



# City of Appleton COMMUNITY DEVELOPMENT BLOCK GRANT-CV



## 2020-2026 Community Development Block Grant (CDBG)- CV Policy Adopted 02/16/2022

### I. PURPOSE

To outline the following aspects of the local Community Development Block Grant (CDBG)-CV Program: a) elements to which the City of Appleton must adhere in order to comply with federal regulations; b) locally-established guidelines; and c) priorities for subrecipient and City Program activity.

### II. POLICY

The federal CDBG program was established with the passage of the Housing and Community Development Act of 1974. CDBG funds are distributed to eligible governmental units in two forms:

- (1). Entitlement grants directly to cities and counties, and;
- (2). State grants, which involve annual competitions for non-entitlement communities.

Since 1975, the City of Appleton has received CDBG funds as an entitlement community. The amount of CDBG funds received each year varies based on the appropriation approved by the U.S. Congress and the number of governmental units eligible to participate. While the federal fiscal year operates from October 1 to September 30, the City selected April 1 to March 31 as its CDBG fiscal year. This selection was made as the federal government generally does not release the aforementioned funds until springtime. Federal oversight lies within the U.S. Department of Housing & Urban Development (HUD).

In addition to the regular CDBG requirements, CDBG-CV requires that CDBG-CV funds:

- only assist activities that prevent, prepare for, or respond to Coronavirus,
- do not result in a duplication of benefits, and
- meet underwriting criteria for special economic development activities.

### III. FEDERAL REGULATIONS

*The citation reference from Title 24 Part 570 – Community Development Block Grants can be found in parentheses next to each heading below. Please view that section for more information on the respective item. This Policy will be revised periodically as required to fulfill related Federal, State, and/or local funding requirements.*

The Federal Register Notice 6218-N-01 describes how requirements of the CDBG Program are modified for CDBG-CV grants.

#### A. Federal Eligibility (24 CFR 570.201)

Primary activities that can be used to prevent, prepare for, and respond to Coronavirus with CDBG-CV funds include:

- (1). Public Service Activities
  - Homeless/Aids Patients
  - Services for Persons with Disabilities
  - Youth Services
  - Domestic Violence Services
  - Crime Awareness/Prevention
  - Tenant/Landlord Counseling
  - Health Services
  - Senior Services
  - Legal Services
  - Substance Abuse Services
  - Employment Training
  - Fair Housing Activities
  - Child Care Services
  - Abused & Neglected Children



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- Mental Health Services
  - Subsistence Payments
  - Food Banks
  - Housing Counseling
- (2). Housing-Related Activities
- Rehabilitation (Single/Multi Residential)
  - Direct Homeownership Assistance
  - Public Housing Modernization
  - Rehabilitation Administration
  - Code Enforcement
- (3). Public Improvements & Facilities
- Senior Centers
  - Homeless Facilities (not operating costs)
  - Neighborhood Facilities
  - Parking Facilities
  - Flood & Drainage Facilities
  - Sidewalks
  - Fire Stations/Equipment
  - Removal of Architectural Barriers
- (4). Activities to Acquire Real Property
- Acquisition of Property
  - Clearance & Demolition
  - Relocation
- (5). Economic Development Activities
- Rehabilitation (Public or Private)
  - Commercial/Industrial Infrastructure
  - Financial Assistance to For-Profits
  - Micro-Enterprise Assistance
  - Screening for Lead-Based Paint/Poisoning
  - Security Deposits
  - Housing Information & Referral Services
  - Construction of Housing (limited)
  - Housing Counseling
  - Energy Efficiency Improvements
  - Lead Based Paint Test/Abatement
  - Facility for Persons with Disabilities
  - Youth Centers/Facilities
  - Parks, Recreational Facilities
  - Solid Waste Disposal Facilities
  - Water/Sewer Improvements
  - Child Care Centers
  - Health Facilities
  - Disposition
  - Clean-Up of Contaminated Site/Brownfields
  - Commercial/Industrial Land Acquisition/Disposition
  - Commercial/Industrial Building Acquisition, Construction, Rehabilitation
  - Technical Assistance

### **Costs Eligible for Reimbursement**

- Costs incurred before January 21, 2020, will not be reimbursed without written prior approval from HUD
- Environmental review must be performed, and a Release of Funds must be obtained in accordance with 24 CFR Part 58 prior to committing CDBG-CV funds to reimburse costs.
- Grantees must sign a CDBG-CV agreement with a subrecipient before reimbursing pre-agreement costs.
- Activities that incurred pre-award or pre-agreement costs in a CDBG-CV application before CDBG-CV funds are used to reimburse those costs.



