure and review process as listed below. Not that a written opinion from legal counsel will be required and must be submitted to DEHCR, as specified in #11 below.
4. Inform the company/firm(s) and persons for whom a potential conflict of interest has been identified and that their name will be disclosed at the local Board/Council/Committee meeting;
5. Add "disclosure of potential conflicts of interest" as a discussion item on the Board/Council/Committee meeting agenda and make the agenda available to the public. The meeting must be open to the public, with proper public notice of the meeting given, following the UGLG's local policy/procedure and applicable state laws for giving notice for the UGLG's meetings. Review the potential conflict of interest at the public meeting.
6. Adhere to the UGLG's applicable local policies (e.g., ethics and conflict of interest policies related to decision-making, voting, procurement and contracting) in reviewing all potential conflicts of interest;
7. If a contractor has been identified as having a potential conflict of interest, disclose the name of the person and company/firm, and the nature of the potential conflict of interest (family or business tie[s]) applicable to the project at the public meeting;
8. Ask all in attendance at the public meeting if there are any objections to awarding the contract to the contractor in question, with the objective being to review the potential conflict of interest publicly and determine if there are any objections to awarding the contract;
9. The UGLG's legal counsel must provide a letter of opinion certifying that the UGLG's contracting with the entity or person identified as having the potential conflict(s) would not violate state or local law. Refer to the federal regulations [24 CFR 570.489(h)] for guidance on the requirements to request for a waiver to the conflict of interest (Attachment 3-C);
10. Include the disclosure and review of the conflict of interest and "covered persons" discussed in the meeting minutes. Make the meeting minutes public through posting the minutes in

accordance with local policy for public meetings, through physical postings in prominent/visible locations in the community, on the UGLG's website, and/or publishing in the local newspaper, etc. (following local policy).

11. The UGLG must obtain and submit to DEHCR a letter or email from legal counsel specifically stating that it is their legal opinion that the interest for which the conflict-of-interest exemption is sough and awarding the contract would not violate state or local law. Refer to the federal regulations [24 CFR 570.489(h)] for guidance on the requirements to request for a waiver to the conflict of interest (Attachment 3-C);
12. If the UGLG's determination after reviewing the potential conflict of interest and the legal opinion is that no conflict of interest exists, then the UGLG is to submit to DEHCR:
    - a summary on municipal letterhead signed by the chief elected official summarizing the UGLG's review, determination, and basis of the determination regarding the potential conflict of interest;
    - the legal opinion letter from the UGLG's legal counsel certifying that the UGLG's contracting with the entity or person identified as having the potential conflict(s) would not violate state or local law;
    - proof of proper notice of the public meeting in which the potential conflict of interest will be publicly disclosed and discussed;
    - the agenda and minutes of the public board/council/committee meeting in which the potential conflict of interest was disclosed and reviewed;
    - proof of public sharing of the meeting proceedings (e.g., proof of public posting(s) [at public locations and/or the UGLG's website] and/or newspaper publication(s)) of the meeting minutes).
13. DEHCR will review the documentation submitted by the UGLG for the potential conflict of interest review and make a determination of whether the Division concurs with or disagrees with the UGLG's determination.
14. If the UGLG's determination *or* the legal opinion *or* DEHCR's opinion after reviewing the potential conflict of interest is that a conflict of interest *does* exist, then the UGLG cannot award the contract without a waiver. The UGLG may request a waiver to the federal conflict of interest provisions to award the contract by submitting it to DEHCR:
    - a request on municipal letterhead signed by the chief elected official requesting a waiver to the federal conflict of interest provisions, with a summary of the UGLG's review and determination regarding the conflict of interest, and the justification or basis on which the waiver should be allowed, citing all applicable factors for to be considered from the list provided in the federal regulations [24 CFR 570.489(h)(5)] (Attachment 3-C: *Conflict of Interest Clause*).
    - the legal opinion letter from the UGLG's legal counsel certifying that the UGLG's contracting with the entity or person identified as having the conflict(s) would not violate state or local law;
    - proof of proper notice of the meeting in which the potential conflict of interest will be publicly disclosed and discussed;

- the agenda and minutes of the board/council/committee meeting in which the conflict of interest was disclosed and reviewed; and
- proof of public sharing of the meeting proceedings (e.g., proof of public posting(s) of the meeting minutes.

15. The UGLG should avoid signing the contract(s) in question until an exception/waiver decision has been issued by DEHCR (and HUD if applicable).

Please become familiar with the conflict-of-interest language included in the Code of Federal Regulations before undertaking any projects paid for with CDBG funds. For more information, please refer to the *24 CFR 570.489(h) Conflict of Interest Clause* (Attachment 3-C) provided in this chapter. This *Clause* must be inserted into all contracts for the CDBG project.

IN-HOUSE WORK (BY MUNICIPAL EMPLOYEES)

Officials of the UGLG who are acting in their official capacity are considered in-house and are eligible to be compensated for CDBG-related duties if certain conditions are met. For example, if the City Council has officially designated an attorney as City Attorney or an engineer as City Engineer, the individual or firm so designated becomes an official of the city. As an official of the city performing CDBG related duties, his/her legal or engineering service charges are eligible program costs to the extent that:

- They are reasonable for the services provided;
- They follow an appointment made in accordance with state and local laws; and
- The amount of compensation charged to the program will be based on payrolls documented and provided upon request in accordance with generally accepted practices of state and local governments, such as time sheets and other payroll records.

DEHCR will disallow costs for UGLGs that abuse these in-house provisions. For instance, appointments of City Engineers must not be made for the purpose of selecting an engineer to work on an anticipated CDBG project. The UGLG must show evidence that they have a history of appointment unrelated to any current or anticipated CDBG project.

PROCUREMENT AND CONTRACTING GENERAL PROVISIONS

The federal standards for procurement and contracting are intended to ensure that supplies, equipment, construction, and other services are:

- Obtained as efficiently and economically as possible; and
- Procured in a manner that provides, to the maximum extent practical, open, and free competition.

Contract solicitations for goods and/or services must explain all requirements the bidder/offeror must meet for his or her bid/offer to be evaluated by the UGLG. Each solicitation must be based on a clear and accurate description of the material, product, or service to be procured and cannot contain features which unduly restrict competition.

Some of the situations considered to be restrictive of competition include, but are not limited to:

- Placing unreasonable qualifying requirements on firms;
- Requiring unnecessary experience or excessive bonding;

- Specifying only brand name products, instead of allowing an equal product;
- Non-competitive pricing practices between firms or affiliated companies; and
- Non-competitive awards to consultants on retainer contracts.

  **Non-competitive awards to professional services contractors may be allowed when no CDBG funds will be applied to the costs, subject to compliance with the UGLG's local procurement policy, or when Sole Source requirements listed later in this chapter are met. However, competitive procurement for all contracting is recommended, even when not required.*

Awards are to be made to the bidder/offeror whose bid/offer is responsive to the solicitation and is most advantageous to the UGLG, price and other factors considered, as permitted for the method of procurement being applied. Any and all bids/offers may be rejected when it is in the UGLG's interest to do so. The UGLG must ensure that contracts are awarded only to responsible contractors possessing the ability to perform successfully under the terms and conditions of the proposed procurement. Considerations may include but are not limited to compliance with regulatory requirements and public policy, contractor integrity, record of past performance, financial capabilities, and technical capabilities.

DEBARRED AND INELIGIBLE CONTRACTORS

The UGLG must ensure that awards are not made to any party which is debarred or suspended, or is otherwise excluded from or ineligible for, participation in federal assistance programs under Executive Order 12549 "Debarment and Suspension" [24 CFR 85.35]. The UGLG must check the status of all contractors and sub-contractors on the System for Award Management (SAM) at *https://sam.gov/SAM/* ***prior to the award*** of any prime contract or sub-contract and prior to the amendment of any prime contract or sub-contract. Debarment checks must be made on the *official* federal SAM website. Private third parties have created sites that look very similar to the *https://sam.gov/SAM* website but they are not the *official* federal site and may not be used for SAM debarment checks for the CDBG program. The UGLG must maintain a record of the debarment checks in the CDBG project file.

Debarment Check Instructions:

1. Go to the System for Award Management (SAM) website at https://sam.gov/content/home.
2. Open the SAM home page, click the "Exclusions" link and in the "Search Exclusions" box enter all or a portion of the search term and press 'Enter'
    a. Search the contractor's company name and owner/officer name(s) individually

USE OF LOCAL, SMALL, MINORITY-OWNED and/or WOMEN-OWNED BUSINESSES

Federal regulations make it very clear that UGLGs should make every effort to use local business firms and contract with small, minority-owned, and women-owned businesses in the procurement process. Specifically, the UGLG must take affirmative steps to use small firms, minority-owned business enterprise (MBE) firms, women-owned business enterprise (WBE) firms, or labor surplus area firms [24 CFR 85.36(e)]. For example, the UGLG should:

- Incorporate such businesses in solicitation lists whenever they are potential sources;
- Ensure that such businesses are solicited when identified as potential sources;

- Divide procurement requirements, when economically feasible, to permit maximum participation of such businesses; and
- Require prime contractors, when sub-contracts are let, to take affirmative steps to select such firms.

Refer to Chapter 6: *Equal Opportunity, Fair Housing and Section 3* of the BCD Handbook for additional details on MBE/WBE contracting related requirements located on the DEHCR website.

USE OF SECTION 3 BUSINESSES

In conformance with requirements of Section 3 of the Housing and Community Development Act of 1968, to the greatest extent feasible, the UGLG must award contracts for work to be performed to eligible businesses located in or owned by residents of the distribution area to ensure that employment and other economic opportunities generated by federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing [24 CFR 570.607(b)].

Refer to Chapter 6: *Equal Opportunity, Fair Housing and Section 3* of the CDBG Implementation Handbook for additional details on Section 3 contracting related requirements.

IMPORTANT NOTE!

The desire to award contracts to local firms is **NOT** an acceptable justification for avoiding an open and competitive procurement process and encouraging participation of MBE/WBE firms and Section 3 firms in competing for contracts for the CDBG project.

LOBBYING RESTRICTIONS

In accordance with Section 1352, Title 31, U.S. Code, no CDBG funds may be paid to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.

If any funds other than CDBG or other federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the CDBG contract, the UGLG or contractor representative shall complete the federal Standard Form-LLL in accordance with the instructions. This form is provided in this chapter as Attachment 3-E: *Disclosure of Lobbying Activities*, to report any lobbying activity.

The UGLG and all contractors and sub-contractors (including any hired for engineering and grants administration) for the CDBG project must include the language regarding lobbying restrictions (Attachment 3-D: *Lobbying Certification* and Attachment 3-E: *Disclosure of Lobbying Activities*) in all

contract documents for all sub-award/sub-contracts at all tiers, and the UGLG and all contractors shall certify and disclose lobbying activities accordingly. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

BUILD AMERICA, BUY AMERICA (BABA) REQUIREMENTS

As of January 2025, BABA classifies projects with one to four units as private and not subject to BABA. Housing projects with five or more units should be considered as public infrastructure subject to BABA unless another BABA waiver or exemption applies. Per Notice CPD-25-01.

The Build America, Buy America (BABA) Act, 41 USC § 8301 note was enacted in the Infrastructure Investment and Jobs Act on November 15, 2021. The Buy America, Build America (BABA) requires that products purchased in connection with infrastructure projects funded by Federal financial assistance (FFA) programs must be produced in the United States (U.S.). This requirement is known as the "Buy America Preference (BAP)" (or "domestic procurement requirement"). The purpose of the BABA is to stimulate private sector investments in American manufacturing, bolster critical American supply chains, and support the creation of jobs so that America's workers and firms can complete and lead globally.

The UGLG, prime contractors, and subcontractors (all tiers) must comply with the BAP and all applicable rules and notices, as may be amended, for any infrastructure project receiving CDBG funding and/or any other FFA unless a waiver or exemption of BABA applies to the project. Pursuant to the HUD's CPD-2023-12 notice, "Public Interest Phased Implementation Waiver for FY2022 and 2023 of Build America, Buy America Provisions as Applied to Recipients of HUD Federal Financial Assistance" (88 FR 17001), any funds obligated by HUD on or after the applicable listed effective dates, are subject to the BAP, unless excepted by a waiver. Additional information is provided on the HUD BABA website.

The BAP requirement is in effect and applicable for CDBG infrastructure projects awarded in or after 2023 that contain iron and/or steel materials. [Note: Refer to 88 FR 17001 for BABA requirements for additional construction materials for projects awarded CDBG funds in or after 2024.] All iron and steel materials purchased for a CDBG infrastructure project awarded in 2023 or later must be produced in the U.S. unless the project or purchase qualifies for a waiver or exemption. Grantees and construction contractors subject to the BABA Act must maintain records that verify compliance with the BAP requirement for iron and steel materials and provide them to DEHCR, HUD, and/or other regulating entities upon request.

APPLICABILITY

The BABA Act – BAP requirement applies to infrastructure projects that:

• were awarded CDBG funds from DEHCR in or after 2023, except those qualifying for exemption or waiver; and

• contain the use of iron or steel; and

• have a total cost of greater than $250,000 (including federal and non-federal funds).

BABA DEFINITIONS

Definitions of terms that have relevance to the interpretation and implementation of the BAP for CDBG are defined in the BABA statute and may be found in HUD Notice CPD-2023-12, 2 CFR 184, and OMB M-24-02 guidance. Key term definitions are also provided below.

• Infrastructure project: any project that includes any of the following activities, regardless of whether infrastructure is the primary purpose of the project (2 CFR 184.3):

- construction,
- alteration (including demolition, rehabilitation, renovation, redevelopment, etc.),
- maintenance, or
- repair

• Infrastructure:

- buildings and real property (including housing),
- utilities,
- water systems (drinking water and wastewater),
- electrical transmission facilities and systems,
- broadband infrastructure, and
- transportation infrastructure.

• Component: an article, material, or supply, whether manufactured or unmanufactured, incorporated directly into a manufactured product; or, where applicable, an iron or steel product.

• Construction materials: articles, materials, or supplies that consist of only one of the items listed in paragraph (1) of the definition shown below, except as provided in paragraph (2) of the definition shown below:

(1) The listed items are:

- non-ferrous metals (i.e., metals other than iron and steel)
- plastic and polymer-based products (including polyvinylchloride (PVC or vinyl),
- composite building materials, and polymers used in fiber optic cables);
- glass (including optic glass);
- fiber optic cable (including drop cable);
- optical fiber;
- lumber;
- engineered wood; and
- drywall.

(2) Minor additions of articles, materials, supplies, or binding agents to a construction material do not change the categorization of the construction material.

• Iron or steel products: articles, materials, or supplies that consist wholly or predominantly of iron or steel or a combination of both.

• Manufactured products: articles, materials, or supplies used for an infrastructure project that:

- are not iron or steel products; or

- have been processed into a specific form and shape; or
- are combined with other articles, materials, or supplies to create a product with different properties than the individual articles, materials, or supplies (i.e., when two or more materials are combined, they should be treated as a manufactured product).

GENERAL WAIVERS AND EXCEPTIONS

In accordance with the provisions of the HUD-issued general waivers, BABA does not apply to projects that:

- were awarded CDBG funds from DEHCR prior to 2023 (contingent upon the project not being funded with other federal funds that are subject to BABA);
- are non-infrastructure projects (e.g., Planning (PLNG), Public Services (PS), Economic Development (ED) loan assistance-only, etc.);
- are infrastructure projects with a total cost of $250,000 or less (including all federal and non-federal funds);
- qualify for waiver under the "emergency and safety assistance" clause of BABA, including CDBG-DR, CDBG-CV, ESG-CV, and CDBG-MIT projects (contingent upon the project not being funded with other federal funds that are subject to BABA) [NOTE: ARPA funded projects are subject to BABA unless they qualify under another exemption or waiver.];
- have CDBG and/or other federal funding covered under BABA that in total is deemed to be de minimus, representing no more than 5% of the total cost of the project; and/or
- do not contain any iron or steel in the project scope.

HUD Phased Implementation General Waiver Provision:

*In addition, in accordance with HUD's phased implementation plan for BABA for the CDBG program and the terms of general waivers, the specification for iron and steel, manufactured products, and production materials purchased for infrastructure projects funded with a CDBG award from DEHCR (i.e., the Wisconsin State CDBG Small Cities Program) to be produced in the U.S. (unless another waiver or exemption applies) is only in effect and required on or after the dates listed below:

Category:	**Grantees/Projects Subject to BABA:**
Iron and steel products	Grant Award on or after 1/1/2023
Construction materials specifically listed in 88 FR 17001	Grant Award on or after 1/1/2024
Construction materials *not* specifically listed in 88 FR 17001	Grant Award on or after 1/1/2025
Manufactured products	Grant Award on or after 1/1/2025

*Other federal funding agencies may have different implementation plans with different phase-in dates. UGLGs, subrecipients, and contractors are required to meet the BABA requirements of all federal funding sources for the project.

PROJECT SPECIFIC WAIVERS

Waivers are explained in HUD Notice CPD-2023-12 and OMB M-24-02 and are required by the Infrastructure, Investments and Jobs Act (IIJA) sections 70901 through 70952 for exceptions not otherwise exempt to the BAP.

In addition to the general waivers, project-specific waivers may be granted for projects for which the BAP would otherwise apply. There are three (3) categories of project-specific waivers, including the following:

1. **Public Interest**: The BAP would be inconsistent with the public interest.
2. **Nonavailability:** Covered materials are not produced in the U.S. in sufficient and reasonably available quantities or of a satisfactory quality.
3. **Unreasonable cost:** Inclusion of domestically produced covered materials will increase the cost of the overall project by more than 25%.

A contractor, subrecipient, or grantee/UGLG seeking a project-specific waiver must demonstrate the criteria for one or more of the project-specific waiver categories are met. Contractors and subrecipients are to consult with and submit waiver requests to the Grantee/UGLG. Attachment 3-K: CDBG BABA Project-Specific Waiver Request Form (linked on the DEHCR CDBG Implementation Handbook website under the "Chapter Attachments/Fillable Forms" section) must be completed and submitted with the required supporting documentation, following the instructions on the form, for project-specific waiver consideration.

The contractor or subrecipient must submit waiver request documentation to the CDBG Grantee/UGLG, and the CDBG Grantee/UGLG must verify that it is complete and submit it to DEHCR. DEHCR will review the documentation and if it is confirmed to be complete and in compliance, will submit the required waiver request information and additional documentation to the appropriate HUD representative for further review and processing. A waiver must be approved by DEHCR, HUD, and the federal Made in America Office (MIAO) prior to an entity proceeding with using any construction items subject to the BAP for the CDBG project that are not produced in the U.S. [Note: The waiver request review process includes a public notice requirement and the issuance of a decision by HUD and the MIAO may require six (6) weeks or more.]

If the project is funded with multiple Federal funding sources, to avoid duplicative waiver requests, the Grantee/UGLG and DEHCR are to coordinate with the "Cognizant Agency" (i.e., the entity contributing the greatest amount of Federal funds to the project) to process the waiver request. The Cognizant Agency is responsible for consulting with the other Federal agencies, publicizing the proposed joint waiver, and submitting the proposed joint waiver for review to the MIAO.

BABA CONTRACTING REQUIREMENTS

For projects subject to the BABA Act and BAP requirement, the UGLG must include Attachment 3-J: CDBG Build America, Buy America (BABA) Requirements (Contract Insertion) in all contracts with prime contractors and ensure Attachment 3-J is in all subcontracts. UGLGs are to advise contractors that additional documentation verifying compliance with BABA may be requested and must be provided upon request.

CONTRACTING FOR PROFESSIONAL SERVICES

Use of One Firm for Grant Administration and Professional Services such as Engineers, Planners or Architects

The use of a single firm for grant administration and engineering and/or planning professional services is generally acceptable provided that separate procurement and contracting processes are conducted for each of the separate services.

However, a firm serving as the Grant Administrator for the UGLG is not allowed to bid on or compete for a contract for services if the firm assists the UGLG with preparation of the procurement advertisement or assists in any aspect of the procurement process, as this presents a conflict of interest that gives an unfair advantage to the firm. Assistance with the procurement process includes but is not limited to the preparation of advertisements and/or RFPs/RFQs/RFBs for the services contract, or the evaluation and scoring of bids/proposals for the services contract.

Selection of Engineers, Planners or Administrative Consultants Prior to Grant Award

Generally, the use of multi-services procurement and contracting is prohibited except:

- When local officials decide to procure the services of an engineer to assist them with both preparation of preliminary engineering plans (which may be prior to grant application) **and** project engineering (during the project) in the event their community is selected for grant award;
- When an UGLG wants to conduct one procurement process to cover both grant preparation **and** grant administration; and
- When an UGLG wants to conduct one procurement process to cover both CDBG-Planning (CDBG-PLNG) grant application preparation **and** CDBG-Planning (CDBG-PLNG) grant implementation.

Any agreement between the UGLG and the engineer or consultant that includes preliminary and project engineering or grant writing/application preparation and grant administration services, would have to be contingent upon the award of CDBG funds. The UGLG must meet federal competitive procurement requirements when CDBG funds are being applied to the professional services contract costs.

Additional requirements the UGLG must take into consideration when procuring professional services, include**:**

- No loss-leader arrangements; and
- Types of professional service(s) needed for the CDBG project (for engineering, grant administration, planning, etc.).

Loss-leader arrangements violate federal regulations which require maximum open and free competition. Professional organizations also consider this practice unethical because it deprives the UGLG of the benefits that can result from competition among competent, professional firms.

WARNING!

No loss-leader arrangements: Federal regulations require maximum open and free competition. Loss-leader arrangements, in which a consultant offers to prepare a grant application or preliminary engineering estimates at reduced rates or at no cost *in return for* a future contract if the application is funded, are prohibited by federal regulations.

PROCUREMENT METHOD OPTIONS

Depending on the type of the contract, scarcity of the item or service desired, and the amount of the contract or purchase, four (4) different options for procurement methods are available under the federal regulations:

- Small purchase(s)/simplified acquisition option;
- Competitive sealed bids option;
- Competitive proposals option; and
- Non-competitive proposals/sole source option.

These procurement method options are summarized below. A brief overview of the four (4) options is also presented in Attachment 3-F: *Overview of Procurement Method Options*.

OPTION #1 – SMALL PURCHASE/SIMPLIFIED ACQUISTION OPTION [2 CFR Part 200.320(a)]

DEHCR considers procurement by small purchase (also referred to as simplified acquisition) procedures best suited for obtaining small quantities of supplies. UGLGs are to follow their local, state or federal policy for small purchase/ simplified acquisition, whichever is more restrictive.

The federal regulations allow for the small purchase/simplified acquisition method for the procurement of a good/service/supply/product that in aggregate totals $350,000 or less for the CDBG project (per 2 CFR Part 200 [specified in 2 CFR Part 200.88, 2 CFR Part 320 and 48 CFR Part 2 – 2.1The state requirements have been changed to be consistent with federal regulations for *non-construction* purchases/contracting, now specifying that the small purchase/simplified acquisition method is allowed for the procurement of a good/service/supply/product that in aggregate totals $350,000 or less for non-construction contracts/items, or $25,000 or less for a construction contract for the CDBG project (*with the exception of professional services contracting, for which a competitive proposal procurement method is allowed, regardless of the contract amount.)*

The Simplified Acquisition method includes a **micro-purchase** provision allowing UGLGs to make purchases of **$15,000 or less** without soliciting competitive quotations if the UGLG considers the price to be reasonable. Because a cost-price analysis is required for all procurement and purchasing transactions under 2 CFR Part 200.324,, however, some type of documentation must be on file as verification that the price is reasonable.

