



**NC DEPARTMENT
of COMMERCE**
COMMUNITY REVITALIZATION



RenewNC
HOUSING

North Carolina Department of Commerce
Division of Community Revitalization
Multi-Family Construction and Repair (MCR) Large Project Program
Policies and Procedures

Version 1.0 – December 1, 2025

Revision History

VERSION	DATE	REVISION DESCRIPTION
1.0	12/01/2025	Initial Version

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Section 1: Overview

1.1 Introduction

In response to the widespread damage caused by Hurricane Helene in September 2024, the U.S. Department of Housing and Urban Development (HUD) allocated \$1,428,120,000 in Community Development Block Grant – Disaster Recovery (CDBG-DR) funding to the State of North Carolina (the State) as appropriated by Public Law 118-158. This allocation addresses unmet needs and promotes resilient recovery in counties designated as the Most Impacted and Distressed (MID) areas. To maximize the coordination of recovery and rebuilding efforts in municipalities throughout North Carolina affected by Hurricane Helene, the Governor directed that the North Carolina Department of Commerce – Division of Community Revitalization (DCR) be the lead agency. DCR was thus charged with overseeing the recovery effort across State agencies and with units of local government.

DCR outlined the use of these disaster recovery funds by creating a suite of recovery programs, published in the State's Action Plan for Use of Community Development Block Grant Program Disaster Recovery funds which was submitted and approved by HUD. The Action Plan included creating programs to address the significant damage to the State's critical infrastructure and housing, particularly within its stock of affordable rental units. To meet these recovery challenges, the State established the Multifamily Construction and Repair (MCR) Program to support the development, rehabilitation, and long-term affordability of multifamily rental housing in HUD- and State-identified MID areas (Combined MID area). The MCR Program is a core component of the HUD-approved [2025 North Carolina Action Plan](#)¹ for Disaster Recovery.

1.2 Program Overview

The MCR Program is a \$191,340,000 initiative designed to increase the availability of safe, sanitary, affordable rental housing in areas affected by Hurricane Helene. The program will support the development of new construction and the rehabilitation or reconstruction of existing multifamily housing. Funding may be up to 100 percent of project costs, but the preference will be for projects that leverage other funding sources. As outlined in HUD's 2025 Revised Universal Notice, at least 80% of the CDBG-DR funding awarded to the State must be spent to benefit the HUD-identified MID areas, with up to 20% permitted to benefit the State-identified MID areas.

MCR Program activities must demonstrate a direct or indirect tie-back to the impacts of Hurricane Helene or be a mitigation activity funded through the mitigation set-aside. A tie-back refers to a clear and documented connection between the proposed activity and the impacts of the disaster, such as physical damage, increased housing demand due to displacement, or vulnerability revealed or exacerbated by Hurricane Helene. Mitigation activities are those that increase resilience to future disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship.

All Program activities must also meet a national objective as required by the CDBG-DR regulations at 24 CFR 570.483 and the 2025 Revised Universal Notice. For the MCR Program, the Low- and Moderate-

¹ [State of North Carolina Action Plan | DCR](#)

Income Housing (LMH) objective is the primary pathway for demonstrating eligibility. All projects serving low- and moderate-income (LMI) households must commit to a minimum 20-year affordability period.

Eligible Activities include:

- New construction of multifamily rental units;
- Substantial rehabilitation of existing rental units;
- Related site preparation and infrastructure improvements;
- Soft costs such as architectural and engineering fees;
- Compliance with HUD environmental, construction, and accessibility requirements.

1.3 Program Authority

The MCR Program is governed by:

- HUD's 2025 Revised CDBG-DR Universal Notice;
- HUD Memorandum 25-02, issued March 19, 2025;
- The Housing and Community Development Act of 1974;
- The Disaster Relief Supplemental Appropriations Act, 2025 (Public Law 118-158, Division B, December 21, 2024);
- 24 CFR Part 570, including Subpart I for state-administered CDBG programs;
- 2 CFR Part 200, Uniform Administrative Requirements;
- Robert T. Stafford Act provisions;
- Any future or amended HUD guidance;
- Applicable federal environmental, labor, nondiscrimination, relocation, and fair housing regulations.

The North Carolina Department of Commerce – Division of Community Revitalization (DCR) is the designated and lead administrator for the MCR Program. DCR ensures compliance with all federal and state mandates and will manage program implementation, oversight, reporting, and monitoring.

1.4 Funding Structure

Component	Funding Allocation	Award Range
Large Projects (≥ 5 units)	\$133.94M (70 percent)	\$500,000 – \$15,000,000
Small Projects (4 or fewer units)	\$57.4M (30 percent)	\$250,000 - \$1,500,000
Mitigation Set-Aside	\$18.6M	Used for cost-effective risk reduction measures

Projects must be financially feasible and are encouraged to leverage other funding sources, including Low Income Housing Tax Credits (LIHTC) or public/private capital. Mixed-use developments may be eligible only if other non-CDBG-DR sources are included to fund non-residential units/spaces. DCR may revise the final amount of CDBG-DR funding awarded to any project based on funding availability, project feasibility, and alignment with program objectives.

1.5 Purpose of Guide

This Program Guide serves as the authoritative manual for the implementation of the MCR Program. It is intended for use by applicants, developers, subrecipients, contractors, and other program stakeholders.

Specifically, this Guide:

- Defines eligibility criteria for applicants, sites, and activities;
- Describes the application, evaluation, and award process;
- Outlines program funding limits, underwriting, and affordability requirements;
- Establishes standards for environmental review, construction, and statutory compliance;
- Ensures adherence to all applicable federal and state regulations, including the 2025 Revised CDBG-DR Universal Notice under which this allocation falls.

The contents of this Guide are subject to revision based on HUD guidance or amendments to North Carolina's Action Plan.

Section 2: Program Administration

DCR will administer the MCR Program through direct implementation and contracted support services.

Program activities must comply with the requirements set forth in:

- HUD's 2025 Revised Universal Notice², published at 90 FR 1754 (January 8, 2025), and as amended by HUD Memorandum 25-02 (March 19, 2025)³,
- 24 CFR Part 570
- 2 CFR Part 200 (to the extent applicable),
- The State's HUD-approved CDBG-DR Action Plan for Helene funding.

2.1 Roles and Responsibilities

CDBG-DR funds may be used to finance new construction, rehabilitation, or reconstruction activities, and related costs, either singly, or in combination, through the use of grants, loans, loan guarantees, interest supplements, or other means for buildings and improvements. DCR will work with developers, subrecipients, contractors, or any combination of these entities to implement the MCR Program but must and will designate an entity as a subrecipient or developer (or both) for each project.

In general, for-profit entities may and can be designated as developers; private non-profits can also serve as developers (but also can be a subrecipient); public non-profits (housing or redevelopment authorities) and public agencies may not act as developers but can be designated as subrecipients. Per HUD's 2025 Revised CDBG-DR Universal Notice, subrecipients may include, but are not limited to, nonprofit organizations, units of general local government, partner agencies, subgrantees, and Indian tribes. Subrecipients act as an extension of the grantee and must follow the same rules.

Entity	Can be a Developer	Can be a Subrecipient
Private For-profit	Yes	No

² [Universal-Notice-CDBG-DR-Signed-English.pdf](#)

³ [HUD Memorandum 25-02](#)

Entity	Can be a Developer	Can be a Subrecipient
Private Non-profit	Yes	Yes
Public Non-profit (Housing or Redevelopment Authority)	No	Yes
Public Entity (State or Local Government Agency)	No	Yes

2.1.1 North Carolina Department of Commerce (NCDOC) Division of Community Revitalization (DCR)

- Serving as the program administrator and CDBG-DR fund manager;
- Issuing Notices of Funding Opportunity (NOFOs) and application materials;
- Oversee application intake, eligibility determination, underwriting, and award determinations;
- Conducting cost reasonableness reviews for each application determined responsive to a NOFO;
- Executing necessary documents with selected subrecipients and applicants;
- Providing technical assistance throughout the application and construction process;
- Monitoring construction progress and budgets;
- Ensuring program compliance with all federal and state mandates and manage program implementation and oversight; and
- Reporting to HUD on program expenditures, milestones, and deliverable outcomes through the Disaster Recovery Grant Reporting (DRGR) system.

2.1.2 Applicants / Developers / Subrecipients

- Submitting complete applications, including all required documentation;
- Demonstrating site control, financial feasibility, and past similar development experience and capacity;
- Complying with all program requirements and cross-cutting federal laws;
- Undertaking construction in accordance with approved plans, codes, and timelines;
- Ensuring timely contribution of any leveraged financial resources consistent with approved application;
- Providing all necessary invoice and cost information to DCR to enable timely payment of CDBG-DR funds to cover project expenses;
- Maintaining documentation of compliance and submitting required reports to DCR;
- Marketing available housing to targeted eligibles and maintain a waiting list;
- Ensuring income eligibility, tenant selection, and lease-up in compliance with program rules.

2.1.3 Third-Party Consultants / Contractors (if applicable)

- Supporting DCR with various tasks, including potentially underwriting, environmental review, and construction inspections;
- Providing application intake support or outreach under DCR direction;
- Assisting with financial or performance monitoring, as assigned by DCR.

Section 3: Applicant and Project Eligibility

3.1 “Tie-back” to the Storm

MCR Program activities must demonstrate a direct or indirect tie-back to the impacts of Hurricane Helene or be a mitigation activity funded through the mitigation set-aside. A tie-back refers to a clear and documented connection between the proposed activity and the impacts of the disaster, such as physical damage, increased housing demand due to displacement, or vulnerability revealed or exacerbated by Hurricane Helene. Tie-back must be established through methods such as damage assessments, insurance claims, Federal Emergency Management Agency (FEMA) data, or other verifiable evidence. Mitigation activities are those that increase resilience to future disasters and reduce or eliminate the long-term risk of loss of life, injury, damage to and loss of property, and suffering and hardship.

3.2 Meeting a National Objective

All activities funded through the MCR Program must meet a national objective as required by the CDBG-DR regulations at 24 CFR 570.483 and the 2025 Revised Universal Notice. For the MCR Program, DCR specifies that the Low- and Moderate-Income Housing (LMH) objective is the primary pathway for demonstrating eligibility, with Urgent Need (UN) available only in limited, pre-approved cases.

This section explains the national objectives applicable to the MCR Program and outlines the affordability requirements tied to CDBG-DR funding under each.

3.2.1 Primary National Objective – Low- and Moderate-Income Housing (LMH)

Citation: 24 CFR 570.483(b)(3)

Applicability: The LMH objective applies to all permanent residential housing assisted with MCR Program funds. To meet this objective, at least 51 percent of the housing units must be:

- Occupied by households at or below the applicable 80 percent of Area Medium Income (AMI) for household size at initial occupancy; and
- Restricted by written affordability agreements for 20 years consistent with the standard set by the approved Action Plan.

Income limits for CDBG-DR programs can be found at:

<https://www.hudexchange.info/resource/5334/cdbg-income-limits/>.

Funding Alignment:

- If the project is fully funded with CDBG-DR, it must meet the minimum LMH objective set out above;
- For projects that fall below the minimum LMH objective threshold (where less than 51 percent of the units are occupied by low and moderate income households), CDBG-DR assistance may be provided pursuant to 24 CFR Part 570.483(b)(3)(i), which requires, among other things, that the proportion of project cost to be borne by CDBG -DR funds is no greater than the proportion of units in the project that will be occupied by low and moderate income households, with clear documentation of cost allocation.

Required Documentation:

- Unit mix and rent schedule showing LMI unit compliance;
- Affordability Plan or land use restriction agreement (LURA);
- Development budget showing proportional application of CDBG-DR funds;
- Initial and ongoing income verification procedures.

3.2.2 Alternative National Objective – Urgent Need (UN)

Citation: 24 CFR 570.483(d)

Applicability: The UN national objective may be used only in limited cases, pre-approved cases where:

- The project directly addresses a documented disaster-related impact, such as the loss of housing stock due to Hurricane Helene;
- LMI occupancy is not feasible or practical based on project location, population served, or other demonstrated conditions; and
- The project can be said to alleviate conditions that pose a serious and immediate threat to the health and welfare of the community.

Per HUD's 2025 Revised CDBG-DR Universal Notice, the alternative UN national objective is in effect for a period of 36 months following the applicability date of the Allocation Announcement Notice. After 36 months, DCR is required to follow the criteria established in 42 U.S.C. § 5304(b)(3) and its implementing regulations in 24 CFR part 570 when using the UN national objective. Use of the UN national objective requires advance approval from DCR as a threshold eligibility determination. This determination is separate from and must occur before the project is considered in the competitive scoring and selection process. Projects seeking to use UN instead of LMH may receive a lower priority during evaluation unless they address a critical gap in recovery. The use of the UN national objective is also limited to assisting households at or below 120% AMI and only up to 30% of total grant funds.

Required Documentation:

- Written justification of the urgent need tied to Hurricane Helene's impacts;
- Certification that the condition poses a serious and immediate threat;
- Documentation that no other financial resources are available;

Projects that fail to meet either the LMH or UN national objective are ineligible for MCR Program funding. Specifically:

- Developments proposing to use CDBG-DR funds for market-rate units without proportional funding and/or occupancy restrictions will not qualify;
- Projects that cannot commit to the required affordability term will be disqualified;
- Mixed-use or mixed-income proposals must clearly isolate CDBG-DR eligible costs and units.

3.3 Eligible Entities

It is the intent of DCR to accept applications for the MCR Program from all eligible applicants. The following list are examples of those entities eligible to apply for MCR Program assistance but is not meant to be exhaustive:

- For-profit developers;

- Non-profit housing developers, including Community Housing Development Organizations (CHDOs) and Community-Based Development Organizations (CBDOS);
- Public housing authorities and local governments;
- Joint ventures between any of the above, provided they demonstrate adequate development capacity and financial management acumen.

Other applicant types may be considered at DCR's discretion if they can demonstrate the ability to successfully develop, own, or manage multifamily affordable housing projects in compliance with CDBG-DR and MCR Program requirements.⁴

Applicant Requirements:

- Must be legally organized to own, develop, and operate multifamily rental housing;
- Must demonstrate experience in completing similar affordable housing projects incorporating public funding (DCR may request documentation e.g., project summaries, references, or funding award letters, during the application review process);
- Must not be debarred, suspended, or otherwise excluded from participation in federal programs;
- Must be in good legal standing with HUD and the State of North Carolina.

3.4 Eligible Properties and Sites

To qualify for assistance under the MCR Program, properties must be located in a MID area as defined by HUD or the State of North Carolina. As outlined in HUD's 2025 Revised Universal Notice, at least 80% of funding awarded to the State must be spent to benefit the HUD-identified MID areas, with up to 20% permitted to benefit the State-identified MID areas.

Eligible Combined MID areas:

- HUD-Identified MID Areas:⁵
 - Full Counties: Ashe; Avery; Buncombe; Burke; Haywood; Henderson; McDowell; Mitchell; Rutherford; Transylvania; Watauga; Yancey
 - Full Counties Based on HUD-Identified zip code: Caldwell (zip code 28645); Cleveland (zip code 28150); Madison (zip code 28753); Polk (zip code 28782)
 - Partial Counties Based on HUD-Identified zip code: Mecklenburg (zip code 28214)
- State-Identified MID Areas:
 - Full Counties: Alexander, Alleghany, Catawba, Clay, Gaston, Jackson, Lincoln, Macon, Surry, Swain, Wilkes, Yadkin

3.4.1 Property Eligibility Criteria

Projects must meet all of the following conditions to be eligible for assistance under the MCR Program:

- Contain five (5) or more rental units under common ownership and management;
- Be located in a Combined MID Area;

⁴ DCR reserves the right to update applicant eligibility criteria based on policy decisions or program needs.

⁵ Per federal requirements, at least 80 percent of MCR Program funds must be expended to benefit the HUD-identified MID areas.

- Must be constructed to mitigate the impact of likely future disasters (e.g., earthquakes, hurricanes, flooding, wildfires, etc.) in accordance with State and local codes, ordinances, and requirements;
- Must meet the accessibility requirements of 24 CFR Part 8, which implements section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. § 3601-3619);
- Newly constructed housing shall qualify as affordable housing under this part only if it meets the energy efficiency standards promulgated by the Secretary in accordance with section 109 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. § 12709);
- Construction must include installation of broadband infrastructure, as applicable and as this term is defined in 24 CFR 5.100, unless a waiver is granted by DCR. A waiver may be considered if the cost of installing broadband would result in a fundamental alteration in the nature of the project or activity, create an undue financial burden, or if the structure or location makes installation infeasible;
- Address an unmet need and demonstrate tie-back to Hurricane Helene (e.g., replacement of units damaged or destroyed by the storm; expansion of affordable rental housing supply to accommodate displaced households; or redevelopment in neighborhoods experiencing post-disaster affordable housing shortage);
- Be covered by a minimum 20-year affordability and restrictive use period consistent with requirements established by the Action Plan.

