



# City of Appleton COMMUNITY DEVELOPMENT BLOCK GRANT



## Community Development Block Grant (CDBG) Policy

Adopted 9/8/2008

Amended 5/24/2010, 10/3/2012, 12/19/2012, 7/15/2015, 10/21/2020, 11/17/2021

### I. PURPOSE

To outline the following aspects of the local Community Development Block Grant (CDBG) 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).

### 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.*

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

CDBG funds may be used for the following basic eligible activities:

- |                                     |  |
|-------------------------------------|--|
| (1). Acquisition                    | (11). Housing Services                             |
| (2). Disposition                    | (12). Privately-Owned Utilities                    |
| (3). Public Facilities/Improvements | (13). Homeownership Assistance                     |
| (4). Clearance/Remediation          | (14). Economic Development Assistance              |
| (5). Public Services                | (15). Technical Assistance                         |
| (6). Interim Assistance             | (16). Institutions of Higher Education             |
| (7). Payment of Non-Federal Share   | (17). Rehabilitation/Preservation (24 CFR 570.202) |
| (8). Urban Renewal Completion       | (18). Planning (24 CFR 570.205)                    |
| (9). Relocation                     | (19). Administration (24 CFR 570.206)              |
| (10). Loss of Rental Income         |  |

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

The following activities may not be assisted with CDBG funds:

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



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The following activities are not eligible for CDBG 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 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, 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 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.



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**E. Categorical Limits**

- (1). At least 70 percent of CDBG funds utilized during three consecutive program years, as specified by the grantee, 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 amount of CDBG funds obligated for public service activities in each program year may not exceed 15 percent of the total entitlement grant for that program year, plus 15 percent of the program income received during the preceding program year. (24 CFR 570.201(e)(1))
- (3). The amount of CDBG 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 City may reuse any revenue generated from projects undertaken with CDBG funding towards other eligible activities within the entitlement community. Furthermore, any program income earned by a subrecipient or City Program may be retained by the subrecipient or City Program provided the income is treated as additional CDBG funds and thus subject to all applicable federal and local requirements.

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 funds;
- Proceeds from the disposition of equipment purchased with CDBG funds;
- Gross income from the use or rental of real or personal property acquired by subrecipients with CDBG 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 improved with CDBG funds, less costs incidental to generation of the income;
- Payments of principal and interest on loans made using CDBG 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 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



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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 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 program. Local government representatives and CDBG program administrators shall not discriminate against an organization on the basis of its religious affiliation.

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

CDBG 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 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 funds are awarded for the activity.

### 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 programming, or who are in a position to participate in a decision-making process, may obtain a financial interest or benefit from a CDBG-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.

## 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 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 dollars



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- community partner subrecipient – local agencies awarded CDBG-funding to implement an eligible activity via a competitive application process
- public services subrecipient – local agencies awarded CDBG-funding to implement an eligible public service activity via a competitive application process
- Adjusted award – the amount of CDBG 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 funds utilized over three program years must be expended for LMI benefit; this excludes planning/CDBG administration activities.
- (2). The amount of CDBG funds obligated for public service activities in each program year may not exceed 15 percent of the adjusted award for that year unless otherwise specified under the pertinent Federal regulation or applicable waivers to prevent the spread of infectious disease and mitigate economic impacts caused by infectious disease.
- (3). The amount of CDBG funds obligated for planning/CDBG 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. Fair Housing Services**

In keeping with the spirit of federal fair housing requirements, an annual allocation for fair housing services will be approved. This activity will be reported as an administrative expense, which claims no benefit. The City of Appleton will utilize the award to contract with an independent entity qualified to provide residents with a variety of fair housing services. This amount will be deducted from the estimated amount available for the program year and not included in the estimates of the adjusted award.

### **G. Program Administration**

HUD requires entitlement communities to provide for efficient and adequate administration of CDBG 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.

### **H. Annual Allocation of CDBG Funding**

The City of Appleton's Program Year begins April 1 and concludes March 31 of the following year. Each program year, administration, audit and fair housing costs, along with adequate funding for the Homeowner Rehabilitation Loan Program, the Neighborhood Program and Appleton Housing Authority will be subtracted from the annual entitlement award amount to determine the adjusted award. The adjusted award will first be available to City of Appleton Departments/Programs/component units that wish to undertake



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projects. After the City allocation process is complete, any remaining funds may be allocated to community partner applicants.

### **I. City Allocation Process**

Each year adequate funding will be allocated through the City Budget process to the following: Homeowner Rehabilitation Loan Program, Neighborhood Program, Administration Costs and Appleton Housing Authority. Then, other City of Appleton Departments will have the opportunity to submit an application for CDBG funding. The application will include information relating to goals, outputs, budget/financing, detailed activity descriptions, capacity and performance. 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

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. CEDC's recommendation will then be presented to the Common Council for approval.

