

CDBG MULTI-FAMILY CONVERSION HANDBOOK

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



**BUREAU OF COMMUNITY DEVELOPMENT
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INTRODUCTION

The Wisconsin Department of Administration (DOA) – Division of Energy, Housing and Community Resources (DEHCR) administers the State Community Development Block Grant Program that provides funding to units of general local government (UGLGs) that do not receive an annual allocation directly from HUD.

The State of Wisconsin Department of Administration's (DOA) Division of Energy, Housing and Community Resources (DEHCR) has developed this handbook as a resource for local government officials and their appointed Community Development Block Grant (CDBG) project managers (i.e., Grant Administrators) to clarify the rules for grant recipients and to help ensure compliance with the state and federal CDBG program requirements.

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

CDBG 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) 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)). 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.

The United States Department of Housing and Urban Development (HUD) administers the CDBG Program, which is governed by Title I of the Housing and Community Development Act of 1974 as amended (www.hud.gov/sites/documents/cdbg_24_cfrpart570.pdf) and federal regulations at 24 CFR 570.480-497 (Subpart I) (<https://www.hudexchange.info/sites/onecpd/assets/File/CDBG-State-National-Objectives-Eligible-Activities-Appendix-B.pdf>)

The Omnibus Budget Reconciliation Act of 1981 (<https://www.congress.gov/bill/97th-congress/house-bill/3982>) authorized states to administer the CDBG programs.

PROGRAM OBJECTIVE

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

1. Expansion or creation of affordable housing stock for low- and moderate- income (LMI) persons;
2. Elimination of housing conditions detrimental to public health, safety and welfare;

ELIGIBLE RECIPIENTS

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

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

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

SUB-RECIPIENTS

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

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

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

ADMINISTRATIVE REQUIREMENTS

An important part of any grant is administration. Grant recipients are required to prepare, maintain and submit to the Division of Energy, Housing and Community Resources (DEHCR) all records required to document compliance with the Community Development Block Grant (CDBG) program.

UGLGs will be monitored at least once during the contract period of the Grant Agreement.

Detailed information on Administrative requirements including record keeping and monitoring can be found in [Chapter 2](#) of the BCD CDBG Implementation Handbook.

PROCUREMENT, CONTRACTING AND CONFLICT OF INTEREST PROVISION

UGLGs must provide the opportunity for Developers to submit potential Projects and be selected through an open and competitive process. 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.

In accordance with 24 CFR 570.611, no member of the governing body and no official, employee or agent, nor any other person (covered persons), either for themselves or those with whom they have business or immediate family ties, who exercises policy or decision-making responsibilities will financially benefit from this program. For more information on these requirements please visit the link to [Chapter 3](#) of the Bureau of Community Development (BCD) Implementation Handbook.

ENVIRONMENTAL REVIEW

All Community Development Block Grant (CDBG) projects must meet the requirements of federal, state and local environmental regulations. At the federal level, all CDBG projects must meet the requirements of the National Environmental Policy Act of 1969 (NEPA).

For information and the requirements of the Environmental Review Process, please visit the link to [Chapter 4](#) of the Bureau of Community Development (BCD) CDBG Implementation Handbook

Required fillable forms for the Environmental Review may be found [here](#).

LABOR STANDARDS (DAVIS BACON) REQUIREMENTS

The Davis-Bacon Act (40 USC, Chapter 3, Section 276a-276a-5; and 29 CFR Parts 1, 3, 5, 6 and 7) is triggered when construction work over \$2,000 is financed in whole or in part with CDBG funds. It requires that workers receive no less than the prevailing wages being paid for similar work in the same area. Davis-Bacon does not apply to the rehabilitation of residential structures containing less than eight units or force account labor (construction carried out by employees of the grantee). Labor standards will apply to all projects with more than seven units.

For information Labor Standards requirements, please visit [Chapter 7](#) of the Bureau of Community Development (BCD) CDBG Implementation Handbook.

Required fillable forms for Davis Bacon may be found [here](#).

