

COUNTY OF MILWAUKEE
Department of Health and Human Services
INTER-OFFICE COMMUNICATION

Date: January 19, 2011

To: Supervisor Lynn DeBruin, Chairperson, Economic and Community Development Committee
Supervisor Theodore Lipscomb, Vice Chairperson, Economic and Community Development Committee

From: Héctor Colón, Director, Department of Health and Human Services

Subject: **2012 Community Development Block Grant Allocation Process**

Background

Since 1981, Milwaukee County has been the administrator for the Community Development Block Grant (CDBG) designated "Urban County," which includes all municipalities located in Milwaukee County, except for Milwaukee, West Allis and Wauwatosa. As the administrator, Milwaukee County works closely with the US Department of Housing and Urban Development (HUD) to manage the planning process, ensure compliance with regulations and coordinate the delivery of the CDBG programs to municipal partners and participating organizations.

Since 1995, HUD has required that Milwaukee County administer a CDBG allocation process that yields activities that: 1) are eligible, 2) meet the National Objectives, 3) benefit Milwaukee County CDBG jurisdiction, and 4) provide sufficient documentation to meet HUD's National Objective requirements. CDBG funds and activities must be used in areas with a significant low/moderate income population and *must* serve people from the relevant jurisdiction (i.e. they cannot primarily serve individuals from Milwaukee, West Allis and Wauwatosa since they are not included in the Urban County designation).

The role of HUD in the allocation process is to approve both the five year Consolidated Plan and the Annual Action Plan. Thus, HUD has approved every project ever funded via the Milwaukee County CDBG program, since 1981, through the review and approval of the Annual Action Plan. However Milwaukee County is responsible for ensuring that all sub-recipients of CDBG funds have clearly documented that a proposed activity provides reasonable benefits primarily to residents of the jurisdiction.

Milwaukee County works diligently to ensure that the CDBG program and the selected activities benefit the jurisdiction and meet a National Objective. The CDBG program monitors each project and is in contact with the various jurisdictions regularly. In 2004, the Village of River Hills proposed to sell its CDBG allocation to another municipality. After some correspondence between River Hills, Milwaukee and HUD, River Hills decided to drop the effort. In 2011, River Hills again proposed to sell its CDBG funds to another community within the jurisdiction. A newspaper article on the River Hills proposal raised a red flag at HUD and they began to question the efficacy of the County's process for selecting projects and allocating CDBG funds.

Issue

2011 Projects and Review by HUD

In 2011, as a result of the River Hills issue, HUD took a closer look at Milwaukee County's projects and made the following conclusions:

- Milwaukee County funds a number of non-profit organizations that are based in the city of Milwaukee and these organizations primarily serve city of Milwaukee residents
- Milwaukee County funds a number of activities in communities that do not have a significant number of low/moderate income people (at least 42.9% based on US Census data)

In March 2011 the Milwaukee County Board approved the CDBG projects for 2011. Milwaukee County then entered into contracts with the sub-recipients and made reimbursement payments to some sub-recipients and most sub-recipients started work on their projects. HUD approved the 2011 Annual Action Plan in November 2011 with the understanding that the projects submitted met the National Objectives within the jurisdictional area.

Given the situation with HUD's review of River Hills and overall CDBG funds, the Milwaukee County Department of Health and Human Services (DHHS) requested an opinion from Corporation Counsel regarding HUD's newly expressed position that organizations that are located outside of the jurisdiction may not serve the National Objectives for the Milwaukee County CDBG jurisdiction. Corporation Counsel stated in its response, dated October 18, 2011, that Milwaukee County was acting within the parameters established by HUD's regulations and that Milwaukee County had the authority to fund organizations based in the City of Milwaukee because the "City and the suburban municipalities are inextricably linked."