3.4.2 Site Eligibility Criteria

Sites must be suitable for residential development and meet environmental, legal, and zoning requirements prior to funding award or project initiation. Specifically:

- **Zoning and Land Use:** Sites must be zoned for multifamily residential use or demonstrate a clear path to rezoning approval within 90 days of conditional award.
- **Environmental Review:** All sites are subject to environmental review under 24 CFR Part 58. Projects may not be located in a regulatory floodway, airport runway approach zone, areas at risk of landslides, or on sites with known toxins/severe contamination. New construction and rehabilitation must occur outside of the HUD-defined floodplain, or where floodplain designation is peripheral and distinct from the location of any planned development activity for the project; these or other high-risk zones must implement appropriate mitigation or may be deemed ineligible.
- **Infrastructure Access:** Preference will be given for sites with access to public water and sanitary sewer, and other public utilities necessary to support residential occupancy. Projects seeking off-site improvements must identify funding for and responsible parties to achieve acceptable public utility extensions to a specified site.
- **Site Control:** Applicants must demonstrate site control through ownership, long-term lease (minimum term equal to the affordability period), or a valid conditional purchase option or agreement. Purchase options or agreements cannot specify CDBG-DR as a firm funding source.

3.4.3 Additional Site Considerations

- Displacement and Relocation: If the project involves acquisition or redevelopment of an occupied property, applicants must comply with the Uniform Relocation Assistance and Real Property Acquisition Act (URA) and provide appropriate relocation benefits that comply with DCR's URA and Residential Anti-displacement and Relocation Assistance Plan (RARAP) policies.
- Historic Preservation: Projects that involve historic structures must comply with Section 106 of the National Historic Preservation Act and coordinate with the State Historic Preservation Office (SHPO) as necessary.
- Proximity Considerations: Preference may be given to sites located near public infrastructure, community services, and employment centers.

3.5 Eligible Activities

The MCR Program will fund eligible activities that support the construction and rehabilitation of affordable multifamily rental housing units. In accordance with Title I of Housing and Community Development Act of 1974 (42 USC 5305(a)) and the 2025 Revised Universal Notice, the following eligible activities may be funded under the MCR Program, subject to approval by DCR:

- § 5305(a)(1) – Acquisition
- § 5305(a)(3) – Code Enforcement
- § 5305(a)(4) – Clearance, Rehabilitation, Reconstruction and Construction of Buildings, including housing
- § 5305(a)(5) – Removal of Architectural Barriers
- § 5305(a)(7) – Disposition
- § 5305(a)(8) – Public Services
- § 5305(a)(11) – Relocation Payments
- § 5305(a)(13) – Administrative Costs
- § 5305(a)(14) – Assistance to Non-Profit Entities
- § 5305(a)(15) – Assistance to Neighborhood-Based Organizations
- § 5305(a)(20) – Housing Services
- § 5305(a)(24) – Direct Assistance for Homeownership Activities
- § 5305(a)(25) – Tornado Shelters
- § 5305(a)(26) – Lead-Based Paint Hazard Evaluation and Reduction
- FR Notice - New Housing Construction - Section III.D.5.a.
- FR Notice – Mitigation

All activities must meet a CDBG-DR national objective. For the MCR Program, the Low- and Moderate-Income Housing (LMH) objective is the primary pathway for demonstrating eligibility. Projects that receive 100 percent CDBG-DR funding must meet the minimum LMH objective set out above. For mixed-income projects that fall below the minimum LMH objective threshold (where less than 51 percent of the units are occupied by low and moderate income households), CDBG-DR assistance may be provided pursuant to 24 CFR Part 570.483(b)(3)(i), which requires, among other things, that the proportion of project cost funds must be proportionally applied only to LMI units.

CDBG-DR funds may not be used to subsidize non-residential commercial components, market-rate residential units, or the non-LMI share of common areas. These components must be funded with non-CDBG-DR sources, such as private capital, LIHTC equity, or other federal/state/local funds.

Applicants must provide a clear sources and uses statement and demonstrate how cost allocation across project components complies with HUD's proportionality requirements under 24 CFR § 570.208(a)(3) and applicable guidance. All activities must comply with HUD's CDBG-DR requirements and contribute directly to the provision of safe, sanitary, and decent housing for LMI households.

MCR Program funds may be used to cover eligible costs associated with the development of multifamily housing, provided those costs meet the standard of being necessary and reasonable and comply with all applicable federal cost principles outlined in 2 CFR Part 200, Subpart E. All expenditures must be clearly related to eligible activities under the CDBG-DR program and will be verified through underwriting and cost reasonableness analysis to ensure they are both necessary and aligned with program objectives. These include:

- Acquisition costs of land or buildings (if applicable);
- Hard construction costs, including materials and labor;
- Soft costs, including design, engineering, permitting and legal fees;
- Environmental review and mitigation expenses;
- Developer fees, as permitted by the NOFO and cost reasonableness standards;
- Site improvements directly related to the residential development;
- Utility connection and infrastructure required for occupancy.

Funding for any approved project will be capped in accordance with the limitations expressed in the Action Plan and may be evaluated consistently with industry standards for project size and type. All costs are subject to underwriting, subsidy layering, and duplication of benefits analysis (per the Revised Universal Notice), and reviewed for cost reasonableness.

For additional information, see Section 9.1 Allowable Costs.

3.6 Ineligible Activities

Unless clearly related to eligible activities and costs described above, all other activities and associated costs are deemed ineligible for MCR Program funding. Ineligible activities are defined in 24 CFR 570.207.

The following are examples of ineligible costs and activities; this list is not exhaustive:

- Costs incurred prior to environmental clearance (likely disqualifying the project for eligibility);
- Luxury improvements not essential to health and safety (e.g., swimming pools, high-end finishes, etc.);
- Commercial improvements within mixed-use developments unless costs are clearly separated and allocated to non-CDBG-DR funding sources;
- Operating reserves or rental subsidies;
- Political, lobbying, or legal fees unrelated to program delivery;
- Costs in excess of allowable per-unit subsidy limits, as established by DCR in alignment with HUD guidelines.⁶

⁶ Per-Unit Subsidy Limits – The MCR Program will establish per-unit maximum subsidy limits in accordance with HUD guidance. DCR will adopt limits based on the most recent HOME Program subsidy limits published by HUD or another-HUD approved methodology. These limits will be used to determine the maximum amount of assistance available per housing unit and will be updated as needed. Projects exceeding these limits will not be eligible for MCR Program funding unless adjusted through waiver or exception processes, if applicable.

Development in ineligible areas, including:

- FEMA-designated regulatory floodways, which are ineligible for new construction under 24 CFR Part 55 unless there is no practicable alternative and the project completes HUD's required 8-step decision-making process with documented mitigation measures;
- 100-year floodplains (Special Flood Hazard Areas), unless the project complies with HUD's floodplain management standards under 24 CFR Part 55, including:
 - Elevating residential structures at least 2 feet above Base Flood Elevation (BFE)
 - Demonstrating compliance through HUD's 8-step floodplain review process
- Areas with known land movement or potential for landslides, such as those identified in FEMA or state geotechnical hazard maps;
- Sites failing to comply with required mitigation, siting, or wetland avoidance standards, as outlined in 24 CFR Parts 55 and 58 and applicable local planning or zoning ordinances.

DCR reserves the right to make the final determination on cost eligibility based on federal regulations and program policy.

3.7 Timely Expenditure of Funds

CDBG-DR funds must be obligated and expended within six years of the date funds are obligated, unless a waiver is granted by HUD.

3.8 Order of Assistance and Duplication of Benefits (DOB) Review

HUD CDBG-DR funding is funding of last resort, meaning if other funding sources are available they must be expended first. Projects developed and/or to be funded are reviewed for applicability and eligibility against other Federal disaster recovery programs, including FEMA and U.S. Army Corps of Engineers (USACE) funding sources, before being considered for CDBG-DR funding.

MCR Program applicants must show that CDBG-DR funds will not duplicate other funding already received for the same purpose. A duplication of benefits happens when money from different sources is used for the same cost, and the total exceeds what is needed. This doesn't just apply to disaster recovery programs like FEMA or SBA—it also includes insurance payouts, tax credits, HUD programs like HOME or HTF, USDA loans, state or local grants, and even philanthropic funding if they cover the same construction or rehab expenses. Applicants must disclose all assistance, provide documentation (such as award letters, loan statements, or insurance claims), and sign a certification. If overlapping funds are found, the award will be reduced, or repayment may be required later. Failure to disclose or misrepresenting information can result in denial of funding, repayment, or further investigation.

For additional information, see DCR's [DOB Policy](#).

3.8.1 Offsetting Awards and Monitoring

If duplicative funds are received after the MCR Program award is made, the applicant must:

- Report the funds to DCR within 15 days calendar days of receipt, either through the online system or by email to the designated program contact;
- Have the award amount adjusted downward accordingly, to reflect the reduced unmet need; or
- Return the duplicative amount to DCR, which will reprogram the funds to other eligible recovery activities.

This requirement is enforced through a signed Subrogation Agreement and DOB Certification, which bind the applicant to disclose any additional assistance received for the same scope of work throughout the period of performance. All duplicative funding received must be remitted to or accounted for, regardless of when the applicant received it.

Failure to disclose additional assistance may result in:

- Recapture of part or all of the CDBG-DR award;
- Suspension or termination of the funding agreement;
- Referral to oversight or investigative authorities in cases of suspected fraud or willful nondisclosure.

DCR will monitor projects for DOB compliance throughout the program lifecycle. This includes:

- Periodic file reviews during implementation to detect any newly disclosed or previously unreported sources of assistance;
- Cross-checking data against FEMA, SBA, insurance, and other federal/state/local sources to verify compliance;
- Follow-up communication with applicants when potential duplications arise.

3.8.2 Subsidy Layering Review (SLR) and Maximum Per-Unit Subsidy Caps

All multifamily projects receiving CDBG-DR funds are subject to a Subsidy Layering Review (SLR) to ensure that federal assistance does not result in excess subsidy. The SLR will evaluate the sources and uses of project funding, developer fees, and return on investment to confirm that costs are necessary and reasonable.

In addition, HUD establishes maximum per-unit subsidy limits that cap the total amount of federal assistance that can be invested in a housing unit. These limits are based on Section 234 condominium mortgage limits and are updated annually by HUD. Applicants must structure project financing to remain within these caps, and awards will not exceed the applicable maximum subsidy per unit. Compliance with SLR and per-unit subsidy limits will be verified during the application review and underwriting process.

DCR will review reported duplicative funds or suspected DOB issues within 30 days of discovery or applicant notification and will issue a written determination, including any necessary adjustments to the award amount or repayment obligations. Please reference the States DOB Policy and Procedures for further information.

3.9 Site Control and Readiness Requirements

Applicants must demonstrate that the proposed project site is suitable for multifamily residential development and ready for timely implementation. The following requirements must be met:

3.9.1 Site Control

Applicants must have legal control of the development site at the time of application. Acceptable forms of site control include:

- Fee simple ownership;
- A long-term lease with a minimum term equal to the affordability period (20 years);

- An executed purchase agreement or option contract that remains valid for at least 90 days beyond the application deadline.

3.9.2 Zoning and Land Use

The site must be:

- Properly zoned for multifamily residential use, or
- Capable of being rezoned within 90 days of a conditional award. Documentation must demonstrate a reasonable path to approval.

3.9.3 Infrastructure Readiness

Site must have or plan for access to:

- Water and wastewater services;
- Electricity and other utilities necessary for occupancy;
- Broadband;
- Public roadways or easements sufficient for site access.

If off-site infrastructure improvements are necessary, applicants must:

- Identify responsible parties and sources of funding, and
- Demonstrate that improvements will not delay project start or completion.

3.9.4 Environmental Review Part 58

All sites must undergo environmental review under 24 CFR Part 58. Sites located in regulatory floodways, airport runway approach zones, areas at risk of landslides or sites with known toxins/severe contamination, or other unsuitable zones may be ineligible. DCR, the Responsible Entity, must also assess:

- Site topography and soil conditions;
- Hazardous materials and contamination concerns;
- Compatibility with surrounding land uses;
- Whether any prohibited “Choice-Limiting Actions” occurred before environmental clearance.

Common Choice-Limiting Actions include:

- Acquisition of real property;
- Executing binding leases or long-term options;
- Site preparation or ground disturbance;
- Construction, rehabilitation, or demolition activities; and
- Disbursement of funds or financial commitments tied to development.

Any Choice-Limiting Actions taken before completion of environmental clearance may result in:

- Project disqualification
- Ineligibility of all pre-agreement costs for reimbursement
- Potential cancellation of project funding.
- DCR will verify compliance through application documentation and environmental review records.

3.9.5 Additional Site Readiness Considerations

Relocation Requirements: If the site is occupied by households or businesses at the time of application, the applicant must comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA).

Historic Preservation: Sites involving historic properties must comply with Section 106 of the National Historic Preservation Act and consult with the SHPO, if required.

3.10 Affordability and Rent Limits

Per HUD's 2025 Revised Universal Notice, to meet the LMH national objective, rental housing assisted with CDBG-DR funds must be rented to LMI households at affordable rents. For activities involving the new construction of five or more units, the Notice requires DCR to define "affordable rents." Income limits for CDBG-DR programs can be found at: <https://www.hudexchange.info/resource/5334/cdbg-income-limits/>.

Projects funded through the MCR Program must comply with the affordability period, per unit subsidy income targeting, and rent restrictions described below.

3.10.1 Affordability Period

- Minimum of 20 years for all new construction and rehabilitation projects;
- Affordability must be enforced via a recorded Land Use Restriction Agreement (LURA) acceptable to DCR;
- Affordability period will begin on the date a Certificate of Occupancy is issued for the project, or another form of local approval certifying that the units are suitable for occupancy, as determined by DCR

3.10.2 Immigration Status and Tenant Eligibility

MCR Program-funded activities are subject to the applicable federal restrictions on the provision of housing assistance to non-qualified aliens under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) (8 U.S.C. §§ 1611-1612).

Projects providing tenant-based rental assistance or direct benefits to individuals must ensure compliance with immigration verification requirements, such as the SAVE (Systematic Alien Verification for Entitlements) program.⁷

For rental housing where assistance is provided to the property owner or developer, DCR may require property owners or developers to verify individual tenant status when required by law.

3.10.3 Income Targeting

Assisted units must serve households at or below 80 percent of Area Median Income (AMI). DCR may establish deeper income targeting requirements or priorities (e.g., 60 percent AMI) in individual NOFOs depending on recovery needs. Household income must be verified at initial occupancy/lease-up and recertified annually in accordance with the HUD guidance. Project owners/sponsors will be responsible

⁷ [Verification Process | USCIS](#)

for providing DCR with an update on each annual recertification process and DCR may impose corrective actions if project is out of compliance with the applicable standard.

3.10.4 Rent Limits

DCR defines “affordable rents” as follows, and rents charged for MCR Program-assisted units must not exceed the lesser of:

- HUD’s annually published High HOME Rent Limits (<https://www.huduser.gov/portal/datasets/HOME-Rent-limits.html>); or
- Any additional rent caps established by DCR either in the NOFO or via other mechanisms.

Rents must be inclusive of utilities, or utility allowances (as discussed below) must be factored in accordance with HUD regulations to determine tenant rent. All rent increases during the affordability period must be reviewed by DCR in advance.

3.10.4.1 Rent Adjustment Approval Process

To ensure compliance with affordability requirements, the following process will apply to rent changes during the affordability period:

- Submission of Request: The property owner must submit a written request to DCR at least 60 days before the proposed effective date of rent change. The request must include:
 - Current and proposed rent schedule;
 - Updated utility allowance documentation;
 - Justification for the change (e.g., increased operating costs or changes in HUD limits);
 - Certification that the proposed rents remain under the applicable rent cap.
- DCR Review: DCR will review the request to ensure:
 - Compliance with current HUD High HOME Rent Limits or any alternate DCR-imposed caps;
 - Proper application of utility allowances;
 - Continued compliance with income and affordability requirements.
- Notification of Approval or Denial: DCR will issue a written decision within 30 days of receipt. No rent increases may be implemented without written approval.

3.10.4.2 Utility Allowance

Under HUD regulations and the 2025 Revised Universal Notice, gross rent includes both the contract rent paid to the owner and any tenant-paid utilities. If tenants are responsible for paying utilities separately, the rent charged must be reduced by an approved utility allowance to ensure that the gross rent does not exceed the applicable rent limits.