BUILD AMERICA BUY AMERICA

As of January 2025, 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 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 compete 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 CPD2023-12 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 at: <https://www.hudexchange.info/programs/baba>

Guidance is provided in [Attachment 03-N: BABA Documents and Requirements](#).

All chapter attachments are available on the DEHCR [CDBG Implementation Handbook](#) website under the "Chapter Attachments/Fillable Forms" section.

REPORTING REQUIREMENTS

CDBG programs must report certain accomplishments and information quarterly, semi-annually or annually. The Grant Agreement will designate document submission due dates and activity completion benchmarks for the project. UGLGs are required to follow the Grant Agreement Timetable.

Specific information for these reports, including the required forms can be found in [Chapter 6](#) and [Chapter 9](#) of the BCD CDBG Implementation Handbook.

DEHCR reserves the right to modify reporting periods and due dates for the Semi-Annual Reports, as needed.

SEMI-ANNUAL REPORTS

The Semi-Annual Summary Narrative Report (Attachment 9-A) is required to be submitted by the UGLG to DEHCR to provide updates on the status of the project activities. In addition, HUD monitors the states to report accomplishments promptly to Congress. The UGLG is required to follow their Grant Agreement Timetable and scope of work to provide accurate and timely information about the project.

The semi-annual reporting requirement begins when the UGLG receives a copy of the fully executed (i.e. "fully signed") Grant Agreement from DEHCR and continues until the UGLG has submitted the Project Completion Report and all supporting documents for the project.

Equal Opportunity

Civil rights laws and related laws and regulations are designed to protect individuals from discrimination on the basis of race, national origin, religion, color, sex, age, disability, sexual orientation and familial status. The laws listed below apply to UGLGs, contractors and sub-contractors. The Department of Labor (DOL) provides employers, workers and others with clear and easy-to-access information and assistance on how to comply with Executive Order 11246. These reports are due semi-annually.

Reporting for Equal Opportunity compliance includes:

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

- Fair Housing Actions reporting on the Semi-Annual Summary Narrative Report (Attachment 9-A) with supporting documentation.

Section 3

The Section 3 provisions require that recipients of CDBG funding, to the greatest extent feasible, provide job training, employment and contracting opportunities for low- or very low-income residents and businesses in connection with projects and activities in their communities. Section 3 data reporting includes:

- CDBG Data Report [Attachment 9-C](#): The Grantee's/UGLG's Section 3 data reporting on the CDBG Data Report is to include the data from the Grantee as well as from all subrecipients, contractors, and subcontractors.
- Section 3 Employee Income Certification – To be completed for or by employees working on the CDBG project for Section 3 status determinations. Contractors/Employers are to complete Attachment 9-K(2) for all employees working on the CDBG project (and have the option of having employees complete Part B the form) (for projects awarded on or after November 30, 2020).
- Section 3 Business Concerns Certification (Attachment 9-L) – To be completed by businesses/contractors (excluding non-profit organizations) to certify they are a Section 3 Business Concern for CDBG projects awarded on or after November 30, 2020. Businesses/contractors for CDBG projects awarded prior to November 30, 2020 may certify their Section 3 Business Concern status in Part C of the Section 3 Employee Income Certification (Attachment 9-K(1)) form.
- Individual Contractor's Section 3 Report - [Attachment 9-M](#)– To be completed by employers/contractors to report their semi-annual Section 3 data for the project. The employer/contractor may use this report or a similar document with the same information to report their Section 3 data for the reporting period.

Labor Standards

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](#)).

Beneficiary Data:

DEHCR is required to maintain records documenting the demographic information pertaining to CDBG project beneficiaries, which may include (but is not limited to): race, ethnicity, household size, and income. Grantees will be required to compile all of the individual data collected and complete the CDBG Completion Report. Each activity undertaken by the Grantee will have its own report.

Single Audit

In addition to semi-annual reports, the UGLG must establish whether the Single Audit requirements listed in Uniform Guidance 2 CFR 200 apply. The UGLG must submit a Single Audit Statement letter

([Attachments 9-G / Attachment 9-H](#)) to DEHCR by January 15th of each calendar year for the duration of the Grant Agreement.