Corporation Counsel's response was forwarded to HUD and they responded with the following points: 1) the issue was not that organizations were based in Milwaukee but, rather, whether the organizations are making an impact on the Milwaukee County jurisdiction and 2) it is the responsibility of the Grantee (Milwaukee County) to provide documentation that these organizations are, indeed, providing reasonable benefits to residents of the Milwaukee County CDBG jurisdiction. At that time, HUD requested that Milwaukee County immediately provide documentation showing that *all* projects approved for 2011 provide benefits primarily to residents of the Milwaukee County CDBG jurisdiction. DHHS is in the process of gathering this information from sub-recipients.

Because, at the time awards were made, DHHS was not aware of the change in interpretation of the rules governing use of the CDBG funds, there may be some 2011 recipient organizations that do not meet the National Objectives. This could potentially result in projects being deemed ineligible by HUD. DHHS is currently working on reviewing this with HUD.

Impact on the 2012 CDBG funding process

As the administrator of the Milwaukee County CDBG program it is the responsibility of Milwaukee County to ensure that the CDBG program allocation process is completely in compliance with HUD regulations. Part of the compliance process is to ensure that sub-recipients are well educated on HUD regulations, particularly relating to the need to document National Objectives, and to review and select projects that meet the National Objectives, all within the Milwaukee County jurisdiction.

In terms of education, Milwaukee County has not focused on the educational component as part of its CDBG program and some organizations that applied for funding in 2012 were not fully aware of the documentation and jurisdictional requirements of the CDBG program. Consequently, some organizations that applied for funding may not be able to provide sufficient documentation and, then would be ineligible for CDBG funds. DHHS has a plan to address this issue, which is detailed below.

The overall 2012 CDBG allocation process started before DHHS was aware of HUD's current position on documentation and jurisdiction. Milwaukee County's 2012 RFP process has already been completed and projects have been submitted. To meet HUD's new standard, Milwaukee County's process for reviewing and selecting activities must take into account an applicant's capacity to document National Objectives and meet jurisdictional impact, and the applicant's record for providing sufficient documentation. The process used for 2012 did not provide a formal mechanism or scoring system to assess a proposed project's ability to document National Objectives and meet jurisdictional impact. For the future, a new evaluation/rating system is needed to achieve this and ensure the integrity of Milwaukee County's CDBG allocation process.

RECOMMENDATIONS

DHHS recommends that the following administrative pieces be implemented:

- Request a two-month extension from HUD to complete its 2012 Annual Plan due to Public Hearing and public comment/feedback requirements for the Annual Action Plan. This would be the second requested extension for the 2012 Annual Plan. This extension would give Milwaukee County until April 30th to submit its 2012 Annual Plan.
- Establish an internal Milwaukee County CDBG Project Review Panel to review all projects and make final funding recommendations to the Board and County Executive for approval.
- Obtain 2012 CDBG allocation approval from the Board in the March cycle.
- Once the projects are approved by the County Board and County Executive, finalize the 2012 Annual Plan and make available for public viewing for a period of 30 days.
- After the 30 day period is complete, the Annual Plan will be updated and submitted to HUD for review.

DHHS also recommends that the following programmatic pieces be implemented:

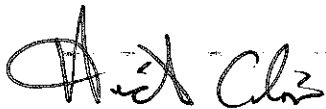
- Develop and implement an educational component to the CDBG program that includes:
 - A series of informational seminars on the CDBG application process and HUD regulatory requirements,
 - Provides sufficient information on Milwaukee County's website
 - Develops educational documents for future applicants, municipalities and current sub-recipients

- Notify organizations that submitted proposals for the 2012 CDBG Program and whose project was determined to be ineligible, that the Housing Division will work to better inform them on HUD documentation and jurisdictional impact requirements and invite them to resubmit a proposal if it is consistent with HUDs requirements.

Recommendation

This is an informational report. No action is necessary.

Respectfully Submitted:



Héctor Colón, Director
Department of Health and Human Services

Attachments

cc: County Executive Chris Abele
Amber Moreen, County Executive's Office
Tia Torhorst, County Executive's Office
County Board Chairman Lee Holloway
Terry Cooley, Chief of Staff – County Board
Glenn Bultman, County Board Office
Linda Durham, ECD Committee Clerk
Leonard Jackson, Division Administrator