A utility allowance must be based on a HUD-approved methodology. The MCR Program permits two options:

- Public Housing Authority (PHA) Utility Allowance Schedule – Developers may use the most recent utility allowance schedule published by the PHA for the projects jurisdiction. These schedules are:
 - Typically based on the Section 8 Housing Choice Voucher methodology;
 - Tailored by unit size, building type, and utility source (e.g., gas vs. electric heating);
 - Updated annually by the PHA.

- To use the PHA schedule, the project's unit characteristics must match those assumed in the PHA's methodology (e.g., number of bedrooms, energy type, appliance efficiency). Project-Specific Utility Allowance (PSUA) – Alternatively, a project may submit a project-specific utility allowance (PSUA). This must be:
 - Developed by a qualified energy analyst, engineer, or utility professional;
 - Based on actual or anticipated consumption patterns for the specific development;
 - Accompanied by documentation assumptions, and calculations supporting the methodology.

The PSUA must be submitted to DCR for review and approval before lease-up⁸.

3.10.5 Affordability Compliance and Monitoring

To ensure long-term compliance with CDBG-DR affordability requirements, all MCR-funded projects will be subject to annual monitoring by the DCR, or its designee, throughout the affordability period.

3.10.5.1 *Property owners must:*

- Maintain documentation verifying:
 - Tenant income eligibility at initial occupancy and during annual recertification;
 - Affordable rent limits as defined by DCR;
 - Lease-up records, showing adherence to fair housing and occupancy requirements.
- Submit annual compliance reports to DCR, or its designee, including:
 - Current tenant household income levels;
 - Unit rent levels and utility allowances;
 - Occupancy status and any changes during the reporting period;
 - Updates regarding changes in financing related to the property.

3.10.5.2 *Responsibilities of DCR, or its designee, include:*

- Conducting annual monitoring reviews (desktop and/or onsite) to verify compliance;
- Evaluating affordability tracking systems and tenant files;
- Verifying adherence to the 20-year affordability period and all related program terms.

3.10.5.3 *Consequences of noncompliance may include:*

- Repayment or recapture of CDBG-DR funds;
- Issuance of monitoring findings or concerns requiring corrective action;
- Loss of eligibility for future funding under the MCR Program or other HUD programs.

All documentation must be retained in accordance with federal recordkeeping requirements and be available for HUD or State audit upon request.

Section 4: Application Process

Prior to the application submission cycle opening, a pre-screening for project planning and technical assistance will be available. This pre-screening for project planning is not a required step and is meant to

⁸ Projects that apply unapproved or inaccurate utility allowances may be found out of compliance. This could result in tenant overcharging and may trigger repayment of CDBG-DR funds.

help DCR assess unmet need and to assist potential applicants in understanding whether a proposed project will:

- Meet the HUD threshold requirements.
- Have the organizational capacity and experience to manage funds.
- Order the funding of assistance to avoid duplication of benefits.

This process will remain open and can also be utilized before, during, and after the application window opens.

It is the intent of DCR that the submission of the application will federalize the project for which an applicant is applying, after which it will be subject to all applicable federal cross-cutting requirements. Once a project is federalized, the applicant may not undertake any choice-limiting actions, including acquisition, demolition, construction, or rehabilitation, until the required environmental review has been completed. The applicant must also comply with all applicable federal procurement requirements, labor standards, and nondiscrimination, relocation, and accessibility requirements. DCR recommends consulting with MCR Program staff prior to submitting a formal application.

4.1 Notice of Funding Opportunity (NOFO)

DCR will implement the MCR Program through the release of a Notice of Funding Opportunity (NOFO). DCR will release a public notice announcing the program and funds available, and a request for applications through the following platforms:

- Social media
- Website
- Press release to local news sources
- Other public channels

The NOFO will establish all relevant application parameters, including:

- Available funding for the round;
- Eligible applicants and activities;
- Application instructions and deadlines;
- Threshold requirements and award limits;
- Program priorities; and
- Evaluation and scoring methodology

The initial round of funding will invite competitive applications for large multifamily housing developments, defined as projects consisting of five or more rental units. DCR will use a scoring-based application review to ensure awards are made to projects that demonstrate the greatest potential to support long-term recovery and housing resilience in disaster-affected areas. Where there is any conflict or ambiguity between the NOFO and these Policies and Procedures, the NOFO will control.

4.1.1 Program Priorities

While all eligible projects may apply under the initial NOFO, the MCR Program will prioritize developments that are located in:

- HUD-Identified Most Impacted and Distressed (MID) areas;
- Qualified Census Tracts (QCTs); and

- Difficult Development Areas (DDAs).

Targeting CDBG-DR funding to these areas will support recovery and ensure resources are directed to communities with demonstrated need and high potential for impact.

4.1.2 Technical Assistance

DCR will conduct information sessions as needed to provide an overview of the program and the application and scoring process. DCR will remain available to answer questions, and potential applicants will have an opportunity to discuss issues specific to their project throughout the application process.

4.1.3 Future Funding Rounds

The NOFO is expected to serve as the program's initial and primary funding round. However, DCR may release additional NOFOs at its discretion, based on:

- Remaining funding availability;
- The results of ongoing unmet needs assessments;
- Geographic or market coverage gaps; and
- The overall volume and readiness of submitted projects.

Any subsequent NOFO will clearly articulate updated goals, timelines, and selection criteria based on emerging recovery priorities.

4.1.4 Evaluation and Scoring Process

Applications will be evaluated through a competitive scoring process guided by the CDBG-DR Action Plan, and DCR's recovery objectives. Scoring criteria will be fully detailed in the NOFO and are expected to include:

- Applicant capacity;
- Community need;
- Soundness of development approach;
- Leverage of other resources; and
- Projected outcomes and long-term results.

Projects will be scored and ranked by total score. Awards will be given to the highest-ranking projects, subject to threshold compliance, readiness, and availability of funds.

4.2 Direct Selection

The MCR program can directly select subrecipients under 24 CFR § 570.500(c). DCR may directly select a subrecipient in any of the following situations:

- When an entity is uniquely qualified to implement a project;
- When the jurisdiction is the applicant to another federal recovery program, and DCR is paying the Non-Federal Share Match for the project being implemented;
- When there is a reasonable basis to conclude that the direct selection of the subrecipient will result in increased efficiencies for the State and more quickly result in the project being implemented thereby more quickly addressing the unmet need; or
- When there is reasonable evidence to conclude that the minimum needs of the program project can only be satisfied by the selected subrecipient.

4.3 Competitive Application Process and Threshold Criteria

The MCR Program will use a competitive application process to fund large multifamily rental developments (five or more units) that support recovery from Hurricane Helene. Multiple rounds may be conducted to effectively use available funds and meet evolving recovery needs.

4.3.1 Competitive Application Steps

1. Issuance of NOFO: DCR will publish a Notice of Funding Availability (NOFO) outlining available funding, eligibility criteria, evaluation factors, and application deadlines.
2. Submission of Applications: Applicants submit full application packages electronically via the platform designated in the NOFO.
3. Threshold Review: DCR will review applications to determine if they meet minimum threshold criteria. Applications that fail any threshold item will not proceed to scoring.
4. Scoring and Ranking: Eligible applications that pass threshold review will be evaluated and ranked based on published scoring criteria, including capacity, need, soundness of approach, leverage, and impact.
5. Conditional Award: Top-ranked projects may receive conditional awards, subject to completion of underwriting and environmental review.
6. Environmental Review and Grant Execution: DCR will complete reviews in accordance with 24 CFR Part 58 and execute grant agreements with selected applicants.

4.3.2 Application Submission Requirements

Applicants must submit a complete application package by the application deadline established by the NOFO. Required materials may include:

- Completed Application Form – All required fields must be completed.
- All supporting materials as identified by the NOFO
- Project Narrative – Including tie-back to Hurricane Helene and alignment with program goals.
- Development Budget & Sources/Uses – Preliminary estimates with identified or anticipated funding sources.
- Pro forma for initial ten (10) years of operating period.
- Preliminary Site Plan and Building Design (if available) – Including unit mix and layout.
- Organizational Experience and Capacity with Multi-family housing – Narrative and resumes of key development staff.
- Project Schedule – Milestones from acquisition through completion.
- Zoning Documentation – Proof of current multifamily zoning or path to approval (used in scoring).
- Site Control Documentation – Deed, long-term lease, or purchase option (used in scoring).
- Environmental and Risk Information – Known conditions, FEMA flood zones, and potential hazards.

4.3.3 Additional Notes

The full application package must be submitted by the deadline established in the NOFO. Late or incomplete submissions will be considered non-responsive. However, DCR reserves the right to request minor clarifications or administrative corrections from applicants, provided such updates do not materially affect eligibility or scoring.

4.4 Threshold Criteria

Applications must meet all threshold criteria below to advance to scoring:

1. Eligible Applicant
 - a. For-profit entities; Non-profit organizations; Public sector partners, such as local governments, PHAs, and other designated public agencies; CHDOs; and CBDOS.
 - b. Must demonstrate experience in developing or managing publicly funded affordable housing.
2. Eligible Project Location
 - a. Must be located within the Combined MID area as defined in the HUD-approved Action Plan.
 - b. Projects may not be located in a regulatory floodway, airport runway approach zone, areas at risk of landslides, or on sites with known toxins/severe contamination.
 - c. Must comply with the Farmland Protection Policy Act (FPPA)⁹ if applicable to site conversion or acquisition.
3. Disaster Tie-Back
 - a. Project must demonstrate a direct link to housing needs triggered or aggravated by Hurricane Helene, including unit loss, household displacement, or unmet needs in impacted counties or communities; or
 - b. Be a mitigation activity funded through the mitigation set-aside.
4. Minimum Project Size
 - a. Project must include at least 5 rental units under common ownership and management.
5. Financial Viability
 - a. Preliminary budget and financing plan must show that the proposed development is feasible and consistent with cost standards.
 - b. A ten-year (10) operating pro forma must be provided.
6. Complete and Timely Submission
 - a. Application and all required documentation must be submitted in full by the NOFO deadline.

Applications that fail to meet the threshold criteria shall be disqualified and shall receive a disqualification letter/email sent to the point of contact listed in the application.

4.5 Scoring Criteria

Applications that successfully meet all threshold criteria will be evaluated and scored based on objective criteria outlined in the NOFO. Scoring will be used to rank applications and determine awards based on project impact, readiness, cost reasonableness and leveraging of other financial sources, feasibility, and alignment with program goals and recovery priorities.

The HUD-approved Action Plan established the competitive framework for this program, identifying the high-level criteria that would guide competitive funding decisions. This P&P builds upon the framework by defining each competitive framework criterion in greater detail and specifying how points will be assigned to each framework.

⁹ <https://www.nrcs.usda.gov/conservation-basics/natural-resource-concerns/land/cropland/farmland-protection-policy-act>

Each of the five major scoring factors will be assigned a weighted percentage, with a one-to-one correlation between percentage points and scoring points (e.g., 1% = 1 point). Subfactors within each major factor will be assigned point values that align with the weighted factor. Applicants will receive points based on their performance against these subfactors. Detailed scoring breakdowns, including specific weights, subcategories, and descriptions, will be published in each NOFO.

Scoring may be awarded at varying levels – “full points,” “partial points,” or “no points” – based on the extent to which an application meets each criterion. The NOFO will include a matrix that clearly explains what is required to achieve each level within the scoring range.

4.5.1 Capacity of the Applicant (10 percent/10 points)

This criterion evaluates the qualifications, experience, and organizational infrastructure of the applicant and its development team. Applicants must demonstrate the ability to manage all aspects of multifamily construction or rehabilitation using public funds and post-construction operations. This includes, but not limited to:

- Prior successful completion of similar housing projects;
- Experience with CDBG-DR or other HUD-funded programs;
- Financial and staff capacity to oversee construction, compliance, and reporting;
- A proven track record in property management and ongoing compliance monitoring;
- Demonstrated ability to deliver projects on time and within budget.

Strong capacity ensures that the project can be executed efficiently, within budget, and in compliance with all applicable regulations.

4.5.2 Community Need for Multifamily Housing (20 percent/20 points)

This factor measures the degree to which the proposed project responds to a critical unmet housing need in the area affected by Hurricane Helene. This includes, but not limited to:

- Documented shortages of affordable rental housing;
- The project’s alignment with recovery priorities outlined in the NOFO, including housing for:
 - Elderly individuals,
 - Persons with disabilities, and
 - Families with minors;
- Location in a HUD-identified MID area, Difficult Development Area (DDA), or Qualified Census Tract (QCT);
- Alignment with local recovery or housing plans;
- Addressing disinvestment or market gaps.

4.5.3 Soundness of Approach (40 percent/40 points)

This is the highest-weighted scoring category and assesses the overall viability and completeness of the proposed development plan. It includes, but is not limited to:

- A clear, feasible project timeline with key milestones;
- Site readiness, including zoning, infrastructure access, and environmental clearance;
- Project design that meets applicable building and resilience standards;
- Realistic cost estimates supported by industry-standard tools or contractor estimates; and

- A strong plan for construction management and oversight.

This criterion also considers the degree to which the project can be executed without major delays or funding gaps.

4.5.4 Leverage of Other Resources (20 percent/20 points)

This criterion evaluates the extent to which the applicant brings non-CDBG-DR funds to the project. Leverage demonstrates financial commitment and enhances the efficiency of public investment. Leverage sources may include, but are not limited to:

- Low-Income Housing Tax Credits (LIHTC);
- Private financing;
- Philanthropic or local government contributions;
- In-kind contributions; and
- Other public funds.

Projects that minimize reliance on CDBG-DR funds while maintaining affordability will be prioritized.

4.5.5 Achieving Results (10 percent/10 points)

This category assesses the anticipated outcomes and long-term benefits of the project, include, but not limited to:

- The number and type of affordable housing units created or preserved;
- Length of the affordability period beyond the required 20 years;
- Units dedicated to special needs populations;
- The project's ability to promote neighborhood revitalization and stability; and
- Integration of supportive services or partnerships that enhance housing outcomes (e.g., resident services, workforce development, or coordination with health/social services).

Projects that maximize community benefit and resilience will score higher.

4.5.6 Bonus or Priority Considerations

In the event of a scoring tie, DCR may prioritize applications based on readiness to proceed, geographic distribution, or depth of affordability or service to priority populations. Relatedly, DCR may adjust project selection in competitive rounds to achieve various goals with the highest priority being given to achieving the overall requirement of expending at least 80 percent of CDBG-DR grant funds in the HUD-identified MID area. Additional priority may be given to projects that, among other factors:

- Are located in geographic areas underrepresented in earlier funding rounds;
- Include enhanced accessibility features or supportive services for persons with disabilities or elderly residents;
- Align with broader state or local housing and recovery strategies; or
- Demonstrate innovation in financing, design, or partnerships.

These and other factors, including their potential weight, may be set forth in individual NOFOs.

4.6 Award and Funding Caps

Approximately 70 percent of the total MCR Program funds, estimated at \$133,940,000, will be allocated to support medium- to larger-scale multifamily rental housing projects.

The maximum award per project is \$15,000,000, subject to review and adjustments based on the project's specific scope, cost reasonableness, and alignment with program priorities.

Each award will be at the discretion of DCR and will be determined based on the following project criteria:

- Scope of work (SOW);
- Cost reasonableness, including comparison to industry benchmarks and regional pricing data;
- Duplication of Benefits (DOB) analysis;
- Geographic and market considerations; and
- Availability of funds within the applicable NOFO round.

DCR anticipates that most projects will receive funding amounts below this cap, reflecting unit cost guidelines, financial feasibility, and leverage of other resources (e.g., LIHTC, other public funding, or private financing).

4.6.1 Exceptions

On a case-by-case basis, DCR may authorize awards that exceed the standard cap if the project:

- Requires additional funding to meet federal accessibility requirements; or
- Involves reasonable accommodations for individuals with disabilities that result in higher construction or design costs.

All applications will be subject to a standardized cost estimation and underwriting review, which may include:

- Per-unit or per-square-foot cost benchmarking;
- Third-party cost reasonableness analysis;
- Review of construction bids or contractor estimates; and
- Evaluation of financing and leveraging strategies.

This approach ensures that funding is distributed efficiently across projects, with safeguards in place to control costs while addressing the housing needs of impacted populations.

