

**COUNTY OF MILWAUKEE
INTER-OFFICE COMMUNICATION**

DATE: May 23, 2012

TO: Supervisor Patricia Jursik, Chairperson, Economic & Community Development Committee

FROM: Héctor Colón, Director, Department of Health and Human Services
Prepared by James Mathy, Housing Administrator

SUBJECT: **An informational report from the Director, Department of Health and Human Services, providing an update on the new sub-recipient manual for the Community Development Block Grant and HOME programs**

Issue

The Housing Division has created a sub-recipient manual for all organizations that will be receiving Milwaukee County Community Development Block Grant (CDBG) and HOME dollars. This manual outlines policies and procedures to ensure that all sub-recipients have an understanding of HUD regulations as well as the expectations of Milwaukee County.

Background

Since the 1980s, Milwaukee County has been designated an “Urban County” and has been the recipient of CDBG funds. In 1990, Milwaukee County formed a consortium with West Allis and Wauwatosa to participate in the HOME Investment Partnership. Milwaukee County uses these funds to enhance the community and improve the quality of life for all qualifying Milwaukee County residents within the boundaries of the Urban County jurisdiction, based on the goals adopted in the County's Five Year Consolidated Plan, as approved by the U.S. Department of Housing and Urban Development (HUD).

Community Development Block Grant Program

In 1974 the U.S Congress established the Community Development Block Grant Program through the enactment of the Federal Housing and Community Development Act. The program was created to enhance and maintain viable urban communities. The program gives communities an avenue to address a wide range of issues. Activities undertaken must accomplish at least one of three goals for low-to-moderate income individuals; 1) provide decent housing, 2) provide suitable living environments, and/or 3) expand economic activities. Eligible activities include:

- Acquisition of real property for an eligible use
- Acquisition, construction, and rehabilitation of public facilities
- Demolition and clearance of deteriorated buildings
- Community services for low-to-moderate income households
- Removal of barriers that restrict the mobility of disabled persons
- Rehabilitation of housing for low-to-moderate income households

HOME Program

The HOME Investment Partnership Program was created in 1990 through the Cranston-Gonzalez Affordable Housing Act. The sole purpose of this program is to create affordable housing for low-income individuals. HOME activities undertaken must accomplish at least one of two goals for low-income individuals; 1) Provide decent housing and/or 2) provide suitable living environments.

However, unlike CDBG, the HOME program requires a matching requirement for each dollar awarded to the participating jurisdiction. Milwaukee County's match requirement is 25%. Eligible activities include:

- Direct homebuyer assistance in the form of down payment costs and closing costs
- Construction, rehabilitation and/or reconstruction of single family homes
- Acquisition and/or rehabilitation costs of affordable rental housing
- Tenant-based rental assistance

Sub-recipient Manual

The purpose of the sub-recipient manual is to provide management support to CDBG and HOME sub-recipients, while ensuring that all sub-recipients adhere to federal and Milwaukee County grant rules and regulations. This manual is designed to help sub-recipient agencies understand the requirements that apply to the use of federal funds for the delivery of CDBG and HOME programs and activities. It is a supplement to applicable regulations, standards, and policies. The basic program regulations governing management and financial systems for the CDBG and HOME programs are contained in the Code of Federal Regulations Title 24 (24 CFR) and various OMB Circulars.

The manual discusses the financial management responsibilities of agencies receiving CDBG funds. These responsibilities include internal controls, accounting regulations, allowable costs and proper financial reporting. Clear standards for procurement are included. These standards cover the specific bidding process set forth by HUD as well as language addressing Milwaukee County's specific Disadvantaged Business Enterprise (DBE) policy.

Labor standards are also addressed in the manual. The Davis-Bacon Act states that contracts in excess of \$2,000 for construction, alterations, and/or repairs including printing and decorating that employ laborers and/or mechanics must adhere to the federal fair labor and wage requirements as established by the act. Davis-Bacon does not, however, apply to rehabilitation or construction or residential structures containing less than eight units for CDBG and 12 units for HOME.

To eliminate past confusion over the eligibility of certain CDBG projects, there are specific guidelines to address national objectives, income eligibility, and jurisdictional requirements. Each CDBG assisted activity must meet one of the CDBG program's broad National Objectives. The sub-recipient is responsible for ensuring that the meeting of the National Objective is documented. It is, therefore, extremely important to determine at the outset whether or not a

project or activity meets at least one of the National Objectives of the program. Housing Staff will review projects to ensure they meet one of the following criteria:

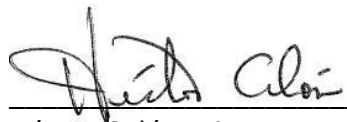
- Benefits low and moderate income people
- Aids in the prevention or elimination of slums or blight

Unless a proposed project meets one of the objectives, it will not be considered for funding. CDBG applications must document how each funded activity will principally benefit low and moderate income persons (defined as households that are at or below 80% of Area Median Income). The manual also clearly states that all sub-recipients must serve residents of Milwaukee County's jurisdiction that excludes the City of Milwaukee, Wauwatosa, and West Allis.

Sub-recipients will be required to submit quarterly reports detailing their progress toward the use of CDBG. This ensures Milwaukee County that all sub-recipients are actively spending down their funds according to HUD regulations. These reports will be a part of increased monitoring of projects moving forward. Staff will review all files for eligibility requirements and will not reimburse sub-recipients for activities without all the proper documentation.

Recommendation

This is an informational report. No action is necessary.



Héctor Colón, Director

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