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**Extension of Emergency Payments**

CDBG-CV funds may be used to provide emergency payments for individuals or families impacted by coronavirus for items such as food, clothing, housing (emergency rental or mortgage assistance) or utilities. The maximum period of such payments is extended from three to six consecutive months when used to prevent, prepare for, or respond to coronavirus.

- Emergency payments must be made to the provider of such items or services on behalf of an individual or family, and not directly to an individual or family in the form of income payments, debit cards, gift cards or similar direct income payments.
- Proper documentation must be maintained to ensure that all costs incurred are eligible.
- Public service activities that provide for emergency payments must document, in their policies and procedures, how they will determine the amount of assistance to be provided is necessary and reasonable

**B. Ineligible Activities (24 CFR 570.207)**

The following activities may not be assisted with CDBG-CV funds:

- (1). Buildings (or portions thereof) for the General Conduct of Government
- (2). General Government Expenses
- (3). Political Activities
- (4). Float-funded activities

The following activities are not eligible for CDBG-CV funding, but may be allowed under certain circumstances:

- |                                     |                               |
|-------------------------------------|-------------------------------|
| (1). Purchase of Equipment          | (3). New Housing Construction |
| (2). Operating/Maintenance Expenses | (4). Income Payments          |

**C. Special Economic Development Projects (24 CFR 570.203)**

CDBG-CV funds may be used for special economic development activities in addition to other activities. Special economic development activities include:

- (1). Acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements
- (2). Assistance to a private for-profit business, including, but not limited to, grants, loans, loan guarantees, interest supplements, technical assistance, and other forms of support, for any activity where the assistance is appropriate to carry out an economic development project
- (3). Economic development services, including, but not limited to, outreach efforts; screening of applicants; reviewing/underwriting applications; preparation of all necessary agreements; management of activities; and the screening, referral, and placement of applicants for employment

**D. National Objectives (24 CFR 570.208)**

In order to qualify for funding, CV activities must meet one of three CDBG national objectives:

- (1). Low & Moderate Income (LMI) Benefit
  - a. Area Benefit: activities available for the benefit of all the residents in a particular area, where at least 51 percent of those residents are LMI persons.
  - b. Limited Clientele: activities benefiting a specific group (i.e. abused children, elderly persons, battered spouses), at least 51 percent of whom are LMI persons.
  - c. Housing: activities carried out for the purpose of providing or improving permanent



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residential structures that, upon completion, will be occupied by LMI households.

- d. Job Creation/Retention: activities designed to create or retain permanent jobs where at least 51 percent of the jobs involve the employment of LMI persons.

(2). Slum & Blight Removal

- a. Area Basis: activities undertaken to eliminate specific conditions of blight, physical decay, or environmental contamination that are located in a designated area of distress, including acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, or rehabilitation. Rehabilitation must eliminate conditions that are detrimental to public health/safety; acquisition and relocation must be precursors to other activities that eliminate blight.
- b. Spot Basis: activities undertaken to eliminate specific conditions of blight, physical decay, or environmental contamination at specific sites not located in designated blighted areas, including acquisition, clearance, relocation, historic preservation, remediation of environmentally contaminated properties, or rehabilitation. Rehabilitation must eliminate conditions that are detrimental to public health/safety; acquisition and relocation must be precursors to other activities that eliminate blight.

(3). Urgent Need

- a. Activities designed to alleviate existing conditions of recent origin (18 months) that pose serious threats to the health and welfare of the community; this objective may only be used if the community cannot finance necessary activities with other sources.