FINANCIAL MANAGEMENT

Accurate financial record-keeping, including timely deposit, payment and accounting of Community Development Block Grant (CDBG) funds is crucial to the successful management of a CDBG funded project.

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 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.

Detailed information on financial management including how to request CDBG funds can be found in [Chapter 8](#) of the BCD CDBG Implementation Handbook.

PROJECT COMPLETION

Final project completion occurs when all funds have been expensed and all reporting, monitoring and completion submission responsibilities related to all projects have been completed by the Unit of General Local Government (UGLG) and approved by DEHCR.

Detailed information on the requirements of project completion including the required forms can be found in [Chapter 10](#) of the BCD CDBG Implementation Handbook.

In addition to the requirements in Chapter 10 of the BCD CDBG Implementation Handbook, Grantees must complete a Housing Completion Report for each activity completed. This form can be found at the end of this handbook and [here](#).

Project Requirements

AFFORDABILITY REQUIREMENTS:

Rental developments must ensure that at least 51% of the units are rented to households with annual incomes at or below 80% of the County Median Income adjusted by household size. The rents for these units may not exceed the HUD established fair market rent by bedroom size. To ensure that these requirements are met, multi-family properties are secured with a deed restriction and forgivable mortgage for the term of the affordability period.

Sale of a Project during the affordability period is acceptable; however, affordability periods must still be adhered to and included as a deed restriction.

Grantee shall maintain records to verify the project is meeting Low- and Moderate-Income (LMI) affordability requirements. This documentation must be available upon request by the Department or the U.S. Department of Housing and Urban Development.

The minimum affordability period for the CDBG Conversion program is 20 years.

Household income limits are published annually on the HUD EXCHANGE.

[Income Limits | HUD USER](#)

Fair Market Rents are published annually on the HUD EXCHANGE. [Rent Limits - HUD Exchange](#)

ACQUISITION /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.

Requirements for acquisition/relocation and required forms can be found in [Chapter 5](#) of the BCD CDBG Implementation Handbook.

CONSTRUCTION REQUIREMENTS

CDBG funds may be used for acquisition, architecture and engineering, permitting, site preparation, limited developer fees and rehabilitation costs.

All residential construction projects using CDBG funds must comply with federal regulatory requirements and/or state and/or local building codes. In addition to these requirements all housing conversion projects must meet [Broadband Infrastructure](#) requirements and are encouraged to utilize Green Build standards.

Projects utilizing CDBG funds for construction and/or rehabilitation of buildings built prior to 1978 for the purpose of residential occupancy, are subject to HUD's Lead Safe Housing Rule (LSHR).

For more information on the LSHR please see Chapter G of the [CDBG Housing Implementation Manual](#).

TENANT ELIGIBILITY

Income

As noted above, at least 51% of the units must be rented to households with documented incomes at or below 80% of the County Median Income (CMI) for the geographic area, adjusted for household size, and determined annually by HUD at the time of application. Tenant income is only verified and documented at the time of move in; annual recertification is not required.

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 Programs.

The guidelines for determining and calculating household income can be found in Chapter C: Determining Income of [CDBG Housing Implementation Manual](#).

SAMPLE FORMS

CDBG HOUSING COMPLETION REPORT

This form is required for all residential and or multi-family housing projects. A separate form for each project address and/or building is required.