The State's CDBG program requirements must be followed, or the UGLG's local policy if it is more stringent.

A procurement/purchase of an item may not be inappropriately broken up into smaller components solely to qualify for the small purchase/simplified acquisition approach.

NOTICE!

The Wisconsin CDBG Program's cost threshold for using the small purchase/simplified acquisition procurement method is now $350,000 for a non-construction item/contract* or $25,000 for a construction contract.**

The provision for micro-purchases of $15,000 or less allows for purchasing/contracting without soliciting competitive quotations if the UGLG considers the price to be reasonable.**

**Professional services may be procured using the simplified acquisition, competitive bid, or competitive proposal procurement method, regardless of the contract amount.*

***These provisions are allowed, contingent upon the UGLG meeting local procurement policy requirements.*

In the small purchase method, competitive procurement is achieved through obtaining written price quotations. **The UGLG *must* document the** request for the quotes and the **receipt of at least three (3) price or rate quotations from qualified providers/vendors (except for micro- purchases of $15,000 or less, as noted in this section of the chapter).** The UGLG's small purchase/simplified acquisition procurement process documentation is to include:

- Correspondence with providers/vendors in which the request for quotes was made, including:
    - The vendor/provider information, including the company/firm/organization name, address, and their email address and/or phone number (whichever method(s) was/were used to contact the vendor/provider);
    - The solicitation email(s) and/or letter(s) used to request the quotes from providers/vendors (the solicitations must be in writing, with the exception of micro-purchases, summarized later in this chapter, or when obtaining quotes online from website sources);
    - a description of the good/service/product/supply to be procured, as presented in the request for quotes
    - the price quotes in writing from the providers/vendors for the quantity of the item sought (which must be the same for all quotes, comparing pricing for the same quantity of the item);And the date of the quote as well as an expiration date for the quote if applicable (i.e., if a price quote is only valid for a limited numbers days, then this must be specified in the quote or in follow up email/written correspondence between the solicitor and the provider/vendor, and this documentation must be retained in the procurement file for the CDBG project).

Or, if obtaining the quotes online through website sources, then the following documentation must be on record:

- the printed record of the source of the quote with the specific website address and date of accessing the website shown (a website "link" is insufficient, given weblinks and website addresses can change – the printed/PDF record of the page where the information and web address appear must be on file), as record of the source and to verify the quotes were obtained in the same time period;
- the vendor/provider contact information as listed on the website;
- the details of the specific item(s) and quantity sought, as verification that the price comparisons are for comparable items and specifications.

[Note: The request for quotes must include enough detail to solicit responses that will provide adequate information to verify that the quotes are for comparable products or services and of the same quantity. The online quote records must include enough detail to verify the price comparisons are for

comparable products or services of the same quantity. Having a quote that is for a quantity of one of an item and having another quote that is for a quantity of 2 or more for an item is not acceptable. Having some quotes with the applicable shipping, handling, delivery and/or installation costs included and other quotes without those costs included may deem the quotes invalid. All price quotes obtained should include all costs associated with the purchase. An exception may be considered if one price quote, which has all applicable shipping, handling, delivery, and installation costs included, is already confirmed to be lower than the other price quotes obtained for items with the same product specifications and quantities but that do not have the shipping, handling, delivery, and installation costs included.]

- Record of the cost/price analysis conducted, including the pricing information or quotes collected/documented;
- Record of written notifications given to each vendor/quote responder in writing, indicating whether they were or were not selected as the lowest responsive, responsible quote submitter for the contract or good/service/product/supply (which is only required if the quotes were solicited through direct communication with the providers/vendors); and
- The executed contract (if for construction or other services) or other written purchase agreement record (for goods/products/supplies) with the lowest responsible quote provider/vendor (or terms of sale and delivery and invoice/receipt for a product purchased through obtaining quotes online).

Micro-Purchase Exception: If the cost of the good/product/service (including the total quantity needed for the CDBG project) will total less than $15,000, then a cost-price analysis should be made by obtaining written competitive quotations is not required to meet CDBG requirements* if the UGLG considers the price to be reasonable (consistent with the principles in 2 CFR Part 200.404)). Records of cost comparisons and/or other documentation that the UGLG used as the basis for deeming the cost to be "reasonable" must be on file.

*This exception is allowed contingent upon the UGLG complying with its own local procurement policies.

OPTION #2 – COMPETITIVE SEALED BID OPTION [2 CFR Part 200.320(b)(1)]

DEHCR considers this method of procurement best suited to obtaining contractors for construction projects and for large quantities of goods or materials. The competitive sealed bid procurement method must be used by an UGLG for any prime construction contract that will exceed $25,000 and a non-construction contract and/or a good/product/supply/purchase that in aggregate will exceed $350,000 for the CDBG project (*excluding professional services contracts, for which a competitive proposal process may be used, regardless of contract amount)*

This method of selection can be made principally on the basis of price (fixed price contract using lump sum or unit price). Requirements for using the Competitive Sealed Bid method are as follows:

- The UGLG shall advertise the invitation for bids in publications of general circulation (i.e., newspapers, on-line bidding opportunities), solicit bids from an adequate number of known suppliers, providing them with sufficient time to respond prior to bid opening;
- The UGLG shall comply with the advertisement for bids requirements set forth in the Wis.Stats.62.15(3) for UGLGs for public works projects, including publishing a class 2 notices in accordance with Wis. Stats. Ch. 985

- The advertisement for bids shall include:
    - complete and accurate specifications
    - pertinent attachments, and
    - clearly defined items or services needed, in sufficient detail for the bidders to properly respond;
- UGLGs may refer to the Attachment 7-F: Advertisement for Bids template provided as an attachment to Chapter 7: Labor Standards in the CDBG Implementation Handbook for guidance.
- Refer to Escalator Clauses in Wis. Stats. 62.15(1a), in providing for additional charges for labor and materials if as a result of general inflation, the rates and prices of the same to the contractor increase during performance of the contract. Such escalator provision shall be applicable to all bidders and shall not exceed 15% of the amount of the firm's bid or the amount of the increase paid by the contractor. Each bid on a contract that is to include an escalator provision shall be accompanied by a schedule enumerating the estimated rates and prices of items of labor and materials used in arriving at the bid. Only as to such items as are enumerated shall an increased charge be allowed the contractor.
- Refer to Bonding specifications in Wis. Stats. 779.14 and the bonding requirements specifically for "local government contracts" for "a public improvement or public works" in Wis. Stats. 779.14(1m)(d).
- Refer to Attachment 3-I: Contract Language/Insertions Summary for the CDBG language and insertions required to be in the construction bid packet, prime contract and sub-contracts. Also refer to Chapter 7: Labor Standards in the CDBG Implementation Handbook for additional guidance on construction bidding and contracting.
- Bids shall be opened publicly at the time and place stated in the invitation for bids;
- The UGLG shall receive at least two (2) or more responsible bids for each procurement transaction; and
- If awarded, a firm fixed-price contract award shall be made in writing to the lowest responsible bidder. The UGLG can, however, decide not to make the award to any of the bidders. The UGLG may re-bid the project under certain conditions (i.e., bids are not responsible, or the proposals do not contain information necessary to evaluate the bids)**.**

NOTICE REGARDING BIDDING FOR MULTIPLE UGLG PROJECTS:

An UGLG may bid the CDBG project in conjunction with another non-CDBG project for economy and efficiency purposes, contingent upon the CDBG project components being clearly defined separately and the CDBG component costs being clearly distinguishable and separate from the non-CDBG component costs in the bid. Future pay applications/invoices from the contractor(s) awarded contract(s) must have CDBG project activities and costs clearly separated from the non-CDBG project activities and costs on the pay application/invoices.

Also note that federal regulations specify that a contract funded "in whole or in part" with federal funds must adhere to all federal procurement, contracting and labor standards requirements. Therefore, if one contract covers both CDBG project activities and non-CDBG project activities, then the contract is ultimately funded "in part" with federal funds. Therefore, the non-CDBG portion of the contract would be subject to federal labor standards requirements, in addition to the CDBG portion of the contract. All

contract regulatory language and attachments required for bidding for CDBG projects must be included in the bid packet and contract.

Refer to Chapter 7: *Labor Standards* of the BCD Handbook for additional guidance on procurement and contracting for construction contracts. The handbook can be found on DEHCR's website.

NOTICE REGARDING BIDDING THAT RESULTS IN A SOLE BIDDER:

A minimum of two (2) bids is generally required when selecting a contractor through the open bidding process. When there is a sole bidder, DEHCR requires that the project be rebid to attempt to obtain additional bids, or that justification be submitted for DEHCR's review and approval *prior* to awarding the contract to a sole bidder.

The following must be submitted to DEHCR for consideration of an exception *prior* to awarding a contract to a sole bidder (whether it is a result of the initial bidding process or after a second bidding process):

1. A copy of advertisement for bids with the publisher's affidavit of publication that verifies that the grantee used an open/public sealed bidding process following State Statutes (Counties: Wis. Stats. 66.0901; Cities and other UGLG types (and potentially grantee sub-recipients, depending on the nature of the sub-recipient organization): WI Stats. 62.15(1); and CDBG requirements (in the CDBG Implementation Handbook; 24 CFR 85.36(d)(2) and 2CFR 200.320(b)(1)), including appropriate notice for the bid advertisement, etc. [The advertisement for bids must allow for reasonable time for potential bidders to respond. Generally, a minimum Class 2 notice must be given in accordance with Wis. Stats. 985 (to comply with WI. Stats. 62.15(3) for Public Works-Advertisement for Bids). Providing 30 days for a response is a best practice.]; **and**
2. An email from the UGLG confirming the documents specified in the CDBG Implementation handbook as required for the construction contract/bid packet were included in the bid packet; **and**
3. A request from the UGLG (an email or signed letter) with a brief justification for awarding the contract to the single bidder, stating **all** circumstances and/or conditions that have led the grantee to determine that re-bidding the project would not serve the public's best interest, as it would:
    a. Not render a different result (i.e. more bids/ and/or lower bids), providing an explanation;
    b. and/or cause undue hardship due to the need for completing the scope to meet public needs within a certain time period;
    c. and/or restrict timeliness of project completion;
    d. and/or not serve the public's best interest for the one or more other reasons (state the other reason(s); **and**

4. A copy of a legal opinion form legal counsel (an email or signed letter) that verifies that the UGLG awarding the contract to the sole bidder complies with local and state laws for bidding and contracting for UGLG projects.

NOTICE REGARDING BID PACKET OMISSIONS AND/OR ERRORS:

If the UGLG does not ensure all of the applicable required CDBG language and insertions, as summarized in Attachment 3-I: Contract Language/Insertions Summary, are in the bid packet or if the incorrect wage decisions were included in the bid packet, the UGLG may be required to repeat the bidding process for the contract. Contact the assigned DEHCR project representative to determine the implications and next steps to address the omission(s) and/or error(s).

OPTION #3 – COMPETITIVE PROPOSALS OPTION [2 CFR Part 200.320(b)(2)]

DEHCR considers this procurement method best suited to obtaining professional services.

This is normally conducted with more than one source submitting an offer, which results in either a fixed-price or not-to-exceed type contract being awarded. It is generally used when conditions are not appropriate for the use of sealed bids. This method has two sub-parts:

1. The **Request for Proposal (RFP)**, and
2. The **Request for Qualifications (RFQ)**.

The review process for both statements of qualification and proposals should be thorough, uniform, and well documented. DEHCR prefers that this review be conducted by a committee, council or board which, to the extent possible, includes people with technical skills relevant to the requests being sought.

Reviewers should have no potential conflicts of interest with the firms or individuals under review, such as family relationships, close friendships, or business partnerships. Refer to 2 CFR Part 200.320(b)(2)procurement standards, which in part states: *UGLGs and sub-Grantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer, or agent of the UGLG or sub-Grantee shall participate in the selection, awarding, or administration of a contract supported by federal funds if a conflict of interest, real or apparent, would be involved.*

Evaluation criteria for reviewing competitive proposals should take into consideration:

- Specialized experience or technical expertise of the firm and its personnel in connection with the type of services to be provided and the complexity of the project;
- Past record of performance on contracts with the municipality and other clients, including quality of work, timeliness, and cost control;
- Capacity of the firm to perform the work within time limitations, taking into consideration the current and planned workload of the firm; and

  Familiarity of the firm with the type of problems applicable to the project.

RECOMMENDED BEST PRACTICE

The above-listed evaluation criteria can be scored using a weighted point system based on their importance. A side-by-side comparison of the numerical scores will determine which proposal receives the award.

Request for Proposal (RFP)

Guidance and requirements for using the RFP procurement method:

- The *Request for Proposals* (RFP) must clearly and accurately state technical requirements for goods and services required. It should specify scope of services and the type of contract to be provided – cost reimbursement (also known as cost plus fixed fee), fixed price or per diem contract;
- The RFP also should specify the cost and pricing data required to support the proposed cost, anticipated start and completion dates, and evaluation criteria to be used in ranking proposals. The UGLG should make available pertinent materials, such as reports, maps and site plans to assist the bidders in preparing proposals. For complicated projects, the UGLG may wish to conduct a pre-bid conference to discuss the project, describe available materials and explain relevant CDBG contract regulations;
- The UGLG shall publicize the RFP (making the RFP publicly available, e.g., posting on the UGLG's website, publishing in the newspaper, posting on one or more professional association website(s), etc.) and to the maximum extent practicable, honor reasonable requests by parties to have an opportunity to compete;
- Proposals shall be solicited from an adequate number of qualified sources, consistent with the nature and requirements of the procurement;
- The UGLG shall conduct a technical evaluation of the submitted proposals to identify the responsible offers;
- The UGLG shall award the contract to the most responsive and responsible contractor after price and other factors are considered through scoring the proposals according to predetermined evaluation criteria. The successful proposal/offer must clearly be the most advantageous source of the goods and services; and
- The UGLG shall follow its local procurement policy in approving and executing the contract.

**The RPF may be sent to particular firms to encourage participation, in addition to making the RFP publicly available, but sending the RFP to the particular firms may not be in lieu of making the RFP publicly available.*

A Request for Proposals (RFP) Template is provided in Attachment 3-G.

Request For Qualifications (RFQ)

For procurement involving architectural or engineering services, the UGLG may use the *Request for Qualifications* (RFQ) competitive proposal procedure whereby competitors' qualifications are evaluated, and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. **In these instances, price is NOT used as a selection factor.** The UGLG should review and rank every statement of qualifications received.

Once the most qualified firm is identified, only that firm is asked for a price proposal, which is subject to negotiation of a fair and reasonable price. If negotiations with the selected firm are unsuccessful, this process is repeated with the next highest-ranked firm, until a fair and reasonably priced contract can be awarded.

The qualifications based (RFQ) competitive proposals method may not be used to purchase anything other than architectural and engineering services [2 CFR Part 200.320(b)(2)(iv)].

Note: The federal rule cited in the previous paragraph, relating to the procurement of architectural and engineering (A/E) services, is quoted below verbatim:

UGLGs and sub-Grantees may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated, and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. This method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

This language means that the Qualifications-based Procurement Method can be used only for A/E services. If an RFQ is issued, the competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation for fair and reasonable compensation.

In addition, federal procurement regulations generally discourage the use of local geographical preferences in the evaluation of bids or proposals except where mandated by federal statutes, due to the resulting geographical restrictions unnecessarily placed upon open competition. However, in procuring architectural and engineering services, geographic location is permitted as a selection criterion provided this criterion results in an appropriate number of qualified firms still being allowed to submit their qualifications for review [24 CFR 85.36(c)(2)].

WARNING!

A *Request for Qualifications* (RFQ) cannot be used to purchase other types of services, even though A/E firms are potential sources to perform other types of services.

GUIDANCE AND REQUIREMENTS FOR USING THE RFQ PROCUREMENT METHOD

The Request for Qualifications (RFQ) must clearly and accurately state the qualifications submission content and formal required;

- The RFQ also should specify relevant project details and evaluation criteria to be used in ranking qualifications submitted.
- The UGLG may invite specific firms (must be at least three (3) to submit their qualifications and/or may publicize the RFQ- DEHCR recommends but does not require that RFQ be advertised and made publicly available (e.g., posting on the UGLG's website, publishing in the newspaper, posting on one or more professional association website(s), etc.); and recommends that the UGLG, to the maximum extent practicable, honor reasonable requests by parties to have an opportunity to compete
- The UGLG shall conduct a technical evaluation of the submitted qualifications to select the firm(s) to move forward with additional information and contract negotiations;
- The UGLG shall award the contract on the basis of/with consideration for factors in the pre-established evaluation criteria set forth int eh RFQ, and after satisfactory negotiations with the selected firm;
- The UGLG shall document the basis for its determination of the most qualified competitor and the reasonableness of the contract price; and

- The UGLG shall follow its local procurement policy in approving and executing the contract.

A Request for Qualifications (RFQ) Template is provided in Attachment 3-H (of the CDBG Implementation Handbook) as additional guidance.

OPTION #4 – NON-COMPETITIVE PROPOSALS/SOLE SOURCE OPTION [2 CFR Part 200.320(c)]

This method may be used only under very limited circumstances and **the UGLG must obtain DEHCR approval before using this method.** When requesting approval to use this method, the UGLG will have to demonstrate that another method of procurement was not feasible because:

- The item or service was only available from a single source;
- A public emergency or condition requiring urgency existed which did not permit the use of competitive procurement; or
- Competition was determined to be inadequate after solicitation of proposals from a number of sources.
- Refer to the guidance earlier in this chapter regarding sole bidders when using the competitive bid procurement method.

A request for a sole source procurement requires documentation that demonstrates one or more of the criteria above is/are met. For sole source construction contracting, the items listed for "sole bidder" contracting on page 20 within this chapter generally must be provided. Some exceptions may apply. Similar documentation is required for non-construction sole source contracting. Typically, at least one and often two competitive procurement attempts must be made before sole source contracting would be considered for approval by DEHCR. Contact the assigned DEHCR Project Representative for additional guidance.

SUB-RECIPIENTS

A sub-recipient is a public or private non-profit agency or organization receiving CDBG funds from a UGLG or another sub-recipient to undertake eligible activities. Another way to say this is that sub-recipients are organizations that are provided CDBG funds by an UGLG for their use in carrying out agreed-upon, eligible activities. Sub-recipients are subject to all the same procurement requirements as the UGLG that was awarded the CDBG funds. There are some rare exceptions for certain types of contracting by certain types of sub-recipients such as developers. Contac DEHCR for guidance regarding sub-recipient requirements.

WARNING!

The UGLG must consult with DEHCR prior to entering into an agreement with a sub-recipient.

STARTING THE WORK

Refer to *Chapter I: Financial Management and Monitoring- Active Grants* in this Handbook and the terms set forth in the UGLG's *Grant Agreement* with DEHCR for specifications for starting work and incurring costs for the CDBG project.

RECORDS AND FILES

According to 2 CFR Part 200.318(i), the UGLG shall maintain records to detail the significant history of a procurement and contracting.

The UGLG must establish procurement and contracting files and monitor the contracts to assure that the contracts are completed in a satisfactory and timely manner.

The Procurement and Contracting records* must contain (if applicable):

- UGLG's local procurement policy;
- Descriptions of methods used to select consultants and contractors [e.g., Small Purchase/Simplified Acquisition, *Request for Bids* (RFB), *Request of Qualifications* (RFQ), *Request of Proposals* (RFP), Sole Source];
- Copies of quote request, RFB, RFQ and/or RFP documents used for soliciting responses from contractors/service providers, and related procurement correspondence/communications;
- Advertisement(s) for bids and/or proposals and proof of publication (as applicable);
- Quotes/bids/qualifications/proposals received and evaluation method(s) (e.g., quote review summary, bid tabulation detailed summary, qualifications review summary, proposal evaluation scoring summary, etc.);
- Cost/pricing comparison data/records;
- Record of the approval by the governing body of the quote/bid/qualifications/proposal accepted/selected (as applicable);
- Contract(s) for goods/services;
- Conflict of Interest related documentation (e.g., contractors' potential conflict of interest disclosure statements, local policy regarding conflicts of interest, UGLG public disclosure and review records [if applicable], legal opinion(s) [if applicable], related correspondence to DEHCR [if applicable], request(s) for waiver [if applicable], etc.);
- Records of *https://sam.gov/SAM/* exclusion/debarment searches;
- Signed Lobbying Certifications for all contractors; and
- Completed Disclosure of Lobbying Activities forms (as applicable).

**Contracting documents related to construction may be maintained in the Labor Standards files established for contractors and sub-contractors.*

The UGLG may be asked to provide procurement documentation related to any or all contractors, suppliers, and service providers applicable to the project at any time. Improperly procured services or goods will be deemed ineligible costs and DEHCR may deny payment or prohibit the costs from being counted towards the UGLG's match funding for the CDBG project.

RELEVANT LAWS

Procurement laws governing public construction in Wisconsin are as follows:

- Wisconsin State Statutes concerning advertising and bidding of public construction projects: 66.0901 (general); 59.03-04, 59.06 (county), 60.47 (town), 61.50 and 61.54 through 61.57 (village), and 62.15 (cities); and Ch. 985.

Procurement and contracting laws governing federal CDBG projects are as follows:

- Code of Federal Regulations:
    - General: 48 CFR Part 2 – 2.1, 2 CFR Part 200, 2 CFR Part 200.317 – 2 CFR Part 200.343
    - CDBG: 24 CFR Part 570.489, 24 CFR Part 570.503, 24 CFR Part 570.607, 24 CFR Part 570.609, 24 CFR Part 570.610, 24 CFR Part 570.611

Refer to Chapter 6: *Equal Opportunity, Fair Housing & Section 3* and Chapter 7: *Labor Standards* of the BCD CDBG Implementation Handbook for additional relevant laws for contracting.

CONTRACT LANGUAGE AND FORMS

*Denotes the Attachment or similar form is recommended to be included in the contract, but it is not required. All other items listed in the category must be included in the contract (cannot be by reference only) unless otherwise noted.

**Required to be in the contract only if federal labor standards (i.e., Davis-Bacon and Related Acts [DBRA]) are applicable to the project.

***Section 3 requirements for which the insertion is not applicable to projects awarded CDBG funds on or after 11/30/2020 that have no construction (e.g., Planning-Only and Public Services-Only projects) the language and forms as indicated in the following table.