4.7 Debriefing

Prior to submitting a formal appeal, applicants will be offered the opportunity to request a debriefing with DCR. The purpose of the debriefing is to provide applicants with a clear understanding of the evaluation outcome, including identification of any threshold deficiencies, scoring results, or compliance issues that impacted their funding determination. Debriefing sessions will be scheduled upon written request from the applicant within ten (10) calendar days of receiving notice of denial, disqualification, or non-selection. DCR will make reasonable efforts to provide the debriefing within fifteen (15) calendar days of the request. During the debriefing, DCR staff will review the basis of the decision and respond to applicant questions regarding the evaluation process. However, debriefings will not include comparisons with other applications or disclosure of proprietary or confidential information. Completion of a debriefing is a

prerequisite for initiating the formal appeals process. Applicants who wish to pursue an appeal must participate in a debriefing session before submitting an appeal request.

4.8 Appeals Process

Applicants whose MCR Program applications are denied, disqualified, or not selected for funding may submit a formal appeal to DCR via email at DCR.Appeals@commerce.nc.gov. Appeals will only be accepted under specific circumstances and must adhere to the procedures and deadlines established by DCR.

4.8.1 Grounds for Appeal

Appeals may be submitted for the following reasons:

1. Threshold Determination Error - The applicant believes that its application met all threshold criteria, and the determination of ineligibility was made in error.
2. Scoring Miscalculation - In competitive rounds, the applicant believes there was a mathematical or procedural error in the scoring of its application.
3. Procedural Irregularity - The applicant believes its application was not processed or evaluated in accordance with the procedures and requirements outlined in the NOFO or program guidelines.
4. Duplication of Benefits Error - The applicant believes that DCR incorrectly determined that a duplication of benefits occurred or that DCR made a mathematical miscalculation error.
5. Recapture - The applicant believes there was a mathematical miscalculation error in the amount sought by DCR to be recaptured; the basis for or propriety of the recapture is not a valid ground for appeal.

Note: Appeals will not be accepted solely on the basis of disagreement with evaluative judgments or scores unless the appeal includes evidence of mathematical or procedural error. An applicant cannot appeal Program policies, federal regulations, or state statutes. Appeals filed based on these reasons will be denied.

4.8.2 Appeal Submission Requirements

To timely appeal, within 30 calendar days of receiving a written notice of denial or disqualification, applicants must electronically submit (via email) a written appeal which, at a minimum, includes each of the following:

- A statement identifying the specific grounds for appeal;
- Supporting documentation demonstrating the alleged error; and
- A copy of the denial or disqualification notice received from DCR.

If any of these items are missing, or the grounds for the appeal may not be reasonably ascertained, DCR may, in its sole discretion, deny the appeal on that basis.

NOTE: The 30-day period in which to appeal is determined by calendar days, meaning that if the last day in which to timely appeal falls on a weekend or holiday, the time in which to take appeal is not tolled until the next business day. All written appeals must be submitted to DCR.Appeals@commerce.nc.gov (unless another email address is identified in the NOFO specific to the application). All appeals must be submitted by 11:59:59 p.m. on the last day of the appeal period. Service and receipt of the written notice of denial or disqualification will be deemed to have occurred on the date the email was electronically sent by DCR to the contact email provided by the applicant in its application; the submission of the appeal will be

deemed to have occurred at the time the appeal was electronically sent by the applicant directed to the proper email address for appeal.

Appeals that are not timely are deemed denied and will not be substantively reviewed. DCR may, in its sole discretion, mistakenly or intentionally choose to substantively review an untimely appeal. Exercise of this discretion in one or many other cases is not grounds for waiver of an untimeliness determination in another.

An appeal may be withdrawn by the applicant at any time by way of its electronically submitting a written statement indicating the same. Appeals that are withdrawn may not be resubmitted unless the original time period in which to appeal has not lapsed. Withdrawal and resubmission does not toll the time in which to take timely appeal.

4.8.3 Appeal Review and Determination

DCR will acknowledge receipt of the appeal and will conduct a review within 30 calendar days. During the review process, DCR may:

- Re-examine the application file;
- Review scoring records or procedural documentation; or
- Request clarifying information from the applicant.

Following the review, DCR will issue a written determination and deliver it to applicant via the contact email provided by the applicant in its application. The failure of DCR to acknowledge receipt of the appeal or to issue its determination within 30 days is not grounds for further appeal or the basis for a successful appeal determination.

All appeal determinations made by DCR are final with no further administrative review and are not subject to judicial review. If the appeal is upheld, DCR may reinstate the application for further consideration or scoring. If the appeal is denied, no further review will be conducted.

Section 5: Underwriting and Project Selection

The underwriting and project selection process for the MCR Program is designed to ensure that all funded developments are financially feasible, cost-reasonable, aligned with program objectives, and capable of long-term success. All applications that meet threshold requirements will be subject to a formal underwriting review by DCR or its designated staff support providers.

5.1 Underwriting Review Objectives

The purpose of underwriting is to:

- Confirm the financial feasibility of each proposed development;
- Evaluate cost reasonableness relative to market norms;
- Determine the financial viability of the project during the minimum 20-year affordability period;
- Evaluate maintenance and operations plans;
- Ensure the CDBG-DR investment risk is mitigated;
- Verify that per unit CDBG-DR subsidy conforms to HUD threshold requirements;
- Assess the availability and sufficiency of claimed financial leverage; and
- Ensure the long-term sustainability of the project and affordability commitments.

Underwriting will also evaluate the ability of the proposed project to comply with federal cross-cutting requirements (e.g., duplication of benefits, Uniform Relocation Act, environmental review mitigation requirements) and any state-specific policy considerations.

5.2 Key Underwriting Criteria

Each project will be evaluated using the following criteria:

Underwriting Criterion	Description
Financial Feasibility Requirements	Evaluates the project's financial viability over time based on income, expenses, rent levels, reserves, and stabilization period.
Total Development Costs (TDC) Reasonableness	Assesses whether overall project costs are aligned with market norms (e.g., cost per unit, per square foot) and justifiable.
Subsidy Layering and Cost Reasonableness	Ensures MCR funds are the minimum necessary and do not duplicate other public funding; compared against industry benchmarks.
Developer Fee, Builder Profit, and Overhead Caps	Enforces caps on developer fees and construction overhead to ensure costs are fair and aligned with program limits.
Sources and Uses Analysis	Verifies all funding sources and ensures use of funds matches program eligibility; confirms leverage and gap coverage.
Match and Leveraging Documentation	Reviews third-party commitments and contributions to confirm enforceability, timing, and sufficiency of matching funds.
Operating and Replacement Reserves	Confirms the establishment of appropriate operating and capital reserves to support long-term property health.
Operating Pro Forma	Evaluates projected operating income, expenses, and reserve contributions across the affordability period.
Affordability and Rent Limits Compliance	Confirms compliance with HOME rent limits and affordability period; ensures income targeting is accurate and sustainable.
Mitigation and Resilience Cost Integration	Ensures proposed costs for hazard mitigation or resilience are necessary, eligible, and cost-reasonable.
Project Timeline and Readiness	Reviews milestone timelines, permitting readiness, and potential development delays that could impact feasibility.
Guarantees and Risk Mitigation Measures	Evaluates need for repayment guarantees or risk mitigation tools to protect CDBG-DR investment in high-risk projects.

5.3 Additional Review Components

5.3.1 Duplication of Benefits (DOB) Review

All projects will undergo a DOB analysis consistent with HUD requirements to ensure that CDBG-DR funds do not duplicate assistance from FEMA, SBA, private insurance, or other sources. Applicants must disclose all prior disaster recovery funding received. DCR will apply its DOB guidance to adjust awards as needed.

5.3.2 Geographic Distribution Consideration

DCR may adjust project selection in competitive rounds to achieve various goals with the highest priority being given to achieving the overall requirement of expending at least 80 percent of CDBG-DR grant funds in the HUD-identified MID area. A secondary consideration will be achieving a geographic balance across the Combined MID counties.

5.3.3 Environmental Review Coordination

Projects selected for funding are subject to an environmental review under 24 CFR Part 58. Environmental conditions identified during underwriting (e.g., location in floodplain, wetlands, or historic properties) may affect project timing, scope, or eligibility.

5.3.4 Reevaluation or Resubmission Protocol

If a project is determined to be noncompetitive or incomplete during the initial underwriting or threshold review, but the deficiencies are determined by DCR to be minor and correctable (e.g., incomplete documentation, minor inconsistencies in budget or market data, or clarifications to sources and uses), the applicant will be provided a written notice of deficiencies and offered a debrief.

Applicants will be permitted to resubmit corrected materials one time within a defined timeframe (e.g., 15 calendar days) from the date of the deficiency notification.

Resubmissions will not be permitted for applications that fail to meet threshold eligibility criteria or demonstrate critical feasibility issues (e.g., site control, cost reasonableness, zoning compliance).

Note: Participation in the resubmission process does not guarantee funding.

5.4 Project Selection

Projects that pass the underwriting analysis and rank highest under the scoring framework will be selected for award, subject to funding availability and geographic distribution considerations.

All selected projects will receive a conditional award and move forward to environmental review, followed by execution of a grant agreement. Projects that fail to meet underwriting standards will be notified and may revise and resubmit if allowed under the applicable NOFO.¹⁰

¹⁰ A conditional award does not guarantee execution of a grant agreement. Projects must continue to meet all requirements, including completion of underwriting and environmental review, prior to contract execution.

Section 6: Program Implementation

This section outlines the procedures and responsibilities governing the implementation of projects under the MCR Program. These procedures apply to both competitive and non-competitive projects following conditional award and are intended to guide recipients and subrecipients through key steps from pre-development through construction and completion.

6.1 Funding Agreement Execution

Upon successful completion of underwriting and environmental review, the applicant will receive a funding agreement for execution. This agreement serves as the binding legal contract and outlines all terms and conditions associated with the MCR award.

The funding agreement will include:

- The total amount of the award;
- The scope of work and budget;
- Construction timeline and key performance milestones;
- Federal and state compliance requirements (e.g., NEPA, Davis-Bacon, Section 3, URA, etc.);
- Provisions governing the use of CDBG-DR funds in coordination with other funding sources;
- Recordkeeping and reporting responsibilities; and
- Enforcement and recapture provisions.

No reimbursement or disbursement of CDBG-DR funds may occur until the funding agreement is fully executed and an Authorization to Use Grant Funds (AUGF) from the environmental review is received from HUD. DCR will provide guidance and templates to assist project sponsors in understanding their responsibilities under the agreement.

6.2 Pre-Construction Readiness Review

Before construction can begin, each funded project must undergo a Pre-Construction Readiness Review conducted by DCR or its designee. The purpose of this review is to confirm that the project is prepared to proceed and that all conditions precedent to construction have been met.

As part of the review, project sponsors must submit or verify:

- Finalized and approved construction plans and specifications;
- Confirmation of site control and zoning approvals;
- If applicable, procurement documentation for contractors and vendors in compliance with 2 CFR 200 that also includes value engineering and additions/alternatives;
- Proof of insurance, bonding, and required permits;
- Performing all work in accordance with local building, health and safety codes, and
- Lead Safe Housing Rule (LSHR), and
- Completion of environmental clearance under 24 CFR Part 58.

6.3 Construction Timeline and Milestones

Each project must adhere to a construction schedule defined in the funding agreement. This schedule will include key milestones that must be met to maintain project compliance and progress, including:

- Construction start date;

- Completion of site grading and foundations;
- Mechanical, electrical, and plumbing (MEP) installation;
- Final inspection and Certificate of Occupancy; and
- Completion of lease-up activities and unit occupancy.

Project sponsors must report progress toward these milestones to DCR on a regular basis, which at a minimum would include required quarterly status updates. Any deviation from the approved timeline must be reported in writing with an explanation and proposed corrective actions. DCR reserves the right to impose corrective actions and other remedies if performance milestones are not met, if the project becomes noncompliant with program requirements, or if risk considerations are identified.

6.4 Change Orders and Scope Modifications

After execution of the funding agreement, any change to the project scope, timeline, or budget must be submitted to DCR for review and prior written approval. This includes:

- Construction cost increases or decreases, or reallocation of line items;
- Modifications to unit mix, number of assisted units, or LMI targeting;
- Schedule extensions or contractor changes; and
- Changes that impact environmental clearance or federal cross-cutting compliance.

Project sponsors must submit a formal Change Order Request that includes a narrative justification, revised project documents (e.g., budget, schedule), and any supporting documentation required. Additionally, if the cumulative total of approved change orders exceeds the project's contingency budget, the State must review and approve all subsequent change orders, regardless of individual value or scope. DCR will also review proposed changes to ensure continued compliance with program guidelines, cost reasonableness, and unmet needs objectives. Unauthorized changes may result in disallowed costs, corrective action, or termination of the grant.

6.5 Debarment and Suspension Policy

Selected developers are responsible for ensuring that all contractors, subcontractors, consultants, and vendors engaged in the project are eligible to participate in federally funded programs. Prior to contract execution, the project sponsor must verify each entity's status using the federal System for Award Management (SAM.gov) and document the results.

If an entity is found to be suspended, debarred, or otherwise ineligible, the project sponsor must exclude them from the project and immediately notify DCR. Failure to conduct this verification or engaging with a debarred entity may result in the loss or recapture of funds, audit findings, or additional enforcement action.

Project sponsors must maintain records of all SAM.gov checks and include this documentation in the project file for monitoring and audit purposes.

6.6 Property Standards, Resilience, and Environmental Health

MCR Program-funded projects must meet federal, state, and local property standards that ensure safety, resilience, long-term habitability, and environmental quality. These requirements apply to all new construction and substantial rehabilitation activities and are grounded in HUD's 2025 Revised Universal Notice and HUD Memorandum 2025-02, issued March 19, 2025.

6.6.1 Construction Standards

All MCR-funded projects must be constructed using modern, high-quality, and durable materials appropriate to the building's scale and use. Projects and construction activities must meet all applicable federal, State, and local building codes and be executed by licensed professionals. Applicants and their contractors are responsible for securing all necessary permits to complete the Program-approved scope of work from the authority having jurisdiction for code compliance in the location where the construction project is located. Where required, construction plans must be certified by an architect or engineer.

6.6.2 Resilience Requirements

Projects located in flood- or wind-prone areas must integrate resilience measures into the building design and site planning.

- Flood-Prone Areas (Special Flood Hazard Areas): Projects located in FEMA-designated Special Flood Hazard Areas (SFHAs) must elevate the lowest occupied floor at least two (2) feet above Base Flood Elevation (BFE). All critical building systems must also be located above BFE. Materials used below the lowest occupied floor must be flood-resistant.
- Wind-Prone Areas: Projects in wind-prone areas must include wind-resistant design measures that follow applicable FEMA guidance and local building code requirements for wind safety.

Compliance with these requirements must be documented during design review. DCR will not approve final construction without confirmation that these standards are met.

6.6.3 Building Code Requirements

Projects must comply with the following building code and property standards:

- HUD Minimum Property Standards (24 CFR §§ 200.925–200.926);
- North Carolina State Building Code, including the International Building Code (IBC), International Residential Code (IRC), and International Energy Conservation Code (IECC);
- Local building, zoning, and permitting requirements.

When federal, state, and local codes differ, the most stringent standard will apply. All applicable permits, inspections, and approvals must be secured prior to and during construction. DCR will monitor compliance at multiple project stages.

6.7 Insurance and Property Management

For all MCR Program projects, all applicants and subrecipients must procure and maintain insurance for the duration of the recipient agreement to protect all contract assets from loss due to any cause, such as theft, fraud and physical damage, unless explicitly waived, altered, or amended in writing in the grant or subrecipient agreement. If CDBG-DR funds are used to acquire real property or personal property, the recipient is responsible for ensuring that: (1) the property continues to be used for its intended (and approved) purpose; and (2) the recipient keeps track of, and maintains, the property. At a minimum, recipients must comply with the bonding requirements at 2 CFR 200.325, as applicable, and with the requirements of their subrecipient agreement.

Subrecipients must also procure and maintain flood insurance, as applicable. Minimum flood insurance requirements are governed by federal, State, local, and tribal laws and regulations related to both flood

insurance and floodplain management and are set forth in HUD's 2025 Revised Universal Notice at Section III.B.11.a.

6.8 Broadband Infrastructure Requirements

In accordance with the 2025 Revised Universal Notice, all multifamily developments assisted under the MCR Program must evaluate and where feasible, provide broadband infrastructure that supports high-speed internet access for tenants.

6.8.1 General Requirements

Per the Universal Notice, any new construction or substantial rehabilitation project involving five or more residential units must:

- Assess the feasibility of including broadband infrastructure (as defined by HUD) in the project design and budget; and
- Incorporate broadband infrastructure unless:
 - The location lacks access to broadband service and cannot be served at a reasonable cost;
 - The cost of installation would be demonstrably unreasonable or infeasible; or
 - The structure already includes broadband infrastructure meeting HUD standards.