**E. Categorical Limits**

- (1). At least 70 percent of CDBG-CV funds utilized must be expended for LMI benefit; the costs of planning and program administration are excluded from this calculation. (24 CFR 570.200(a)(3))
- (2). The CARES Act eliminates the 15% public services cap for all funds expended on activities to prevent, prepare for, and respond to coronavirus under Section III.B.5(f)(iii) of the FR Notice.
- (3). The amount of CDBG-CV funds obligated for planning and administration activities in each program year may not exceed 20 percent of the total entitlement grant for that program year plus the program income received during that program year. (24 CFR 570.200(g))

**F. Program Income (24 CFR 570.426)**

The receipt and expenditure of program income that is generated using CDBG-CV funds shall be treated as annual CDBG formula program income.

- CDBG-CV program income will be recorded as annual CDBG formula grant program income in local accounting records.
- Any CDBG-CV program income generated will be receipted in HUD's Integrated Disbursement and Information System (IDIS) as program income to the annual CDBG formula grant program and will be subject to the CDBG timeliness standards.

As defined in 24CFR Part 570.500, program income includes, but is not limited to, the following:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG-CV funds;
- Proceeds from the disposition of equipment purchased with CDBG-CV funds;
- Gross income from the use or rental of real or personal property acquired by subrecipients with CDBG-CV funds, less costs incidental to generation of the income;
- Gross income from the use or rental of real property, owned by subrecipients that was constructed or



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improved with CDBG-CV funds, less costs incidental to generation of the income;

- Payments of principal and interest on loans made using CDBG-CV funds, except as provided in 24CFR 570.500(a)(3); and
- Interest earned on program income pending its disposition.

Program income must be tracked in a chart of accounts, using a segregated account for managing sources and uses. By the 15<sup>th</sup> day of the month following the end of the quarter, the City's Finance Department will review each transaction that generated program income and the subsequent transaction for which program income was applied. The program income will then be entered into the City's Chart of Accounts so that it is reflected in the general ledger, as well as receipting the program income in IDIS so that draws can be made against the balance accordingly. The City maintains the discretion to enter program income more frequently as deemed necessary.

CDBG-CV regulations require that, at the end of each program year (March 31), the City of Appleton must determine whether there is excess program income on hand, and return any excess to the line of credit.

**G. Fair Housing (24 CFR 570.601)**

The Secretary of HUD requires that:

- (1). Grantees must administer all activities related to housing and community development in a manner to affirmatively further the policies of the Fair Housing Act. (Public Law 90-284)
- (2). Entitlement communities shall conduct an Analysis of Impediments to Fair Housing Choice every five years, take action to overcome the effects of the identified impediments and maintain records reflecting the analysis and related actions taken.

**H. Environmental Review Procedures (24 CFR 570.604)**

The environmental review procedures outlined in 24 CFR part 58 must be completed for each CDBG-CV subrecipient and City Program activity, as applicable.

**I. Faith-Based Activities (24 CFR 570.200)**

Religious or faith-based organizations are eligible to participate in the CDBG-CV program. Local government representatives and CDBG-CV program administrators shall not discriminate against an organization on the basis of its religious affiliation.

**J. Submission Requirements (24 CFR 570.302)**

CDBG-CV entitlement communities must submit the following documents:

- (1). Action Plan → annually
- (2). Consolidated Annual Performance and Evaluation Report (CAPER) → annually
- (3). Consolidated Plan → every three to five years, as chosen by the entitlement community  
Creation of these documents must follow HUD requirements for content and citizen participation (see the City of Appleton CDBG Citizen Participation Plan).

**K. Location of Activities (24 CFR 570.309)**

CDBG-CV funds may be awarded to an activity outside the jurisdiction of the entitlement community only if it can be determined that the activity directly benefits the entitlement community's residents.

Documentation of these benefits must be provided before CDBG-CV funds are awarded for the activity.