Construction Contracts of $10,000 or LESS	Construction Contracts of GREATER Than $10,000
Must be included in contracts & bidding packet:	***Must be included in contracts & bidding packet:***
• **Attachment 3-C** [24 CFR 570.489(h) Conflict of Interest Clause]	• **Attachment 3-C** [24 CFR 570.489(h) Conflict of Interest Clause]
• **Attachment 6-B(1) or 6-B(2)** (depending on when Grant was awarded to UGLG) [Section 3 Contract Requirements]	• **Attachment 6-A**** [Equal Opportunity Clause (EO 11246)]
• **Attachment 7-B**** [Davis-Bacon and Related Acts (DBRA)]	• **Attachment 6-B(1) or 6-B(2)** (depending on when Grant was awarded to UGLG) [Section 3 Contract Requirements]
• **Attachment 7-G**** [Federal Labor Standards Provisions (4010)]	• **Attachment 6-C**** [Affirmative Action Requirements (EO 11246)]
• **Applicable Davis-Bacon/Federal Wage Decision(s)****	• **Attachment 6-D**** [Federal Equal Employment Opportunity Clauses Construction Contract Specifications (EO 11246)]
	• **Attachment 7-B**** [Davis-Bacon and Related Acts (DBRA)]
	• **Attachment 7-G**** [Federal Labor Standards Provisions (4010)]
	• **Attachment 7-R** [MBE/WBE/DBE Web Resources]
	• **Applicable Davis-Bacon/Federal Wage Decision(s)****

ATTACHMENTS

Attachments for this chapter can be found under Chapter 3 Attachments on the DEHCR website

I. FINANCIAL MANAGEMENT AND MONITORING-ACTIVE GRANTS

This chapter provides the guidelines for the financial management and monitoring requirements for CDBG housing programs, **specifically for those entities with a current active grant with the State of Wisconsin.** If you do not have an active grant, but are operating programs using funds only from previous grants, you should review this chapter along with Chapter L.

The key to efficient and acceptable financial management of the CDBG-Housing program is outlined in 24 CFR Part 570 and OMB Circular 2 CFR Part 200. This requires the Grantee to establish record-keeping requirements sufficient in detail to determine whether program funds are being spent in accordance with federal and state laws.

INITIATING CONTRACT ACTIVITY

Once an award of funds is made, the Grantee must undertake a series of steps before signing contracts and engaging in projects. The State of Wisconsin must diligently track all disbursements made for the CDBG-Housing Program; therefore, Grantees and the State are required to establish unique documentation and/or accounts dedicated specifically to this program prior to the first payment. These steps include the completion of the **Electronic Deposit Authorization Form (to receive electronic transfer of funds)** and the **Signature Certification.** From the data on these certifications, the State will prepare a **Request for Disbursement** form specific to the program. These documents provide information regarding the account into which funds will be deposited by the State, and certification of who at the local level can request funds. These steps are described in detail below.

Two disbursement options are offered to Grantees:

1. A Grantee may request grant funds, provided sufficient invoices have been received. Under this arrangement, the Grantee must establish TWO checking accounts to properly document program expenditures.

   The first checking account is the Grant Account, the account which receives grant funds from the State. This must be a noninterest-bearing account from which all non-rehabilitation expenses are paid directly. Funds used to pay contractors for rehabilitation activities are transferred to the second account, called the Working Account. This account MUST be an interest-bearing account.

   Both accounts require activity documentation – financial logs named, respectively, the Grant Account Transactions Journal and the Working Account Transactions Journal.

2. A Grantee may choose to pay all program invoices upon receipt and then request reimbursement. Payments for CDBG-Housing Program activity will be made to the Grantee as requested to reimburse their account for these expenditures. If this method is selected, this option is managed by a Reimbursement Account Transactions Journal.

In both cases, the Grantee must complete an **Electronic Deposit Authorization Form** that provides information on the account into which program funds will be deposited by the State. This form provides required routing information from the participating financial institution. As these details allow State CDBG Grant Specialists to create the disbursement process through the State fiscal system, the form must be complete and accurate before any payments can be made.

To finalize the set-up process for CDBG-Housing funds disbursement, the Grantee's Chief Elected Official (CEO) must authorize those individuals eligible to request grant funds. Grantees must complete the

Signature Certification form. All individuals to be authorized must complete, sign and date the form. When completed, the CEO must sign the Certification to authorize those signatures. The date of the CEO's certification **may not** precede the signature date of those being authorized to request disbursements from the CDBG-Housing program, and the CEO **may not** authorize him/herself to request funds.

If either the participating financial institution or those individuals authorized to request disbursements change during the life of the grant, the Grantee must request, complete and submit a new Electronic Deposit Authorization and/or Signature Certification forms prior to initiating any new disbursement activity.

The last step in establishing the CDBG-Housing grant disbursement process is creation of the **Request for Disbursement** form by DEHCR. This form will include routing information from the Electronic Deposit Authorization Form, as well as specific spending category indicators derived from the federal reporting system.

In summary, there are a number of steps required prior to initiating the first request for disbursement of CDBG-Housing funds, including the following:

3. A signed Electronic Deposit Authorization Form has been received;
4. A signed and dated Signature Certification has been received;
5. A fully executed CDBG-Housing grant agreement is in force;
6. An Environmental Review has been completed and an Environmental Certification has been issued. This certificate is provided by State staff after submission of information by the Grantee.
7. If applicable, a proposed or approved consultant administrative contract is in place;
8. If applicable, submittal of up-to-date documentation in compliance with proper labor standards procedures;
9. The Request for Disbursement form has been received from DEHCR with appropriate supporting documentation.

CDBG project funds may not be requested for payment of work that was initiated prior to receipt of the grant award letter. After receiving the grant award letter – but prior to completion of the Environmental Review process – the administrative and engineering costs incurred may be reimbursed.

No individual project rehabilitation funds may be requested for mortgages signed **prior** to the execution of the grant agreement with DEHCR, or after the expiration date of that contract.

REQUESTING CDBG-HOUSING GRANT FUNDS

Project Funds

Grantees may submit a Request for Disbursement at any time reimbursement activity reaches the $5,000 minimum disbursement request (with the exception of the program's final disbursement request, for which there is no minimum). Invoices that total the disbursement request must accompany each request. Grantees must spend program income (RLF) prior to requesting grant funds. This includes both rehabilitation funds and administration funds.

Grantees may submit a request totaling $5,000 or more which includes all invoices that have been received and need to be paid. Invoices that total the disbursement request must accompany each

request. ONCE FUNDS ARE RECEIVED, eligible funds must be transferred to the Working Account within three days and expended from that account within seven working days.

Payments made directly from the Grant Account must be completed within three working days of receipt and include administrative expenses, down payment/closing costs, public facility project costs and acquisition/demolition/relocation expenses. All payments to contractors for rehabilitation activity must be paid from the Working Account after funds are transferred from the Grant Account.

If the Grantee advances funds to the CDBG program, the Grantee **cannot** use CDBG funds to pay interest to themselves for use of the advanced funds.

Regardless of the disbursement option, all Requests for Disbursement **must** include the following information:

1. Invoices must be published on company letterhead;
2. Invoices must be dated and signed;
3. A brief description of the services provided, including the time period over which services were offered, cost breakdown, and the name of the CDBG client and address of work completed.
4. Contractor's Payment Request form signed by the inspector and/or administrator, contractor, and homeowner authorizing payment.

   The invoice must state that the request for payment reflects "allowable costs and activities" as outlined in the contract.

   Under certain circumstances - and with prior approval from DEHCR staff - CDBG-Housing payments may be expedited. This request must be submitted on Grantee letterhead, signed by the Chief Elected Official, and include: (1) the reason for the expedited payment request, (2) the amount of the payment, and (3) the date the payment would need to be received.

Administrative Funds

DEHCR will only release administrative funds in proportion to requests from project budget lines (*expenses must be incurred prior to request and supported by invoices*).

FINAL REQUEST FOR CDBG FUNDS

Eligible costs must be incurred and requested as outlined in your grant contract.

A Grantee will designate its final request for funds in a CDBG-Housing grant program by indicating "Yes" to the "Final Request" question on the Request for Disbursement form. The final request is the only disbursement request which may be less than $5,000. Grant money received from the final request remains subject to the timeliness requirement for expending funds (within three working days of receipt).

TREATMENT OF PROGRAM INCOME AND REVOLVING LOAN FUNDS (RLF)

Another source of revenue is that which results from the operation of CDBG projects. When revenue from a CDBG project operation is received (i.e., loan payoff or monthly rental-unit installments, interest income), it should be identified as PROGRAM INCOME. If an entity receives program income or revolving loan funds, it must be used to continue the same type of activity that generated it.

PROGRAM INCOME is revenue received which does not have a reuse designated in the current CDBG contract. Examples of possible program income are service fees, usage or rental fees.

REVOLVING LOAN FUNDS (RLF) RLFs are the repaid dollars which have a reuse designated in the CDBG contract and are currently being classified as Program Income. Two examples of existing RLFs are the repayment of housing rehabilitation loans and interest earned from funds held in an account by the Grantee.

This type of Program Income will continue to be reported in the Grantee's Working Account Transactions Journal and deposited into the Grantee's Working Account. The funds **must** be disbursed prior to requesting new CDBG funds. Program Income of this type received between disbursement requests must be reported on the subsequent Request for Disbursement. Grant Specialists will monitor the use of RLF dollars prior to any requests for new funds.

Program income earned from a prior state funded CDBG housing grant must be applied to the active CDBG housing grant and must be spent prior to requesting new funds.

Grantees must report to DEHCR the bank interest earned from January 1 to December 31 of each year. If the amount exceeds $500 the funds must be remitted to DEHCR, which will in turn remit the funds to the U.S. Treasury. If the amount is less than $500 the Grantee may retain the funds and use them for administrative expenses. If the funds are held in a general account, including more than just CDBG funds, calculate the interest by looking at the ratio of CDBG funds to all funds.

Interest earned on federal *advances* to a community is **not** program income. Any such earnings must be immediately returned to DEHCR for forwarding to the U.S. Treasury. To prevent such earnings, DEHCR requires Grantees to use noninterest- bearing checking accounts for their CDBG Grant Account.

REVOLVING LOAN FUND (RLF) and ACTIVE GRANTS

The following guidelines apply when a Grantee receives repaid funds from a CDBG housing rehabilitation program *and* has an active grant with the State.

All rehabilitation funds repaid from a current or previous state funded CDBG housing program must be deposited into the Working Account (usually, 83% project and 17% admin). The Grantee must track payments and deposits, identify and record interest earned on the funds, and document that RLF rehabilitation funds and RLF administrative funds are spent prior to requesting new funds from DEHCR. CDBG Housing Program income (RLF) generated through the regional housing program must be **spent** prior to utilizing CDBG contract funds.

A municipality with an excessive RLF administration balance may, with the local housing committee approval, transfer RLF funds from administrative to rehabilitation (DEHCR must be notified). RLF rehabilitation funds spent should be accompanied by a corresponding RLF administration amount to maintain a reasonable RLF administration balance.

If a Grantee plans to request funds from DEHCR for a new non-rehabilitation activity (administration, Direct Homeownership Assistance), the municipality should request an amount that is supported by invoices (i.e., a non-rehabilitation activity fund request **should never** be reduced by the amount in the revolving loan fund).

If RLF dollars are received **after** a disbursement request is submitted or received, the Grantee must spend the grant dollars first and then spend the RLF dollars on the next authorized activity.

REVOLVING LOAN FUND and NON-REGIONAL CDBG PROGRAMS

If the applicant resides in a community that has a local CDBG Housing Revolving Loan Fund (RLF), the applicant must be served first by the local RLF program. If the local RLF program does not have funds available to serve the applicant, the Regions may serve the applicant. Grantees must verify with local

CDBG-RLF administrators that program income (RLF) is obligated prior to utilizing CDBG Regional funds. The Division recommends the Grantee obtain letters and/or emails of verification from RLF administrators showing that the balance of their RLF Account has been obligated.

FINANCIAL RECORDS

Basic Requirements

Federal regulations governing the CDBG program require Grantees to establish adequate recordkeeping. A key provision requires records pertaining to authorizations, obligations, unobligated balances, assets, liabilities, outlays and income to be maintained. In the event of conflict between the language specified in the contract and this handbook or other supporting documents, the provisions in the contract regarding financial records shall take precedence.

To meet such standards, the Grantee must maintain the following financial records:

1. Disbursement Summary Register;
2. Grant Account Transactions Journal *(if applicable);*
3. CDBG Reimbursement Request Form;
4. Working Account Transactions Journal *(or Reimbursement Account Transactions Journal);*
5. Rehabilitation Obligations Tracking Journal;
6. Individual Obligation Journal;
7. Program Beneficiaries Data Sheet;
8. Outstanding Loan Ledger;

Disbursement Summary Register

The Disbursement Summary Register keeps a running balance of disbursements allocated to each budget category of a grant. Its purpose is to help the Grantee keep track of which budget category funds have been drawn and the balance of each budget category. This report should be maintained by the Grantee and made available for monitoring.

Grant Account Transactions Journal

The Grant Account Transactions Journal collects information required for all federal grants, maintaining a detailed record of daily activity in the Grant Account. It also provides documentation that CDBG Grant funds have been disbursed in a timely manner.

The Grant Account Transactions Journal will record grant award deposits and disbursements. For all deposits, the date, description of activity and amount are recorded in the appropriate columns. When checks are written - or funds are transferred from the Grant Account - the date, description of activity (payee), check number, amount and budget category are recorded.

Each deposit or disbursement in the Grant Account Transactions Journal must be recorded on a new line. NEVER show a deposit and disbursement on the same line

Every entry in the Grant Account Transactions Journal must be supported by proper documentation including bank statements, vouchers and invoices. Do not enter any payments made by the municipality which will be reimbursed later by CDBG funds (see CDBG Reimbursement Request Form Section).

The Grant Account Transactions Journal provides disbursement data needed to complete the Request for Disbursement of Community Development Block Grant Funds form. Grantees with concurrent contracts must maintain a separate Grant Account Transactions Journal for each contract.

The Grant Account Transactions Journal must be updated by the Grantee with each transaction and submitted with each disbursement request.

Some financial institutions require a minimum deposit to open a checking account. If so, a Grantee may use municipal funds to open the account and repay the municipality once funds are deposited in the Grant Account. Here's how:

1. Deposit minimum amount required to open account;
2. Enter amount as "Miscellaneous Deposit" in the Grant Account Transactions Journal;
3. Increase "Federal Cash on Hand" by the amount;
4. Reimburse municipality when initial disbursement is received;
5. Enter reimbursement on Grant Account Transaction Journal as payment to municipality (admin expense).

CDBG REIMBURSEMENT REQUEST FORM

Some Grantees will find it necessary to advance funds to the CDBG program and be reimbursed at a later time. When this happens, use the CDBG Reimbursement Request Form to track the payments as they are made. This form records:

1. When the municipality made each payment;
2. To whom each payment was made;
3. The number of the supporting invoices;
4. The check numbers;
5. The amount of each payment;

*The Grant Account Transactions Journal will **never** show a check paid by the municipality. All checks issued by the municipality, to be reimbursed by the CDBG-Housing program, will be listed on the CDBG Reimbursement Request Form.*

To use the CDBG Reimbursement Request Form:

1. Fill in the required information as payments are made by the Grantee and attach a copy of each paid invoice.
2. Sign the form to request reimbursement from the CDBG Grant Account, entering the full reimbursement amount and date on which the CDBG Grant Account check was written on the Grant Account Transactions Journal.
3. File the CDBG Reimbursement Request Form - and supporting documents – with the financial records for the CDBG program. The CDBG Reimbursement Request Form should be prepared by the Grantee and submitted with each related disbursement request.

WORKING ACCOUNT TRANSACTIONS JOURNAL

Just as the Disbursement Summary Register, Grant Account Transactions Journal, and Reimbursement Request forms reflect the activity of your Grant Account, the Working Account Transactions Journal will

reflect rehabilitation and RLF activities. This journal records funds that have been transferred from the grant account and disbursed for housing rehabilitation projects, repaid housing rehabilitation loans, and interest earned.

The Working Account must earn interest (24 CFR 570.511) and must be separate from your Grant Account which is non-interest bearing.

All deposits must contain the date; description of activity and amount are recorded in the appropriate columns. When checks are written - or funds are transferred from the Grant Account - the date, description of activity (payee), check number, amount and budget category are recorded.

Whenever money is **returned** to the community as the result of a housing rehabilitation project - whether it is a monthly loan payment or the return of deferred loan funds - it is deposited into the Working Account and recorded in both the Working Account Transactions Journal as well as the Rehabilitation Obligations Tracking Journal. All interest earned on the Working Account must also be recorded in both Journals.

The Working Account Transactions Journal documents that grant funds are disbursed for housing rehabilitation projects within ten (10) *working days* of receipt (three days allowable in Grant Account, seven days in Working Account). It also documents that available RLF project funds are disbursed *prior* to the request for new CDBG grant funds.

All RLF dollars (including interest earned) are to be recorded in the Working Account Transactions Journal as soon as they are received.

The Working Account Transaction Journal must be updated with each transaction by the Grantee and submitted with each disbursement request.

REHABILITATION OBLIGATIONS TRACKING JOURNAL

Grantees must maintain a system for tracking obligated and unobligated balances. The purpose of such a system is to help a Grantee from over-committing funds. The Rehabilitation Obligations Tracking Journal must include date of loan approval, loan number, loan/grant amount (how much is obligated), loan reductions (unused funds), and balance available. Grant awards and program income are also entered by date on this journal.

***Note**: Obligated funds* are **not** *committed funds* and should not be used to complete the Accomplishment Report. Committed funds are reported **only** after the mortgage and rehabilitation contracts are signed, while obligated funds are the anticipated costs based on rehabilitation estimates.

INDIVIDUAL TRACKING JOURNAL

A separate record of all funds paid out on a project specific to each applicant must be maintained, enabling administrators to account for all funds paid out on a project. A copy of the RLF Individual Project Journal must be kept in each individual rehabilitation project file.

PROGRAM BENEFICIARIES' DATA SHEET

The program's beneficiary data sheet records data for applicants that have closed loans or received a grant with the CDBG Housing program. The data to be reported includes application number, date the mortgage was signed, loan/grant amount, and beneficiary demographics.

PROJECT LOAN TRACKING REPORT/LOAN PORTFOLIO

This ledger includes a list of all loans that have been made by the Grantee, including whether the mortgage is outstanding or paid off. This is an ongoing list of loans, property address, and payment status.

OTHER FUNDS

If other public/private funds are used, the Grantee must maintain records to document the amount, date and purpose of these funds. If a Grantee utilizes more than one funding source for a project, the Grantee may not charge duplicate fees to each funding source. For example, a Grantee may not charge the CDBG program an inspection fee and also charge another program that same inspection fee. Cost sharing of an expense is allowed; however, the total cost of the expense cannot exceed the standard fee charged by the Grantee for that service.

Homebuyer Projects- For homebuyer projects, a copy of all bank mortgages (between the homeowner and the bank) and the closing statement must be kept in the project file. When funds are used for down payment assistance for a homebuyer project, a copy of the letter to the homeowner, detailing the homeowner contribution, must be on file.

Donations- Cash donations to the rehabilitation program must be deposited in the Working Account and recorded on the Rehabilitation Obligations Tracking Journal and the Working Account Transactions Journal as an RLF project deposit with a notation in the description column that it is a "donation" to the program or for a specific purpose (e.g., a donation to be used for paint or a specific homeowner project). A copy of the check must be in the file for documentation of other funds brought into the program. Donations received for a specific homeowner project need not be disbursed until the appropriate project payment is ready to be made.

Cash contributions from a homeowner for his/her individual project must be recorded on the Working Account Transactions Journal (under RLF project deposit). A copy of the check must be on file for documentation of Other Funds brought into the program. Cash contributions for any non-rehabilitation purpose (e.g., down payment, site acquisition) must be paid directly to the individual project and documented with a copy of the check.

ADMINISTRATIVE EXPENSES

Administrative costs must be paid from the 17% administration funds that are set aside from an active grant and/or from program income (RLF).

A Grantee may use CDBG funds to pay the salaries of ***municipal*** employees who administer the CDBG programs. These expenses need to be documented and based on actual time worked in support of project administration. Examples of eligible administrative expenditures include; (1) general management, oversight and coordination, (2) attendance at training, (3) fair housing, and (4) indirect costs.

When requesting payment for administrative expenses (or drawing administrative costs from program income), the request must be based on actual time spent administering the program and actual costs associated with the employee (salary, taxes, insurance, etc.). The information required for reimbursement includes the number of hours worked and the hourly rate. Time sheets **must** be maintained to document the number of hours worked, and documentation must be developed and maintained that justifies the hourly rate charged. This information will be reviewed during monitoring or can be requested when the request for payment is received.

Administrative costs may also be paid to third-party program administrators. Time spent by third-party administrators on program administration must likewise be documented (using a time sheet) and an hourly rate. If administrators elect to be paid a fixed amount per project, a time sheet must demonstrate that these project specific costs are justified. Program Administrators may **not** make a "profit" on management of programs. There are exceptions to this when a company is a for-profit company. All payments made must be based upon the actual cost of operating the program. Grantees may not charge applicants or the program for services that are also paid with administration dollars. For example: the normal duties of a loan processor include preparing loan documents and that individual is paid an hourly wage or a salary with CDBG administration fees. The program administrator cannot also charge a separate fee for preparing loan documents as this service is already being paid for with CDBG administration dollars.

Wages paid to hired or appointed employees for work on the CDBG program must be comparable to wages paid for comparable work in the area. Elected officials may only be paid for time spent on the CDBG program if they request and receive a waiver of conflict of interest from DEHCR ***prior*** to performing the work for which they will be paid.

CDBG may not be used to pay for administrative expenses incurred after the expiration date of the contract with DEHCR.

Refreshments (for meetings) and meals are **not** an eligible CDBG expense (except when traveling on CDBG-related business).

A Grantee may elect to pay a per diem or salary to members of the CDBG committee **only** if all other such committees (e.g., public works committee, zoning committee, council) receive a similar payment.

ACQUISITION/DISPOSITION REGISTER

All Grantees are required to maintain an Acquisition/Disposition Register if federal funds are used for approved purchases. This document reports all property (including real property) acquisitions for items costing over $500 if CDBG funds were used for those purchases. The register should include a description of the item, cost, date purchased, how disposed, and when.

If a purchase with CDBG dollars is made that is less than $500, the grantee must maintain a register to show all purchases. All dispositions of CDBG-purchased items (including those purchased with previous state-administered grants) must be recorded on this Register.

The Acquisition/Disposition Register is to be maintained in the Grantee's closeout file and be submitted with the Closeout Report when an individual program is completed.

Items (including computer software) valued in excess of $2,000 are not normally eligible expenses. These items should be of a size and capacity appropriate to the current CDBG program administrative needs. If the Grantee wishes to acquire an item with greater capacity than is needed for current administrative needs, the CDBG administrative funds will pay for only that size/capacity needed to serve the CDBG program. If the Grantee wishes to purchase equipment with the intention of also using it for other local government needs, the cost should be prorated with other users based upon the percentage of usage.

Equipment valued in excess of $2,000 may be acquired in one of the following ways:

1. Items may be leased from a vendor based on a 5-year amortization of the cost of the item, or the life of the item, whichever is greater. In this case, the CDBG administrative budget will cover the monthly cost of this lease for the eighteen (18) month contract period; or

2. The local unit of government may purchase the item and then charge the CDBG administrative budget the equivalent of the lease cost of the item for the life of the program. The remaining cost above the life of the program becomes the responsibility of the local government; or
3. The Grantee may purchase the item outright using the CDBG administrative budget funds. At the end of the contract period the Grantee must appraise the trade-in value of the item and add that trade-in value to the calculation of the amount to be returned to DEHCR at the end of the contract period.