6.8.2 Definition of Broadband Infrastructure

Broadband Infrastructure includes cables, fiber optics, wiring, wireless transmitters, routers, or other facilities capable of delivering high-speed internet service with minimum speeds of 25 Mbps for download and 3 Mbps for upload.

6.8.3 Design and Construction Expectations

- Broadband should be integrated into unit design and common areas (e.g., wiring to individual units, community Wi-Fi hubs).
- Projects must budget for and describe how broadband access will be provided or identify documented reasons for exemption.
- Developers are encouraged to coordinate with internet service providers and may leverage other funding sources to expand broadband access.

6.8.4 Documentation Requirements

All applicants must submit documentation at the time of application and pre-construction review that:

- Confirms the inclusion of broadband infrastructure, or
- Provides a written justification for exemption (e.g., infeasibility study, provider unavailability).

6.9 Sustainable and Energy-Efficient Design Considerations

While HUD no longer mandates a specific green building certification, the MCR Program encourages sustainable design and energy efficiency. These features can reduce utility costs, improve resilience, and extend the useful life of the structure.

Projects funded through programs like LIHTC or USDA Rural Development must comply with the energy standards of those programs. In cases of overlapping requirements, the most stringent standard applies unless waived by DCR.

Applicants are encouraged to submit design documentation demonstrating sustainable features at application and provide certifications, if applicable, prior to project closeout.

6.10 Accessibility Standards

MCR-funded projects must comply with all applicable federal accessibility laws to ensure that individuals with disabilities have equal access to housing opportunities, including:

- Section 504 of the Rehabilitation Act of 1973 (24 CFR Part 8);
- Americans with Disabilities Act (ADA), Titles II and III;
- Fair Housing Act design and construction requirements (24 CFR Part 100, Subpart D); and
- Uniform Federal Accessibility Standards (UFAS) or 2010 ADA Standards, depending on the funding source and occupancy.

6.10.1 Minimum Unit Accessibility Set-Aside

- At least 5% of units must be accessible for individuals with mobility impairments;
- At least 2% must be accessible for individuals with sensory impairments (or one unit of each, if thresholds are not met).

6.10.2 Common Area and Site Access

All shared spaces must be accessible, including leasing offices, mailrooms, and community spaces. Sites must include accessible parking, routes between buildings, and vertical access in multistory buildings when required.

6.10.3 Reasonable Accommodations and Modifications

Developers must allow for reasonable accommodations and modifications in accordance with federal law. DCR encourages the incorporation of aging-in-place features into building and unit design.

Applicants must demonstrate compliance through design plans and submit final certification at project closeout. DCR may require an accessibility attestation form signed by the architect or engineer of record.

6.11 Environmental Hazards and Healthy Housing

To protect occupant health, all environmental hazards must be identified and addressed prior to construction or occupancy. These requirements apply to both new construction and rehabilitation projects.

6.11.1 Lead-Based Paint (LBP)

Pursuant to 24 CFR § 570.608, the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851-4856), and implementing regulations at 24 CFR Part 35 (Lead Safe Housing Rule), apply to activities under the MCR Program. For buildings constructed before 1978, requirements include:

- Evaluation by a certified professional (e.g., visual inspection, risk assessment);
- Hazard reduction (interim controls or abatement);
- Clearance testing after remediation; and
- Use of EPA-certified firms and Lead Safe Work Practices

6.11.2 Asbestos and Mold

If asbestos-containing materials are present, removal or encapsulation must follow standards set by the Occupational Safety and Health Administration (OSHA), the U.S. Environmental Protection Agency (EPA), and the North Carolina Department of Environmental Quality (NC DEQ) standards. Mold remediation must address both the contamination and the source of moisture and ensure that the unit meets HUD's decent, safe, and sanitary housing standard.

6.11.3 Radon and Indoor Air Quality

Radon testing is required in EPA-designated high-risk areas. If elevated levels are found, mitigation systems must be installed before occupancy. Applicants must also avoid materials known to emit toxic chemicals (e.g., high-VOC adhesives, paints, or flooring).

6.11.4 Other Site Hazards

Environmental review under 24 CFR Part 58 will assess:

- Contaminated soils or groundwater
- Proximity to hazardous sites or infrastructure
- Flood and erosion risks
- Noise and vibration hazards
- Environmental justice concerns

DCR may determine that a site is ineligible if environmental hazards cannot be mitigated to an acceptable level.

6.11.5 Documentation and Oversight

Applicants must submit all required documentation related to environmental hazards, including evaluations, mitigation plans, and clearance reports. DCR will verify compliance throughout the review and implementation process. Projects that fail to meet these requirements may be deemed ineligible or subject to funding recovery.

Section 7: Tenant Selection and Occupancy

7.1 Affirmative Fair Housing Market Plan (AFHMP)

All developers and property managers participating in the MCR Program are required to prepare and implement an Affirmative Fair Housing Marketing Plan (AFHMP) in accordance with federal regulations under 24 CFR Part 200, Subpart M. This requirement is applicable to all projects with five or more units receiving federal assistance for construction or rehabilitation. Developers are encouraged to utilize the [Affirmative Fair Housing Marketing Plan \(AFHMP\) form¹¹](#) developed by HUD and must outline proactive steps to inform, attract, and serve members of groups who are least likely to apply without targeted outreach.

¹¹ [935-2a.pdf](#)

7.1.1 AFHMP Requirements

Each Affirmative Fair Housing Marketing Plan (AFHMP) must present a comprehensive framework for ensuring that all persons have fair and equal access to housing opportunities. At a minimum, the AFHMP must include a demographic analysis of the project's market area that identifies groups who may be underrepresented in housing applications, such as racial or ethnic minorities, persons with disabilities, and individuals who are Limited English Proficient (LEP). Based on this analysis, the plan must describe specific outreach strategies that align with the County's Citizen Participation Plan (CPP) and Limited English Proficiency requirements. All marketing materials are required to display the Equal Housing Opportunity logo or slogan and must be translated into languages spoken by significant populations in the project area as outlined in the CPP.

The AFHMP must also describe how the application and leasing process will be carried out in a non-discriminatory manner. This includes outlining how applications will be accepted, processed, and prioritized, as well as specifying how reasonable accommodations will be provided to applicants and tenants as required by law. To ensure consistent implementation, the plan must demonstrate how all leasing and property management staff will receive fair housing and affirmative marketing training. Additionally, the AFHMP must include a monitoring and recordkeeping strategy that explains how the owner will document outreach activities, track outcomes, and maintain compliance records for review by DCR or its designee.

Submission and approval of the AFHMP is required prior to initiating lease-up activities, and no marketing may begin until the plan has been reviewed and approved by DCR. The plan must be updated at least once every five years, or sooner if significant changes occur in the local housing market or demographics. Failure to submit, secure approval of, or implement an AFHMP may result in corrective actions consistent with federal regulations at 2 CFR 200.208 and 200.339. These corrective actions may include the requirement to prepare or revise an AFHMP, imposition of additional conditions or monitoring requirements, adjustment or withholding of funds, disallowance of costs, suspension of activities, termination of the award, or recapture of funds that were improperly expended or unsupported.

Property managers and owners bear ongoing responsibility for compliance. They must maintain documentation of all marketing and outreach activities and submit annual compliance reports throughout the affordability period. The AFHMP must remain in effect and enforceable for the entire affordability period to ensure that fair housing obligations are met consistently over time.

7.2 Tenant Selection Plan

All MCR Program-assisted properties must adopt and implement a Tenant Selection Plan (TSP), prepared by the property owner or developer and carried out by property management. The TSP governs the leasing of assisted units and must ensure a fair, transparent, and consistent process that complies with federal requirements and program income-targeting and affordability goals. The plan must remain in effect for the entire affordability period and be updated as needed to reflect changes in law, policy, or market conditions.

At a minimum, the TSP must define eligibility standards, including income limits, occupancy standards, and any project-specific preferences such as priority for displaced households. Where applicable, it must address citizenship or immigration status. Screening procedures should be clearly outlined, including the use of background checks, credit history, and rental references, with explicit criteria for what may or may

not result in denial. The plan must also provide for alternative verification methods if traditional documentation is unavailable.

The TSP must describe how waiting lists will be established and managed, explain procedures for applicant notification and selection, and set policies for denial or removal. It must affirm compliance with the Fair Housing Act, Section 504, and the ADA, describe procedures for reasonable accommodations and modifications, and ensure meaningful access for Limited English Proficient (LEP) applicants. The plan must also confirm compliance with income-targeting and rent restrictions, including initial eligibility and ongoing monitoring, and provide a grievance procedure for applicants to appeal denials or raise concerns about the selection process.

A draft TSP must be submitted to DCR at least thirty (30) days before initial lease-up and approved prior to occupancy of any assisted units. Once approved, the plan must be kept on file at the project site and in the project sponsor's central records, reviewed annually, and revised as needed to ensure continued compliance.

Property managers are responsible for implementing the TSP and must maintain accurate records of all applications, screening decisions, waiting list activity, and accommodation requests. Records must be stored securely, retained for at least five years after the closeout of the affordability period, and made available to DCR upon request. Periodic compliance reports may also be required.

Failure to adopt or comply with an approved TSP may result in corrective actions.

7.3 Lease-Up Procedures

All MCR Program-assisted projects must follow standardized, transparent, and compliant lease-up procedures to ensure that eligible households are promptly and fairly placed into units upon construction completion or availability. Lease-up must align with the approved TSP, AFHMP, and program income/rent requirements.

These procedures and corresponding requirements apply to both initial occupancy of new or rehabilitated units and any subsequent unit turnover during the affordability period.

7.3.1 Timing and Readiness for Lease-Up

Before beginning lease-up activities, the following milestones must be completed:

- Certificate of Occupancy issued by local code authority,
- Final environmental clearance confirmed (if outstanding conditions existed),
- NCDCR's issuance of a Notice to Lease-Up, confirming readiness,
- Execution of the regulatory agreement or similar legal instrument documenting rent and income restrictions,
- Submission and approval of the AFHMP and TSP.

No tenants may occupy MCR-assisted units prior to receipt of written approval from DCR, or its designee.

7.3.2 Leasing Procedures

Property managers are responsible for ensuring that all lease-up activities are conducted in a fair, consistent, and transparent manner. Outreach and marketing must follow the requirements of the approved AFHMP and comply with the State's Citizen Participation Plan (CPP), including providing

meaningful access for Limited English Proficient (LEP) households. These activities must be designed to ensure that all eligible applicants have full and equal access to program-assisted units.

Applicants must receive clear instructions regarding the application process, including any deadlines and the eligibility criteria for participation. Application materials must be provided in accordance with the State's CPP, and reasonable accommodations must be made available for persons with disabilities to ensure equal opportunity. Applications are to be processed in the order received, or according to any preferences identified in the approved TSP. As part of the process, property managers must verify income eligibility, review screening criteria as permitted, and provide written notification of acceptance or denial. Denial notices must clearly state the basis for the decision and inform applicants of their right to appeal.

Before taking occupancy, all adult household members age eighteen or older must execute a lease agreement that complies with HUD and MCR Program requirements. At the same time, households must complete income certification and participate in a tenant orientation. The orientation must explain tenant rights and responsibilities, program rent rules, reporting obligations, and available grievance procedures to ensure that tenants are fully informed of their obligations under the program.

Leases must be for a minimum of one year unless otherwise permitted by program policy. Each lease must include provisions prohibiting discrimination and affirming tenant rights under fair housing laws. Where applicable, leases must also incorporate the federally required Protect Your Family from Lead in Your Home disclosure. Rent restrictions, affordability requirements, and compliance monitoring obligations must be incorporated into the lease to ensure that program requirements are upheld for the duration of the affordability period.

7.3.3 Lease Requirements and Compliance with Fair Housing

All properties assisted under the MCR Program must use leases that are consistent with federal fair housing regulations and CDBG-DR requirements.

7.3.3.1 Required Lease Provisions

All leases must:

- Be for one year, unless by mutual agreement between the tenant and the owner.
- Provide 30-day written notice prior to terminating or refusing to renew the lease.
- Comply with any applicable, more restrictive State laws.
- Comply with all applicable federal civil rights laws, including the Fair Housing Act, Title VI of the Civil Rights Act, Section 504 of the Rehabilitation Act, and the Americans with Disabilities Act (ADA).
- Align lease terms with the affordability period and maintain tenant protections throughout.

Additionally,

- Fair Housing Compliance Owners must ensure that lease terms and enforcement practices are applied consistently and without discrimination.
- Reasonable accommodation must be made for persons with disabilities, including modifications to lease provisions if necessary.
- Applicants must maintain documentation verifying compliance with fair housing standards and make such records available to DCR upon request.

7.3.3.2 Prohibited Lease Provisions

Leases must not include any of the following terms:

- Agreement to Be Sued: Agreement by the tenant to be sued, admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
- Treatment of Property: Agreement by the tenant that the owner may take, hold or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. However, the owner may dispose of personal property remaining in the unit after the tenant has moved out in accordance with State law.
- Excusing Owner from Responsibility: Agreement by the tenant not to hold the owner or the owner's agents legally responsible for actions or failure to act, whether intentional or negligent.
- Waiver of Notice: Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant.
- Waiver of legal proceedings: Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
- Waiver of Jury Trial: Agreement by the tenant to waive any right to a trial by jury.
- Waiver of Right to Appeal. Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge a court decision in connection with the lease.
- Tenant Chargeable with Cost of Legal Actions Regardless of Outcome: Agreement by tenant to pay attorney fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant.
- Mandatory Supportive Services: Agreement by the tenant (other than a tenant in transitional housing) to accept supportive services that are offered.

7.3.3.3 Lease Approval Process

- Draft lease must be submitted to DCR for review prior to lease-up.
- Leases must be approved by DCR or its designee, before occupancy begins and maintained on file for periodic monitoring.

7.3.4 Occupancy Timeline Expectations

Developers are expected to achieve full lease-up within 120 days of certificate of occupancy issuance unless an alternate timeline is approved by DCR. Failure to lease units in a timely manner may trigger corrective action, including but not limited to additional reporting requirements, required performance improvement plans, temporary suspension of funding payments, or risk of de-obligation.

7.3.5 Documentation

The following must be retained in each tenant file:

- Application and eligibility documentation,
- Signed lease agreement,
- Proof of income verification and rent calculation,
- Communication related to selection and acceptance.

All records must be available for review during compliance monitoring and retained for MCR Program purposes for the duration of the affordability period plus five years.

7.4 Income Certification and Recertification

To ensure compliance with MCR Program requirements and long-term affordability commitments, all tenants in assisted units must undergo a formal income certification process prior to lease execution. In addition, projects must conduct periodic recertification to verify continued income eligibility and enforce rent limits for the duration of the affordability period.

These procedures apply to both initial occupancy and any subsequent unit turnover during the affordability period.

7.4.1 Initial Income Certification

All households occupying units designated as MCR Program-assisted must be certified as low- and moderate-income (LMI) in accordance with the income-targeting requirements established in the project's funding agreement and regulatory documents.

At initial lease-up, property managers are required to collect and verify income for each adult household member and determine gross annual household income using the definition at 24 CFR § 5.609. Eligibility must then be assessed against the applicable HUD-published income limits for the State and adjusted for household size. The calculation and supporting documentation must be recorded on a standardized Income Certification Form (ICF), and all source documentation—such as pay stubs, benefit letters, or tax returns—must be retained in the tenant's file.

Third-party verification of income is required whenever feasible, unless otherwise approved by DCR. In limited circumstances, such as during disaster-related intake periods, self-certification may be accepted with appropriate documentation as determined by DCR.

7.4.2 Annual Recertification

Although HUD no longer requires annual income recertification for certain HOME and LIHTC projects, the MCR Program will require annual or triennial recertification based on the structure of the affordability period and project funding mix.

At recertification, the property manager must:

- Reverify the household's current income and size;
- Confirm continued eligibility for the assigned unit's income designation (e.g., ≤80 percent AMI);
- Adjust rent, if applicable, based on HUD rent limits; and
- Complete a new Income Certification Form and retain supporting documentation.

If the household's income exceeds program limits at recertification:

- The tenant may remain in place (per federal "over-income" rules);
- Rent may be adjusted within maximum allowable limits; and
- The unit must be backfilled with a new income-qualified household upon turnover to maintain targeting.

7.4.3 Mid-Year Changes and Interim Reporting

Households are required to report significant income changes between annual recertifications to the owner/operator/property manager/designated entity only if:

- Their income drops and they request a rent reduction (if rent is income-based); or
- There is a material change that would affect rent, eligibility, or utility allowances.

Property managers must review any interim reports and document all actions taken.