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**L. Conflict of Interest (24 CFR 570.611)**

No persons affiliated with the entitlement community (including subrecipients and City Programs) who exercise or have exercised any responsibilities with respect to CDBG-CV programming, or who are in a position to participate in a decision-making process, may obtain a financial interest or benefit from a CDBG-CV-assisted activity (including subcontracts), either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.

**M. Duplication of Benefits**

As part of the CARES Act and described in FR-6218-N-01 (CDBG-CV Federal Register Notice), HUD must ensure that there are adequate procedures in place to prevent any duplication of benefits as required by Section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), as amended by section 1210 of the Disaster Recovery Reform Act (DRRA) of 2018.

A duplication of benefits (DOB) occurs when a person, household, business, government, or other entity receives financial assistance from multiple sources for the same purpose, and the total assistance received for that purpose is more than the total need for assistance. To comply with DOB requirements, grantees are required by the CARES Act to establish and follow procedures to ensure that DOB does not occur. Establishing a process to effectively identify and prevent duplication of benefits is critical for CDBG-CV grantees to effectively manage the multiple active funding streams related to coronavirus response and efficiently target CDBG-CV resources to meet unmet needs within the community.

To prevent the duplication of benefits, policies and procedures include the following components:

- (1). Any person or entity receiving CDBG-CV assistance (including subrecipients and direct beneficiaries) must agree to repay assistance that is determined to be duplicative. This will be documented through a duplication of benefit form or similar clause included in the agreement with the entity. The Grantee will continue to monitor compliance based on risk of duplication of benefits for each activity.
- (2). Evaluation of the need and resources available to meet that need to assess whether the use of CDBG-CV funds will duplicate financial assistance that is already received or is likely to be received (such as insurance proceeds). Current resources available include local, county, state, and federal level and current and anticipated non-governmental assistance from nonprofits or faith-based groups.

Grantee will prioritize CDBG-CV activities that address unmet needs and gaps to reduce the risk of duplication of benefits.

To analyze duplication of benefits, the following steps have been incorporated into the CDBG-CV application process:

- (1). Assess Need: Determine the amount of need (total cost)
- (2). Determine Assistance: Determine the amount of assistance that has or will be provided from all sources to pay for the cost
- (3). Calculate Unmet Need: Determine the amount of assistance already provided compared to the need to determine the maximum CDBG-CV award (unmet need)
- (4). Document analysis: Document calculation and maintain adequate documentation justifying determination of maximum award



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**IV. LOCAL PROGRAM GUIDELINES**

**A. Program Oversight**

The Community and Economic Development Committee (CEDC) – composed of five aldermen appointed by the Mayor – serves as the jurisdiction for Common Council oversight of the CDBG-CV Program. Local financial oversight lies with the City of Appleton Finance Department. Local administrative/programmatic oversight lies with the City of Appleton Community and Economic Development Department (CEDD).

**B. Consolidated Plan Submission**

The City of Appleton has elected to submit a Consolidated Plan to HUD every five years. The Citizen Participation Plan provides for and encourages citizens to participate in the development of the Consolidated Plan, which will begin approximately one year before the required submittal date.

**C. Definitions**

- Subrecipient – an entity charged with implementation of one or more activities funded with Appleton CDBG-CV dollars
  - community partner subrecipient – local agencies awarded CDBG-CV-funding to implement an eligible activity via a competitive application process
  - public services subrecipient – local agencies awarded CDBG-CV-funding to implement an eligible public service activity via a competitive application process
- Adjusted award – the amount of CDBG-CV funds available to City Programs and subrecipients after administration, fair housing, and audit allocations are deducted

**D. Local Categorical Limits**

The following limits expand upon federal categorical limits associated with the CDBG program:

- (1). At least 70 percent of CDBG-CV funds utilized must be expended for LMI benefit; this excludes planning/CDBG-CV administration activities.
- (2). The CARES Act eliminates the 15% public services cap for all funds expended on activities to prevent, prepare for, and respond to coronavirus under Section III.B.5(f)(iii) of the FR Notice.
- (3). The amount of CDBG-CV funds obligated for planning/CDBG-CV administration activities in each program year may not exceed 20 percent of the total entitlement grant for that year.
- (4). Any single award will not be less than \$10,000.