A Grantee may not purchase equipment or computer software valued in excess of $2,000 without ***prior*** written approval from DEHCR. If equipment is purchased with federal funds, a fixed asset register must be maintained. Items valued at less than $2,000 may be purchased with the CDBG funds designated for grant administration.

Disposition of Equipment

At the time of closeout of a CDBG program, the Grantee must assess the trade-in value of those items purchased with CDBG funds and reimburse DEHCR for the assessed trade-in value of that equipment if the aggregate value of the items exceeds $2,000. This amount should be included online D.3 of the Certificate of Completion.

INDIRECT COSTS

In addition to direct administrative expenses (salaries), Grantees may charge indirect costs. Indirect costs are those expenses that are incurred incidental to operating the program. It includes things like rent, office supplies, administrative services, etc. For UGLGs, certain services, such as purchasing and accounting, are provided to operating agencies on a centralized basis. For UGLGs and Nonprofits that want to charge indirect costs to the federal award, an **indirect cost rate proposal** must be developed in accordance with 2 CFR Part 200.

Indirect costs may be charged under the following circumstances:

1. The UGLG must develop and maintain the plan, but it does not need to be submitted for federal approval unless requested by DEHCR. This plan and associated costs will be monitored by DEHCR during the monitoring process.
2. The organization must develop and maintain the plan, and it must be submitted annually to the cognizant agency for approval. The negotiated indirect cost rate agreement and associated costs will be monitored by DEHCR during the monitoring process. IF the nonprofit has never received a negotiated indirect cost rate, they may elect to charge the de minimus rate of ten (10%) of direct costs.

Costs may be charged either directly or indirectly. A direct cost can be directly attributed to the project. For example, if a staff person shows ten (10) hours working on property 123 Main Street on their timesheet, that time is directly attributed to that project.

PROJECT DELIVERY COSTS/ PROJECT-RELATED SOFT COSTS

The cost of carrying out an activity includes salary-related costs incurred by the local government or program administrator directly related to carrying out the project. Examples of eligible project delivery costs include (1) loan processing and underwriting, (2) preparation of work specifications, (3) construction inspections and oversight, (4) project-specific environmental reviews, etc. These costs are considered part of the cost of implementing CDBG activities. If a delivery cost is charged to a homeowner, it cannot also be paid out of administrative costs in the form of an hourly wage or salary.

Implications of charging project delivery costs to a project:

1. If the project does not go forward, project costs that have been incurred for the project (inspection fees, etc.) must be charged as an administrative cost.
2. Staff must track and report their time by property address

J. MONITORING

The State of Wisconsin bears responsibility for ensuring the CDBG funds are used according to all regulatory requirements. As a result, Grantees, using funds from an active contract or those using CDBG-RLF funds will be monitored in order to ensure that the programs are managed according to all federal program rules and that cross-cutting requirements are applied, as necessary. In addition, state staff reviews written policies and procedures for all Grantees and ensure that these policies are applied consistently and routinely. Monitoring may include a review of written policies and procedures, a review of project files, on-site visits to verify information in the files, and a review of financial documents and administrative policies. Grantees and administrators are responsible for ensuring all required documentation is complete, accurate and securely maintained.

This section discusses the objectives of monitoring, and what Grantees can expect when monitoring is scheduled. Some requirements differ for those with active grants and those Grantees using only CDBG-RLF funds. Differences are noted where appropriate.

OBJECTIVES OF MONITORING

Monitoring of Grantees is a way to:

1. Evaluate organizational and project performance and ensure that the organization has adequate capacity to administer the CDBG program(s).
2. Ensure the CDBG resources are being used effectively and meet the Low to Moderate Income (LMI) national objective.
3. Ensure production and accountability.
4. Evaluate responsiveness to community needs.
5. Adjust and modify program policy and procedures.

In order to determine that all areas are addressed, several types of monitoring will be completed by state staff. These include:

1. **Program Monitoring**: This ensures that programs are managed effectively and in compliance with CDBG rules and regulations. This will include a review of written policies and procedures.
2. **Administrative Monitoring**: This includes a review of the organizational capacity related to program administration and a general review of grant and financial management procedures.
3. **Project Monitoring**: This includes a determination that each project complies with the policies and procedures. It may include a physical inspection of selected projects that have been completed and a review of files to determine that adequate documentation is in place to demonstrate compliance.
4. **Long-Term Monitoring**: Ongoing monitoring is required during the loan term for some programs. For example, during the term of the loan, the address that was assisted must be the primary residence and must be insured, with the Grantee as a named insured.

For rental projects, compliance related to income and rents must be verified. Each Grantee must establish an annual system to ensure that landlords rent to eligible tenants and that they are aware of current rental and income limits for those renting assisted units. State staff may monitor for consistency as required by program rules.

For homeowners, a letter or postcard (with return service requested) must be sent to verify continued residency of the assisted property. Alternatively, utility or tax bills can also be monitored to ensure that the owner continues to live in the home.

State staff will verify that the required long-term monitoring system(s) are in place and documentation of compliance is maintained.

FREQUENCY OF MONITORING

Periodic Review

On-going review of grant information will be conducted during the life of the grant agreement. The types and frequency of the review may include the following reports: Section 3, MBE/WBE, Davis Bacon, requests for disbursement, annual reporting, or any other reports as specified in the grant agreement

Desk Review

A Desk Review is performed for all grantees annually. Each program provides the grantee with a checklist on the items that will be reviewed. This also allows the program manager an opportunity to judge the need to provide technical assistance to the grantee and determine based on the desk monitoring if an on-site review is warranted.

When submitting documents for the desk review the grantee must remove Personally Identifiable Information (PII) from the documents prior to submitting them to DEHCR. PII includes:

- Social Security Number
- Date of birth
- Address
- Driver's license number/state identification number
- DNA
- Biometric data (fingerprint, retina/iris scan, voice print)
- Financial account number including debit/credit card, security code, access code or passwords for the account

A person's name is not PII. The address, phone number, and email may be if combined with another identifier.

On-Site Monitoring

More thorough monitoring is done with an on-site visit to the Grantee that may last 1-3 days. It is the intention of DEHCR to conduct on-site monitoring of every regional program at least once during the performance period. More frequent visits could be triggered if one of the following occurs:

1. New staff;
2. Inaccuracies reported during quarterly or annual reports;
3. Reported concerns/low activity level;
4. Concerns about staff program knowledge/experience.

In addition to these factors, complaints about program operation from consumers or concerns on the part of elected officials may trigger an on-site visit. Finally, if there were complex or large projects in that region, regardless of other factors, on-site monitoring may be considered a higher priority.

When DEHCR representatives come to the community to monitor the CDBG program the grantee can expect the following:

1. To be notified in advance of the monitoring visit. State CDBG staff will never pay a "surprise" visit to your office. Dates and times are usually not negotiable unless unforeseen circumstances exist.
2. To receive a letter and/or email prior to the monitoring visit describing when state staff will arrive on site. The letter will also include a description of the scope of monitoring, the files that should be available and the length of the visit. Local staff should be available during the on-site visit and should arrange their schedules accordingly.
3. To provide a conference room or other enclosed area in which at least two people can work comfortably.
4. To be required to have the necessary forms and documentation ready and available during the monitoring visit. This will assist the monitoring visit to go quickly and smoothly.

State CDBG staff has the right to review any file or record that is associated with the CDBG program.

When on-site, staff will want to review project files, visit the site of a sample of completed and/or on-going projects, and review your financial management procedures. As part of the financial management review, DEHCR may ask to review documentation for invoices that were submitted for payment to ensure that appropriate documentation is maintained in the file.

Grantees must be able to fully document the management of CDBG Housing program in order to demonstrate compliance with all applicable regulations. During the on-site monitoring, DEHCR will review a variety of files that are maintained at the local level.

The filing system you establish should be easy to follow, and must provide chronological account of your activities for examination and review by DEHCR staff, HUD staff, and other entities such as financial auditors, etc. A separate administrative file system must be established for each CDBG housing contract.

ADMINISTRATIVE REVIEW

This portion of the monitoring will focus on program administration and will include records related to pre-award, implementation, and closeout process. The administrative review will differ depending on whether an active grant is in place or not. If a Grantee is using CDBG-RLF funds only (and no active grant is in place), this review will not include all of the documents listed below, as they will not apply to CDBG-RLF Grantees.

In the case of Grantee with an active grant, the following sections describe the types of information that may be reviewed:

1. Original Application to DEHCR and Grant Agreement;
2. Correspondence about the application;
3. Citizen Participation Plan and documentation showing requirements have been met before and during public hearing: published notices, 14-day evidence, clerk's certification, hearing date and minutes;

4. Signed “Lobbying” Certification Form;
5. A copy of Non-Violent Demonstration Policy;
6. A copy of Anti-Displacement Policy;
7. Relocation Plan;
8. Procurement Records: we will review local procurement activities. We will expect to see, and review written local procurement policies demonstrating evidence of fair procurement practices when hiring contractors/consultants/program administrators/ inspectors/engineers, including:
    a. Request for Proposals or Bid Packets;
    b. Method used to evaluate proposals;
    c. Selection committee/board approval of successful bidder(s) and rationale;
    d. A copy of the executed contract;
9. Environmental Review Record Tier I (including the copy of the letter received from DEHCR); and
10. Grant Award Letter from DEHCR.

Housing Committee Records

Monitoring will include a review of the minutes of meetings and information approved by the Housing Committee, such as:

1. Evidence of adoption of a Policies & Procedures Manual;
2. Committee member names and contact information; and
3. Meeting minutes and evidence of open public meeting requirements.

Grant Agreements

During monitoring, DEHCR staff will ensure that there are adequate agreements in place related to program operation. This might include:

1. Grant Agreement signed by both parties; and
2. Regional Cooperative Agreement and adopting resolutions (if applicable).

Equal Opportunity Files

During the monitoring, DEHCR staff may review:

1. Demographic profile of distribution area;
2. Affirmative Action Plan (AAP) notice posted in conspicuous place, visible for all to see;
3. Grantee employment data;
4. Evidence of efforts made to promote the use of local businesses;
5. Actions taken to implement Title VI and Section 109;
6. Record of promotion local LMI employment/training;
7. Fair Housing Ordinance(s); and
8. Evidence of minimum three actions to further fair housing.

Administrative Expenditures

Each CDBG contract includes a budget line for administrative expenses. Eligible administrative expenses include:

1. Salary
2. Fringe benefits
3. Office rent
4. Travel
5. CDBG-related training
6. Consultant payments

During monitoring, DEHCR staff will review this information to verify that administrative payment requests have been accurately determined.

Financial Management Files

State and federal regulations set forth the financial management procedures which must be followed in administering a CDBG grant. For details on how to comply with these requirements see Chapter I of this manual. If there are questions concerning the requirements, contact DECHR.

The following must be maintained by grantees with active contracts to document financial management activities:

1. Disbursement Summary Register;
2. Depository Certification Form;
3. Signature Certification Form;
4. Requests for payment of CDBG funds;
5. Grant Account Transactions Journal;
6. CDBG Reimbursement Request Form;
7. Rehabilitation Obligations Tracking Journal;
8. Working Account Transactions Journal;
9. Individual Project Tracking Journal;
10. Program Beneficiaries Data Sheet;
11. Source documentation for administrative costs (invoices, payrolls, contracts, etc.);
12. Cancelled checks, deposit slips, bank statements, etc.; and
13. Other funds documentation (bank mortgages, donation checks, materials receipts).

For those Grantees using only CDBG-RLF funds, the following will be reviewed:

1. RLF Account Transactions Journal;
2. Rehabilitation Obligation Journal;
3. Program Beneficiaries Data Sheet;
4. Individual Project Tracking Journal'

5. Source documentation for administrative costs (invoices, payrolls, contracts, etc.);
6. Cancelled checks, deposit slips, bank statements, etc.; and
7. Other funds documentation (bank mortgages, donation checks, materials receipts).

Conflict of Interest Files

The Conflict-of-Interest File includes:

1. A copy of the legal opinion signed by the attorney;
2. Meeting minutes showing disclosure of the conflict and attendees; and
3. Correspondence from DEHCR.

PROJECT FILES

Individual project files should include a complete record of all project activities. Each project must have its own file. Within each file there should be documentation to record the chronological history of the project. Grantees should establish a checklist for each phase of the project. The checklist shall be attached to the project file, so the process is easy to follow. Here are the phases of the CDBG Housing project:

1. **Application Intake**
    a. Signed and dated application form, including statements related to marital status, citizenship, conflict of interest, release of information, Overview and Process form;
    b. Subordination policy;
    c. Homeowner Rehabilitation Process overview;
    d. Proof of homeowner's insurance;
    e. Proof of ownership;
    f. Determination of property address;
    g. Documentation the property taxes are paid and current;
    h. Verification of local RLF availability.
2. **Income Verification – LMI limits must be included in project file**
    a. All required information necessary to verify income using the Part 5 definition;
    b. Correspondence to employers requesting information;
    c. Correspondence to homeowner;
    d. A signed and dated income verification sheet;
    e. Copy of published income limits by county.
3. **Application approval**
    a. Correspondence approving/denying application;
    b. Letter report from accredited title company.
4. **Environmental Review (see Environmental Chapter)**

a. Statutory Checklist, which specifies the age of structure. (If unknown it is assumed to be 50 years old);

b. Environmental review, completed, dated and signed;

c. All supporting ER documentation must be present (maps & attachments); and

d. Other ER correspondence, if necessary.

5. Inspection

a. HQS Report completed and signed;
b. Before and after pictures of the property (including items to be repaired/replaced);
c. Lead-based paint brochure receipt;
d. Lead-based paint presumption notice or lead risk assessment;
e. Lead risk assessment results or lead presumption notice given to property owner and tenants within 15 days of results.
f. Asbestos test results
g. Detailed work specifications and Grantee estimate for the cost of the project;
h. Equity Determination (120%) and;
i. Work specifications signed by the homeowner.

6. Bidding

a. Evidence to obtain three bids;

b. Evidence of MBE/WBE and Section 3 requirements;

c. List of contractors selected by homeowner to bid on the project;

d. Letter from Grantee to homeowner specifying bid deadline;

e. Returned bid packets from minimum three bidders (or at a minimum effort to obtain three bids). The bids must be dated;

f. Contractor verification form and required copies of certification and licenses, debarment check.

7. Contracting

a. Acceptance of bids signed by the homeowner;

b. Borrowers' agreement;

c. A copy of rehabilitation contract signed by homeowner and contractor. Signature block shall include signature, printed name, and date; and

d. Relocation analysis and completion.

8. Loan Closing Documents

a. Terms & Conditions;

b. Mortgage – signed and recorded;

c. Promissory Note;

d. Right of Rescission;

e. Truth-in-Lending statement;

f. Add Grantee to homeowner's insurance; and

g. Documentation of match funds, if applicable.

9. Project payments

a. Individual obligation journal;

b. Contractor's invoices;

c. Interim Inspection Reports;

d. Payment Request form signed by homeowner, administrator and inspector;

e. Lien Waiver(s); and

f. Written and authorized change orders.

10. Final Inspection and project closeout

a. Final Inspection Report/Final Inspection checklist/correspondence to homeowner;

b. Lead-based paint compliance;

c. Lead Clearance report sent to homeowner;

d. Evidence of smoke and carbon monoxide detectors; and

e. Project pictures prior to rehabilitation and at project completion, as well as interim inspections if performed.

K. SINGLE AUDIT

The State of Wisconsin has adopted the single audit concept for local governments beginning FY 1987. Single audits being performed for local governments and nonprofit administrators to satisfy the federal requirement will also include the state compliance features for the selected state programs. The selected state programs are itemized in the Wisconsin State Single Audit Guidelines.

OMB Circular 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards: Subpart F includes information on the audit requirements. These requisites require that a single audit be conducted when a grantee reaches a threshold of $1,000,000 in federal expenditures. Grantees with active grants and/or revolving loan funds are required to comply with the single audit requirement.

SINGLE AUDIT DETERMINATION

Recipient local governments that expend a combined total of $1,000,000 or more in federal financial assistance (from all sources including RLF expenditures) in any fiscal year must have a single audit for that year. A letter confirming that an audit will be conducted must be provided to the Department of Administration (contact DEHCR for form) by January 31 of the subsequent year. *A Grantee must submit a letter to the Department of Administration regardless of audit determination.*

If a combined total of less than $1,000,000 in federal funds (from all sources including RLF expenditures) is expended in a year, the single audit requirement does not apply. A confirmation of non-requirement must be provided to the Department of Administration (contact DEHCR for form). Please list sources of any federal funds received during the calendar year. NOTE: CFDA means Catalog of Federal Domestic Assistance.

The Grantee is required to maintain detailed records of financial assistance and to provide access to those records to federal and state agencies.

SECURING AND COST SINGLE AUDIT

The local government is required to select an independent certified auditor to perform the Single Audit. Audit costs made in accordance with the provisions of OMB Circular 2 CFR Part 200 are allowable charges to the Community Development Block Grant (CDBG) program. You may charge a proportionate share of the cost of your single audit to your CDBG administrative budget. The allowable percentage of your audit costs cannot exceed the percentage of your local budget represented by the CDBG funds audited. If CDBG funds will be used to pay for part of the Single Audit, compliance with procurement procedures is required. The grantee must submit a Single Audit Report to the Federal Audit Clearinghouse (FAC) within 30 days of the Single Audit being completed, and no later than September 30th of each year in which the grantee was subject to completing a Single Audit. The grantee must also submit to DEHCR the record of submission of the report to the FAC (a copy of the FAC website documenting the confirmation of submission).

L. SMALL CITIES HOUSING REVOLVING LOAN FUND (CDBG-RLF)

INTRODUCTION

CDBG Small Cities Housing funds repaid by Grantees remain with the counties, cities, villages, or towns that originally disbursed the funds. Repaid funds thereafter are considered part of the community's CDBG Housing Revolving Loan Fund (CDBG-RLF), available on a rolling basis for future housing rehabilitation activities undertaken within the locality. Communities unwilling or unable to continue participating in the CDBG – RLF program must return all program dollars to DEHCR.

This chapter deals specifically with the required administrative financial and management procedures for maintaining a local CDBG – RLF program. Participating localities must adhere to the procedures, guidelines, and stipulations maintained in this manual, as well as all additional relevant federal, state, and local ordinances, codes, and statutes. The contents of this manual provide the basis by which DEHCR will assess the performance and operation of local CDBG – RLF programs.

This chapter, and all sections contained in this guide, will be continually revised as federal and state regulations and requirements change. Only the most recent edition of this guide will contain the rules and regulations applicable at any given time. Grantees and participating communities are advised to remain flexible and alert to program updates or other important revisions as the statutory landscape may shift from time to time.

CDBG – RLF PROGRAM MANAGEMENT

This section describes the requirements for managing and maintaining a local CDBG – RLF program, with special emphasis on properly completing and retaining CDBG – RLF financial management documentation. It is important to note that Grantees are expected to adhere to all other stipulations described elsewhere in this manual, including all relevant guidelines for: eligible activities, household income eligibility and verification; application procedures, bidding, contracting, and labor standards; equal opportunity and nondiscrimination requirements; environmental, historic, and archeological review; property acquisition and occupant relocation; asbestos and lead-based paint policies; and annual single audit requirements.

The CDBG – RLF is a separate fund, independent of other CDBG program accounts. As CDBG loans are repaid, these payments are deposited into an interest-earning working account, maintained by the local community for future home rehabilitation activities. CDBG – RLF must be used for the same type of activity for which CDBG funds were awarded initially (e.g., CDBG home rehabilitation funds repaid into a CDBG – RLF account **must** be used for future home rehabilitation activities). Fund repayments into an RLF account are considered program income and are subject to all CDBG and other regulatory compliance rules, including those established by the State. RLF accounts cannot be capitalized with grant funds. As long as a locality continues to use the RLF for home rehabilitation, funds will remain with the locality. If, however, a locality no longer continues home rehabilitation activities with RLF funds, then the funds must be returned to DEHCR.

Wisconsin counties, cities, villages, and towns maintaining an active CDBG – RLF account may utilize up to 17% of the sum of loan repayments and interest earned on the Working Account for administration of the CDBG – RLF program. Program administration funds drawn from the RLF account must be for expenditures associated with CDBG – RLF program management and **cannot** exceed the 17% cap.

Further clarifications on eligible and ineligible expenditures for program administration are as follows:

1. Office rent is an eligible expense ONLY if:
    a. All other departments pay office rent, or
    b. The CDBG – RLF office is located in a non-municipal building.
2. A per diem or salary may be paid to members of the CDBG – RLF committee **only** if all other such committees (e.g., public works committee, zoning committee, common council, etc.) receive a similar payment.
3. Equipment or computer software valued in excess of $2,000.00 may **not** be purchased without prior written approval from DEHCR.
4. The CDBG – RLF may be used to pay the salaries of municipal employees under the following conditions:
    a. CDBG – RLF may be used to pay for documented time spent managing the RLF by all hired or appointed employees **only** if accurate timesheets documenting hours worked are maintained **and** employee wages are comparable wages paid for comparable work in the area.
    b. Elected officials may be paid for time spent managing the RLF **only** if they request and receive a waiver of conflict of interest from DEHCR **prior** to performing the work for which they will be paid.
5. Refreshments and meals for meetings are **not** an eligible CDBG – RLF expense except when traveling on CDBG-related business.
6. Examples of other eligible administrative expenses include fringe benefits, travel expenses, office supplies, consultant fees, inspection fees, and CDBG-related training.

CDBG – RLF MONITORING AND FILE MANAGEMENT

DEHCR may elect to monitor any locality maintaining a CDBG – RLF program for compliance with the requirements described in herein or stipulated in the monitoring worksheets attached in the appendix at the end of this manual. When the CDBG – RLF program manager or other DEHCR representative visits a participating locality, the following requirements apply:

1. CDBG – RLF communities will be notified at least 30 days in advance of an upcoming monitoring visit. DEHCR monitoring personnel will never conduct a 'surprise' visit to CDBG – RLF communities.
2. CDBG – RLF communities will receive a letter from DEHCR personnel prior to a monitoring visit detailing the date and location of the monitoring as well as the documentation to be provided by the community.
3. DEHCR monitoring personnel will assess CDBG – RLF communities using the forms included in this chapter.
4. DEHCR monitoring personnel reserve the right to review any file or record that is associated with the CDBG program.
5. CDBG – RLF communities are required to provide an area in which at least two (2) people can work comfortably.

6. Having the necessary documentation ready, available, and accessible will ensure that monitoring visits proceed smoothly and quickly.

Grantees should have the following forms and documents ready for DEHCR monitoring inspectors:

1. Invoices, timesheets, and other documents needed to support CDBG payments;
2. All financial management forms – with current entries;
3. Bank statements;
4. Individual project files – with documentation in an orderly fashion;
5. Housing Procedures Manual and minutes of meetings adopting amendments; and
6. Acquisition/Disposition Register.