7.4.4 Rent Limits and Utility Allowances

Rent must not exceed the applicable CDBG-DR rent limits, which are updated annually by HUD and based on the HOME Investment Partnerships Program limits. Utility allowances must also be deducted from gross rents if utilities are not included.

Developers are responsible for:

- Obtaining and applying the correct rent and utility allowance schedules annually;
- Adjusting leases or rents as required by HUD guidelines and the regulatory agreement.

7.4.5 Recordkeeping and Monitoring

Project sponsors or their designee must maintain:

- Initial and updated income certifications;
- Copies of all income and rent documentation; and
- Notices to tenants regarding rent changes or eligibility adjustments.

All records must be retained for at least five years after the end of the affordability period and made available to DCR (or its designee) upon request for compliance monitoring. Records must also be kept in secured locations with limited access to protect personal identifying information of applicants and tenants. Violations of this policy may result in the termination of the grant agreement due to breach and noncompliance, and full or partial repayment of the CDBG-DR investment would result.

Section 8: Federal and State Requirements

All MCR Program-funded activities must comply with all applicable federal and State laws, rules, regulations, and policies governing fair housing, nondiscrimination, accessibility, labor standards, environmental protections, relocation, and privacy. DCR is responsible for ensuring compliance and monitoring implementation across all projects. This section provides a summary of the significant cross-cutting requirements for MCR Program activities and is not meant to be comprehensive. To the extent this summary conflicts with, or is ambiguous or incomplete, applicable federal and State law controls.

8.1 Civil Rights and Fair Housing Compliance

All program activities must comply with all applicable federal civil rights and fair housing requirements, including:

- Title VI of the Civil Rights Act of 1964
- Fair Housing Act (42 U.S.C. §§ 3601–3620)
- Section 504 of the Rehabilitation Act of 1973
- Title II and III of the Americans with Disabilities Act (ADA)
- Section 109 of the Housing and Community Development Act of 1974
- Executive Order 11063 (Equal Opportunity in Housing)

- HUD's implementing regulations at 24 CFR Parts 8, 100, and 91

Among other things, these provisions preclude exclusion from participation in, or denial of the benefits of, the MCR Program and discrimination based upon race, color, religion, sex, disability, familial status, age, or national origin.

For MCR Program projects, DCR seeks to ensure that all subrecipients, developers, and recipients meet the applicable Fair Housing and Affirmative Marketing requirements, provide a marketing plan, and report on compliance in accordance with the Fair Housing Act.

8.2 Americans with Disabilities Act (ADA)

The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, State and local government services, public accommodations, commercial facilities, and transportation. DCR takes affirmative steps to ensure that people with disabilities have equal access to the programs offered by DCR, and that any services are delivered in the most integrated manner possible. DCR also ensures that reasonable modifications or changes to policies, practices, or procedures are made in order to guarantee people with disabilities equal access to services and programs.

MCR Program projects must be designed, constructed, or rehabilitated in full compliance with applicable federal accessibility standards. These include Section 504 of the Rehabilitation Act and HUD's Uniform Federal Accessibility Standards (UFAS), the 2010 Americans with Disabilities Act (ADA) Standards for common areas and public accommodations, and the Fair Housing Act (FHA) design and construction requirements for covered multifamily dwellings consisting of four or more units first occupied after March 13, 1991.

For federally assisted projects containing five or more units, at least five percent of the total dwelling units (or a minimum of one unit, whichever is greater) must be accessible to persons with mobility impairments, and at least two percent of the total dwelling units (or a minimum of one unit, whichever is greater) must be accessible to persons with sensory impairments.

In addition to these minimum standards, developers are required to provide reasonable accommodation and modifications as necessary to ensure equal access and usability for individuals with disabilities. Where feasible, projects are encouraged to incorporate universal design features that enhance accessibility for all residents. DCR reserves the right to impose additional accessibility requirements based on program targeting and identified community needs.

8.3 Section 504 Accessibility and Compliance

Section 504 of the Rehabilitation Act and HUD's implementing regulations at 24 CFR Part 8 are triggered by the receipt of federal financial assistance. The entire project is covered by Section 504 because of this receipt of federal funding. This includes, for example, reasonable accommodation requirements, effective communication obligations, and ensuring program accessibility for individuals with disabilities. Covered multifamily dwellings, as defined in 24 CFR Part 100, Subpart D, must also meet the design and construction requirements of the Fair Housing Act.

DCR may impose its own requirements as needed. For example, if DCR determines that most of the units for the program must be wheelchair accessible by virtue of its targeted population, DCR may decide to

require developers/owners to provide a higher level of accessibility in the common or outdoor areas that would not necessarily be required under Section 504 or the Fair Housing Act.

8.4 Limited English Proficiency Access

To comply with federal and State law, all MCR Program activities must ensure meaningful access to program information and services for individuals with limited English proficiency (LEP).

Failure to provide language access may constitute a violation of federal civil rights law and result in compliance findings or corrective actions.

8.5 Davis-Bacon and Related Acts

As required by Section 110 of the Housing and Community Development Act, and as outlined in HUD Handbook 1344.1 Rev 3, Federal Labor Standards Requirements in HUD Programs, project sponsors are responsible for ensuring compliance with the requirements of the Davis-Bacon Act (DBA), as well as with the Copeland Anti-Kickback Act, the Contract Work Hours and Safety Standards Act (CWHSSA) and the Fair Labor Standards Act (FLSA), collectively referred to herein as Davis-Bacon and Related Acts (DBRA). For multifamily projects funded through the MCR Program, the requirements of DBRA apply to contractors and subcontractors carrying out federally funded or federally assisted contracts in excess of \$2,000 for the construction, alteration, or repair of public buildings or public works or for the construction work of a residential property consisting of 8 or more units. The eight or more-unit threshold applies to the number of units on the property, not the number of units being rehabbed or newly constructed. Property refers to one or more contiguous lots or parcels, commonly owned and operated as one rental project. In some cases, North Carolina Prevailing Wage Law is in effect. In these cases, the higher prevailing wage rate between the Federal and State requirements must be adhered to and made applicable.

The “Anti-Kickback” provision of the Copeland Act (40 USC, Chapter 3, Section 276c and 18 USC, Part 1, Chapter 41, Section 874; and 29 CFR Part 3) requires that workers be paid weekly, that deductions from workers’ pay be permissible, and that contractors maintain and submit weekly payrolls. The U.S. Department of Labor describes the Copeland Act’s Anti-Kickback as prohibiting contractors and subcontractors performing work on covered contracts from in any way inducing an employee to give up any part of entitled compensation. The Copeland Act and implementing regulations also require contractors and subcontractors performing on covered contracts to pay their employees on a weekly basis and in cash or a negotiable instrument payable on demand and to submit weekly payroll reports.

Prime contractors and subcontractors on DBRA contracts in excess of \$150,000, or related Act contracts in excess of \$100,000, are also required, under the applicable provisions of CWHSSA (40 USC, Chapter 5, Sections 326- 332; and 29 CFR Part 4, 5, 6 and 8; 29 CFR Part 70 to 240), as amended, to pay laborers and mechanics, including guards and watchmen, at least one and one-half times their regular pay for all hours worked over 40 in a work week. Additionally, DCR must follow the reporting requirements per HUD and U.S. Department of Labor regulations. This requirement also extends to DCR recipients and contractors.

DCR is required to monitor compliance and, as a result, may require recipients, subrecipients, or contractors to provide to it or its designee all necessary and supporting documentation for DCR to ensure compliance with DBRA and other labor law requirements, including conducting payroll checks and worker interviews prior to execution of funding agreements and throughout project completion. Any failure to cooperate or comply may result in corrective action, including repayment, de-obligation of funds, or other enforcement actions as determined by DCR.

8.6 Section 3

Section 3 is a provision of the Housing and Urban Development Act of 1968 (Section 3) (implementing regulation at 24 CFR Part 75), that helps foster local economic development, neighborhood economic development, and individual self-sufficiency. Section 3 requires that economic opportunities generated by CDBG-DR funds be targeted toward Section 3 residents. Section 3 eligible residents are low- and very low-income persons, particularly those who live or reside in public or government assisted housing.

For MCR Program projects receiving more than \$200,000 in CDBG-DR funds, Section 3 requires, to the greatest extent feasible, that developers and contractors provide training and job and business opportunities to low-income residents, especially those in the project area. The goal is for 25% of total work hours to be done by Section 3 workers and 5% by targeted workers (such as public housing residents). Contractors must include Section 3 language in contracts, keep detailed hiring and labor records, and report to DCR.

DCR is required to monitor Section 3 compliance and, as a result, may require applicants, or subrecipients, or contractors to provide to it or its designee all necessary and supporting documentation for DCR to ensure the same. For those entities that receive more than \$200,000 in HUD CDBG-DR assistance, and contractors that are awarded covered contracts that exceed \$100,000, DCR requires that an approved Section 3 plan be in place before the project is awarded and approved. Any failure to cooperate or comply may result in corrective action, including repayment, de-obligation of funds, or other enforcement actions as determined by DCR.

8.7 Minority- and/or Women-Owned Businesses

Minority-owned business enterprises (MBEs) must be at least 51 percent unconditionally and directly owned by one or more socially and economically disadvantaged individuals who are citizens of the United States (13 CFR Part 124). Women-owned business enterprises (WBEs) must be at least 51 percent owned and controlled by women who are U.S. citizens (13 CFR Part 127, Subpart B).

Section 281 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. § 12831) requires procedures acceptable to HUD to establish and oversee a minority outreach program within each such jurisdiction to ensure the inclusion, to the maximum extent possible, of minorities and women, and entities owned by minorities and women, in order to facilitate the participating jurisdiction to provide affordable housing authorized under this Act or any other Federal housing law applicable to such jurisdiction. Similarly, 2 CFR 200.321 requires DCR to take all necessary steps to ensure that all subrecipients, contractors, subcontractors, or developers funded in whole or in part with HUD CDBG-DR financial assistance ensure that contracts and other economic opportunities are directed to small businesses, M/WBEs, veteran-owned businesses, and labor surplus area firms when possible.

North Carolina ensures that public entities utilize M/WBEs through its Historically Underutilized Businesses (HUB) Program managed at the Division of Administration. As noted in the State's Executive Order 25, Section 5, the HUB Program works to incorporate HUD's programmatic requirements into contracting opportunities. Pursuant to EO 25, and as applicable, DCR, and through its subrecipients and contractors, must make best efforts to achieve an overall M/WBE participation goal of 10% of the entire contract.

8.8 Force Account Labor

Force account occurs when a local government subrecipient decides to perform specific duties using its own employees or equipment to perform CDBG-DR project related work, as opposed to using a contractor or vendor to complete those services. Force account may be used for services including construction, inspection, administration, project delivery, engineering, or other professional services. For example, a locality may procure a contractor to replace storm-damaged sewer lines but may choose to make the necessary post-construction street repairs using force account labor and equipment. In order to use force account labor, subrecipients must demonstrate that they have the staff, experience, equipment, and capacity to perform the work and must request and receive prior approval from DCR. This may be documented by approval of a project budget that includes force account labor as a line item. When using local staff, the subrecipient must have written personnel and employment policies that address specifically prohibited discriminatory practices against federally protected classes. These policies must comply with all applicable federal and state statutes and regulations.

Subrecipients that proceed without prior approval risk disallowance of all costs incurred. If eligible and properly documented, force account work may be reimbursable from the subrecipient's project budget. Force account may also help subrecipients leverage funds to use for other expenditures for which the subrecipient lacks in-house capacity.

8.9 Residential Anti-Displacement

When applicable, DCR and its subrecipients shall make every effort to minimize displacement of families from their homes and/or neighborhood, according to DCR's Residential Anti-displacement and Relocation Assistance Plan (RARAP).

8.10 Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA)

As a HUD-assisted program, the MCR Program is subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended, 42 U.S.C. § 4601 et seq., Section 104(d) of the Housing and Community Development Act of 1992, as amended (HCDA), 42 U.S.C. § 5304(d), to the extent HUD has not waived or provided alternative requirements, and HUD's implementing regulations including 49 CFR Part 24, 24 CFR Part 42, and 24 CFR Part 570, as applicable. These requirements apply to any acquisition, rehabilitation, or demolition of property funded in whole or in part with CDBG-DR funds that results in the temporary or permanent displacement of persons and businesses, as defined by 49 CFR Part 24.2, including tenants displaced due to rehabilitation, demolition, or acquisition or any physical or economic displacement associated with a federally assisted real estate project.

DCR is required to monitor URA compliance and, as a result, may require applicants, subrecipients, or contractors to provide to it or its designee all necessary and supporting documentation for DCR to ensure compliance with URA requirements, including preparing a relocation plan (if displacement is possible), a budget for relocation costs (if applicable), or evidence of URA compliance prior to execution of funding agreements and throughout project completion. Any failure to cooperate or comply may result in corrective action, including repayment, de-obligation of funds, or other enforcement actions as determined by DCR.

8.11 Environmental Review

All activities under the MCR Program are subject to environmental review in accordance with 24 CFR Part 58, the National Environmental Policy Act (NEPA), and other applicable federal and state environmental laws. The purpose of the environmental review process is to ensure that proposed projects do not negatively affect the environment (natural and human) and that environmental conditions do not jeopardize the safety and health of project residents.

8.11.1 Responsible Entity

DCR is the Responsible Entity (RE) for environmental review under 24 CFR Part 58. In this role, DCR will:

- Complete all required environmental reviews;
- Publish and distribute public notices as required;
- Maintain the Environmental Review Record (ERR);
- Prepare as needed the Request for Release of Funds (RROF);
- Verify that no choice limiting actions have occurred prior to the Authorization to Use Grant Funds (AUGF) is received; and
- Ensure that projects do not proceed until environmental clearance is issued.

In limited cases, DCR may delegate certain environmental review responsibilities or adopt environmental reviews conducted by other authorized local governments or state agencies, where permitted under 24 CFR Part 58. Any such delegation will be documented through a written agreement (e.g., Memorandum of Understanding or Interagency Agreement) that clearly outlines roles and responsibilities. Regardless of delegation, DCR remains the Responsible Entity and retains ultimate responsibility for ensuring compliance with NEPA and all applicable federal and state environmental requirements.

8.11.2 Timing and Restrictions on Commitment of Funds

In accordance with 24 CFR § 58.22, no commitment of CDBG-DR funds may occur, nor may any legally binding agreement for the purchase of property, or the commencement of physical work, including demolition, site clearing, or construction, be undertaken prior to DCR's completion of the environmental review process and the issuance of a formal Notice to Proceed. The primary purpose of a notice to proceed (NTP) is to control the timing of construction activities and avoid initiation of construction without proper permits or authorization by the Program. Any activity undertaken prior to environmental clearance is considered a choice-limiting action and may render the project ineligible for CDBG-DR assistance.

8.11.3 Scope of Review

Depending on the nature and location of the project, the environmental review may examine a range of potential impacts. These include but are not limited to compliance with historic preservation laws, such as Section 106 of the National Historic Preservation Act; evaluation of floodplain and wetlands risks in accordance with applicable Executive Orders; and the presence of hazardous materials or contamination, including proximity to toxic or explosive sites and the suitability of soils.

The review may also consider land use compatibility, including zoning, siting, and conformance with local and regional plans, as well as the project's impact on infrastructure and public services, such as water and sewer systems, stormwater drainage, transportation access, and emergency response capacity. In addition, reviewers will assess socioeconomic and demographic impacts, including the potential for displacement and compliance with environmental justice principles.

Finally, the environmental review may address impacts on natural resources and ecosystems, including air and noise quality, endangered species, and protected habitats. All reviews will be conducted in accordance with 24 CFR Part 58 and HUD environmental assessment guidance, including Form HUD-4128 where applicable.

Projects located in the FFRMS floodplain will require documentation of flood mitigation compliance per 24 CFR Part 55, and may require elevation, flood insurance, or alternative siting. Minimum flood insurance requirements are governed by applicable federal, state, local, and tribal laws and regulations related to both flood insurance and floodplain management, and are set forth in HUD's 2025 Revised Universal Notice at Section III.B.11.a.

8.11.4 Environmental Conditions for Approval

As a condition of receiving CDBG-DR assistance, project sponsors must cooperate fully with environmental review staff, provide all necessary site documentation and studies, and comply with any mitigation or remediation measures identified through the environmental review process. Environmental clearance must be secured before the project reaches the point of federal commitment, including final award and any disbursement of funds.

8.12 Protecting Sensitive and Personal Identifiable Information

MCR Program subrecipients, developers, contractors, and property managers must protect tenants' personal data—like Social Security numbers, income details, or disability status—when carrying out MCR Program activities. Access should be limited to authorized staff, records must be securely stored, and electronic files must be encrypted and password protected. Sensitive information should never be shared by unsecured email, and any breaches must be reported to DCR right away. Until the State issues its full policy, federal privacy laws and HUD guidance apply.