**E. Audit Requirements**

Section 2 Part 200 of the Code of Federal Regulations and the State Single Audit Guidelines require major state programs and federal programs to complete a single audit. The necessary amount for fulfilling these requirements will be identified by the Finance Department and the City’s independent auditors. This amount will be deducted from the estimated amount available for the program year and not included in the estimates of the adjusted award.

**F. Program Administration**

HUD requires entitlement communities to provide for efficient and adequate administration of CDBG-CV programming. Administration costs may only include: salary/fringe, necessary training/travel, supplies and telephone/postage, in addition to fair housing services and audit costs. The necessary amount for fulfilling this requirement will be identified by the Community and Economic Development and Finance Departments. This amount will be deducted from the estimated amount available for the program year and not included in the estimates of the adjusted award.



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### **G. City Allocation Process**

The application will include information relating to goals, outputs, budget/financing, detailed activity descriptions, capacity, performance, and tieback to prevent, prepare for, and respond to Coronavirus. CEDD staff, per HUD rules and regulations, will perform an administrative review of each plan to ensure that:

1. Proposed activities are included within the listing of eligible activities (24 CFR 570.201)
2. Proposed activities do not fall within a category of explicitly ineligible activities (24 CFR 570.207)
3. Proposed activities will meet one of the national objectives of the program (24 CFR 570.200)
4. Proposed activities will address priority needs as identified in the Consolidated Plan

During efforts to prevent the spread of infectious disease and mitigate economic impacts caused by infectious disease, the community partner subrecipient allocation process will be waived. Upon completion of the administrative review, the plans will be presented to the CEDC. CEDC will also review the submitted plans to ensure the proposed activities meet the four standards listed above and allocate adequate funds for each plan. Final approval of allocations and projects will be presented to Common Council, subsequent to the completion of the required public comment period.

### **H. Subrecipient Agreement**

Community partner subrecipients of CDBG-CV funds must enter into a subrecipient agreement with the City of Appleton. This subrecipient agreement serves as a formal contract addressing the various policies outlined in this document, in addition to contract amount/term, reimbursement requests, accomplishment reporting, monitoring, financial management guidelines, conflict of interest, and additional federal standards, including lead-based paint regulations and the Davis Bacon Act.. To ensure all parties understand the requirements of their agreement, a mandatory training session will be held with new subrecipients before funds are released. Technical assistance from staff will be available to all subrecipients throughout the program year.

### **I. Statement of Work**

All subrecipients shall submit a concise Statement of Work that illustrates an implementation plan for their CDBG-CV activity. This Statement, which will be attached to the subrecipient agreement includes: national objective claimed, activity descriptions, intended beneficiaries (number and type), detailed budget and location(s) of program-related activity.

### **J. Report Submissions**

All subrecipients are required to submit a report of their accomplishments with each payment request during the program year when applicable, as well as an Annual Report, which is a comprehensive report covering the agreed upon objectives, activities and expenditures for the entire contract period. If said reports are not attached to payment requests when required, payments will be withheld until the report is submitted.

### **K. Change of Use**

If a subrecipient wishes to utilize CDBG-CV funds for an activity not identified on their original application, they are required to submit a detailed letter to the CEDD explaining the reasoning for and amount of the proposed change and a public comment period may be held per the Citizen Participation Plan.





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**L. Displacement/Relocation**

Due to the potential liability for long-term assistance and burdens placed on affected tenants, the City of Appleton will avoid funding CDBG-CV projects that involve permanent residential displacement or business relocation unless displacement/relocation prove to be the only means available to correct a public health/safety hazard or other critical condition.

**M. Procurement**

The City of Appleton Procurement Policy applies to all CDBG-CV activities, including both City Programs and subrecipients that involve the purchase of equipment, materials, supplies and/or services. A copy of this policy will be distributed to all subrecipients.

**N. Audits**

All subrecipients are required to submit one copy of their audited financial statement immediately following the end of their fiscal year during which CDBG-CV funds are received, unless an alternate arrangement has been made with the City of Appleton Finance Department.