M. FINANCIAL MANAGEMENT AND MONITORING-RLF PROGRAMS

OVERVIEW

CDBG funds are repaid to the community when the borrower sells the property, or the property ceases to be the borrower's primary place of residence. Loans to landlords are usually repaid on a monthly basis. When owner-occupied or tenant-occupied loans are repaid to the community, the funds are identified as CDBG- RLF funds.

Financial management and reporting of the CDBG-RLF differs from active grant programs. As a result, DEHCR will monitor CDBG-RLF Grantees based on the content of this manual and will provide technical assistance/program compliance training for all CDBG-RLF Grantees.

CDBG-RLF program administrators should also consult state and local statutory requirements, such as Wisconsin Open Meetings law, local housing and building ordinances in operating this program.

If a community is no longer interested in operating an existing CDBG-RLF program, a process is in place to return CDBG-RLF dollars to DEHCR (see Discontinuation of RLF Housing Program Section).

CDBG-RLF COMPLIANCE ISSUES

When a homeowner repays a loan, the funds must be deposited into a CDBG-RLF Account Transactions Journal (*formerly called Working Account Transactions Journal during the active grant cycle*). The Grantee must track funds to and from recipients, identify and record interest earned on these funds, with this transactions journal.

When loans are repaid, the funds may either be reused by providing another loan to a homeowner or the funds must be repaid to DEHCR.

If the funds are reused to make additional homeowner loans, up to 17% of loan repayments and any interest earned on the RLF Account Transactions Journal may be used for CDBG-RLF administration. The balance (usually 83% of repayments and interest) is available for eligible loans.

Administrative Funds

As noted above, up to seventeen percent (17%) of loan repayments deposited into a revolving loan fund may be used to administer loans made from the revolving loan fund.

Financial Records

The following financial records are used to track the activity of CDBG-RLF dollars:

1. RLF Rehabilitation Obligation Tracking Journal
2. RLF Accounting Journal
3. RLF Individual Project Journals
4. Project Loan Tracking Report/Loan Portfolio
5. Program Beneficiary data sheet.

If a community receives funds from selling property acquired during a previously funded acquisition program, it may elect to keep the acquisition RLF separate from the housing RLF. A separate set of acquisition RLF records must be maintained, and those funds may only be used for additional, pre-approved (by DEHCR) acquisition activity.

The following section describes each of these CDBG-RLF financial tracking documents in detail, with the forms included in the forms section of the manual.

RLF Rehabilitation Obligation Tracking Journal

The Obligation Tracking Journal records loans/grants approved, loan reductions, program income, and amount of CDBG-RLF monies remain available that may be loaned to LMI households. The purpose of this journal is to help program administrators from over-committing available funds.

RLF Accounting Transactions Journal

The RLF Accounting Transactions Journal tracks all RLF-related deposits (repaid loans, interest earned) and disbursements and records payments made to contractors as well as payments made for program administration. The **Total Balance** column of this journal must reconcile with the program checkbook balance.

RLF Individual Project Journal

A separate record of all funds paid out on a project specific to each applicant must be maintained, enabling administrators to account for all funds paid out on a project. A copy of the RLF Individual Project Journal must be kept in each individual rehabilitation project file.

Project Loan Tracking Report/Loan Portfolio

This ledger includes a list of all loans that have been made by the Grantee, whether the loan is outstanding or paid off. This is an ongoing list of loans, dates, property address, and payment status.

Program Beneficiaries Data Sheet

The program beneficiary data sheet records data for applicants that have closed loans or received a grant with the CDBG Housing program. The data to be reported includes application number, date the mortgage was signed, loan/grant amount, and beneficiary demographics.

Cash Donations

Cash donations to the rehabilitation program must be deposited in the CDBG-RLF Account and recorded in the Rehabilitation Obligation Tracking Journal as well as the RLF Account Transactions Journal (under RLF project deposit). A copy of the check must be on file for documentation of Other Funds brought into the program.

Cash contributions for any non-rehabilitation purpose (e.g., down payment, site acquisition) must be paid directly to the individual project and documented with a copy of the check.

INDIRECT COSTS AND PROJECT DELIVERY COST (OR PROJECT RELATED SOFT COSTS)

Refer to Chapter I Financial Management and Monitoring-Active Grants.

REVOLVING LOAN FUND (RLF) COMPLIANCE REPORTING

Grantees must comply with all applicable **current** rules when making new loans using CDBG-RLF funds. This includes all environmental and Davis-Bacon requirements (if applicable). The Grantee must report the use of funds to DEHCR and should expect to be monitored by State personnel. DEHCR is required to gather and maintain information regarding all CDBG-RLF Program funds. This information is collected annually (in April) to comply with federal reporting requirements and to determine which programs, if any, may be in need of additional training/technical assistance across the state.

To gather this data, DEHCR provides an RLF Activity Report to all CDBG-RLF Grantees. Municipalities must complete and submit this document on-line with the following documents:

1. RLF Account Transactions Journal
2. Bank Statement
3. Program Beneficiary Data Sheet

Failure to provide information may result in DEHCR taking additional enforcement measures to ensure compliance. This includes, but is not limited to, suspension of the local CDBG-RLF program.

DISCONTINUATION OF CDBG-RLF HOUSING PROGRAM

The RLF Grantee must send the following to the CDBG-Revolving Loan Fund Program Manager at the State of Wisconsin, DEHCR for approval:

1. A letter expressing the Grantee's desire to terminate its participation in the RLF program, signed by the Grantee's Chief Elected Official or his/her designated representative.
2. Minutes from a formal municipal or committee meeting approving the termination of administration of the RLF program.
3. The following updated documents:
    a. CDBG-RLF Accounting Transaction Journal
    b. Bank statement
    c. Project Loan Tracking Report /Loan Portfolio

Upon approval by DEHCR, the Grantee will be required to submit the following to the RLF Program Manager:

1. Account Closure:
    a. A check for the remaining balance of the CDBG-RLF funds, accompanied by the most recent checking account statement. The check must be made out and mailed to:

        Wisconsin Department of Administration
        101 East Wilson Street
        PO Box 7970
        Madison, WI 53707

    b. Proof of the closed CDBG-RLF account; and
    c. Final Annual RLF Account Activity Report.
2. File Management:
    a. The most current and accurate loan portfolio, which includes a list of all outstanding loans with beneficiary name, property address, project loan number, the amount of the loan, mortgage signing date, existing loan balance and payment history, payoff date and payment arrangements.

The grantee will continue to "own" the loans currently in their portfolio. As loans are repaid, the grantee will prepare the Satisfaction of Mortgage for the borrower and forward the funds (in the form of a check) to DEHCR.

N. EMERGENCY ASSISTANCE PROGRAM (EAP)

EMERGENCY ASSISTANCE PROGRAM OVERVIEW

The Wisconsin Department of Administration (DOA), Division of Energy, Housing and Community Resources (DEHCR), administers the federally funded Community Development Block Grant (CDBG) Housing Program. The State is responsible for distribution of Emergency Assistance Program (EAP) funds to Wisconsin Units of General Local Government (UGLGs) located in non-entitlement areas (i.e., outside of communities who receive an allocation of CDBG funds directly from the United States Department of Housing and Urban Development, (HUD)). UGLGs may be towns, cities, villages, or counties.

PRECIPITATING DISASTER EVENT

EAP funds are linked directly to a natural or man-made disaster affecting Low – to Moderate – Income (LMI) households. Assistance may include, but is not limited to the following activities:

1. Housing Rehabilitation
    - Non-Floodplain Housing Replacement (Reconstruction)
2. Acquisition
3. Demolition
4. Relocation
5. Floodplain Housing Replacement
6. Public Facilities
7. Business Assistance

DIFFERENCES BETWEEN EAP AND CDBG-HOUSING

1. EAP funds are grants (vs. loans) to LMI Households.
2. EAP funds are limited to necessary repairs stemming from the precipitating disaster event.
3. EAP project inspections for housing rehabilitation are limited to the necessary repairs of disaster affected areas (i.e., roof, windows, or furnace replacement). An HQS inspection of the total residence is not required for CDBG-EAP grants.
4. While recommended, homeowner's insurance is not required to receive EAP housing rehabilitation assistance. Homeowner's insurance is a requirement for a 5-year period for housing relocation or replacement activities (see Additional Program Requirements section).
5. Public Facilities and Business Assistance projects shall follow the rules and regulations of the respective program including but not limited to the most current CDBG Implementation Handbook, except as directed by a CDBG Program Representative.

AVAILABILITY OF FUNDING

CDBG EAP funding is available to non-entitlement Units of Local Government throughout the State of Wisconsin. The maximum request is $500,000 (or an amount determined by DEHCR necessary to address the disaster).

APPLYING FOR EAP ASSISTANCE

Affected communities have ninety (90) days from the date of the disaster event to submit a letter of intent to apply to DEHCR. The EAP application is due as directed by DEHCR following review of the intent to apply letter. The EAP

application (including instructions and forms) can be accessed on the DEHCR website under Application Documents. Under the Community Development Block Grant – Emergency Assistance Program Section – select ***Application***.

In certain circumstances an abbreviated EAP application may be submitted by a unit of local government where a contract to provide similar activities (i.e., housing rehabilitation) already exists.

CDBG-EAP ACTIVITIES

1. REHABILITATION

Other than the differences between EAP and CDBG Housing (noted previously), the housing rehabilitation policies in this manual apply. Grantees should contact CDBG-EAP staff with specific rehabilitation repair questions.

Any duplication of benefits for housing repairs (homeowner insurance settlement or FEMA rehab assistance award) will need to be deducted from the CDBG-EAP assistance provided.

2. RECONSTRUCTION

Reconstruction is an eligible CDBG activity where the previous structure is demolished, and a replacement unit is placed on the property. Because the damaged property will involve "demolition", this activity will require environmental review compliance.

The Grantee must determine the most financially feasible option when determining the type of assistance to provide the property owner. The following must be considered prior to making the assistance determination:

a. Prepare a cost estimate of repairs needed to bring the home back to pre-disaster condition.

b. Obtain a complete cost estimate to demolish the damaged structure and replace it with a manufactured (sectional or double-wide) home. The manufactured replacement should be similar in size (# bedrooms, sq. ft., etc.) to the damaged home. The complete costs shall also include all connections, delivery and set-up costs, and foundation cost (slab only).

If the estimate to repair the home back to pre-disaster condition is less than the cost to replace the home with a manufactured (sectional or double-wide) or home, the Grantee must repair the home. The guidelines for rehabilitation as listed on Page 105 of this chapter under "Eligible and Ineligible activities," apply.

If the cost estimate to demolish the damaged structure and replace it with a manufactured (sectional or double-wide) home is less than repairing the damaged structure, on-site reconstruction (housing replacement) will apply.

Local building code and zoning requirements may prevent the Grantee from replacing an existing structure with a manufactured (sectional or double-wide) home. Under this circumstance, the Grantee may repair the existing structure to bring the home back to pre-disaster condition.

Under most circumstances, the least expensive option would be the type of assistance provided. However, if household is not able to live in the structure because it is not safe due to the disaster, and it will take longer to complete the repairs than to replace the unit with a manufactured (sectional or double-wide) home, the Grantee may choose to demolish the structure and replace it with a manufactured (sectional or double-wide) home.

Eligible and ineligible activities:

The CDBG-EAP housing rehabilitation and reconstruction activities are generally the same as those covered by the CDBG Housing Program (see page 29) however, EAP rehabilitation repairs must be directly related to damages incurred during a disaster event. Verification and documentation that the damage was a direct result of the event is required. Grantees should contact CDBG-EAP staff with specific rehabilitation repair questions. Repairs not eligible for CDBG-EAP assistance may be covered by CDBG Housing assistance. Contact your local housing administrator.

Ineligible Activities:

1. Repairs to vacation (non-primary residence) homes
2. Repairs to storage sheds, outbuildings and other non-dwelling units
3. Repairs to driveways or other means of ingress and egress (unless related to accessibility and/or emergency services response)
4. Clean-up activities unless directly associated to a disaster related repair
5. Repair or replacement of components that are not a direct result of damages caused by the precipitating event
6. Mitigation activities unless the mitigation activity is a direct result of damages caused by the precipitating event. Contact your DEHCR representative for further guidance
7. Replacement of personal items (excluding stoves and refrigerators)
8. Cosmetic repairs
9. Detached garages (unless in danger of collapse)
10. Homeowner's insurance unless provided with a supplemental buyout payment

When initiating a housing rehabilitation project, the grantee must verify whether the homeowner has received compensation or assistance from other funding sources such as:

- Homeowner's Insurance
- Donations- public or private
- FEMA individual assistance
- Small Business Administration (SBA)

Applicants are required to sign a statement that should a duplication of benefits occur, the applicant will repay the CDBG program the amount of the overpayment.

Acquisition/Demolition/Relocation

On occasion, depending on the severity and location of a disaster event, a home may become uninhabitable and/or the cost of rehabilitating the structure to meet local/state environmental compliance may be prohibitive. In these situations, CDBG-EAP will make available Acquisition/Demolition/Relocation (A/D/R) assistance to a displaced family in locating replacement housing that offers reasonable health and safety for the household. **NOTE – ONLY HOMES LOCATED IN THE FLOODPLAIN ARE ELIGIBLE FOR A/D/R.**

CDBG-EAP funds for A/D/R are limited to homeowners. LMI tenants may be eligible for relocation benefits.

3. ACQUISITION

Steps to be followed for acquiring property include:

1. Obtain a signed letter of voluntary participation (see sample letter in the attachments).
2. Properly procure, select and contract with a Wisconsin Licensed Real Estate appraiser to complete an appropriate appraisal on the property.
3. Invite the property owner to accompany the appraiser for the appraisal.
4. If the homeowner disagrees with the initial appraisal, a second appraisal can be conducted. Should the second appraisal result in a higher pre-disaster FMV, CDBG will cover the cost of the appraisal. However, should the second appraisal come in the same or less than the original appraisal amount, the homeowner will be responsible for the cost of the second appraisal.
5. Establish, in writing, a summary statement detailing how the amount of just compensation to the property owner was derived and a description of the property. In calculating the just compensation amount, the grantee must consider all other financial assistance the homeowner may have already received (FEMA, SBA loan, homeowner's insurance, etc.) if those funds can be applied toward housing replacement.
6. Make an offer to purchase for established just compensation. Deliver the summary statement determining just compensation at the same time as the offer to purchase. The date of the offer to purchase begins the displacement process if relocation applies.
7. Sign the purchase agreement.
8. Execute the deed, complete settlement cost statement and make appropriate payment including incidental costs.
9. Record title to property now in the grantee's name.
    i. NOTE – for floodplain acquired properties, a deed restriction in compliance with the local floodplain ordinance must be placed on the title. (Suggested deed restriction language can be found on page 228)
    ii. Typically, such deed restrictions prohibit any future construction on the property.
    iii. Floodplain acquisitions in coordination with FEMA and Wisconsin Emergency Management may differ from those funded 100% by CDBG (see Property Disposition section on page 80)
10. Prepare files for DEHCR review

4. DEMOLITION

Demolition Requirements:

1. Coordinate demolition activities with acquisition
    a. Prepare for demolition activities while going through the acquisition process
2. Procure contractor for demolition
    a. Competitive bid, or
    b. simple procurement
    c. Develop demolition contract between UGLG and Contractor
3. Complete and inspect the demolition/reclamation site

5. RELOCATION

Under the Emergency Assistance Program, CDBG-EAP grantees may offer optional relocation assistance to owner-occupants or tenants that meet income guidelines (below 80% of County Median Income) and have been or are in the process of being displaced from their homes by a natural or man-made disaster and need shelter. The policy to assist this population is as follows:

1. Income eligible owner occupants or tenants displaced due to hazardous conditions may be eligible for the following:
    a. Immediate hotel or transitional housing expenses (up to two months),
    b. Security deposit on permanent replacement housing and the first two months' rent, up to a total of $3,000. Assistance will be provided to the tenant to locate a replacement dwelling, and
    c. Temporary storage and/or moving expenses not to exceed $500.
    d. Total project costs shall not exceed $8,000 per household.

6. FLOODPLAIN HOUSING REPLACEMENT

When the determination has been made that the home is substantially damaged and uninhabitable, CDBG funding may be used to assist with housing replacement and household relocation.

Steps to follow for housing replacement in the floodplain

1. Follow the housing acquisition steps outlined in the Acquisition section (#2 above).
2. If necessary, assist the LMI household in locating replacement housing.
3. Apply the acquisition/buyout offer amount toward the purchase of the replacement housing.

SUPPLEMENTAL HOUSING PAYMENTS

Finding replacement housing within a community after a household has been displaced by a disaster event can often be challenging. While CDBG-EAP funds cannot be used to "enrich" a homeowner, it is understood that the pre-disaster Fair Market Value (FMV) or appraised value of a home may not be sufficient to purchase replacement housing.

In recognition of the funding gap between the pre-disaster FMV or appraised value and housing replacement costs , CDBG-EAP will offer a supplemental housing payment of up to $31,000 toward housing replacement. The supplemental payment must be applied toward the difference between the pre-disaster FMV value and the cost of housing replacement up to a maximum of $31,000.

A supplemental housing payment is only available when a formal commitment to housing replacement (purchase offer or documentation of permanent housing attainment) has been made by the LMI homeowner. Supplemental Housing Assistance is only available when the homeowner intends to obtain (rebuild/replace or purchase) permanent housing. **Should the homeowner elect to move to a rental situation they would not receive a supplemental housing payment.**

Additional Housing Replacement Program Requirements

- A five-year forgivable loan (mortgage document and real estate note) must be filed with the Register of Deeds for all housing replacements funded through the CDBG Emergency Assistance Program.
    1. The mortgage amount will equal the CDBG-EAP supplemental assistance offered.

2. The buyout amount will not be included in the forgivable loan.
3. 1/60 of the mortgage amount will be forgivable each month that the household occupies the replacement housing.
4. Should the household sell the property prior to the end of the five-year period the homeowner will be responsible to repay the remaining amount of the forgivable loan.

- The homeowner will be required to demonstrate ongoing proof of homeowner insurance for the entire five-year period.
    1. CDBG-EAP funds may be used to pay the expense of the 1st year of homeowner insurance. This applies only to homes that receive supplemental assistance.
    2. Should a homeowner insurance policy lapse due to payment default, that individual household will be ineligible for additional CDBG-EAP assistance during the remainder of the five-year forgivable mortgage period.

7. PUBLIC FACILITIES

CDBG-EAP public facility assistance is available to communities where 51% or more of the population is low-to-moderate income (LMI) or where the activity will benefit LMI households. Funds are awarded as a grant, requiring a 25% local match for the total project expense.

8. BUSINESS ASSISTANCE

CDBG-EAP business assistance is available to eligible businesses that have been affected by a natural or manmade disaster. Funds may be awarded as a loan or a grant. To qualify, a business must demonstrate that:

Damages are linked directly to a disaster event.

They employ LMI individuals.

CDBG-EAP assistance will result in creating new or retaining existing LMI jobs.

51% of the jobs created and/or retained must be held by LMI individuals.

FLOODPLAIN PROPERTY DISPOSITION

CDBG-EAP frequently partners with other agencies; most notably the Wisconsin Department of Natural Resources (WI-DNR) Municipal Flood Control Grant Program or Wisconsin Emergency Management (WEM) using the Hazard Mitigation Grant Program. CDBG-EAP typically assists with property acquisition/demolition/relocation when the property is in a floodplain. As CDBG-EAP is often a secondary source of funding, DEHCR will defer to WI-DNR or WEM in respect to environmental review and floodplain ordinance compliance. This may result in a deed restriction that limits the sale and use of the acquired property in the future.

Floodplain property acquired by the Grantee with 100% CDBG-EAP assistance after a disaster event-related event can either be retained as green space in perpetuity or leased to adjacent property owners or other parties for compatible uses in return for a maintenance agreement. Although federal policy encourages leasing rather than selling acquired property, the property may be sold. In all cases, a deed restriction or covenant running with the land (Sample deed restriction language can be found on page 196) must require that floodplain properties be dedicated and maintained for compatible uses in perpetuity. All local flood plain ordinance requirements must also be complied with.

Any proceeds from the sale of a floodplain or non-floodplain property acquired with CDBG funding are considered "program income" and must be returned to the Department of Administration.

MANUFACTURED HOME GUIDELINES

CDBG-EAP funds may be used to rehabilitate manufactured homes (either free-standing where the homeowner owns the land underneath or located in a manufactured housing community).

CDBG-EAP funds may be used to replace a manufactured home damaged because of a disaster using the same guidelines identified under reconstruction for homes not in a floodplain.

If a manufactured home is located within the floodplain and it becomes uninhabitable and/or the cost of rehabilitating the structure to meet local/state environmental compliance is prohibitive, CDBG-EAP will make available Acquisition/Demolition/Relocation (A/D/R) assistance to a displaced family in locating replacement housing that offers reasonable health and safety for the household. For manufactured homes located within the floodplain the following guidelines shall apply:

1. Determine the value of the substantially damaged or destroyed manufactured home through:
    a. A licensed appraiser,
    b. Records available through the manufactured housing community confirming the value of the manufactured home,
    c. A local taxing authority (Village, City, County, etc.),
2. If a value cannot be determined utilizing any of the above methods, a $5,000 salvage value buy-out will be awarded.
3. Assist the homeowner in locating replacement housing (manufactured home or other housing in the community).
4. Apply the buyout offer amount toward the purchase of replacement housing.
5. Any housing assistance (insurance settlement, FEMA, or public/private funds) received by the homeowner for disaster recovery purposes must be deducted from the housing replacement costs before receiving a CDBG-EAP grant. Payments received by the owner that have been designated solely for replacement contents or living expenses are excluded from this calculation. Documentation showing the designation of these funds is required. For example, proceeds from property insurance that is for the reimbursement/replacement of contents within the home and not the actual structure.
6. The owner of the manufactured home must use CDBG-EAP funds toward the purchase of permanent replacement housing (including another manufactured home). In no case will any funds be disbursed that exceed the actual cost of the replacement housing.
7. Award supplemental housing assistance (up to $31,000) if needed to obtain replacement housing.
8. If the homeowner elects to purchase another manufactured home in a manufactured housing community or on land they do not own, the grantee will be required to file a lien against the title to the manufactured home with the State of Wisconsin Department of Safety and Professional Services. The lien establishes a five-year period of affordability. As with the housing replacement policy described previously, the lien amount will equal only the CDBG-EAP supplemental assistance offered.
9. The homeowner will be required to demonstrate ongoing proof of homeowner insurance for the entire five-year period. Should a homeowner insurance policy lapse due to payment default, that individual household will be ineligible for additional EAP assistance during the remainder of the five-year forgivable mortgage period.

O. REPORTING AND CLOSEOUT

Accurate and timely reporting of accomplishments by each CDBG-Housing Program serves a variety of purposes. It demonstrates the progress of each program and alerts DEHCR to any potential difficulties in program implementation, including whether program funds are being spent in accordance with federal and state laws. Additionally, it provides DEHCR with the data required to complete mandatory program reporting to the federal government.

ANNUAL REPORT

CDBG-Housing Grantees are required to provide DEHCR with a twelve-month report each calendar year a grant contract is in force. This report is due by the 15th working day of April and it will cover an annual reporting period of 4/1 - 3/31.