8.13 Conflict of Interest (COI)

All parties involved in the MCR Program (e.g., DCR Staff, subrecipients, developers, and contracted consultants, etc.) must comply with applicable state and federal conflict of interest requirements, including 2 CFR Parts 200.112, 200.318, and 200.319, and 24 CFR 570.489(h). Individuals or entities may not participate in the selection, award, or administration of any contract or activity supported by MCR Program funds if a real or apparent conflict of interest exists or potential conflicts have not been addressed administratively.

Each participant must disclose any financial or personal interest that could affect objectivity or result in personal gain. DCR will review all disclosures and determine whether a waiver is allowable under federal regulations. A Conflict of Interest Certification must be signed by applicable entities during application, contracting, or assignment of program roles, and must be updated as often as necessary to keep the information current and accurate.

Failure to disclose or resolve conflicts of interest may result in disqualification, funding recapture, or other corrective action.

Section 9: Financial Management and Disbursement

9.1 Allowable Costs

Costs charged to the MCR Program must be consistent with 2 CFR Part 200 (Cost Principles), the 2025 Revised Universal Notice, and HUD guidance on eligible construction and housing activities under Title I of the Housing and Community Development Act of 1974, as further defined in HUD Notice CPD-16-02 and 24 CFR § 570.201–204.

Allowable costs must support the implementation, construction, or rehabilitation of affordable multifamily rental housing projects that address unmet recovery needs caused by Hurricane Helene.

9.1.1 Pre-Award or Pre-Agreement Costs

Under the MCR Program, certain pre-award or pre-agreement costs incurred after the federal disaster declaration (September 28, 2024) may be eligible for reimbursement if they:

- Are directly tied to eligible project activities;
- Are necessary for project implementation; and
- Are documented at the time of application.

Examples include architectural design and environmental assessment. Applicants are required to document such costs and submit them for DCR review for eligibility and cost reasonableness. All pre-award or pre-agreement costs are incurred at the applicant's own risk and may only be considered for reimbursement if the project:

- Is awarded;
- Completed environmental clearance;
- Enters into a fully executed grant agreement; and
- No prohibited "Choice-Limiting Actions" occur before environmental clearance.

9.1.2 Examples of Allowable Direct Costs

- Acquisition of land and/or buildings (if not previously owned by the applicant)
- Environmental review costs (if not performed by DCR)
- Architectural and engineering services
- Demolition and site preparation
- Hard construction costs including:
 - Structural work,
 - Interior and exterior finishes,
 - Accessibility improvements,
- Mitigation measures (e.g., elevation, floodproofing)
- Utility and infrastructure connections
- Green building and energy efficiency improvements
- Developer fees, builder profit, and overhead (within program caps)
- Relocation costs, if applicable under the Uniform Relocation Act
- Capitalized reserves (replacement or operating reserves if required in underwriting)

9.1.3 Examples of Allowable Direct Soft Costs

The following costs may be allowable if directly tied to project development, properly budgeted, and approved in advance. These are direct costs and are not considered indirect or general administrative expenses (e.g., general overhead):

- Activity (or program) delivery costs, including administrative costs directly related to carrying out eligible activities;
- Market studies and appraisals;
- Construction management services;
- Legal and closing costs;
- Insurance and permit fees directly attributable to construction;
- Third-party inspections and certifications (e.g., lead/mold/asbestos/radon clearance, green building verification).

9.1.4 Activity Delivery Costs

The activity (or program) delivery costs (ADCs) of subrecipients, which include administrative costs that are directly related to carrying out CDBG-DR eligible activities, see 24 CFR § 570.206, are allowable costs directly related to the implementation and administration of eligible activities under the MCR Program. These costs are distinct from indirect or general administrative costs and must be:

- Reasonable and allocable, as defined by 2 CFR § 200.404 and 405;
- Documented in accordance with 2 CFR § 200.302 (Financial management); and
- Consistent with HUD guidance in CPD Notices 2013-07 and 2023-06, which outline eligible activity delivery costs for CDBG-DR and Mitigation funds.

ADCs include, but are not limited to:

- Environmental review services;
- Project underwriting and feasibility analysis;
- Construction inspections and progress monitoring;
- Administrative costs directly related to carrying out CDBG-DR eligible activities;
- Contractor and developer technical assistance;
- Legal services related to program agreements;
- Application intake and documentation review.

ADCs may be charged to the individual project budget as appropriate. All such costs must be adequately documented and will be evaluated for cost reasonableness and compliance with 2 CFR Part 200 cost principles. Caps on ADCs may be included in individual NOFOs.

Beneficiaries (e.g., developers, business owners, and homeowners) are not recipients or subrecipients (see 2 CFR 200.1 and 570.500(c)) and therefore cannot incur ADCs.

9.2 Unallowable Costs

The indirect or general administrative expenses of subrecipients that are not directly related to carrying out CDBG-DR eligible activities, see 24 CFR § 570.206, i.e., those that are not ADCs, will not be reimbursed. Unallowable costs also include those prohibited under federal cost principles or those associated with activities deemed ineligible pursuant to 24 CFR § 570.207.

9.3 Procurement and Bidding

Procurement under the MCR Program must comply with the most restrictive applicable Federal, State, or local requirements. MCR Program projects must follow federal procurement standards (2 CFR 200.317–200.327) to the extent applicable to state and local government grantees and their subrecipients, as well as all applicable state rules that ensure fair competition and reasonable costs. For-profit and non-profit developers participating as direct recipients of CDBG-DR funds are not subject to federal procurement standards when selecting contractors, vendors, or service providers for eligible project activities. Developers may follow their own procurement policies and procedures, provided that all costs are necessary, reasonable, and consistent with industry standards.

Designs must be prepared by licensed professionals, include backup bid options (adds and deducts), and go through value engineering to find cost savings. Projects must also meet resilience, energy, accessibility, and environmental requirements. Bids must be based on approved plans, fully documented, and awarded to qualified contractors who meet licensing, insurance, and labor compliance requirements.

For additional information, see DCR's [Procurement Policy](#).

9.4 Invoicing and Payment Requests

All requests for reimbursement or disbursement of MCR Program funds must follow an established invoicing and payment process administered by DCR. These requests must comply with applicable federal and DCR financial management regulations, including:

- 2 CFR § 200.302 (Financial management);
- 2 CFR § 200.305 (Federal payment);
- 24 CFR § 570.502 (Applicability of uniform administrative requirements);
- 2025 Revised CDBG-DR Universal Notice, Section V.C (Grant administration and financial management); and
- DCR's [Timely Expenditures of Grant Funds Policy](#).

9.4.1 General Requirements

- All MCR Program funds must be paid on a reimbursement basis, unless otherwise authorized (e.g., relocation payments in accordance with 49 CFR Part 24).
- Payment requests may only be submitted after execution of the funding agreement and must correspond to the approved project budget, scope of work, and construction timeline.
- The timing and amount of disbursement must minimize the time between receipt and expenditure of funds in accordance with 2 CFR § 200.305(b).
- Expenditures must be supported by adequate documentation and demonstrate that costs are:
 - Allowable under 2 CFR Part 200, Subpart E,
 - Reasonable and allocable pursuant to 2 CFR § 200.404–200.405, and
 - Incurred for eligible activities under 24 CFR § 570.201–570.206.

9.4.2 Required Payment Request Package Components

Each payment request must include the following elements:

- Itemized invoices from contractors, vendors, or service providers;
- Proof of incurred cost, such as canceled checks, executed contracts, or payment certifications;

- Documentation of work completed, such as progress photos, inspection reports, or architect's certifications;
- Updated budget-to-actual expenditure tracking;
- Signed certification by the authorized applicant representative, affirming compliance with all applicable federal and state requirements.

DCR reserves the right to request additional documentation to support payment requests, in accordance with 2 CFR § 200.302(b)(3)–(7).

9.4.3 Review and Approval Process

Payment requests will be reviewed and approved, by program managers, using the following process:

1. Submission: Payment packages must be submitted electronically via DCR's designated grants management system.
2. Review for Completeness: DCR will verify eligibility and compliance under the applicable program rules and 24 CFR § 570.502.
3. Clarifications or Corrections: If deficiencies are identified, the applicant will be notified and given an opportunity to revise and resubmit the package.
4. Approval and Disbursement: Once approved, funds will be disbursed in accordance with the draw schedule and 2 CFR § 200.305(b) requirements.

9.4.4 Retainage and Withholding

DCR may retain up to 10 percent of requested amounts until certain project milestones are met or until project closeout. Additional amounts may be withheld if:

- The request is incomplete or unsupported;
- Monitoring identifies unresolved findings (2 CFR § 200.339); or
- The project is out of compliance with grant terms or federal regulations.

9.5 Construction Payment Process

The Construction Payment Process under the MCR Program governs the disbursement of CDBG-DR funds tied specifically to construction-related costs. This process is designed to ensure timely payments to contractors while maintaining federal compliance, cost reasonableness, and appropriate documentation standards.

All construction payment requests must align with federal financial and grant management regulations, including:

- 2 CFR § 200.302 – Financial management;
- 2 CFR § 200.305 – Federal payment;
- 2 CFR § 200.317–200.327 – Procurement standards (if applicable);
- 24 CFR § 570.502 – Applicability of uniform administrative requirements;
- 24 CFR § 570.200(a)(5) – Cost principles.

9.5.1 Payment Timing and Frequency

Payment requests for construction activities must be submitted based on verified progress. The payment schedule should be established in coordination with DCR and should generally follow milestone-based or monthly intervals, depending on project size and scope.

No more than one payment request may be submitted per month unless a waiver is granted.

9.5.2 Required Documentation

Each construction payment request must include:

- Contractor pay application (e.g., AIA G702/G703 or equivalent);
- Supporting invoices for labor and materials;
- Updated construction budget and payment ledger;
- Evidence of work completed, such as:
 - Photos,
 - Third-party inspector signoffs,
 - Architect's certification (if applicable);
- Lien waivers or conditional releases for previously reimbursed payments;
- Certified payrolls (if Davis-Bacon applies under 24 CFR § 570.603).

All documentation must be retained by the recipient in accordance with the most restrictive Federal, State, or local requirements and made available to DCR or HUD upon request.

9.5.3 DCR Review and Oversight

Upon submission, DCR will:

- Verify consistency with the approved construction budget and scope of work;
- Confirm eligibility and reasonableness of costs;
- Conduct site inspections, when necessary, to validate progress;
- Review labor standards compliance, if applicable;
- Issue payment authorization once all requirements are satisfied.

DCR reserves the right to delay or withhold payment approval if discrepancies, cost concerns, or documentation deficiencies arise (per 2 CFR § 200.339).

9.5.4 Retention and Final Payment

- A retainage of up to 10 percent may be held from each payment until substantial completion or closeout.
- Final construction payments must include:
 - Certificate of occupancy;
 - Completion photos;
 - Final mechanic's lien releases;
 - Final inspection report or punch list approval;
 - Final budget reconciliation.

Final disbursement will not occur until all program, environmental, and contractual conditions are met.

9.6 Program Income

Program income activities must comply with the requirements set out in Section III.B.12 of HUD's 2025 Revised Universal Notice, which applies to state or local government grantees, as well as all subrecipients of those grantees. For-profit and non-profit developers are not subject to these program income requirements.

Program income is generally defined as any gross income generated from the use of CDBG-DR funds. When program income is generated by an activity that is only partially assisted with CDBG-DR funds, the income shall be prorated to reflect the percentage of CDBG-DR funds used. Under the MCR Program, program income may include, but is not limited to:

- Proceeds from the disposition by sale or long-term lease of real property purchased or improved with CDBG-DR funds;
- Residual receipts (rental income less operational and payments to the capital replacement/reserve fund);
- Repayments of loans;
- Proceeds from the sale of assisted properties during the affordability period;
- Interest earned on CDBG-DR funds held prior to disbursement;
- Any income related to the CDBG-DR grant received by grantees or subrecipients after closeout.

All program income must be:

- Reported in the Disaster Recovery Grant Reporting (DRGR) system and recorded in internal financial records;
- Returned to DCR unless an alternative use or retention is expressly authorized in writing;
- Expended on eligible CDBG-DR activities prior to the drawdown of additional federal funds, in accordance with 24 CFR § 570.504.

DCR is responsible for the tracking, reporting, and management of all program income in compliance with HUD regulations and DRGR guidance.

Subrecipients that generate program income must:

- Promptly report program income and remit to DCR;
- Comply with all remittance and documentation requirements specified in their grant agreements;
- Ensure that all use of program income meets CDBG-DR eligibility standards and federal cost principles under 2 CFR Part 200.

Failure to comply with program income requirements may result in repayment, de-obligation of funds, or other enforcement actions as determined by DCR.

9.7 Financial Reporting and Audit

All project sponsors of MCR Program funds must maintain financial records and reporting practices that ensure transparency, accountability, and compliance with federal grant requirements. These responsibilities are governed by:

- 2 CFR § 200.302 – Financial management;
- 2 CFR § 200.328–200.330 – Financial and other program reporting;
- 2 CFR Part 200, Subpart F – Audit requirements;
- 24 CFR § 570.502 – Applicability of uniform administrative requirements;
- Other State and local requirements.

9.7.1 Financial Reporting Requirements

MCR Program participants must submit financial reports to DCR as required in its funding agreements. Reports must include:

- Expenditure-to-budget comparisons;
- Line-item budget updates reflecting actual costs to date;
- Cash on hand balances, if any advance payments were made;
- Construction progress tied to financial payments.

Reporting frequency (typically quarterly or monthly) will be determined by DCR based on project size, risk level, and funding structure. Reports must be accurate, complete, and submitted on time, as required by 2 CFR § 200.328.

9.7.2 Annual Single Audit Requirement

Any non-Federal entity that expends \$1,000,000 or more in total federal funds (all sources including CDBG-DR) during its fiscal year is subject to the Single Audit Act and must:

- Conduct an independent audit in accordance with 2 CFR § 200.501;
- Submit the audit to the Federal Audit Clearinghouse (FAC) within 30 calendar days of receipt of the auditor's report or 9 months after the end of the fiscal year (whichever is earlier);
- Provide a copy of the audit or audit confirmation to DCR.

If the MCR project is part of a larger organizational audit, the project sponsor must ensure that the Schedule of Expenditures of Federal Awards (SEFA) clearly identifies CDBG-DR funds by CFDA/Assistance Listing Number 14.228.

Local governments and public authorities must adhere to N.C. Gen. Stat. § 159-34 and the requirements of the Local Government Commission (LGC). All non-state entities except contractors and local governments must follow the NC Administrative Code (NCAC) Chapter 09, Subchapter 03M, Section .0100 (09 NCAC 03M .0100), *et seq.*

9.7.3 Corrective Action and Resolution

If the audit identifies material weaknesses, questioned costs, or noncompliance:

- The project sponsor must submit a Corrective Action Plan within 30 days;
- DCR will work with the entity to ensure timely resolution and monitor progress per 2 CFR § 200.511;
- Unresolved or repeated findings may result in suspension of payments, repayment of disallowed costs, or other remedies under 2 CFR § 200.339.

9.7.4 DCR Monitoring

In addition to external audit requirements, DCR will conduct periodic internal financial monitoring to:

- Review accounting practices;
- Assess payment documentation and disbursement controls;
- Confirm compliance with cost principles under 2 CFR Part 200, Subpart E;
- Ensure adherence to matching, leveraging, and DOB requirements.

Section 10: Compliance and Monitoring

10.1 Performance Monitoring and Site Inspections

DCR will conduct performance monitoring and physical site inspections to verify that projects funded under the MCR Program are developed and operated in accordance with all applicable federal, state, and program-specific requirements.

This monitoring aligns with the requirements of:

- 2 CFR §§ 200.328-332 – Monitoring responsibilities;
- 24 CFR § 570.503(b) – Agreements with subrecipients;
- 2025 Revised Universal Notice.

10.1.1 Monitoring Objectives

- Ensure that project construction, lease-up, and operations meet program goals;
- Identify and address noncompliance or performance issues early;
- Verify the eligibility of costs and beneficiaries;
- Confirm that environmental, labor, accessibility, and affordability requirements are met.

10.1.2 Monitoring Schedule

Monitoring visits will occur based on a risk analysis conducted by DCR. The frequency and type of monitoring will depend on factors such as project complexity, prior compliance history, stage of development, and expenditure levels. Monitoring visits may include:

- Pre-construction (to confirm site conditions and readiness);
- During construction (to review progress and compliance with Davis-Bacon, Section 3, and accessibility requirements);
- At lease-up (to verify income eligibility, tenant selection, and rent limits); and
- At least annually during the affordability period (to ensure ongoing compliance).