**O. Disputes**

Any dispute concerning a question of fact arising under a subrecipient program or City Program shall be resolved by CEDD staff, who shall relay his/her decision in writing to the subrecipient or City Program, in addition to furnishing a copy to the Mayor and the CEDC. The decision of CEDD staff shall be final and conclusive unless the subrecipient or City Program furnishes a written appeal to the CEDC within ten days of the date of receipt of such copy. The decision of the CEDC in such appeals shall be final and conclusive unless appealed to a court of competent jurisdiction within 30 days of receipt of the CEDC's decision.

**P. Unspent Grant Funds**

Any uncommitted CDBG-CV funds remaining at the subrecipient agreement will be reprogrammed to another eligible activity. The subrecipient shall submit a carryover request, including both documentation of plans for expending funds and a timeline for the expenditure, to CEDD staff. If any unspent grant funds remain, CEDD staff will meet with the subrecipient to determine if further action needs to be taken to expedite the expenditure of funds.

**Q. Termination**

If the subrecipient fails to fulfill, in timely and proper manner, its obligations under the Statement of Work, or if they violate any stipulations contained within the subrecipient agreement, the City has the right to terminate funding of their program. Written notice will be delivered at least 30 days before the termination.

**R. Examination of Records/Monitoring**

The policy of the City of Appleton is to monitor its subrecipients in a manner consistent with the requirements of 24 CFR 570.2, 2 CFR 200.328, and 2 CFR 200.331(d). The subrecipient shall maintain records (including books, documentation and other evidence) pertaining to the costs of carrying out their activity to the extent of detail that will adequately reflect net costs, direct and indirect labor, materials, equipment, supplies/services, and other expenses. Authorized representatives of the City or HUD shall have access to subrecipient and City Program records at reasonable times of the business day for inspection, audit or reproduction. Subrecipients and City Programs must make these records available throughout the program year and four years after it expires. Furthermore, CEDD staff may schedule monitoring visits with the subrecipient to evaluate the progress/performance of the program and provide technical assistance. The



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City of Appleton's Grant Administration Procedures manual should be referenced for further guidance on subrecipient tracking and monitoring requirements.

### **S. Financial Management Systems**

Subrecipients must employ financial management systems that are capable of generating regular financial status reports indicating the dollar amount allocated (including budget revisions), amount obligated, and amount expended for each activity. The system must permit the comparison of actual expenditures and revenues against budgeted amounts. The City must be able to isolate/trace every CDBG-CV dollar received.

### **T. Payment Requests**

Community partner subrecipients will submit requests for payment with attached supporting documentation to the CEDD. Payment requests shall be allowed on a reimbursement basis (i.e. only after expenditures have been incurred) and shall be reviewed to ensure the expenditures are in conformity with the use of funds as described in the Statement of Work. If source documentation is deemed inadequate by Staff, all payments will be withheld until all required documents have been submitted. Payment requests received and approved will be processed and a check issued in accordance with the City of Appleton Finance Department weekly pay cycle. All payment requests must contain an original signature.

### **U. Program Income**

The receipt and expenditure of program income that is generated using CDBG-CV funds shall be treated as annual CDBG formula program income.

- CDBG-CV program income will be recorded as annual CDBG formula grant program income in local accounting records.
- Any CDBG-CV program income generated will be receipted in HUD's Integrated Disbursement and Information System (IDIS) as program income to the annual CDBG formula grant program and will be subject to the CDBG timeliness standards.

Anticipated program income must be documented and described in the subrecipient or City Program proposal/application. Furthermore, any and all program income received must be reported to the City of Appleton's Community and Economic Development and Finance Departments, unless otherwise specified in this contract.

### **V. CDBG-CV Activity Promotion**

All subrecipients are required to participate in promotion of the City of Appleton CDBG-CV Program. Expectations will be outlined by staff at the beginning of the program year and may include, but are not limited to:

- Inclusion of the Appleton/CDBG logo in materials/at project sites
- Mentorship of a subrecipient new to the CDBG Program
- Participation in a CDBG Open House to showcase grant activities