The Annual Report consists of:

1. Beneficiaries/Applicant's Report
2. Accomplishments Report
3. Grant Account Transactions Journal
4. Working Account Transactions Journal
5. Beneficiary Data Sheet
6. Fair Housing Actions

Requests for disbursement of CDBG funds will **not** be processed after the 10-day period until DEHCR receives a correctly completed report.

Beneficiaries / Applicants Report and Accomplishments Report

Beneficiaries / Applicants and Accomplishments Reports are two documents which detail activity for each grant program. The Beneficiary Data Report must be submitted in a format specified by DEHCR. Beneficiary data for each loan is recorded **after** the mortgage has been signed and recorded. The beneficiary amount includes all project funds granted and/or mortgaged. If changes are made to beneficiary data after it has been reported to DEHCR, the adjustments must be made on a new line.

Copies of the current Grant Account and Working Account transaction journals – or Reimbursement Account Transactions Journal, if applicable – must accompany the report.

This report will include documentation of Fair Housing activities addressed during the year and must accompany the annual report.

Labor Standards Reporting

The U.S. Department of Labor (USDOL) requires federal agencies administering programs subject to Davis-Bacon and Related Acts (DBRA) and Contract Work Hours and Safety Standards Act (CWHSSA) to furnish a labor standards enforcement reporting form. For CDBG projects, labor standards data are reported on the semi-annual CDBG Data Report (Attachment 9-C). If the assigned DEHCR Project Representative has provided additional instruction or updated forms, use that guidance.

The CDBG Data Report (Attachment 9-C) is due to DEHCR per the Grant Agreement Time Table. This report is often due prior to the end of the reporting period. If there is additional activity between the report due date and the end of the reporting period, the UGLG may include the previously unreported information with the next report.

The reporting periods and due dates for the semi-annual labor standards data reporting are as follows unless the UGLG is notified by the DEHCR Project Representative of another submission date:

- For the period of April 1st through September 30th – the report is due no later than September 25th. Reports received after this date will be considered late and may impact the approval of CDBG payment requests.

- For the period of October 1st through March 31st – the report is due no later than March 25th. Reports received after this date will be considered late and may impact the approval of CDBG payment requests.

DEHCR reserves the right to modify reporting periods and due dates for the LSER as needed.

Equal Opportunity and Section 3 Reporting

Reporting for Equal Opportunity compliance includes:

- Semi-annual MBE/WBE data reporting on the **CDBG Data Report (Attachment 9-C):** and

The reporting periods and due dates for the semi-annual MBE/WBE data reporting are as follows unless the UGLG is notified by the DEHCR Project Representative of another submission date:

• For the period of April 1st through September 30th – the report is due no later than September 25th. Reports received after this date will be considered late and may impact the approval of CDBG payment requests.
• For the period of October 1st through March 31st – the report is due no later than March 25th. Reports received after this date will be considered late and may impact the approval of CDBG payment requests.

RECORD RETENTION/DESTRUCTION

Under the uniform administrative requirements, Grantees are required to retain CDBG records indefinitely. This includes:

1. Project files, including beneficiary data
2. Financial Management
3. Cross-cutting records

HUD, the Comptroller General, the State, or their authorized representatives have the right to access Grantee program records.

PREPARATION OF THE CDBG-HOUSING PROGRAM CLOSEOUT REPORT

Certification of Completion is the report of all financial activity that occurred during the grant period. The following outlines the information to be provided in each section of the completion report. The final closeout report for each CDBG-Housing program – the Certificate of Completion and associated documentation – must be submitted to DEHCR no later than 60 days after the close of the final contract quarter.

FINANCIAL CERTIFICATE OF COMPLETION (INSTRUCTIONS)

A. Enter the name of the UGLG as it appears on the *Grant Agreement*.

B. Enter the *Grant Agreement* number.

C. Final Standards of Cost:

1. In column 1, list project activities as shown in the CDBG budget, i.e., rehab, general program administration, direct homeownership assistance.
2. In column 2, enter budget amounts for each project activity, as shown in the CDBG budget in total. Figures must reflect the budget in the most recent *Grant Agreement* Amendment, if applicable.
3. In column 3, enter the amount of CDBG funds drawn (received by the UGLG), by budget item and in total.
4. In column 4, enter the amount of CDBG funds pending (requested by the Grantee, but not yet received), by budget item and in total.
5. In column 5, enter costs that have been paid and will be paid with CDBG funds, by budget item and in total.

6. Subtract column 5, “Total CDBG Costs,” from column 2, “CDBG Project Budget,” to obtain the totals for column 6, “CDBG to be Canceled.” This amount represents both funds not drawn, and funds drawn but not used. **Any funds drawn but not used must be returned** to DEHCR. The funds must be returned by check, **payable to the Wisconsin Department of Administration,** at the following address:

Attn: Grants Specialist-Advanced
Wisconsin Department of Administration
Division of Energy, Housing and Community Resources
Bureau of Community Development
P.O. Box 7970
Madison, WI 53707-7970

Documentation identifying the CDBG project budget activity to which the funds are being returned should accompany the check.

A. Enter the date signed, the typed name and title of the UGLG’s Chief Elected Official (CEO), and the CEO’s signature.

B. DEHCR will complete this section upon approval of all completion documents.

Include the following with the Completion report.

1. Grant Account Transaction Journal, current through the date of submission of the closeout report.
2. Working Account Transaction Journal, current through the date of submission of the closeout report.
3. Reimbursement Account Transaction Journal, if applicable, current through the date of submission of closeout report.

FORMS

HOMEOWNER REHABILITATION PROCESS OVERVIEW

1. **Homeowner submits an application along with all documents required for processing**
   Applications will not be processed until all of the required documents have been submitted to the Administrator.

2. **Administrator determines if the homeowner is income eligible**
   Verification of all income and assets will be completed via third party or check stubs and statements, and income taxes. Income includes gross income plus interest or earnings from any type of asset such as savings and checking accounts, investment accounts, bonds, other property etc.

3. **Administrator determines if the property is eligible**
   The administrator will take into consideration the following items:
   - How much equity you have in your property by looking at how much you owe on the property compared to the market value that is listed on the property tax statement.
   - Mortgage balance(s) and whether you are current in making payments.
   - Confirm that property taxes are paid. All applicants with delinquent property taxes must satisfy that debt before any loan is approved. Emergency loans may be excepted.
   - The applicant is responsible for clearing any liens, judgments, title ownerships, or payment of taxes in order to be eligible to proceed.
   - Properties must be owner occupied and must be the owner's principal place of residence.
   - If there is a land contract, the land contract holder must sign the loan. The land contract must be legally binding and properly recorded.
   - If the occupant has a life estate, all owner(s) of the property must sign the loan.

4. **Initial appointment with the administrator**
   Applicant will receive a thorough explanation of the program and acknowledge the procedures and costs associated with proceeding with the loan. An appointment for the inspection will be scheduled at this time.

5. **Inspection and specification preparation**
   The building inspector meets with the homeowner to inspect the property and determine which rehab work the homeowner wants and what will be recommended. The program requires that repairs that affect the occupant's health and safety must be addressed, and all code violations will be given top priority. Other types of repairs cannot be completed unless all health and safety repairs are also addressed. No cosmetic work or new construction is permitted unless the new construction is for overcrowding or handicap accessibility. No work may begin on the project until the mortgage has been signed and recorded and the contract(s) between the homeowner and contractor have been signed. Funds cannot be used to reimburse you for work that has already been completed.

6. **If the project includes lead-based paint work, soil testing for a septic system, asbestos or mold remediation, additional inspections will be required**
   These items may require special testing procedures in order to complete the inspection process. These tests will be conducted by a company that specializes and certified in that area of work.

7. **Homeowner obtains bids for the rehab work**
   Homeowners are expected to obtain three bids for each area of work. All bids must be mailed, delivered in person, emailed, or faxed to the grant administrator.

8. **Review of bids and loan approval**
   a. **Bids reviewed and contractors selected**
      The homeowner reviews the bids with the Administrator. The homeowner may choose the lowest, reasonable, and responsible bid or a bid that is within 10% of the lowest, reasonable, and responsible bid. The homeowner may select any contractor he or she chooses, but if he/she does not want to choose the contractor with the lowest bid or the bid within 10% of the lowest bid, the homeowner must escrow the difference. The homeowner must escrow the difference at the time the loan is signed.
   b. **Loan approval**
      The Administrator will take into consideration the overall condition of your property compared to the market value. There must be sufficient equity in the home to cover the existing liens and the home repair loan. If the bids for all of the work would have a **negative equity effect** or exceed 120% of the after- rehab value, then some of the repairs may be eliminated from the scope of work. The repairs will be prioritized according to code violations and health and safety repairs. Those repairs must be completed before other work will be approved. The administrator will estimate the increase in market value (no more than ____% of the repairs cost) as a result of the home repairs and take this into consideration when calculating equity.

      Applicants who disagree with the administrator's calculations for determining equity may appeal the decision by providing a market analysis by a licensed Real Estate Agent or an appraisal by a licensed Appraiser. These documents must be no more than six months old and should take into consideration the repairs being considered.

9. **Administrator will request a title search on the property**
   A Title search will confirm ownership and reveal debts against the property. When the title search reveals unusual information, a legal opinion of ownership or financial obligation is requested of legal counsel.

10. **Loan Closing**
    a. **Lending documents will be executed**
       Mortgages and Promissory Notes are recorded with the County Register of Deeds. Loans are deferred with no interest or payments until you no longer own or occupy the property as your primary place of residence. The mortgage information is forwarded to the homeowner's insurance carrier and a certificate of insurance is kept on file. Participants must keep their property insured as long as they have the home repair mortgage.
    b. **Contract(s) signed**
       The homeowner enters into a written contract(s) with the contractor(s). Contractors are given _____ days to complete the work. Sometimes the timeline is extended if the work cannot be done within ____ days due to weather restrictions. A good example might be the replacement of a septic system. The contract is between the homeowner and the contractor, not the Grantee or Administrator. The homeowner is ultimately responsible for supervising and monitoring the contractors and the quality of their work.

11. **Payments and inspection of completed work**
    Payment request forms and lien waivers will be submitted to the Administrator by the contractor(s) signifying part or all of the work completed. The building inspector will schedule an appointment with the homeowner to determine if the work has been completed satisfactorily. The homeowner will be asked to sign the payment request signifying their acceptance of the work and approving the amount to be paid to the contractor. Approved payments will be made directly to the contractor.

12. **Loan closure**
    Participants are provided with important information about their loan when the rehab is complete. They are reminded that as a condition of the mortgage, they must carry liability insurance on the property to cover at least the home repair mortgage and property taxes must be kept current. Periodic examinations are made on all loans to verify insurance coverage and tax payments. Notices are sent to homeowners when violations in the terms of the mortgage are discovered.

13. **Loan repayment**
    The loan is due in full when the homeowner no longer owns or occupies the property.

14. **Loan default**
    When a homeowner has been found to be in violation of the terms of the mortgage, a notice is sent with procedures for remedy. All attempts are made to resolve the situation with the homeowner. Remedy of the violation or repayment of the loan is the preferred way to settle and all reasonable ways that still meet the requirements set forth by the State are considered. When a reasonable solution cannot be reached with the homeowner, advice is sought with the legal counsel and the Loan Committee.

15. **Subordinations**
    When a homeowner wishes to refinance a superior mortgage and does not intend to pay off the CDBG mortgage, their refinancing lender will most likely require that the CDBG mortgage subordinate or allow the refinancing lender to be in a superior position to the CDBG mortgage. It is important to tell the lender about the CDBG mortgage when you apply for a refinance loan. The CDBG loans do not automatically subordinate and you will be required to submit a request for subordination. A copy of the subordination policy has been provided for you in your application packet.

16. **Grievance Procedure**
    All applicants or participants have the right to file an appeal/grievance when there is a disagreement or dissatisfaction with a decision by our agency. The appeal process is initiated by filing a written letter regarding the grievance within fifteen (15) business days of the service decision. A copy of the grievance procedure has been provided for you in your application packet.

I have received a copy of this form.

_____ _____

Homeowner Signature Date Homeowner Signature Date

_____

Program Administrator

PART 5 ANNUAL HOUSEHOLD INCOME CALCULATION FORM

ASSETS

Household/Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets

3. Net Cash Value of Assets	$	

4. Total Actual Income from Assets	$
5. Estimated Income from Assets [If line 3 is greater than $51,600, multiply line by 2% (Passbook Rate) and enter results here; otherwise, leave blank.]	$

ANTICIPATED INCOME

Household/ Family Member	Wages/ Salaries	Benefits/ Pensions	Public Assistance	Other Income	Asset Income
					Enter the greater of lines 4 and 5 below in line 6
6. Totals	a. $	b.	c.	d.	$

7. Enter total of values 6a – 6e to determine *Annual Household Income*	$

*This form must be signed and dated by the individual certifying income eligibility and a copy of the current program income limits for the residing county must be attached to this form. You must also attach your calculations to this form.

PART 5 ANNUAL HOUSEHOLD INCOME CALCULATION FORM (EXAMPLES)

Example: ***Four-person household, 2 adults and 2 children under age 18.***

Assets include:

1. Non-interest-bearing checking account with average 6-month balance of $1,500.
2. Interest bearing savings accounts with current balance of $2,614.78 earning 1% interest.
3. Retirement accounts with a current balance of $20,000 and rate of return of 4%.

Sources of income:

1. John – salaried position at $32,500/year. Three months of pay information showing $1,250 bi-weekly pay. YTD gross pay from most recent paystub projected for full year to determine annual pay.
2. Mary – hourly position at $10/hour. Three months of pay information showing an average of 30 hours per week.

Assets

1. Name: WINCHESTER		2. Identification: DRIVER'S LICENSE	
Household/Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
John/Mary (joint)	Checking	$ 1,500.00	$ 0.00
John/Mary (joint)	Savings	$ 2,614.78	$ 34.78
John	Retirement	$ 20,000.00	$ 800.00

3. Net Cash Value of Assets	$ 24,114.78	

4. Total Actual Income from Assets	$ 834.78
5. Estimated Income from Assets [If line 3 is greater than $51,600, multiply line by 2% (Passbook Rate) and enter results here; otherwise, leave blank.]	$

ANTICIPATED INCOME

Household/ Family Member	Wages/ Salaries	Benefits/ Pensions	Public Assistance	Other Income	Asset Income
John	$32,500.00	N/A	N/A	N/A	N/A
Mary	$15,600.00	N/A	N/A	N/A	N/A
					Enter the greater of lines 4 and 5 below in line 6.
6. Totals	a. $48,100.00	b.	c.	d.	$834.78

7. Enter total of values 6a – 6e to determine *Annual Household Income*	$ 48,934.78

The asset income used in the annual income calculation is $834.78 since the Actual Income from Assets is greater than the Estimated Income.

HOUSING QUALITY STANDARDS (HQS) INPECTION FORM

The HQS form is available through HUD.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

HOMEOWNER BID TRACKER

Contractor Name/Company	Date Contacted (phone or email)	Date Contacted (2)	Result

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

PROGRESS INSPECTIONS

Project ID: _____

Address: _____ Application Number: _____

Contractor: _____

Job Starting Date: _____

PERIODIC REHABILITATION INSPECTIONS

Date: _____ Inspector: _____

Remarks: _____

_____

_____

_____

_____ % Complete: _____

Date: _____ Inspector: _____

Remarks: _____

_____

_____

_____

_____ % Complete: _____

Date: _____ Inspector: _____

Remarks: _____

_____

_____

_____ % Complete: _____

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

FINAL INSPECTION CHECKLIST

(This form must be used and in each project file)

Project Number: _____ Date of Inspection: _____

Address: _____

Contractors:

1. _____ Final Lien Waiver Rec'd: _____

Contract Award: _____ Final Amount: _____

2. _____ Final Lien Waiver Rec'd: _____

Contract Award: _____ Final Amount: _____

3. _____ Final Lien Waiver Rec'd: _____

Contract Award: _____ Final Amount: _____

Work Completed:

_____ See attached checklist of project specifications.
_____ Property has been checked for lead paint hazards.
_____ Adequate number and properly placed on each floor, smoke and carbon monoxide detectors.
_____ Change orders, if necessary are signed.

Reason for change orders: _____
_____
_____
_____

Unit meets Section 8 Housing Quality Standards: _____ Yes _____ No

This inspection finds construction work completed in accordance with the construction contract.

_____ Date: _____

Photo Taken: _____ Date: _____

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

CONTRACTOR PREFERENCE FORM

Date:

To: Program Administrator

I, _____, have freely chosen the contractors listed below to submit a bid for rehabilitation work to be done on my property located at: _____.

Contractor/Contractor's Address: _____

_____

Contractor/Contractor's Address: _____

_____

Contractor/Contractor's Address: _____

_____

Further, I understand that I have the right to reject any and all bids and it is my responsibility to select contractors for the rehabilitation work to be done on my property stated above.

I have been advised of the intended work to be done on my property and I have reviewed the specifications, and they meet with my approval.

Further, I agree that there will be no changes in the specifications unless they are in writing and agreed to by the Program Administrator, contractor and myself.

_____
Property Owner

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

WORK WRITE-UP

Project No.: _____ Date: _____

Owner: _____

Project Address: _____

Contractor: _____

ITEM	DESCRIPTION OF WORK	COST
TOTAL Lead Based Paint Cost	TOTAL COST	

_____ _____
Contractor Date

_____ _____
Owner Date

_____ _____
Program Administrator Date

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

NOTICE OF AWARD

Date:

To:

RE:

Dear

You are hereby advised that **(**homeowner name) has chosen your firm for their CDBG housing project. Please sign the enclosed contract and return it to this office for further processing. Following execution by the Grantee and homeowner, a fully executed copy will be returned to you for your files.

Work may begin on this project only after you have been issued a written Notice to Proceed.

Sincerely,

_____

Program Administrator

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

NOTICE OF REJECTION

Date:

To:

RE:

Dear

You are hereby advised that (homeowner name) has not chosen your firm as the contractor for their CDBG housing project; Your efforts are appreciated, and we hope you will continue to bid on future rehabilitation projects funded through this program.

Sincerely,

_____

Program Administrator

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

REHABILITATION CONTRACT

The undersigned contractor shall furnish labor, equipment, supplies and materials required for proper execution and completion of the contract work in accordance with the attached specifications for the sum of $_____.

The following are attached to and hereby made part of this contract:

- ATTACHMENT A: Contractor proposal and quote;
- ATTACHMENT B: General Conditions;
- ATTACHMENT C: Bid specifications and/or drawings for project at the above address.

MATERIALS AND WORKMANSHIP: All materials are guaranteed to be as specified in the bid specifications. No lead-based paint shall be used. Any alteration or deviation from the attached specifications will be executed only upon written consent of the property owner, contractor, and the CDBG Office. All work will be completed in a professional manner according to standard construction practices. The contractor, in all cases, shall leave the work in a finished condition as determined acceptable by the CDBG Program Building Inspector. All agreements are contingent upon strikes, accidents, or acts of God.

GENERAL GUARANTEE. The contractor shall remedy any defect due to faulty material or workmanship and pay for any damage to other work resulting therefrom which appears within the period of one year from the date of final payment of all work required by the contract. This includes completing any items listed on the specs that may have been missed during the rehabilitation and inspection process that are discovered within one year.

PAYMENTS: Payments shall be made to the contractor as specified in the General Conditions. No extra costs will be paid when the contractor has neglected to properly evaluate the extent of the rehabilitation work. The contractor agrees that they will not, under any circumstances, seek payment from the owner or occupant of the premises improved.

INSURANCE: The owner shall carry fire, extended coverage and all other necessary insurance. The contractor shall carry comprehensive liability insurance as specified in the General Conditions. Contractor's workers shall be covered fully by Workmen's Compensation Insurance.

CONTRACT TERMINATION: Owner may terminate contract for poor work performance and inability of contractor to correct; inability of contractor to perform work within allotted time. Contractor may request to be removed from contract without penalty within 30 days of receiving Notice to Proceed. Contract may be terminated based on irreconcilable differences. Contracts will be terminated if contractor has been debarred or is otherwise ineligible to work on federal contracts.

No work shall commence by the contractor until a written *Notice to Proceed* is received.

The Owner and Contractor hereby agree to the conditions set forth above and Attachments A through C which are attached and made part of this contract.

_____	_____
Contractor	Date
_____	_____
Owner	Date
_____	_____
Owner	Date

ATTACHMENT B

GENERAL CONDITIONS

1. **REHABILITATION LOAN.** The Block Grant Program shall pay for the work listed in the Itemized Work Specifications (Specs) by means of a rehabilitation loan from the Grantee to the property owner, payable through the Block Grant Program.

2. **ADMINISTRATOR'S EXCLUSION**. No member of the governing body of the locality and no other official, employee, or agent of the municipal government who exercises policy, decision-making functions or responsibilities in connection with the planning and implementation of the Block Grant Program shall have any interest, direct or indirect, in this contract.

3. **PROVISIONS FOR OWNER**. The owner shall permit the contractor to use, at no cost, existing utilities, such as light, heat, power and water, necessary to carry out and complete the work. Further, the owner shall cooperate with the contractor to facilitate the performance of the work, including the removal and replacement of rugs, coverings, and furniture, as necessary. The premises are to be occupied during the course of the construction work.

4. **INSURANCE**. Before commencing work, the contractor shall furnish the Block Grant Program with certificates showing evidence of comprehensive public liability insurance coverage protecting the owner for not less than ONE HUNDRED THOUSAND/THREE HUNDRED THOUSAND DOLLARS ($100,000/$300,000) in the event of bodily injury including death and ONE HUNDRED THOUSAND DOLLARS ($100,000) in the event of property damage arising out of work performed by the contractor, and if applicable, show proof of his participation under Workman's Compensation Laws of the State of Wisconsin. The owner will carry fire extended coverage and other necessary insurance.

5. **SUBCONTRACTORS AND ASSIGNMENTS.** No subcontract or assignment of this contract shall be made without the written consent of the owner and the Block Grant Program.

6. **SPECIAL CONDITIONS, SUBSTITUTIONS AND ADDITIONAL ITEMS.** Any special conditions found and noted by the contractor during the initial examination of the property or during work which may require special work deviating from the Itemized Work Specifications, must receive approval in writing by the Block Grant Program and the owner before being carried out. No substitutions or alternatives for any part of this contract shall be accepted unless approved in writing by the Block Grant Program. Methods and types of construction for any such alternatives shall be submitted in drawings and/or specifications, prepared by the contractor, as part of the bid packet. The contractor shall notify the Block Grant Program of any obvious violations of applicable codes or omissions, which are not listed before the proposal is submitted.

7. **COMMENCING AND COMPLETE WORK.** The contractor shall commence work within 15 days after the Order to Proceed is issued and shall proceed with diligence to complete the work within 60 days thereafter. No work shall commence by the contractor until the contract is signed and a Notice to Proceed is issued. Contract extensions may be granted upon request and must be approved by the Block Grant Program and the owner.