1. GRANTEE CONTACT

CONTRACT #:	SUBMISSION DATE:	PROJECT NAME:	
<input type="checkbox"/> Original Submission		<input type="checkbox"/> Revision	
GRANTEE NAME:		EMAIL ADDRESS:	
GRANTEE CONTACT:		TELEPHONE:	EXT. #:

2. ACTIVITY INFORMATION

Street Address:			
City:		Zip code:	
11-digit Census Tract #:		County Name:	

Settlement Date or Date of 100% Occupancy (rental)			
Number of years of affordability		Deed Restriction: Forgivable Mortgage:	

3. CDBG FUNDS

Total CDBG Contract Funds Used on this Activity	1. \$
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4. OTHER FEDERAL FUNDS USED (Specify source & amount)

☐ N/A

Federal Funds		\$
Federal Funds		\$
USDA Rural Development Loan		\$
TOTAL FEDERAL FUNDS		\$

5. STATE/LOCAL FUNDS USED (Specify source & amount)

☐ N/A

Housing Trust Funds		\$
State/Local Appropriated Funds		\$
State/Local Tax Exempt Bond Proceeds		\$
TOTAL STATE/LOCAL FUNDS		\$

6. PRIVATE FUNDS USED (Specify source & amount)

☐ N/A

Lender Name:		Mortgage Amount:	
Loan Type: <input type="checkbox"/> fixed <input type="checkbox"/> variable	Lock in Date:	Interest Rate:	No. of Years:
Private Loan Amount		\$	

Owner Cash Contribution	\$
Foundation Grants	\$
Individual Donations (specify who/what)	\$
TOTAL PRIVATE FUNDS	\$

TOTAL ACTIVITY COST (Items 3 through 6)	\$
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7a. HOUSEHOLD CHARACTERISTICS

*Round to the nearest dollar. Report all units within in the development/building. Add additional pages as needed.

Unit No	No. of Bedrooms	Occupant	Monthly Rent (including Tenant Paid Utilities)*			Income Data		Household Data				
			Tenant Contribution	Subsidy Amount	Total Rent	Monthly Gross Income*	% of Area Median		Race of Head of Household	Size of Household	Type of Household	Rental Assistance
	0. efficiency 1. 1Bdrm 2. 2 Bdrms 3. 3 Bdrms 4. 4 Bdrms 5. 5 or more Bdrms	1. Tenant 2. Owner 9. Vacant					1. 0-30% 2. 31-50% 3. 51-80% 4. 81-120% 9. Vacant	HISPANIC Check if "Yes"	11.White 12. Black/African American 13. Asian 14. American Indian / Alaskan Native 15. Native Hawaiian / Other Pacific Islander 16. American Indian / Alaskan Native & White 17. Asian & White 18. Black/African American & White 19. American Indian / Alaskan Native & Black / African American 20. Balance / Other 9. Vacant unit	1. 1 Person 2. 2 Persons 3. 3 Persons 4. 4 Persons 5. 5 Persons 6. 6 Persons 7. 7 Persons 8. 8 or more Persons 9. Vacant	1. Single/non-Elderly 2. Elderly 3. Related/1 parent 4. Related/2 parent 5. Other 9. Vacant Unit	1. Section 8 2. HOME TBA 3. Other 4. None 9. Vacant Unit
			\$	\$	\$	\$		<input type="checkbox"/>				
			\$	\$	\$	\$		<input type="checkbox"/>				
			\$	\$	\$	\$		<input type="checkbox"/>				
			\$	\$	\$	\$		<input type="checkbox"/>				
			\$	\$	\$	\$		<input type="checkbox"/>				
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			\$	\$	\$	\$		<input type="checkbox"/>				
			\$	\$	\$	\$		<input type="checkbox"/>				
			\$	\$	\$	\$		<input type="checkbox"/>				
			\$	\$	\$	\$		<input type="checkbox"/>				

7b. HOUSEHOLD CHARACTERISTICS:

Please enter the information for the units reported on the previous page under 7a.

- a. Number of households with a member with a disability _____
- b. Number of households with a female head of household _____
- c. Number of high efficiency heating units used _____
- d. Number of units with solar panels _____
- e. Number of dishwashers installed/used _____
- f. Number of Energy Star refrigerators installed/used _____
- g. Number of low flow showerheads installed/used _____
- h. Number of units created with bus/rail access _____
- i. Number of units exceeding Energy Star standards _____
- j. Number of low flow toilets installed _____
- k. Green Build Requirements (list standard met) _____
- l. Number of Energy Star windows replaced/used _____
- m. Number of units located on a bus route _____