### **J. Community Partner Subrecipient Allocation Process**

The community partner application process will begin after allocations for City applications have been approved, and end with recommended allocations being announced after Council approval. Applications will be made available for approximately one month and should be submitted to the CEDD. All applications must be received by the announced deadline; no exceptions will be made. CEDD staff will perform an administrative review of each proposal, per HUD rules and regulations, to ensure the four standards listed under letter E. above, will be met if proposed activities are funded.

Upon completion of the administrative review, the proposals will be presented to the CDBG Advisory Board which will review and make funding recommendations for each proposal. This Board will consist of the following members:

1. Mayor
2. Common Council President
3. Chairperson of the Community and Economic Development Committee or committee designee
4. Chairperson of the Appleton Redevelopment Authority or committee designee
5. Representative from an Experienced Outside Funding Agency – on a rotating basis (i.e. United Way, Community Foundation, JJ Keller Foundation, U.S. Oil Basic Needs Partnership)
6. Citizen member from the City Plan Commission

CEDD staff will supply the Board with applications and all appropriate guidelines along with a summary of each proposal, and an explanation of the proposal score sheet. Board members are asked to allocate funding among the applicants and return their allocations to CEDD staff who will compile all results and present allocation recommendations at a Board meeting during which allocation amounts will be finalized. In completing their funding recommendation, the Board will utilize an estimated CDBG entitlement award dollar amount, which will be calculated based on past awards and any available information on HUD's



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future funding strategies. Funding recommendations from this Board will be presented as an Action Item to the CEDC. CEDC's recommendation will then be presented to the Common Council for final approval.

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. Final approval of allocations and projects will be presented to Common Council, subsequent to the completion of the required public comment period.

**K. Estimated vs. Actual Entitlement Award**

If there is a differential between the estimated award and the actual award, the CDBG Advisory Board will be consulted and their recommendations will be presented to CEDC and Council for approval.

**L. Subrecipient Agreement/Letter of Understanding/Training Session**

Community partner subrecipients of CDBG 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. Furthermore, each City Program receiving CDBG funds must sign a Letter of Understanding (LOU) indicating an understanding of the items above. To ensure all parties understand the requirements of their agreement or LOU, 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.

**M. Statement of Work**

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

**N. Report Submissions**

All subrecipients and City Programs 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 by April 15th, 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.

**O. Change of Use**

If a subrecipient or City Program wishes to utilize 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.

**P. 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 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.



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**Q. Procurement**

The City of Appleton Procurement Policy applies to all CDBG 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.

**R. 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 funds are received, unless an alternate arrangement has been made with the City of Appleton Finance Department. CDBG applications may include audit costs as a reimbursable expense.

**S. 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.

**T. Unspent Grant Funds**

Any uncommitted CDBG funds remaining at the end of the program year will be reprogrammed for use in the subsequent program year. The subrecipient shall submit a carryover request, including both documentation of plans for expending funds and a timeline for the expenditure, to CEDD staff by April 15. If any unspent grant funds remain after September 30, CEDD staff will meet with the subrecipient to determine if further action needs to be taken to expedite the expenditure of funds.

**U. Termination**

If the subrecipient or City Program 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/LOU, the City has the right to terminate funding of their program. Written notice will be delivered at least 30 days before the termination.

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





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**W. Financial Management Systems**

Subrecipients and City Programs 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 dollar received.

**X. Payment Requests**

Community partner subrecipients and City Programs 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.

**Y. Program Income**

Any program income (as defined under applicable federal regulations) gained from any activity of the subrecipient may be retained by the subrecipient or City Program provided the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds. 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.

**Z. CDBG Activity Promotion**

All subrecipients and City Programs are required to participate in promotion of the City of Appleton CDBG 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

**V. APPLICATION/PROPOSAL EVALUATION CRITERIA**

**A. General**

In order to receive CDBG funding, subrecipient and City Programs must meet a priority need, as identified in the Five-Year Consolidated Plan. Additional preference, however, will be given to CDBG applicant activities that meet one or more of the following criteria:

- (1). Seek a one-time use of CDBG funding
- (2). Benefit residents of LMI census tracts (population at least 46.7 percent LMI)
- (3). Will result in additional housing units being placed on the tax roll
- (4). Demonstrate secured complementary sources of funding (i.e. leverage) and/or strong efforts to solicit and secure complementary funding.
- (5). Serve special needs populations, including, but not limited to:
  - a. Elderly/frail elderly
  - b. Persons with disabilities (developmental and physical)



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- c. Persons with HIV/AIDS and their families
- d. Persons seeking solutions to alcohol and drug addiction

**B. Public Services (subject to 15 percent cap)**

Preference will be given to Public Service CDBG applicants whose activities meet one or more of the following criteria:

- (1). Program service costs – one time use
- (2). Administrative expenses – one time use
- (3). Program service costs – continual use
- (4). Administrative expenses – continual use