8. **CODES, PERMITS AND INSPECTIONS**. All materials and work shall comply with applicable codes and regulations of Grantee, including the local and state building codes, housing codes, zoning ordinance, state and local plumbing codes, heating codes, National Electric Code, floodplain ordinance, and property rehabilitation standards, whether or not covered by the Itemized Work Specifications. The contractor shall secure at his own expense all necessary permits prior to the start of work. The contractor shall call the appropriate inspector when ready for any required inspections and shall secure approval by the appropriate inspector, including taking action to comply with any notice or orders issued by the inspector. The contractor shall permit representatives of the Department of Housing and Urban Development (HUD), State of Wisconsin, and Grantee to inspect all work under this contract.

9. **PAYMENTS.** The contractor shall be paid the contract price in one lump sum amount after the work is satisfactorily completed for contracts less than $2,000. Contracts greater than $2,000 shall be paid in a maximum of three lump sum payments. Progress payment requests shall be accompanied by a bill showing the amount of work completed and a lien waiver of the same amount. Up to 90% of work completed will be paid under a progress payment, with the balance due under the final payment. Work shall be inspected and approved by the Block Grant Program before any payments will be made. Progress payments are made at the discretion of the Administrator and the Inspector of the Block Grant Program. If disputes arise concerning payments for contract work, final determination will be made by the Grantee CDBG Housing Committee, and the contractor agrees to abide by that decision.

10. **LIEN WAIVERS.** By entering into this contract, you are agreeing to perform work under the CDBG Housing Program. The contractor agrees to the following terms and agrees to pass along the following requirements to their suppliers and any subcontractors. Payment shall not be due until the contractor has delivered to the Block Grant Program complete release of all liens arising out of this contract, or receipts in full covering all labor and materials for which a lien could be filed, or a bond satisfactory to the owner indemnifying him against any lien, all to the satisfaction of the Block Grant Program.

    a. The contractor shall not file, suffer or permit any lien or other encumbrance of record as a claim against any site of a CDBG housing project in recognition that they only recourse for payment is from the CDBG Grantee (Insert Grantee Name)

    b. Any lien notice action by a contractor, and/or any of their subcontractors and/or material suppliers, against a property owner shall be considered non-performance by the terms and conditions of this contract, and the CDBG Grantee (Insert Grantee Name), may refuse to accept bids from the contractor for a period of up to five years, for any future CDBG housing projects.

    c. PAYMENTS OWED BY CONTRACTORS**:** By engaging in this contract with the owner and agreeing to perform work through the CDBG Housing program, the contractor agrees that if they do not pay for materials and labor taking place through this contract, the CDBG Grantee (Insert Grantee Name) has the option to use payments owed to the contractor to pay such subcontractors and suppliers.

    d. The owner reserves the right to cancel this contract in whole or in part without penalty, upon written notice to the contractor if any lien notice action is taken by the contractor, and/or any of their subcontractors and/or material suppliers, against a property owner.

11. **HOLD HARMLESS**. The contractor shall defend, indemnify and hold harmless the owner and the Grantee Block Grant Program, its officers, commissioners and employees from liability and claim for damages because of bodily injury, death, property damage, sickness, disease or loss and expense arising from the contractor's operations under this contract.

12. **CONDITION OF PREMISES AND EXCESS MATERIALS**. The contractor shall keep the premises clean and orderly during the course of the work and at the completion of the work shall remove all debris, except materials that have been removed and replaced as part of the work that the owner wishes to keep. All excess new materials shall belong to the contractor, except that the owner shall have the right to keep small quantities for "touch-up" or other small repairs.

13. **GENERAL REHABILITATION SPECIFICATIONS FOR PAINTING**. All painting products shall be standard nationally known brands of "best grade" first-line quality. No lead-based paint shall be used. The owner shall select paint colors only. All paint shall be delivered to the job site in unopened labeled containers. All painting products shall be applied in strict accordance with the manufacturer's recommendations and specifications. Interior and exterior surfaces shall be prepared by scraping loose paint, pointing up all cracks and holes, patching plaster surfaces on interior work, removing nails, hooks, fasteners, etc., and sanding smooth. All joints in exterior trim, siding and frames shall be caulked before painting. The painting of a room shall include all ceilings, walls, base, window and door trim, interiors and exteriors of all closets, and both sides and edges of doors. All surfaces, including floors, walls, ceilings, trim, doors and windows shall be cleaned and excessive paint removed from same upon completion of painting work. When the house was built before 1978, all painted surfaces are to be treated as if they contain lead-based paint, with the proper precautions to be taken when completing rehabilitation work and clean up. Reasonable care

shall be exercised in moving ladders and scaffolding about the dwelling to avoid damage to shrubbery and premises.

14. **EQUAL OPPORTUNITY.** The owner, contractor, subcontractor, and Grantee shall comply with all requirements of Section 503 of the Rehabilitation Act of 1973. The requirements prohibit discrimination against any employee or applicant for employment because of physical or mental handicap. All requirements with respect to Section 109 of the Housing and Community Development Act of 1974 shall be complied with. These requirements state that no person shall, on the grounds of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or part with funds made available for Community Development Block Grant Housing Rehabilitation projects.

15. **ANTI-LOBBYING.** To the best of their knowledge and belief, the parties to this Agreement hereby represent that no federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.

16. **ADDITIONAL PROVISIONS.** The contractor shall be required to:

    a. Minimize inconvenience to the owner and occupants. At least one toilet and sink with hot and cold running water shall be connected at the end of each workday. Arrangements shall be made to provide temporary heat to the structure whenever a furnace is disconnected for more than 12 hours when the outside temperature is below 40° F.

    b. Work only during normal work hours (weekdays 7:30 a.m. to 6:30 p.m.) unless authorized by the owner.

    c. Take reasonable precautions to protect the structure and its contents from weather damage during the course of the work.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

NOTICE TO PROCEED

Date:

To:

Re:

You are hereby notified to commence work on the above-referenced project. Work is to begin on or before _____. It is expected the contracted work will be completed within _ days. Notify the CDBG office immediately of any change in schedule.

Property Owner	Date	Program Administrator	Date

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

CONTRACTOR'S PAYMENT REQUEST NO. __

Project No.:_____ Date: _____

Project Address: _____

Contractor:_____

CONTRACT SUMMARY

Original Contract Amount _____

Change Order Addition _____

Change Order Deduction _____

Net Change by Change Orders _____

Net Revised Contract Amount _____

THIS REQUEST

Completed to Date _____

Less Amount Retained _____

Less Previous Balance _____

Amount Due This Request _____

I hereby certify that the data reported above is correct, rehabilitation work has been performed in a satisfactory manner and in full compliance with the contract. The amount requested is justified by the work which has been completed. I hereby authorize the **(name of grantee)** to disburse, on my behalf, CDBG funds directly to the contractor contributing services or materials for the approved improvements.

_____ _____

Contractor Date

_____ _____

Owner Date

_____ _____

Program Administrator Date

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

CHANGE ORDER NO. _

Project No.:_____ Date:_____

Project Address: _____

Contractor: _____

Change Ordered:

Reason for Change Order:

CONTRACT AMOUNT

Original Contract Amount _____

Previous Change Orders _____

Change Order Addition _____

Change Order Deduction _____

Revised Contract Amount _____

This document shall become an amendment to the Contract and all stipulations and covenants of the Contract shall apply hereto.

_____ _____
Contractor Date

_____ _____
Owner Date

_____ _____
Program Administrator Date

LOAN CLOSING

REQUIRED LENDING LANGUAGE

For all loans made in whole or part with CDBG funds, certain specific language must be included in particular loan documents. Review all CDBG loan documents to be sure that the following language requirements have been met.

APPLICATION

All applications must include:

- The marital agreement notice.

> "No provision of a marital property agreement (including a Statutory Individual Property Agreement pursuant to Sec. 766.587, Wis. Stats.), unilateral statement classifying income from separate property under Sec 766.59, or court decree under Sec. 766.70 adversely affects the creditor unless the creditor is furnished with a copy of the document prior to the credit transaction or has actual knowledge of its adverse provisions at the time the obligation is incurred."

and

- The verification of U.S. Citizenship or qualified alien status. HUD has asked that we use the terms Qualified and Non-qualified Alien, as much as possible. Those are the terms used by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), also known as the Welfare Reform Act. The PRWORA prohibits the provision of federal public benefits to a non-qualified alien as defined by section 431. It is HUD's opinion that CDBG and HOME assistance in the form of loans/grants, down payment and closing cost assistance qualify as federal public benefits under PRWORA. This means that we cannot use funds to provide assistance to a non-qualified alien.

In order to show compliance with PRWORA, HUD Milwaukee and the state Division of Housing are asking that you add the following question to your application form(s):

> "Are you a United States Citizen or a Qualified Alien? YES NO

The question must be answered but HUD does not require that we verify or document the answer.

SPOUSES

If an applicant for CDBG funds receives a loan and is the sole owner of the property and therefore the sole signer of the loan documents, the borrower's spouse MUST receive written notice of the loan transaction. Send to the non-applicant spouse:

1. A copy of the document evidencing the obligation to pay.

2. A copy of the credit disclosures given to the applicant; OR

3. A brief description of the nature of the credit extended.

This "tattletale" notice must be sent <u>before</u> the work on the unit begins.

MORTGAGE NOTES

All notes which are used to secure a mortgage must contain the following language:

> I am ___ married ____ unmarried ____ legally separated. If I am married and my spouse is not signing below, the name of my spouse is,_____ and my spouse resides at_____
>
> If I am a married Wisconsin resident, the obligation evidenced by this Note is being incurred in the interest of my marriage or family.

SECOND MORTGAGE NOTES

All notes which are used to secure a second mortgage must contain the following language:

NOTICE TO CUSTOMER

(a) DO NOT SIGN THIS BEFORE YOU READ THE WRITING ON THE REVERSE SIDE, EVEN IF OTHERWISE ADVISED.

(b) DO NOT SIGN THIS IF IT CONTAINS ANY BLANK SPACES.

(c) YOU ARE ENTITLED TO AN EXACT COPY OF ANY AGREEMENT YOU SIGN.

(d) YOU HAVE THE RIGHT AT ANY TIME TO PAY IN ADVANCE THE UNPAID BALANCE DUE UNDER THIS NOTE AND YOU MAY BE ENTITLED TO A PARTIAL REFUND OF THE FINANCE CHARGE.

TRUTH-IN-LENDING

All Truth-In-Lending statements must include the following language:

ANNUAL PERCENTAGE RATE:_____
(The cost of my credit as a yearly rate)

FINANCE CHARGE: _____
(The dollar amount the credit will cost me)

AMOUNT FINANCED:_____
(The amount of credit provided to me or on my behalf)

TOTAL OF PAYMENTS:_____
(The amount I will have paid after I have made all payments as scheduled)

RIGHT OF RESCISSION
Under the federal Truth in Lending Act (Regulation Z) a Consumer must be provided a right of rescission in certain mortgage transactions. The right of rescission does not apply to initial home purchase mortgage, new construction loans and second homes or investment properties.

RIGHT OF RESCISSION
The document language must meet the requirements found under 12 CFR 1026.15.

LENDING OPTIONS

(For landlords and developers)

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

1. RE: ALL LOANS FOR RENTER-OCCUPIED UNITS

   Property owner must guarantee LMI occupancy for five years, or the term of the CDBG loan, whichever is less.

   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 for housing rehabilitation should be included as a separate activity in a CDBG Housing and Neighborhood Revitalization application only for "public facilities" type activities (e.g., program area lateral replacement or well replacement).

   Grants are permitted for LMI owner-occupants only.

3. SITE IMPROVEMENTS

   The cost of the CDBG-financed site acquisition (land only) and site improvements must be passed along to the project developer at terms consistent with DEHCR's "LENDING OPTIONS". The cost of any structures on the site, and their demolition, may be passed along to the project developer or absorbed by the Grantee, at the Grantee's option.

4. NON-PROFIT AGENCIES

   Grant for housing development projects will be permitted only when the project developer is a public agency or a private non-profit agency which will pass along project ownership to the LMI occupants. The CDBG projects will then be financed as a deferred payment loan.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

HOMEBUYER LOAN CALCULATION

Applicant ID: _____

Property Address: _____

_____Home passes HQS

_____Repairs required to pass HQS: _____

Purchase price of home $ _____

Total required down payment $ _____

Mortgage amount $ _____

	Amount Paid by CDBG	Amount Paid by Owner	Amount Paid by Others
Down payment*	$	$	$
Closing costs	$	$	$
Estimated repair costs	$	$	$
TOTAL	$	$	$

* CDBG will pay a maximum of 50% of the required down payment, or 10% of the purchase price, whichever is less. CDBG funds must be matched 1 to 1 by other funding.

Rehabilitation equity credited toward down payment: $ _____

Name of Lender: _____

CERTIFICATION: Attach a copy of the signed Closing Disclosure.

HOMEBUYER EDUCATION CHECKLIST

Homebuyer Education

_____Personal and financial advantages of homeownership; rent vs. buy

_____Credit analysis, including review of borrower's credit report and assessments of current financial situation and housing purchase capability as it relates to the individual household budget needs

_____Basic terms of the real estate transaction, explanation of disclosures, e.g., Good Faith Estimate of Closing Costs, Truth-in-Lending Disclosure, HUD 1 Settlement Statement

_____Selecting a real estate broker, lender, attorney

_____Fair Housing Laws as they relate to borrower's rights to disclosure in a lending transaction

_____The purchase process, i.e., writing an offer, counter offers, inspection requirements, contingencies, closing documents

_____Insurance needs, e.g., homeowner's insurance, flood insurance, life insurance

_____Budget for future home maintenance

_____Review of payment affordability including PITI and how it may change annually, e.g., due to increased real estate taxes

_____Calculation of cash needed to purchase, application fees, inspection fees, insurance, cash to close costs, reserves

_____Explanation of private mortgage insurance

APPLICANT'S AUTHORIZATION TO TERMS AND CONDITIONS

Community Development Block Grant

You have completed an application for rehabilitation assistance through the (Grantee Name)(Grantee Name) Community Development Block Grant (CDBG) program for your property. Before any work may begin, we want to be certain that you understand the application process and that you understand your responsibilities before we may proceed with the rehabilitation work on your home/property.

Please read each statement below carefully and **initial each line**. By initialing and signing below, you are stating that you understand and agree to the terms and conditions outlined below. This authorization form will become part of our file. A copy of this document will be given to you for your records.

_____1. I understand that the CDBG loan will be deferred at 0% interest for as long as I occupy the property as my primary residence and agree re-recording of the mortgage after 30 years.

_____2. I understand that unforeseen costs may be incurred, which may increase the cost of the project if contractors discover code violations in the process of bringing the home up to standards that could not be documented in the original inspection (i.e., contractor removes drywall and, in the process, discovers mold or code violations behind the walls that must be addressed). I understand any additional items that are discovered through the rehabilitation process that are unsafe must be corrected, and I agree to sign additional mortgage(s).

_____3. I understand that if unforeseen or unexpected conditions arise that would delay my project; I will be notified.

_____4. With reasonable notice, (Grantee Name) or Program Administrator and the Division of Energy, Housing and Community Resources (DEHCR), and applicable assignees reserve the right to enter and inspect in-progress or completed project.

_____5. (Grantee Name) or Program Administrator staff must have access to all areas of the home at the time of inspection. Rooms should not be shut off to (Grantee Name) staff for any reason, including sleeping family member(s). Contractors must have access to the home to complete the contracted work.

_____6. I understand that household pets must be controlled at all times. If the (Grantee Name) or Program Administrator staff member(s) believes that any pet acts aggressively or is dangerous, the pet must be contained or removed from the home for the safety of (Grantee Name) or Program Administrator staff and the contractors. If the pet is not contained or removed, the (Grantee Name) or Program Administrator staff member(s) and/or the contractor will leave the premises without completing the scheduled work and may result in the cancellation of the project.

_____7. I understand and agree to keep the premises free of all hazards. All improperly stored chemicals, combustible materials, or other fire hazards that present a danger to the inspector and/or contractor(s) must be removed. The home should also be free of maintenance or housekeeping practices that limit the access of the contractors to the dwelling or create an unhealthy work environment (i.e., animal feces or raw sewage in the home). If this is not completed, the project may be cancelled.

_____8. I understand that after receiving notification from (Grantee Name), that (Grantee Name) reserves the right to cancel a project at any time with reason. Reasons for cancellation may include but are not limited to: work exceeding the original allocation, loss of funding, failure of homeowner to comply with the terms of the funding and/or contract, the homeowner or property has been determined to be ineligible for funding.

_____9. I understand that I or any other members of the household, relatives, friends…etc. may not engage in any abusive behavior towards contractors, subcontractors, or Program Administrator staff. "Abusive behavior" includes, but is not limited to, kicking (Grantee Name) or Program Administrator staff or contractors off of the property, use of profanity, yelling, or any threatening or intimidating actions.

Violation of the provision may result in cancellation of the project. Any costs incurred at that point will be the responsibility of the homeowner.

_____10. I understand that in matters concerning the selection of paint colors, types of fixtures and other items not involving a change in the specifications of work write-up, the choice will be mine and I will deal directly with the contractor.

_____11. I understand and agree that it will be necessary to allow authorized personnel to take pictures before, during (if an interim inspection is performed) and after the home rehabilitation process. (Grantee Name) will inspect the work in progress and upon completion, in order to assure that work meets the specifications.

_____12. I understand and agree that I will NOT make any changes to the work write-ups or specifications without prior written approval of the CDBG administrator.

_____13. I understand and agree that I cannot perform any rehabilitation or renovation work on my property during the CDBG project until all work has been completed. If I perform any rehabilitation or renovation work during the project, my project may be deemed ineligible and all cost including labor and materials incurred will become my responsibility and/or CDBG program will not be held liable to correct any mistakes that may occur during my renovation. I further understand that work may cease until I complete my renovation work. The only exception, with prior written authorization of (Grantee Name) is if I, the homeowner, am licensed to conduct a specific type of activities, such as a licensed electrician.

_____14. I understand that I must maintain my homeowner's insurance, remain current on my property taxes during the entire period that the lien is in place against my property and will not transfer title of the property.

_____15. I understand that if my house was built prior to 1978, a lead base paint clearance test may be completed at the end of my rehabilitation project based on the scope of work completed. The lead clearance test is to ensure that no lead hazards exist, following the completion of the rehabilitation project. I understand that I will receive a copy of the clearance report.

_____16. I understand that if disputes arise, it may delay my project completion date.

_____17. I understand payment(s) will be made in the form of a single party check made out to the Contractor. I understand that authorization must be made by myself, the homeowner, for release of funds to the Contractor by signing the payment request form.

_____18. I agree that should disputes concerning payment to contractors arise, final determination will be made by the CDBG administrator for (Grantee's Name), and I agree to abide by the decision of the administrator.

I have read, understand, and accept all of the Terms and Conditions as outlined above.

_____ _____

Owner Name and Signature Date

_____ _____

Owner Name and Signature Date

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

TRUTH IN LENDING DISCLOSURE STATEMENT

A.	Amount Financed - (Amount of credit provided to me or on my behalf)		$0.00
B.	Previous Amounts Financed -Date		$0.00
C.	Current Contractor(s)		$0.00
	List:		$0.00
	Current Contractor Total -		$0.00
D.	Current Fees Charged	Inspection Fee	$0.00
		Title Work Fee	$0.00
		Recording Fees -	$0.00
		LRA/Clearance Test-	$0.00
		Asbestos Test-	$0.00
		Testing Fee - Other	$0.00
		Total Fees	$0.00
E.	Total Program Funds to be Spent		$0.00
F.	Less Escrow by Homeowner		()
G.	Less Amount Paid by Program (Granted) List:		()
	Total Amount Due		$0.00
H.	Amount to be Recorded		$0.00
I.	Annual Percentage Rate (The cost of my credit as a yearly rate)		0%
J.	Finance Charge (Dollar amount credit will cost me)		$0.00
K.	Amount Financed (The amount of credit provided to me or on my behalf)		$0.00
L.	Total Payment		$0.00

M. I have received a completed copy of this statement.

_____ _____

Signature of Borrower Date

_____ _____

Signature of Borrower Date

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SAMPLE

BORROWER LABOR AGREEMENT

This Agreement between _____(municipality) and _____ (Borrower) certifies that all parties have agreed to the warranties and declarations below:

1. Borrower has the ability and skills to perform the work agreed to on the Work Write-Up.

2. Borrower will secure all necessary permits and comply with all applicable building codes, regulations and ordinances.

3. Borrower will defend, indemnify, and hold harmless the officers, members, and employees of the municipality from any and all damages and claims for damages resulting from personal injury and property damage, arising or in any way resulting from his/her performance under this Agreement.

4. The borrower has agreed to supply his/her services without compensation to accomplish the work agreed to in the Work Write-Up.

5. Borrower certifies that there will be no unpaid claims for materials, supplies or equipment and no claims of subcontractors or other workers for unpaid wages arising out of the performance of this Agreement.

6. Borrower agrees to supply the Program Administrator with a lien waiver or receipts for materials from all suppliers prior to receiving payment.

7. No lead- based paint may be used and no person who is not currently licensed as a lead certified contractor in the state of Wisconsin may perform rehabilitation work if lead-based paint is present.

8. In the event that the Borrower breaches any of the declarations and warranties herein, Borrower hereby agrees that the municipality has the following remedies:

    a. The municipality may require the completion of the work cited in the Work Write-Up by contractors designated by the municipality. In the event the above option is exercised, Borrower understands that the costs of all necessary work will be added to a deemed part of the debt received by the mortgage and from a lien on the mortgage property. In this case, the Borrower will permit entry into the premises to be improved to the extent necessary to complete those improvements.

    b. The municipality may declare the loan in default and demand repayment of the loan at that time.

9. The borrower agrees to the following work schedule. Failure to complete work according to the schedule in and acceptable manner may constitute a breach of this Agreement.

Dollars Disbursed	Work to be Done	Work to be Completed by

Borrower	Date	Borrower	Date	Program Administrator	Date

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

COMMITMENT OF LANDLORDS TO RENT TO LMI HOUSEHOLDS

Date:

Reference:

This is to certify that I (we) have given our commitment to the "Grantee" to rent the above-referenced property to low- and moderate-income families for a period of _____ years or the term of the loan, whichever is less. I (We) further agree not to raise rent charges in excess of levels established by the Grantee for a period of _____ years or the term of the loan whichever is less. The current established rent level is $_____ for a _____ bedroom apartment with/without utilities.

I (We) agree not to discriminate because of race, color, religion, sex, age, handicap, national origin, or familial status in the renting of any rehabilitated units.

I (We) further understand and agree that should the conditions of this loan be violated; the principal balance of the loan will become immediately due and payable at conventional interest rates.