10.1.3 Onsite Inspections

DCR or its designees will conduct onsite inspections for projects determined to require additional oversight, based on risk assessment and monitoring plan. Inspections are conducted to:

- Visually confirm project progress or completion;
- Review unit quality and code compliance;
- Verify the number and condition of assisted units;
- Inspect tenant files and rent rolls (post-occupancy).

Findings will be documented in a Monitoring Report, which may include required corrective actions and deadlines for resolution. Failure to comply with the monitoring and inspection process or to resolve findings may result in suspension of payments or recapture of funds under 2 CFR § 200.339, as well as other remedial actions such as technical assistance mandates, increased oversight or reporting frequency, or suspension from future funding rounds.

10.2 Asset Management and Long-Term Compliance

All properties funded through the MCR Program are subject to ongoing asset management and long-term compliance monitoring for the full duration of the required affordability period, which is a minimum of 20 years for new construction and may vary for other project types as defined in the award agreement.

DCR, or its designee, administers this oversight through a combination of annual owner reporting, physical desk inspections, file reviews, and verification of occupancy, rent limits, and property condition. DCR, or its designee, will maintain a centralized compliance tracking system to document submissions, monitor deadlines, and flag potential violations. Enforcement measures, including corrective action plans or recapture of funds, may be applied when noncompliance is identified.

This oversight ensures continued adherence to federal requirements and protection of the public investment.

10.2.1 Affordability Period Oversight

Per 2 CFR § 200.332, 24 CFR § 570.503(b), and the MCR Program guidelines, affordability period requirements are enforced through:

- Recorded regulatory agreements or deed covenants;
- Ongoing reporting and certification by property owners;
- Onsite monitoring and inspections by DCR or its designees;
- Enforcement actions if violations are identified.

The affordability period begins at project completion and initial lease-up, as defined by HUD.

10.2.2 Affordability Period Compliance Responsibilities

Property owners must:

- Comply with HUD rent limits as adopted by DCR;
- Lease units only to income-eligible households;
- Provide annual compliance certifications, including rent rolls, tenant income verification summaries, and unit mix documentation;
- Maintain the property in decent, safe, and sanitary condition in accordance with all applicable local codes and HUD physical condition standards; and
- Maintain capital reserve replacement funds and hazard insurance at levels consistent with lender requirements, industry best practices, and as may be required by HUD or DCR.

10.2.3 Maintain Property Standards

Developers and property owners must maintain assisted properties in decent, safe, and sanitary condition throughout the affordability period. This includes compliance with:

- HUD's Uniform Physical Condition Standards (UPCS);
- Local building and housing codes; and
- Applicable accessibility, lead-based paint, and hazard mitigation requirements.

10.2.4 Day-to-Day Property Management Expectations

To meet ongoing compliance and physical standards, owners are expected to:

- Conduct regular preventive maintenance and repairs;
- Promptly address deficiencies or code violations identified through inspections, self-assessments, or tenant complaints;
- Ensure utility allowances are properly updated and applied;
- Uphold tenant selection, eligibility, and leasing documentation practices as part of routine operations.

10.2.5 DCR Oversight Activities

DCR will:

- Conduct periodic desk reviews of annual owner compliance reports;
- Perform physical inspections and tenant file reviews at intervals determined by risk level and HUD monitoring standards;
- Respond to tenant complaints and perform triggered inspections when warranted;
- Monitor for potential violations, such as:
 - Over-income tenants remaining in restricted units without proper rent adjustments;
 - Improper use or conversion of restricted units;
 - Failure to maintain unit conditions or required amenities.

10.2.6 Noncompliance and Enforcement

If a property is found to be out of compliance, DCR may:

- Issue a Notice of Noncompliance with specific corrective actions and deadlines;
- Require reimbursement of ineligible costs or disallowed rent collections;
- Withhold future disbursements or impose penalties for repeated or unresolved issues;
- Enforce recapture or deed enforcement actions in accordance with state law and HUD policy.

All compliance records must be retained for at least five years beyond the close of the affordability period in accordance with 09 NCAC 03M .0703.

10.3 Rent and Income Limit Monitoring

All units assisted under the MCR Program must comply with rent and income targeting requirements established in the project's funding agreement and consistent with the HUD HOME Investment Partnerships Program standards. These requirements are monitored by DCR for the entire affordability period to ensure compliance with LMI benefit requirements and program affordability goals.

10.3.1 Income Limit Compliance

DCR will monitor:

- Initial and annual household income certifications (as applicable);
- Income eligibility at the time of move-in using HUD Part 5 income definitions (per 24 CFR § 5.609);
- Documentation supporting eligibility and accuracy of determinations;
- Timely re-certification or file updates when required.

If a household becomes over-income, the unit must still be managed to ensure compliance with income-targeting requirements on turnover or through unit designation adjustments, per HUD guidance.

10.3.2 Rent Limit Compliance

Rent limits are based on the HUD-published HOME rent limits, which establish maximum gross rents (including utilities) by bedroom size and area. These rent limits:

- Are updated annually by HUD;
- Must be applied for each income-targeted unit;
- Require allowances for tenant-paid utilities based on an approved utility allowance schedule.

DCR will monitor:

- Gross rents charged to tenants;
- Utility allowance documentation and deductions;
- Rent increases and lease renewals for compliance with published limits;
- The distribution of rent-restricted units within the project.

All rent-restricted units must remain in compliance with the applicable rent limits throughout the affordability period. Compliance will be verified through annual desk reviews, comparison to published limits, and field audits as needed.

10.3.3 Reporting and Documentation

Owners must submit annual rent and occupancy reports, including:

- Unit-by-unit rent rolls;
- Household income levels;
- Utility allowance used;
- Certification of compliance signed by an authorized representative.

DCR will verify the accuracy of this data through:

- Desk reviews;
- Onsite tenant file audits; and
- Cross-checks against previously submitted certifications.

10.3.4 Noncompliance

Failure to comply with monitoring or with income or rent limits may result in:

- Required repayment of ineligible rent overages;
- Loss of MCR Program compliance status for affected units; or
- Potential recapture or enforcement actions as defined in the regulatory agreement and 24 CFR § 570.503.

10.4 Record Retention and Reporting

Multifamily project sponsors must keep detailed files—e.g., covering applications, environmental reviews, financials, construction, tenant certifications, and compliance reports—to show proper use of funds. State law (09 NCAC 03M .0703) requires all program-related records, including tenant/occupancy records, to be retained for a minimum of 5 years from project closeout or until all audit exceptions have been resolved, whichever is longer. All records – including all books, accounts, records, reports, files, and other papers, or property pertaining to the administration, receipt and use of CDBG funds and necessary to facilitate such

reviews and audits – must be accessible to DCR, representatives of HUD, the HUD Office of the Inspector General (OIG), and the General Accounting Office, and other oversight bodies upon request. Reports must be submitted regularly, and missing or incomplete records may trigger corrective actions or withheld payments.

10.5 Fraud, Waste, and Abuse

Grantees and subrecipients must ensure that MCR Program funds are spent properly and efficiently. As a result, each must have adequate policies and procedures in place to prevent fraud, waste, and abuse and to provide CDBG-DR beneficiaries with information to prevent, become aware of, and assist in reporting, the same, as set forth in Section II.A.1.d of HUD's 2025 Revised Universal Notice.

All grantees receiving funds for the first time shall attend and require subrecipients to attend fraud-related training provided by HUD Office of the Inspector General (OIG), when offered, to assist in the proper management of CDBG-DR grant funds.

In accordance with 2 CFR 200.113, grantees and subrecipients of CDBG-DR must promptly inform in writing the OIG and HUD when it has credible evidence of violations of federal criminal law involving fraud, bribery, or gratuities or a violation of the civil False Claims Act that could potentially affect the federal award at <https://www.hudoig.gov/hotline/report-fraud> (a subrecipient must also inform DCR of the same). All other instances of fraud, waste, and abuse should be referred to the HUD OIG Fraud Hotline (phone: 1-800-347-3735 or email: hotline@hudoig.gov).

Moreover, anyone can report suspected fraud, waste, or abuse to DCR, state agencies, HUD, or the U.S. Treasury. DCR supports compliance through training and oversight.

For additional information, see DCR's [Fraud, Waste, and Abuse Policy](#).

10.6 Corrective Action and Risk-Based Monitoring

10.6.1 Risk-Based Monitoring Approach

In accordance with 2 CFR § 200.332(c), DCR will implement a risk-based monitoring strategy to assess the level and frequency of monitoring required for each MCR Program recipient.

Key risk factors include:

- Size of the award or subgrant;
- Complexity of the project (e.g., multi-phase developments, layered funding);
- Past performance, including timeliness and quality of reporting;
- Results of previous monitoring visits;
- Environmental review level; and
- Organizational capacity and staffing changes.

Based on this assessment, DCR will assign recipients to a low, moderate, or high-risk category, which will inform:

- Frequency of desk reviews and onsite monitoring;
- Depth of tenant file reviews;
- Additional technical assistance needs.

10.6.2 Corrective Action Process

If noncompliance is identified through monitoring, DCR will issue a formal Notice of Finding or Concern, which outlines:

- The nature of the issue;
- The regulatory requirement violated;
- Required corrective actions;
- A deadline for resolution (typically 30–60 days).

In cases of serious or repeated noncompliance, DCR may:

- Impose payment holds or conditions;
- Require reimbursement of disallowed costs;
- Refer the issue for further review or enforcement.

Corrective actions must be documented and verified by DCR staff prior to closing the issue. Continued failure to resolve findings may result in suspension or termination of funding, consistent with 2 CFR § 200.339.

Section 11: Closeout and Program Amendments

The closeout process ensures that all obligations under the MCR Program are fulfilled, expenditures are properly reconciled, and long-term compliance responsibilities are clearly documented. Closeout represents the formal conclusion of the active grant period for a project, while also establishing the framework for post-award monitoring during the affordability period.

In accordance with 2 CFR § 200.344 and the 2025 Revised Universal Notice, DCR will initiate closeout procedures once all construction work has been completed, all funds disbursed, and any performance or occupancy benchmarks have been met. Final reports, documentation, and certification of compliance will be required prior to grant closeout.

11.1 Project Completion and Closeout Checklist

Once a project funded through the MCR Program reaches physical completion and final disbursement of funds, DCR will initiate the closeout process. This involves verifying that all program requirements have been met and that no outstanding obligations remain.

Project sponsors must submit a Project Closeout Package, which will include, at a minimum:

- Certificate of Occupancy or final inspection report;
- As-built and shop designs;
- Warranties;
- Final budget and expenditure report;
- Confirmation of affordability period start date;
- Documentation of final payment and lien waivers;
- Certification of compliance with Davis-Bacon, Section 3, and Section 504 (if applicable);
- Environmental clearance or mitigation documentation (as required);
- Affirmative Fair Housing and marketing compliance certification.

DCR will conduct a closeout review and issue a formal closeout letter, documenting that all funds were used appropriately and that the project has transitioned into its affordability compliance period.

11.2 Affordability Period Tracking and Enforcement

Following project closeout, properties enter the affordability period as defined in their agreement (20 years minimum). During this time, owners must comply with all affordability, rent limit, and income targeting requirements established in the program guidelines and regulatory agreement.

DCR (or its designee) will:

- Maintain a compliance tracking system to monitor ongoing obligations;
- Require annual owner certifications, tenant income data, and rent roll submissions;
- Conduct periodic on-site monitoring and desk reviews;
- Enforce corrective actions for any noncompliance, including repayment, unit re-designation, or other remedies.

Owners must respond to notices of noncompliance within fifteen (15) calendar days of receipt, which shall be presumed as the date of email delivery unless otherwise specified. Written responses may be submitted via email or other methods identified in the notice. Failure to maintain compliance during the affordability period may trigger enforcement actions, including recapture under the terms of the recorded agreement and per 24 CFR § 570.503.

11.3 Program Amendments and Policy Revisions

DCR may amend the MCR Program's policies, procedures, or implementation strategy in response to evolving recovery needs, regulatory changes, public feedback, or HUD direction. Amendments may involve adjustments to funding allocations, program priorities, compliance requirements, or eligibility criteria.

Any substantial amendment to the MCR Program will be made consistent with the provisions of the Action Plan and subject to HUD's substantial amendment requirements, as defined in the 2025 Revised Universal Notice. DCR will also issue updated program documents, policies, or NOFOs as necessary to communicate changes to stakeholders and applicants.

Subrecipients, developers, and awardees will be required to comply with the most current program guidance, unless otherwise specified in their executed funding agreements.

11.4 Revisions to Program Scope or Budget

Any changes to the scope, budget, or timeline of an awarded MCR project must be reviewed and approved by DCR in writing prior to implementation.

Examples of project-level amendments include:

- Shifts in unit mix or affordability levels;
- Changes to location, ownership entity, or design specifications;
- Material changes to project financing, including leveraged sources¹²;

¹² A material change refers to any modification that significantly alters the scope, cost, timing, financing structure, or compliance of the project. This includes, but is not limited to, changes that impact eligibility, affordability, or long-term feasibility.

- Budget revisions involving reallocation across major line items (e.g., soft costs to hard costs), including any revision that results in a cumulative change of 10 percent or more of the total project budget, will require a written amendment and prior approval by DCR; and
- Requests for extensions to construction or lease-up timelines.

Project sponsors must submit a written amendment request with justification, revised project documents (e.g., budget, timeline, pro forma), and any applicable third-party approvals. DCR will evaluate whether the change:

- Remains compliant with the project's original purpose and federal eligibility;
- Does not result in a duplication of benefits; and
- Continues to meet the requirements of the affordability agreement and applicable regulations.

If the revision is approved, an amendment to the funding agreement will be issued and signed before changes take effect. Amendments must be documented and retained in the project file per 2 CFR § 200.334.

Section 12: Citizen Participation and Public Engagement

DCR is committed to engaging the public in a transparent and effective manner throughout the design and implementation of the MCR Program. Citizen participation is a required element under the CDBG-DR program and ensures that recovery investments reflect the needs of communities affected by Hurricane Helene. Additionally, each local government receiving assistance from DCR must also follow a detailed citizen participation plan that satisfies the requirements of 24 CFR Part 570.486 (except as provided for in waivers and alternative requirements).

For additional information, see DCR's [Citizen Participation Plan \(CPP\)](#).

12.1 Overview and Regulatory Requirements

DCR's citizen participation approach is guided by the requirements set forth in:

- The 2025 Revised Universal Notice;
- 24 CFR Part 570.486 (Citizen Participation);
- The State's HUD-approved CDBG-DR Action Plan; and
- DCR's Citizen Participation Plan (CPP).

These policies and regulations require that DCR provide opportunities for the public to review and comment on major program decisions and ensure that program information is accessible, inclusive, and publicly available throughout the recovery process.

12.2 Ongoing Community Engagement

DCR will continue engaging the public and stakeholders during program implementation. Engagement activities may include:

- Stakeholder meetings with local governments, developers, and housing professionals;
- Public informational sessions or webinars;
- Program updates posted online; or
- Outreach to communities with significant housing recovery needs.

Additional input may be solicited prior to the release of future funding rounds or NOFO updates.

12.3 Public Comments and Incorporation

Public comments submitted during formal comment periods or outreach events will be reviewed and considered by DCR. A summary of comments and responses will be published on the program website for each applicable comment period.

Feedback may be used to refine program policies, adjust application requirements, or improve future public outreach efforts.

12.4 Complaints

Should any applicant or member of the public have complaints concerning the award or administration of CDBG-DR funds, complaints should be addressed using the following official channels:

- Online: The Complaint Submission Form can be found under the Complaints section at <https://www.commercerecovery.nc.gov/about/contact-us>.
- Phone: DCR Complaint Line at 919-707-1560
- Mail: Division of Community Revitalization – Constituent Services
301 North Wilmington Street
4301 Mail Services Center
Raleigh, NC 27699-4301
- Email: dcr.constituentservices@commerce.nc.gov

The Constituent Services team will make every effort to provide a timely written response upon receipt of a citizen's petition, within fifteen (15) business days, as expected by HUD, where practicable.

Reports of suspected fraud, waste, or abuse of government funds may also be directed to the Office of State Budget and Management at FWA@osbm.nc.gov.

12.5 Contact Information and Public Access

Program updates, Action Plan materials, and information on how to submit public comments are available on DCR's disaster recovery website: <https://www.commercerecovery.nc.gov/renew-nc-programs>.

These, and other related DCR policies are available at: <https://www.commercerecovery.nc.gov/plans-policies-and-reports>.