_____
Owner

_____
Owner

_____
Program Administrator

STATUTORY CHECKLIST FOR HOUSING

Comparison with federal laws and authorities: This project has been compared with applicable federal laws and authorities, with the following results:

Type of project: (check one)☐ Rehab ☐ New Construction

Project Address: _____

AREA OF STATUTORY-REGULATORY COMPLIANCE

Environmental Issue	Property in Compliance if:	Compliance Status
Historic Properties – Rehab of existing buildings	Property is less than 50 years old, or if activity is listed on "Activities Exempt from Further Review" **Age of Property:** **Date Environmental Desk OK received :**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Historic Properties – New Construction	Property to be developed is less than ½ acre in size and approval has been obtained from the DOA environmental review officer; OR property is > ½ acre in size, and an archeological survey has been completed by a professional archeologist. **Date Environmental Desk OK received:**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Flood Plain Management	Property not located in 100-year flood plain F.I.R.M. Flood Plain Map Number. Note: Attach copy of map segment to project file.	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Coastal Areas Protection and Management	Property not located on a river or stream flowing into or is within one-half mile of Lake Michigan or Lake Superior or located on shoreline of either lake. County in which project will occur:	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Wild and Scenic Rivers	Property not located on either the St. Croix or Wolf Rivers, or national Wild and Scenic Rivers System **Components-Wisconsin (Attachment 14)** **Project site is on a river: Yes☐ No☐** **Name of river:**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Runway Clear Zones	Property not listed on HUD Circular Letter HD 85-8, dated 5/23/85 (applies to Milwaukee, La Crosse, Green Bay) **Name of airports with scheduled service within in 5 miles :**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required

Manmade Hazards	Not located on or adjacent to site of a previous unremediated chemical spill, leaking underground storage tank, Superfund site or landfill. **Note: attach results of searches.** **http://dnr.wi.gov/botw/SetUpBasicSearchForm.do** **https://www3.epa.gov/myem/envmap/find.html**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Radon	Radon levels for individual homes, apartment units or buildings where individuals will reside for four hours or more have radon levels lower than 4.0 pCi/L. **Note: attach results of testing or data search. If mitigation is needed, attach mitigation and additional monitoring plan.**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Noise	Not applicable to non-residential projects. **Note: Attach a copy of the DOT map showing traffic counts** **https://wisconsindot.gov/Pages/projects/data-plan/traf-counts/default.aspx (look up noise calculator in google)**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Wetlands Protection	Project site not located in an existing wetland or impacting an existing wetland; No direct or indirect effects. **Date Environmental Desk OK received:**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Water Quality	Project causes no dredge or fill materials in navigable waters, including wetlands; preapproved general permit or 'no effect' findings. **Date Environmental Desk OK received:**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Water Quality: Sole Source Aquifers	None in Wisconsin per EPA.	**☒Compliance or NOT APPLICABLE** ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Solid Wast Disposal Availability; renovation and/or demolition of buildings containing asbestos or lead based paint	No Hazardous waste is generated or no excessive pressure placed on existing landfills; waste is removed in accordance with DNR procedures	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Endangered Species	No threats to either species or habitats. Note: Attach results of Fish & Wildlife Service search IPaC: Home (fws.gov) https://ipac.ecosphere.fws.gov/	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required

Farmland Protection	Unique or protected farmland is not developed; construction takes place within property zoned sites adjacent to existing development. **Note: Attach evidence of zoning; as appropriate**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Air Quality	No permanent effect on air quality; or permitting for installation of large, fuel-burning equipment obtained.	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required
Thermal and Explosive Hazards	Property not located on, or adjacent to, an industrial facility that creates explosive or thermal hazard, past spills, Superfund sites, or hazardous industries. **Note: Include results of search https://mydatcp.wi.gov/Home/ServiceDetails/4a171523-04c7-e611-80f6-0050568c4f26?Key=Services_Group** **Date Environmental Desk OK received:**	☐Compliance or NOT APPLICABLE ☐Consultation with Environmental Desk Required ☐Conditions and/or Mitigation Actions Required

Certification:

I certify that, to the best of my knowledge, this activity is in compliance with NEPA and the implementing regulations of the program funding this activity.

Grant Administrator Date

NOTICE OF RECORDED MORTGAGE

was granted a mortgage by _____ dated , and recorded , in Volume _____ of Records, at Page _____, as Document No. _____ ("Mortgage"). The Mortgage affects the real estate described below.

This Notice is being recorded to extend the effectiveness of the Mortgage for an additional 30 years under Section 893.33 of the Wisconsin Statutes.

Recording Area

Name and Return Address

_____
Parcel Identifier Number

☐ If checked here, description continues or appears on attached sheet.

STATE OF WISCONSIN

County of _____

This instrument was acknowledged before me

on _____,

by _____(Name(s) of person(s))

as _____
(Type of authority; e.g., officer, trustee, etc., if any)

of _____
(Name of party on behalf of whom instrument was executed)

_____

*_____

Notary Public, Wisconsin

My Commission Expires: _____

Dated _____

_____
NAME OF LENDER

By _____

* _____

Title _____

Attest _____

* _____

Title _____

This instrument was drafted by

*Type or print name signed above

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

CDBG REHABILITATION LOAN REVIEW FORM

Loan #: _____

PROPOSED REHABILITATION SUMMARY:

Item Approved:

COMMENTS:

MORTGAGE SECURITY:

Estimated market value: $_____

Outstanding mortgage amount(s): - _____

Available equity: = _____

Rehabilitation cost estimate: _____

Estimated after Rehabilitation value: _____

Authorized loan amount: $_____

Approved / Disapproved: _____

(circle one) Authorizing Signature Date

~ SUMMARY ~

CDBG FINANCIAL MANAGEMENT RECORDS AND FORMS

DEPOSITORY CERTIFICATION & SIGNATURE CERTIFICATION (forms & instructions)

GRANT ACCOUNT DOCUMENTS

Request for Disbursement Form

Disbursement Register

- Records requests for CDBG funds by budget category

Grant Account Transaction Journal

- Records receipt of CDBG Grant funds
- Documents payments from the Grant Account
- Documents compliance with the three-day rule

CDBG Reimbursement Request Form (and attached documentation)

- Documents payments made by the municipality which will be reimbursed by CDBG funds

WORKING ACCOUNT DOCUMENTS

Rehabilitation Obligation Tracking Journal

- Documents funds still available for loans
- Adjusted for loan reductions or changes in mortgage amount

Working Account Transactions Journal (Working Account)

- Documents deposits and payment of all funds used for rehabilitation
- Documents compliance with 10-day disbursal requirement
- Documents repaid loans, loan payments, and interest received
- Documents administrative and rehabilitation payments made with revolving loan funds

Individual Obligation Journal

- Documents all payments for rehabilitation
- Documents balance remaining to pay for borrower

Lead-Based Paint (LBP) Training Reimbursement Request Form

- Includes Commitment to Work form for contractors

SIGNATURE CERTIFICATION FORM AND INSTRUCTIONS

- Fill in the “Grantee’s Name” and “Contract #” in the upper right corner of the form.

- The *Signature Certification* form identifies up to three individuals, authorized by the chief elected official (CEO), to make requests for grant funds. Any local official or employee may be authorized to request funds. (They do not have to be the same individuals that sign the community checks.) However, the **CEO is disqualified** from being authorized to request funds, as the CEO is responsible for certifying the authorized signatories. **The CEO shall only sign the *Signature Certification* form <u>after</u> the authorized individuals have signed and dated the form.**

- Only the three individuals authorized on the *Signature Certification* form may sign the *Request for Disbursement of Community Development Block Grant Funds* form. If at any time an authorized signatory is unable to continue signing the *Request for Disbursement of Community Development Block Grant Funds* forms, or a name change occurs, a new form must be completed and mailed to the address below. Please be sure to complete the line that indicates the **“previously authorized signature.”**

- When the *Signature Certification* form has been completed, retain a photocopy of the form for your grant files. Email the completed form to your CDBG grant representative.

UNIT OF GENERAL LOCAL GOVERNMENT'S (UGLG'S) NAME: _____

DEHCR GRANT AGREEMENT #: _____

SIGNATURE CERTIFICATION FORM

The authorized signatories listed below are designated by the Chief Elected Official (CEO) to approve CDBG payment requests. They cannot include the CEO. Two Signatories must approve each payment request so at least two signatories must be designated below. Three are recommended. Submit an additional form if more than three Signatories are designated. At least one of the authorized signatories must be an official or employee of the UGLG.

_____ _____ _____

Signature of Authorized Person *Title* *Date*

Typed Name of Authorized Person: _____

This signature replaces the previously authorized signature of: _____

_____ _____ _____

Signature of Authorized Person *Title* *Date*

Typed Name of Authorized Person: _____

This signature replaces the previously authorized signature of: _____

_____ _____ _____

Signature of Authorized Person *Title* *Date*

Typed Name of Authorized Person: _____

This signature replaces the previously authorized signature of: _____

I HEREBY CERTIFY THAT THE ABOVE SIGNATORIES ARE AUTHORIZED TO APPROVE A PAYMENT REQUEST FOR COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS.

_____ _____ _____

Signature of Chief Elected Official *Title* *Date*

Typed Name of Chief Elected Official: _____

CDBG-HOUSING PROGRAM DRAWDOWN REGISTER (EXAMPLE)

CONTRACT #: H 17 - 25

	H-1	H-2	H-3	
ACTIVITY:	REHABILITATION (Includes: Homeownership Assistance, Rehabilitation: Single Unit and Multi-Unit Residential)	STREETS (Includes: Street repairs/resurface, street/storm drains, curb/gutter work)	ADMIN (Includes: general program administration)	TOTAL HOUSING BUDGET
BUDGET:	385,000	50,000	65,000	500,000

REQUEST NO.	DATE OF REQUEST	AMOUNT OF REHAB REQUEST	AMOUNT OF STREETS REQUEST	AMOUNT OF ADMIN REQUEST	AMOUNT REQUESTED
1	5/19/17	-0-	20,000	2,000	22,000
BALANCE		385,000	30,000	63,000	478,000
2	6/12/17	11,345		1,500	12,845
BALANCE		373,655	30,000	61,500	465,155
3	8/15/17	10,000		3,000	13,000
BALANCE		363,655	30,000	58,500	452,155

CDBG-HOUSING PROGRAM DRAWDOWN REGISTER

CONTRACT #: _____

	H-1	H-2	H-3	
ACTIVITY:	REHAB	STREETS	ADMIN	
	(Includes: Homeownership Assistance, Rehabilitation: Single Unit and Multi-Unit Residential)	(Includes: Street repairs/resurface, street/storm drains, curb/gutter work)	(Includes: general program administration)	TOTAL HOUSING BUDGET
BUDGET:				

REQUEST NO.	DATE OF REQUEST	AMOUNT OF REHAB REQUEST	AMOUNT OF STREETS REQUEST	AMOUNT OF ADMIN REQUEST	AMOUNT REQUESTED

GRANT ACCOUNT TRANSACTIONS JOURNAL

When making entries in this journal, report **only one entry in any one row** (i.e., receipt of CDBG funds, miscellaneous collection, or disbursement of CDBG funds). For every entry, the Federal Cash on Hand **must be shown**. **All funds deposited to the grant account must be disbursed within three business days of receipt.**

DATE	Enter the date of the transaction.
DESCRIPTION	Enter a description of the transaction.
DEPOSIT	If transaction is a deposit of grant funds, enter amount deposited.
MISC DEPOSIT	If transaction is a deposit of miscellaneous funds, enter amount deposited.
CHECK #	If a disbursement is made, enter check number.
AMOUNT	If a disbursement is made, enter amount of check.
H-1 – Rehabilitation	If disbursement is for contractor payments or down payment/closing costs, enter amount of check.
H-2 – Streets	If disbursement is for streets project, enter amount of check.
H-3 – Admin.	If disbursement is for administrative costs, enter amount of check.
Payments to Date	Add amount entered in H-1, H-2, etc., to amount shown on previous line--to obtain total payments to date.
Federal Cash on Hand	If a deposit ADD amount of deposit to amount shown on previous line. If a disbursement, SUBTRACT amount of disbursement from amount shown on previous line.

Explanation of Sample Entries

On May 12, the Village wrote a $20.00 check for the CDBG Implementation Training Session. They knew they would be reimbursed after they made their first drawdown.

May 15 through June 2 additional village checks were written. On June 5, the CDBG program wrote a $1,225 check to reimburse the Village. Only the disbursement of $1,225 on June 5 is shown on the Grant Account Transactions Journal. The individual payments by the Village are recorded on the **Reimbursement Request Form**.

GRANT ACCOUNT TRANSACTIONS JOURNAL (EXAMPLE)

Date	Description	Grant Deposit	Misc. Deposit	Check Number	Amount	H-1 Rehabilitation Payment	H-2 Homebuyer Payment	H-3 Admin Payment	Payments to Date.	Federal Cash on Hand
06/05/17	Drawdown #1	22,000.00								22,000.00
06/05/17	Reimburse Village			101	1,225.00			1,225.00	1,225.00	20,775.00
06/05/17	Toose Company			102	20,000.00		20,000.00		21,225.00	775.00
06/23/17	Drawdown #2	12,845.00							21,225.00	13,620.00
06/23/17	Ellie Phant			103	1,000.00			1,000.00	22,225.00	12,620.00
06/23/17	Demmo Graphics			104	100.00			100.00	22,325.00	12,520.00
06/23/17	Wisconsin Bell			105	50.00			50.00	22,375.00	12,470.00
06/23/17	Less Hassell Supply			106	125.00			125.00	22,500.00	12,345.00
06/26/17	Working Acct			107	7,845.00	7,845.00			30,345.00	4,500.00
07/11/17	Wells Fargo			108	3,500.00	3,500.00			33,845.00	1,000.00
08/29/17	Drawdown #3	13,000.00							33,845.00	14,000.00
08/29/17	Working Acct			109	10,000.00	10,000.00			43,845.00	4,000.00
08/29/17	Voided check #108		3,500.00						43,845.00	7,500.00
08/29/17	Ellie Phant			110	2,500.00			2,500.00	46,345.00	5,000.00
09/01/17	Real Title Company			111	3,500.00	3,500.00			49,845.00	1,500.00

GRANT ACCOUNT TRANSACTIONS JOURNAL

Date	Description	Grant Deposit	Misc. Deposit	Check Number	Amount	H-1 Rehabilitation Payment	H-2 Homebuyer Payment	H-3 Admin Payment	Payments to Date	Federal Cash on Hand

REHABILITATION OBLIGATION TRACKING JOURNAL (EXAMPLE)

Date	Loan Number	Amount (Reduction)	Deposit	Balance
6/1/2017	RLF Balance	→→→→	→→→→	386,955.00
06/20/17	96-17		10,200.00	397,155.00
06/26/17	98-1	9,500.00		387,655.00
06/26/17	98-2	8,000.00		379,655.00
06/26/17	98-3	2,500.00		377,155.00
07/06/17	96-20		6,375.00	383,530.00
07/17/17	98-2	(1,500.00)		385,030.00
08/04/17	98-4	20,000.00		363,030.00

REHABILITATION OBLIGATION TRACKING JOURNAL

Table to enter Obligation amount by Date Loan Number, Amount, Deposit and Balance of Project Funds remaining for the Grant

Date	Loan Number	Amount (Reduction)	Deposit	Balance
	H1 Budget Amount	N/A	N/A	
	RLF Balance	→→→→		

WORKING ACCOUNT TRANSACTIONS JOURNAL (EXAMPLE)

Date	Description	Check Number	Total Payment	Total Deposit	Admin Deposit	Admin Payment	Admin Balance	RLF Project Deposit	RLF Project Payment	RLF Project Balance	Grant Deposit	Grant Payment	Grant Balance	TOTAL BALANCE
06/15/17	RLF Balance Forward			2,300.00	345.00		345.00	1,955.00		1,955.00			0.00	1,955.00
06/20/17	Loan 96-17 repaid			12,000.00	1,800.00		2,145.00	10,200.00		12,155.00			0.00	12,155.00
06/26/17	Draw #2 received				0.00		2,145.00	0.00		12,155.00	7,845.00		7,845.00	20,000.00
06/30/17	Interest			1.10	0.17		2,145.17	0.94		12,155.94			7,845.00	20,000.94
07/05/17	Sure-Lock Homes (98-2)	310	2,000.00		0.00		2,145.17	0.00		12,155.94		2,000.00	5,845.00	18,000.94
07/06/17	Loan 96-20 repaid			7,500.00	1,125.00		3,270.17	6,375.00		18,530.94			5,845.00	24,375.94
07/06/17	Watts-On Electric (98-2)	311	4,500.00		0.00		3,270.17	0.00		18,530.94		4,500.00	1,345.00	19,875.94
07/07/17	Steava Doors (98-1)	312	6,000.00		0.00		3,270.17	0.00	4,655.00	13,875.94		1,345.00	0.00	13,875.94
07/25/17	The Kitchens, Inc. (98-1)	313	3,000.00		0.00		3,270.17	0.00	3,000.00	10,875.94			0.00	10,875.94
07/31/17	Interest			2.32	0.35		3,270.51	1.97		10,877.91			0.00	10,877.91
08/01/17	Landlord Contribution (98-3)			2,500.00	375.00		3,645.51	2,125.00		13,002.91			0.00	13,002.91
08/03/17	Q. P. Dahl	314	500.00		0.00		3,645.51	0.00	500.00	12,502.91			0.00	12,502.91
08/15/17	Starr & Sons (98-4)	315	10,000.00		0.00		3,645.51	0.00	10,000.00	2,502.91			0.00	2,502.91
08/29/17	Draw #3 received				0.00		3,645.51	0.00		2,502.91	10,000.00		10,000.00	12,502.91
08/29/17	Hipp Roofing (98-4)	316	7,875.00		0.00		3,645.51	0.00		2,502.91		7,875.00	2,125.00	4,627.91
08/29/17	Back Doors (98-4)	317	1,500.00		0.00		3,645.51	0.00		2,502.91		1,500.00	625.00	3,127.91
08/29/17	Home Depot (98-4)	318	625.00		0.00		3,645.51	0.00		2,502.91		625.00	0.00	2,502.91
08/29/17	Interest			1.57	0.24		3,645.75	1.33		2,504.24			0.00	2,504.24
09/01/17	Hipp Roofing (98-3)	319	2,000.00		0.00		3,645.75	0.00	2,000.00	504.24			0.00	504.24

The Working Account Transactions Journal is used to record all housing rehabilitation (owner and renter) payments and deposits.

The Grantee may use up to 17% of repaid loans, loan payments, and interest earned for administration of the RLF.

WORKING ACCOUNT TRANSACTIONS JOURNAL

Table 1 Journal used to enter payment, deposit, and balance information by admin, RLF and Grant funds.

Date	Description	Check Number	Total Payment	Total Deposit	Admin Deposit	Admin Payment	Admin Balance	RLF Project Deposit	RLF Project Payment	RLF Project Balance	Grant Deposit	Grant Payment	Grant Balance	TOTAL BALANCE

The Working Account Transactions Journal is used to record all housing rehabilitation (owner and renter) payments and deposits.

The Grantee may use up to 17% of repaid loans, loan payments, and interest earned for administration of the RLF.

INDIVIDUAL OBLIGATION JOURNAL (EXAMPLE)

Loan Number:	4
Address:	2559 Della Street
Total Project Cost:	$38,500
Total Amount of Loan:	$30,000
Loan Type:	Deferred 0% 30 years
Approval Date:	8/9/10

SOURCE OF FUNDS	**AMOUNT**
CDBG LOAN:	$30,000
CDBG GRANT:	$8,500
BORROWER CONTRIBTION	None
OTHER	None

Date	Description	Obligation	Check #	Payment	Balance
9/10/10	Mortgage/Grant signed	$38,500			$38,500
12/12/10	Starr & Sons		315	$20,000	$18,500
12/15/10	Hipp Roofing		316	$15,000	$3,500
01/15/11	Back Doors		317	$2,000	$1,500
03/19/11	Home Depot		318	$1,500	0

INDIVIDUAL OBLIGATION JOURNAL

Table 2 Two columns with five rows to enter Loan information, Loan number, Address, Total Cost, Total Loan, Loan Type and Approval Date

Loan Number:	
Address:	
Total Project Cost:	
Total Amount of Loan:	
Loan Type:	
Approval Date:	

Table 3 Two columns with five rows to list source of funds and the amount of each source

SOURCE OF FUNDS	**Amount**
CDBG LOAN:	
CDBG GRANT:	
BORROWER CONTRIBTION	
OTHER	

Table 4: Blank table to list date, description, obligation, check # total payment, and balance to be paid remaining.

Date	Description	Obligation	Check #	Payment	Balance

FORM MUST BE PUT ON GRANTEE'S (MUNCIPALITY) LETTERHEAD

****

REIMBURSEMENT REQUEST FORM

The following individuals have attended a lead-based paint training course and have been certified and/or licensed to work on lead-based paint rehabilitation projects:

_____
_____
_____
_____
_____

The Grantee would like to be reimbursed for the following amount:_____.

Enclosed is a copy of the certificate of completion and/or license for each person, along with a signed "Commitment to Work" on CDBG projects form. Attached is a copy of an invoice, cancelled check or receipt from the trainer verifying costs paid.

The Grantee hereby certifies that this amount has been or will be paid by the municipality and the Lead-Based Paint Training Reimbursement Guidelines have been followed.

_____ _____
Signature (Local Official) Date

Attachments: License and/or Certificate of Completion
Commitment to Work Form
Invoice, Cancelled Check or Receipt from Trainer
W9 Form

COMMITMENT TO WORK

I,_____ (contractor name) am a _____ (type) contractor,

and do rehabilitation work in the _____(municipality) for the Community Development Block Grant (CDBG) program.

I participated and completed the _____(course) on _____ (date).

I understand that the_____ (municipality) will pay the course fee if I:

1. Obtain and maintain my certification for at least one year;
2. Agree to submit reasonable competitive bids to the_____ (municipality)for CDBG rehabilitation work for a period of at least one year from the date of this commitment; and
3. Agree that should I breach the terms of this commitment; I will reimburse the _____(municipality) $__ _____course fee paid on my behalf.

I understand and agree to these terms. A copy of my certification license is attached.

_____ _____

Contractor Name Date

REPORTING & CLOSEOUT FORMS

FINANCIAL CERTIFICATE OF COMPLETION

This Financial Certification of Completion and Instructions in fillable format can be found under the Chapter 10 Attachments on the DEHCR Website.

REQUIRED REPORTS

CDBG Accomplishments Report can be found on the CDBG Resources and Training website.

SEMI-ANNUAL CDBG Data Report and Instructions can be found under the Chapter 9 Attachments of the DEHCR website

CDBG EMERGENCY ASSISTANCE PROGRAM

SUGGESTED DEED RESTRICTION LANGUAGE

The following restrictions shall apply to the conveyed real estate:

1. The intention of these Deed Restrictions is that the conveyed real estate remain as permanent green space.

2. No structures of any nature whatsoever shall be constructed on the conveyed real estate.

3. No permanent land attachments of any nature shall be attached to or constructed on the conveyed real estate. This restriction includes, but is not limited to, land attachments such as flagpoles, fences, gazebos, swimming pools, billboards, paving, signs, etc.

4. No personal property of any nature whatsoever shall be placed on or stored on the conveyed real estate.

5. The level of the land (grade) shall not be changed.

6. The above Deed Restrictions are permanent and are binding up on the ***City/Village/Township of*** _____and upon its heirs, successors and assigns and these Deed Restrictions shall run with the land.

Note –

A. CDBG EAP grantees should always consult their legal representation when developing any legal documents including deed restrictions regarding property acquisitions and dispositions

B. CDBG-EAP should also consult with local parties charged with developing and enforcing local floodplain ordinances to assure compliance of deed restrictions.